IMPORTANT NOTICE

NOT FOR DISTRIBUTION IN THE UNITED STATES

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Confirmation of Your Representation: You have accessed the attached document on the basis that you have confirmed to Nan Fung Treasury (II) Limited (the "**Issuer**"), Nan Fung International Holdings Limited (the "**Guarantor**") and The Hongkong and Shanghai Banking Corporation Limited, Citigroup Global Markets Limited, J.P. Morgan Securities plc and UBS AG Hong Kong Branch (the "**Joint Lead Managers**") that: (1) you and any customers you represent are not in the United States, (2) the electronic mail address that you gave us and to which this e-mail has been delivered is not located in the United States, and (3) you consent to delivery of this document by electronic transmission. To the extent you purchase the securities described in the attached document, you will be doing so in an offshore transaction as defined in regulations under the Securities Act in compliance with Regulation S thereunder.

The Offering Circular has been made available to you in electronic form. You are reminded that documents transmitted via this medium may be altered or changed during the process of transmission and consequently neither the Issuer, the Guarantor, the Joint Lead Managers nor any of their affiliates, directors, officers, employees, representatives, agents and each person who controls any of them accepts any liability or responsibility whatsoever in respect of any such alteration or change to the Offering Circular distributed to you in electronic format or any difference between the Offering Circular distributed to you in electronic format and the hard copy version.

Restrictions: Nothing in this electronic transmission constitutes, and may not be used in connection with, an offer or an invitation by or on behalf of any of the Issuer, the Guarantor or the Joint Lead Managers to subscribe or purchase any of the securities described therein, in any place where offers or solicitations are not permitted by law and access has been limited so that it shall not constitute in the United States or elsewhere directed selling efforts (within the meaning of Regulation S under the Securities Act). If a jurisdiction requires that the offering be made by a licensed broker or dealer and any Joint Lead Manager or any affiliate of a Joint Lead Manager is a licensed broker or dealer in that jurisdiction, the offering shall be deemed to be made by that Joint Lead Manager or such affiliate on behalf of the Issuer and the Guarantor in such jurisdiction. Any securities to be issued in respect thereof will not be registered under the Securities Act and may not be offered or sold in the United States unless registered under the Securities Act or pursuant to an exemption from such registration. Access has been limited so that it shall not constitute a general solicitation in the United States or elsewhere. If you have gained access to this transmission contrary to the foregoing restrictions, you will be unable to purchase any of the securities described therein.

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NAN FUNG TREASURY (II) LIMITED

(incorporated with limited liability in the British Virgin Islands)

U.S.$500,000,000 5.50 per cent. Guaranteed Senior Perpetual Capital Securities

Issue Price: 100.00 per cent.
unconditionally and irrevocably guaranteed by

NAN FUNG INTERNATIONAL HOLDINGS LIMITED

(incorporated with limited liability in the British Virgin Islands)

The 5.50 per cent. guaranteed senior perpetual capital securities in the aggregate principal amount of U.S.$500,000,000 (the "**Securities**") will be issued by Nan Fung Treasury (II) Limited (the "**Issuer**") and will be unconditionally and irrevocably guaranteed (the "**Guarantee of the Securities**") by Nan Fung International Holdings Limited (the "**Guarantor**" or the "**Company**"), a company incorporated with limited liability in the British Virgin Islands.

The Securities confer a right to receive distributions (each, a "**Distribution**") for the period from and including 29 May 2017 (the "**Issue Date**") at the applicable rate described below (the "**Distribution Rate**"). Subject to the provisions of the Securities relating to deferral of Distribution (see "*Terms and Conditions of the Securities — Distribution — Distribution Deferral*"), Distributions shall be payable semi-annually in arrear on 29 May and 29 November of each year (each, a "**Distribution Payment Date**") commencing on 29 November 2017.

Unless previously redeemed in accordance with the terms of the Securities and subject to Condition 4(c) of the Terms and Conditions of the Securities (*Increase in Distribution following a Change of Control)*, Distributions shall accrue on the outstanding principal amount of the Securities at a rate of 5.50 per cent. per annum.

The Issuer may, at its sole discretion, elect to defer any Distribution (including any Arrears of Distribution and any Additional Distribution Amount) which is otherwise scheduled to be paid on a Distribution Payment Date to the next Distribution Payment Date unless, during the three months ending on the day before that scheduled Distribution Payment Date, a Compulsory Distribution Payment Event has occurred. Any Distribution so deferred shall remain outstanding in full and constitute Arrears of Distribution. Each amount of Arrears of Distribution shall bear distribution as if it constituted the principal of the Securities at the prevailing Distribution Rate and the amount of such distribution ("**Additional Distribution Amount**") with respect to Arrears of Distribution shall be calculated by applying the Distribution Rate to the amount of the Arrears of Distribution as described in "*Terms and Conditions of the Securities — Distribution — Distribution Deferral — Cumulative Deferral*". The Issuer may further defer any Arrears of Distribution and Additional Distribution Amounts by complying with the specified notice requirements. The Issuer is not subject to any limits as to the number of times any Distributions and Arrears of Distribution may be deferred. See "*Terms and Conditions of the Securities — Distribution — Distribution Deferral — Cumulative Deferral*".

Upon the occurrence of a Change of Control as defined in the Terms and Conditions of the Securities), unless an irrevocable notice to redeem the Securities has been given to Holders by the Issuer by the 30th day following the occurrence of the Change of Control, the Distribution Rate will be increased by 3.00 per cent. per annum with effect from (a) the next Distribution Payment Date or (b) if the date on which such event occurs is prior to the most recent preceding Distribution Payment Date, such Distribution Payment Date. See "*Terms and Conditions of the Securities — Distribution — Increase in Distribution Rate following a Change of Control*". If following an increase in the Distribution Rate after a Change of Control, such Change of Control is cured, remedied or no longer applicable or no longer continuing, upon notification to the Holders, the Trustee and the Principal Paying Agent, the Distribution Rate shall be decreased by 3.00 per cent. per annum with effect from (and including) the next Distribution Payment Date immediately following the date of the notification referred to in the Terms and Conditions of the Securities, as further described in "*Terms and Conditions of the Securities — Distribution — Increase in Distribution Rate following a Change of Control — Decrease in Distribution Rate*".

If on any Distribution Payment Date, payment of all Distributions scheduled to be made on such date is not made in full, the restrictions as described in "*Terms and Conditions of the Securities — Distribution — Distribution Deferral — Restrictions in the case of Deferral*" shall apply.

The Securities will constitute direct, general, unsecured, unconditional and unsubordinated obligations of the Issuer and will at all times rank *pari passu* and without any preference among themselves and at least *pari passu* with all other present and future unsubordinated and unsecured obligations of the Issuer, save for such obligations as may be preferred by provisions of law that are both mandatory and of general application.

The Guarantee of the Securities constitutes a direct, general, unsecured, unconditional and unsubordinated obligation of the Guarantor which will at all times rank at least *pari passu* with all other present and future unsubordinated and unsecured obligations of the Guarantor, save for such obligations as may be preferred by provisions of law that are both mandatory and of general application.

Payments on the Securities will be made without withholding or deduction for taxes of the British Virgin Islands or any political subdivision or any authority thereof or therein having power to tax (each, a "**Relevant Jurisdiction**") to the extent described in "*Terms and Conditions of the Securities — Taxation*".

The Securities are perpetual securities and have no fixed redemption date. The Issuer may redeem all, but not some, of the Securities on 29 May 2020 or any Distribution Payment Date thereafter at their principal amount (together with any Distribution accrued to the date fixed for redemption (including any Arrears of Distribution and any Additional Distribution Amount)). The Securities may also be redeemed at the option of the Issuer in whole, but not in part, at the relevant prices specified in "*Terms and Conditions of the Securities — Redemption and Purchase*" upon the occurrence of (a) certain changes affecting taxes of any Relevant Jurisdiction, (b) any change or amendment to the Relevant Accounting Standards such that the Securities must not or must no longer be recorded as "equity" of the Guarantor pursuant to the Relevant Accounting Standards, (c) a Change of Control or (d) if at least 90 per cent. in principal amount of the Securities originally issued has already been redeemed or purchased and cancelled.

Investing in the Securities involves certain risks. Investors should be aware that the Securities are perpetual in tenor and that they have no right to require redemption, that Distribution may be deferred in the circumstances set out in "*Terms and Conditions of the Securities — Distribution — Distribution Deferral*", that there are limited remedies for default under the Securities and that there are various other risks relating to the Securities, the Group, its business and its jurisdictions of operations which they should familiarise themselves with before making an investment in the Securities. See "*Risk Factors*" beginning on page 15.

The Securities and the Guarantee of the Securities have not been and will not be registered under the United States Securities Act of 1933, as amended (the "Securities Act") and may not be offered or sold within the United States, except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act. The Securities are being offered in offshore transactions outside the United States in reliance on Regulation S under the Securities Act. For a description of these and certain further restrictions on offers and sales of the Securities and the Guarantee of the Securities and the distribution of this Offering Circular, see "*Subscription and Sale*".

Approval in-principle has been received from the Singapore Exchange Securities Trading Limited (the "**SGX-ST**") for the listing of and quotation for the Securities on the Official List of the SGX-ST. The SGX-ST assumes no responsibility for the correctness of any of the statements made or opinions expressed or reports contained in this Offering Circular. Admission of the Securities to the Official List of the SGX-ST is not to be taken as an indication of the merits of the Securities, the Guarantee of the Securities, the Issuer, the Guarantor, its subsidiaries and/or its associated companies.

The Securities will be represented by beneficial interests in the global certificate (the "**Global Certificate**") in registered form which will be registered in the name of a nominee of, and shall be deposited on or about the Issue Date with a common depositary for, Euroclear Bank SA/NV ("**Euroclear**") and Clearstream Banking S.A. ("**Clearstream**"). Beneficial interests in the Global Certificate will be shown on, and transfers thereof will be effected only through, records maintained by Euroclear and Clearstream. Except as described herein, certificates for the Securities will not be issued in exchange for interests in the Global Certificate.

The Securities are expected to be rated Baa3 by Moody's Investors Services ("**Moody's**"). A security rating is not a recommendation to buy, sell or hold securities and may be subject to suspension, reduction or withdrawal at any time by the assigning rating agency. The Guarantor is rated Baa3 by Moody's.

Sole Global Coordinator

HSBC

Joint Bookrunners and Joint Lead Managers

HSBC	**Citigroup**	**J.P. Morgan**	**UBS**

This Offering Circular is dated 22 May 2017

Each of the Issuer and the Guarantor, having made all reasonable enquiries, confirms that to the best of their knowledge and belief (i) this Offering Circular contains all material information with respect to the Issuer, the Guarantor and the Guarantor's subsidiaries taken as a whole (the Guarantor and its subsidiaries collectively, the "**Group**"), and to the Securities, (ii) all statements of fact relating to the Issuer, the Guarantor, the Group and to the Securities and the Guarantee of the Securities contained in this Offering Circular are in every material particular true and accurate and not misleading in any material respect, and that there are no other facts in relation to the Issuer, the Guarantor, the Group and to the Securities and the Guarantee of the Securities the omission of which would in the context of the issue of the Securities make any statement in this Offering Circular misleading in any material respect, (iii) the statements of intention, opinion, belief or expectation with regard to the Issuer, the Guarantor and the Group contained in this Offering Circular are honestly made or held and have been reached after considering all relevant circumstances and have been based on reasonable assumptions, and (iv) all reasonable enquiries have been made by the Issuer and the Guarantor to ascertain such facts and to verify the accuracy of all such statements. This Offering Circular has been prepared by the Issuer and the Guarantor solely for use in connection with the proposed offering of the Securities and giving of the Guarantee of the Securities described in this Offering Circular. The distribution of this Offering Circular, the offering of the Securities and the giving of the Guarantee of the Securities in certain jurisdictions may be restricted by law. Persons into whose possession this Offering Circular comes are required by the Issuer, the Guarantor, The Hongkong and Shanghai Banking Corporation Limited, Citigroup Global Markets Limited, J.P. Morgan Securities plc and UBS AG Hong Kong Branch (the "**Joint Lead Managers**") to inform themselves about and to observe any such restrictions. No action is being taken to permit a public offering of the Securities and giving of the Guarantee of the Securities or the distribution of this document in any jurisdiction where action would be required for such purposes. There are restrictions on the offer and sale of the Securities and the Guarantor giving the Guarantee of the Securities, and the circulation of documents relating thereto, in certain jurisdictions and to persons connected therewith. For a description of certain further restrictions on offers, sales and resales of the Securities and distribution of this Offering Circular, see "*Subscription and Sale*".

No person has been authorised to give any information or to make any representation other than those contained in this Offering Circular or any other document entered into in relation to the offer and sale of the Securities and, if given or made, such information or representation should not be relied upon as having been authorised by the Issuer, the Guarantor or the Joint Lead Managers. Neither the delivery of this Offering Circular nor any offering, sale or delivery made in connection with the issue of the Securities shall, under any circumstances, constitute a representation that there has been no change or development reasonably likely to involve a change in the affairs of the Issuer, the Guarantor, the Group or any of them since the date hereof or create any implication that the information contained herein is correct as at any date subsequent to the date hereof.

None of the Joint Lead Managers, the Trustee (as defined herein) or the Agents (as defined herein) has separately verified the information contained in this Offering Circular. None of the Joint Lead Managers, the Trustee or the Agents, or any director, officer, employee, agent or affiliate of any such person, makes any representation, warranty or undertaking, express or implied, or accepts any responsibility or liability, with respect to the accuracy or completeness of any of the information contained in this Offering Circular or any information supplied in connection with the Securities and the Guarantee of the Securities. Each person receiving this Offering Circular acknowledges that such person has not relied on the Joint Lead Managers or the agents or any of their respective affiliates in connection with its investigation of the accuracy of such information or its investment decision, and each such person must rely on its own examination of the Issuer, the Guarantor, the Group and the merit and risks involved in investing in the Securities. See "*Risk Factors*" for a discussion of certain factors to be considered in connection with an investment in the Securities.

To the fullest extent permitted by law, none of the Joint Lead Managers, the Trustee nor the Agents, nor any director, officer, employee, agent or affiliate of any such person, accepts any responsibility for the contents of this Offering Circular or for any other statement made or purported to be made by a Joint Lead Manager, the Trustee or an Agent, or any director, officer, employee, agent or affiliate of any such person or on its behalf, in connection with the Issuer, the Guarantor, the Group, the issue and offering of the Securities or the giving of the Guarantee of the Securities. Each of the Joint Lead Managers, the Trustee, the Agents and directors, officers, employees, agents and affiliates of such persons accordingly disclaims all and any liability whether arising in tort or contract or otherwise which it might otherwise have in respect of this Offering Circular or any such statement. None of the Joint Lead Managers, the Trustee or the Agents undertakes to review the financial condition or affairs of the Issuer, the Guarantor or the Group during the life of the arrangements contemplated by this Offering Circular nor to advise any investor or potential investor in the Securities of any information coming to the attention of the Joint Lead Managers, the Trustee or the Agents. Neither the delivery of this Offering Circular nor the offering, sale or delivery of any Securities shall, in any circumstances, create any implication that the information contained in this Offering Circular is true subsequent to the date hereof or that there has been no adverse change in the affairs of the Issuer, the Guarantor or the Group since the date hereof or create any implication that the information contained herein is correct as at any date subsequent to the date hereof.

This Offering Circular may not be used for the purpose of an offer or solicitation by anyone in any jurisdiction in which such offer or solicitation is not authorised or to any person to whom it is unlawful to make such an offer or solicitation. This Offering Circular does not constitute an offer or an invitation to subscribe for or to purchase any Securities, is not intended to provide the basis of any credit or other evaluation, and should not be considered as a recommendation by the Issuer, the Guarantor, the Joint Lead Managers, the Trustee, the Agents or any of them that any recipient of this Offering Circular should subscribe for or purchase any Securities. Each recipient of this Offering Circular shall be taken to have made its own investigation and appraisal of the condition (financial or otherwise) of the Issuer, the Guarantor and the Group with its own tax, legal and business advisers as it deems necessary.

In this Offering Circular, where information has been presented in thousands or millions of units, or as percentages, amounts may have been rounded up or down. Accordingly, totals of columns or rows of numbers in tables may not be equal to the apparent total of the individual items and actual numbers may differ from those contained herein due to rounding. References to information in billions of units are to the equivalent of a thousand million units.

This Offering Circular contains certain information regarding the Group's EBITDA. "**EBITDA**" is defined as profit before income tax but excludes unrealised gain/loss on financial assets at fair value through profit or loss; unrealised gain/loss on derivatives; net change in fair values of investment properties; other gains/losses, net; depreciation of property, plant and equipment; amortisation of land use rights; finance expenses/income, net; and loss/gain on disposal of interest in an associate or acquisition of interests in subsidiaries. EBITDA is not a standard measure under IFRS. EBITDA is a widely used financial indicator of a company's ability to service and incur debt. EBITDA should not be considered in isolation or construed as an alternative to cash flows, profit for the year or any other measure of financial performance or as an indicator of the Group's operating performance, liquidity, profitability or cash flows generated by operating, investing or financing activities. In evaluating EBITDA, investors should consider, among other things, the components of EBITDA such as turnover and operating expenses and the amount by which EBITDA exceeds capital expenditures and other charges. The Group has included EBITDA because it believes it is a useful supplement to cash flow data as a measure of the Group's performance and its ability to generate cash flow from operations to cover debt service and taxes. EBITDA presented herein may not be comparable to similarly titled measures presented by other companies. Investors should not compare the Group's EBITDA to EBITDA presented by other companies because not all companies use the same definition.

This Offering Circular is provided solely for the purpose of enabling the recipient to consider purchasing the Securities. The investors or prospective investors should read this Offering Circular carefully before making a decision regarding whether or not to purchase the Securities. This Offering

Circular cannot be used for any other purpose and any information in this Offering Circular cannot be disclosed to any other person. This Offering Circular is personal to each prospective investor and does not constitute an offer to any other person or to the public generally to purchase or otherwise acquire the Securities.

This Offering Circular summarises certain material documents and other information, and the Issuer, the Guarantor, the Joint Lead Managers refer the recipient of this Offering Circular to them for a more complete understanding of what is contained in this Offering Circular. In making an investment decision, the prospective investor must rely on its own judgment and examination of the Issuer, the Guarantor and the Group and the Terms and Conditions of the Securities, including the merits and risks involved. See "*Risk Factors*" for a discussion of certain factors to be considered in connection with an investment in the Securities. None of the Issuer, the Guarantor, the Joint Lead Managers, the Trustee nor the Agents are making any representations regarding the legality of an investment in the Securities under any law or regulation. The recipient of this Offering Circular should not consider any information in this Offering Circular to be legal, business or tax advice. Any investor or prospective investor should consult his/her/its own attorney, business adviser and tax adviser for legal, business and tax advice regarding an investment in the Securities.

Warning

The contents of this Offering Circular have not been reviewed by any regulatory authority in the British Virgin Islands, Hong Kong or elsewhere. Investors are advised to exercise caution in relation to the offer. If any investor is in any doubt about any of the contents of this document, that investor should obtain independent professional advice.

PRESENTATION OF FINANCIAL INFORMATION

The audited consolidated financial statements of the Guarantor as at and for the years ended 31 March 2015 and 2016 and the unaudited condensed consolidated interim financial information of the Guarantor as at and for the six months ended 30 September 2016, were prepared in accordance with IFRS.

CERTAIN TERMS AND CONVENTIONS

This Offering Circular has been prepared using a number of conventions, which investors should consider when reading the information contained herein. Unless indicated otherwise, in this Offering Circular all references to (i) the "**Issuer**" are to Nan Fung Treasury (II) Limited, (ii) the "**Guarantor**" or the "**Company**" are to Nan Fung International Holdings Limited and (iii) the "**Group**" are to the Guarantor and its subsidiaries, taken as a whole.

Unless otherwise specified or the context otherwise requires, references to "**Hong Kong**" are to the Hong Kong Special Administrative Region of the People's Republic of China, to the "**PRC**" or "**China**" are to the People's Republic of China, for the purpose of this Offering Circular only, excluding Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan, to the "**U.S.**" or "**United States**" are to the United States of America, to "**Hong Kong dollars**," "**HK dollars**" and "**HK$**" are to the lawful currency of Hong Kong, to "**CNY**", "**Renminbi**" or "**RMB**" are to the lawful currency of the PRC, to "**US$**", "**U.S.$**" or "**U.S. dollars**" are to the lawful currency of the United States of America and to "**IFRS**" are to International Financial Reporting Standards issued by the International Accounting Standards Board ("**IASB**").

Any discrepancies in the tables included herein between the listed amounts and the totals thereof are due to rounding.

FORWARD LOOKING STATEMENTS

Certain statements under "*Risk Factors*", "*Description of the Group*" and elsewhere in this Offering Circular constitute "forward-looking statements". The words including "believe", "expect", "plan", "anticipate", "schedule", "estimate" and similar words or expressions identify forward-looking statements. In addition, all statements other than statements of historical facts included in this Offering Circular, including, but without limitation, those regarding the financial position, business strategy, prospects, capital expenditure and investment plans of the Group and the plans and objectives of the Group's management for its future operations (including development plans and objectives relating to the Group's operations), are forward looking statements. Such forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause actual results or performance of the Group to differ materially from those expressed or implied by such forward-looking statements. Such forward-looking statements are based on numerous assumptions regarding the Group's present and future business strategies and the environment in which the Group will operate in the future. Each of the Issuer and the Guarantor expressly disclaims any obligation or undertaking to release any updates or revisions to any forward-looking statements contained herein to reflect any change in the Issuer's, the Guarantor's or the Group's expectations with regard thereto or any change of events, conditions or circumstances, on which any such statements were based. This Offering Circular discloses, under "*Risk Factors*" and elsewhere, important factors that could cause actual results to differ materially from the Issuer's or the Guarantor's expectations. All subsequent written and forward-looking statements attributable to the Issuer or the Guarantor or persons acting on behalf of the Issuer or the Guarantor are expressly qualified in their entirety by such cautionary statements.

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SUMMARY

This summary does not contain all the information that may be important to you. You should read the entire Offering Circular, including "Risk Factors" and the financial statements and related notes thereto, before deciding to invest in the Securities.

OVERVIEW

Pursuant to the Reorganisation (as described in "*Description of the Group*"), Nan Fung was incorporated in the British Virgin Islands on 8 August 2011 (BVI Company Number 1665059). It is the holding company for a Hong Kong-based property-focused conglomerate, which the Group believes is one of the largest privately owned conglomerates in Hong Kong based on assets.

The Group has interests in, and engages in, property development, property investment, construction, property management, mortgage financing and financial investment. The Group's core business is property development and investment. It has been developing properties in Hong Kong since 1965. It is a fully integrated property developer in Hong Kong, with operations covering all principal stages of property development, including acquisition, design, engineering and marketing. Hong Kong continues to be the core market on which the Group focuses and across which it currently owns a portfolio of residential, commercial and industrial properties. As at 30 September 2016, the Group's track record of property projects in Hong Kong amounted to over 64 million square feet ("**sq.ft.**") of gross floor area ("**GFA**"). The Group's investment property portfolio was valued at HK$44,679 million as at 30 September 2016.

In recent years the Group has leveraged off its experience and success in the Hong Kong market to expand into the PRC property market.

For information regarding the ownership of Nan Fung as at the date of this Offering Circular, see "*Shareholders, Directors' Interests and Related Party Transactions*". The principal business activities of the Group are as follows:

- **Property development and investment:** The Group has developed and invested in 165 properties in Hong Kong since 1965 and these developments have been largely self-funded. The Group maintains a strategic land bank in Hong Kong and has a well-established presence in Hong Kong. In recent years, the Group has also entered the PRC property market, maintaining personnel and operations in first-tier cities in the PRC. The Group primarily undertakes its property development and investment business in the PRC either directly through its own operations, or through joint ventures with other parties. In both Hong Kong and the PRC, the Group is primarily engaged in the development and sale of residential and commercial properties. In addition, the Group owns and manages an investment and rental property portfolio comprising offices, shopping malls, residential apartments, apartments with customised services, hotels, industrial buildings and warehouses, most of which are located in Hong Kong. The Group has also invested in residential and commercial property development projects in Macau, Singapore, Japan, Malaysia, the United Kingdom and the United States.

- **Property-related services:** The Group is engaged in service businesses relating to its property businesses, including construction, property management and mortgage financing services in Hong Kong.

- **Financial investment:** The Group also has a significant financial investment portfolio that provides a substantial liquidity buffer and stable recurring income for the Group. The management of the Group's financial investment portfolio is undertaken by NF Trinity (an independent asset management company, see "*Description of the Group — Financial Investment*" below), which advises the Group and manages on a day-to-day basis, the financial investment assets and portfolio of the Group. For the six months ended 30 September 2016, Nan Fung reported consolidated revenue and profit attributable to the owner of the Guarantor of approximately HK$2,994 million and HK$1,869 million, respectively. For the six months ended 30 September 2015, Nan Fung reported consolidated revenue and loss attributable to the owner of the Guarantor of approximately HK$1,772 million and HK$223 million, respectively. As at 30 September 2016 and 31 March 2016, Nan Fung reported consolidated total assets of approximately HK$122,773 million and HK$119,964 million, respectively.

STRATEGY

- Focus on the premium property development segment in Hong Kong and strategic geographic portfolio diversification
- Disciplined and prudent approach in growth and management of land bank
- Enhance the Group's brand recognition by leveraging value-added products and services
- Focus on maintaining stable cash flows to offset cyclicality of property development business
- Maintain financial prudence through active management of a liquid financial investment portfolio

COMPETITIVE STRENGTHS

- Proven track record of successfully identifying, acquiring quality land bank and developing prime sites
- Ability to compete effectively
- Integrated business model
- Stable and recurring income base from its financial investment portfolio, property rentals and property management
- Substantial liquidity buffer
- Strategic partnerships with established developers
- Strong corporate governance and internal controls
- Experienced and stable management team
- Strong customer focus and reputable brand name
- Conservative capital structure and diversified sources of funding

THE OFFERING

The following is a summary of the terms of the offering and is qualified in its entirety by the remainder of this Offering Circular. Words and expressions defined in "Terms and Conditions of the Securities" below shall have the same meanings in this summary. For a more complete description of the Terms and Conditions of the Securities, please see "Terms and Conditions of the Securities".

Issuer	Nan Fung Treasury (II) Limited.
Guarantor.	Nan Fung International Holdings Limited.
Securities Offered.	U.S.$500,000,000 5.50 per cent. Guaranteed Senior Perpetual Securities.
Guarantee of the Securities	The Guarantor will, in the Trust Deed, unconditionally and irrevocably guarantee the due and punctual payment in full of all sums payable by the Issuer in respect of the Securities and all other moneys payable by the Issuer under or pursuant to the Trust Deed.
Issue Price	100.00 per cent.
Issue Date.	29 May 2017.
Maturity Date.	There is no maturity date.
Distribution	Subject to Condition 4(e) of the Terms and Conditions of the Securities, the Securities confer a right to receive distribution (each a "**Distribution**") from, and including, 29 May 2017 (the "**Issue Date**") at the Distribution Rate in accordance with Condition 4 of the Terms and Conditions of the Securities. Subject to Condition 4(e) of the Terms and Conditions of the Securities, Distribution shall be payable on the Securities semi-annually in equal instalments in arrear on 29 May and 29 November of each year (each, a "**Distribution Payment Date**"), commencing on 29 November 2017.
Rate of Distribution	Subject to any increase pursuant to Condition 4(c) of the Terms and Conditions of the Securities, the rate of distribution ("**Distribution Rate**") applicable to the Securities shall be 5.50 per cent. per annum. Pursuant to Condition 4(c) of the Terms and Conditions of the Securities, upon the occurrence of a Change of Control, unless an irrevocable notice to redeem the Securities has been given to Holders by the Issuer by the 30th day following the occurrence of the Change of Control, the Distribution Rate will be increased by 3.00 per cent. per annum with effect from (a) the next Distribution Payment Date or (b) if the date on which such event occurs is prior to the most recent preceding Distribution Payment Date, such Distribution Payment Date, as further described in "*Terms and Conditions of the Securities — Distribution — Increase in Distribution Rate following a Change of Control*".

Distribution Deferral	The Issuer may, at its sole discretion, elect to defer any Distribution which is otherwise scheduled to be paid on a Distribution Payment Date to the next Distribution Payment Date by giving notice (an "**Optional Deferral Notice**") to the Holders, the Trustee and the Principal Paying Agent not more than ten nor less than five business days prior to a scheduled Distribution Payment Date unless during the three months ending on the day before that scheduled Distribution Payment Date a Compulsory Distribution Payment Event has occurred.
Compulsory Distribution Payment Event	The Issuer may not elect to defer (in whole or in part) any Distribution which is otherwise scheduled to be paid on a Distribution Payment Date to the next Distribution Payment Date if during the three-month period ending on the day before the relevant Distribution Payment Date, either or both of the following criteria are met: (a) a discretionary dividend, distribution or other payment is declared, paid or made on any Junior Obligations or (except on a *pro-rata* basis) Parity Obligations of the Issuer or the Guarantor or any other securities ranking *pari passu* therewith in respect of which all payments of dividends or distributions are discretionary (other than a payment declared, paid or made in respect of an employee benefit plan or similar arrangement with or for the benefit of employees, officers, directors or consultants); or (b) the Issuer or the Guarantor, at its discretion, redeems, reduces, cancels, buys-back or acquires for any consideration any of its Junior Obligations or Parity Obligations or any other securities ranking *pari passu* therewith in respect of which all payments of dividends or distributions are discretionary (except for an exchange by the Issuer or the Guarantor of any of its Parity Obligations for Junior Obligations or in relation to Parity Obligations, on a *pro-rata* basis, or a repurchase or other acquisition of any securities in respect of an employee benefit plan or similar arrangement with or for the benefit of employees, officers, directors or consultants).
No obligation to pay	The Issuer shall have no obligation to pay any Distribution (including any Arrears of Distribution and any Additional Distribution Amount) on any Distribution Payment Date if it validly elects not to do so in accordance with Condition 4(e)(i) of the Terms and Conditions of the Securities and any failure to pay Distribution shall not constitute a default of the Issuer in respect of the Securities or of the Guarantor in respect of the Guarantee of the Securities.

Cumulative Deferral	Any Distribution deferred pursuant to Condition 4(c) of the Terms and Conditions of the Securities shall constitute "**Arrears of Distribution**". The Issuer may, at its sole discretion, elect to further defer any Arrears of Distribution by complying with the notice requirement applicable to any deferral of an accrued Distribution. The Issuer is not subject to any limit as to the number of times Distributions and Arrears of Distribution can be deferred except that Condition 4(e)(iv) of the Terms and Conditions of the Securities shall be complied with until all outstanding Arrears of Distribution have been paid in full. Each amount of Arrears of Distribution shall bear distributions as if it constituted the principal of the Securities at the Distribution Rate and the amount of such distribution (the "**Additional Distribution Amount**") with respect to Arrears of Distribution shall be calculated by applying the Distribution Rate to the amount of the Arrears of Distribution and otherwise *mutatis mutandis* as provided in Condition 4 of the Terms and Conditions of the Securities. The Additional Distribution Amount accrued up to any Distribution Payment Date shall be added (for the purpose of calculating the Additional Distribution Amount accruing thereafter) to the amount of Arrears of Distribution remaining unpaid on such Distribution Payment Date so that it will itself become Arrears of Distribution.
Restrictions in the case of Deferral	If, on any Distribution Payment Date, payment of all Distribution payments scheduled to be made on such date is not made in full, the Issuer and the Guarantor shall not: (a) declare or pay any discretionary dividends, distributions or make any other discretionary payment on, and will procure that no discretionary dividend, distribution or other discretionary payment is made on any of its Junior Obligations or (except on a *pro-rata* basis) its Parity Obligations *provided that* such restriction shall not apply to payments declared, paid or made in respect of an employee benefit plan or similar arrangement with or for the benefit of employees, officers, directors or consultants; or (b) at its discretion redeem, reduce, cancel, buy-back or acquire for any consideration any of its Junior Obligations or its Parity Obligations, *provided that* such restriction shall not apply to an exchange by the Issuer or the Guarantor of any of its Parity Obligations for Junior Obligations or in relation to Parity Obligations, on a *pro-rata* basis, or a repurchase or other acquisition of any securities in respect of an employee benefit plan or similar arrangement with or for the benefit of employees, officers, directors or consultants),

	in each case unless and until (i) the Issuer or the Guarantor has satisfied in full all outstanding Arrears of Distribution; or (ii) permitted to do so by an Extraordinary Resolution (as defined in the Trust Deed) of the Holders.
Status of the Securities and Guarantee of the Securities . .	The Securities constitute direct, general, unsecured, unconditional and unsubordinated obligations of the Issuer which rank *pari passu* without any preference among themselves and at least *pari passu* with all other present and future unsecured and unsubordinated obligations of the Issuer, save for such obligations as may be preferred by provisions of law that are both mandatory and of general application. The Guarantee of the Securities constitutes a direct, general, unsecured, unconditional and unsubordinated obligation of the Guarantor which ranks at least *pari passu* with all other present and future unsecured and unsubordinated obligations of the Guarantor, save for such obligations as may be preferred by provisions of law that are both mandatory and of general application.
Use of Proceeds	The Issuer intends to on-lend the proceeds from the issue of the Securities to the Guarantor and/or its subsidiaries for general working capital purposes of the Group. Please see "*Use of Proceeds*".
Taxation	All payments of principal and Distribution (including any Arrears of Distribution and any Additional Distribution Amount) in respect of the Securities by or on behalf of the Issuer or the Guarantor shall be made free and clear of, and without withholding or deduction for, or on account of, any present or future taxes, duties, assessments or governmental charges of whatever nature ("**Taxes**") imposed or levied by or on behalf of the Relevant Jurisdiction, unless such withholding or deduction of such Taxes is required by law. In such event, the Issuer or, as the case may be, the Guarantor, will pay such additional amounts as may be necessary in order that the net amounts received by the Holders after the withholding or deduction shall equal the respective amounts which would have been receivable in respect of the Securities in the absence of such withholding or deduction; except that no such additional amounts shall be payable in relation to any payment in respect of any Security in the limited circumstances as further described therein.
Redemption for Tax Reasons . . .	The Securities may be redeemed at the option of the Issuer in whole, but not in part, at their principal amount, together with any Distribution accrued to the date fixed for redemption (including any Arrears of Distribution and any Additional Distribution Amount), in the event of certain changes affecting the taxes of any Relevant Jurisdiction, as further described in Condition 5(b) of the Terms and Conditions of the Securities.

Redemption for Change of Control	Following the occurrence of a Change of Control, the Issuer shall give notice to Holders, the Trustee and the Paying Agents in accordance with Condition 14 of the Terms and Conditions of the Securities by not later than 30 days following the first day on which it becomes aware of the occurrence of such Change of Control, stipulating that a Change of Control has occurred and whether or not it will redeem the Securities pursuant to Condition 5(e) of the Terms and Conditions of the Securities. A notice given by the Issuer stipulating that it will redeem the Securities pursuant to Condition 5(e) of the Terms and Conditions of the Securities shall: (A) stipulate the Change of Control Call Date; (B) be irrevocable; and (C) oblige the Issuer to redeem the Securities on the Change of Control Call Date at their principal amount, in each case plus Distribution accrued to such date (including any Arrears of Distribution and any Additional Distribution Amount), as further described in Condition 5(e) of the Terms and Conditions of the Securities.
Redemption at the Option of the Issuer	The Securities may be redeemed at the option of the Issuer in whole, but not in part, on giving not less than 30 nor more than 60 days' notice to the Trustee, the Principal Paying Agent and the Holders at their principal amount (including any Arrears of Distribution and any Additional Distribution Amount)) on 29 May 2020 or on any Distribution Payment Date thereafter (each, a "**Call Date**"). On expiry of any such notice as is referred to in Condition 5(d) of the Terms and Conditions of the Securities, the Issuer shall be bound to redeem the Securities on the relevant Call Date in accordance with Condition 5(d) of the Terms and Conditions of the Securities.
Redemption for Accounting Reasons	The Securities may be redeemed at the option of the Issuer in whole, but not in part, at any time, on the Issuer giving not less than 30 nor more than 60 days' notice to the Trustee, the Holders, the Registrar and the Principal Paying Agent (which notice shall be irrevocable) at their principal amount, in each case plus Distribution accrued to such date (including any Arrears of Distribution and any Additional Distribution Amount), if, as a result of any changes or amendments to IFRS or any other accounting standards that may replace IFRS for the purposes of the consolidated financial statements of the Guarantor (the "**Relevant Accounting Standard**"), the Securities and/or the Guarantee of the Securities must not or must no longer be recorded as "**equity**" of the Guarantor pursuant to the Relevant Accounting Standard.

Redemption for minimum outstanding amount	The Securities may be redeemed at the option of the Issuer in whole, but not in part, at any time on giving not less than 30 nor more than 60 days' notice (which notice will be irrevocable) to the Trustee, the Registrar, the Principal Paying Agent and the Holders at their principal amount (together with Distribution accrued to the date fixed for redemption (including any Arrears of Distribution and any Additional Distribution Amount)) if prior to the date fixed for redemption at least 90 per cent. in principal amount of the Securities originally issued (including any further Securities issued pursuant to Condition 13 of the Terms and Conditions of the Securities) has already been redeemed or purchased and cancelled.
Limited Rights to institute proceedings	No Holder shall be entitled either to institute proceedings for the Winding-Up of the Issuer or the Guarantor or to submit a claim in such Winding-Up, except that if the Trustee, having become bound to institute such proceedings as aforesaid, fails to do so, or, being able and bound to submit a claim in such Winding-Up, fails to do so, in each case within a reasonable period and such failure is continuing, then any such Holder may, on giving an indemnity satisfactory to the Trustee, in the name of the Trustee (but not otherwise), himself institute Winding-Up Proceedings and/or submit a claim in the Winding-Up of the Issuer or the Guarantor, as the case may be, to the same extent (but not further or otherwise) that the Trustee would have been entitled to do.
Proceedings for Winding-up	If (i) an order is made or an effective resolution is passed for the Winding-Up of the Issuer or the Guarantor or (ii) the Issuer or the Guarantor shall not make payment in respect of the Securities or the Guarantee of the Securities, as the case may be, for a period of 10 days or more after the date on which such payment is due, the Issuer and the Guarantor shall be deemed to be in default under the Securities (in the case of the Issuer) and the Guarantee of the Securities (in the case of the Guarantor) and the Trustee at its sole discretion may and, if so requested in writing by holders of at least 25 per cent. of the aggregate principal amount of the outstanding Securities, shall (subject to the Trustee having been indemnified and/or provided with security and/or pre-funded to its satisfaction) institute proceedings for the Winding-Up of the Issuer, the Guarantor or both of them (as applicable) and/or prove in the Winding-Up of the Issuer, the Guarantor or both of them (as applicable) and/or claim in the liquidation of the Issuer, the Guarantor or both of them (as applicable) for such payment.

Further Issues	The Issuer may (with the prior written consent of the Guarantor) from time to time, without the consent of the Holders, create and issue further securities having the same terms and conditions as the Securities in all respects (or in all respects except for the first payment of Distribution) so as to form a single series with the Securities. Any further securities which are to form a single series with the outstanding securities of any series (including the Securities) constituted by the Trust Deed or any supplemental deed shall, and any other further securities may (with the consent of the Trustee), be constituted by a deed supplemental to the Trust Deed. The Trust Deed contains provisions for convening a single meeting of the Holders and the holders of securities of other series in certain circumstances where the Trustee so decides.
Trustee	The Hongkong and Shanghai Banking Corporation Limited.
Principal Paying Agent	The Hongkong and Shanghai Banking Corporation Limited.
Registrar.	The Hongkong and Shanghai Banking Corporation Limited.
Form	The Securities will be represented by beneficial interests in the Global Certificate, which will be registered in the name of a nominee of, and deposited on the Issue Date with a common depositary for, Euroclear and Clearstream. Beneficial interests in the Global Certificate will be shown on and transfers thereof will be effected only through records maintained by Euroclear and Clearstream. Except as described herein, certificates for Securities will not be issued in exchange for beneficial interests in the Global Certificate.
Clearance and Settlement	The Securities are cleared through Euroclear and Clearstream, Luxembourg and are settled in U.S. dollars only. The Securities have been accepted for clearance by Euroclear and Clearstream under the following codes: ISIN: XS1619003970 Common code: 161900397
Denomination	The Securities will be issued in registered form in the denomination of U.S.$200,000 and integral multiples of U.S.$1,000 in excess thereof.
Governing Law.	The Securities and the Trust Deed and any non-contractual obligations arising out of or in connection with the Securities and the Trust Deed are governed by, and will be construed in accordance with, English law.
Ratings	The Securities are expected to be rated Baa3 by Moody's. Security ratings are not recommendations to buy, sell or hold the Securities. Ratings are subject to revision or withdrawal at any time by the rating agencies.

Listing.	Approval in-principle has been received from the SGX-ST for the listing of and quotation for the Securities on the Official List of the SGX-ST. The Securities will be traded on the SGX-ST in a minimum trading board lot size of U.S.$200,000 for so long as the Securities are listed on the SGX-ST and the rules of the SGX-ST so require.
Selling Restrictions.	The Securities will not be registered under the Securities Act or under any state securities laws of the United States and will be subject to customary restrictions on transfer and resale. See "*Subscription and Sale*" section of this Offering Circular.

SUMMARY FINANCIAL INFORMATION

The following tables set forth a summary of the consolidated financial information of the Guarantor as at and for the periods indicated.

*The summary consolidated financial information set forth below is derived from (a) the Guarantor's unaudited condensed consolidated interim financial information as at and for the six months ended 30 September 2016 (the "**2017 Interim Financial Information**") and (b) the Guarantor's audited consolidated financial statements as at and for the year ended 31 March 2016 (the "**2016 Financial Statements**"). The 2017 Interim Financial Information have been reviewed by, in accordance with the International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity", and the 2016 Financial Statements have been audited by, PricewaterhouseCoopers, Certified Public Accountants, Hong Kong.*

The summary financial information set out below should be read in conjunction with, and qualified in its entirety by reference to, the relevant consolidated financial information of the Guarantor, including the notes thereto, included elsewhere in this Offering Circular.

The Guarantor's 2017 Interim Financial Information and 2016 Financial Statements were prepared and presented in accordance with IFRS.

Consolidated Income Statements

	For the six months ended 30 September		For the year ended 31 March	
	2016	2015	2016	2015
	(Unaudited)	(Unaudited)	(Audited)	(Audited)
	HK$'000		*HK$'000*	
Revenue	2,993,655	1,771,808	14,148,758	4,289,042
Cost of sales	(1,415,695)	(792,548)	(9,777,014)	(2,005,361)
Gross profit	1,577,960	979,260	4,371,744	2,283,681
Other income, net	671,304	(1,444,876)	(1,006,301)	1,339,463
Net change in fair values of investment properties	205,069	304,247	1,007,176	1,068,871
(Loss)/gain on disposal of interest in an associate/acquisition of interests in subsidiaries	—	—	(3,473,844)	1,535,362
Other gains/(losses), net	512,110	(262,755)	539,361	(118,841)
Other operating expenses	(808,501)	(804,009)	(1,786,002)	(1,480,973)
Operating profit/(loss)	2,157,942	(1,228,133)	(347,866)	4,627,563
Finance (expenses)/income, net	(219,181)	66,869	(69,811)	960,281
Share of results of				
Joint ventures	29,685	120,386	82,275	265,977
Associates	318,146	1,068,031	1,609,913	510,902
Profit before income tax	2,286,592	27,153	1,274,511	6,364,723
Income tax expense	(341,384)	(144,655)	(726,016)	(529,513)
Profit/(loss) for the period/year	1,945,208	(117,502)	548,495	5,835,210
Profit/(loss) for the period/year attributable to:				
Equity holders of the Company	1,868,674	(222,907)	57,994	5,784,049
Non-controlling interests	76,534	105,405	490,501	51,161
	1,945,208	(117,502)	548,495	5,835,210

Consolidated Balance Sheets

	As at 30 September	As at 31 March	
	2016	2016	2015
	(Unaudited)	(Audited)	(Audited)
	HK$'000	*HK$'000*	
ASSETS			
Non-current assets			
Property, plant and equipment	3,290,158	3,388,346	3,563,161
Investment properties	44,678,749	43,492,872	40,821,485
Land use rights	400,910	419,810	451,367
Joint ventures	7,683,563	9,999,993	12,890,572
Associates	5,565,837	5,184,021	14,804,969
Available-for-sale financial assets	7,428,843	7,129,975	7,444,345
Loans and other receivable	711,659	411,712	305,358
Amounts due from investee companies	53,612	160,231	1,107,168
Deferred income tax assets	97,696	114,324	74,417
	69,911,027	70,301,284	81,462,842
Current assets			
Properties for sale	14,653,287	14,396,895	23,843,206
Trade and other receivables, deposits and prepayments	5,739,790	4,474,927	6,811,396
Financial assets at fair value through profit or loss and derivative financial instruments	10,603,717	11,596,128	15,480,163
Prepaid tax	44,127	70,236	48,545
Cash and bank balances	21,155,587	19,124,918	6,701,861
	52,196,508	49,663,104	52,885,171
Assets classified as held-for-sale	665,195	—	—
	52,861,703	49,663,104	52,885,171
Total assets	122,772,730	119,964,388	134,348,013
EQUITY			
Owner's equity attributable to the Company's equity holders			
Share capital	62,743,532	62,743,532	62,743,532
Reserves	20,116,656	19,016,388	20,732,110
	82,860,188	81,759,920	83,475,642
Non-controlling interests	1,619,295	1,599,515	1,524,759
Total equity	84,479,483	83,359,435	85,000,401
LIABILITIES			
Non-current liabilities			
Deferred income tax liabilities	2,868,419	2,752,684	2,810,659
Bank borrowings	13,669,573	11,217,190	13,549,406
Guaranteed notes	5,144,909	5,141,075	9,768,609
Other long-term liabilities	97,743	344,173	336,155
	21,780,644	19,455,122	26,464,829

	As at 30 September	As at 31 March	
	2016	2016	2015
	(Unaudited)	(Audited)	(Audited)
	HK$'000	*HK$'000*	
Current liabilities			
Trade and other payables, deposits and accruals	8,409,099	7,818,006	13,334,356
Receipts in advance on properties for sale under development	256,508	164,572	6,410,197
Financial liabilities at fair value through profit or loss and derivative financial instruments	522,085	1,028,087	633,528
Bank borrowings	1,622,724	2,562,421	1,897,258
Guaranteed notes	4,649,777	4,642,781	—
Tax payable	1,034,533	933,964	607,444
	16,494,726	17,149,831	22,882,783
Liabilities classified as held-for-sale	17,877	—	—
	16,512,603	17,149,831	22,882,783
Total liabilities	38,293,247	36,604,953	49,347,612
Total equity and liabilities	122,772,730	119,964,388	134,348,013

Other Financial Information

	As at and/or for the six months ended 30 September	As of and/or for the year ended 31 March	
	2016	2016	2015
	(Unaudited)	(Unaudited)	(Unaudited)
	In HK$ million, unless otherwise stated	*In HK$ million, unless otherwise stated*	
EBITDA[(1)]	1,472	4,603	2,881
Total Debt[(2)]	25,087	23,563	25,215
Total Debt/EBITDA	5.4x[(4)]	5.1x	8.8x
Interest expenses[(3)]	526	1,271	1,076
EBITDA/interest expenses	4.5x[(4)]	3.6x	2.7x

Notes:

(1) "**EBITDA**" is defined as profit before income tax but excludes unrealised gain/loss on financial assets at fair value through profit or loss; unrealised gain/loss on derivatives; net change in fair values of investment properties; other gains/losses, net; depreciation of property, plant and equipment; amortisation of land use rights; finance expenses/income, net; and loss/gain on disposal of interest in an associate or acquisition of interests in subsidiaries. EBITDA is not a standard measure under IFRS. EBITDA is a widely used financial indicator of a company's ability to service and incur debt. EBITDA should not be considered in isolation or construed as an alternative to cash flows, profit for the year or any other measure of financial performance or as an indicator of the Group's operating performance, liquidity, profitability or cash flows generated by operating, investing or financing activities. In evaluating EBITDA, investors should consider, among other things, the components of EBITDA such as turnover and operating expenses and the amount by which EBITDA exceeds capital expenditures and other charges. The Group has included EBITDA because it believes it is a useful supplement to cash flow data as a measure of the Group's performance and its ability to generate cash flow from operations to cover debt service and taxes. EBITDA presented herein may not be comparable to similarly titled measures presented by other companies. Investors should not compare the Group's EBITDA to EBITDA presented by other companies because not all companies use the same definition.

(2) Total Debt is defined as the total of non-current bank borrowings, current bank borrowings and guaranteed notes.

(3) Interest expense is defined as total finance costs incurred, including interest capitalised in properties under development.

(4) Calculated based on EBITDA of HK$4,635 million and interest expenses of HK$1,030 million for the twelve months ended 30 September 2016.

Prior to making any investment decision, prospective investors should consider carefully all of the information in this Offering Circular, including but not limited to the risks and uncertainties described below. The following factors are contingencies which may or may not occur and the Group is not in a position to express a view on the likelihood of any such contingency occurring. Any of the risks or uncertainties described below, as well as additional risks or uncertainties, including those which are not currently known to the Group or which the Group currently deems to be immaterial, may affect the Group's business, financial condition or results of operations or the Company's ability to fulfil its obligations under the Securities.

Risks Relating to the Group

The reporting and disclosure standards applicable to the Guarantor may differ significantly from those applicable to companies with equity securities listed on a stock exchange

Shares in the Guarantor are not listed on any stock exchange and are closely held (see the section "*Shareholders, Directors' Interests and Related Party Transactions*"). As a result, the Guarantor is not bound by any continuing obligations similar to those imposed on companies with equity securities listed on The Stock Exchange of Hong Kong Limited (the "**Hong Kong Stock Exchange**") or on other stock exchanges.

Further, the Guarantor is not bound by any continuing obligation as regards publication of non-public price sensitive information, major transactions/very substantial transactions or connected transactions, nor is it subject to any code as regards corporate governance. Although the Issuer will be required to comply with the continuing obligations of the SGX-ST pursuant to the listing of Securities on such exchange for so long as any such Securities are outstanding, the Guarantor cannot provide any assurance that the level of publicly available information in relation to the Guarantor or the Group, or the information disclosed by the Guarantor on an ongoing basis, will be equivalent to that available or disclosed in relation to companies with equity securities listed on the Hong Kong Stock Exchange or on other stock exchanges.

The Group is highly dependent upon the services of key management personnel

The Group is dependent in part upon the collective services of all of the members of its senior management team and other qualified and experienced staff. In particular, the Group's senior management team has extensive experience, knowledge, business relationships and expertise in the property development and investment business and therefore may be difficult to replace. Competition for such employees is intense in the Hong Kong and PRC markets, and if the Group is unable to attract, retain and motivate its key personnel, its business, results of operations and financial position may be materially and adversely affected. The Group has various committees in place, and so is not reliant on any individual, but any significant change in management may materially and adversely affect the Group. Moreover, as the Group's business continues to grow and as it expands into the PRC, it will need to employ, train and retain employees on a much larger geographical scale. If the Group cannot attract and retain suitable human resources, its business and prospects will be negatively affected.

There are significant related-party transactions by members of the Group

A part of the business undertaken by members of the Group is conducted with the Group's related companies and individuals. These transactions include those described under the notes to the Group's financial statements and information appearing elsewhere in this Offering Circular (see in particular note 25 to the Guarantor's unaudited condensed consolidated interim financial information for the six months ended 30 September 2016 and below under "*Shareholders, Directors' Interests and Related Party Transactions*") and include the provision of loans and guarantees, property development and sale, construction, management, and marketing, leasing and administrative services. Certain of these transactions are entered into with members of the Crosby Group. The Group has had a close relationship with the Crosby Group for over 10 years and has entered into certain development projects and investments on a joint venture basis.

The Group expects that members of the Group will continue to enter into transactions with each other as well as other related companies and individuals. These transactions may involve conflicts of interest, which, although not contrary to law, may sometimes potentially be detrimental to the Group. In this regard, the Group operates under a set of guidelines with a Conflicts Committee to manage conflicts of interest (see below under "*Management*" and "*Shareholders, Directors' Interests and Related Party Transactions*") and its policy is to enter into contracts with related parties on commercial terms that would apply for arm's length transactions with independent parties. The Group also currently has in place contractual arrangements to protect against certain of its related parties competing directly with the Group for property development and investment business or activities. As at 30 September 2016, the amounts due to related companies and individuals totalled HK$1.5 billion and the amounts due from related companies totalled HK$56 million.

There is no assurance that conflicts of interest will not arise between the Group and its related companies and individuals, in relation to the Group's businesses, including business opportunities that may be attractive to all or some of the various relevant parties. Should any action be taken by related companies and individuals which is not in the best commercial interests of the Group, or should the Group's related companies and individuals seek to enforce repayment of all of the amounts due to them, the Group's business and financial condition could be materially and adversely affected.

The indirect beneficial interest in the shares of the Guarantor is currently subject to probate in the British Virgin Islands

On 17 June 2012, the Group's founder, former Chairman and sole shareholder, Dr. Chen Din Hwa passed away following a long illness. Dr. Chen's estate, including his 100 per cent. ownership of the ultimate holding company of the Guarantor, Chen's Group International Limited ("**CGIL**"), is currently subject to probate in Hong Kong, which was granted by the High Court of Hong Kong on 16 April 2013. The Grant of Probate of Will in respect of the British Virgin Islands was issued by the High Court of Justice of the British Virgin Islands on 28 August 2013. The shares in CGIL were transferred into the names of the executors of Dr Chen's will on 20 November 2013, and the executors of Dr. Chen's will, in their capacity as such, will hold the shares for the benefit of the estate until administration of the estate is completed and a distribution is made to the beneficiaries under the will. Dr. Chen's executors/executrixes are Ms. Vivien Chen, and three solicitors who have advised Dr. Chen and his companies over many years.

As described below under "*Shareholders, Directors' Interests and Related Party Transactions*", the Board of Directors does not consider that the continuity of day to day management of the Group will be affected by the passing of Dr. Chen, and does not anticipate any change in the composition of the Board arising from distribution of the estate to the beneficiaries under Dr. Chen's will. However, until completion of the administration of the estate, there can be no guarantee as to the ultimate manner of distribution of Dr. Chen's estate nor any guarantee as to whom such distributions will be made. A distribution of Dr. Chen's estate in a manner other than as set out in Dr. Chen's will and/or any material dispute as to the distribution of the estate, may affect the continuity of day to day management and/or the composition of the Board, and may materially and adversely affect the Group's business and financial condition.

There is limited publicly available information about the Issuer and the Guarantor

Each of the Issuer and the Guarantor is a business company incorporated under the laws of the British Virgin Islands and its shares are not traded publicly. Therefore, there may be less publicly available information about each of the Issuer and the Guarantor than if it were a publicly listed company or incorporated in other jurisdictions.

Risks Relating to the Property Businesses

Measures adopted from time to time by the Hong Kong government to restrict the real estate market could slow the industry's rate of growth or cause the real estate market to decline

The Hong Kong real estate market is subject to significant regulation. The Hong Kong Monetary Authority has implemented regulatory measures in recent years to mitigate risks in residential mortgage lending in the banking sector. This has included prudential measures to lower loan-to-value ratio caps for mortgages on various ranges of high end properties and for mortgages involving borrowers and/or guarantors with pre-existing mortgages, to raise the risk-weight for new residential mortgage loans and to lower the debt servicing ratio limit for mortgage loans to certain types of borrowers, which have had or may have a negative impact on property values and market demand in Hong Kong.

In addition, the Hong Kong Government may introduce cooling measures on the Hong Kong property market from time to time, which may have a significant impact on the supply and demand in the property market. For example, on 26 October 2012 the Financial Secretary of the Hong Kong Government announced that the Stamp Duty Ordinance would be amended to adjust the rates and to extend the holding period in respect of the Special Stamp Duty ("**SSD**") imposed by the Stamp Duty (Amendment) Ordinance 2011. Under the adjusted regime, any residential property acquired on or after 27 October 2012, either by an individual or a company (regardless of where it is incorporated), and resold within 36 months, will be subject to the new rates of SSD upon the enactment of the relevant legislation. The financial secretary also announced on 26 October 2012 that a Buyer's Stamp Duty ("**BSD**") would be introduced with effect from 27 October 2012 on residential properties acquired by any person (including a company incorporated) except a Hong Kong permanent resident. BSD is charged at a flat rate of 15 per cent. on all residential properties, on top of the existing stamp duty and the SSD, if applicable. On 4 November 2016, the Hong Kong Government announced further cooling measures in the form of an increase to stamp duty payable on property transactions to 15 per cent., effective from 5 November 2016 and applying to all residential property acquisitions by individuals or companies with the exception of first-time home buyers who are Hong Kong permanent residents. On 12 April 2017, this increased stamp duty was extended to apply to first-time Hong Kong permanent resident property buyers acquiring multiple properties under a single contract.

Besides, the Residential Properties (First-hand Sales) Ordinance (Cap. 621) has come into full operation with effect from 29 April 2013. It aims to enhance the transparency and fairness of the sales arrangements and transactions of first-hand residential properties to better protect the interest of purchasers. It sets out detailed requirements in relation to sales brochures, price lists, show flats, disclosure of transaction information, advertisements, sales arrangements, and the mandatory provisions for the preliminary agreement for sale and purchase and agreement for sale and purchase for the sales of first-hand residential properties.

The Hong Kong government's restrictive measures to control property prices could limit the Group's access to capital resources, reduce market demand and increase the Group's operating costs. The Hong Kong government may adopt additional and more stringent measures in the future, which may further slow the development of the industry and materially and adversely affect the Group's business and result of operations. In particular, any additional or more stringent measures imposed by the Hong Kong government in the future to curb residential real estate projects may materially and adversely affect the Group's business and results of operations.

Mortgage loans offered by the Group to property buyers may have a negative impact on the Group's financials

The Group has offered mortgage loans to its residential property buyers at loan-to-value ratios higher than loans offered by banks and/or on terms and conditions more favourable than loans offered by banks. These include providing interest-free periods and providing zero amortisation for a certain period of time. Proof of income is sometimes not required for certain mortgage loan applicants. Credit risk taken up by the Group is anticipated to be higher than that taken up by banks as the Group's credit approval process is significantly less stringent than that of banks, and it may be a financial burden to the Group if the repayment ability of buyers deteriorates or if buyers default.

On 20 June 2016, the Hong Kong Monetary Authority released an article on the topic of mortgage loans with high loan-to-value ratios offered by property developers. The article states that whilst the amount of mortgage loans currently provided by property developers is small when compared with the total amount of residential mortgage loans provided by banks, it has come to its attention that such loans provided by individual developers have been increasing by multiples over the past year. Whilst property developers are outside the supervisory ambit of the Hong Kong Monetary Authority, the fact that banks lend to property developers which in turn provide mortgages to homebuyers indirectly increases the potential credit risk faced by banks. The Hong Kong Monetary Authority has been discussing with banks and studying the need to introduce measures with a view to strengthening the risk management of banks in respect of loans provided to property developers offering mortgage loans with high loan-to-value ratios. It is uncertain what measures will be adopted by the Hong Kong Monetary Authority and the impact of these measures, if any, will have on the financing offered by banks to property developers.

The Group's performance is dependent on the performance of the Hong Kong property market

The Group's financial condition and results of operations are largely dependent on its investment and rental properties and development properties situated in Hong Kong. See "*Description of the Group — Property Development and Investment — Hong Kong*". The property interests of the Group are subject to certain risks inherent generally in the ownership of, investment in and development of real property. These risks include the generally cyclical nature of property markets (for example, Hong Kong residential property prices, after reaching record highs in 1997, fell significantly as a result of the Asian economic crisis), changes in general economic, business and credit conditions, the illiquidity of land and other real property, changes in governmental policies or regulations, building material shortages and increases in the costs of labour and materials. The Group's property interests are also affected by the strength of the local economy.

In the event of economic decline, the Group may also experience market pressures that affect Hong Kong property companies, such as pressures from existing and prospective tenants to provide rent reductions and reduced market prices for sale properties. Rental values are also affected by factors such as political developments, governmental regulations and changes in planning or tax laws, interest rate levels and inflation. New residential and office properties are also scheduled for completion over the next few years and such additional supply may adversely affect residential and office rents, occupancy rates as well as sale prices for new residential and office units. In addition, from time to time during economic downturns, the Group has experienced pressures from existing and prospective commercial tenants to provide rent reductions or longer rent free periods than usually given. This has had an impact on the Group's rental income from its commercial property investments in the past and the recurrence of adverse market conditions in the future may have an adverse effect on the Group's business, operating results and financial condition.

There is no assurance that the problems of oversupply, falling property prices and tightening of credit provided by lenders will not recur or that the recurrence of such problems with respect to the Hong Kong property market will not adversely affect the business, financial condition and results of operations of the Group. Any slowdown in the economies of the United States, the European Union and certain Asian countries may adversely affect economic growth in Hong Kong and elsewhere.

The inherent volatility of the property market impacts the best timing for both the acquisition of sites and the sale of properties. This volatility, combined with the lead time required for completion of projects as well as the sale of existing properties, means that the Group's results from its property development activities may be susceptible to significant fluctuations from year to year. Furthermore, fluctuations in the Hong Kong property market will have an impact on the Group's balance sheet since the Group revalues its investment properties on an annual basis.

Risks associated with the effect of global credit markets on the economy and of a global economic slowdown

Economic developments outside Hong Kong could also adversely affect the property market in Hong Kong and the PRC and the Group's overall business. Since late 2008, the global credit markets have experienced, and may continue to experience, significant dislocations and liquidity disruptions which have originated from the liquidity disruptions in the credit and mortgage markets of the United States and the European Union. The deterioration of the financial markets contributed to a recession in the United States and a slowdown in the global economy, which led to significant declines in employment, household wealth and consumer demand, and the announcement of stimulus measures by a number of governments including quantitative easing. A number of other related events have also caused fundamental and wide reaching disruptions to the global credit markets. Such events include the collapse of a number of financial institutions and other entities, rising government deficits and debt levels, ratings downgrades for the United States and certain EU sovereign debt, debt reduction measures taken by various countries and notably in the United States and the continued deterioration of certain European economies. On 23 June 2016, the United Kingdom voted in a national referendum to withdraw from the European Union and on 29 March 2017, invoked Article 50 of the Treaty on European Union requiring it to withdraw within two years.

These events have had and continue to have a significant adverse impact on the global credit and financial markets which may adversely affect economic growth in Hong Kong, the PRC and other jurisdictions. There can be no assurance that the slowdown in the global economy will not result in oversupply and reduced property prices and rentals in Hong Kong and the PRC. Hong Kong and other stock market prices have also experienced significant volatilities which may continue to affect the value of the Group's investments.

The Group's property investment and development businesses may require significant capital resources to fund land acquisitions and property developments

Property development is capital-intensive. The Group's ability to secure sufficient financing for land acquisition and property development depends on a number of factors that are beyond their control, including market conditions in debt capital markets, investors' perception of their debt securities, lenders' perception of their creditworthiness, the Hong Kong economy, the global economy and regulations that affect the availability and finance costs for real estate companies. Any deterioration in these factors, such as that which has occurred in the global credit and financial markets in recent years (as discussed above), may make it difficult for the Group to access financial markets and make it more difficult or expensive to obtain funding in the future. This may have a material adverse effect on the Group's cash flow position, financial condition and business plans. The Group may also be subject to solvency risks of its banks and of its counterparties in its financial investments and arrangements.

The illiquidity of property investments and the lack of alternative uses for properties could limit the Group's ability to respond to adverse changes in the performance of its properties

As properties are in general relatively illiquid, the Group's ability to sell them promptly in response to changing economic, financial and investment conditions is limited. The real estate market is affected by many factors beyond the Group's control, such as general economic conditions, availability of financing, interest rates, supply and demand of properties and other factors that are beyond the Group's control. The Group cannot predict whether it will be able to sell any of its properties for the price or on the terms set by it, or whether any price or other terms offered by a prospective purchaser would be acceptable to it. The Group also cannot predict the length of time needed to find a purchaser and to close a sale in respect of a property.

Should a decision be made to sell a property subject to a management agreement or tenancy agreement, the Group may have to obtain consent from, or pay termination fees to, its management partners or its tenants.

In addition, properties are not readily convertible to alternative uses if they become unprofitable due to competition, age, decreased demand or other factors. The conversion of properties to alternative uses would generally require substantial capital expenditures. In particular, the Group may be required to expend funds to maintain properties, correct defects, or make improvements before an investment property can be sold. There is no assurance that the Group will have funds available for these purposes. These factors and any other factors that would impede the Group's ability to respond to adverse changes in the performance of its investment properties could affect its ability to retain tenants and to compete with other market participants, as well as affecting its results of operations.

A part of the Group's property business is conducted through joint ventures and associates in Hong Kong and the PRC

The Group has investments in several joint venture companies and associates in connection with its property investments and developments, principally in Hong Kong and the PRC. Such joint ventures may involve special risks associated with the possibility that the Group's joint venture partners may:

- have economic or business interests or goals that are inconsistent with those of the Group;
- take action contrary to the instructions or requests of the Group or contrary to the Group's policies or objectives with respect to its property investments;
- be unable or unwilling to fulfil their obligations under the joint ventures or other agreements; or
- experience financial or other difficulties.

Joint venture partners are not restricted from competing with the Group on other projects. In the PRC, property investment and development may often involve the participation of local and foreign partners, and there may be additional risks or problems associated with joint ventures and associates in the PRC. For instance, guarantees given by PRC parties in relation to joint ventures in the PRC may be difficult to enforce as their validity may depend on the financial and legal qualifications of the guarantors and the appropriate approvals having been obtained. Although the Group does not believe that it has experienced any significant problems with respect to its partners to date, should such problems occur in the future they could have a material adverse effect on the businesses and prospects of the Group.

The Group is subject to general risks of doing business overseas and may not be able to manage its expansion and growth in the PRC successfully

The Group has commercial interests in the PRC and Macau, including interests in residential and commercial property development and property investments, and plans to increase these in the future as part of its growth strategy. The Group also has property investments in other overseas markets, including but not limited to Singapore, Japan, Malaysia, the United Kingdom and the United States. The Group's expansion in the PRC and investment in other overseas markets will be based on its forward-looking assessment of market prospects. There is no assurance that the Group's assessments will turn out to be accurate. In addition, to succeed in its business expansion, the Group will need to recruit and train new managers and other employees and build its operations and reputation in its target regional markets within a relatively short period of time. The Group may have limited knowledge of the conditions of these local property markets and little or no experience in property development in these regions. As it enters new markets, the Group may not have the same level of familiarity with contractors, business practices, customs, customer tastes, behaviour and preferences as compared to the cities where it is an established property developer. In addition, when the Group enters new geographical areas, it may face intense competition from developers with an established presence and market share in those areas. Accordingly, the Group is subject to greater exposure and the risks associated with conducting business in the PRC and other overseas markets. The need to integrate operations arising from the Group's expansion, particularly into other fast growing second-tier cities in the PRC may place a significant strain on the Group's managerial, operational and financial resources and contribute to an increase in the Group's financing requirements.

Restrictive measures enacted by the PRC government, new policy measures and the terms of and procedures relating to land clearance agreements may also have a material impact on the Group as it further expands into the PRC. See "*Risks Relating to the PRC and Hong Kong — The Group's business in the PRC is subject to extensive governmental approval and compliance requirements*". The respective governments of the countries in which the Group has property investments may introduce new policies and/or regulations, or amend or abolish existing policies and/or regulations at any time, which could affect the value of the Group's investments and its profitability. Furthermore, repatriation of investment income, capital and the proceeds from sales of property by foreign investors such as the Group may require certain governmental registration and approval. If the governments of the jurisdictions in which the Group has investments tighten or otherwise change their laws and regulations relating to the repatriation of their local currency, the Group's ability to repatriate profits may be affected and accordingly, the Group's cash flow may be adversely affected. The Group may also be subject to a variety of risks incidental to the ownership of and investments in land and real estate in these countries, including changes in the supply of, or demand for, investment property in an area, changes in interest rates and the availability of financing, difficulties in mortgaging due to uncertainty in land and security regulations, difficulties which may be encountered at land or security registries, changes in property tax rates and/or land use and lease laws, problems caused by zoning or urban planning, credit risks of tenants, suppliers, contractors and borrowers, and environmental factors. The feasibility, marketability and value of any project in these countries may therefore be affected by factors beyond the Group's control.

The Group may not always be able to obtain sites that are suitable for development or investment

The Group derives a substantial part of its revenue from sales and leases of properties that it has developed. This revenue stream depends on the completion of, and the Group's ability to sell or lease, its property developments. The success of properties developed by the Group and retained for leasing purposes, and other properties acquired for investment, is dependent upon their ability to compete on the basis of accessibility, location and quality of tenants. In order to maintain and grow its business in the future, the Group will be required to replenish its land reserve with suitable sites for development. The Group's ability to identify and acquire suitable sites for development or investment is subject to a number of factors that are beyond its control. The Group's business, financial condition and results of operations may be adversely affected if it is unable to obtain sites for development or investment at prices that allow it to achieve reasonable returns upon sale or lease to its customers.

The amount of land offered by the Hong Kong government by auction is limited. This affects the Group's ability to replenish its Hong Kong land bank. In addition, the PRC government controls all new land supply in the PRC and regulates land sales in the secondary market. The PRC central and local governments may regulate the means by which property developers, including the Group, obtain land sites for property developments. See "*Risks Relating to the PRC and Hong Kong — PRC political, legal and economic risks*". There is no assurance that the Group will be successful in tendering or bidding for sites. In addition, the Group has acquired and in the future intends to acquire land by acquiring other property development companies and there is no assurance that the Group will be able to obtain applicable government approvals for companies so acquired. As a result, the policies of the Hong Kong government and the PRC government towards land supply may adversely affect the Group's ability to acquire land use rights for sites it seeks to develop and could increase the costs of any acquisition.

The Group's revenue and results of operations from property development and property investment fluctuate significantly from period to period

The Group's results of operations from property development have varied significantly in the past and may continue to fluctuate significantly from period to period in the future. The Group's revenue and results of operations from property development for each period depend primarily on the number of properties that become available for sale or pre-sale in such periods. The Group's revenue from sales of completed properties is recognised when the construction of the relevant properties have been completed, properties have been delivered to the purchaser pursuant to the sale and purchase agreements and collectability of related receivables is reasonably assured.

The Group cannot predict with certainty the time of the completion and delivery of a property, and hence the time of the revenue recognition from any pre-sale and the ability to use all the proceeds from such pre-sale, as the completion of any property development will vary according to its construction timetable and the time required to obtain the certificate of completion. Accordingly, due to the volatile nature of the revenue that is generated from property development, the periods discussed in the financial statements included in this Offering Circular may not be comparable to each other or other future periods.

The Group's results of operations from property investment and development included an increase in the fair value of the investment properties for the years ended 31 March 2015 and 2016 and the six months ended 30 September 2015 and 2016, which was unrealised. Upward revaluation adjustments reflect unrealised capital gains on the Group's investment properties at the relevant balance sheet dates and are not profit generated from the sales or rentals of the Group's investment properties. They do not generate any actual cash inflow to the Group for potential dividend distribution unless and until such investment properties are disposed of at similarly revalued amounts.

The amount of revaluation adjustments has been, and may continue to be significantly affected by the prevailing conditions in the property markets and may be subject to market fluctuations. Macroeconomic factors, including economic growth rate, interest rate, inflation rate, urbanisation rate and disposable income level can substantially affect the fair value of the Group's investment properties and affect the supply and demand in the Hong Kong and PRC property market. All these factors are beyond the Group's control. There can be no assurance that the Group will continue to record similar levels of increase in the fair value of investment properties in the future. Moreover, the fair value of the Group's investment properties could decrease in the event that the market for comparable properties experiences a downturn as a result of the government policies aimed at "cooling-off" the property market, or otherwise. Any such decrease in the fair value of the Group's investment properties may materially and adversely affect results of operations from property investment and development.

The Group may experience schedule delays or budget overruns in completing the Group's property development projects

Property development projects typically require substantial capital outlay during the construction period and may take months or years before positive cash flows can be generated by pre-sales or sales of completed property developments, if at all. The time and costs required in completing a property development project may be subject to substantial increases due to many factors, including shortages of materials, equipment, technical skills and labour, adverse weather conditions, natural disasters, labour disputes, disputes with contractors, accidents, changes in government priorities and policies, changes in market conditions, delays in obtaining the requisite licences, permits and approvals from the relevant authorities and other unforeseeable problems and circumstances. Any of these factors may lead to delays in, or prevention of, the completion of a property development project and result in costs substantially exceeding those originally budgeted for. Furthermore, any failure to complete a property development project according to its original specifications or schedule may give rise to potential liabilities and, as a result, the Group's return on investments may be lower than originally expected.

In addition, any decreases in property prices or adverse developments in the property market after the acquisition of a parcel of land and prior to the pre-sales or sales of completed property developments on such land could also have an adverse impact on the Group's business, financial condition and results of operations.

The Group may not be able to obtain land use right certificates in its projects with respect to certain parcels of land in which it has acquired an interest

Land use right certificates are granted once the land premium is paid, and land use right certificates may not be issued piecemeal in proportion to the payment of the land premium in Hong Kong and the PRC. If the Group fails to obtain the relevant land use right certificates for any acquired land, it will not be able to develop and sell properties on such land. The Group may not be able to acquire replacement land parcels on terms acceptable to it, or at all. All or any of these factors may have an adverse effect on the Group's business.

The Group may be unable to renew tenancies or re-lease space at rental rates equal to or above the current rental rates or at all for investment and rental properties when tenancies expire and may not receive rent payments in a timely manner

A portion of the Group's turnover from property investment and development is derived from income from renting office space and from renting retail and residential properties held as investment and rental properties. Most residential investment and rental properties are leased on a relatively short term basis (primarily two years with a break clause allowing tenants the right of early termination by serving two or three months' notice after the first 12 months). Financial performance may be materially and adversely affected in the event of a decline in rental or occupancy levels, or difficulties in securing lease renewals or obtaining new tenants, or if existing tenants reduce the amount of space that they occupy, or fail to comply with the terms of their lease or commitment to lease, or seek the protection of bankruptcy laws delaying or preventing receipt of rent payments, for any reason. The Group cannot be assured that existing tenants will renew their leases upon expiration or that the Group will be able to find replacement tenants at rental rates equal to or higher than those of the expiring tenancies. Moreover, the Group may be unable to obtain replacement tenants in a timely manner so as to minimise vacancy periods in between tenancies or to obtain rental rates equal to or above the current rental rates for tenancies. Furthermore, if vacant space cannot be leased out for a significant period of time, the market value of the Group's investment and rental properties may be adversely affected. In the case of residential properties, the short term leases involved also give rise to increased volatility. Any such situation may materially and adversely affect the Group's cashflow, business, financial condition and results of operations from property investment and development.

Potential liability for environmental problems could result in costs to the Group

The Group is subject to various laws and regulations concerning the protection of health and the environment. The particular environmental laws and regulations which apply to any given project development site vary greatly according to the site's location, its environmental condition, the present and former uses of the site, as well as the presence of any adjoining properties. Environmental laws and conditions may result in delays to the Group's property developments, may cause the Group to incur compliance and other costs and can prohibit or severely restrict project development activity in environmentally-sensitive regions or areas.

Each project the Group develops is required under applicable local laws and regulations to undergo environmental assessments. Further, an environmental impact assessment document is required to be submitted to the relevant government authorities for approval before commencement of construction.

The local authorities may request the Group to submit additional environmental impact documents, issue orders to suspend the construction and/or impose penalties for any projects that have not, prior to the commencement of construction, received approval following the submission of the environmental impact assessment documents. Although the environmental investigations conducted to date have not revealed any environmental liability that the Group believes would have a material adverse effect on its business, financial condition or results of operations, it is possible that these investigations did not reveal all environmental liabilities, or that there are material environmental liabilities of which the Group is unaware.

The Group is subject to uninsured risks

The Group maintains insurance coverage on its properties under construction, third party liabilities and employer's liabilities, as well as other insurance typical for the industries in which it operates and in amounts that it believes to be adequate. However, certain types of losses such as war, civil disorder, acts of terrorism, earthquakes, typhoons, flooding, and other natural disasters are not covered as they are either uninsurable or not economically insurable. Accordingly, there may be circumstances in which the Group will not be covered or compensated for certain losses, damages and liabilities, which may in turn adversely affect its financial position and results of operations.

Risks Relating to the Financial Investment Portfolio

The performance and condition of the Group's financial investment portfolio is dependent upon the successful execution of strategies by an independent asset management company

As the day-to-day management of the Group's financial investment assets and portfolio is undertaken by NF Trinity (see "*Description of the Group — Financial Investment*" below) the performance of the Group's investment portfolio is dependent upon the success of NF Trinity's investment operation, as well as the strength of its investment professionals. There can be no assurance that NF Trinity's investment operation will be effective or that it will be able to attract, retain and motivate high quality investment professionals. If its strategies are unsuccessful or if it fails to attract, retain or motivate such personnel, the performance of the Group's financial investment portfolio may be materially and adversely affected. There is also no assurance that the Group will continue to retain or extend the investment management contract of NF Trinity. Further, the Group may, subject to the performance of NF Trinity and amongst other things, award such contract to a different asset management company, in which case the management of the Group's investment portfolio may experience interruption. In addition, there is no assurance that NF Trinity will comply with the terms of its licenses granted by the HKSFC, in which case any disciplinary actions imposed by the HKSFC may result in interruption in the operations of NF Trinity and hence, the management of the Group's investment portfolio, which may materially and adversely impact its condition and performance.

The prices of the Group's investments are subject to economic, political, market, counterparty and company specific changes

The prices of the Group's investments are subject to economic, political, market, counterparty and company specific changes. Such changes may adversely affect prices of securities regardless of company specific performance. Additionally, different industries, financial markets and securities can react differently to these changes. Such fluctuations in the value of the Group's portfolio are often exacerbated in the short-term as well. The risk that one or more companies in the Group's portfolio will fall, or fail to rise, may adversely affect the overall portfolio performance in any given period.

Further, the Group's investments in securities which are issued out of different countries and denominated in different currencies involve certain risks. These risks are typically increased in developing countries and emerging markets. Such risks, which can have adverse effects on portfolio holdings, may include: (i) investment and repatriation restrictions; (ii) currency fluctuations; (iii) the potential for unusual market volatility as compared to more industrialised countries; (iv) government involvement in the private sector; (v) limited investor information and less stringent investor disclosure requirements; (vi) shallow and substantially smaller liquid securities markets than in more developed countries, which means the Group may at times be unable to sell certain securities at desirable prices; (vii) certain local tax law considerations; (viii) limited regulation of the securities markets; (ix) international and regional political and economic developments; (x) possible imposition of exchange controls or other local governmental laws or restrictions; (xi) adverse effects from deflation and inflation; (xii) limited legal recourse for the Group; and (xiii) the under-development of custodial and/or the settlement systems.

The Group may invest in initial public offerings from time to time. The market values of shares in initial public offerings may experience high volatility due to factors such as the absence of a prior public market, unseasoned trading, the limited number of shares available for trading and limited information about the issuer. The Group may be subject to lock-up arrangements in relation to certain investments. Such arrangements may limit or restrict the Group's ability to exit investments. Additionally, the Group may hold shares acquired from initial public offerings for a very short period of time, which may increase the Group's expenses. Some investments in initial public offerings may have an immediate and significant impact on the Group's performance. The Group has the flexibility under its investment strategy to hold large amounts of cash if investment opportunities are not available or market conditions are not suitable. While this strategy can assist the Group during times of falling markets, holdings in cash may result in lower returns when compared to equity investments.

The Group is exposed to fair value fluctuations on its derivative financial instruments and investments

The Group manages its interest rate and foreign currency risk with derivative financial instruments such as interest rate swaps and foreign exchange contracts. Such derivative financial instruments are initially recognised at fair value and are subsequently re-measured at fair value. The gain or loss on re-measurement to fair value is recognised immediately in the profit and loss account. The fair value of forward exchange contracts is calculated with reference to current forward exchange rates and by discounting the future cash flows. The fair value of interest rate swaps contract is determined as the difference in the present value of the future interest cash flows.

The Group holds investments designated as financial assets at fair value through profit or loss as well as investments designated as available-for-sale. Investments held by the Group which are designated as available-for-sale are stated at fair value, with any resultant gain or loss being recognised directly in equity. For securities traded actively on organised financial markets, fair value is generally determined by reference to stock exchange quoted market bid prices at the close of business on the balance sheet date. For investments in funds that are stated at fair value and are not quoted in an active market, fair value is determined primarily by reference to other prices observed in recent transactions or valuation techniques when the market price is not readily available. The fair value of other financial instruments that are stated at fair value and 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. For the six months ended 30 September 2016, the Group recognised a net gain on financial assets at fair value through profit or loss and net loss on derivatives of approximately HK$621 million (for the six months ended 30 September 2015: net loss HK$1,492 million) (see "*the Guarantor's unaudited condensed consolidated income statement for the six months ended 30 September 2016*" set out herein).

The Group is therefore exposed to market price fluctuations in respect of derivative financial instruments and investments, which may result in volatility in its financial results. Further, there can be no assurance of the appropriateness of the method of valuation adopted by the Group in relation to investments that are not traded in an active market.

The Group holds investments for which no active market exists

The Group holds certain investments, including in funds and private equity, which are not traded on any organised financial market and which are not otherwise actively traded. The Group's intention is generally to hold such investments for the long term. However, as such investments are in general relatively illiquid, the Group's ability to sell them promptly in response to changing economic, financial and investment conditions is limited and the Group cannot predict whether it would be able to sell any such investment for a price that is at or above its cost to the Group, or is reflective of its value as determined by the Group. If the Group is unable to dispose of such investments promptly or at a price consistent with their valuation, the Group's financial results and position could be adversely affected.

Risks Relating to the PRC and Hong Kong

The Group's business in the PRC is subject to extensive governmental approval and compliance requirements

The Group's business operations in the PRC are subject to extensive governmental regulation. As with other property developers in the PRC, the Group's property investment and development business must comply with various requirements mandated by PRC laws and regulations, including policies and procedures established by local authorities designed to implement national laws and regulations. In order to develop and complete a property development, the Group's property investment and development business must obtain various permits, licences, certificates and other approvals from the relevant administrative authorities at various stages of property development and leasing, as well as for hotel operations, including, for example, land use right documents, planning permits, construction permits, pre-sale permits and certificates or confirmation of completion and acceptance. Each approval is dependent on the satisfaction of certain conditions.

There can be no assurance that the Group will not encounter major problems in fulfilling the conditions precedent to the receipt of approvals or that the Group will be able to adapt itself to new laws, regulations or policies that may come into effect from time to time with respect to the real estate industry in general or particular processes with respect to the issuance of such approvals.

PRC political, legal and economic risks

A portion of the Group's operations are located in the PRC. The Guarantor expects that the Group will make further investments in the PRC, and that the Group's assets in the PRC will account for an increasing share of its overall income base. The Guarantor's financial condition, results of operations and future prospects depend to a large extent on the success of the Group's operations in the PRC and are subject, to a significant degree, to the political and economic situation and legal developments in the PRC.

The PRC economy differs from the economies of most developed countries in many respects, including, but not limited to:

- extent of government involvement;
- level of development;
- growth rate;

- economic and political structure;
- control of foreign exchange;
- allocation of resources; and
- regulation of capital reinvestment.

While the PRC economy has experienced significant growth in past decades, growth has been uneven, both geographically and among the various sectors of the economy. The PRC government has implemented various measures to encourage economic growth and to guide the allocation of resources.

Some of these measures benefit the overall PRC economy but may also have a negative effect on the Group's operations. For example, the Group's business and financial condition may be adversely affected by the PRC government's control over capital investments or any changes in tax regulations or foreign exchange controls that are applicable to it.

The PRC economy has been transitioning from a planned economy to a more market-oriented economy. Although in recent years the PRC government has implemented measures emphasising the utilisation of market forces for economic reform, the reduction of state ownership of productive assets and the establishment of sound corporate governance in business enterprises, a substantial portion of productive assets in the PRC is still owned by the PRC government. In addition, the PRC government continues to play a significant role in regulating the development of industries in the PRC by imposing topdown policies. It also exercises significant control over PRC economic growth through the allocation of resources, controlling the payment of foreign currency-denominated obligations, setting monetary policy and providing preferential treatment to particular industries or companies. There is no assurance that future changes in the PRC's political, economic and social conditions, laws, regulations and policies will not have a material adverse effect on the Group's current or future business and financial condition.

The legal system in the PRC is less developed than in certain other countries and laws in the PRC may not be interpreted and enforced in a consistent manner

The PRC legal system is a civil law system. Unlike the common law system, the civil law system is based on written statutes in which decided legal cases have little value as precedents. Since 1979, the PRC government has begun to promulgate a comprehensive system of laws and has introduced many new laws and regulations to provide general guidance on economic and business practices in the PRC and to regulate foreign investment. Progress has been made in the promulgation of laws and regulations dealing with economic matters such as corporate organisation and governance, foreign investment, commerce, taxation and trade. The promulgation of new changes to existing laws and the abrogation of local regulations by national laws could have a negative impact on the business and prospects of the Group. In addition, as these laws, regulations and legal requirements are relatively recent, their interpretation and enforcement may involve significant uncertainty. The interpretation of PRC laws may be subject to policy changes, which reflect domestic political changes. As the PRC legal system develops, the promulgation of new laws, changes to existing laws and the pre-emption of local regulations by national laws may have an adverse effect on the Group's business and financial condition.

Risks associated with outbreak of severe communicable diseases

In 2003, there was an outbreak of Severe Acute Respiratory Syndrome ("SARS"), a highly contagious and potentially deadly disease, in Hong Kong along with many other countries in Asia. The SARS outbreak had a significant adverse impact on the economies of the affected countries. There have been sporadic outbreaks of the H5N1 virus or the "Avian Influenza A" among birds and poultry and, in some isolated cases, transmission of Avian Influenza A virus from animals to human beings. There have also been recent outbreaks among humans of the influenza A/H1N1 virus globally. On 11 June 2009, the

World Health Organisation raised its global pandemic alert to Phase 6 after considering data confirming the outbreak. On 10 August 2010, the World Health Organisation announced that the A/H1N1 virus was no longer in Phase 6 (pandemic) alert. In the first half of 2013, there was an outbreak of the H7N9 virus, which is a new bird flu strain, in China that caused deaths. There can be no assurance that there will not be another significant outbreak of a highly contagious disease in Hong Kong or the PRC in the future. If such an outbreak were to occur, it may have a material adverse impact on the business, financial condition or results of operations of the Group.

Currency risks

Due to its expansion in the PRC, a material portion of the Group's revenue is denominated in Renminbi and must be converted to make payments in freely convertible currencies. Under the PRC's foreign exchange regulations, payments of current account items, including profit distributions, interest payments and expenditures from trade, may be made in foreign currencies without prior approval, subject to certain procedural requirements. However, strict foreign exchange controls continue for capital account transactions, including repayment of loan principal and return of direct capital investments and investments in negotiable securities. In the past, there have been shortages of U.S. dollars or other foreign currencies available for conversion of Renminbi in the PRC, and it is possible such shortages could recur, or that restrictions on conversion could be re-imposed.

The value of the Renminbi against the U.S. dollar and other currencies fluctuates and is affected by, among other things, changes in China's political and economic conditions. Since the introduction of a regulated floating exchange rate system in 2005, the PRC government has made, and may in the future make, further adjustments to the exchange rate system. The People's Bank of China ("**PBOC**") surprised markets in August 2015 by thrice devaluing the Renminbi, lowering its daily mid-point trading price significantly against the U.S. dollar. Renminbi depreciated significantly against the U.S. dollar following this August 2015 announcement by the PBOC. In January and February 2016, Renminbi experienced further fluctuation in value against the U.S. dollar. With an increased floating range of the Renminbi's value against foreign currencies and a more market-oriented mechanism for determining the mid-point exchange rates, the Renminbi may further appreciate or depreciate significantly in value against the U.S. dollar or other foreign currencies in the long-term. Any significant appreciation of the Renminbi against the U.S. dollar or other foreign currencies may result in the decrease in the value of the Group's foreign currency-denominated assets. Conversely, any significant depreciation of the Renminbi may adversely affect the value of its investments in the PRC. In addition, there are limited instruments available for the Group to reduce its foreign currency risk exposure at reasonable costs. All of these factors may have a material adverse impact on the business, financial condition or results of operations of the Group.

Risks Relating to the Securities and the Guarantee of the Securities

The Securities may not be a suitable investment for all investors.

The Securities are complex financial instruments and may be purchased as a way to reduce risk or enhance yield with an understood, measured, appropriate addition of risk to their overall portfolios. A potential investor should not invest in the Securities unless it has the expertise (either alone or with the help of a financial adviser) to evaluate how the Securities will perform under changing conditions, the resulting effects on the value of such Securities and the impact this investment will have on the potential investor's overall investment portfolio.

Each potential investor in the Securities must determine the suitability of that investment in light of its own circumstances. In particular, each potential investor should:

(i) have sufficient knowledge and experience to make a meaningful evaluation of the Securities, the merits and risks of investing in the Securities and the information contained or incorporated by reference in this Offering Circular or any applicable supplement;

(ii) have access to, and knowledge of, appropriate analytical tools to evaluate, in the context of its particular financial situation, an investment in the Securities and the impact such investment will have on its overall investment portfolio;

(iii) have sufficient financial resources and liquidity to bear all of the risks of an investment in the Securities;

(iv) understand thoroughly the terms of the Securities and be familiar with the behaviour of any relevant indices and financial markets; and

(v) be able to evaluate (either alone or with the help of a financial adviser) possible scenarios for economic, interest rate and other factors that may affect its investment and its ability to bear the applicable risks.

The Securities are perpetual securities and investors have no right to require redemption.

The Securities are perpetual and have no maturity date. The Issuer is under no obligation to redeem the Securities at any time and the Securities can only be disposed of by sale. Holders who wish to sell their Securities may be unable to do so at a price at or above the amount they have paid for them, or at all, if insufficient liquidity exists in the market for the Securities. Therefore, Holders should be aware that they may be required to bear the financial risks of an investment in the Securities for an indefinite period of time.

Holders may not receive Distribution payments if the Issuer elects to defer Distribution payments under the Terms and Conditions of the Securities.

The Issuer may, at its sole discretion and subject to certain conditions, elect to defer any scheduled Distribution on the Securities for any period of time. The Issuer is not subject to any limits as to the number of times Distributions can be deferred pursuant to the Terms and Conditions of the Securities, subject to compliance with certain restrictions and notwithstanding any increase in the Distribution Rate which may be provided for under the Terms and Conditions of the Securities.

Although, following a deferral, Arrears of Distributions are cumulative, subject to the Terms and Conditions of the Securities, the Issuer may defer their payment for an indefinite period of time by delivering the relevant deferral notices to the Holders. Any such deferral of Distribution shall not constitute a default for any purpose. Each of the Issuer and the Guarantor is subject to certain restrictions in relation to the payment of discretionary dividends on its Junior Securities and its Parity Securities, the discretionary redemption and repurchase of its Parity Securities or Junior Securities until any outstanding Arrears of Distribution and Additional Distribution Amount are satisfied or save in certain specified situations as further described in the Terms and Conditions of the Securities. Such restrictions on discretionary payments act as the main deterrent against deferral of Distribution on the Securities.

Any deferral of Distribution will likely have an adverse effect on the market price of the Securities. In addition, as a result of the Distribution deferral provision of the Securities, the market price of the Securities may be more volatile than the market prices of other debt securities on which original issue discount or interest accrues that are not subject to such deferrals and may be more sensitive generally to adverse changes in the Group's financial condition.

The Securities may be redeemed at the Issuer's option on 29 May 2020 or on any Distribution Payment Date thereafter or upon the occurrence of certain other events.

The Securities are redeemable at the option of the Issuer on 29 May 2020 and or on any Distribution Payment Date thereafter at their principal amount together with any Distribution accrued to the date fixed for redemption (including any Arrears of Distribution and any Additional Distribution Amount).

In addition, the Issuer also has the right to redeem the Securities upon the occurrence of a Change of Control. The Securities may also be redeemed at the option of the Issuer if at least 90 per cent. in principal amount of the Securities originally issued has already been cancelled. The date on which the Issuer elects to redeem the Securities may not accord with the preference of individual Holders. This may be disadvantageous to the Holders in light of market conditions or the individual circumstances of the Holders of the Securities. In addition, an investor may not be able to reinvest the redemption proceeds in comparable securities at an effective distribution rate at the same level as that of the Securities.

There are limited remedies for non-payment under the Securities.

Any scheduled Distribution will not be due if the Issuer elects to defer that Distribution pursuant to the Terms and Conditions of the Securities. Notwithstanding any of the provisions relating to non-payment defaults, the right to institute winding-up proceedings is limited to circumstances where payment has become due and the Issuer and the Guarantor fail to make the payment when due. The only remedy against the Issuer and the Guarantor available to the Trustee or (where the Trustee has failed to proceed against the Issuer and the Guarantor as provided in the Terms and Conditions of the Securities) any Holder for recovery of amounts in respect of the Securities following the occurrence of a payment default after any sum becomes due in respect of the Securities will be instituting winding-up proceedings and/or proving and/or claiming in winding-up proceedings in respect of any of the Issuer's and the Guarantor's payment obligations arising from the Securities and the Guarantee of the Securities.

The Securities confer Holders with limited rights upon the occurrence of a Change of Control.

The Securities confer Holders with limited rights upon the occurrence of a Change of Control. The Issuer may, at any time, on giving irrevocable notice to the Trustee, the Agents and Holders, redeem in whole, but not in part of the Securities if any of such event occurs. The Issuer is, however, not obliged to redeem the Securities upon the occurrence of any of such events under the Securities. If the Issuer elects not to redeem the Securities upon the occurrence of such event, the Distribution Rate will increase by a certain percentage per annum pursuant to Condition 4(c) of the Terms and Conditions of the Securities.

The Issuer may raise other capital which affects the price of the Securities.

The Issuer may raise additional capital through the issue of other securities or other means. There is no restriction, contractual or otherwise, on the amount or type of securities or other liabilities which the Issuer may issue or incur and which rank senior to, or *pari passu* with, the Securities. The issue of any such securities or the incurrence of any such other liabilities may reduce the amount (if any) recoverable by Holders on a winding-up of the Issuer or may increase the likelihood of a deferral of Distributions under the Securities. The issue of any such securities or the incurrence of any such other liabilities might also have an adverse impact on the trading price of the Securities and/or the ability of Holders to sell their Securities.

Legal investment considerations may restrict certain investments.

The investment activities of certain investors are subject to legal investment laws and regulations, or review or regulation by certain authorities. Each potential investor should consult its legal advisers to determine whether and to what extent (i) the Securities are legal investments for it, (ii) the Securities can be used as collateral for various types of borrowing and (iii) other restrictions apply to its purchase or pledge of any Securities. Financial institutions should consult their legal advisers or the appropriate regulators to determine the appropriate treatment of the Securities under any applicable risk-based capital or similar rules.

The Company's payment obligations are structurally subordinated to liabilities, contingent liabilities and obligations of the Company's subsidiaries.

The Company owns assets and conducts its business operations through its subsidiaries. The Securities will not be guaranteed by any current or future subsidiaries. The Company's primary assets are ownership interests in and its loans to its subsidiaries. Accordingly, the Company's ability to make payments pursuant to the Guarantee of the Securities will depend upon the receipt of principal and interest payments on the intercompany loans and distributions of dividends from the Company's subsidiaries.

Creditors, including trade creditors of the Company's subsidiaries and any holders of the preferred shares in such entities, would have a claim on the Company's subsidiaries' assets that would be prior to the claims of the holders of the Securities. As a result, the Company's payment obligations under the Guarantee of the Securities will be effectively subordinated to all existing and future obligations of the Company's subsidiaries, and all claims of creditors of the Company's subsidiaries will have priority as to the assets of such entities over the Company's claims and those of the Company's creditors, including holders of the Securities.

The Issuer' s ability to make payments under the Securities will depend on timely payments under on-lent loans of the proceeds from the issue of the Securities to the Guarantor and its subsidiaries.

The Issuer is a wholly-owned indirect subsidiary of the Company formed for the principal purpose of issuing the Securities and will on-lend the entire proceeds from the issue of the Securities to the Guarantor and/or its subsidiaries. The Issuer does not and will not have any net assets other than such on-lent loans and its ability to make payments under the Securities depends on timely payments under such loans. In the event that the Guarantor and its subsidiaries do not make such payments due to limitation in such loans or other agreements, lack of available cash flow or other factors, the Issuer's ability to make payments under the Securities may be adversely affected.

The Trustee may request the Holders to provide an indemnity and/or security and/or prefunding to its satisfaction.

In certain circumstances (including giving of notice to the Issuer and the taking of enforcement steps pursuant to Condition 8(c) of the Terms and Conditions of the Securities), the Trustee may (at its sole discretion) request Holders to provide an indemnity and/or security and/or prefunding to its satisfaction before it takes action on behalf of Holders. The Trustee will not be obliged to take any such actions if not indemnified and/or secured and/or prefunded to its satisfaction. Negotiating and agreeing to an indemnity and/or security and/or prefunding can be a lengthy process and may impact on when such actions can be taken. The Trustee may not be able to take action, notwithstanding the provision of an indemnity or security or prefunding to it, in breach of the terms of the Trust Deed and in circumstances where there is uncertainty or dispute as to the applicable laws or regulations and, to the extent permitted by the agreements and the applicable law, it will be for the Holders to take such action directly.

The Terms and Conditions of the Securities contain provisions which may permit their modification without the consent of all investors.

The Terms and Conditions of the Securities contain provisions for calling meetings of Holders to consider matters affecting their interests generally. These provisions permit defined majorities to bind all Holders including Holders who did not attend and vote at the relevant meeting and Holders who voted in a manner contrary to the majority.

The Terms and Conditions of the Securities also provide that the Trustee may, without the consent of Holders, authorise or waive any proposed breach or breach of the Securities or of any of the provisions of the Trust Deed or the Agency Agreement (in each case, other than a proposed breach or breach relating to the subject of a Reserved Matter (as defined in the Terms and Conditions of the Securities)) if, in the opinion of the Trustee, the interests of the Holders will not be materially prejudiced thereby.

The Securities may be represented by a Global Certificate and holders of a beneficial interest in the Global Certificate must rely on the procedures of the relevant Clearing System(s).

The Securities may be represented by a Global Certificate. Such Global Certificate will be lodged with the Euroclear and Clearstream (the "**Clearing Systems**"). Except in the circumstances described in the relevant Global Certificate, investors will not be entitled to receive definitive certificates. The Clearing Systems will maintain records of the beneficial interests in the Global Certificate. While the Securities are represented by a Global Certificate, investors will be able to trade their beneficial interests only through the Clearing Systems. While the Securities are represented by a Global Certificate, the Issuer will discharge its payment obligations under the Securities by making payments to the relevant paying agent for distribution to their account holders. A holder of a beneficial interest in a Global Certificate must rely on the procedures of the Clearing Systems to receive payments under the Securities. The Issuer has no responsibility or liability for the records relating to, or payments made in respect of, beneficial interests in the Global Certificate. Holders of beneficial interests in the Global Certificate will not have a direct right to vote in respect of the Securities. Instead, such holders will be permitted to act only to the extent that they are enabled by the Clearing Systems to appoint appropriate proxies.

There is a lack of public market for the Securities.

The Securities are a new issue of securities for which there is currently no trading market. Although approval in-principle has been received from the SGX-ST for the listing of and quotation for the Securities on the Official List of the SGX-ST, there can be no assurance that such listing will be maintained, or that, if listed, an active trading market will develop. If such a market were to develop, the Securities could trade at prices that may be higher or lower than the initial issue price depending on many factors, including prevailing interest rates, the operations of the Issuer, the Guarantor and the rest of the Group and the market for similar securities. The Joint Lead Managers are not obliged to make a market in the Securities and any such market making, if commenced, may be discontinued at any time at the sole discretion of the Joint Lead Managers.

The liquidity and price of the Securities following the offering may be volatile.

The price and trading volume of the Securities may be highly volatile. Factors such as variations in each of the Group's sales revenues, earnings and cash flows and proposals of new investments, strategic alliances and/or acquisitions, interest rates and fluctuations in prices for comparable companies could cause the price of the Securities to change. Any such developments may result in large and sudden changes in the volume and price at which the Securities will trade. There is no assurance that these developments will not occur in the future.

The ratings of the Securities may be downgraded or withdrawn.

The Securities are expected to be assigned a rating of "Baa3" by Moody's. The ratings represent only the opinions of the rating agencies and their assessment of the ability of the Issuer and the Guarantor to perform their respective obligations under the Securities and the Trust Deed and credit risks in determining the likelihood that payments will be made when due under the Securities. Ratings are not recommendations to buy, sell or hold the Securities and may be subject to suspension, reduction or withdrawn at any time. Neither the Issuer nor the Guarantor is obligated to inform holders of the Securities if the ratings are lowered or withdrawn. Each rating should be evaluated independently of the other rating. A downgrade or withdrawal of the ratings may materially and adversely affect the market price of the Securities and the Issuer's ability to access the debt capital markets.

The insolvency laws of the BVI and other local insolvency laws may differ from those of another jurisdiction with which the Holders are familiar.

As the Issuer and the Guarantor are incorporated under the laws of the BVI, any insolvency proceeding relating to the Issuer or the Guarantor would likely involve insolvency laws of the BVI, the procedural and substantive provisions of which may differ from comparable provisions of the local insolvency laws of jurisdictions with which the Holders are familiar.

Investment in the Securities is subject to exchange rate risks.

The value of the U.S. dollar against the Hong Kong dollar and other foreign currencies fluctuates and is affected by changes in the United States and international political and economic conditions and by many other factors. The Issuer will make all payments of distribution, principal and premium (if any) with respect to the Securities in U.S. dollars. As a result, the value of these U.S. dollar payments may vary with the prevailing exchange rates in the marketplace. If the value of the U.S. dollar depreciates against the Hong Kong dollar or other applicable foreign currency between them, the value of investors' investment in Hong Kong dollar or other applicable foreign currency terms will have declined.

Investment in the Securities is subject to interest rate risks.

Investment in the Securities, which carry a fixed rate of interest, involves the risk that subsequent changes in market interest rates may adversely affect the value of the Securities. The Securities will carry a fixed interest rate. Consequently, the trading price of the Securities will vary with the fluctuations in the U.S. dollar interest rates.

The Group may issue additional Securities in the future.

The Group may, from time to time, and without the consent of the Holders create and issue further Securities (See "*Terms and Conditions of the Securities — Further Issues*") or otherwise raise additional capital through such means and in such manner as it may consider necessary. There can be no assurance that such future issuance or capital raising activity will not adversely affect the market price of the Securities.

The following, subject to amendment and save for the paragraphs in italics, are the Terms and Conditions of the Securities, substantially as they will appear on the reverse of each of the definitive certificates evidencing the Securities.

The U.S.$500,000,000 5.50 per cent. guaranteed senior perpetual capital securities (the "**Securities**", which expression includes any further securities issued pursuant to Condition 13 (*Further issues*) and forming a single series therewith) of Nan Fung Treasury (II) Limited (the "**Issuer**") are constituted by a trust deed dated 29 May 2017 (as amended and/or supplemented from time to time, the "**Trust Deed**") entered into by the Issuer, Nan Fung International Holdings Limited (the "**Guarantor**") and The Hongkong and Shanghai Banking Corporation Limited (the "**Trustee**", which expression includes any successor trustee appointed from time to time in connection with the Securities) and are the subject of an agency agreement dated 29 May 2017 (as amended or supplemented from time to time, the "**Agency Agreement**") between the Issuer, the Guarantor, the Trustee, The Hongkong and Shanghai Banking Corporation Limited as registrar (the "**Registrar**", which expression includes any successor registrar appointed from time to time in connection with the Securities), The Hongkong and Shanghai Banking Corporation Limited as principal paying agent (the "**Principal Paying Agent**", which expression includes any successor principal paying agent appointed from time to time in connection with the Securities), the transfer agent named therein (the "**Transfer Agent**", which expression includes any successor or additional transfer agent appointed from time to time in connection with the Securities) and the paying agents named therein (together with the Principal Paying Agent, the "**Paying Agents**", which expression includes any successor or additional paying agents appointed from time to time in connection with the Securities). References herein to the "**Agents**" are to the Registrar, the Principal Paying Agent, the Transfer Agent and the Paying Agents and any reference to an "**Agent**" is to any one of them. Certain provisions of these terms and conditions (the "**Conditions**") are summaries of the Agency Agreement and the Trust Deed and subject to their detailed provisions. The Holders (as defined in Condition 3(a) (*Register, Title and Transfers — Register*)) are bound by, and are deemed to have notice of, all the provisions of the Agency Agreement and the Trust Deed applicable to them. Copies of the Agency Agreement and the Trust Deed are available for inspection by Holders with prior written notice during normal business hours at the principal offices for the time being of the Principal Paying Agent, being at the date hereof at Level 30, HSBC Main Building, 1 Queen's Road Central, Hong Kong and at the Specified Offices (as defined in the Agency Agreement) of each of the Agents, the initial Specified Offices of which are set out below.

1. Form and Denomination

The Securities are in registered form in the denomination of U.S.$200,000 and integral multiples of U.S.$1,000 in excess thereof (each, an "**Authorised Denomination**").

2. Status of the Securities and the Guarantee of the Securities

(a) *Status of the Securities*: The Securities constitute direct, general, unsecured, unconditional and unsubordinated obligations of the Issuer which rank *pari passu* and without any preference among themselves and at least *pari passu* with all other present and future unsecured and unsubordinated obligations of the Issuer (including Parity Obligations), save for such obligations as may be preferred by provisions of law that are both mandatory and of general application.

(b) *Guarantee of the Securities; Status of the Guarantee of the Securities*: The Guarantor has, in the Trust Deed, unconditionally and irrevocably guaranteed the due and punctual payment of all sums payable by the Issuer in respect of the Securities and all other moneys payable by the Issuer under or pursuant to the Trust Deed. This guarantee (the "**Guarantee of the Securities**") constitutes a direct, general, unsecured, unconditional and unsubordinated obligations of the Guarantor (including Parity Obligations) which ranks at least *pari passu* with all other present and future unsecured and unsubordinated obligations of the Guarantor, save for such obligations as may be preferred by provisions of law that are both mandatory and of general application.

3. Register, Title and Transfers

(a) *Register*: The Registrar will maintain a register (the "**Register**") in respect of the Securities outside the United Kingdom in accordance with the provisions of the Agency Agreement. In these Conditions, the "**Holder**" of a Security means the person in whose name such Security is for the time being registered in the Register (or, in the case of a joint holding, the first named thereof). A certificate (each, a "**Certificate**") will be issued to each Holder in respect of its registered holding. Each Certificate will be numbered serially with an identifying number which will be recorded in the Register.

Upon issue, the Securities will be represented by a Global Certificate deposited with and registered in the name of a nominee of a common depositary for Euroclear and Clearstream. The Conditions are modified by certain provisions contained in the Global Certificate. See "The Global Certificate".

(b) *Title*: The Holder of each Security shall (except as otherwise required by law) be treated as the absolute owner of such Security for all purposes (whether or not it is overdue and regardless of any notice of ownership, trust or any other interest therein, any writing on the Certificate relating thereto (other than the endorsed form of transfer) or any notice of any previous loss or theft of such Certificate) and no person shall be liable for so treating such Holder. No person shall have any right to enforce any term or condition of the Securities or the Trust Deed under the Contracts (Rights of Third Parties) Act 1999.

(c) *Transfers*: Subject to paragraphs (f) (*Closed periods*) and (g) (*Regulations concerning transfers and registration*) below, a Security may be transferred upon surrender of the relevant Certificate, with the endorsed form of transfer duly completed, at the Specified Office of the Registrar or any Transfer Agent, together with such evidence as the Registrar or (as the case may be) such Transfer Agent may reasonably require to prove the title of the transferor and the authority of the individuals who have executed the form of transfer; *provided, however, that* a Security may not be transferred unless the principal amount of Securities transferred and (where not all of the Securities held by a Holder are being transferred) the principal amount of the balance of Securities not transferred are Authorised Denominations. Where not all the Securities represented by the surrendered Certificate are the subject of the transfer, a new Certificate in respect of the balance of the Securities will be issued to the transferor. No transfer of title to a Security will be valid unless and until entered on the Register.

Transfers of interests in the Securities evidenced by the Global Certificate will be effected in accordance with the rules of the relevant clearing systems.

(d) *Registration and delivery of Certificates*: Within five business days of the surrender of a Certificate in accordance with paragraph (c) (*Transfers*) above, the Registrar will register the transfer in question and deliver a new Certificate of a like principal amount to the Securities transferred to each relevant Holder at its Specified Office or (as the case may be) the Specified Office of any Transfer Agent or (at the request and risk of any such relevant Holder) by uninsured first class mail (airmail if overseas) to the address specified for the purpose by such relevant Holder. In this paragraph, "**business day**" means a day, excluding a Saturday and a Sunday, on which commercial banks are open for general business (including dealings in foreign currencies) in the city where the Registrar or (as the case may be) the relevant Transfer Agent has its Specified Office.

Except in the limited circumstances described herein (see "The Global Certificate"), owners of interests in the Securities will not be entitled to receive physical delivery of Certificates.

(e) *No charge*: The transfer of a Security will be effected without charge by or on behalf of the Issuer, the Registrar or any Transfer Agent but against such indemnity as the Registrar or (as the case may be) such Transfer Agent may require in respect of any tax or other duty of whatsoever nature which may be levied or imposed in connection with such transfer.

(f) *Closed periods*: Holders may not require transfers to be registered during (i) the period of 15 days ending on the due date for any payment of principal or Distribution (as defined in Condition 4(a) (*Distribution — Accrual of Distribution*)) in respect of the Securities or (ii) during the period of 15 days ending on (and including) any date on which the Securities may be called for redemption by the Issuer at its option pursuant to Condition 5 (*Redemption and Purchase*).

(g) *Regulations concerning transfers and registration*: All transfers of Securities and entries on the Register are subject to the detailed regulations concerning the transfer of Securities scheduled to the Agency Agreement. The regulations may be changed by the Issuer with the prior written approval of the Registrar and the Trustee. A copy of the current regulations will be mailed (free of charge) by the Registrar to any Holder who requests in writing a copy of such regulations.

4. Distribution

(a) *Accrual of Distribution*: Subject to Condition 4(e) (*Distribution — Distribution Deferral*), the Securities confer a right to receive distribution (each a "**Distribution**") from 29 May 2017 (the "**Issue Date**") at the Distribution Rate in accordance with this Condition 4. Subject to Condition 4(e) (*Distribution —Distribution Deferral*), Distribution shall be payable on the Securities semi-annually in equal instalments in arrear on 29 May and 29 November of each year (each, a "**Distribution Payment Date**"), with the first Distribution Payment Date falling on 29 November 2017.

Unless otherwise provided for in these Conditions, each Security will cease to confer the right to receive any Distribution from the due date for redemption unless, upon due presentation, payment of the full amount due is improperly withheld or refused. In such latter event, Distribution will continue to accrue at the applicable Distribution Rate (after as well as before any judgment) up to but excluding whichever is the earlier of (a) the date on which all sums due in respect of any Security are received by or on behalf of the relevant Holder and (b) the day which is seven days after the Principal Paying Agent or the Trustee has notified the Holders that it has received all sums due in respect of the Securities up to such seventh day (except to the extent that there is a failure in the subsequent payment to the relevant Holders under these Conditions).

Subject to Condition 4(c) (*Increase in Distribution following a Change of Control*), the amount of Distribution payable on each Distribution Payment Date shall be U.S.$5,500 in respect of each Security of U.S.$200,000 denomination and U.S.$27.50 in respect of each Security of U.S.$1,000 denomination. If a Distribution is required to be calculated in respect of a Security on any other date, it shall be calculated on the basis of a 360-day year consisting of 12 months of 30 days each.

Distribution payable under this Condition will be paid in accordance with Condition 6 (*Payments*).

(b) *Rate of Distribution*: Subject to Condition 4(c) (*Increase in Distribution following a Change of Control*), the rate of distribution ("**Distribution Rate**") applicable to the Securities shall be 5.50 per cent. per annum.

(c) *Increase in Distribution following a Change of Control*: Upon the occurrence of a Change of Control, unless an irrevocable notice to redeem the Securities has been given to Holders by the Issuer pursuant to Condition 5(e) (*Redemption and Purchase — Redemption for Change of Control*) by the 30th day following the occurrence of the Change of Control, the Distribution Rate will increase by 3.00 per cent. per annum with effect from (i) the next Distribution Payment Date; or (ii) if the date on which a Change of Control occurs is prior to the most recent preceding Distribution Payment Date, such Distribution Payment Date. Any increase in the Distribution Rate pursuant to this Condition 4(c) (*Increase in Distribution following a Change of Control*) shall be notified by the Issuer to the Holders (in accordance with Condition 14 (*Notices*)) and to the Trustee and the Agents in writing no later than the 14th day following the 60th day following the occurrence of the Change of Control.

(d) *Decrease in Distribution*: If following an increase in Distribution upon the occurrence of a Change of Control pursuant to Condition 4(c) (*Increase in Distribution following a Change of Control*) such Change of Control is cured, remedied, no longer applicable or no longer continuing, then upon notification to the Holders (in accordance with Condition 14 (*Notices*)), the Trustee and the Principal Paying Agent accompanied by a certificate, signed by two directors of the Guarantor, stating that the Change of Control has been cured, remedied, is no longer applicable or is no longer continuing (as the case may be) and setting out the details of such circumstances, the Distribution Rate will decrease by 3.00 per cent. per annum with effect from the next Distribution Payment Date immediately following the date of the notification referred to this is Condition 4(d).

(e) *Distribution Deferral*:

(i) *Optional Deferral*: The Issuer may, at its sole discretion, elect to defer Distribution which is otherwise scheduled to be paid on a Distribution Payment Date to the next Distribution Payment Date by giving notice (an "**Optional Deferral Notice**") to the Holders (in accordance with Condition 14 (*Notices*)), the Trustee and the Paying Agents not more than ten nor less than five Business Days prior to a scheduled Distribution Payment Date unless, during the three months ending on the day before that scheduled Distribution Payment Date, a Compulsory Distribution Payment Event (as defined below) has occurred. Any partial payment of outstanding Distributions (including any Arrears of Distribution (as defined below) and any Additional Distribution Amount (as defined below)) by the Issuer or the Guarantor shall be shared by the Holders of all outstanding Securities on a *pro-rata* basis.

(ii) *No obligation to pay*: The Issuer shall have no obligation to pay any Distribution (including any Arrears of Distribution and any Additional Distribution Amount) on any Distribution Payment Date if it validly elects not to do so in accordance with Condition 4(e)(i) (*Distribution —Distribution Deferral — Optional Deferral*) and any failure to pay Distribution shall not constitute a default of the Issuer in respect of the Securities or of the Guarantor in respect of the Guarantee of the Securities.

(iii) *Requirements as to Notice*: Each Optional Deferral Notice shall be accompanied by a certificate in the form scheduled to the Agency Agreement signed by two directors of the Guarantor confirming that no Compulsory Distribution Payment Event has occurred.

(iv) *Cumulative Deferral*: Any Distribution deferred pursuant to this Condition 4(c) shall constitute "**Arrears of Distribution**". The Issuer may, at its sole discretion, elect to further defer any Arrears of Distribution by complying with the foregoing notice requirement applicable to any deferral of an accrued Distribution. The Issuer is not subject to any limit as to the number of times Distributions and Arrears of Distribution can or shall be deferred pursuant to this Condition 4(c) except that Condition 4(e)(v) (*Distribution — Distribution Deferral — Restrictions in the case of Deferral*) shall be complied with until all outstanding Arrears of Distribution have been paid in full.

Each amount of Arrears of Distribution shall bear distribution as if it constituted the principal of the Securities at the Distribution Rate and the amount of such distribution (the "**Additional Distribution Amount**") with respect to Arrears of Distribution shall be due and payable pursuant to this Condition 4 and shall be calculated by applying the Distribution Rate to the amount of the Arrears of Distribution and otherwise *mutatis mutandis* as provided in the foregoing provisions of this Condition 4. The Additional Distribution Amount accrued up to any Distribution Payment Date shall be added, for the purpose of calculating the Additional Distribution Amount accruing thereafter, to the amount of Arrears of Distribution remaining unpaid on such Distribution Payment Date so that it will itself become Arrears of Distribution.

(v) *Restrictions in the case of Deferral*: If on any Distribution Payment Date, payment of all Distribution payments scheduled to be made on such date is not made in full by reason of this Condition 4(e), the Issuer and the Guarantor shall not:

(A) declare or pay any discretionary dividends, distributions or make any other discretionary payment on, and will procure that no discretionary dividend, distribution or other discretionary payment is made on any of its Junior Obligations or (except on a *pro-rata* basis) its Parity Obligations *provided that* such restriction shall not apply to payments declared, paid or made in respect of an employee benefit plan or similar arrangement with or for the benefit of employees, officers, directors or consultants; or

(B) at its discretion redeem, reduce, cancel, buy-back or acquire for any consideration any of its Junior Obligations or its Parity Obligations, *provided that* such restriction shall not apply to an exchange by the Issuer or the Guarantor of any of its Parity Obligations for Junior Obligations or in relation to Parity Obligations, on a *pro-rata* basis, or a repurchase or other acquisition of any securities in respect of an employee benefit plan or similar arrangement with or for the benefit of employees, officers, directors or consultants);

in each case unless and until (i) the Issuer or the Guarantor has satisfied in full all outstanding Arrears of Distribution; or (ii) permitted to do so by an Extraordinary Resolution (as defined in the Trust Deed) of the Holders.

(vi) *Satisfaction of Arrears of Distribution by payment*: The Issuer:

(A) may satisfy any Arrears of Distribution (in whole or in part) at any time by giving notice of such election to the Holders (in accordance with Condition 14 (*Notices*)), the Trustee and the Paying Agents not more than 20 nor less than five Business Days prior to the relevant payment date specified in such notice (which notice is irrevocable and shall oblige the Issuer to pay the relevant Arrears of Distribution on the payment date specified in such notice); and

(B) in any event must satisfy any outstanding Arrears of Distribution (in whole but not in part) on the earlier of (1) the date of redemption of the Securities in accordance with Condition 5(b) (*Redemption and Purchase — Redemption for tax reasons*), 5(c) (*Redemption and Purchase — Redemption for accounting reasons*), 5(d) (*Redemption and Purchase — Redemption at the option of the Issuer*) or 5(e) (*Redemption and Purchase — Redemption for Change of Control*); (2) the next Distribution Payment Date on the occurrence of a breach of Condition 4(e)(v) (*Distribution — Restrictions in the case of Deferral*) or the occurrence of a Compulsory Distribution Payment Event; and (3) the date such amount becomes due under Condition 8 (*Non-payment*).

Any partial payment of outstanding Arrears of Distribution by the Issuer shall be shared by the Holders of all outstanding Securities on a *pro-rata* basis.

(vii) *No default*: Notwithstanding any other provision in these Conditions, the deferral of any Distribution payment in accordance with this Condition 4(e) shall not constitute a default for any purpose (including, without limitation, pursuant to Condition 8 (*Non-payment*)) on the part of the Issuer or the Guarantor.

(viii) *Definitions*: For the purposes of these Conditions:

"**Board of Directors**" means the board of directors elected or appointed by the stockholders of the Guarantor or otherwise in accordance with the memorandum and articles of association of the Guarantor, to manage the business of the Guarantor;

"**Business Day**" means any day, excluding a Saturday and a Sunday, on which banks are open for general business (including dealings in foreign currencies) in London, Hong Kong and New York;

a "**Change of Control**" occurs when:

(i) the Controlling Persons cease to have Control of the Guarantor; or

(ii) the Guarantor consolidates with or merges into or sells or transfers all or substantially all of the Guarantor's assets to any Person or Persons other than one or more Controlling Persons, unless the consolidation, merger, sale or transfer will not result in the other Person or Persons acquiring Control over the Guarantor or the successor entity; or

(iii) the number of Executive Directors on the Board of Directors that are not Existing Directors exceeds the number of Executive Directors that are Existing Directors;

"**Control**" means (i) the ownership or control of more than 50 per cent. of the voting rights of the issued share capital of the Guarantor or (ii) the right to appoint and/or remove all or the majority of the members of the Guarantor's board of directors or other governing body, whether obtained directly or indirectly, and whether obtained by ownership of share capital, the possession of voting rights, contract or otherwise;

a "**Compulsory Distribution Payment Event**" occurs if either or both of the following criteria are met:

(i) a discretionary dividend, distribution or other payment is declared, paid or made on any Junior Obligations or (except on a *pro-rata* basis) Parity Obligations of the Issuer or the Guarantor or any other securities ranking *pari passu* therewith in respect of which all payments of dividends or distributions are discretionary (other than a payment declared, paid or made in respect of an employee benefit plan or similar arrangement with or for the benefit of employees, officers, directors or consultants); or

(ii) the Issuer or the Guarantor, at its discretion, redeems, reduces, cancels, buys-back or acquires for any consideration any of its Junior Obligations or Parity Obligations or any other securities ranking *pari passu* therewith in respect of which all payments of dividends or distributions are discretionary (except for an exchange by the Issuer or the Guarantor of any of its Parity Obligations for

Junior Obligations or in relation to Parity Obligations, on a *pro-rata* basis, or a repurchase or other acquisition of any securities in respect of an employee benefit plan or similar arrangement with or for the benefit of employees, officers, directors or consultants);

"**Controlling Persons**" means (i) any trusts established for the benefit of the estate of the late Dr. Chen Din Hwa or the benefit of the beneficiaries of the estate of the late Dr. Chen Din Hwa or for charitable purposes and/or (ii) any of the executors, administrators, personal representatives or similar representatives of the estate of the late Dr. Chen Din Hwa, and/or (iii) any member of late Dr. Chen's family and/or any of their associated companies (as defined in the Listing Rules of The Stock Exchange of Hong Kong Limited) and/or any trust established for the benefit of such persons or their respective beneficiaries and/or (iv) any person entitled to the estate of the late Mr. Chen Din Hwa or the beneficiaries of the estate of the late Mr. Chen Din Hwa and/or (v) any of the entities (including but not limited to trusts) established for the benefit of or for the purpose of holding assets on trust for the trust stated in (i) and/or (iii). For the purpose of this definition, the meaning of "**trust**" includes any trust or foundation formed pursuant to a trust deed, by way of incorporation or otherwise;

"**Executive Directors**" means a member of the Board of Directors of the Guarantor who (a) actively participates in, or (b) is responsible for directly supervising, or exercises managerial responsibility over, the business of the Guarantor and/or the Guarantor and its Subsidiaries;

"**Existing Directors**" means, at any time, (i) Executive Directors which were Executive Directors on 22 May 2017 or (ii) Executive Directors which were recommended by the Board of Directors to be appointed and were appointed as Executive Directors by (x) the shareholders of the Guarantor in general meeting or (y) a majority of the Board of Directors;

"**Guarantee**" means, in relation to any Indebtedness of any Person, any obligation of another Person to pay such Indebtedness including (without limitation):

(i) any obligation to purchase such Indebtedness;

(ii) any obligation to lend money, to purchase or subscribe shares or other securities or to purchase assets or services in order to provide funds for the payment of such Indebtedness;

(iii) any indemnity against the consequences of a default in the payment of such Indebtedness; and

(iv) any other agreement to be responsible for such Indebtedness;

"**IFRS**" means International Financial Reporting Standards issued by the International Accounting Standards Board;

"**Indebtedness**" means any indebtedness (whether being principal, premium, interest or other amounts) for or in respect of any notes, bonds, debentures, debenture stock, loan stock or other securities or any borrowed money or any liability under or in respect of any acceptance or acceptance credit;

"**Junior Obligations**" means (a) in respect of the Issuer, (i) any class of the Issuer's share capital (including preference shares) qualifying as equity under IFRS, (ii) any instrument or security issued or entered into by or other obligation of the Issuer which ranks, or is expressed to rank, junior to the Issuer's obligations under the Securities, and (iii) any security or other obligation guaranteed by the Issuer where the Issuer's obligations under the relevant guarantee rank or are expressed to rank junior to the Issuer's obligations under the Securities, and (b) in respect of the Guarantor, (i) any class of the Guarantor's share capital (including preference shares) qualifying as equity under IFRS, (ii) any instrument or security issued or entered into by or other obligation of the Guarantor which ranks or is expressed to rank junior to the Guarantor's obligations under the Guarantee of the Securities, and (iii) any security or other obligation guaranteed by the Guarantor where the Guarantor's obligations under the relevant guarantee rank or are expressed to rank junior to the Guarantor's obligations under the Guarantee of the Securities;

"**Parity Obligations**" means, (a) in respect of the Issuer, any instrument or security issued, entered into or guaranteed by the Issuer which ranks or is expressed to rank, by its terms or by operation of law, *pari passu* with the Securities and (b) in respect of the Guarantor, any instrument or security issued, entered into or guaranteed by the Guarantor which ranks or is expressed to rank, by its terms or by operation of law, *pari passu* with the Guarantee of the Securities; and

a "**Person**", as used in this Condition 4 and in Condition 5(e) (*Redemption for Change of Control*), includes any individual, company, corporation, firm, partnership, joint venture, undertaking, association, organisation, trust, state or agency of a state (in each case whether or not being a separate legal entity) but does not include the Guarantor's board of directors or any other governing board and does not include the Guarantor's wholly-owned direct or indirect subsidiaries.

5. Redemption and Purchase

(a) *No fixed redemption date*: The Securities are perpetual securities in respect of which there is no fixed redemption date and the Issuer shall (subject to the provisions of Condition 2 (*Status of the Securities and the Guarantee of the Securities*) and without prejudice to Condition 8 (*Non-payment*)), only have the right to redeem or purchase them in accordance with the following provisions of this Condition 5.

(b) *Redemption for tax reasons*: The Securities may be redeemed at the option of the Issuer in whole, but not in part, at any time, on giving not less than 30 nor more than 60 days' notice to the Holders (which notice shall be irrevocable), the Trustee, the Registrar and the Principal Paying Agent at their principal amount, together with Distribution accrued to the date fixed for redemption (including any Arrears of Distribution and any Additional Distribution Amount), if:

(i) (A) the Issuer has or will become obliged to pay additional amounts as provided or referred to in Condition 7 (*Taxation*) as a result of any change in, or amendment to, the laws or regulations of a Relevant Jurisdiction (as defined in Condition 7 (*Taxation*)), or any change in the application or official interpretation of such laws or regulations (including a holding by a court of competent jurisdiction), which change or amendment becomes effective on or after 22 May 2017; and (B) such obligation cannot be avoided by the Issuer taking reasonable measures available to it; or

(ii) (A) the Guarantor has or (if a demand was made under the Guarantee of the Securities) would become obliged to pay additional amounts as provided or referred to in Condition 7 (*Taxation*) or the Guarantee of the Securities, or the Guarantor has or will become obliged to make any such withholding or deductions as to referred to in Condition 7 (*Taxation*) or the Guarantee of the Securities as the case may be, from any amount paid by it to the Issuer in order to enable the Issuer to make a payment of principal or distribution in respect of the Securities, in either case as a result of any change in, or amendment to, the laws or regulations of a Relevant Jurisdiction, or any change in the application or official interpretation of such laws or regulations (including a holding by a court of competent jurisdiction), which change or amendment becomes effective on or after 22 May 2017; and (B) such obligation cannot be avoided by the Guarantor taking reasonable measures available to it;

provided, however, that no such notice of redemption shall be given earlier than 90 days prior to the earliest date on which the Issuer or the Guarantor would be obliged to pay such additional amounts if a payment in respect of the Securities were then due or (as the case may be) a demand under the Guarantee of the Securities were then made.

Prior to the publication of any notice of redemption pursuant to this Condition 5(b), the Issuer shall deliver or procure that there is delivered to the Trustee:

(A) a certificate, signed by two directors of the Issuer, stating that the circumstances referred to in (i)(A) and (i)(B) above prevail and setting out the details of such circumstances or (as the case may be) a certificate, signed by two directors of the Guarantor stating that the circumstances referred to in (ii)(A) and (ii)(B) above prevail and setting out details of such circumstances; and

(B) an opinion of independent legal advisers of recognised standing to the effect that the Issuer or (as the case may be) the Guarantor has or will become obliged to pay such additional amounts as a result of such change or amendment, *provided that* the Trustee may accept such certificate or opinion without further investigation or enquiry.

Upon the expiry of any such notice as is referred to in this Condition 5(b), the Issuer shall be bound to redeem the Securities in accordance with this Condition 5(b).

(c) *Redemption for accounting reasons*: The Securities may be redeemed at the option of the Issuer in whole, but not in part, at any time, on giving not less than 30 nor more than 60 days' notice to the Holders (which notice shall be irrevocable), the Trustee, the Registrar and the Principal Paying Agent at their principal amount plus Distribution accrued to such date (including any Arrears of Distribution and any Additional Distribution Amount), if, as a result of any changes or amendments to IFRS or any other accounting standards that may replace IFRS for the purposes of the consolidated financial statements of the Guarantor (the "**Relevant Accounting Standard**"), the Securities and/or the Guarantee of the Securities must not or must no longer be recorded as "**equity**" of the Guarantor pursuant to the Relevant Accounting Standard.

Prior to the publication of any notice of redemption pursuant to this Condition 5(c), the Guarantor shall deliver or procure that there is delivered to the Trustee:

(A) a certificate, signed by two directors of the Guarantor, stating that the circumstances referred to above prevail and setting out the details of such circumstances; and

(B) an opinion of the Guarantor's independent auditors stating that the circumstances referred to above prevail and the date on which the relevant change or amendment to the Relevant Accounting Standard is due to take effect, *provided that* the Trustee may accept such certificate or opinion without further investigation or enquiry,

provided, however that no notice of redemption may be given under this Condition 5(c) earlier than 90 days prior to the date on which the relevant change or amendment to the Relevant Accounting Standard is due to take effect in relation to the Issuer and/or the Guarantor.

Upon the expiry of any such notice as is referred to in this Condition 5(c), the Issuer shall be bound to redeem the Securities in accordance with this Condition 5(c) *provided that* such date for redemption shall be no earlier than the last day before the date on which the Securities and/or the Guarantee of the Securities must not or must no longer be so recorded as "**equity**" of the Guarantor pursuant to the Relevant Accounting Standard.

(d) *Redemption at the option of the Issuer*: The Securities may be redeemed at the option of the Issuer in whole, but not in part, on 29 May 2020 or on any Distribution Payment Date thereafter (each, a "**Call Date**") on the Issuer's giving not less than 30 nor more than 60 days' notice to the Trustee, the Principal Paying Agent and (in accordance with Condition 14 (*Notices*)) the Holders (which notice shall be irrevocable and shall oblige the Issuer to redeem the Securities on the relevant Call Date at their principal amount plus Distribution accrued to such date (including any Arrears of Distribution and any Additional Distribution Amount)).

(e) *Redemption for Change of Control*: Upon the occurrence of a Change of Control, the Issuer shall give notice to Holders, the Trustee and the Paying Agents in accordance with Condition 14 (*Notices*) by not later than 30 days following the first day on which it becomes aware of the occurrence of such Change of Control, stipulating that a Change of Control has occurred and whether or not it will redeem the Securities pursuant to this Condition 5(e). A notice given by the Issuer stipulating that it will redeem the Securities pursuant to this Condition 5(e) shall: (A) stipulate the Change of Control Call Date; (B) be irrevocable; and (C) oblige the Issuer to redeem the Securities on the Change of Control Call Date at their principal amount plus Distribution accrued to such date (including any Arrears of Distribution and any Additional Distribution Amount).

The "**Change of Control Call Date**" shall be a date not less than 30 nor more than 60 days from the date of the notice referred to in the paragraph above.

(f) *Redemption for minimum outstanding amount*: The Securities may be redeemed at the option of the Issuer in whole, but not in part, at any time on giving not less than 30 nor more than 60 days' notice to the Holders (which notice will be irrevocable), the Trustee, the Registrar and the Principal Paying Agent at their principal amount, together with Distribution accrued to the date fixed for redemption (including any Arrears of Distribution and any Additional Distribution Amount) if prior to the date of such notice at least 90 per cent. in principal amount of the Securities originally issued (including any further Securities issued pursuant to Condition 13 (*Further Issues*) and consolidated and forming a single series with the Securities) has already been redeemed or purchased and cancelled.

(g) *No other redemption*: The Issuer shall not be entitled to redeem the Securities and shall have no obligation to make any payment of principal in respect of the Securities otherwise than as provided in Conditions 5(b) (*Redemption for tax reasons*) to 5(f) (*Redemption for minimum outstanding amount*) above.

(h) *Purchase*: The Issuer, the Guarantor or any of their respective Subsidiaries may at any time purchase Securities in the open market or otherwise and at any price.

(i) *Cancellation*: All Securities so redeemed or purchased by the Issuer, the Guarantor or any of their respective Subsidiaries shall be cancelled and may not be reissued or resold.

Neither the Trustee nor any Agent shall be required to take any steps to ascertain whether any event as provided in Conditions 5(b) (*Redemption for tax reasons*) to 5(f) (*Redemption for minimum outstanding amount*) above has occurred.

6. Payments

(a) *Principal*: Payments of principal shall be made in U.S. dollars by U.S. dollar cheque drawn on, or, upon application by a Holder of a Security to the Specified Office of the Principal Paying Agent not later than the fifteenth day before the due date for any such payment, by transfer to a U.S. dollar account (in the case of redemption) upon surrender (or, in the case of part payment only, endorsement) of the relevant Certificates at the Specified Office of any Paying Agent.

(b) *Distribution*: Payments of Distribution (including any Arrears of Distribution and any Additional Distribution Amount) shall be made in U.S. dollars by U.S. dollar cheque drawn on, or upon application by a Holder of a Security to the Specified Office of the Principal Paying Agent not later than the fifteenth day before the due date for any such payment, by transfer to a U.S. dollar account (in the case of Distribution payable on redemption) upon surrender (or, in the case of part payment only, endorsement) of the relevant Certificates at the Specified Office of any Paying Agent.

(c) *Payments subject to fiscal laws*: All payments in respect of the Securities are subject in all cases to (i) any applicable fiscal or other laws and regulations in the place of payment, but without prejudice to the provisions of Condition 7 (*Taxation*) and (ii) any withholding or deduction required pursuant to an agreement described in Section 1471(b) of the U.S. Internal Revenue Code of 1986 (the "**Code**") or otherwise imposed pursuant to Sections 1471 through 1474 of the Code, any regulations or agreements thereunder, any official interpretations thereof, or (without prejudice to the provisions of Condition 7 (*Taxation*)) any law implementing an intergovernmental approach thereto. No commissions or expenses shall be charged to the Holders in respect of such payments.

(d) *Payments on business days*: Where payment is to be made by transfer to a U.S. dollar account, payment instructions (for value the due date, or, if the due date is not a business day, for value the next succeeding business day) will be initiated and, where payment is to be made by U.S. dollar cheque, the cheque will be mailed (i) (in the case of payments of principal and Distribution payable on redemption) on the later of the due date for payment and the day on which the relevant Certificate is surrendered (or, in the case of part payment only, endorsed) at the Specified Office of a Paying Agent and (ii) (in the case of payments of Distribution payable other than on redemption) on the due date for payment. A Holder of a Security shall not be entitled to any Distribution or other payment in respect of any delay in payment resulting from (A) the due date for a payment not being a business day or (B) a cheque mailed in accordance with this Condition 6 (*Payments*) arriving after the due date for payment or being lost in the mail. In this paragraph, "**business day**" means any day, other than a Saturday and a Sunday, on which banks are open for general business (including dealings in foreign currencies) in New York City, Hong Kong and, in the case of surrender (or, in the case of part payment only, endorsement) of a Certificate, in the place in which the Certificate is surrendered (or, as the case may be, endorsed).

*So long as the Securities are represented by the Global Certificate, each payment will be made to, or to the order of, the person whose name is entered on the Register at the close of business on the Clearing System Business Day immediately prior to the date of payment, where "**Clearing System Business Day**" means a weekday (Monday to Friday, inclusive) except 25 December and 1 January.*

(e) *Partial payments*: If a Paying Agent makes a partial payment in respect of any Security, the Issuer shall procure that the amount and date of such payment are noted on the Register and, in the case of partial payment upon presentation of a Certificate, that a statement indicating the amount and the date of such payment is endorsed on the relevant Certificate.

(f) *Record date*: Each payment in respect of a Security will be made to the person shown as the Holder in the Register at the opening of business in the place of the Registrar's

Specified Office on the fifteenth day before the due date for such payment (the "**Record Date**"). Where payment in respect of a Security is to be made by cheque, the cheque will be mailed to the address shown as the address of the Holder in the Register at the opening of business on the relevant Record Date.

7. Taxation

All payments of principal and Distribution (including any Arrears of Distribution and any Additional Distribution Amount) in respect of the Securities by or on behalf of the Issuer or the Guarantor shall be made free and clear of, and without withholding or deduction for, or on account of, any present or future taxes, duties, assessments or governmental charges of whatever nature ("**Taxes**") imposed or levied by or on behalf of the Relevant Jurisdiction, unless such withholding or deduction of such Taxes is required by law. In such event, the Issuer or, as the case may be, the Guarantor, will pay such additional amounts as may be necessary in order that the net amounts received by the Holders after the withholding or deduction shall equal the respective amounts which would have been receivable in respect of the Securities in the absence of such withholding or deduction; except that no such additional amounts shall be payable in relation to any payment in respect of any Security:

(i) presented for payment by or on behalf of a Holder who is liable for such Taxes in respect of such Security by reason of his having some connection with a Relevant Jurisdiction other than the mere holding of such Security; or

(ii) presented for payment more than 30 days after the Relevant Date (as defined below) except to the extent that a Holder would have been entitled to an additional amount on presenting the same for payment on the last day of the period of 30 days assuming (whether or not such is in fact the case) that day to have been a business day (as defined in Condition 6(d)).

In these Conditions:

"**Relevant Date**" means whichever is the later of (1) the date on which the payment in question first becomes due and (2) if the full amount payable has not been received in New York City by the Principal Paying Agent or the Trustee on or prior to such due date, the date on which (the full amount having been so received) notice to that effect has been given to the Holders; and

"**Relevant Jurisdiction**" means the British Virgin Islands or any political subdivision thereof or any authority therein or thereof having power to tax.

Any reference in these Conditions to principal, Distribution, Arrears of Distribution or Additional Distribution Amount shall be deemed to include any additional amounts in respect of principal, Distribution, Arrears of Distribution or Additional Distribution Amount (as the case may be) which may be payable under this Condition 7, or under any undertakings given in addition to, or in substitution for, this Condition pursuant to the Trust Deed.

If the Issuer or the Guarantor becomes subject at any time to any taxing jurisdiction other than the British Virgin Islands, references in these Conditions to the British Virgin Islands shall be construed as references to (as the case may be) the British Virgin Islands and/or such other jurisdiction.

8. Non-payment

(a) *Non-payment when due*: Notwithstanding any of the provisions below in this Condition 8, the right to institute Winding-Up (as defined in Condition 8(e) (*Non-payment —*

Definitions)) proceedings is limited to circumstances where a payment of principal or Distribution has become due. In the case of any Distribution, such Distribution will not be due if the Issuer has elected to defer that Distribution in accordance with Condition 4(e) (*Distribution — Distribution Deferral*).

(b) *Proceedings for Winding-Up*: If (i) an order is made or an effective resolution is passed for the Winding-Up of the Issuer or the Guarantor or (ii) the Issuer or the Guarantor shall not make payment in respect of the Securities or the Guarantee of the Securities, as the case may be, for a period of 10 days or more after the date on which such payment is due, the Issuer and the Guarantor shall be deemed to be in default under the Securities (in the case of the Issuer) and the Guarantee of the Securities (in the case of the Guarantor) and the Trustee at its sole discretion may and, if so requested in writing by holders of at least 25 per cent. of the aggregate principal amount of the outstanding Securities, shall (subject to the Trustee having been indemnified and/or provided with security and/or pre-funded to its satisfaction) institute proceedings for the Winding-Up of the Issuer, the Guarantor or both of them (as applicable) and/or prove in the Winding-Up of the Issuer, the Guarantor or both of them (as applicable) and/or claim in the liquidation of the Issuer, the Guarantor or both of them (as applicable) for such payment.

(c) *Enforcement*: Without prejudice to Condition 8(b) (*Non-payment — Proceedings for Winding-Up*), the Trustee at its sole discretion may and, if so requested in writing by holders of at least 25 per cent. of the aggregate principal amount of the outstanding Securities shall (subject to the Trustee having been indemnified and/or provided with security and/or pre-funded to its satisfaction) without further notice to the Issuer and/or the Guarantor institute such proceedings against the Issuer, the Guarantor or both of them (as applicable) as it may think fit to enforce any term or condition binding on the Issuer and/or the Guarantor under the Securities or the Guarantee of the Securities (other than any payment obligation of the Issuer or the Guarantor under or arising from the Securities or the Guarantee of the Securities, including, without limitation, payment of any principal or premium (if any) or satisfaction of any Distributions (including any Arrears of Distribution and any Additional Distribution Amount) in respect of the Securities or the Guarantee of the Securities, including any damages awarded for breach of any obligations) and in no event shall the Issuer or the Guarantor, by virtue of the institution of any such proceedings, be obliged to pay any sum or sums, in cash or otherwise, sooner than the same would otherwise have been payable by it.

(d) *Extent of Holders' remedy*: No Holder shall be entitled either to institute proceedings for the Winding-Up of the Issuer or the Guarantor or to submit a claim in such Winding-Up, except that if the Trustee, having become bound to institute such proceedings as aforesaid, fails to do so, or, being able and bound to submit a claim in such Winding-Up, fails to do so, in each case within a reasonable period and such failure is continuing, then any such Holder may, on giving an indemnity satisfactory to the Trustee, in the name of the Trustee (but not otherwise), himself institute Winding-Up Proceedings and/or submit a claim in the Winding-Up of the Issuer or the Guarantor, as the case may be, to the same extent (but not further or otherwise) that the Trustee would have been entitled to do.

(e) *Definitions*: In these Conditions, "**Winding-Up**" means, with respect to the Issuer or the Guarantor, a final and effective order or resolution for the bankruptcy, winding up, liquidation, receivership or similar proceedings in respect of the Issuer or the Guarantor, as the case may be.

9. Prescription

Claims for principal and Distribution on redemption shall become void unless the relevant Certificates are surrendered for payment within ten years of the appropriate Relevant Date.

10. Replacement of Certificates

If any Certificate is lost, stolen, mutilated, defaced or destroyed, it may be replaced at the Specified Office of the Registrar, subject to all applicable laws and stock exchange requirements, upon payment by the claimant of the expenses incurred in connection with such replacement and on such terms as to evidence, security, indemnity and otherwise as the Issuer may reasonably require. Mutilated or defaced Certificates must be surrendered before replacements will be issued.

11. Agents

In acting under the Agency Agreement and in connection with the Securities, the Agents act solely as agents of the Issuer and the Guarantor and (to the extent provided therein) the Trustee and do not assume any obligations towards or relationship of agency or trust for or with any of the Holders.

The initial Agents and their initial Specified Offices are listed below. The Issuer and the Guarantor reserve the right (with the prior written approval of the Trustee) at any time to vary or terminate the appointment of any Agent and to appoint a successor registrar, principal paying agent, agent bank and additional or successor paying agents and transfer agent; *provided, however, that* the Issuer and the Guarantor shall at all times maintain a principal paying agent and a registrar.

Notice of any change in any of the Agents or in their Specified Offices shall promptly be given to the Holders.

12. Meetings of Holders; Modification

(a) *Meetings of Holders*: The Trust Deed contains provisions for convening meetings of Holders to consider matters relating to the Securities, including the modification of any provision of these Conditions and the Trust Deed. Any such modification may be made if sanctioned by an Extraordinary Resolution. Such a meeting may be convened by the Issuer and the Guarantor (acting together) or the Trustee and shall be convened by the Issuer upon the request in writing of Holders holding not less than one tenth of the aggregate principal amount of the outstanding Securities. The quorum at any meeting convened to vote on an Extraordinary Resolution will be one or more persons holding or representing more than 50 per cent. in aggregate principal amount of the outstanding Securities or, at any adjourned meeting, one or more persons being or representing Holders whatever the principal amount of the Securities held or represented; *provided, however, that* certain proposals (including any proposal to change any date fixed for payment of principal or Distribution (including any Arrears of Distribution and any Additional Distribution Amount) in respect of the Securities, to reduce the amount of principal or Distribution (including any Arrears of Distribution and any Additional Distribution Amount) payable on any date in respect of the Securities, to alter the method of calculating the amount of any payment in respect of the Securities or the date for any such payment, to change the currency of payments under the Securities, to amend the terms of the Guarantee of the Securities or to change the quorum requirements relating to meetings or the majority required to pass an Extraordinary Resolution (each, a "**Reserved Matter**")) may only be sanctioned by an Extraordinary Resolution passed at a meeting of Holders at which one or more persons holding or representing not less than two-thirds or, at any adjourned meeting, one-third of the aggregate principal amount of the outstanding Securities form a quorum. Any Extraordinary Resolution duly passed at any such meeting shall be binding on all the Holders, whether present or not.

In addition, (i) a resolution in writing signed by or on behalf of Holders of not less than three-fourths of the aggregate principal amount of Securities for the time being outstanding will take effect as if it were an Extraordinary Resolution, whether contained in one document or several documents in the same form, each signed by or on behalf of one or more Holders (a "**Written Resolution**") and (ii) a resolution passed by way of electronic consents through the clearing systems by or on behalf of Holders of not less than three-fourths of the aggregate principal amount of Securities for the time being outstanding (an "**Electronic Consent**") will take effect as if it were an Extraordinary Resolution, in each case whether or not relating to a Reserved Matter.

A Written Resolution and/or an Electronic Consent will be binding on all Holders whether or not they participated in such Written Resolution and/or Electronic Consent, as the case may be.

(b) *Modification*: The Trustee may, without the consent of the Holders, agree to any modification of the Securities, these Conditions, the Trust Deed and/or the Agency Agreement to amend any provision of a formal, minor or technical nature or to correct a manifest error. In addition, the parties to the Trust Deed and the Agency Agreement may agree to modify any provision thereof, but the Issuer, the Guarantor and the Trustee shall not agree, without the consent of the Holders, to any such modification unless it is of a formal, minor or technical nature, it is made to correct a manifest error or it is, in the opinion of the Trustee, not materially prejudicial to the interests of the Holders.

(c) *Trustee to have Regard to Interests of Holders as a Class*: In connection with the exercise by it of any of its trusts, powers, authorities and discretions (including, without limitation, any modification, waiver, authorisation determination or substitution), the Trustee shall have regard to the general interests of the Holders as a class but shall not have regard to any interests arising from circumstances particular to individual Holders (whatever their number) and, in particular but without limitation, shall not have regard to the consequences of any such exercise for individual Holders (whatever their number) resulting from their being for any purpose domiciled or resident in, or otherwise connected with, or subject to the jurisdiction of, any particular territory or any political sub-division thereof and the Trustee shall not be entitled to require, nor shall any Holder be entitled to claim, from the Issuer, the Guarantor, the Trustee or any other person any indemnification or payment in respect of any tax consequence of any such exercise upon individual Holders except to the extent already provided for in Condition 7 (*Taxation*) and/or any undertaking given in addition to, or in substitution for, Condition 7 (*Taxation*) pursuant to the Trust Deed.

(d) *Notification to the Holders*: Any modification, abrogation, waiver, authorisation, determination or substitution shall be binding on the Holders and, unless the Trustee agrees otherwise, any modification or substitution shall be notified by the Issuer to the Holders as soon as practicable thereafter in accordance with Condition 14 (*Notices*).

13. Further Issues

The Issuer may (with the prior written consent of the Guarantor) from time to time, without the consent of the Holders, create and issue further securities having the same terms and conditions as the Securities in all respects (or in all respects except for the first payment of Distribution) so as to form a single series with the Securities. Any further securities which are to form a single series with the outstanding securities of any series (including the Securities) constituted by the Trust Deed or any supplemental deed shall, and any other further securities may (with the consent of the Trustee), be constituted by a deed supplemental to the Trust Deed. The Trust Deed contains provisions for convening a single meeting of the Holders and the holders of securities of other series in certain circumstances where the Trustee so decides.

14. Notices

Notices to the Holders will be sent to them by first class mail (or its equivalent) or (if posted to an overseas address) by airmail at their respective addresses on the Register. Any such notice shall be deemed to have been given on the fourth day after the date of mailing.

So long as the Securities are represented by the Global Certificate and the Global Certificate is held on behalf of Euroclear or Clearstream or the Alternative Clearing System, notices to Holders may be given by delivery of the relevant notice to Euroclear or Clearstream or the Alternative Clearing System, for communication by it to entitled account holders in substitution for notification as required by these Conditions and shall be deemed to have been given on the date of delivery to such clearing system.

15. Indemnification and Protection of the Trustee and its contracting with the Issuer and the Guarantor

(a) *Indemnification and protection of the Trustee*: The Trust Deed contains provisions for the indemnification of the Trustee and for its relief from responsibility and liability towards the Issuer, the Guarantor and the Holders, including (i) provisions relieving it from taking action unless indemnified and/or secured and/or pre-funded to its satisfaction and (ii) provisions limiting or excluding its liability in certain circumstances. The Trust Deed provides that, when determining whether an indemnity or any security or pre-funding is satisfactory to it, the Trustee shall be entitled (i) to evaluate its risk in any given circumstance by considering the worst-case scenario and (ii) to require that any indemnity or security given to it by the Holders or any of them be given on a joint and several basis and be supported by evidence satisfactory to it as to the financial standing and creditworthiness of each counterparty and/or as to the value of the security and an opinion as to the capacity, power and authority of each counterparty and/or the validity and effectiveness of the security.

(b) *Trustee Contracting with the Issuer and the Guarantor*: The Trust Deed also contains provisions pursuant to which the Trustee is entitled, *inter alia*, (i) to enter into business transactions with the Issuer and/or the Guarantor and/or any of the Guarantor's other Subsidiaries and to act as trustee for the holders of any other securities issued or guaranteed by, or relating to, the Issuer and/or the Guarantor and/or any of the Guarantor's other Subsidiaries, (ii) to exercise and enforce its rights, comply with its obligations and perform its duties under or in relation to any such transactions or, as the case may be, any such trusteeship without regard to the interests of, or consequences for, the Holders, and (iii) to retain and not be liable to account for any profit made or any other amount or benefit received thereby or in connection therewith.

16. Governing Law and Jurisdiction

(a) *Governing law*: The Securities and any non-contractual obligations arising out of or in connection with the Securities are governed by, and construed in accordance with, English law.

(b) *Submission to Jurisdiction*:

(i) Subject to Condition 16(b)(iii), the English courts have exclusive jurisdiction to settle any dispute arising out of or in connection with the Trust Deed or the Securities including any dispute as to their existence, validity, interpretation, performance, breach or termination or the consequences of their nullity and any dispute relating to any non-contractual obligations arising out of or in connection with the Trust Deed or the Securities (a "**Dispute**") and, each of the Issuer, the Guarantor, the Trustee and any Holders in relation to any Dispute submits to the exclusive jurisdiction of the English courts.

(ii) For the purposes of this Condition, each of the Issuer and the Guarantor waives any objection to the English courts on the grounds that they are an inconvenient or inappropriate forum to settle any Dispute.

(iii) To the extent allowed by law, the Trustee and the Holders may, in respect of any Dispute or Disputes, take (i) proceedings in any other court with jurisdiction and (ii) concurrent proceedings in any number of jurisdictions.

(c) *Appointment of Process Agent*: Each of the Issuer and the Guarantor irrevocably appoints Nan Fung UK Properties Limited (company number 09543279) at The Pavilion, 96 Kensington High Street, London W8 4SG, United Kingdom as its agent for service of process and undertakes that, in the event of Nan Fung UK Properties Limited ceasing so to act or ceasing to be registered in England, it will appoint another person approved by the Trustee as its agent for service of process in England in respect of any Proceedings and notify the Holders of such appointment. Nothing herein shall affect the right to serve proceedings in any other manner permitted by law.

SUMMARY OF PROVISIONS RELATING TO THE SECURITIES IN GLOBAL FORM

The Global Certificate contains provisions which apply to the Securities while they are in global form, some of which modify the effect of the Terms and Conditions of the Securities set out in this Offering Circular. The following is a summary of those provisions.

1. Accountholders

For so long as all of the Securities or any part thereof are represented by the Global Certificate and the Global Certificate is held on behalf of a clearing system, each person (other than another clearing system) who is for the time being shown in the records of Euroclear or Clearstream (as the case may be) as the holder of a particular aggregate principal amount of such Securities (each an "**Accountholder**") (in which regard any certificate or other document issued by Euroclear or Clearstream (as the case may be) as to the aggregate principal amount of such Securities standing to the account of any person shall, in the absence of manifest error, be conclusive and binding for all purposes) shall be treated as the holder of such aggregate principal amount of such Securities (and the expression "**Holders**" and references to "**holding of Securities**" and to "**holder of Securities**" shall be construed accordingly) for all purposes other than with respect to payments on such Securities, the right to which shall be vested, as against the Issuer, the Guarantor and the Trustee, solely in the nominee for the relevant clearing system (the "**Relevant Nominee**") in accordance with and subject to the terms of the Global Certificate. Each Accountholder must look solely to Euroclear or Clearstream, as the case may be, for its share of each payment made to the Relevant Nominee.

2. Cancellation

Cancellation of any Securities following its redemption or purchase by the Issuer, the Guarantor or any of their respective Subsidiaries will be effected by reduction in the aggregate principal amount of the Securities in the register of Holders and by the annotation of the appropriate schedule to the Global Certificate.

3. Payments

Payments of principal, premium (if any) and interest in respect of Securities represented by the Global Certificate will be made if no further payment falls to be made in respect of the Securities, against surrender of the Global Certificate to or to the order of the Registrar or such other Agent as shall have been notified to the holder of the Global Certificate for such purpose.

Each payment will be made to or to the order of the person whose name is entered on the Register at the close of business on the Clearing System Business Day immediately prior to the date of payment, where "**Clearing System Business Day**" means a day on which Euroclear and Clearstream are open for business.

Distributions of amounts with respect to book-entry interests in the Securities held through Euroclear or Clearstream will be credited, to the extent received by the Registrar, to the cash accounts of Euroclear or Clearstream participants in accordance with the relevant system's rules and procedures.

A record of each payment made will be endorsed on the appropriate schedule to the Global Certificate by or on behalf of the Registrar and shall be prima facie evidence that payment has been made.

4. Notices

So long as all the Securities are represented by the Global Certificate and the Global Certificate is held on behalf of a clearing system, notices to Holders may be given by delivery of the relevant notice to that clearing system for communication by it to entitled Accountholders in substitution for notification as required by the Conditions.

Whilst any of the Securities held by a Holder are represented by a Global Certificate, notices to be given by such Holder may be given by such Holder (where applicable) through Euroclear and/or Clearstream and otherwise in such manner as the Trustee and Euroclear and Clearstream may approve for this purpose.

5. Registration of Title

Registration of title to Securities in a name other than that of the Relevant Nominee will not be permitted unless Euroclear or Clearstream, as appropriate, notifies the Issuer and the Guarantor that it is unwilling or unable to continue as a clearing system in connection with the Global Certificate, and in each case a successor clearing system approved by the Trustee is not appointed by the Issuer and the Guarantor within 90 days after receiving such notice from Euroclear or Clearstream. In these circumstances title to Securities may be transferred into the names of holders notified by the Relevant Nominee in accordance with the Conditions, except that Certificates in respect of Securities so transferred may not be available until 21 days after the request for transfer is duly made.

The Registrar will not register title to the Securities in a name other than that of the Relevant Nominee for a period of 15 calendar days preceding the due date for any payment of principal, premium (if any) or interest in respect of the Securities.

6. Transfers

Transfers of book-entry interests in the Securities will be effected through the records of Euroclear, Clearstream and their respective participants in accordance with the rules and procedures of Euroclear, Clearstream and their respective direct and indirect participants.

Capitalisation and Indebtedness of the Group

As at 30 April 2017, the Guarantor was authorised to issue a maximum of 1,000,000,000,000 no par value shares of a single class and has 62,743,532,190 ordinary shares in issue.

The following table sets forth the capitalisation and indebtedness of the Group as at 30 September 2016:

	As at 30 September 2016	
	Actual	**As adjusted[3]**
	(Unaudited)	
	HK$'000	*HK$'000*
Short-term borrowings		
Bank and other borrowings — current portion[1]	1,240,275	1,240,275
Long-term bank borrowings — current portion[1]	382,449	382,449
Guaranteed notes — current portion	4,649,777	4,649,777
Long-term borrowings		
Bank borrowings — non-current portion[1]	13,669,573	13,669,573
Medium term notes	5,144,909	5,144,909
Total borrowings	25,086,983	25,086,983
Shareholders' funds		
Owner's equity	82,860,188	86,756,838
Total capitalisation[2]	107,947,171	111,843,821

Notes:

(1) The Group had secured bank borrowings of approximately HK$8,871 million as at 30 September 2016.

(2) Total capitalisation equals the sum of total borrowings and shareholders' funds.

(3) Assuming the Securities to be issued in this offering in the total amount of U.S.$500,000,000 (before deducting commissions to be charged by the Joint Lead Managers and other expenses payable in connection with this offering) had been issued as at 30 September 2016 and such amount to be translated at the rate of HK$7.7933 to U.S.$1.00, the exchange rate as at 12 May 2017 as set forth in the H.10 statistical release of the Board of Governors of the Federal Reserve System of the United States.

Save as set out in the notes to the above table, there has been no material change in the capitalisation and indebtedness of the Group since 30 September 2016.

Capitalisation and Indebtedness of the Issuer

As at the date of this Offering Circular, the Issuer is authorised to issue a maximum of 50,000 shares of a single class of US$1.00 par value and 1,000 shares have been issued to and are held by NF Treasury Holdings Limited, an indirectly wholly-owned subsidiary of the Guarantor, representing the entire issued capital of the Issuer.

USE OF PROCEEDS

The Issuer estimates that the net proceeds from the issue of the Securities, after deducting commissions to be charged by the Joint Lead Managers and other estimated expenses payable in connection with the offering of the Securities, will be approximately U.S.$495,857,000. The Issuer intends to on-lend such proceeds to the Guarantor and/or its subsidiaries which will be used for general working capital purposes of the Group.

DESCRIPTION OF THE ISSUER

Formation

Nan Fung Treasury (II) Limited is a limited liability company incorporated under the BVI Business Companies Act, 2004, as amended, of the British Virgin Islands (BVI Company Number: 1944290). It was incorporated in the British Virgin Islands on 8 May 2017. Its registered office is at Commerce House, Wickham's Cay 1, P.O. Box 3140, Road Town, Tortola, British Virgin Islands. The Issuer is an indirect wholly-owned subsidiary of Nan Fung.

Business Activity

The Issuer was established to raise financing for the Guarantor pursuant to the unrestricted objects and powers set out in its memorandum of association. The Issuer does not sell any products or provide any services and it has undertaken no business activities since the date of its incorporation, other than those incidental to its incorporation and establishment as an indirect wholly-owned subsidiary of Nan Fung and those incidental to the issue of the Securities.

Financial Statements

Under British Virgin Islands law, the Issuer is not required to publish interim or annual financial statements. The Issuer has not published, and does not propose to publish, any financial statements. The Issuer is, however, required to keep records that are sufficient to show and explain its transactions and will, at any time, enable the financial position of the Issuer to be determined with reasonable accuracy.

Directors and Officers

The Directors of the Issuer are Nelson TANG Chun Wai and LO Ngan Ying and each of their business addresses are c/o Nan Fung at 23/F, Nan Fung Tower, 88 Connaught Road C, Central, Hong Kong. None of the Directors of the Issuer holds any shares or options to acquire shares of the Issuer. There are no conflicts of interest between the duties to the Issuer of the persons listed above and their private interests and duties.

The Issuer does not have any employees and has no subsidiaries.

Share Capital

The Issuer is authorised under its memorandum of association to issue up to a maximum of 50,000 ordinary shares of a single class with a par value of US$1.00 each and 1,000 shares have been issued to and are held by NF Treasury Holdings Limited, an indirect wholly-owned subsidiary of Nan Fung. The register of members of the Issuer is maintained at its registered office in the British Virgin Islands. No part of the equity securities of the Issuer is listed or dealt in on any stock exchange and no listing or permission to deal in such securities is being or is proposed to be sought.

DESCRIPTION OF THE GROUP

Introduction

Pursuant to the Reorganisation (as described below), Nan Fung was incorporated in the British Virgin Islands on 8 August 2011 (BVI Company Number 1665059). It is the holding company for a Hong Kong-based property-focused conglomerate, which the Group believes is one of the largest privately owned conglomerates in Hong Kong based on assets.

The Group has interests in, and engages in, property development, property investment, construction, property management, mortgage financing and financial investment. The Group's core business is property development and investment. It has been developing properties in Hong Kong since 1965. It is a fully integrated property developer in Hong Kong, with operations covering all principal stages of property development, including acquisition, design, engineering and marketing. Hong Kong continues to be the core market on which the Group focuses and across which it currently owns a portfolio of residential, commercial and industrial properties. As at 30 September 2016, the Group's track record of property projects in Hong Kong amounted to over 64 million sq.ft. of GFA. The Group's investment property portfolio was valued at HK$44,679 million as at 30 September 2016.

In recent years the Group has leveraged off its experience and success in the Hong Kong market to expand into the PRC property market.

For information regarding the ownership of Nan Fung as at the date of this Offering Circular, see "*Shareholders, Directors' Interests and Related Party Transactions*". The principal business activities of the Group are as follows:

- **Property development and investment**: The Group has developed and invested in 165 properties in Hong Kong since 1965 and these developments have been largely self-funded. The Group maintains a strategic land bank in Hong Kong and has a well-established presence in Hong Kong. In recent years, the Group has also entered the PRC property market, maintaining personnel and operations in first-tier cities in the PRC. The Group primarily undertakes its property development and investment business in the PRC either directly through its own operations, or through joint ventures with other parties. In Hong Kong, the Group is primarily engaged in the development and sale of residential and commercial properties. In addition, the Group owns and manages an investment and rental property portfolio comprising offices, shopping malls, residential apartments, apartments with customised services, hotels, industrial buildings and warehouses, most of which are located in Hong Kong. The Group has also invested in residential and commercial property development projects in Macau, Singapore, Japan, Malaysia, the United Kingdom and the United States.

- **Property-related services**: The Group is engaged in service businesses relating to its property businesses, including construction, property management and mortgage financing services in Hong Kong.

- **Financial investment**: The Group also has a significant financial investment portfolio that provides a substantial liquidity buffer and stable recurring income for the Group. The management of the Group's financial investment portfolio is undertaken by NF Trinity (an independent asset management company, see "*Description of the Group — Financial Investment*" below), which advises the Group and manages on a day-to-day basis, the financial investment assets and portfolio of the Group. With the underlying assets and portfolio being a part of the Group's assets, it provides a substantial liquidity buffer and stable recurring income to the Group. Separately, in 2007 Nan Fung Consolidated Investments Limited ("**NFCI**"), a company in which the Group and Crosby Group each have a 50 per cent. economic interest, was formed to obtain a 50 per cent. ownership interest in HSBC NF China Investors Limited, which was a joint venture formed with HSBC Specialist Investments Limited ("**HSIL**") to act as general partner of HSBC NF China Real Estate Fund, LP. In early 2011, a management buy-out took place in HSIL (previously a wholly-owned subsidiary of The Hongkong and Shanghai Banking Corporation Limited ("**HSBC**")) resulting in the management of HSIL owning 80.1 per cent. and HSBC owning 19.9 per cent. of HSIL. HSIL and HSBC NF China Real Estate Fund, LP have since changed their names to InfraRed Capital Partners Limited ("**InfraRed**") and InfraRed NF China Real Estate Fund, L.P. ("**Fund I**"), respectively. NFCI and InfraRed have agreed to establish a new fund, InfraRed NF China Real Estate Fund II, L.P. ("**Fund II**"), as a follow-on fund to Fund I. See "*Business — Financial Investment — Fund I and Fund II*" below.

For the six months ended 30 September 2016, Nan Fung reported consolidated revenue and profit attributable to the owner of the Guarantor of approximately HK$2,994 million and HK$1,869 million, respectively. For the six months ended 30 September 2015, Nan Fung reported consolidated revenue and loss attributable to the owner of the Guarantor of approximately HK$1,772 million and HK$223 million, respectively. As at 30 September 2016 and 31 March 2016, Nan Fung reported consolidated total assets of approximately HK$122,773 million and HK$119,964 million, respectively.

History

In 1954, Nan Fung's founder, Dr. Chen Din Hwa ("**Dr. Chen**"), established Nan Fung Textiles Limited, which specialised in cotton yarn production. It subsequently became the largest cotton yarn manufacturer in Hong Kong in terms of volume, before growing into a large privately owned, Hong Kong-based conglomerate.

In 1965, the Group completed its first property development, Fook Cheung Mansion in Yau Yat Tsuen.

Following a major reorganisation, Nan Fung Textiles Consolidated Limited was established in 1969 and publicly listed on the Hong Kong stock exchange in 1970. Nan Fung Textiles Consolidated Limited served as the holding company of Nan Fung Textiles Limited, Nan Fung Textiles Second Mill Limited and Kin Fung Garments and Investments Limited. In 1989, Nan Fung Textiles Consolidated Limited was privatised and became 100 per cent. owned by the Group. With effect from 5 July 2012, Nan Fung Textiles Consolidated Limited has changed its name to Nan Fung Property Consolidated Limited.

In the 1970s, the Group purchased a site in Quarry Bay to develop it into what was at the time one of Hong Kong's largest residential developments, Nan Fung Sun Chuen. The project was completed in 1978 and had a GFA of 1.6 million sq.ft., comprising 12 tower blocks and approximately 2,800 apartments. In the same year, the Group made its initial overseas investments in the United States, Singapore and Malaysia.

In 1993, the Group made its first PRC investment in a Tianjin developer, Tianjin Tifen Industrial Park Investment (Group) Co., Ltd. ("**Tifen**"), which is a joint venture set up between the Group, Singapore Eastern Petroleum Group and Tianjin TEDA Investment Holding Co, a subsidiary of the Tianjin City Government. Tifen's development projects are mostly located in Tianjin, but it also has projects outside Tianjin such as in Haikou in Hainan Island. The equity in Tifen was disposed of in March 2016.

In 2007 the Group, the Crosby Group and HSBC jointly established Fund I (originally known as the HSBC NF China Real Estate Fund, L.P. and known as at the date of this Offering Circular as InfraRed NF China Real Estate Fund, L.P.), a US$710 million fund (of which US$510 million was raised from the market) with an investment focus on Chinese real estate. The Group has a 25 per cent. economic interest in the general partner which manages Fund I and invested US$50 million in the fund. NFCI and InfraRed have agreed to establish Fund II as a follow-on fund to Fund I.

In 2010, the Group became the second largest shareholder of Sino-Ocean Land Holdings Limited ("**SOL**"). On 22 November 2013, the Group's interest in SOL increased from 14.05 per cent. to 19.14 per cent. In December 2015, the Group disposed of its shareholding in SOL.

In 2012, the Group issued its inaugural tranche of guaranteed notes of U.S.$600 million which obtained an investment grade rating from S&P Global Ratings, Moody's and Fitch Ratings. In January 2017, the Group repaid its U.S.$600 million guaranteed notes in full.

On 28 August 2013, the Guarantor's wholly owned subsidiary, New Precise Holdings Limited, acquired 29.98 per cent. of the units in Forterra Trust for approximately SGD 226.7 million. Lucky Token Investments Limited, another wholly-owned subsidiary of the Guarantor, acquired 100 per cent. of the equity in Oriental Management Services Limited, a holding company which owns 100 per cent. of the trustee manager and property manager of Forterra Trust, for approximately €17.5 million. On 13 February 2015, the Group completed the privatisation and delisting of Forterra Trust from the Singapore Exchange Securities Trading Limited. Subsequent to the delisting and privatisation, Forterra Trust became a wholly-owned subsidiary of the Group. For further details, please refer to "*Investment properties in the PRC*" below.

In March 2015, the Group acquired a property in the United Kingdom, 16 Old Bailey, London, for investment purposes. This is a co-investment with Crosby Group and the Group holds an 80 per cent. equity interest. In 2016, the Group subsequently acquired two additional commercial properties in London.

Awards

As a well-established property developer, Nan Fung Group has garnered numerous awards. Each award is recognition of the Group's continuous efforts to improve and contribute to the local communities it works with for their present and future prosperity. Below are the awards that the Group has garnered since 2014:

2016	Top 10 Developers by BCI Asia
2015	The Visionary, Tung Chung was awarded the "Best Property Project" in "Best of the Best Awards 2015"
2014	Top 10 Developers by BCI Asia
2014	Asia Pacific Property 2014/2015 Award in the Commercial Renovation/ Redevelopment — Hong Kong Category received in recognition of the Group's Hong Kong headquarters, Nan Fung Tower

Reorganisation

Prior to 30 September 2011, the entities in the Group were held by Dr. Chen through his 100 per cent. direct interest in Chen's Holdings Limited (now known as Nan Fung Group Holdings Limited, a company incorporated in the British Virgin Islands and primarily undertaking property development and investment business in Hong Kong), Sheng Fung Company Limited (now known as Nan Fung Property Holdings Limited, a company incorporated in Hong Kong and carrying on property development and investment business in the PRC and Gavast Estates Limited (a company incorporated in Hong Kong, undertaking financial investment management business), and other smaller entities.

On 30 September 2011, the Group completed the Reorganisation, under which the operating companies of the Group were consolidated under Chen's Holdings Limited (as set out above). The Guarantor was incorporated to serve as the direct holding company of Chen's Holdings Limited. Chen's Holdings Limited has since changed its name to Nan Fung Group Holdings Limited ("**NFGHL**") with effect from 25 July 2012. A second company, Chen's Group International Limited, was incorporated in the British Virgin Islands to hold 100 per cent. of the shares in the Guarantor, with the shares in Chen's Group International Limited being beneficially owned by Dr. Chen. The Reorganisation has allowed the Group to streamline its decision-making process, with decisions on behalf of the Group being made centrally at the level of NFGHL.

Chen's Group International Limited incorporated another company, Chen's Group Holdings Limited, in the British Virgin Islands to hold 100 per cent. of the shares in the Guarantor with effect from 10 November 2014.

Strategy

The Group's overall strategic aim is to be a preeminent real estate developer that provides premium property services and products, with a focus on excellence in quality and design, compliance with statutory and functional requirements and customer satisfaction, whilst delivering projects development and management services in a reliable, efficient and environmentally responsible project manner. The Group's core values are: Quality, Value, Innovation and Services. The Group seeks to achieve this objective through the following strategies:

Focus on the premium property development segment in Hong Kong and strategic geographic portfolio diversification

The Group intends to maintain and leverage on its position as a comprehensive and established premium property developer in the Hong Kong market, with a focus on luxury residential development, by strategically building its land bank through acquisitions, promoting its brand, and continuing to focus on high quality customer service and maximise cost efficiencies through its vertically integrated business model. The Group also intends to continue to strengthen its relationships with various business partners and identify and collaborate with strategic partners.

In addition, the Group intends to continue to increase its presence in jurisdictions outside of Hong Kong, particularly in the PRC, over the medium to long-term to achieve a more balanced split between Hong Kong and PRC based investment and development portfolio, which will diversify the geographical concentration of the Group's business in Hong Kong and to capture the growth potential in the PRC. This may involve direct development opportunities in the cities in which the Group currently has operations, such as Shanghai and Guangzhou, or considering joint ventures with, or the acquisition of, local developers in other cities and areas. Entering into joint ventures with local developers allows the Group to leverage off local knowledge and experience, and to reduce risk. The Group believes that its investment in Fund I has also provided it with the opportunity to increase its goodwill, reputation and experience in the PRC market, and that its investment in Fund II will continue to expand on this opportunity. The Group also aims to use this investment to enhance market confidence in its capabilities as an integrated property developer in the PRC. Over the long-term, the Group intends to build up a portfolio of commercial properties in first-tier cities in the PRC in order to generate stable recurring income.

Through these efforts, the Group believes it can take advantage of growth opportunities in Hong Kong and the PRC to further broaden its revenue base.

Disciplined and prudent approach in growth and management of land bank

The Group intends to continue to acquire new land bank and properties in a cost conscious and prudent manner to enhance the profitability of its development projects. In Hong Kong, the Group continuously monitors and seeks out sources to grow its land bank, such as public auctions and tenders, tendering for development projects offered by the Urban Renewal Authority ("**URA**") and the MTR Corporation ("**MTR**"), private land sales, acquisitions of old buildings for redevelopment purposes, and acquisitions of other property development companies. The Group has a dedicated team for this purpose. The Group also possesses the capability to acquire urban sites through the assembly of fragmented titles in existing old buildings. When a potential site is identified, the Group carries out detailed feasibility studies to assess risk and profitability. This has allowed the Group to minimise the costs at which it acquires properties while ensuring that its land bank is maintained at a sufficient volume to support the Group's development activities. The Group may also seek to minimise its exposure to any single property development project by entering into joint ventures with other major property developers.

Enhance the Group's brand recognition by leveraging value-added products and services

The Group intends to continue to enhance the "Nan Fung" brand by delivering high quality products and maintaining its high standard of after-sales and property management services. The Group regards property management as an integral part of its business and intends to leverage property management to enhance the reputation and brand recognition of the Group. The Group aims to achieve this through sound and proactive management of both Group and third party properties. The Group is also developing the "D'Home" brand for use with luxury furnished apartments held for leasing with customised services, to increase its presence in the high-end property market. The "D'Home" brand has been established with an emphasis on comfort, quality, and versatility to meet the requirements of the luxury market.

Focus on maintaining stable cash flows to offset cyclicality of property development business

The Group intends to maintain an appropriate investment and rental property portfolio mix in both Hong Kong and the PRC which will enhance its recurring income stream, by retaining for leasing purposes a number of developed properties that are either centrally located or are otherwise in areas of relative scarcity and high demand such as the Mid-Levels or the South side of Hong Kong Island, and aims to continue to grow its portfolio in these areas. The Group may also acquire existing properties with turnaround plans via alteration and addition for release in particular niche markets when such opportunities become available. The Group holds an exhibition centre in Guangzhou and two hotels, one in Hong Kong and one in Guangzhou, all of which have helped to add to the Group's ongoing recurring income. The Group's sales or investment strategy, to focus on short-term profit or long-term assets value, is periodically reviewed to align with the Group's financial objectives and the market outlook. The completed properties for investment of the Group in Hong Kong amounted to approximately 3.2 million sq.ft. in total attributable GFA as at 30 September 2016. This business segment continues to be a key source of recurring stable income for the Group. The Group also intends to add new investment properties in prime locations, while maximising the occupancy levels and efficiency of its rental portfolio. The Group expects that the rental income from the investment and rental property portfolio will continue to provide a stable and recurring income base to the Group.

Maintain financial prudence through active management of a liquid financial investment portfolio

The Group has maintained a financial investment portfolio, which consists of liquid investments diversified across various asset classes. The Group's strategy involves using a "core + satellite" strategy to invest globally in portfolio and strategic investments that offer reasonable valuation with solid long-term underlying businesses and good long-term potential. The Group aims at searching for investment opportunities that have an intrinsic value higher than their trading prices, see "*Description of the Group — Financial Investment.*"

Competitive Strengths

The Group believes it has the following competitive strengths:

Proven track record of successfully identifying, acquiring quality land bank and developing prime sites

The Group has consistently been able to identify, acquire and develop prime sites for both city-core commercial developments and integrated residential communities. Many of the Group's commercial development projects are either within urban areas or along transportation hubs in new towns, and many of its residential properties are located near public transportation hubs. The Group believes that its track record of securing and developing conveniently located prime sites is largely attributable to the extensive market research that the Group conducts and its management team's valuable experience and capabilities. Through this process, the Group believes it gains important insights into the particular land parcels in which it is interested and the development plans of the relevant authorities.

The Group believes this increases its chances of successfully obtaining the land in the subsequent auction or tender process. The Group also possesses the capability to acquire urban sites through the assembly of fragmented titles of existing old buildings. This is evidenced by the Group's acquisition of all 100 fragmented titles of an old residential building in Chai Wan within a year, which is a record in the industry.

The Group has a strategic, quality land bank which it believes includes attractive development locations. The Group acquires land for future development in areas where it believes the land will appreciate in value, such as developing urban areas and other areas with substantial government investment in infrastructure support. Through developments such as the modern office building, Octa Tower, in East Kowloon, and NKIL 6512 Kwun Tong (a site located at the junction of Hung Yip Street, Wai Yip Street, Shun Yip Street, and Hoi Bun Road), the Group believes it has positioned itself to benefit from the Hong Kong government's plan to develop the East Kowloon Kai Tak area as an additional commercial central area of Hong Kong and cruise terminal, and hence benefit from the continued growth of Hong Kong as an international financial and offshore Renminbi centre and tourist centre.

The Group believes that its knowledge of the property development business cycle and its connections in the market in Hong Kong provides it with opportunities to acquire quality sites during a market downturn. Due to the expertise of its management team, the Group believes it has been able to acquire much of its land bank at reasonable prices.

Ability to compete effectively

The Group competes with other property developers in Hong Kong and in the PRC for the acquisition of suitable development sites and available investment properties. Although the Group has a number of strategic joint venture arrangements with certain of its competitors, such arrangements are typically project-based only and do not restrict them from competing on other project developments. Nan Fung believes that its extensive cumulative experience in property investment, development, leasing and management enables it to compete effectively with its competitors. Furthermore, Nan Fung believes that its strategy of assessing cost against expected yield, the development of working relationships with local governments and industry participants, its continuous focus on the development of quality properties and the provision of premium customer service will continue to enable it to maintain its reputation as a developer and landlord of quality properties.

Integrated business model

The Group operates a comprehensive vertically integrated property business and maintains an in-house property development team of professionals including registered architects, professional planners, urban designers, professional engineers, interior designers, chartered builders and surveyors. This allows the Group to oversee and largely perform all aspects of its development operations, including the selection and purchase of sites, the preparation of feasibility studies, the obtaining of government approvals for zoning and modifications, the design and management of development projects, the marketing, leasing and management of completed projects, and property financing. This also provides the Group with flexibility to control the timing of capital expenditure at different points of market cycles, and to control quality while minimising costs.

Stable and recurring income base from its financial investment portfolio, property rentals and property management

The Group maintains a substantial financial investment portfolio and operates a "core + satellite" investment strategy. The primary goal of this strategy is to maintain liquidity and generate stable dividend and interest income (see "*Description of the Group — Financial investment*" below), with dividend income from investments and interest income from debt and convertible securities amounting to HK$413 million for the six months ended 30 September 2016 (HK$568 million for the six months ended 30 September 2015). The Group also has a portfolio of quality investment and rental properties with a stable and recurring income base providing rental income of HK$622 million for the six months ended 30 September 2016 (HK$497 million for the six months ended 30 September 2015), and manages 78 properties with a total GFA of 27 million sq.ft. as of 30 September 2016 (28.6 million sq.ft. as of 30 September 2015), which provides a stable recurring building management fee of HK$73 million for the six months ended 30 September 2016 (HK$65 million for the six months ended 30 September 2015) (see note 6 to the Guarantor's unaudited condensed consolidated interim financial information for the six months ended 30 September 2016 set out herein for further details). Other than the aforementioned, our joint-venture rental projects also provide us with stable and recurring income. Attributable rental income from joint venture rental projects amounted to HK$119 million and HK$139 million for the six months ended 30 September 2016 and 2015 respectively. This stable recurring income base reduces the potential volatility in the Group's financial results which are associated with property development, whilst providing a liquidity buffer to reduce the effect of financial downturns and other adverse events on the Group's operations (as described below). The Group usually has approximately one-third of its tenancy agreements up for renewal each year and this has helped the Group to avoid the concentration of rent renewal dates during any one particular period of a financial year, whilst also providing the Group with opportunities to adjust rentals to reflect prevailing market rates. As a result, property rentals have shown resilience through downturns, complementing the recurring cash flow streams from net rental income and property management.

Substantial liquidity buffer

The Group's stable recurring income base, and in particular its financial investment portfolio, provides a substantial liquidity buffer to the Group and allows it to maintain strong cash flows despite adverse economic events such as the Asian financial crisis in 1997, the SARS outbreak in 2003 and the global credit and financial crisis in 2008. The availability of a consistent and diversified cash flow stream allows the Group to weather the cyclicality of the Group's property development business, and take advantage of new opportunities even in market downturns. The Group also has the benefit of a material liquidity buffer from its undrawn banking facilities. As at 30 September 2016, the Group had total undrawn banking facilities amounting to HK$14,679 million.

Strategic partnerships with established developers

The Group has entered into strategic partnerships and joint ventures with established property developers in Hong Kong and the PRC. In Hong Kong, the Group has existing or completed joint ventures with Wheelock, Cheung Kong, Wing Tai, Sino Land, K.Wah, Henderson Land and Sun Hung Kai Properties. In the PRC, the Group's strategic partners include Shanghai Industrial Urban Development Group Limited, a Hong Kong listed company (stock code 0563.hk), held by Shanghai Industrial Holding Limited, a Hong Kong listed company (stock code 0363.hk).

The Group's strategic partnerships and joint ventures with established property developers based in Hong Kong and the PRC have enabled the Group and its partners to acquire projects at a reasonable cost with reduced financial risk, to capture successfully new business opportunities in new markets and to enhance its ability to develop commercial and investment properties. The Group has capitalised on synergies by working closely together with its strategic partners.

Strong corporate governance and internal controls

The Group is committed to maintaining good standards of corporate governance and has its own code which provides the framework for its corporate governance policies and practices. This includes internal controls to manage the risk of conflicts and to review potential substantial transactions. The Group also has in place an enterprise risk management framework and internal controls to identify and mitigate significant business risks.

Experienced and stable management team

The Group has dedicated and experienced senior management who have achieved a consistent track record of success in the real estate and financial investment sectors in Hong Kong and are building a strong reputation in the PRC. The management team has a detailed understanding of the real estate markets in both Hong Kong and the PRC, and the majority of the Group's senior management team have over 20 years of experience in their fields. Their in-depth knowledge of the markets means that Nan Fung is able to identify market trends and formulate strategies which are in the best interests of the Group.

Strong customer focus and reputable brand name

The Group believes that the success of its projects has been largely due to its ability to interpret and respond to customers' tastes and preferences. The Group's focus on customer satisfaction begins with its market research team, which works closely with its experienced senior management to study the potential of individual sites the Group seeks to acquire, and their ultimate appeal and value to prospective buyers. During the design phase, the Group's project management team works closely with its market research and sales teams to identify the key features that customers desire and incorporates them into the design.

The Group's customer-centric culture is further evidenced by its emphasis on delivering a quality product. This is achieved through the Group's own engineering and project management teams, allowing the Group to maintain close supervision and control to ensure quality construction. At project completion, the Group conducts its own quality checks in addition to the mandatory inspections by government agencies.

Furthermore, the Group's attention to detail and customer satisfaction extends beyond the completion of its projects through its comprehensive after-sales and property management services. The Group believes its customer-oriented culture has made its residential property sales popular in the market.

The Group believes that its customer focus and quality products have also enabled it to build "Nan Fung" into a reputable and well-recognised brand in Hong Kong and other areas where it has operations.

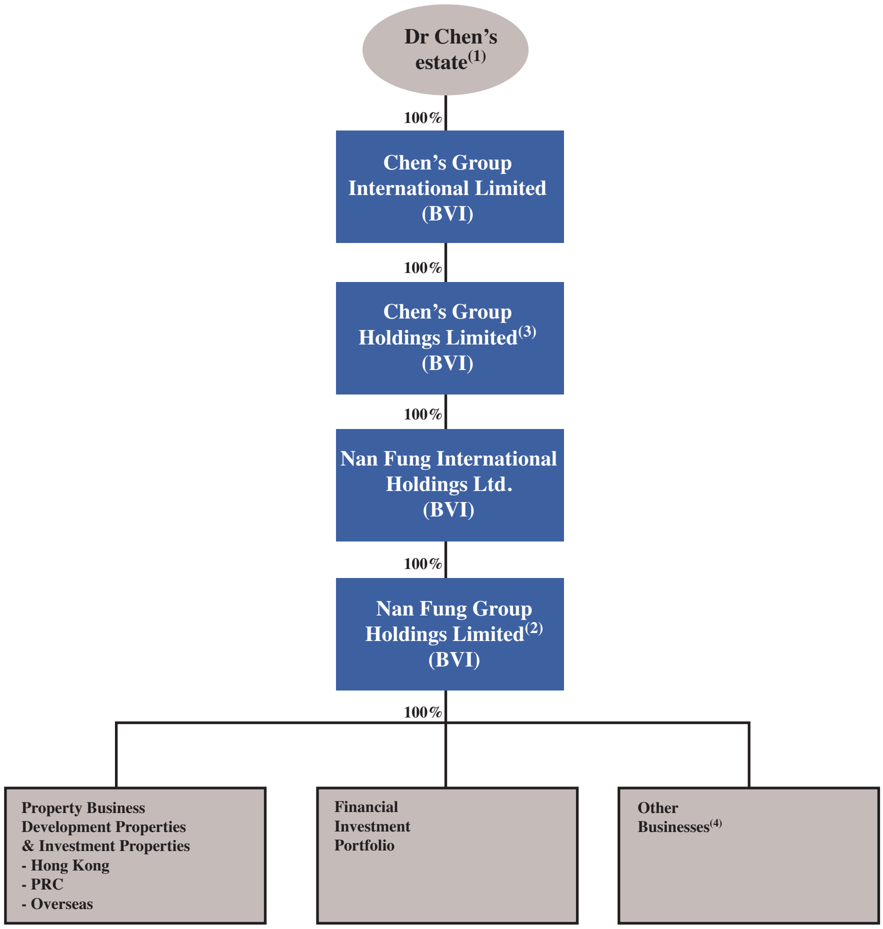
Conservative capital structure and diversified sources of funding

The Group adopts a conservative approach to financing which allows the Group to adopt a prudent approach to property development. As at 30 September 2016, the Group had a net debt to owners' equity ratio at 4.74 per cent. This provides the Group with the flexibility to wait for optimal conditions to commence development or to sell properties, allowing it to maximise the price obtained on sales and to stagger its developments over property cycles. In addition, with its strong financial and credit profile, Nan Fung has been able to obtain bank loan financing at terms which are in line with those offered to other large developers in Hong Kong. Nan Fung has expanded its exposure to external funding, allowing it to diversify its funding sources and lengthen its maturity profile. These factors enable Nan Fung to maintain what it believes is a strong balance sheet with a high and increasing level of liquidity.

Business

The following sets forth an overview of the Group's organisational structure showing its principal functional units and business activities as at the date of this Offering Circular:

Business Structure



Notes:

(1) For information regarding the ownership of Nan Fung as at the date of this Offering Circular, see "*Shareholders, Directors' Interests and Related Party Transactions*".

(2) Nan Fung Group Holdings Limited was known as Chen's Holdings Limited prior to 25 July 2012.

(3) Chen's Group Holdings Limited was incorporated on 29 August 2014.

(4) Other businesses include hospitality, construction business, property management and cold storage warehouse business.

The following tables set forth the revenues and results for the business segments of the Group for the periods indicated:

	For the six months ended 30 September		For the year ended 31 March	
	2016	2015	2016	2015
	(HK$ million) *(unaudited)*		*(HK$ million)* *(audited)*	
Property Business — Hong Kong				
- Revenue	2,051	739	12,046	2,418
- Results[1]	513	310	3,514	1,546
Property Business — PRC and overseas				
- Revenue	551	513	1,273	877
- Results[1]	279	(503)	(213)	451
Securities Investment				
- Revenue	392	520	830	994
- Results[1]	1,388	(828)	75	1,984
Corporate, treasury and other operations				
- Revenue	—	—	—	—
- Results[1]	(22)	(29)	(58)	(38)
Total (after inter-segment elimination)				
- Revenue	2,994	1,772	14,149	4,289
- Results[1]	2,158	(1,050)	3,318	3,943

Note:

(1) Before finance income & expenses, and taxation.

The following table sets forth the Group's share of results of its associated companies (those over which the Group may exert influence through representations on the board of directors of such companies) and joint ventures (those over which the Group exercises joint control along with its partners pursuant to contractual arrangements), by business segments for the periods indicated:

	For the six months ended 30 September		For the year ended 31 March	
	2016	2015	2016	2015
	(HK$ million) *(unaudited)*		*(HK$ million)* *(audited)*	
Share of results of joint ventures	30	120	82	266
- HK Properties	39	135	117	203
- PRC Properties	(9)	(15)	(34)	65
- Others	—	—	(1)	(2)
Share of results of associates	318	1,068	1,610	511
- HK Properties	105	32	56	2
- PRC Properties	213	1,028	1,546	522
- Others	—	8	8	(13)

Property Development and Investment

Hong Kong and Macau

Properties For Sale ("PFS")

The Group's core business is the development and sale in Hong Kong of residential and commercial properties, including retail and office space, along with a small number of industrial properties. The Group is an established property developer in the Hong Kong market, with a track record of 165 projects since 1965.

The Group operates a comprehensive, vertically integrated, property business, which covers all principal stages from acquisition (which may include land use conversion), through to marketing and property management, with or through its various subsidiaries and affiliates, helping the Group to control costs, quality and scheduling. The Group is able to oversee and largely perform all aspects of its development operations, including the selection and purchase of sites, the preparation of feasibility studies, the obtaining of government approvals for zoning and modifications, the design and management of development projects, the marketing, leasing and management of completed projects, and mortgage financing.

As at 30 September 2016, the Group had a land bank available for development of approximately 393,378 sq.ft. in Hong Kong and PFS with an attributable GFA of approximately 2.9 million sq.ft. in Hong Kong and Macau. Sales of property in Hong Kong historically have been a significant source of the Group's operating profits.

For the six months ended 30 September 2016 and 2015, the Group's revenue from sales of properties was HK$1,499 million and HK$122 million, respectively. Revenue from sales of properties under joint-venture projects amounted to HK$646 million and HK$1,764 million for the six months ended 30 September 2016 and 2015, respectively.

For the year ended 31 March 2017 and the six months ended 30 September 2016, attributable contracted sales achieved by the Group in Hong Kong and Macau was HK$16,277 million and HK$4,433 million, respectively.

The typical development cycle for vacant land in Hong Kong from acquisition of the site and preparation of architectural plans to expected completion date is approximately three to five years. However, if there is a variance of land usage required, the process may take longer and may involve the payment to the government of substantial land premiums in connection with the modification of the land use restrictions. The development cycle for urban property may also be longer, since such sites generally are not vacant and frequently contiguous multiple sites or separate units within a site must be assembled before development can begin.

In general, the Group's practice is to pre-sell its developments before completion and the granting of occupation permits by government authorities in order to improve liquidity and reduce market risk. Revenues and profits from such sales are only recognised on the transfer of risks and ownership. Deposits and instalments received on properties sold prior to their completion are included in current liabilities.

The table below sets out the Group's major PFS projects in Hong Kong and Macau as at 30 September 2016:

	Project name and location	Site area	Gross floor area	Land use purpose	Group's equity interest	Attributable gross floor area	Expected Completion Date / Completion Date
		(sq.ft.)	*(sq.ft.)*		*(%)*	*(sq.ft.)*	
COMPLETED							
Hong Kong Island							
1	103 Mount Nicholson Road, The Peak	250,934	308,190	Residential	50	154,095	September 2016
Kowloon							
2	Homantin Hillside, 8 Wai Yin Path, Kowloon	20,470	46,816	Residential	50	23,408	September 2016
Total						177,503	
UNDER DEVELOPMENT:							
Hong Kong Island							
1	Island Garden, Shau Kei Wan	57,200	457,599	Residential	100	457,599	2018
New Territories							
2	La Cresta, Kau To	64,046	134,496	Residential	50	67,248	2017
3	Ori, Tuen Mun	33,465	213,121	Residential	75	159,841	2018
4	TKOTL 70 R.P. Site N, LOHAS Park (Package 6), Tseung Kwan O	147,435	1,474,345	Residential	60	884,607	2020
5	TKOTL 70 R.P. Site I, LOHAS Park (Package 10), Tseung Kwan O	85,843	811,606	Residential	100	811,606	2021
Macau							
6	One Oasis	301,723[(1)]	2,104,643	Commercial/ Residential	17	357,789	2020
Total						2,738,690	

Note:

(1) One Oasis' site area includes a portion for rental purposes and is classified as investment property.

Set forth below is a brief description of selected PFS projects:

Mount Nicholson Project

In July 2010, a joint venture between the Group and the Wheelock group acquired a site at Mount Nicholson in a government auction for HK$10.4 billion. The site is a rare large-scale residential site in the upmarket Peak area overlooking the Victoria Harbour, Happy Valley and Wanchai. The Group developed the site into 48 high-end apartment units and 19 houses. The Group holds a 50 per cent. interest in the project and the project was completed in September 2016.

Island Garden, Shau Kei Wan

In 2011, the Group acquired 100 per cent. interest of the Island Gardens, a residential building of ex-Civil Servants' Cooperative Building Societies, for redevelopment purpose. In July 2015, the Group agreed to a lease modification for GFA relaxation with the HKSAR Government at a land premium of approximately HK$3 billion. The site area is approximately 57,200 sq.ft. and the total GFA is approximately 457,599 sq.ft. after the GFA relaxation. It will be developed into 470 residential units and is expected to be completed in June 2018.

Ori, Tuen Mun

On 12 February 2014, the Group won the tender for a parcel of land at Tuen Mun Town Lot No. 508, Junction of Tsun Wen Road and Leung Tak Street, Area 2, Tuen Mun at a consideration of approximately HK$456 million. The Group holds 75 per cent. equity interest in the project with the remaining equity owned by a subsidiary of Crosby Group. The site area is approximately 33,465 sq.ft. and the total GFA is approximately 213,121 sq. ft.. The development comprises a total of 370 residential units on top of a commercial podium. Completion is expected in July 2018.

La Cresta, Kau To

On 1 August 2013, the Group won a tender for a parcel of land at Sha Tin Town Lot No. 563, Area 56A, Kau To, Sha Tin, jointly with HKR International Limited through a 50:50 joint venture company at a consideration of HK$1,220 million. The parcel of land has an aggregate site area of 64,046 sq.ft. and an anticipated GFA of approximately 134,496 sq.ft. The Group aims to develop the site into 48 high-end apartment units and 13 houses with completion expected in 2017.

LOHAS Park (Package 6) Project

On 20 January 2015, the Group won the tender to develop MTR Corporation's LOHAS Park Package Six residential project in Tseung Kwan O with a 60 per cent. equity. SOL holds the remaining 40 per cent. equity interest. Total land premium was HK$3,345 million and the development will produce up to 2,400 units with total GFA of approximately 1,474,345 sq.ft. Completion is expected in 2020.

LOHAS Park (Package 10) Project

On 9 March 2016, the Group won the tender to develop MTR Corporation's LOHAS Park Package Ten residential project in Tseung Kwan O with a total land premium of HK$1,659 million. The Group aims to develop the site into approximately 1,170 units with total GFA of approximately 811,606 sq.ft.. Completion is expected in 2021.

Land bank in Hong Kong

As at 30 September 2016, the Group had a land bank in Hong Kong of approximately 393,378 sq.ft. available for development. The following table sets forth a geographical breakdown of the Group's land bank in Hong Kong as at 30 September 2016:

Land bank available for development by location	**Attributable Area**
	(sq.ft.)
New Territories	393,378
Total	393,378

The Group believes that, by means of a combination of existing methods of replenishing the land bank such as public auctions and tenders, tendering for development projects offered by URA and MTR and private land sales and the acquisition of development land in the secondary market, the Group's land bank will continue to be sufficient to satisfy its development plans in Hong Kong.

Investment Properties

The investment properties of the Group in Hong Kong and Macau amounted to approximately 3.4 million sq.ft. in total attributable GFA as at 30 September 2016. The Group's revenue for the six months ended 30 September 2016 and 2015 from rental income from its investment properties and other properties amounted to HK$622 million and HK$497 million, respectively, comprising 21 per cent. and 28 per cent. of the Group's revenue, respectively. Rental income represents the aggregate rental received from the Group's investment properties and properties for sale. Most of the completed investment properties are managed by the property management arm of the Group: Hon Hing Enterprises Limited, Main Shine Development Limited, Vineberg Property Management Limited and New Charm Management Limited.

The completed investment properties consist mainly of residential properties, office, retail and hotel buildings. The leases the Group has granted are typically for two to three years for office tenants occupying relatively small commercial floor space and longer lease periods of up to ten years for those tenants occupying retail and relatively large office floor space. The Group does not have any firm policy or practice in relation to rent reviews or adjustments, preferring to be flexible on such matters after assessing market demand and supply conditions for the relevant property.

In accordance with IFRS, the Group values its investment properties at every reporting balance sheet date at their fair market value based on an independent professional valuation. Any change in the valuation is charged or credited, as the case may be, to the consolidated income statement. The Group's financial performance is therefore subject to fluctuation from period to period in light of the movements in property value in Hong Kong, which has been cyclical in the past and could result in a significant accounting profit or loss for the Group.

The Group's rents are generally quoted in square feet per lettable area or gross area. In most cases, the rents quoted by the Group do not include property management charges and government rates payable by its tenants.

The Group's major completed investment properties in Hong Kong have recorded an overall occupancy rate of approximately 96 per cent.[1] as at 30 September 2016.

The following table shows the Group's attributable holdings of major investment properties, completed and under development, in Hong Kong as at 30 September 2016:

	Attributable GFA	
	(sq.ft)	*(%)*
Hong Kong Island and Kowloon		
Residential	507,513	16
Office	1,271,976	41
Retail	187,398	6
New Territories		
Residential/Hotel	325,880	10
Office	—	—
Retail	820,654	26
Industrial & Godown	37,150	1
	3,150,571	100

Note:

(1) The overall occupancy rate of major investment properties has not included those of commercial portions with less than 50 per cent. ownership.

The following table shows the Group's major investment properties in Hong Kong as at 30 September 2016:

		Purpose	Government Lease term	No. of Carpark Spaces	GFA	Group's Interest	Attributable GFA
					(sq.ft)	*(%)*	*(sq.ft)*
COMPLETED							
Hong Kong Island							
1	Nan Fung Tower, Central[(3)]	Office	999 years from 29/06-14/10/1903	5	229,685	100	229,685
2	Nan Fung Tower, Central[(3)]	Retail	999 years from 29/06-14/10/1903	—	66,010	100	66,010
3	80 Robinson Road, Mid-Levels	Residential	999 years from 25/06/1859	52	58,740	100	58,740
4	Fortuna Court, Repulse Bay	Residential	75 years renewable for 75 years from 22/11/1937	22	31,427	100	31,427
5	Grand Garden, South Bay	Residential	75 years renewable for 75 years from 08/06/1982	38	39,709	100	39,709
6	Queen's Cube, Wanchai	Residential	50 years from 20/04/2007	—	45,496	50	22,748
Kowloon							
7	Octa Tower, Kowloon Bay	Office	From 07/03/1997 to 30/06/2047	261	692,600	100	692,600
8	Octa Tower, Kowloon Bay	Retail	From 07/03/1997 to 30/06/2047	—	55,035	100	55,035
New Territories							
9	Tseung Kwan O Plaza	Retail	From 21/03/1997 to 30/06/2047	301	375,700	100	375,700
10	Ma On Shan Centre	Retail	From 24/05/1991 to 30/06/2047	210	95,697	100	95,697
11	Richwood Park, Tai Po	Retail	From 18/05/1992 to 30/06/2047	21	15,786	50	7,893
12	Courtyard by Marriott Hong Kong Sha Tin — Hotel Portion	Hotel	From 17/04/1997 to 30/06/2047	37	325,880	100	325,880
13	Courtyard by Marriott Hong Kong Sha Tin — Retail Portion	Retail	From 17/04/1997 to 30/06/2047	—	23,950	100	23,950
14	Visionary, Tung Chung	Retail	50 years from 11/05/2010	14	28,202	85	23,972
15	Cheung Fung Industrial Building, Tsuen Wan	Industrial	99 years from 01/07/1898[(1)]	5	27,952	100	27,952
16	Well Fung Industrial Building, Kwai Chung	Industrial	99 years from 01/07/1898[(1)]	8	7,253	100	7,253
Sub-total							2,084,251

		Purpose	Government Lease term	No. of Carpark Spaces	GFA	Group's Interest	Attributable GFA
					(sq.ft)	*(%)*	*(sq.ft)*
UNDER DEVELOPMENT							
Hong Kong Island							
1	33-49 Des Voeux Road West, Sai Ying Pun	Commercial	999 years commencing from 29/09/1900	—	143,974	100	143,974
2	Deep Water Bay Drive, Shouson Hill	Residential	50 years from 03/07/2012	—	248,133	85	210,915
Kowloon							
3	NKIL 6512, Hung Yip Street, Kwun Tong	Office & Commercial	50 years from 23/02/2015	466	883,897	40	353,559
New Territories							
4	Mills 4, 5, 6	Others(2)	From 10/07/1993 to 30/06/2047	29	264,106	100	264,106
Sub-total							972,554
TOTAL							3,150,571

Notes:

(1) The lease term had been automatically extended for a further term of 50 years to 30 June 2047 pursuant to the New Territories Leases (Extension) Ordinance.

(2) The intended use is for development of incubation centre and retail purpose.

(3) The property is classified as PFS under existing accounting treatment.

Selected investment properties projects in Hong Kong

Nan Fung Tower

Nan Fung Tower is located in Des Voeux Road Central, Hong Kong Island, and is easily accessible by established transport networks including MTR, ferry piers and the airport express railway. This Grade A office building provides a flexible space system for office layout and subdivision, panoramic views of Victoria Harbour and double glass windows to provide a quiet working environment. The tower also includes a few floors of podium and basement for retail. Following a refurbishment that was completed in 2015, the occupancy rate reached 99 per cent. as at 30 September 2016.

80 Robinson Road

80 Robinson Road was built in 2001 and is located in the Mid Levels, Hong Kong Island with easy access to Central and Soho as well as a number of schools ranging from kindergarten to The University of Hong Kong. A number of the apartments have panoramic views of Victoria Harbour, and the building contains two clubhouses for the use of residents, with facilities including a bowling alley, dance room, gymnasium, squash court and an indoor thermostatic swimming pool with a jacuzzi. Typical apartments range in size from approximately 865 sq.ft. to 2,356 sq.ft. (saleable floor area). Occupancy rate for the Group's units in 80 Robinson Road was 72 per cent. as at 30 September 2016 to facilitate a sale programme launched since 2015.

Octa Tower

Completed in 2011 by the Group, Octa Tower provides panoramic views of Victoria Harbour and is located in the future Kowloon East CBD at the junction of the MTR Kwun Tong Line and the Sha Tin-Central Link. The Kwun Tong Bypass, the Tate's Cairn Tunnel and Eastern Harbour Crossing are also close by, providing ready access to destinations across Hong Kong. The occupancy rate in Octa Tower was 98 per cent. as at 30 September 2016.

Tseung Kwan O Plaza Shopping Mall

As an integral part of the large scale residential project of Tseung Kwan O Plaza developed by the Group in 2004, the shopping mall provides the Group with an attributable GFA of 375,700 sq.ft. of retail area and 301 car park spaces. Eight residential towers with 2,880 residential units sit above the shopping mall, and the mall is centrally located among various residential estates in Tseung Kwan O, with direct connection to the MTR station and a public transport interchange. Three phases of renovation were completed at the end of 2015. The occupancy rate was 98 per cent. as at 30 September 2016.

Ma On Shan Centre

Ma On Shan Centre is a shopping and retail centre with a GFA of 95,697 sq.ft. and 210 car parking spaces. The centre is located next to the MTR station at Ma On Shan and is surrounded by numerous residential estates. It also contains a number of education and recreation centres for children and teenagers, catering for all daily necessities of the surrounding residents. The occupancy rates in Ma On Shan Centre as at 30 September 2016 and 2015 were at 100 per cent.

Deep Water Bay Drive Project

On 30 May 2012, the Group won a government tender for a parcel of land at No. 8-12, Deep Water Bay Drive (RBL 1190), Shouson Hill, Hong Kong at a consideration of HK$6 billion. The Group holds an 85 per cent. interest in the project and intends to develop the site into 52 high-end apartment units and two deluxe houses with expected completion in the first half of 2018.

NKIL 6512 Project

On 27 January 2015, the Group won a tender for a parcel of land at New Kowloon Inland Lot No.6512, Kwun Tong, with a 40 per cent. equity interest. The Link Real Estate Investment Trust holds the remaining 60 per cent. equity interest.

The Group plans to develop the site into a new grade A office-cum-retail development situated in the Kowloon Bay Action Area with a total GFA of approximately 883,897 sq.ft.

In line with the Government's Energizing Kowloon East policy, this development endeavours to contribute to building a sustainable community and to provide a balance between optimal user experience and community engagement. Its harmonic design strives to encompass commercial prestige as well as environmental consciousness.

As a local pioneer in sustainability, the development has been pre-certified under the highest level of world-wide renowned sustainable frameworks, including LEED-CS Pre-certification Platinum, BEAM Plus Provisional Assessment Platinum and WELL-CS Gold. The WELL Building Standard is a performance-based system for measuring, certifying and monitoring features of the built environment that impact human health.

Other Furnished Residential Apartments under D'Home

The Group expanded its residential portfolio in 2011 with the addition of approximately 88 furnished apartments in Queen's Cube, Wanchai, Hong Kong Island.

The Group is also developing the "D'Home" brand for use with luxury furnished apartments held for leasing with customised services. The "D'Home" brand has been established to focus on comfort, quality, and versatility to meet the requirements of the luxury market, providing for short-term tenancies as well as for furnished homes and optional amenity service. As at the date of this Offering Circular, the "D'Home" branding is being applied to furnished apartments in Queen's Cube and is to be extended to furnished apartments in other properties situated in central locations in a select number of neighbourhoods on the basis of market response. The occupancy rate of D'Home in Queen's Cube was 94 per cent. as at September 2016.

Hotel business in Hong Kong

The Group successfully completed its first hotel project, Courtyard by Marriott Hong Kong Sha Tin, in 2013. Courtyard by Marriott Hong Kong Sha Tin, with a GFA of 325,880 sq.ft., is a 528 room hotel at 1 On Ping Street, on the bank of the Shing Mun River in Sha Tin. The site is within walking distance of the MTR Shek Mun Station, and is in close proximity by car to Tsim Sha Tsui. The hotel offers 11 room types, ranging from standard rooms and executive suites, to deluxe suites, to cater for both travellers and business patrons. The hotel also offers a wide range of facilities, including one of the largest banquet ballrooms in Sha Tin, which will cater for approximately 360 people and will be available for use by both private parties and business meetings, and a large outdoor landscaped deck with swimming pool. The podium floors of the hotel house a variety of restaurants and shops, providing convenience to hotel guests. The top floor was renovated to add a new bar/lounge and eight meeting rooms in July 2015 joining the existing executive lounge to provide premium services to hotel guests and business clients. The development was awarded "Best New Hotel Construction and Design, Hong Kong" at the 2012 International Property Awards Asia Pacific in association with HSBC. It has also achieved the Platinum Rating of Final Assessment under the New Buildings (4/04 Version) of the HK-BEAM Society.

PRC

Since 2005, the Group has undertaken a prudent programme of expansion into the PRC. The Group's plan is to continue to increase its investment in the PRC gradually with the long-term goal of building a commercial property portfolio comprising prime offices and retail space located in first-tier cities.

PFS and land bank in the PRC

As at 30 September 2016, the total attributable GFA of the Group's land bank and PFS in the PRC amounted to 236,341 sq.m., consisting of one completed property project and one property project under development in Wuxi in the PRC. The latter was subsequently disposed of in November 2016. The Group's strategy, subject to economic, regulatory and other conditions in the PRC, is to increase the size of its land bank in the PRC over the medium to long-term.

The following table sets forth the Group's major PFS projects in the PRC as at 30 September 2016:

Project name and location	Land use purpose	Total GFA	Group's interest	Attributable GFA	Expected completion date / Completion date
		(sq.m.)	*(%)*	*(sq.m.)*	
The Place, Wuxi[1]	Office, Commercial & Serviced Apartment	233,735	100	233,735	To be determined
Palazzo Del Lago, Wuxi[2].	Residential	2,606	100	2,606	2014
Total.		236,341		236,341	

Note:

(1) The project was disposed of in November 2016.

(2) As at 31 March 2017, most of the remaining units have been sold.

Investment properties in the PRC

The Group's investment properties portfolio mainly consists of properties located in the first-tier cities of Shanghai and Guangzhou. The Group completed The Place, Guangzhou, which is an office and commercial complex with an attributable GFA of 74,888 sq.m. in 2012. In the second half of 2013, the Group completed the Nan Fung International Convention and Exhibition Centre and Langham Place, Guangzhou, an exhibition centre and hotel with an attributable GFA of 89,054 sq.m. In February 2015, through the privatisation and delisting of Forterra, the Group consolidated and refurbished the properties under Forterra, resulting in a sizable investment in Shanghai. The Group plans to retain these developments for leasing purposes.

The Group expects its investment property portfolio will continue to generate a more meaningful recurring income to the Group in the future, hence allowing the Group to benefit from the long-term growth and rising affluence of the PRC. The Group intends to continue to monitor the property market in the PRC and, if the Group considers conditions and acquisition costs to be favourable, to expand its portfolio gradually over the years. The Group has sought to identify premium commercial sites at an early stage, and also has the flexibility to consider acquiring controlling interests in the commercial portion of joint venture projects from partners, hence allowing acquisition to be made at a reasonable cost. By the time of completion of the existing projects under development, the Group's investment property portfolio in the PRC is expected to comprise Grade A office properties, retail and commercial properties, convention and exhibition properties, hotels, logistic warehouses and car park spaces held for long-term investment, amounting to approximately 854,460 sq.m. in attributable GFA.

The table below sets out the Group's major investment properties projects in the PRC as at 30 September 2016:

Project name and location	Land use purpose	No. of carpark spaces	GFA	Group's interest	Attributable GFA	Expiry date of the land use term
			(sq.m.)	*(%)*	*(sq.m.)*	
COMPLETED						
1 The Place, Shanghai.	Office & Commercial	1,166	216,077	100	216,077	07/03/2043 (Phase 1) 14/12/2065 (Phase 2) 27/03/2053 (Phase 3)
2 Shanghai Mart, Shanghai.	Office, Commercial & Exhibition(1)	677	249,083	49	122,051	20/10/2049
3 WPP Campus, Shanghai.	Office & Commercial	298	73,409(2)	45	33,034	28/04/2060
4 Nan Fung Tower, Shanghai.	Office & Commercial	74	14,050	100	14,050	15/08/2054
5 Nan Fung International Convention and Exhibition Centre and Langham Place, Guangzhou	Commercial, Hotel & Exhibition	557	89,054	100	89,054	17/12/2047
6 The Place, Guangzhou	Office & Commercial	599	74,888	100	74,888	Office: 18/11/2057 Commercial: 18/11/2047
7 Dalian International Logistics Centre (Tower A), Dalian . .	Warehouse & office	—	121,531	45.835	55,704	30/12/2056
8 Central Park Mall, Qingdao (Phase 1) . .	Commercial	500	43,463	55	23,905	02/04/2048
Sub-total			881,555		628,763	
UNDER DEVELOPMENT						
1 Le Rendez-vous, Shanghai(3)	Commercial	—	7,620	100	7,620	24/07/2042
2 Creativo, Tianjin . . .	Commercial, Residential & Hotel	1,100	175,975	75	131,982	28/01/2053
3 Central Park Mall, Qingdao (Phase 2-4).	Commercial	2,327	156,537	55	86,095	02/04/2048
Sub-total			340,132		225,697	
TOTAL			1,221,687		854,460	

Notes:

(1) The property use purpose is commercial but with a remark of exhibition on the remark page of the title certificate.

(2) The property's GFA includes above ground carparks area.

(3) Formerly known as Huai Hai Mall and the property is currently under renovation which is expected to be completed by the second quarter of 2017.

The following table shows the Group's attributable holdings of investment properties in the PRC as at 30 September 2016:

	Attributable GFA
	(sq.m.)
Cities	
Shanghai	392,832
Guangzhou	163,942
Tianjin	131,982
Qingdao	110,000
Dalian	55,704
Total	854,460

The following table shows the Group's attributable holdings of investment properties in the PRC by use as at 30 September 2016:

	Attributable GFA	Percentage
	(sq.m.)	*(%)*
Commercial	482,310	56
Office	202,598	24
Exhibition Centre	38,317	4
Hotel	68,332	8
Warehouse	55,704	7
Others	7,199	1
Total	854,460	100

Selected investment properties projects in the PRC

The Place, Shanghai

The Place is a large scale fully-integrated office/retail complex and a landmark development in the core area of the "New Hongqiao — Tianshan Regional Business Centre", one of the thirteen municipal-level commercial centres in Shanghai. The Place is within 10 minutes' walking distance of Line 2 metro stations and 20 minutes driving distance of the Shanghai Hongqiao Airport and traffic hub. The Place provides a fully integrated complex with three Grade A office towers and a shopping mall with a pedestrian street. As at 30 September 2016, the office area had a total GFA of 110,410 sq.m. and registered an occupancy rate of 98 per cent, while the retail area had a total GFA of 105,667 sq.m. with an occupancy rate of 88 per cent.

Shanghai Mart, Shanghai

Officially opened in 1999, Shanghai Mart was the first permanent international trade mart in the PRC. It is the largest of its kind in Asia with a total aboveground GFA of 249,083 sq.m. The complex features a combination of functions including office, commercial as well as trade and exhibition spaces. Shanghai Mart is situated at 2299 West Yannan Road, a prime location in the Shanghai Hong Qiao Development Zone and a landmark in the Changing District. It is 20 minutes' driving distance from the Shanghai Hongqiao traffic hub and accessible by subway lines 2, 10 and various bus lines. The Group acquired the project in September 2014 through a joint venture with Shanghai Industrial Urban Development Group Limited. As at the date this Offering Circular, the Group held 49 per cent. equity shares in the project. As at 30 September 2016, the office tower registered an occupancy rate of 95 per cent., and the retail portion registered an occupancy rate of 80 per cent.

WPP Campus, Shanghai

WPP Campus is a Grade A office building situated at Heng Feng Road in Jing An district in Shanghai, with a total aboveground GFA of 73,409 sq.m. The building is close to Shanghai's railway station and the West Nanjing Road Central Business District, and is easily accessible by established transport networks including subway lines 1, 3, 4, 12 and 13, buses and the inter-city high-speed train. As at the date of this Offering Circular, the Group held 60 per cent. equity shares in the project, with the co-investment partner being B.M. Holding Group. As at 30 September 2016, the office area with GFA of 55,610 sq.m. registered an occupancy rate of 95 per cent. In addition to the office area, the building also has retail space of approximately 4,419 sq.m. on the podium floors, which targets to provide various facilities for food and beverage, a gym, a bank ATM and a convenience store.

Nan Fung Tower, Shanghai

Set in the historic French concession area accentuated by the adjacent Hua Shan Park and part of the Xujiahui Regional Business Centre radiation area, Nan Fung Tower with GFA of 14,050 sq.m. is a 12-storey modern, boutique international grade office building with ground level of retail space erected over a three-level basement car park completed in 2006. As at 30 September 2016, Nan Fung Tower registered an occupancy rate of 64 per cent, a decrease from 72 per cent. as at 31 March 2016 due to ongoing renovation work.

Nan Fung International Convention and Exhibition Centre and Langham Place, Guangzhou

The development is located in the Pazhou business and commercial district. Located on the top floors of the development is a luxury five-star hotel managed by Langham Hotels International, attracting both business and leisure travellers. The hotel with GFA 68,333 sq.m. offers 499 rooms as well as facilities supporting large-scale banquets and international conferences. In 2016, Langham Place Guangzhou won "Best Meeting & Conventions Hotel in Guangzhou / Shenzhen" and "The Best MICE Hotel of China" by TTG China and Golden Horse Awards of China Hotel. The podium floors are designed for commercial and exhibition use, with a capacity to accommodate up to 1,500 world-class exhibition booths. The total GFA for exhibition is 20,722 sq.m..

The Place, Guangzhou

The Place is located in the core area of Pazhou District, one of Southern China's wholesale trading hubs with a direct link to the metro station. The Place consists of grade A offices and a lifestyle destination mall with GFA of 74,888 sq.m. and registered occupancy rates of 90 per cent. for the office area and 54 per cent. for the retail area as at 30 September 2016 due to tenant repositioning.

Le Rendez-vous, Shanghai

Formerly known as Huai Hai Mall, the property is located in the heart of the Shanghai's Central Business District fronting the Middle Huaihai Road, one of Shanghai's strongest and highest profile luxury retail goods precincts, Le Rendez-vous is a low-rise retail property with GFA of 7,620 sq.m. comprising a five-storey building and a basement level. As at 30 September 2016, the property was vacant as it was undergoing refurbishment programme, and is targeted to be re-opened in the second half of 2017.

International

The Group acquired a completed Grade A commercial property, 16 Old Bailey, London, in March 2015 for investment purposes. The Group holds an 80 per cent. equity interest and Crosby Group holds the remaining 20 per cent. equity interest in the property, which is located in zone 1 of London with a GFA of 94,342 sq.ft. The property registered a 100% occupancy rate as at 30 September 2016, being let out in its entirety to one tenant. The Group subsequently acquired two more commercial properties in

London in 2016 for investment purposes. Apart from the United Kingdom, the Group has also invested in residential and commercial property development projects in Singapore, Japan, Malaysia and the United States. The rental income contribution from the Group's international real estate business is not significant relative to the Group's overall rental income.

Property-related service businesses

As part of the Group's approach to integrate its property development business vertically, it has developed operations engaged in property-related service businesses, which broadly cover construction, property management and mortgage financing services in Hong Kong.

Construction

The Group generally relies on its own architectural, engineering and construction efforts for the design and construction of its projects. The Group has obtained two contractor registration licences from the Hong Kong government and is qualified to carry out a range of construction works including site formation, foundation and general building and alteration and additional works through its in-house ISO 9001:2000-certified registered contractors. The Group's construction companies are also certified by the Hong Kong Quality Assurance Agency ("HKQAA") and conduct their construction operations through an Integrated Management System ("IMS"). The Group has constructed a wide range of luxury residential, high grade commercial offices, innovative shopping arcades, and city revitalisation projects. The Group also provides some construction services to other property developers in Hong Kong and a number of institutional academies through the Architectural Services Department of the Hong Kong government. The Group has not generally encountered any material difficulties in sourcing labour and building raw materials for its construction activities.

Property Management

The Group has an established property management business operated through Hon Hing Enterprises Limited, Main Shine Development Limited, Vineberg Property Management Limited and New Charm Management Limited, which together had approximately 1,800 employees as at 30 September 2016. Through these companies, the Group manages all properties which it develops, usually for a minimum of two years and in some cases on an ongoing basis. These companies are committed to providing professional and quality management services to satisfy the needs of clients. The Group believes that its services in this area contribute to its branding and provide the means to continually enhance its reputation among the public.

Mortgage Financing

The Group selectively extends mortgage financing to purchasers of residential units from projects developed by the Group on a project by project basis. These mortgages typically take the form of monthly instalment loans by way of mortgage co-financing facilities and may be in the form of a first or second mortgage with the underlying property used as mortgage collateral.

Financial investment

The Group's underlying assets and portfolio provides a substantial liquidity buffer and stable recurring income to the Group. As at 30 September 2016, the Group's AFS assets and Trading Securities (as those terms are defined below) amounted to approximately HK$17.4 billion and accounted for approximately 14.2 per cent. of the Group's total assets. As at 30 September 2016, the portfolio was largely unleveraged.

The Finance and Investment division of the Group historically managed the Group's financial investment assets. Subsequently, in October 2011, the financial investment assets were managed by Nan Fung Investment Advisor ("**NFIAL**"), an associate of the Group. In January 2015, the investment management contract for the Group was awarded to NF Trinity Capital (Hong Kong) Limited ("**NF Trinity**"). NF Trinity is an independent asset management company with Type 4 (advising on securities) and Type 9 (asset management) licences granted by the Hong Kong Securities and Futures Commission ("**HKSFC**").

Investment strategy

The Group's investment strategy involves a "core + satellite" approach, under which a "core" portion of the portfolio is held for long-term investment, with the remaining "satellite" portion of the portfolio being actively traded with a view to profit from market fluctuations. The primary goal of the strategy is to maintain sufficient liquidity to support the Group's core operations and generate stable dividend and interest income. The Group also acquires significant longer-term positions in businesses and industries where its management knowledge and competencies can enhance value in its investments and is in line with the Group's vision to increase long-term sustainable returns for its shareholders.

The size and nature of the financial investment portfolio are dynamic and at any time depend on the Group's ability to identify suitable investment opportunities and its view of the market. The Group's aim is to search for investment opportunities that it believes to have an intrinsic value higher than their trading prices. In general, the Group (assisted by NF Trinity) analyses potential investments based on traditional valuation methodologies such as price-to-earnings ratio, dividend yield, return on equity, price-to-book and price-to-net-tangible assets. The Group also places great emphasis on cash flow and balance sheet strength in terms of net debt and gearing levels, as well as interest coverage.

Investment team

The Group has appointed NF Trinity to advise and manage on a day-to-day basis the financial investment portfolio of the Group as described above under "*Investment strategy*". The Finance and Investment Committee of the Group is mandated by the Board to oversee the Group's overall investment activities and guide the overall process governing the Group's core investment and treasury operations.

NF Trinity's investment team comprises investment professionals who undertake detailed investment analysis to identify suitable opportunities. Once an investment opportunity is identified, the responsible manager will prepare an investment proposal. If approved, an investment size will be set up for each counter within the asset allocation framework as discussed below.

In relation to the Group's financial investment portfolio, certain risk parameters are in place and NF Trinity's investment team has authority to a prescribed limit beyond which proposals are submitted to the Finance and Investment Committee of the Group for approval. For investments above its prescribed authority limit, the Finance and Investment Committee will submit to the Board's Executive Committee for final approval.

Investment classification

The analysis process is applicable to both the Group's Available For Sale ("**AFS**") assets and financial assets at fair value through profit or loss, including derivative financial instruments ("**Trading Securities**") (as described below). Investment allocation is monitored on an ongoing basis by portfolio managers and changes may be implemented as and when necessary.

The Group's principal investment portfolio is classified as either Trading Securities or AFS assets according to accounting principles. Trading Securities are financial assets which are acquired for the purpose of trading, or are part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking. AFS assets are investments, other than trading financial assets, generally with a longer investment-holding period and in some cases such are held by the Group for strategic purposes.

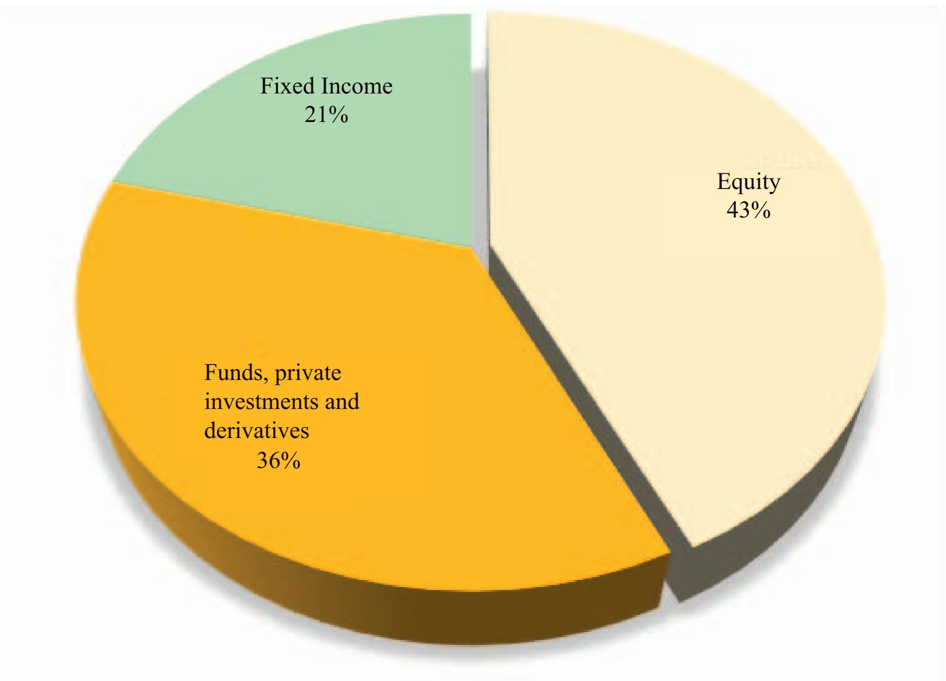
The average holding period for AFS assets will be long-term and typically averages more than one year. In the case of Trading Securities, the Group's aim is to capture trading gains from short-term price anomalies. As a result, holding periods will depend on the pace of price recovery and this can range from a few weeks to a few months. In cases where the Group believes there is substantial upside potential after its initial internal analysis, the Group may decide to hold the positions of certain Trading Securities for a longer period in order to maximise returns.

The Group's Trading Securities as at 30 September 2016 amounted to HK$10,082 million consisting mainly of highly liquid investments. AFS assets amounted to HK$7,308 million, comprising equity investments, fixed income investments, funds and private investments.

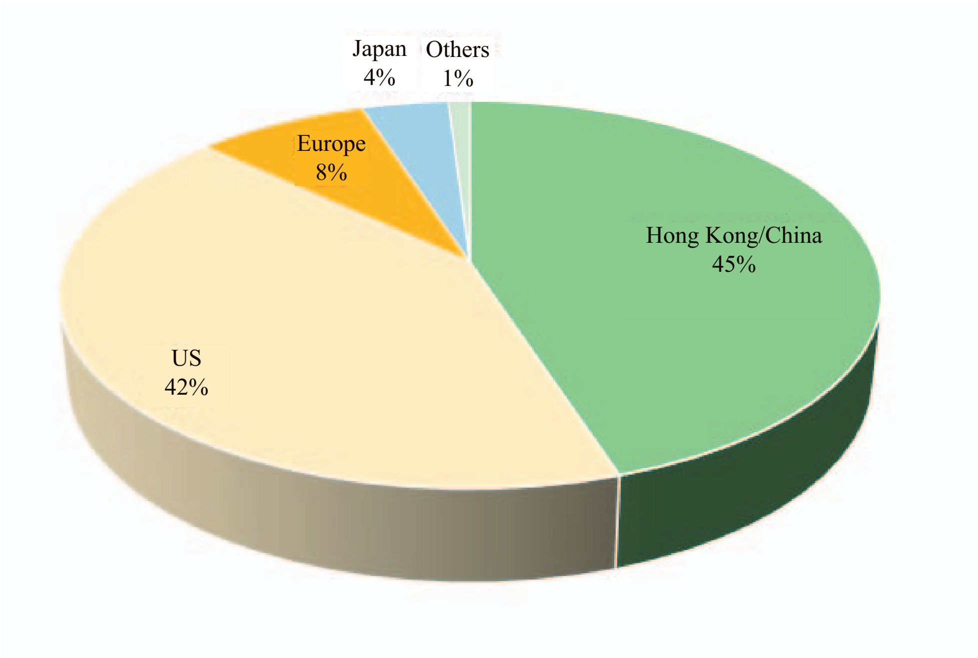
As at 30 September 2016, the approximate breakdown of asset classes was 43 per cent. equity investments, 21 per cent. fixed income investments and 36 per cent. funds, private investments and derivatives, funds and private investments. Equity investments in terms of the trading book are generally blue chip, highly liquid equities listed in Hong Kong/China, the United States, Europe and other major markets. Fixed income investments in terms of the trading book are generally liquid and marketable securities. In terms of regional exposure, a significant portion of exposure as at 30 September 2016 was mainly focusing in Asia Pacific, North America and a small portion in Western Europe and other regions. However, asset class breakdowns and regional exposure are subject to change based on market conditions.

The following charts set out the breakdown of the Group's financial investment portfolio by asset class, and the Group's equity investments by industry sector and geographical area, as at 30 September 2016. Given the nature of the Trading Securities portfolio, the position and breakdown of the entire portfolio at any one time does not necessarily reflect the position or breakdown at any other time.

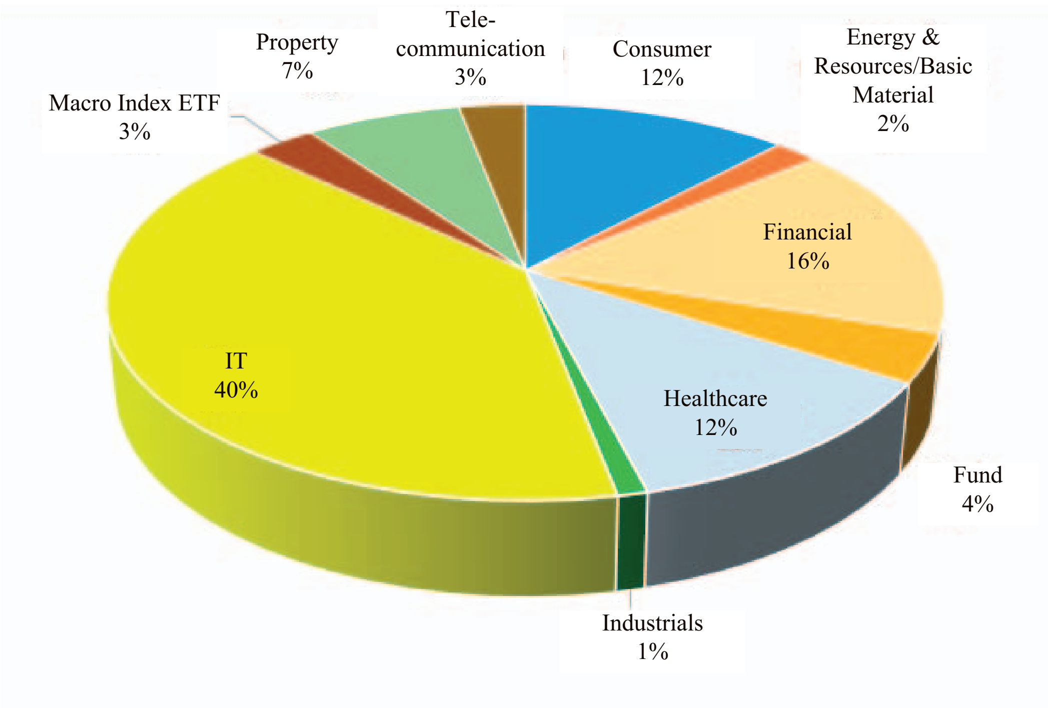
Financial Investment Portfolio Asset Class Breakdown as at 30 September 2016



Equities Exposure by Geographical Area as at 30 September 2016



Equities Exposure by Industry Sector as at 30 September 2016



Risk management and investment controls

The Group primarily exercises risk control through its asset allocation process and continuous monitoring of its portfolio. Asset allocation limits determine the amount of overall allocation as well as allocation per major equity market. Subsequent decisions on individual investment sizes are made within the asset allocation framework and these positions are both monitored daily by the portfolio managers of NF Trinity and the Group.

The Group's finance and investment committee oversees credit risk, interest rate risk and foreign currency risk of the financial investment portfolio whilst such risks are managed on a day-to-day basis by NF Trinity. Credit risk is managed by financial credit analysis with single position control and continuously monitored by NF Trinity through periodic and adhoc reviews on an as needed basis. Interest rate risk and foreign currency risk are mitigated by futures, options and other derivatives based on an assessment of the costs and benefits. NF Trinity provides regular risk reports to the Group. The Group has overall oversight of risk exposure together with its other businesses on a holistic basis.

The Group has an established risk management framework to ensure that a systematic process and delegation of responsibility is clearly set out to guide management in its investment decisions and NF Trinity is required to follow these policies. NF Trinity has in place various types of control measures in accordance with current legal requirements. Investment and risk meetings are held regularly, or as the Group and NF Trinity deem appropriate, to generate ideas as well as identify short and long-term risks. For a discussion of the Group's exposure to credit risk as well as other financial risk factors under financial risk management, see note 3(a)(ii) to the Guarantor's audited consolidated financial statements for the year ended 31 March 2016 set out herein.

Ongoing compliance reviews are performed with results reported to the Group's control personnel. Regular audits are performed with results reported to management and the Board. External legal counsel is consulted if deemed necessary.

The Group also has in place a business continuity and disaster recovery plan for critical business functions to ensure the resilience of critical systems and regular backup of data. Annual tests are conducted at back up sites.

Fund I and Fund II

In 2007 the Group and Crosby Group each individually committed to invest US$50 million totalling US$100 million in the creation of Fund I (initially called HSBC NF China Real Estate Fund, L.P.), a private equity real estate opportunity fund established as a Guernsey limited partnership. In early 2011, a management buy-out took place in HSIL (previously a 100 per cent. owned subsidiary of HSBC) resulting in the management of HSIL owning 80.1 per cent. and HSBC owning 19.9 per cent. of HSIL. HSIL and Fund I have since changed their names to InfraRed Capital Partners Limited and InfraRed NF China Real Estate Fund, L.P., respectively. The Group has a 25 per cent. effective interest in the general partner which manages Fund I. Since Fund I was established in 2007, it has invested US$753.0 million of equity in 11 investments of which nine investments in the portfolio have been realised, and two investments are in the process of being exited. InfraRed NF China Real Estate Fund II ("**Fund II**"), as a follow-on fund to Fund I was formed with final closing on June 2015. The Group and Crosby Group has each committed to invest US$31.875 million, totalling US$63.75 million, in Fund II. Fund II invests in equity and debt (mezzanine) investments in a portfolio of real estate developments and investments in the PRC, Hong Kong, Macau and Taiwan. As at 30 September 2016, Fund II has invested in five investments with aggregated capital committed of US$160.0 million. The Group's portion of such investment will be funded by internal resources.

Subsidiaries

The key subsidiaries of the Guarantor as at the date of this Offering Circular are set out in the following table:

Name	Place (and year) of incorporation	Principal activities	Particulars of issued share capital/ registered capital	Percentage of interest in ownership/ voting power/profit sharing
Nan Fung Property Holdings Limited	Hong Kong (1954)	Investment holding	HK$2,007,800	100%
Nan Fung Property Consolidated Limited	Hong Kong (1969)	Investment holding	HK$1,260,138,835 ordinary and HK$138,834,776 non-voting deferred	100%
Nan Fung Development Limited	Hong Kong (1975)	Financing, investment holding and property investment	HK$900,000,002 ordinary and HK$100,000,000 non-voting deferred	100%
Gavast Estates Limited	Hong Kong (1980)	Investment holding	HK$2	100%

Further details of principal subsidiaries of the Guarantor are set out in note 38 to the Guarantor's audited consolidated financial statements for the year ended 31 March 2016.

Insurance

The Group is covered by insurance policies arranged with reputable insurance agents which cover loss of rental, fire, flood, riot and strike, malicious damage, other material damage to property and development sites, business interruption and public liability.

The Group believes that its properties are covered with adequate insurance provided by reputable independent insurance companies and with commercially reasonable deductibles and limits on coverage. Notwithstanding the Group's insurance coverage, damage to the Group's buildings, facilities, equipment, or other properties as a result of occurrences such as fire, floods, water damage, explosion, typhoons, riots, strikes and other natural disasters could nevertheless have a material adverse effect on the Group's financial condition and results of operations.

Laws, Rules & Regulations

The operations of the Group are subject to various laws and regulations of Hong Kong, the PRC and the other countries and regions in which it has operations. The Group's activities conducted on its investment and development properties are governed by relevant statues, rules and regulations. Developments, major building works and other re-development projects may require government permits, some of which may take longer to obtain than others. From time to time, governments may impose new regulations on landlords such as mandatory retrofitting of upgraded safety and fire systems in all buildings. The Group's properties are subject to inspections by government with regard to various safety and environmental issues if warranted by the circumstances. Nan Fung believes that the Group is in compliance in all material respects with government safety regulations currently in effect.

The Group has not experienced significant problems with Government regulations with regard to these issues, and is not aware of any pending Government legislation that might have a material adverse effect on its properties.

Environmental Matters

Nan Fung believes that the Group is in compliance in all material respects with applicable environmental regulations in Hong Kong and the PRC. Nan Fung is not aware of any environmental proceedings or investigations to which it is or might become a party.

Legal Proceedings

Neither Nan Fung nor any of its subsidiaries is involved in any litigation which would have a material adverse effect on the business or financial position of the Group.

Employees

As at 30 September 2016, a total of 2,397 full-time employees were engaged in the Group's operations, of which the majority are based in Hong Kong and approximately 12 were senior management personnel. The remuneration of employees is in line with the market and commensurable with the levels of pay in the industry.

None of the Group's employees is a member of a trade union and the Group has not experienced any strikes or disruptions due to labour disputes. Nan Fung considers its relations with its employees to be good.

Financial Resources and Liquidity

As at 30 September 2016, the aggregate amount of the Group's bank borrowings amounted to approximately HK$15,292 million, majority of which was on a secured basis. The maturity profile of the bank borrowings and guaranteed notes, the cash and bank balances and the gearing ratio of the Group as at 30 September 2016 are set out as follows:

	As at 30 September 2016
	(HK$ million) *(unaudited)*
Cash and bank balances	21,156
Maturity profile of the bank borrowings and guaranteed notes	
Within one year	6,273
After one year	18,814
Total debt — interest bearing borrowings	25,087
Owner's equity[1]	82,860
Total debt to owner's equity ratio	30.3%
Net debt to owner's equity ratio	4.7%

Note:

(1) No dividend has been declared for the six months ended 30 September 2016.

Contingent Liabilities

As at 30 September 2016, the Group had the following contingent liabilities of HK$3,460 million, resulting from guarantees in respect of banking facilities granted to related companies and joint ventures. The Group had also undertaken to a bank amounting to HK$22 million in respect of the performance bonds issued for the contract works entered by its subsidiary and joint ventures. See note 22 to the Guarantor's unaudited condensed consolidated interim financial information for the six months ended 30 September 2016 set out herein.

MANAGEMENT

Directors

As at 31 March 2017, the Board of Directors of the Guarantor consists of five Executive Directors of NFGHL. The decision-making process of the Group is centralised at the level of NFGHL, a direct wholly-owned subsidiary of the Guarantor. As at 31 March 2017, the Board of Directors of NFGHL (the "**Board**") consists of ten Directors, comprising seven Executive Directors and three Independent Non-executive Directors.

The Board has ultimate oversight of the management of the Group, including setting the long-term objectives of the Group, the Group's business and commercial strategy and financial plans to achieve these, changes to the Group's capital structure and changes to the Group's management and control structure.

The following table sets out the name and position of each of the Directors of NFGHL as at 31 March 2017:

Name	Position
Mr. Antony Leung	Group Chairman and Chief Executive Officer and Executive Director
Mr. Frank Seto	Vice Chairman and Executive Director
Mr. Vincent Cheung	Group Chief Operating Officer and Managing Director
Mr. Donald Choi	Executive Director
Mr. Stephen Cheung	Executive Director
Ms. Vanessa Cheung	Executive Director
Mr. Joe Kwok	Executive Director
Dr. Norman Leung	Independent Non-executive Director
Mr. Joseph Lai	Independent Non-executive Director
Mrs. Mignonne Cheng	Independent Non-executive Director

Honorary Chairman

Vivien CHEN Wai Wai resigned as the Chairman and the Managing Director of the Group on 31 March 2016 and was appointed as the Honorary Chairman of the Group with effect from 31 March 2016. Ms. Chen is the daughter of the Group's founder, Dr. Chen, and joined the Group in 1981. In 2005, Ms. Chen was promoted to Vice Chairman and Managing Director of the Group and after her father's retirement in January 2009, she was appointed Chairman. Ms. Chen also chairs The D. H. Chen Foundation, which was established by her father. She also set up The Chen Wai Wai Vivien Foundation Limited and is a Governor of her mother's foundation, Chen Yang Foo Oi Foundation Limited. In addition, Ms. Chen is Chairman of Crosby Investment Holdings Inc. and a director of several of its affiliated companies, including Vervain China Development Holdings Limited (formerly known as Nan Fung China Development Holdings Limited) and Vervain Resources Limited (formerly known as Nan Fung Resources Limited), as well as a director of certain other companies with the same ultimate beneficial shareholder as the Group. She is the Honorary President of the Shanghai Fraternity Association Hong Kong Limited, the International Ningbo Merchants Association Company Limited, The United Zhejiang Residents Associations (Hong Kong) Limited and the Ning Po Residents Association (Hong Kong) Limited; the Honorary Vice-President of the Shanghai Charity Foundation, a charity set up by the city of Shanghai; a member of the Board of Governors of the Hong Kong Adventist Hospital Foundation; one of the founders of the Hong Kong Eating Disorders Association Limited; a founding member of the First Initiative Foundation Limited; Ms. Chen is a Board member of Ronald McDonald House Charities of Hong Kong and a member of the Board of Trustees of the

Shaw College, The Chinese University of Hong Kong. On 4 December 2014, The Chinese University of Hong Kong conferred an honorary degree of Doctor of Social Science *honoris causa*, in recognition of Ms. Chen's significant achievements in the profession and outstanding contributions to the community as well as the advancement and development of The Chinese University of Hong Kong.

Executive Directors

Antony LEUNG Kam Chung is the Group Chairman and CEO of the Group and joined the Group in February 2014. Prior to this, Mr. Leung was Senior Managing Director, Chairman of Greater China and a member of the Executive Committee of Blackstone.

Before joining Blackstone, Mr. Leung was the Financial Secretary of Hong Kong from 2001 to 2003. Prior to his appointment as Hong Kong's Financial Secretary, Mr. Leung had extensive experience in financial services. He was the Chairman of Asia for JP Morgan Chase based in Hong Kong. Before that he worked for Citi in Hong Kong, Singapore, Manila and New York for 23 years in various positions including Country Corporate Officer for China and Hong Kong, Regional Treasurer for North Asia, Head of Investment Banking for North Asia, South West Asia and Head of Private Banking for Asia.

Other public service that Mr. Leung had engaged in included being a Non-Official Member of the Executive Council of Hong Kong SAR, Chairman of the Education Commission, Chairman of the University Grants Committee, Member of the Exchange Fund Advisory Committee, Director of Hong Kong Airport Authority and Hong Kong Futures Exchange, Member of the Preparatory Committee and Election Committee for the Hong Kong Special Administrative Region and Hong Kong Affairs Advisors. Past board memberships include Senior Advisor and Member of the International Advisory Board of Blackstone, Independent Director of Industrial and Commercial Bank of China, China Mobile (Hong Kong) Limited, American International Assurance (Hong Kong) Limited; Vice Chairman of China National Bluestar Group and International Advisory Board Member of China Development Bank and European Advisory Group.

Mr. Leung graduated from the University of Hong Kong in 1973, and attended Harvard Business School's Program for Management Development and Advanced Management Program. For his public service in Hong Kong, he was awarded the Gold Bauhinia Star by the Hong Kong Government and an Officer of the Most Excellent Order of the British Empire. He was conferred an honorary Doctor of Law by the Hong Kong University of Science and Technology.

Mr. Leung is currently also the Group Chairman & Co-Founder of New Frontier Group, Independent Non-Executive Director of China Merchants Bank, Chairman of Harvard Business School Association of Hong Kong, Chairman of Heifer International Hong Kong and Chairman of Food Angel.

Frank SETO Kai Shui is the Vice Chairman and an Executive Director of the Group. Mr. Seto joined the group in 2000. In 2006, Mr. Seto was promoted to be the Group's Executive Director and in 2010, he was promoted to be the Group's Vice Chairman and Executive Director. Previously, Mr. Seto was General Manager of the Property Division of the Chevalier Group of Hong Kong. Prior to this, he practiced corporate, commercial and real estate law in Hong Kong and Toronto, Canada. Mr. Seto was admitted as a barrister and solicitor of the Supreme Court of Ontario, Canada, a solicitor of the Supreme Court of England and Wales, and a solicitor of the Supreme Court of Hong Kong. Mr. Seto graduated from the University of Western Ontario, Canada (1974, B. Sc.), the University of Ottawa, Canada (1984, LL. B.), and McMaster University, Canada (1986, MBA).

Vincent CHEUNG Sai Sing is the Chief Operating Officer and the Managing Director of the Group since 31 March 2016 and is responsible for the Group's overall business and operations management. Mr. Cheung joined Nan Fung Development Limited in 2009 and has extensive experience in the financial sector. Before joining Nan Fung Development Limited, Mr. Cheung was Vice President of the Interest Rates Structuring Group at Barclays Capital Asia Limited from 2008 to 2009, and Vice President of the Interest Rates Structuring and Medium Term Notes Trading at Citigroup Global Markets Asia Limited from 2004 to 2008. Mr. Cheung is the son of Ms. Vivien Chen and graduated from the University of California, Berkeley, graduating with honours in Molecular and Cell Biology in 2003. Mr. Cheung has been a member of The National Committee of the Chinese People's Political Consultation Conference for Shanghai City (中國人民政治協商會議上海市委員) since 2012 and a Committee Member of the All-China Youth Federation since 2010.

Donald CHOI Wun Hing is an Executive Director of the Group and is responsible for the active management of the real estate core business in Hong Kong. Mr. Choi has over 30 years of real estate development and investment experience, working in North America, Asia, and China, including Hong Kong listed companies. Before joining the Group in 2000 he was Director of Foster and Partners and appointed by the Airport Authority as the Authorised Person for the Hong Kong International Airport (HKIA Silver Medal winner). He was the former Chairman of Architects Registration Board HKSAR and served as a Board Member of the Board of Review (Inland Revenue Ordinance) and Construction Industry Training Board. Mr. Choi received BFA and BArch degrees from Rhode Island School of Design and MBAs from London Business School and Columbia University. He holds a People's Republic of China Class 1 Registered Architect Qualification and is a Trustee of Urban Land Institute.

Stephen CHEUNG Pui Kuen is an Executive Director and the Group Chief Administration Officer and oversees the Group's corporate governance, legal and compliance, IT systems and administration affairs. He joined the Group in 1989 and has in-depth knowledge and participation in all segments of the Group's businesses. Mr. Cheung is a Chartered Secretary and before joining Nan Fung, he worked in an international accounting firm for four years providing a full range of professional services on corporate related matters. Prior to that, he was the Secretarial Department Manager of one of the largest listed conglomerates in Hong Kong and had worked there for 10 years.

Vanessa CHEUNG Tih Lin is the Executive Director of NFGHL. She is responsible for assisting the Managing Director in all aspects of work in the Hong Kong Property Division, including property and business development, asset management, sales and design, and project department. Ms. Cheung is the initiator and champion of The Mills — a revitalisation project of old Nan Fung Textile Mills into a global innovation textile/*techstyle* institution, incubator and retail destination. Prior to joining the Group in October 2013, Ms. Cheung worked for AECOM as a landscape designer and assistant project manager, managing both major public works projects as well as private commercial projects. She is the youngest daughter of Ms. Vivien Chen, and graduated from the University of California, Berkeley with a bachelor degree in Molecular and Cell Biology in 2006. She further pursued her graduate studies at the Harvard University Graduate School of Design and obtained her Masters in Landscape Architecture degree in 2010.

Joe KWOK Kin Ho has been an Executive Director of NFGHL since January 2017. Mr. Kwok has been the Chief Executive, China Property since he joined the Group in July 2015 and is responsible for the Group's overall property development, property investment and asset management businesses in the PRC. He has over 27 years of real estate development and investment experience in the PRC. Before joining the Group, he worked in Hongkong Land Holdings Limited for approximately 19 years and was the President, Residential Property, the PRC prior to his departure. He completed the Global CEO Program for China organised jointly by the CEIBS-Harvard Business School-IESE Business School. He graduated from the Hong Kong Baptist University with a Bachelor's degree in Sociology and obtained a Master of Science degree in Real Estate from the University of Hong Kong.

Independent Non-executive Directors

Norman LEUNG Nai Pang *G.B.S, LL.D., J.P.* has been an Independent Non-executive Director of NFGHL since 2009. Dr. Leung is the Chairman and an Independent Non-executive Director of Transport International Holdings Ltd., and an Independent Non-executive Director of Sun Hung Kai Properties Limited, both of which are listed on The Stock Exchange of Hong Kong Limited. Dr. Leung has been active in public service for over 40 years and he served as Commissioner of the Civil Aid Service from 1993 to 2007, Chairman of the Broadcasting Authority from 1997 to 2002, a member of the Advisory Committee on Post-office Employment for former Chief Executives and Politically Appointed Officials from 2007 to 2013, Council Chairman of City University of Hong Kong from 1997 to 2003 and Pro-Chancellor of City University of Hong Kong from 2005 to 2016. Dr. Leung is currently the Council Chairman of The Chinese University of Hong Kong.

Joseph LAI Ming has been an Independent Non-executive Director of NFGHL since 2009. Mr. Lai is a fellow member of the Hong Kong Institute of Certified Public Accountants ("**HKICPA**"), the Chartered Institute of Management Accountants ("**CIMA**"), the Australian Institute of Certified Public Accountants and the Hong Kong Institute of Directors. He is also a founding member and first honorary treasurer of Opera Hong Kong Limited. Mr. Lai was the President of HKICPA in 1986 and the President of the Hong Kong Branch of CIMA in 1974 to 1975 and 1979 to 1980. He is currently an Independent Non-executive Director and Chairman of the Audit Committee of Jolimark Holdings Limited and Country Garden Holdings Company Limited, all of which are listed on The Stock Exchange of Hong Kong Limited.

Mignonne DAO ("**Mrs. Mignonne Cheng**") has been an Independent Non-executive Director of NFGHL since 2015. Mrs. Cheng, a seasoned banker, has amassed over 35 years of experience in the financial sector with over 25 years in senior management positions in corporate and commercial banking as well as investment banking. Mrs. Cheng is currently the Chairman of BNP Paribas Wealth Management for Asia Pacific and a member of the Executive Committee of BNP Paribas Wealth Management, since the appointment in 2010. In addition, she is the G100 member of the Bank.

Mrs. Cheng joined BNP Paribas in 1990 and has held various senior positions for the past 26 years. Prior to joining BNP Paribas, Mrs. Cheng was with Chase Manhattan Bank Hong Kong Branch for 18 years, where she took up various positions both on the control and on the operational sides. Mrs. Cheng was a member of the Banking Advisory Committee chaired by The Honourable John Tsang, Financial Secretary of the HKSAR, and has also served as a member of The Consultative Committee of the Basic Law of the HKSAR between 1985 and 1989 when the Basic Law was being drafted.

Senior Management

Victor MAK Yat King is a Director of Nan Fung Development Limited and the General Manager (Property) of the Group. He is responsible for formulating the sales and marketing strategy and land acquisition policy of the Group in Hong Kong. Mr. Mak has over 46 years of experience in the Hong Kong property sector. Before joining the Group, Mr. Mak worked for other property companies, such as the Great Eagle and Far East Consortium, and has since specialised in the property development business.

John LAM Cheung Wah is the Vice Chairman and Executive Director of Nan Fung Property Holdings Limited and Nan Fung Property Consolidated Limited. Mr. Lam was a senior Bank Executive with over 30 years of international experience, having worked in Canada, United States, Hong Kong and the PRC. Having joined the Group in February 2013, Mr. Lam is responsible for the Group's property investment in the PRC. Mr. Lam is also an Independent Non-Executive Director of Wing Lee Property Investments Limited. Mr. Lam graduated from Ryerson University, Toronto, Canada with a Marketing Diploma and a Bachelor's Degree in Business Management. He is also a Fellow of Institute of Canadian Bankers (F. I. C. B.).

Mr. Lam is Vice Chairman of China Real Estate Chamber of Commerce, Hong Kong Chapter and a member of the People's Political Consultative Conference of Guangzhou.

Nelson TANG Chun Wai is the Group Finance Director and Executive Assistant to Group Chairman and CEO. Mr. Tang is responsible for the Group's overall financial management including accounting, treasury, corporate finance, tax, mortgage and investor relations; as well as strategic acquisitions for the Group. Prior to joining the Group in 2010, Mr. Tang was an equities trader covering Asia ex-Japan markets at Goldman Sachs Asia LLC. He graduated summa cum laude from the Wharton School of the University of Pennsylvania, with a Bachelor of Science in Economics concentrating in Accounting and Finance and a minor in Psychology.

Connie LO Ngan Ying is the Treasury Director of the Group. She is responsible for the treasury affairs of the Group, including bond issuances, investor relations, financing, cashflow, gearing and liquidity management. Ms. Lo has over 20 years working experience in commercial and corporate banking in Hong Kong. Before joining the Group in 2010, she was a senior credit approver of the Corporate Credit Management Centre of Bank of China (HK) Limited and Vice-President, Credit Department of Agricultural Bank of China, Hong Kong Branch. Ms. Lo graduated from the Chinese University of Hong Kong with a Bachelor degree in Social Science, and is a Chartered Financial Analyst.

Ronald LEUNG Wei Ping is the Financial Controller of the Group. Mr. Leung joined the Group in 1992 and is responsible for finance and treasury, cash management, daily operation, reporting & tax compliance of the Group. Mr. Leung has over 25 years of experience in the accounting field in Hong Kong. Mr. Leung was educated in Hong Kong and is a Certified Public Accountant.

Corporate Governance

Nan Fung seeks to maintain levels of corporate governance similar to those of a listed company. As a result, it has adopted a governance structure that includes three independent non-executive directors (out of a total of ten Directors) on its Board and a number of Board committees. In addition, the Group has a formalised range of policies and internal controls which are overseen ultimately by the Board and its committees. The Group's management provides detailed reports to the Board on major transactions including acquisitions and disposals of the Group on a quarterly basis.

Committees of the Board

Executive Committee

As at 31 March 2017, the Board of Directors has delegated a range of powers to the Executive Committee which consists of all seven Executive Directors of NFGHL. All decisions of the Executive Committee are copied to and noted by the full Board on a regular basis.

The Board of Directors has also established five other committees, namely the Finance and Investment Committee, which is tasked with establishing and ensuring strict adherence to risk management and investment guidelines for the Group's financial investment portfolio, the Group Support, Operations and General Administration Committee, the Hong Kong Property Development and Investment Committee, the China Property Development and Investment Committee and the International Real Estate Development and Investment Committee. These committees oversee the management of the major businesses of the Group subject to certain limits imposed by the terms of reference of these committees. Authorities with limits of lesser amounts are delegated by the Board of Directors to individual officers.

Audit Committee

As at 31 March 2017, the Audit Committee consists solely of two Independent Non-executive Directors, namely Norman Leung and Joseph Lai.

The Audit Committee is responsible for reviewing the effectiveness of the financial reporting system and internal control procedures. The committee monitors the integrity of the financial statements, reviewing any significant financial reporting judgements and compliance with financial reporting standards. Other responsibilities include engagement/removal of auditors, monitoring the auditors' independence and objectivity, approval of the auditors' remuneration, discussion of audit procedures and any other related matters.

Remuneration Committee

As at 31 March 2017, the Remuneration Committee consists solely of all three Independent Non-executive Directors, namely Norman Leung, Joseph Lai and Mignonne Cheng.

The main responsibility of the Remuneration Committee is to determine the remuneration structure of the Executive Directors and senior management of the Group, taking into account the salaries and benefits paid by comparable companies, as well as the time commitment and responsibilities of the Executive Directors and senior management. It makes recommendations to the Board for the remuneration of Non-executive Directors. It also evaluates and makes recommendations as to employee benefits. The committee also reviews and approves performance-based remuneration by reference to the goals and objectives set by the Board and compensation arrangements made on termination of or dismissal from office.

The Remuneration Committee ensures that no Director is involved in deciding his/her own remuneration.

Conflicts Committee

As at 31 March 2017, the Conflicts Committee consists solely of all three Independent Non-Executive Directors, namely Norman Leung, Joseph Lai and Mignonne Cheng.

The responsibility of the Conflicts Committee is to manage conflicts of interest arising as a result of the interests of any member of the Board of Directors. The committee considers all contracts between any member of the Group and any Director (or their related parties) and ensures that any such contracts are entered into on an arm's length and independent basis. The committee is authorised to examine any activity within its terms of reference and may seek any information from any Director or employee, who is required to co-operate with any request of the committee.

SHAREHOLDERS, DIRECTORS' INTERESTS AND RELATED PARTY TRANSACTIONS

Shareholders

As at 30 September 2016, the issued share capital of the Guarantor is HK$62,743,532,190, comprising 62,743,532,190 no par value shares. The Guarantor is ultimately wholly owned by CGIL.

On 17 June 2012, the Group's founder, former Chairman and sole shareholder, Dr. Chen Din Hwa passed away following a long illness. Dr. Chen's estate, including his 100 per cent. ownership of CGIL, is located in a number of jurisdictions and therefore probate has had to be obtained in each such jurisdiction. The Grant of Probate of Will in respect of Hong Kong was issued by the High Court of Hong Kong on 16 April 2013, whilst the Grant of Probate of Will in respect of the British Virgin Islands was issued by the High Court of Justice of the British Virgin Islands on 28 August 2013. The shares in CGIL were transferred into the names of the executors of Dr. Chen's will on 20 November 2013, and the executors of Dr. Chen's will, in their capacity as such, will hold the shares for the benefit of the estate until administration of the estate is completed and a distribution is made to the beneficiaries under the will. It is not certain when administration of the estate will be completed and distribution of the estate will be effected. The Board of Directors does not anticipate any change in the composition of the Board of Directors as a result of the distribution of the estate to the beneficiaries under Dr. Chen's will.

Dr. Chen's executors/executrixes are Ms. Vivien Chen and three solicitors who have advised Dr. Chen and his companies over many years. The beneficiaries of Dr. Chen's will are The D.H. Chen Foundation and Dr. Chen's family members. The D.H. Chen Foundation is a charitable foundation founded by Dr. Chen in 1970. Ms. Vivien Chen is currently the Chairman of the Board of Trustees of The D.H. Chen Foundation.

Directors' Interests

As at the date of this Offering Circular, except for Mr. Antony Leung Kam Chung, Mr. Vincent Cheung Sai Sing and Ms. Vanessa Cheung Tih Lin, none of the Directors has any interests in the shares or underlying shares of Nan Fung, or any of its subsidiaries, joint ventures and associated companies.

Related Party Transactions

The Group has in the past engaged in transactions with its Directors and controlling shareholder and other related parties, and expects that it will continue to enter into such transactions in the future. The Group has in place certain checks and balances to ensure that the Group's interests (and those of its beneficial shareholder) are protected in relation to related party transactions.

Prior to 2009, responsibility for supervision and oversight of related party transactions was with the respective boards and/or shareholder(s) of the relevant Group companies and/or Dr. Chen, and any related party transaction entered into by the Group would have had to be notified, approved or sanctioned by such parties.

In 2009, the Group constituted a Conflicts Committee with responsibility for supervision and oversight of related party transactions carried out by the Group, which committee is presently comprised solely of the three INEDs. This committee reviews all related party transactions and ensures that they are on commercial terms that would apply for arm's length transactions with independent parties. In addition, the Audit Committee considers all related party contracts and financial arrangements and NFGHL has specific Board guidelines in place that regulate conflicts of interest.

Significant related party transactions carried out by the Group during the two years ended 31 March 2016 and the six months ended 30 September 2016 and 2015 are disclosed in accordance with IFRS in note 35 to the Guarantor's audited consolidated financial statements for the year ended 31 March

2016 and note 25 to the Guarantor's unaudited condensed consolidated interim financial information for the six months ended 30 September 2016, respectively. They include property development and sale, construction, management, marketing, leasing and administrative services, and the provision of loans and guarantees (see "*Risk Factors — There are significant amounts due from the Group to its related companies and individuals*").

EXCHANGE RATES

Under existing Hong Kong law, there are no limitations on the rights of non-residents or foreign owners to hold the Securities. The Basic Law of the Hong Kong Special Administrative Region of the People's Republic of China (the "**Basic Law**"), which came into effect on 1 July 1997, provides that no foreign exchange control policies shall be applied in Hong Kong.

The Hong Kong dollar is freely convertible into other currencies, including the U.S. dollar. Since 1983, the Hong Kong dollar has been linked to the U.S. dollar at the rate of HK$7.80 to U.S.$1.00. The central element in the arrangements which gave effect to the link is that by agreement between the Hong Kong government and the three Hong Kong banknote issuing banks (The Hongkong and Shanghai Banking Corporation Limited, Standard Chartered Bank and Bank of China), certificates of indebtedness, which are issued by the Hong Kong Government Exchange Fund to the banknote issuing banks to be held as cover for their banknote issues, are issued and redeemed only against payment in U.S. dollars at the fixed exchange rate of HK$7.80 to U.S.$1.00. When the banknotes are withdrawn from circulation, the banknote issuing banks surrender the certificates of indebtedness to the Hong Kong Government Exchange Fund and are paid the equivalent U.S. dollars at the fixed rate.

The market exchange rate of the Hong Kong dollar against the U.S. dollar continues to be determined by the forces of supply and demand in the foreign exchange market. However, against the background of the fixed rate system which applies to the issuance and withdrawal of Hong Kong currency in circulation, the market exchange rate has not deviated significantly from the level of HK$7.80 to U.S.$1.00. The Hong Kong government has indicated its intention to maintain the link at that rate. Under the Basic Law, the Hong Kong dollar will continue to circulate and remain freely convertible.

The Hong Kong government has also stated that it has no intention of imposing exchange controls in Hong Kong and that the Hong Kong dollar will remain freely convertible into other currencies, including the U.S. dollar. However, no assurance can be given that the Hong Kong government will maintain the link at HK$7.80 to U.S.$1.00 or at all.

The following table sets forth, for the periods indicated, certain information concerning the exchange rates between HK dollars and U.S. dollars. For periods prior to 1 January 2009, the exchange rates reflect the noon buying rates as reported by the Federal Reserve Bank of New York. For periods after 1 January 2009, the exchange rates reflect the exchange rates as set forth in the H.10 statistical release of the Board of Governors of the Federal Reserve System of the United States.

	Exchange Rate			
Period	**Period End**	**Average[(1)]**	**High**	**Low**
	(HK$ per U.S.$1.00)			
2007	7.7984	7.8008	7.8289	7.7497
2008	7.7499	7.7814	7.8159	7.7497
2009	7.7536	7.7513	7.7618	7.7495
2010	7.7810	7.7692	7.8040	7.7501
2011	7.7663	7.7793	7.8087	7.7634
2012	7.7507	7.7556	7.7699	7.7493
2013	7.7539	7.7565	7.7654	7.7503
2014	7.7531	7.7545	7.7669	7.7495
2015	7.7507	7.7523	7.7686	7.7495
2016	7.7534	7.7621	7.8270	7.7505
2017 (through 12 May 2017)	7.7933	7.7659	7.7933	7.7540

Note:

(1) Determined by averaging the rates on the last business day of each month during the relevant year, except for the average rates in 2017, which were determined by averaging the daily rates for such month or part thereof.

TAXATION

The following summary of certain tax consequences of the purchase, ownership and disposition of the Securities is based upon applicable laws, regulations, rulings and decisions in effect as of the date of this Offering Circular, all of which are subject to change (possibly with retroactive effect). This discussion does not purport to be a comprehensive description of all the tax considerations that may be relevant to a decision to purchase, own or dispose of the Securities and does not purport to deal with consequences applicable to all categories of investors, some of which may be subject to special rules. Neither these statements nor any other statements in this Offering Circular are to be regarded as advice on the tax position of any holder of the Securities or any persons acquiring, selling or otherwise dealing in the Securities or on any tax implications arising from the acquisition, sale or other dealings in respect of the Securities. Persons considering the purchase of the Securities should consult their own tax advisers concerning the possible tax consequences of buying, holding or selling any Securities under the laws of their country of citizenship, residence or domicile.

British Virgin Islands

The Issuer, as a company incorporated under the BVI Business Companies Act, 2004 (the "**Act**"), as amended, of the BVI, is exempt from all provisions of the Income Tax Act (as amended) of the British Virgin Islands (including with respect to all amounts of principal and premium payable in respect of the Securities and other amounts payable by the Issuer to persons who are not persons resident in the British Virgin Islands).

Capital gains realised with respect to the Securities by persons who are not persons resident in the British Virgin Islands are also exempt from all provisions of the Income Tax Act of the British Virgin Islands.

No estate, inheritance, succession or gift tax, rate, duty, levy or other charge is payable by persons who are not persons resident in the British Virgin Islands with respect to the Securities.

In relation to EC Directive 2003/48/EC (the "**Directive**"), the BVI has entered into bilateral agreements with each of the Member States of the European Union and has gazetted the Mutual Legal Assistance (Tax Matters) (Automatic Exchange Information) Order, 2011, pursuant to which paying agents in the BVI are required to report to the BVI Inland Revenue Department certain information, including information about interest payments made to beneficial owners, which information the BVI International Tax Authority will exchange with the relevant tax authorities in the Member State where the beneficial owner is resident for tax purposes.

Under the automatic exchange of information option, the Directive requires the following information be collected by the BVI paying agent:

(a) the identity and residence of the beneficial owner;

(b) the name and address of the paying agent;

(c) the account number of the beneficial owner or, where there is none, identification of the debt claim giving rise to the interest; and

(d) information concerning the interest payment.

Such information must be reported by the BVI paying agent at least once a year to the competent authority in the country where the account is held and forwarded to the competent authority of the country where the beneficial owner resides.

Hong Kong

Withholding Tax

No withholding tax is payable in Hong Kong on payments of principal or interest on the Securities or in respect of any capital gains arising from the sale of the Securities.

Profits Tax

Hong Kong profits tax is chargeable on every person carrying on a trade, profession or business in Hong Kong in respect of profits arising in or derived from Hong Kong from such trade, profession or business (excluding profits arising from the sale of capital assets).

Under the Inland Revenue Ordinance (Cap. 112) of the laws of Hong Kong (the "**Inland Revenue Ordinance**") as it is currently applied by the Inland Revenue Department, interest on the Securities may be deemed to be profits arising or derived from Hong Kong from a trade, profession or business carried on in Hong Kong in the following circumstances:

(a) interest on the Securities is derived from Hong Kong and is received by or accrues to a company (other than a financial institution) carrying on a trade, profession or business in Hong Kong; or

(b) interest on the Securities is derived from Hong Kong and is received by or accrues to a person (other than a company), carrying on a trade, profession or business in Hong Kong and is in respect of the funds of that trade, profession or business; or

(c) interest on the Securities is received by or accrues to a financial institution (as defined in the Inland Revenue Ordinance) and arises through or from the carrying on by the financial institution of its business in Hong Kong.

Pursuant to the Exemption from Profits Tax (Interest Income) Order, interest income accruing to a person (other than a financial institution) on deposits (denominated in any currency and whether or not the deposit is evidenced by a certificate of deposit) placed with, inter alia, a financial institution in Hong Kong (within the meaning of section 2 of the Banking Ordinance (Cap. 155) of the Laws of Hong Kong) are exempt from the payment of Hong Kong profits tax. Provided no prospectus with respect to the issue of Securities is registered under the Companies Ordinance (Cap. 32) of the laws of Hong Kong, the issue of Securities by the Issuer is expected to constitute a deposit to which the above exemption from payment will apply.

Sums received by or accrued to a financial institution by way of gains or profits arising through or from the carrying on by the financial institution of its business in Hong Kong from the sale, disposal or redemption of Securities will be subject to profits tax.

Sums derived from the sale, disposal or redemption of Securities will be subject to Hong Kong profits tax where received by or accrued to a person, other than a financial institution who carries on a trade, profession or business in Hong Kong and the sum has a Hong Kong source. The source of such sums will generally be determined by having regard to the manner in which the Securities are acquired and disposed.

Stamp Duty

No Hong Kong stamp duty will be chargeable upon the issue or subsequent transfer of the Securities.

The proposed European Union financial transactions tax (the "FTT")

On 14 February 2013, the European Commission published a proposal (the "**Commission's Proposal**") for a Directive for a common FTT in Belgium, Germany, Estonia, Greece, Spain, France, Italy, Austria, Portugal, Slovenia and Slovakia (the "**participating Member States**"). However, Estonia has since stated that it will not participate.

The Commission's Proposal has very broad scope and could, if introduced, apply to certain dealings in the Securities (including secondary market transactions) in certain circumstances. The issuance and subscription of Securities should, however, be exempt.

Under the Commission's Proposal the FTT could apply in certain circumstances to persons both within and outside of the participating Member States. Generally, it would apply to certain dealings in the Securities where at least one party is a financial institution, and at least one party is established in a participating Member State. A financial institution may be, or be deemed to be, "established" in a participating Member State in a broad range of circumstances, including (a) by transacting with a person established in a participating Member State or (b) where the financial instrument which is subject to the dealings is issued in a participating Member State.

However, the FTT proposal remains subject to negotiation between participating Member States. It may therefore be altered prior to any implementation, the timing of which remains unclear. Additional European Union Member States may decide to participate.

Prospective holders of the Securities are advised to seek their own professional advice in relation to the FTT.

Foreign Account Tax Compliance Act

Pursuant to certain provisions of the U.S. Internal Revenue Code of 1986, commonly known as FATCA, a "foreign financial institution" (as defined by FATCA) may be required to withhold on certain payments it makes ("**foreign passthru payments**") to persons that fail to meet certain certification, reporting or related requirements. The issuer is a foreign financial institution for these purposes. A number of jurisdictions (including Hong Kong) have entered into, or have agreed in substance to, intergovernmental agreements with the United States to implement FATCA ("**IGAs**"), which modify the way in which FATCA applies in their jurisdictions. Under the provisions of IGAs as currently in effect, a foreign financial institution in an IGA jurisdiction would generally not be required to withhold under FATCA or an IGA from payments that it makes. Certain aspects of the application of the FATCA provisions and IGAs to instruments such as the Securities, including whether withholding would ever be required pursuant to FATCA or an IGA with respect to payments on instruments such as the Securities, are uncertain and may be subject to change. Even if withholding would be required pursuant to FATCA or an IGA with respect to payments on instruments such as the Securities, such withholding would not apply prior to 1 January 2019 and the Securities characterised as debt (or which are not otherwise characterised as equity and have a fixed term) for U.S. federal tax purposes that are issued on or prior to the date that is six months after the date on which final regulations defining foreign passthru payments are filed with the U.S. Federal Register generally would be grandfathered for purposes of FATCA withholding unless materially modified after such date. Holders should consult their own tax advisers regarding how these rules may apply to their investment in the Securities.

SUBSCRIPTION AND SALE

The Issuer and the Guarantor have entered into a subscription agreement with the Joint Lead Managers dated 22 May 2017 (the "**Subscription Agreement**"), pursuant to which and subject to certain conditions contained therein, the Issuer and the Guarantor have jointly and severally agreed to sell to the Joint Lead Managers, and the Joint Lead Managers have agreed to severally, but not jointly, subscribe and pay for, or to procure subscribers to subscribe and pay for, the principal amount of the Securities as set forth opposite their names in the following table:

Name of Joint Lead Manager	**Principal amount of Securities to be subscribed**
	(U.S.$)
The Hongkong and Shanghai Banking Corporation Limited	250,000,000
Citigroup Global Markets Limited	83,333,334
J.P. Morgan Securities plc	83,333,333
UBS AG Hong Kong Branch	83,333,333
Total	500,000,000

The Subscription Agreement provides that the Issuer and the Guarantor will jointly and severally indemnify the Joint Lead Managers against certain liabilities in connection with the offer and sale of the Securities. The Subscription Agreement provides that the obligations of the Joint Lead Managers are subject to certain conditions precedent, and entitles the Joint Lead Managers to terminate it in certain circumstances prior to payment being made to the Issuer.

The Joint Lead Managers and certain of their subsidiaries and affiliates may have performed certain investment banking and advisory services for the Issuer, the Guarantor and/or their affiliates from time to time for which they have received customary fees and expenses and may, from time to time, engage in transactions with and perform services for the Issuer, the Guarantor and/or their affiliates in the ordinary course of their business.

The Joint Lead Managers or certain of their affiliates may purchase the Securities and be allocated the Securities for asset management and/or proprietary purposes but not with a view to distribution. The Joint Lead Managers or their respective affiliates may purchase the Securities for its or their own account and enter into transactions, including credit derivatives, such as asset swaps, repackaging and credit default swaps relating to the Securities and/or other securities of the Issuer, the Guarantor or their subsidiaries or associates at the same time as the offer and sale of the Securities or in secondary market transactions. Such transactions would be carried out as bilateral trades with selected counterparties and separately from any existing sale or resale of the Securities to which this Offering Circular relates (notwithstanding that such selected counterparties may also be purchasers of the Securities).

In addition, the Issuer and the Guarantor agreed with the Joint Lead Managers that the Issuer and the Guarantor will pay a commission to certain private banks in connection with the distribution of the Securities to their clients. This commission will be based on the principal amount of the Securities so distributed, and may be deducted from the purchase price for the Securities payable by such private banks upon settlement.

If a jurisdiction requires that the offering be made by a licensed broker or dealer and any Joint Lead Manager or any affiliate of a Joint Lead Manager is a licensed broker or dealer in that jurisdiction, the offering shall be deemed to be made by that Joint Lead Manager or such affiliate on behalf of the Issuer and the Guarantor in such jurisdiction.

General

The Securities are a new issue of securities with no established trading market. No assurance can be given as to the liquidity of any trading market for the Securities.

The distribution of this Offering Circular or any offering material and the offering, sale or delivery of the Securities is restricted by law in certain jurisdictions. Therefore, persons who may come into possession of this Offering Circular or any offering material are advised to consult with their own legal advisers as to what restrictions may be applicable to them and to observe such restrictions. This Offering Circular may not be used for the purpose of an offer or invitation in any circumstances in which such offer or invitation is not authorised.

No action has been taken or will be taken in any jurisdiction that would permit a public offering of the Securities, or possession or distribution of this Offering Circular or any amendment or supplement thereto or any other offering or publicity material relating to the Securities, in any country or jurisdiction where action for that purpose is required.

United States

(i) Each Joint Lead Manager understands that the Securities and the Guarantee of the Securities have not been and will not be registered under the Securities Act, and the Securities may not be offered or sold within the United States except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act.

(ii) Each Joint Lead Manager represents and agrees that it has not offered or sold, and will not offer or sell, any Securities constituting part of its allotment except in accordance with Rule 903 of Regulation S under the Securities Act.

(iii) Each Joint Lead Manager represents and agrees that it, its affiliates or any persons acting on its or their behalf have not engaged and will not engage in any directed selling efforts with respect to any Securities.

Terms used above have the meaning given to them by Regulation S.

European Economic Area

In relation to each Member State of the European Economic Area which has implemented the Prospectus Directive (each, a "**Relevant Member State**"), each Joint Lead Manager represents and agrees that with effect from and including the date on which the Prospectus Directive is implemented in that Relevant Member State (the "**Relevant Implementation Date**") it has not made and will not make an offer of Securities which are the subject of the offering contemplated by the Offering Circular to the public in that Relevant Member State except that it may, with effect from and including the Relevant Implementation Date, make an offer of such Securities to the public in that Relevant Member State:

(i) to any legal entity which is a qualified investor as defined in the Prospectus Directive;

(ii) to fewer than 150 natural or legal persons (other than qualified investors as defined in the Prospectus Directive), subject to obtaining the prior consent of the Joint Lead Managers; or

(iii) in any other circumstances falling within Article 3(2) of the Prospectus Directive,

provided that no such offer of Securities shall require the Issuer or any Joint Lead Manager to publish a prospectus pursuant to Article 3 of the Prospectus Directive, or supplement a prospectus pursuant to Article 16 of the Prospectus Directive.

For the purposes of this provision, the expression an "**offer of Securities to the public**" in relation to any Securities in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the offer and the Securities to be offered so as to enable an investor to decide to purchase or subscribe for the Securities, as the same may be varied in that Member State by any measure implementing the Prospectus Directive in that Member State, the expression "**Prospectus Directive**" means Directive 2003/71/EC (as amended, including by Directive 2010/73/EU), and includes any relevant implementing measure in the Relevant Member State.

United Kingdom

Each Joint Lead Manager has represented, warranted and agreed that:

(i) it has only communicated or caused to be communicated and will only communicate or cause to be communicated an invitation or inducement to engage in investment activity (within the meaning of Section 21 of the Financial Services and Markets Act 2000 (the "**FSMA**")) received by it in connection with the issue or sale of any Securities in circumstances in which Section 21(1) of the FSMA does not apply to the Issuer or the Guarantor; and

(ii) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to any Securities in, from or otherwise involving the United Kingdom.

Hong Kong

Each Joint Lead Manager has represented and agreed that:

(i) it has not offered or sold and will not offer or sell in Hong Kong, by means of any document, any Securities other than (i) to "professional investors" as defined in the Securities and Futures Ordinance (Cap. 571) of Hong Kong and any rules made under that Ordinance; or (ii) in other circumstances which do not result in the document being a "prospectus" as defined in the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Cap. 32) of Hong Kong or which do not constitute an offer to the public within the meaning of that Ordinance; and

(ii) it has not issued or had in its possession for the purposes of issue, and will not issue or have in its possession for the purposes of issue, whether in Hong Kong or elsewhere, any advertisement, invitation or document relating to the Securities, which is directed at, or the contents of which are likely to be accessed or read by, the public of Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than with respect to Securities which are or are intended to be disposed of only to persons outside Hong Kong or only to "professional investors" as defined in the Securities and Futures Ordinance and any rules made under that Ordinance.

Singapore

Each Joint Lead Manager has acknowledged that this Offering Circular has not been registered as a prospectus with the Monetary Authority of Singapore, and the Securities will be offered pursuant to exemptions under the Securities and Futures Act, Chapter 289 of Singapore (the "**Securities and Futures Act**"). Accordingly, each Joint Lead Manager has represented, warranted and agreed that the Securities may not be offered or sold or made the subject of an invitation for subscription or purchase nor may this Offering Circular or any other document or material in connection with the offer or sale, or invitation for subscription or purchase of any Securities be circulated or distributed, whether directly or indirectly, to any person in Singapore other than (a) to an institutional investor under Section 274 of the Securities and Futures Act, (b) to a relevant person pursuant to Section 275(1) of the Securities and Futures Act or to any person pursuant to Section 275(1A) of the Securities and Futures Act, and in accordance with the conditions, specified in Section 275 of the Securities and Futures Act or (c) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the Securities and Futures Act.

Each of the following persons specified in Section 275 of the Securities and Futures Act which has subscribed or purchased the Securities, namely a person who is:

(i) a corporation (which is not an accredited investor (as defined in Section 4A of the Securities and Futures Act)) the sole business of which is to hold investments and the entire share capital of which is owned by one or more individuals, each of whom is an accredited investor; or

(ii) a trust (where the trustee is not an accredited investor) whose sole purpose is to hold investments and each beneficiary of the trust is an individual who is an accredited investor,

should note that shares, debentures and units of shares and debentures of that corporation or the beneficiaries' rights and interest (howsoever described) in that trust shall not be transferred within six months after that corporation or that trust has acquired the Securities pursuant to an offer made under Section 275 of the Securities and Futures Act except:

(a) to an institutional investor (for corporations, under Section 274 of the Securities and Futures Act) or to a relevant person defined in Section 275(2) of the Securities and Futures Act, or to any person pursuant to an offer that is made on terms that such shares, debentures and units of shares and debentures of that corporation or such rights and interest in that trust are acquired at a consideration of not less than S$200,000 (or its equivalent in a foreign currency) for each transaction, whether such amount is to be paid for in cash or by exchange of securities or other assets, and further for corporations, in accordance with the conditions specified in Section 275 of the Securities and Futures Act;

(b) where no consideration is or will be given for the transfer;

(c) where the transfer is by operation of law;

(d) pursuant to Section 276(7) of the Securities and Futures Act; or

(e) as specified in Regulation 32 of the Securities and Futures (Offers of Investments) (Shares and Debentures) Regulations 2005 of Singapore.

Japan

The Securities have not been and will not be registered under the Financial Instruments and Exchange Act of Japan (Act No. 25 of 1948, as amended) (the "**FIEA**") and, each Joint Lead Manager has represented, warranted and undertaken that it will not offer or sell any Securities, directly or indirectly, in Japan or to, or for the benefit of, any resident of Japan (as defined under Item 5, Paragraph 1, Article 6 of the Foreign Exchange and Foreign Trade Act (Act No. 228 of 1949, as amended)), or to others for re-offering or resale, directly or indirectly, in Japan or to, or for the benefit of, a resident of Japan except pursuant to an exemption from the registration requirements of, and otherwise in compliance with, the FIEA and any other applicable laws, regulations and ministerial guidelines of Japan.

British Virgin Islands

Each Joint Lead Manager has represented and agreed that no offer has been or will be made, and no Securities will be sold, directly or indirectly to any person resident in the British Virgin Islands to subscribe for any of the Securities.

Clearance of the Securities

The Securities have been accepted for clearance through Euroclear and Clearstream under Common Code number 161900397 and the International Securities Identification Number (ISIN) for the Securities is XS1619003970.

Listing of the Securities

Approval in-principle has been received from the SGX-ST for the listing of and quotation for the Securities on the Official List of the SGX-ST. The Securities will be traded on the SGX-ST in a minimum board lot size of at least US$200,000 for so long as the Securities are listed on the SGX-ST and the rules of the SGX-ST so requires.

So long as the Securities are listed on the SGX-ST and the rules of the SGXST so require, the Issuer shall appoint and maintain a paying agent in Singapore, where the Securities may be presented or surrendered for payment or redemption, in the event that the Global Certificate is exchanged for definitive certificates. In addition, in the event that the Global Certificate is exchanged for definitive certificates, an announcement of such exchange shall be made through the SGX-ST and such announcement will include all material information with respect to the delivery of the definitive certificates, including details of the paying agent in Singapore.

Consents and Approvals

The Issuer has obtained all necessary consents, approvals and authorisations in connection with the issue of and performance of its obligations under the Securities, the Trust Deed and the Agency Agreement. The issue of the Securities was approved and authorised by resolutions of the board of directors and the sole member of the Issuer passed on 18 May 2017. The Guarantor has obtained all necessary consents, approvals and authorisations in connection with the giving of the Guarantee of the Securities and the performance of its obligations under the Trust Deed and the Agency Agreement. The giving of the Guarantee of the Securities was approved and authorised by resolutions of the board of directors of the Guarantor passed on 18 May 2017.

No Material Adverse Change or Pending Litigation

Save as disclosed in the Offering Circular, there has been no material adverse change, or any development reasonably likely to involve a material adverse change, in the condition (financial or otherwise), prospects or results of operations of the Issuer, the Company or the Group (taken as a whole) since 31 March 2016.

The Group is from time to time involved in legal proceedings arising in the ordinary course of its business, including as both plaintiff or defendant in litigation or arbitration proceedings. There are no current litigation or arbitration proceedings against the Issuer, the Company or any other member of the Group that could have a material adverse effect on its financial condition or results of operations or the ability of the Issuer and the Company to perform their obligations under the Securities and the Guarantee of the Securities, respectively.

Inspection of Accounts

For so long as any of the Securities is outstanding, copies of the following documents will be available for inspection, at the specified office of the Trustee at Level 30, HSBC Main Building, 1 Queen's Road Central, Hong Kong, during normal business hours:

(a) this Offering Circular which contains the audited consolidated financial statements of the Group as at and for the year ended 31 March 2016 and the unaudited condensed consolidated interim financial information of the Group as at and for the six months ended 30 September 2016;

(b) the Agency Agreement;

(c) the Trust Deed; and

(d) the constitutional documents of the Issuer and the Guarantor.

The audited consolidated financial statements of the Group as at and for the year ended 31 March 2016 which are included in this Offering Circular, have been audited by PricewaterhouseCoopers, Certified Public Accountants, Hong Kong, the independent auditor of the Guarantor, whose audit report is included herein. The unaudited condensed consolidated interim financial information of the Group as at and for the six months ended 30 September 2016 which is included in this Offering Circular, has been reviewed by PricewaterhouseCoopers, Certified Public Accountants, Hong Kong, in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the International Auditing and Assurance Standards Board.

INDEX TO THE FINANCIAL INFORMATION OF THE GUARANTOR

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Index to Audited Consolidated Financial Statements of the Guarantor as at and for the year ended 31 March 2016

Index to Unaudited Condensed Consolidated Interim Financial Information of the Guarantor as at and for the six months ended 30 September 2016

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

We have audited the consolidated financial statements of Nan Fung International Holdings Limited (the "Company") and its subsidiaries set out on pages 3 to 84, which comprise the consolidated balance sheet as at 31st March 2016, and the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Directors' Responsibility for the Consolidated Financial Statements

The directors of the Company are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards, 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of consolidated financial statements that give a true and fair view 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

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

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)

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Company and its subsidiaries as at 31st March 2016, and of their financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards.

Other matters

This report, including the opinion, has been prepared for and only for 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.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 20th July 2016

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

CONSOLIDATED INCOME STATEMENT
FOR THE YEAR ENDED 31ST MARCH 2016

	Note	2016 HK$'000	2015 HK$'000
Revenue	5, 6	14,148,758	4,289,042
Cost of sales		(9,777,014)	(2,005,361)
Gross profit		4,371,744	2,283,681
Other income, net	6	(1,006,301)	1,339,463
Net change in fair values of investment properties		1,007,176	1,068,871
(Loss)/gain on disposal of interest in an associate/ acquisition of interests in subsidiaries	30(b) & 30(d)	(3,473,844)	1,535,362
Other gains/(losses), net	7	539,361	(118,841)
Other operating expenses		(1,786,002)	(1,480,973)
Operating (loss)/profit	8	(347,866)	4,627,563
Finance (expenses)/income, net	10	(69,811)	960,281
Share of results of			
- Joint ventures		82,275	265,977
- Associates		1,609,913	510,902
Profit before income tax		1,274,511	6,364,723
Income tax expense	11	(726,016)	(529,513)
Profit for the year		548,495	5,835,210
Profit for the year attributable to:			
- Owners of the Company		57,994	5,784,049
- Non-controlling interests		490,501	51,161
		548,495	5,835,210

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 2016

	2016 HK$'000	2015 HK$'000
Profit for the year	548,495	5,835,210
Other comprehensive income		
Items that may be reclassified subsequently to profit or loss		
Fair value change on available-for-sale financial assets, net of tax	(200,735)	874,968
Impairment provision on available-for-sale financial assets recycled to consolidated income statement	104,929	196,172
Release of investment revaluation reserve upon disposal of available-for-sale financial assets	(736,121)	(136,869)
Share of other comprehensive loss of associates and joint ventures	(195,992)	(42,824)
Release of exchange reserves upon disposal of interests in subsidiaries, joint ventures and associates	(15,006)	4,737
Release of investment revaluation reserve upon disposal of interests in associates	(5,456)	22,339
Exchange translation differences	(829,559)	(137,721)
Other comprehensive (loss)/income for the year, net of tax	(1,877,940)	780,802
Total comprehensive (loss)/income for the year	(1,329,445)	6,616,012
Total comprehensive (loss)/income attributable to:		
- Owners of the Company	(1,715,722)	6,564,522
- Non-controlling interests	386,277	51,490
	(1,329,445)	6,616,012

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

CONSOLIDATED BALANCE SHEET
AS AT 31ST MARCH 2016

	Note	2016 HK$'000	2015 HK$'000
ASSETS			
Non-current assets			
Property, plant and equipment	13	3,388,346	3,563,161
Investment properties	14	43,492,872	40,821,485
Land use rights	15	419,810	451,367
Joint ventures	16	9,999,993	12,890,572
Associates	17	5,184,021	14,804,969
Available-for-sale financial assets	18	7,129,975	7,444,345
Loans and other receivable	19	411,712	305,358
Amounts due from investee companies	20	160,231	1,107,168
Deferred income tax assets	27	114,324	74,417
		70,301,284	81,462,842
Current assets			
Properties for sale	21	14,396,895	23,843,206
Trade and other receivables, deposits and prepayments	22	4,474,927	6,811,396
Financial assets at fair value through profit or loss and derivative financial instruments	23	11,596,128	15,480,163
Prepaid tax		70,236	48,545
Cash and bank balances	24	19,124,918	6,701,861
		49,663,104	52,885,171
Total assets		119,964,388	134,348,013

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

CONSOLIDATED BALANCE SHEET (CONTINUED)
AS AT 31ST MARCH 2016

	Note	2016 HK$'000	2015 HK$'000
EQUITY			
Owner's equity attributable to the Company's equity holders			
Share capital	25	62,743,532	62,743,532
Reserves	26	19,016,388	20,732,110
		81,759,920	83,475,642
Non-controlling interests		1,599,515	1,524,759
Total equity		83,359,435	85,000,401
LIABILITIES			
Non-current liabilities			
Deferred income tax liabilities	27	2,752,684	2,810,659
Bank borrowings	28	11,217,190	13,549,406
Guaranteed notes	28	5,141,075	9,768,609
Other long-term liabilities		344,173	336,155
		19,455,122	26,464,829
Current liabilities			
Trade and other payables, deposits and accruals	29	7,818,006	13,334,356
Receipts in advance on properties for sale under development		164,572	6,410,197
Financial liabilities at fair value through profit or loss and derivative financial instruments	23	1,028,087	633,528
Bank borrowings	28	2,562,421	1,897,258
Guaranteed notes	28	4,642,781	-
Tax payable		933,964	607,444
		17,149,831	22,882,783
Total liabilities		36,604,953	49,347,612
Total equity and liabilities		119,964,388	134,348,013

On behalf of the Board

Leung Kam Chung Antony
Director

Seto Kai Shui Frank
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 2016

	Attributable to owners of the Company						
	Share capital HK$'000	Retained earnings HK$'000	Merger reserve HK$'000	Other reserves HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total equity HK$'000
At 1st April 2015	62,743,532	54,564,182	(37,757,613)	3,925,541	83,475,642	1,524,759	85,000,401
Comprehensive income							
Profit for the year	-	57,994	-	-	57,994	490,501	548,495
Other comprehensive loss, net of tax	-	-	-	(1,773,716)	(1,773,716)	(104,224)	(1,877,940)
Total comprehensive loss	-	57,994	-	(1,773,716)	(1,715,722)	386,277	(1,329,445)
Transfer of reserve upon liquidation of subsidiary	-	8	(8)	-	-	(83,945)	(83,945)
Disposal of interests in subsidiaries	-	-	-	-	-	(17,880)	(17,880)
Dividend paid	-	-	-	-	-	(209,700)	(209,700)
Capital injection of non-controlling interests	-	-	-	-	-	4	4
	-	8	(8)	-	-	(311,521)	(311,521)
At 31st March 2016	62,743,532	54,622,184	(37,757,621)	2,151,825	81,759,920	1,599,515	83,359,435
At 1st April 2014	62,743,532	48,647,790	(37,625,270)	3,145,068	76,911,120	863,146	77,774,266
Comprehensive income							
Profit for the year	-	5,784,049	-	-	5,784,049	51,161	5,835,210
Other comprehensive income, net of tax	-	-	-	780,473	780,473	329	780,802
Total comprehensive income	-	5,784,049	-	780,473	6,564,522	51,490	6,616,012
Transfer of reserve upon liquidation of a subsidiary	-	132,343	(132,343)	-	-	-	-
Acquisition of subsidiaries	-	-	-	-	-	593,835	593,835
Capital injection of non-controlling interests	-	-	-	-	-	16,288	16,288
	-	132,343	(132,343)	-	-	610,123	610,123
At 31st March 2015	62,743,532	54,564,182	(37,757,613)	3,925,541	83,475,642	1,524,759	85,000,401

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 2016

	Note	2016 HK$'000	2015 HK$'000
Cash flows from operating activities			
Net cash from/(used in) operations	30(a)	4,901,158	(2,082,356)
Profits tax paid		(354,541)	(78,452)
Net cash from/(used in) operating activities		4,546,617	(2,160,808)
Cash flows from investing activities			
Interest received		1,070,801	611,396
Purchase of property, plant and equipment		(62,242)	(120,753)
Proceeds from sale of property, plant and equipment		1,199	3,218
Additions to investment properties		(778,524)	(883,567)
Proceeds from sale of investment properties		98,385	1,715,004
Purchase of available-for-sale financial assets		(1,329,552)	(731,205)
Proceeds from redemption/disposal of available-for-sale financial assets		1,400,457	1,190,905
Decrease in amounts due from investee companies		946,937	773,100
Increase/(decrease) in amounts due to investee companies		1,204	(131,590)
Decrease/(increase) in amounts due from non-controlling interests		1,502,176	(280,214)
Capital injection from non-controlling interests		4	16,288
Investment in and increase in amounts due from joint ventures		(172,840)	(1,201,504)
Dividends received from joint ventures		5,546	33,404
Increase in amounts due to joint ventures		254,522	57,960
Dividends received from associates		740,404	327,533
Investment in and decrease/(increase) in amounts due from associates		236,980	(2,650,245)
(Decrease)/increase in amounts due to associates		(577,739)	607,534
Net proceeds from disposal of interests in subsidiaries	30(c)	71,974	-
Proceeds from disposal of interests in joint ventures		310,648	-
Proceeds from disposal of interest in an associate	30(b)	7,038,483	111,673
Decrease in loans and other receivable		227,262	1,317,289
(Increase)/decrease in bank deposits with original maturities more than three months		(2,828,503)	682,416
Decrease/(increase) in amounts due from related companies		19,279	(3,646)
Acquisition of subsidiaries		-	(3,674,144)
Net cash from/(used in) investing activities		8,176,861	(2,229,148)

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 2016

	Note	2016 HK$'000	2015 HK$'000
Cash flows from financing activities			
Interest paid		(1,255,475)	(934,990)
(Increase)/decrease in restricted bank deposits		(759,677)	195,978
(Decrease)/increase in amounts due to related companies and individuals		(27,687)	79,832
Decrease in amount due to ultimate holding company		(216)	(293)
Decrease in amounts due to non-controlling interests		(834,438)	(304,978)
Issuance of guaranteed notes, net of expenses		-	1,534,160
Drawdown of bank and other borrowings		3,412,179	6,252,142
Repayment of bank and other borrowings		(4,194,412)	(4,061,896)
Dividend paid		(209,700)	-
Net cash (used in)/from financing activities		(3,869,426)	2,759,955
Net increase/(decrease) in cash and cash equivalents		8,854,052	(1,630,001)
Cash and cash equivalents at beginning of year		6,347,956	8,083,323
Currency translation differences		(19,175)	(105,366)
Cash and cash equivalents at end of year	24	15,182,833	6,347,956

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1 General information

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

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

The address of the Company's registered office is P.O. Box 957, Offshore Incorporations Centre, Road Town, Tortola, British Virgin Islands.

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

The consolidated financial statements are presented in thousands of Hong Kong dollar ("HK$'000") unless otherwise stated. The consolidated financial statements were approved for issue by the Board of Directors on 20th July, 2016.

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 2015 and are relevant to its operation.

Annual improvements to IFRSs 2010 – 2012 cycle
Annual improvements to IFRSs 2011 – 2013 cycle

The Group has assessed the impact of the adoption of these amendments to standards and consider that there is no significant impact on the Group's results and financial position or any substantial changes in the Group's accounting policies and presentation of the consolidated financial statements.

2 Summary of significant accounting policies (Continued)

(a) Basis of preparation (Continued)

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

The Group has not early adopted the following new or revised standards and amendments that have been issued but are not yet effective for the year ended 31st March 2016:

		Effective for accounting periods beginning on or after
IAS 1 (Amendments)	Presentation of Financial Statements – Disclosure Initiative	1st January 2016
IAS 16 and IAS 38 (Amendments)	Property, Plant and Equipment and Intangible Assets – Clarification of Acceptable Methods of Depreciation and Amortisation	1st January 2016
IAS 16 and IAS 41 (Amendments)	Agriculture: Bearer Plants	1st January 2016
IAS 27 (Amendment)	Equity Method in Separate Financial Statements	1st January 2016
Annual Improvements to IFRSs (Amendments)	Annual improvements to IFRSs 2012 – 2014 Cycle	1st January 2016
IFRS 11 (Amendment)	Joint Arrangement – Accounting for Acquisitions of Interests in Joint Operation	1st January 2016
IFRS 10, IFRS 12, and IAS 28 (Amendments)	Investment entities – Applying the Consolidation Exception	1st January 2016
IFRS 14	Regulatory Deferral Accounts	1st January 2016
IAS 7 (Amendments)	Disclosure Initiative	1st January 2017
IAS 12 (Amendments)	Recognition of Deferred Tax Assets for Unrealised Losses issued	1st January 2017
IFRS 9	Financial Instruments	1st January 2018
IFRS 15	Revenue from Contracts with Customers	1st January 2018
IFRS 16	Leases	1st January 2019
IAS 28 (Amendment)	Sale or Contribution of Assets Between an Investor and Its Associate or Joint Venture	To be determined

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

(b) Consolidation

(i) Subsidiaries

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

2 Summary of significant accounting policies (Continued)

(b) Consolidation (Continued)

(i) Subsidiaries (Continued)

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

Inter-company transactions, balances and unrealised gains on transactions between group companies are eliminated unless the transaction provides evidence of an impairment of the transferred asset. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

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.

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.

2 Summary of significant accounting policies (Continued)

(b) Consolidation (Continued)

(iv) Associates

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

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

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

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

(c) Foreign currency translation

(i) Functional and presentation currency

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

(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.

2 Summary of significant accounting policies (Continued)

(c) Foreign currency translation (Continued)

(ii) Transactions and balances (Continued)

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

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

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

(iii) Group companies

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

(a) assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;

(b) income and expenses for each income statement are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions); and

(c) all resulting exchange differences are recognised in other comprehensive income.

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

(d) Property, plant and equipment

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

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

2 Summary of significant accounting policies (Continued)

(d) Property, plant and equipment (Continued)

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

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

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

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

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

(e) Investment properties

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

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

2 Summary of significant accounting policies (Continued)

(e) Investment properties (Continued)

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

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

(f) Properties under development and properties for sale

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

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

(g) 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.

(h) 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.

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

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

2 Summary of significant accounting policies (Continued)

(h) Financial assets (Continued)

(i) Classification of financial assets (Continued)

(2) Loans and receivables

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

(3) Available-for-sale financial assets

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

(ii) Recognition and measurement

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

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

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

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

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

2 Summary of significant accounting policies (Continued)

(h) Financial assets (Continued)

(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.

(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 separate income statement. Impairment losses recognised in the separate income statement on equity instruments are not reversed through the separate income statement. If, in a subsequent period, the fair value of a debt instrument classified as available-for-sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in consolidated income statement, the impairment loss is reversed through the separate income statement.

2 Summary of significant accounting policies (Continued)

(i) Impairment of non-financial assets

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

(j) Derivatives

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.

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.

(k) Trade and other receivables

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

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

(l) 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).

2 Summary of significant accounting policies (Continued)

(m) 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.

(n) 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.

(o) 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.

2 Summary of significant accounting policies (Continued)

(p) 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.

(q) 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.

(r) 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.

2 Summary of significant accounting policies (Continued)

(s) 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.

(t) Revenue and income recognition

(i) Sale of properties

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

(ii) 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(h)(ii) and note 2(j) respectively.

(iii) Interest income

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

(iv) Dividend income

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

(v) Rental income

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

(vi) 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.

2 Summary of significant accounting policies (Continued)

(t) Revenue and income recognition (Continued)

(vii) 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 contact 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.

(viii) Others

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

(u) Share capital

Ordinary shares are classified as equity.

(v) Borrowing costs

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

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

(w) Segment reporting

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

(x) Contingent liabilities

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

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

3 Financial risk management

(a) Financial risk factors

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

(i) Equity price risk

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

At 31st March 2016, if the market values of the Group's available-for-sale financial assets increase/decrease by 10%, with all other variables held constant, would not affect the Group's post-tax profit unless there are impairments but would increase/decrease the Group's total equity by approximately HK$704,346,000 (2015: HK$743,523,000). Should certain of the investments were considered to be impaired as at 31st March 2016, further decrease in market values of the investments would require to be charged to the consolidated income statement.

At 31st March 2016, 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$684,440,000 (2015: HK$830,151,000).

(ii) Credit risk

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

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

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 2016, 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:

	2016 HK$'000	2015 HK$'000
AA to AA-	-	12,217
A+	145,513	222,136
A to A-	6,390,702	15,356,183
BBB+	4,492,338	1,064,806
BBB to BBB-	578,250	250,699
Unrated [1]	6,091,213	5,384,939
	17,698,016	22,290,980

[1] The directors monitor the exposure on unrated assets and considered that the counterparty risk for unlisted funds managed by fund managers of HK$5,924,948,000 (2015: HK$4,808,546,000) is minimal.

At 31st March 2016, substantial listed investments, which are either classified as available-for-sale financial assets or financial assets at fair value through profit or loss, are placed in custody with these financial institutions. All transactions in listed securities are settled or paid upon delivery using approved brokers. The risk of default is considered minimal, as delivery of securities sold is only made once the broker has received payment. Payment is made on a purchase once the securities have been received by the broker. The trade will fail if either party fails to meet its obligation.

The Group's credit risk concentration of debt and convertible securities as at 31st March 2016 is analysed below based upon the credit rating of the issuers:

	2016 HK$'000	2015 HK$'000
AAA to A	752,501	1,393,579
BBB to B+	2,013,013	2,719,312
D[2]	8,150	164,286
Unrated [2]	1,563,904	2,210,827
	4,337,568	6,488,004

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

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 at 31st March 2016 ranging from AA to BB issued by Standard and Poor's or Moody's as follows:

	2016 HK$'000	2015 HK$'000
AA to AA-	3,041,808	682,386
A+ to A-	13,224,027	5,337,382
BBB+ to BB	2,526,517	361,537
Unrated [3]	332,566	320,556
	19,124,918	6,701,861

[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 PRC.

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

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

In order to minimise the credit risk of trade and other receivables and loans receivable, the management of the Group has delegated the heads of different business lines for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. No credit limits were exceeded during the year ended 31st March 2016, and management does not expect any losses from non-performance by these counterparties.

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

3 Financial risk management (Continued)

(a) Financial risk factors (Continued)

(iii) Interest rate risk

The Group's main exposure to interest rate risk relates principally to the Group's bank deposits, bank borrowings, loans receivable and amounts due from joint ventures, associates and investee companies. Interest rates of bank deposits, bank borrowing, loans receivable and amounts due from joint ventures, associates and investee companies are determined based on prevailing market rates and expose the Group to cash flow interest rate risk. The Group manages its interest rate exposure by monitoring of interest rate movements, replacing and entering into new banking facilities when favourable pricing opportunities arise and would consider using interest rate swap when appropriate. At 31st March 2016, if interest rates increase/decrease by 50 basis points with all other variables held constant, the Group's pre-tax profit, before taking into account the impact of interest capitalisation, would increase/decrease by approximately HK$47,950,000 (2015: decrease/increase by approximately HK$22,199,000), resulting from the change in the borrowing costs of bank borrowings and interest bearing financial liabilities, and change in interest income from the interest bearing financial assets.

(iv) Foreign exchange risk

The Group operates mainly in Hong Kong and the People's Republic of China ("PRC"), and is exposed to foreign exchange risk arising from various currency exposures in the financial investment portfolio, primarily with respect to the US dollar, Renminbi ("RMB"), and Euro. Foreign exchange risk arises from future commercial transactions, recognised assets and liabilities.

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

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

At 31st March 2016, 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$66,270,000 (2015: HK$101,283,000) and HK$19,970,000 (2015: HK$20,654,000) respectively as a result of foreign exchange gains/losses.

3 Financial risk management (Continued)

(a) Financial risk factors (Continued)

(v) Liquidity risk

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

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

	Less than 1 year HK$'000	Between 1 and 2 years HK$'000	Between 2 and 5 years HK$'000	Over 5 years HK$'000
At 31st March 2016				
Trade and other payables and accruals	2,860,897	-	-	-
Amounts due to customers for contract work	90,236	-	-	-
Amounts due to joint ventures, associates and investee companies	784,593	-	-	-
Amounts due to related companies and individuals	1,601,561	-	-	-
Amounts due to ultimate holding company	2,417	-	-	-
Amounts due to non-controlling interests	2,478,302	-	-	-
Financial liabilities at fair value through profit or loss and derivative financial instruments	1,028,087	-	-	-
Bank borrowings	3,007,698	974,636	10,307,052	949,143
Guaranteed notes	5,132,672	236,242	708,727	5,698,490
Other long-term liabilities	-	276,617	67,556	-
	16,986,463	1,487,495	11,083,335	6,647,633

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 2015				
Trade and other payables and accruals	5,914,105	-	-	-
Amounts due to customers for contract work	51,089	-	-	-
Amounts due to joint ventures, associates and investee companies	2,411,569	-	-	-
Amounts due to related companies and individuals	1,629,248	-	-	-
Amounts due to ultimate holding company	2,633	-	-	-
Amounts due to non-controlling interests	3,325,712	-	-	-
Financial liabilities at fair value through profit or loss and derivative financial instruments	633,528	-	-	-
Bank borrowings	2,517,192	909,391	11,752,437	2,366,195
Guaranteed notes	480,551	5,133,491	708,814	5,935,454
Other long-term liabilities	-	-	268,611	67,544
	16,965,627	6,042,882	12,729,862	8,369,193

(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, immediate holding company, banks and issuance of guaranteed notes.

3 Financial risk management (Continued)

(b) Capital risk management (Continued)

The Group monitors its capital on the basis of the net debt to owner's equity ratio. Net debt is calculated as total borrowings (including "current and non-current bank borrowings" and "guaranteed notes" as shown in the consolidated balance sheet) less cash and bank balances. The net debt to owner's equity ratio as at 31st March 2016 and 31st March 2015 is as follows:

	2016 HK$'000	2015 HK$'000
Bank borrowings	13,779,611	15,446,664
Guaranteed notes	9,783,856	9,768,609
Total debts - interest bearing borrowings	23,563,467	25,215,273
Less: Cash and bank balances	(19,124,918)	(6,701,861)
Net debt	4,438,549	18,513,412
Owner's equity attributable to the Company's equity holders	81,759,920	83,475,642
Net debt to owner's equity ratio	5.43%	22.18%

Details of decrease in net debt to owner's equity ratio mainly resulted from sales proceeds received from disposal of interests in subsidiaries, joint ventures and associates.

(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).

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

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 HK$'000	Level 2 HK$'000	Level 3 HK$'000	Total HK$'000
At 31st March 2015				
Available-for-sale financial assets				
Equity securities				
- listed	2,174,183	-	-	2,174,183
- unlisted	-	-	5,261,047	5,261,047
Debt and convertible securities				
- unlisted	-	1,870	7,245	9,115
Financial assets at fair value through profit or loss				
Equity securities - held-for-trading				
- listed	5,821,918	-	-	5,821,918
Equity securities - designated				
- listed	2,969,915	-	-	2,969,915
- unlisted	-	-	18,431	18,431
Debt securities - held-for-trading				
- listed	3,961,784	-	-	3,961,784
- unlisted	-	670,097	-	670,097
Debt securities - designated				
- listed	1,773,884	-	-	1,773,884
- unlisted	-	73,124	-	73,124
Derivative financial instruments - held-for-trading				
- listed	24,917	-	-	24,917
- unlisted	-	166,093	-	166,093
Total	16,726,601	911,184	5,286,723	22,924,508

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 HK$'000	Level 2 HK$'000	Level 3 HK$'000	Total HK$'000
At 31st March 2016				
Financial liabilities at fair value through profit or loss				
Equity securities - held-for-trading				
- listed	(354,369)	-	-	(354,369)
Derivatives				
- listed	(41,682)	-	-	(41,682)
- unlisted	-	(632,036)	-	(632,036)
Total	(396,051)	(632,036)	-	(1,028,087)
At 31st March 2015				
Financial liabilities at fair value through profit or loss				
Equity securities - held-for-trading				
- listed	(183,417)	-	-	(183,417)
Derivatives				
- listed	(478)	-	-	(478)
- unlisted	-	(449,633)	-	(449,633)
Total	(183,895)	(449,633)	-	(633,528)

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.

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 31 March 2016, available-for-sale financial instruments of HK$6,045,846,000 (2015: HK$5,261,047,000) are measured with valuation techniques using significant unobservable inputs (level 3). It mainly included private equity funds, unquoted direct equity investments, hedge funds and real estate funds which represent approximate 39%, 35%, 6% and 14% (2015: 38%, 30%, 7% and 18%) of those level 3 investments respectively. Valuations are mainly using net asset value reported by the respective fund administrators. The Group has determined that the reported net asset value represents fair value at the end of the reporting period.

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.

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 2016:

	Available-for-sale financial assets HK$'000	Financial assets at fair value through profit or loss and derivative financial instruments HK$'000
At 1st April 2015	5,268,292	18,431
Additions	1,619,621	-
Disposal	(492,087)	-
Return of capital	(313,433)	-
Total gains or losses recognised in		
- Income statement	-	(1,766)
- Other comprehensive income	(35,965)	-
Exchange translation differences	(582)	-
At 31st March 2016	6,045,846	16,665
At 1st April 2014	6,867,412	71,485
Additions	1,397,232	-
Disposal	(1,120,501)	(54,693)
Transfer to level 1	(802,984)	-
Return of capital	(662,614)	-
Total gains or losses recognised in		
- Income statement	-	1,649
- Other comprehensive income	(408,881)	-
Exchange translation differences	(1,372)	(10)
At 31st March 2015	5,268,292	18,431

(ii) Financial instruments carried at other than fair value

The fair values of loans and other receivable, trade and other receivables, deposits, cash and bank balances, short-term bank loans, trade and other payables, and the amounts due from/to associates, joint ventures, investee companies, related companies and individuals, immediate holding company and non-controlling interests are assumed to approximate their carrying amounts due to the short-term maturities of these assets and liabilities.

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 2016 was HK$754,151,000 (2015: HK$42,043,000). 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.

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.

At 31st March 2016, 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$112,321,000 (2015: HK$104,419,000) for the year, being the transfer of the accumulated fair value adjustments recognised in equity on the impaired available-for-sale financial assets to the consolidated income statement.

(v) Income taxes

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

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

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

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

4 Critical accounting estimates and judgements (Continued)

(vi) Classification of properties

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

(vii) Business combinations

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

(viii) Recoverability of receivables

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

5 Segment reporting

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

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

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

5 Segment reporting (Continued)

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

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

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

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

	The Company and its subsidiaries		Joint ventures		Associates		Total	
	Revenue	Results	Share of revenue	Share of results	Share of revenue	Share of results	Segment revenue	Segment results
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Hong Kong properties	12,045,735	3,513,543	994,475	117,256	2,605	55,965	13,042,815	3,686,764
PRC and overseas properties	1,272,843	(212,509)	48,097	(34,428)	5,637,358	1,545,735	6,958,298	1,298,798
Financial investment	830,180	74,679	797	(553)	41,303	8,213	872,280	82,339
Corporate and treasury	-	(57,796)	-	-	5	-	5	(57,796)
	14,148,758	3,317,917	1,043,369	82,275	5,681,271	1,609,913	20,873,398	5,010,105

Segment results	5,010,105
Finance expense, net	(261,750)
Loss on disposal of interests in an associate (note 30(b))	(3,473,844)
Profit before income tax	1,274,511
Income tax expense	(726,016)
Profit for the year	548,495

5 Segment reporting (Continued)

The segment results for the year ended 31st March 2015 are as follows:

	The Company and its subsidiaries		Joint ventures		Associates		Total	
	Revenue	Results	Share of revenue	Share of results	Share of revenue	Share of results	Segment revenue	Segment results
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Hong Kong properties	2,417,810	1,546,407	877,402	202,813	2,709	1,634	3,297,921	1,750,854
PRC and overseas properties	877,587	450,585	76,912	64,992	10,840,146	522,584	11,794,645	1,038,161
Financial investment	993,645	1,984,103	856	(1,828)	3,562	(13,316)	998,063	1,968,959
Corporate and treasury	-	(37,775)	-	-	-	-	-	(37,775)
	4,289,042	3,943,320	955,170	265,977	10,846,417	510,902	16,090,629	4,720,199

	HK$'000
Segment results	4,720,199
Finance income, net	109,162
Net gain from acquisition of interests in subsidiaries (note 30(d))	1,535,362
Profit before income tax	6,364,723
Income tax expense	(529,513)
Profit for the year	5,835,210

The segment assets and liabilities at 31st March 2016 are as follows:

	The Company and its subsidiaries	Joint ventures	Associates	Total assets	Total liabilities
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Hong Kong properties	38,509,304	7,508,114	2,534,045	48,551,463	(4,493,853)
PRC and overseas properties	30,524,645	4,001,771	2,613,033	37,139,449	(2,446,184)
Financial investment	21,125,378	9,137	113,990	21,248,505	(1,101,285)
Corporate and treasury	12,840,411	-	-	12,840,411	(1,311,099)
	102,999,738	11,519,022	5,261,068	119,779,828	(9,352,421)
Deferred income tax assets				114,324	-
Prepaid tax				70,236	-
Bank borrowings				-	(13,779,611)
Guaranteed notes				-	(9,783,856)
Amounts due to ultimate holding company				-	(2,417)
Deferred income tax liabilities				-	(2,752,684)
Tax payable				-	(933,964)
Consolidated total assets/(liabilities)				119,964,388	(36,604,953)

5 Segment reporting (Continued)

The segment assets and liabilities at 31st March 2015 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	43,903,002	8,760,157	2,385,912	55,049,071	(14,112,137)
PRC and overseas properties	33,167,292	5,467,168	12,670,758	51,305,218	(4,272,785)
Financial investment	25,236,655	10,584	127,688	25,374,927	(999,386)
Corporate and treasury	2,495,835	-	-	2,495,835	(1,327,295)
	104,802,784	14,237,909	15,184,358	134,225,051	(20,711,603)
Deferred income tax assets				74,417	-
Prepaid tax				48,545	-
Bank borrowings				-	(15,446,664)
Guaranteed notes				-	(9,768,609)
Amounts due to ultimate holding company				-	(2,633)
Deferred income tax liabilities				-	(2,810,659)
Tax payable				-	(607,444)
Consolidated total assets/(liabilities)				134,348,013	(49,347,612)

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

	Depreciation and amortisation		Additions to non-current assets	
	For the year ended 31st March		For the year ended 31st March	
	2016 HK$'000	2015 HK$'000	2016 HK$'000	2015 HK$'000
Hong Kong properties	74,715	71,515	2,339,390	2,800,375
PRC and overseas properties	100,081	97,830	540,533	20,840,800
Financial investment	122	58	375	194
Corporate and treasury	461	513	-	-
	175,379	169,916	2,880,298	23,641,369

5 Segment reporting (Continued)

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 2016 HK$'000	For the year ended 31st March 2015 HK$'000
Hong Kong	12,875,915	3,411,455
The PRC	1,214,452	862,843
Overseas	58,391	14,744
	14,148,758	4,289,042

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 2016 HK$'000	As at 31st March 2015 HK$'000
Hong Kong	30,975,054	29,892,112
The PRC	28,005,488	39,909,571
Overseas	3,504,500	2,729,871
	62,485,042	72,531,554

6 Revenue and other income, net

	2016 HK$'000	2015 HK$'000
Revenue		
Sale of properties	10,625,873	1,593,550
Gross rental income	1,120,213	582,485
Construction revenue	608,107	549,086
Hotel revenue	411,924	364,765
Property management fee income	137,000	65,912
Dividend income from investments	886,362	712,601
Interest income from debt and convertible securities	359,279	420,643
	14,148,758	4,289,042

6 Revenue and other income, net (Continued)

	2016 HK$'000	2015 HK$'000
Other income, net		
Net (loss)/gain on financial assets at fair value through profit or loss (note (a))	(527,490)	878,305
Net (loss)/gain on derivatives (note (b))	(686,115)	362,945
Others	207,304	98,213
	(1,006,301)	1,339,463

Notes:

(a) The amount comprised of realised gain of HK$485,655,000 (2015: HK$554,712,000) and unrealised loss of HK$1,013,145,000 (2015: unrealised gain of HK$323,593,000) on financial assets at fair value through profit or loss.

(b) The amount comprised of realised loss of HK$542,787,000 (2015: realised gain of HK$478,888,000) and unrealised loss of HK$143,328,000 (2015: HK$115,943,000) on financial assets at fair value through profit or loss.

7 Other gains/(losses), net

	2016 HK$'000	2015 HK$'000
Impairment provision on available-for-sale financial assets	(104,929)	(196,172)
Net gain on disposal of available-for-sale financial assets	747,730	131,702
Net gain/(loss) on disposal of interests in subsidiaries	230,250	(5,336)
Net gain on disposal of interests in joint ventures	133,515	35,232
Net gain on disposal of interests in associates	-	97,759
Net gain/(loss) on disposal of property, plant and equipment	1,093	(39,355)
Net gain/(loss) on disposal of investment properties (note (a))	4,566	(52,645)
Provision for bad and doubtful debt (note (b))	(499,899)	(20,642)
Net exchange gain/(loss)	15,026	(111,611)
Others	12,009	42,227
	539,361	(118,841)

Note (a): It is calculated as sale proceeds of HK$98,385,000 (2015: HK$1,715,004,000) less cost of properties sold of HK$93,819,000 (2015: HK$1,767,649,000) (including net change of fair value of investment properties recognised in previous years of HK$48,332,000 (2015: HK$655,827,000)).

Note (b): Details of the provision for bad and doubtful debt of HK$480,504,000 is included in note 16(a).

8 Operating (loss)/profit

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

	2016 HK$'000	2015 HK$'000
Cost of properties sold	8,574,205	1,081,370
Cost of construction works	564,675	473,406
Hotel direct costs	188,829	180,196
Depreciation of property, plant and equipment (note 13)	161,859	154,625
Amortisation of land use rights (note 15)	13,461	15,038
Staff costs (note 9)	709,172	613,232
Marketing and selling expenses	132,714	123,811
Rental expense under operating lease	4,237	5,784

9 Staff costs and key management compensation

	2016 HK$'000	2015 HK$'000
Staff costs		
- wages, salaries and allowances and benefits in kind	881,674	711,578
- retirement benefit costs - defined contribution schemes	34,300	28,799
Total staff costs incurred for the year	915,974	740,377
Less: amount capitalised to property under construction	(206,802)	(127,145)
Amount directly charged to the consolidated income statement	709,172	613,232
Including :		
Key management compensation	198,647	171,674

10 Finance (expenses)/income, net

	2016 HK$'000	2015 HK$'000
Interest income on		
- joint ventures (note 16)	309,840	962,913
- associates (note 17)	79,879	30,603
- investee companies (note 20)	7,708	19,096
- non-controlling interest	66,653	16,067
- bank deposits	55,424	184,949
- others	2,996	12,029
	522,500	1,225,657
Interest expenses on		
- bank borrowings (note 28)	(674,141)	(478,130)
- guaranteed notes (note 28)	(497,455)	(483,896)
- others	(99,331)	(113,955)
Total finance costs incurred	(1,270,927)	(1,075,981)
Less: amount capitalised to qualifying assets	859,628	772,337
Total finance costs expensed during the year	(411,299)	(303,644)
Interest income, net	111,201	922,013
Other finance charge	(14,630)	(32,483)
Net exchange (loss)/gain on financing activities	(166,382)	70,751
Finance (expenses)/income, net	(69,811)	960,281

The weighted average capitalised interest rate applied to general borrowings used for the investment properties and properties for sale under development is 4.34% (2015: 4.11%) per annum.

11 Income tax expense

Hong Kong profits tax has been provided at the rate of 16.5% (2015: 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% (2015: 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.

11 Income tax expense (Continued)

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

	2016 HK$'000	2015 HK$'000
Current income tax		
Hong Kong profits tax		
- provision for current year	541,630	248,765
- under/(over) provision in prior years	4,775	(247)
PRC income tax		
- provision for current year	20,737	27,138
Overseas profits tax		
- provision for current year	6,627	813
- under/(over) provision in prior years	410	(214)
PRC land appreciation tax		
- provision for current year	27,716	47,112
- over provision in prior years	(22,946)	-
Withholding tax	97,835	50,373
Deferred income tax (note 27)	49,232	155,773
	726,016	529,513

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:

	2016 HK$'000	2015 HK$'000
Profit before income tax	1,274,511	6,364,723
Less: share of results of		
- joint ventures	(82,275)	(265,977)
- associates	(1,609,913)	(510,902)
	(417,677)	5,587,844
Calculated at a tax rate of 16.5% (2015: 16.5%)	(68,917)	921,994
Effect of different tax rates in other countries	(15,073)	(39,960)
Income not subject to tax	(822,897)	(1,060,319)
Expenses not deductible for tax purposes	1,325,119	355,275
Over provision in prior years	(17,761)	(461)
PRC land appreciation tax	27,716	47,112
Withholding tax	97,835	50,373
Tax losses not recognised	294,739	233,024
Others	(94,745)	22,475
Income tax expense	726,016	529,513

11 Income tax expense (Continued)

The tax credit for the year ended 31st March 2016 relating to components of other comprehensive income amounted to HK$53,551,000 (2015: HK$90,698,000).

The Group's share of income tax expense of joint ventures and associates for the year ended 31st March 2016 totalling HK$447,655,000 (2015: HK$695,524,000) 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 2016, the Group has unrecognised tax losses of HK$3,400,358,000 (2015: HK$2,364,428,000) to carry forward against future taxable profits. Unrecognised tax losses of HK$1,813,621,000 as at 31st March 2016 (2015: HK$875,010,000) have no expiry date and the remaining losses will expire at various dates up to and including 2020 (2015: 2019).

12 Dividends

No dividend has been declared for the year ended 31st March 2015 and 31st March 2016.

13 Property, plant and equipment

	Land and building HK$'000 (note (a))	Furniture, fixture, equipment and motor vehicles HK$'000	Total HK$'000
At 1st April 2014			
Cost	3,093,170	735,785	3,828,955
Accumulated depreciation	(69,141)	(157,346)	(226,487)
Net book amount	3,024,029	578,439	3,602,468
Year ended 31st March 2015			
Opening net book amount	3,024,029	578,439	3,602,468
Acquisition of subsidiaries	3,609	11,596	15,205
Additions	110,550	34,986	145,536
Reclassification	6,557	(6,557)	-
Disposals	(41,102)	(1,472)	(42,574)
Charge for the year (note (b))	(89,852)	(65,026)	(154,878)
Exchange difference	557	(3,153)	(2,596)
Closing net book amount	3,014,348	548,813	3,563,161
At 31st March 2015			
Cost	3,171,236	780,964	3,952,200
Accumulated depreciation	(156,888)	(232,151)	(389,039)
Net book amount	3,014,348	548,813	3,563,161

13 Property, plant and equipment

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

Notes:

(a) Included in land and building are freehold land located in Japan of HK$2,039,000 (2015: HK$2,389,000) which is stated at cost and leasehold land located in Hong Kong of HK$ 593,796,000 (2015: HK$612,367,000) with lease period less than 50 years.

(b) During the year ended 31st March 2016, depreciation of HK$59,000 (2015: HK$253,000) was capitalised in properties under development.

14 Investment properties

	2016 HK$'000	2015 HK$'000
Completed investment properties	31,857,784	25,657,946
Investment properties under development	11,635,088	15,163,539
Total	43,492,872	40,821,485

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 2015	6,308,302	456,345	11,045,030	1,790,397	21,221,411	40,821,485
Disposal of interests in a subsidiary	(98,000)	-	-	-	-	(98,000)
Additions	722,258	-	53,223	-	442,255	1,217,736
Transfer from properties for sale	-	-	1,522,782	-	-	1,522,782
Net change in fair values	3,442	38,429	352,395	100,161	512,749	1,007,176
Disposals	(66,000)	-	-	(27,819)	-	(93,819)
Exchange differences	-	(9,407)	-	(77,786)	(797,295)	(884,488)
At 31st March 2016	6,870,002	485,367	12,973,430	1,784,953	21,379,120	43,492,872
At 1st April 2014	8,001,001	571,549	9,580,275	967,497	3,398,960	22,519,282
Acquisition of interests in subsidiaries	-	-	-	885,803	17,049,860	17,935,663
Additions	445,808	-	4	-	775,020	1,220,832
Transfer	-	(60,359)	-	60,359	-	-
Net change in fair values	(370,859)	-	1,468,642	2,477	(31,389)	1,068,871
Disposals	(1,767,648)	-	(3,891)	-	-	(1,771,539)
Exchange differences	-	(54,845)	-	(125,739)	28,960	(151,624)
At 31st March 2015	6,308,302	456,345	11,045,030	1,790,397	21,221,411	40,821,485

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

	2016 HK$'000	2015 HK$'000
In Hong Kong, held on leases of		
between 10 to 50 years	18,593,432	17,271,030
over 50 years	1,250,000	82,302
	19,843,432	17,353,332
In the PRC and overseas		
Freehold	2,266,368	2,242,354
Leases of between 10 to 50 years	21,379,121	21,221,413
Leases over 50 years	3,951	4,386
	23,649,440	23,468,153
	43,492,872	40,821,485

14 Investment properties (Continued)

Valuation processes of the Group

As at 31st March 2016, the Group's investment properties were valued by independent professional valuers - Knight Frank Petty Limited, Savills, Jones Lang LaSalle and DTZ Cushman & Wakefield.

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 and PRC are generally derived using the income capitalisation method and wherever appropriate, by direct comparison method. Fair value of investment properties in overseas is generally derived using the direct comparison method. Income capitalisation method is based on the capitalisation of the net income and reversionary income potential by adopting appropriate capitalisation rates, which are derived from analysis of sale transactions and valuers' interpretation of prevailing investor requirements or expectations. The prevailing market rents adopted in the valuation have reference to recent lettings, within the subject properties and other comparable properties. Direct comparison method is based on comparing the property to be valued directly with other comparable properties, which have recently transacted. However, given the heterogeneous nature of real estate properties, appropriate adjustments are usually required to allow for any qualitative differences that may affect the price likely to be achieved by the property under consideration.

Fair value of properties under development in Hong Kong and PRC is generally derived using the residual method. This valuation method is essentially a means of valuing the completed properties by reference to its development potential by deducting 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. At 31st March 2016, capitalisation rates of 3.3% to 4.8% (2015: 3.4% to 4.8%) and 4.0% to 7.5% (2015: 4.0% to 7.5%) are used for Hong Kong and PRC respectively in the income capitalisation method.

Prevailing market rents are estimated based on valuers' view of recent lettings, within the subject properties and other comparable properties. The lower the rents, the lower the fair value. At 31st March 2016, rental value of HK$17 to HK$36 (2015: HK$7 to HK$35) per square feet per month and HK$7 to HK$117 (2015: HK$9 to HK$120) per square feet per month are used for Hong Kong commercial and PRC commercial respectively.

Estimated costs to completion, developer's profit and risk margins required are estimated by valuers based on market conditions at 31st March 2016 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

	2016 HK$'000	2015 HK$'000
Opening net book amount	451,367	466,188
Amortisation	(13,461)	(15,038)
Exchange reserve	(18,096)	217
Closing net book amount	419,810	451,367

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

16 Joint ventures

	2016 HK$'000	2015 HK$'000
Share of net assets	2,053,934	3,756,598
Amounts due from joint ventures (note (a) & (b))	9,465,088	10,481,311
	11,519,022	14,237,909
Amounts due within one year included in current assets (note (a) & (b) and note 22)	(1,519,029)	(1,347,337)
	9,999,993	12,890,572
Amounts due to joint ventures (note (c) and note 29)	(234,054)	(1,276,710)

Notes:

(a) Included in the amounts due from joint ventures is a loan facility of RMB2,500,000,000 (equivalent to HK$2,996,625,000) 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. The balance will be repaid by tranches with final settlement in June 2017.

As at 31st March 2016, the outstanding loan balance and its respective interest receivable amounted to RMB2,071,723,000 (equivalent to HK$2,483,270,000) ((2015: RMB2,485,210,000 (equivalent to HK$3,104,524,000)) and RMB997,688,000 (equivalent to HK$1,203,454,000) ((2015: RMB879,872,000 (equivalent to HK$1,099,136,000)) respectively. Of which, a principal amount of RMB689,794,000 (equivalent to HK$826,822,000) was past due (2015: RMB330,000,000 equivalent to HK$412,236,000).

16 Joint ventures (Continued)

Notes: (Continued)

(a) (Continued)

The Group has assessed the recoverability of the outstanding amounts and considered the risk of default of the loan principal is minimal as the Group will acquire from the Borrower a shopping mall of 150,000 sq.m at a fixed price of RMB13,000 per sq.m and carparks of approximately RMB140,000,000 upon completion, total about RMB2,090,000,000 (equivalent to HK$2,505,179,000). Bad and doubtful debt provision of RMB394,551,000 (equivalent to HK$480,504,000) (2015: Nil) was provided on the interest receivable after considering the Borrower's ability to repay the amounts. The Group will continuously monitor the status and negotiate with the Borrower for the repayment.

(b) At 31st March 2016, except for amounts due from joint ventures of HK$1,624,394,000 (2015: HK$2,352,126,000) are interest free, the remaining balances are interest bearing.

As at 31st March 2016, other than the amounts due from joint ventures disclosed in note (a) above, HK$3,738,780,000 (2015: HK$3,228,864,000) and HK$895,694,000 (2015: HK$706,383,000) bear interest at prevailing market rates and fixed rate ranged from 3.5% to 5.4% (2015: 3.5% to 5.4%) per annum respectively.

HK$3,232,780,000 (2015: HK$3,489,814,000) is subordinated to the banks for the bank borrowings due by the joint ventures. Except for the loan to the PRC property developer, the remaining balances are unsecured.

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

	2016 HK$'000	2015 HK$'000
HK dollar	5,841,242	5,942,963
Renminbi	3,314,379	4,231,351
US dollar	309,467	306,997
	9,465,088	10,481,311

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

Details of the principal joint ventures at 31st March 2016 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 regards 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
2016	3,369,924	10,562,162	(9,021,266)	(2,901,857)	1,043,369	82,275
2015	3,597,548	11,530,564	(9,584,540)	(1,786,974)	955,170	265,977

17 Associates

	2016 HK$'000	2015 HK$'000
Share of net assets		
- listed in Hong Kong (note 30(b))	-	10,291,109
- unlisted	1,456,921	852,122
	1,456,921	11,143,231
Amounts due from associates (note (a))	3,804,147	4,041,127
	5,261,068	15,184,358
Amounts due within one year included in current assets (note 22)	(77,047)	(379,389)
	5,184,021	14,804,969
Amount due to associates (note (b) and note 29)	(549,166)	(1,134,690)

Notes:

(a) At 31st March 2016, except for HK$1,362,985,000 (2015: HK$1,695,510,000) is interest free, HK$1,633,000 (2015: HK$1,617,000) and HK$2,439,529,000 (2015: HK$2,344,000,000) bear interest at prevailing market rate and 2.6% (2015: 2.9%) per annum respectively. The balances are unsecured and denominated in the following currencies:

	2016 HK$'000	2015 HK$'000
HK dollar	2,446,249	2,350,080
US dollar	1,357,898	1,691,047
	3,804,147	4,041,127

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

	2016 HK$'000	2015 HK$'000
HK dollar	520,689	356,688
US dollar	28,477	28,482
Renminbi	-	749,520
	549,166	1,134,690

17 Associates (Continued)

The financial information below, after making adjustments to conform to the Group's significant accounting policies, represents the Group's interest in respective associates.

	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
2016	5,810,950	2,187,572	(4,284,662)	(2,256,939)	5,681,271	1,609,913
2015	13,355,126	27,454,783	(14,073,628)	(15,593,050)	10,846,417	510,902

18 Available-for-sale financial assets

	2016 HK$'000	2015 HK$'000
Equity securities		
- listed in Hong Kong	103,071	215,053
- listed overseas	979,325	1,959,130
- unlisted in Hong Kong	127,235	465,713
- unlisted overseas	5,833,830	4,795,334
Debt and convertible securities		
- unlisted in Hong Kong	8,978	9,115
- unlisted overseas	77,536	-
	7,129,975	7,444,345

At 31st March 2016, the available-for-sale financial assets are denominated in the following currencies:

	2016 HK$'000	2015 HK$'000
HK dollar	223,785	674,416
US dollar	6,268,713	6,203,080
Singapore dollar	222,433	209,119
Euro	216,876	198,515
Others	198,168	159,215
	7,129,975	7,444,345

19 Loans and other receivable

	2016 HK$'000	2015 HK$'000
Loans receivable	89,741	317,003
Less: current portion of loans receivable (note 22)	(8,514)	(11,645)
	81,227	305,358
Other receivable (note 30(c))	330,485	-
	411,712	305,358
<u>Loans receivable</u>		
Secured loans		
- non-controlling interest (note (a))	-	278,878
- third parties (note (b))	76,211	22,622
	76,211	301,500
Unsecured loans		
- third parties (note (b))	33,301	33,739
Loans receivable (Gross)	109,512	335,239
Less: provision for impairment (notes (c))	(19,771)	(18,236)
	89,741	317,003
Amounts due within one year included in current assets (note 22)	(8,514)	(11,645)
	81,227	305,358

Notes:

(a) At 31st March 2015, the loan to non-controlling interest is secured by equity shares of the borrower, which bears interest at 8% per annum and is denominated in Renminbi. The balance is settled during the year ended 31st March 2016.

(b) At 31st March 2016, the effective interest rates on secured loans to third parties of HK$74,056,000 (2015: HK$20,423,000) and unsecured loans of HK$15,685,000 (2015: HK$17,702,000) (net of impairment provision of HK$19,771,000 (2015: HK$18,236,000)) are based on prime rate ("P") and vary from P minus 1% to P plus 5% per annum (2015: P minus 1% to P plus 5% per annum). The balances are denominated in HK dollar.

(c) At 31st March 2016, loans receivable of HK$19,771,000 (2015: HK$18,236,000) are impaired and fully provided for and HK$55,000 (2015: HK$145,000) were past due but not impaired. The remaining balances are fully performing.

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

	2016		2015	
	Secured loans HK$'000	Unsecured loans HK$'000	Secured loans HK$'000	Unsecured loans HK$'000
Within 3 months	5	50	25	120

20 Amounts due from/to investee companies

	2016 HK$'000	2015 HK$'000
Amounts due from investee companies (note (a))	160,736	1,107,168
Amounts due within one year included in current assets (note 22)	(505)	-
	160,231	1,107,168
Amounts due to investee companies (note (b) and note 29)	1,373	169

Notes:

(a) As at 31st March 2016, the amounts due from investee companies of HK$157,601,000 (2015: HK$1,104,537,000) bear interest at prevailing market rates and have no fixed terms of repayment. The remaining balance of HK$3,135,000 (2015: HK$2,631,000) (net of impairment provision of HK$234,568,000 (2015: HK$234,568,000)) are interest free. The balances are unsecured and denominated in HK dollar.

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

	2016 HK$'000	2015 HK$'000
HK dollar	980	-
US dollar	393	169
	1,373	169

21 Properties for sale

	2016 HK$'000	2015 HK$'000
Completed properties	4,242,905	5,342,063
Under development	10,153,990	18,501,143
	14,396,895	23,843,206
The carrying value of properties for sale comprised:		
In Hong Kong		
- leases of between 10 to 50 years	10,528,451	16,597,665
- leases of over 50 years	2,331,520	2,486,798
In the PRC and overseas		
- leases of between 10 to 50 years	179,061	2,536,373
- leases of over 50 years	1,357,863	2,222,370
	14,396,895	23,843,206

21 Properties for sale (Continued)

Impairment on properties for sale of HK$754,151,000 (2015: HK$42,043,000) was provided and included in cost of sales for the year ended 31st March 2016.

At 31st March 2016, properties under development of HK$5,105,163,000 (2015: HK$11,964,901,000) are not expected to be readily available for sale within one year.

22 Trade and other receivables, deposits and prepayments

	2016 HK$'000	2015 HK$'000
Trade receivables (notes (a) & (b))	235,303	85,587
Other receivables and deposits (note (b))	640,930	756,344
Disposal proceeds receivable (note (b))	611,686	-
Interest receivable (note (b))	216,176	184,689
Stakeholder's account	671,276	1,791,792
Prepayments	239,770	465,671
Loans receivable (note 19)	8,514	11,645
Amounts due from customers for contract work (note (c))	-	12,796
Amounts due from joint ventures (note 16)	1,519,029	1,347,337
Amounts due from associates (note 17)	77,047	379,389
Amounts due from investee companies (note 20)	505	-
Amounts due from non-controlling interests (note (d))	117,084	1,619,260
Amounts due from related companies (note (e))	137,607	156,886
	4,474,927	6,811,396

Notes:

(a) Sales proceeds receivable from sale of properties are settled in accordance with the terms of respective contracts. 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:

	2016 HK$'000	2015 HK$'000
Fully performing	172,453	11,934
Past due:		
Under 3 months	15,540	28,575
Between 3 months to 6 months	22,627	3,254
Between 6 months to 1 year	20,176	16,288
Over 1 year	4,507	25,536
	235,303	85,587

As of 31st March 2016, trade receivables of HK$62,850,000 (2015: HK$73,653,000) 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.

At 31st March 2016 and 31st March 2015, no trade receivables are impaired and fully provided for.

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

	2016 HK$'000	2015 HK$'000
HK dollar	810,705	184,346
US dollar	340,142	525,080
Renminbi	532,242	275,586
Others	21,006	41,608
	1,704,095	1,026,620

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

	2016 HK$'000	2015 HK$'000
Cost incurred to date plus recognised profits less recognised losses	5,511,686	3,972,813
Less: progress billings	(5,601,922)	(4,011,106)
	(90,236)	(38,293)

Analysed for reporting purpose:

	2016 HK$'000	2015 HK$'000
Amounts due from customers	-	12,796
Amounts due to customers (note 29)	(90,236)	(51,089)
	(90,236)	(38,293)

(d) At 31st March 2016 and 31st March 2015, the balances are unsecured, interest free and have no fixed terms of repayment. The balance is denominated in the following currencies:

	2016 HK$'000	2015 HK$'000
HK dollar	94,192	1,619,260
US dollar	22,892	-
	117,084	1,619,260

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

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

Notes: (Continued)

(e) At 31st March 2016 and 31st March 2015, the balance is unsecured, interest free and have no fixed terms of repayment. The balance is denominated in the following currencies.

	2016 HK$'000	2015 HK$'000
HK dollar	66,404	156,886
US dollar	71,203	-
	137,607	156,886

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

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

	2016 HK$'000	2015 HK$'000
Financial assets/(liabilities) at fair value through profit or loss		
Current assets:		
Equity securities - held-for-trading		
- listed in Hong Kong	1,952,510	2,604,228
- listed overseas	3,184,771	3,217,690
Equity securities- designated		
- listed in Hong Kong	538,745	685,950
- listed overseas	1,506,403	2,283,965
- unlisted overseas	16,665	18,431
Debt securities - held-for-trading		
- listed in Hong Kong	224,223	1,296,159
- listed overseas	3,568,155	2,665,625
- unlisted overseas	238,226	670,097
Debt securities - designated		
- listed in Hong Kong	220,450	351,916
- listed overseas	-	1,421,968
- unlisted overseas	-	73,124
	11,450,148	15,289,153
Current liabilities:		
Equity securities - held-for-trading		
- listed in Hong Kong	(354,369)	(183,417)
Derivative financial instruments		
Current assets:		
Derivatives - held-for-trading		
- swap	97,905	79,760
- option	4,852	24,430
- equity linked notes	12,836	16,204
- warrant	663	1,575
- forward	427	54,264
- future	29,297	14,777
	145,980	191,010
Current liabilities:		
Derivatives - held-for-trading		
- swap	(503,329)	(391,173)
- option	(87,060)	(50,299)
- forward	(67,298)	(8,150)
- future	(16,031)	(489)
	(673,718)	(450,111)

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

	2016 HK$'000	2015 HK$'000
Representing:		
- current assets	11,596,128	15,480,163
- current liabilities	(1,028,087)	(633,528)
Total	10,568,041	14,846,635

As at 31st March 2016 and 31st March 2015, the financial assets at fair value through profit or loss and derivative financial instruments are denominated in the following currencies:

	2016 HK$'000	2015 HK$'000
HK dollar	2,147,909	3,136,291
US dollar	6,969,425	9,079,211
Singapore dollar	109,452	138,856
Korean Won	56,992	268,645
Japanese Yen	270,090	590,172
Pound sterling	157,790	64,024
Euro	756,014	808,568
Renminbi	100,369	760,859
Others	-	9
	10,568,041	14,846,635

The fair value of listed equity securities is based on their current bid prices in an active market. The fair values of unlisted debt and equity securities are based on brokers' quotes and statements. The fair value of derivatives is based on their current bid prices in an active market or brokers' quote and statements.

24 Cash and bank balances

	2016 HK$'000	2015 HK$'000
Bank balances and cash	4,427,753	3,307,206
Short term bank deposits	14,697,165	3,394,655
	19,124,918	6,701,861
Representing:		
- unpledged	18,274,850	6,611,470
- restricted	850,068	90,391
	19,124,918	6,701,861

The effective interest rate on the bank deposits is 0.58% (2015: 1.48%) per annum. These deposits have an average maturity of 81 days (2015: 86 days).

24 Cash and bank balances (Continued)

At 31st March 2016 and 31st March 2015, the cash and bank balances are denominated in the following currencies.

	2016 HK$'000	2015 HK$'000
HK dollar	12,416,939	1,597,508
US dollar	5,599,066	3,852,441
Renminbi	895,102	967,765
Others	213,811	284,147
	19,124,918	6,701,861

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

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

	2016 HK$'000	2015 HK$'000
Bank balances and cash	4,427,753	3,307,206
Short-term bank deposits	14,697,165	3,394,655
	19,124,918	6,701,861
Less: bank deposits with original maturities more than three months	(3,092,017)	(263,514)
Less: restricted cash	(850,068)	(90,391)
	15,182,833	6,347,956

25 Share capital

	Number of shares (Thousands)	Amount HK$'000
Authorised:		
Ordinary shares of 1 Hong Kong dollar each		
At 1st April 2015, 31st March 2015 and 31st March 2016	1,000,000,000	1,000,000,000
Issued and fully paid:		
Ordinary shares of 1 Hong Kong dollar each		
At 1st April 2015, 31st March 2015 and 31st March 2016	62,743,532,190	62,743,532

26 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 2015	529,956	3,464,607	54,564,182	(37,757,613)	(69,022)	20,732,110
Profit for the year	-	-	57,994	-	-	57,994
Fair value change on available-for-sale financial assets						
- Group	-	(254,290)	-	-	-	(254,290)
- Associates and a joint venture	-	5,235	-	-	-	5,235
Tax on fair value change on available-for-sale financial assets (note 27)	-	53,551	-	-	-	53,551
Impairment provision on available-for-sale financial assets recycled to the consolidated income statement	-	104,929	-	-	-	104,929
Release of reserves upon disposal of available-for-sale financial assets	-	(736,121)	-	-	-	(736,121)
Release of investment revaluation reserve upon disposal of interests in associate	-	(5,456)	-	-	-	(5,456)
Share of other reserve of an associate	-	-	-	-	4,431	4,431
Release of exchange reserve upon disposal of interests in subsidiaries, associates and joint ventures	(15,011)	-	-	-	-	(15,011)
Transfer of reserve upon liquidation of a subsidiary	-	-	8	(8)	-	-
Exchange translation differences						
- Group	(744,998)	-	-	-	-	(744,998)
- Associates	(185,986)	-	-	-	-	(185,986)
At 31st March 2016	(416,039)	2,632,455	54,622,184	(37,757,621)	(64,591)	19,016,388

26 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 2014	663,216	2,535,944	48,647,790	(37,625,270)	(54,092)	14,167,588
Profit for the year	-	-	5,784,049	-	-	5,784,049
Fair value change on available-for-sale financial assets						
- Group	-	784,217	-	-	-	784,217
- Associates and a joint venture	-	(27,894)	-	-	-	(27,894)
Tax on fair value change on available-for-sale financial assets (note 27)	-	90,698	-	-	-	90,698
Impairment provision on available-for-sale financial assets recycled to the consolidated income statement	-	196,172	-	-	-	196,172
Release of reserves upon disposal of available-for-sale financial assets	-	(136,869)	-	-	-	(136,869)
Release of investment revaluation reserve upon disposal of interests in associate	-	22,339	-	-	-	22,339
Share of other reserve of an associate	-	-	-	-	(14,930)	(14,930)
Release of exchange reserve upon disposal of interests in subsidiaries, associates and joint ventures	(1,224)	-	-	-	-	(1,224)
Transfer of reserve upon liquidation of a subsidiary	-	-	132,343	(132,343)	-	-
Exchange translation differences						
- Group	(244,843)	-	-	-	-	(244,843)
- Associates	112,807	-	-	-	-	112,807
At 31st March 2015	529,956	3,464,607	54,564,182	(37,757,613)	(69,022)	20,732,110

27 Deferred income tax

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

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

	2016 HK$'000	2015 HK$'000
At 1st April	(2,736,242)	(365,880)
Disposal of interests in subsidiaries	(4,505)	-
Acquisition of subsidiaries	-	(2,314,946)
Charged to the consolidated income statement (note 11)	(49,232)	(155,773)
Credited to the consolidated statement of comprehensive income (note 26)	53,551	90,698
Exchange difference	98,068	9,659
At 31st March	(2,638,360)	(2,736,242)

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

<u>Deferred income tax liabilities</u>

	Unrealised gains on investment securities HK$'000	Accelerated tax depreciation HK$'000	Fair value gains on properties HK$'000	With holding tax HK$'000	Others HK$'000	Total HK$'000
At 1st April 2015	(138,478)	(27,128)	(2,513,750)	(31,761)	(117,363)	(2,828,480)
Disposal of interests in subsidiaries	-	1,563	-	-	-	1,563
Credited/(charged) to consolidated income statement	75,859	(13,054)	(211,046)	31,596	33,929	(82,716)
Credited to consolidated statement of comprehensive income	53,551	-	-	-	-	53,551
Exchange difference	113	(2,450)	100,600	165	-	98,428
At 31st March 2016	(8,955)	(41,069)	(2,624,196)	-	(83,434)	(2,757,654)
At 1st April 2014	(164,293)	(24,076)	(191,535)	(31,761)	(60,326)	(471,991)
Acquisition of interests in subsidiaries	-	-	(2,314,946)	-	-	(2,314,946)
Charged to consolidated income statement	(65,033)	(2,982)	(16,777)	-	(57,037)	(141,829)
Credited to consolidated statement of comprehensive income	90,698	-	-	-	-	90,698
Exchange difference	150	(70)	9,508	-	-	9,588
At 31st March 2015	(138,478)	(27,128)	(2,513,750)	(31,761)	(117,363)	(2,828,480)

27 Deferred income tax (Continued)

Deferred income tax assets

	Tax losses HK$'000	Provisions HK$'000	Fair value losses HK$'000	Total HK$'000
At 1st April 2015	21,740	11,573	58,925	92,238
Disposal of interests in subsidiaries	-	(6,068)	-	(6,068)
(Charged)/credited to consolidated income statement	(15,169)	(1,408)	50,061	33,484
Exchange difference	(2)	(358)	-	(360)
At 31st March 2016	6,569	3,739	108,986	119,294
At 1st April 2014	20,453	29,787	55,871	106,111
Credited/(charged) to consolidated income statement	1,287	(18,285)	3,054	(13,944)
Exchange difference	-	71	-	71
At 31st March 2015	21,740	11,573	58,925	92,238

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:

	2016 HK$'000	2015 HK$'000
Deferred income tax assets	114,324	74,417
Deferred income tax liabilities	(2,752,684)	(2,810,659)

28 Bank borrowings and guaranteed notes

	2016 HK$'000	2015 HK$'000
Bank borrowings (note (a))		
Long-term bank borrowings		
- secured	7,310,696	10,191,250
- unsecured	5,998,595	4,308,375
Less: current portion of long-term borrowings	(2,092,101)	(950,219)
	11,217,190	13,549,406
Current portion of long-term borrowings		
- secured	2,092,101	950,219
Other short-term bank borrowings		
- secured	436,131	643,467
Broker account overdraft	34,189	303,572
	2,562,421	1,897,258
	13,779,611	15,446,664
Guaranteed notes		
Guaranteed notes (note (b))		
- listed	4,642,781	4,632,408
Medium term notes (note (c))		
- listed	3,837,247	3,833,185
- unlisted	1,303,828	1,303,016
Less: current portion of guaranteed notes	(4,642,781)	-
	5,141,075	9,768,609

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

	2016 HK$'000	2015 HK$'000
Within one year	7,205,202	1,897,258
Between one and two years	621,944	5,080,034
Between two and three years	6,011,687	642,930
Between three and four years	1,616,528	6,195,893
Between four and five years	2,080,261	4,028,948
Over five years	6,027,845	7,370,210
	23,563,467	25,215,273

28 Bank borrowings and guaranteed notes (Continued)

Notes:

(a) These bank borrowings are secured by property, plant and equipment, investment properties, properties for sale, available-for-sale financial assets, financial assets at fair value through profit or loss, pledged bank deposits and pledge of shares of subsidiaries and an associate (note 34).

The effective interest rate based on the prevailing market rates on the bank borrowings is 4.62% (2015: 4.27%) per annum.

At 31st March 2016 and 31st March 2015, the bank borrowings were approximated their fair values and denominated in the following currencies:

	2016 HK$'000	2015 HK$'000
HK dollar	7,024,205	5,529,880
Renminbi	5,705,001	6,249,110
Japanese Yen	436,131	426,863
US dollar	109,365	2,481,772
GBP	504,909	755,355
Others	-	3,684
	13,779,611	15,446,664

(b) Guaranteed notes were issued by a subsidiary of the Company to investors on 20th January 2012 and 13th February 2012 respectively. The notes were issued for a principal amount of US$350,000,000 and US$250,000,000 with maturity date on 20th January 2017. The notes bear notional interests of 5.25% per annum which are repayable semi-annually in arrear. The notes are guaranteed unconditionally and irrevocably by Nan Fung International Holdings Limited ("NFIHL") and listed on Singapore Exchange Securities Trading Limited ("SGX"). The notes are within level 1 of the fair value hierarchy. As at 31st March 2016, the fair value of the guaranteed notes is HK$4,770,542,000 (2015: HK$4,901,826,000).

(c) Nan Fung Treasury Limited, a subsidiary of the Group has established a Medium Term Note Programme with aggregate principal amount of US$2 billion ("MTN"). The Group has drawdown of totalling HK$5,187,000,000, of which US$500,000,000 is listed on SGX. The details of the drawdown are as follows:

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

28 Bank borrowings and guaranteed notes (Continued)

Notes: (Continued)

(c) (Continued)

The MTN is guaranteed unconditionally and irrevocably by NFIHL. HK$4,095,734,000 (2015: HK$4,092,021,000) 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. As at 31st March 2016, the fair values of the MTN are HK$5,474,706,000 (2015: HK$5,467,534,000).

29 Trade and other payables, deposits and accruals

	2016 HK$'000	2015 HK$'000
Trade and other payables and accruals (note (a))	1,308,821	4,498,784
Accruals for construction work (note (a))	1,139,294	1,026,640
Rental and other deposits received (note (a))	412,782	388,681
	2,860,897	5,914,105
Amounts due to customers for contract work (note 22(c))	90,236	51,089
Amounts due to joint ventures (note 16)	234,054	1,276,710
Amounts due to associates (note 17)	549,166	1,134,690
Amounts due to investee companies (note 20)	1,373	169
Amounts due to related companies and individuals (note (b))	1,601,561	1,629,248
Amount due to ultimate holding company (note (c))	2,417	2,633
Amounts due to non-controlling interests (note (d))	2,478,302	3,325,712
	7,818,006	13,334,356

(a) At 31st March 2016 and 31st March 2015, the trade and other payables (including an accrual for land premium), deposits and accruals are denominated in the following currencies:

	2016 HK$'000	2015 HK$'000
HK dollar	1,498,716	3,856,447
Renminbi	1,189,571	1,616,634
US dollar	153,624	397,489
Others	18,986	43,535
	2,860,897	5,914,105

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

(b) At 31st March 2016, amounts due to related companies and individuals of HK$4,585,000 (2015: HK$31,634,000) bear interest at 1% per annum (2015: 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:

	2016 HK$'000	2015 HK$'000
HK dollar	1,451,033	327,040
US dollar	70,363	1,289,043
Renminbi	8,476	13,165
Others	71,689	-
	1,601,561	1,629,248

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

(d) Included in the amounts due to non-controlling interests of HK$49,333,000 (2015: HK$348,520,000) are unsecured with interest bearing at 3-month Hong Kong Interbank Offered Rate ("HIBOR") plus 1%, equivalent to 1.56% (2015: 3-month HIBOR plus 1%, equivalent to 1.39%) per annum and HK$684,602,000 (2015: HK$684,602,000) are unsecured with interest bearing with rates vary from 2.69% to 4.77% (2015: 2.70% to 4.77%). The remaining balance is interest free. The balances have no fixed term of repayment.

At 31st March 2016 and 31st March 2015, the balances are denominated in the following currencies:

	2016 HK$'000	2015 HK$'000
HK dollar	2,309,500	3,097,768
US dollar	4,839	13,792
Renminbi	163,963	214,152
	2,478,302	3,325,712

30 Notes to the consolidated statement of cash flows

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

		2016 HK$'000	2015 HK$'000
Profit before income tax		1,274,511	6,364,723
Depreciation of property, plant and equipment		161,859	154,625
Amortisation of land use rights		13,461	15,038
Fair value gain on investment properties, net		(1,007,176)	(1,068,871)
Net (gain)/loss on disposal of property, plant and equipment		(1,093)	39,355
Write-off of property, plant and equipment		23	-
Impairment of property, plant and equipment		350	-
Net (gain)/loss on disposal of investment properties		(4,566)	52,645
Net gain on disposal of available-for-sale financial assets		(747,730)	(131,702)
Net (gain)/loss on disposal of interests in subsidiaries		(230,250)	5,336
Net gain on disposal of interests in joint ventures		(133,515)	(35,231)
Net loss/(gain) on disposal of interests in associates		3,473,844	(97,759)
Impairment provision on available-for-sale financial assets		104,929	196,172
Impairment of properties for sale		754,151	42,043
Net gain on acquisition of interests in subsidiaries	30(d)	-	(1,535,362)
Provision for bad and doubtful debt		499,899	20,642
Interest income		(522,500)	(1,173,662)
Interest expenses		411,299	251,649
Share of results of joint ventures		(82,275)	(265,977)
Share of results of associates		(1,609,913)	(510,902)
Net cash generated from operating profit before working capital changes		2,355,308	2,322,762
Decrease/(increase):			
Properties for sale		5,323,486	(4,709,178)
Trade and other receivables, deposits and prepayments		1,190,187	539,224
Amounts due from customers for contract work		12,796	(6,361)
Financial assets at fair value through profit or loss and derivative financial instruments		4,012,762	(2,286,173)
Increase/(decrease):			
Trade and other payables, deposits and accrued expenses		(2,056,253)	(174,008)
Receipts in advance on properties for sale under development		(6,245,625)	1,995,516
Amount due to customer for contract work		39,147	40,597
Financial liabilities at fair value through profit or loss and derivative financial instruments		269,350	195,265
Net cash from/(used in) operations		4,901,158	(2,082,356)

30 Notes to the consolidated statement of cash flow (Continued)

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

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

(c) Net proceeds from disposal of interest in subsidiaries:

(i) Disposal of Zhao De Land Limited ("Zhao De")

On 3rd December 2015, the Group entered into a conditional sale and purchase agreement with an indirect wholly-owned subsidiary of SOL (the "Purchaser"), for the (i) sale of 86.33% of the issued share capital of Zhao De at a consideration of approximately HK$771 million, subject to adjustment and (ii) assignment of shareholder's loan of approximately HK$427 million (the "Transaction"). Zhao De is an investment holding company which holds 98.27% of a property development project in Sanya. The transaction was completed on 31st March 2016.

The consideration is to be settled by several instalments with the last due date being 31st March 2018. As at 31st March 2016, HK$479 million was received from the Purchaser, comprised of HK$52 million consideration of the issued share capital and HK$427 million consideration of shareholder's loan.

Present value of consideration received and receivable for the 86.33% issued capital of Zhao De is approximately HK$727 million, of which, HK$345 million consideration receivable which will be due on 31st March 2017 was included in trade and other receivables, deposits and prepayments as current assets while the remaining HK$330 million consideration receivable which will be due on 31st March 2018 was included in loans and other receivable as non-current assets.

30 Notes to the consolidated statement of cash flow (Continued)

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

(i) Disposal of Zhao De (Continued)

Details of the disposal of Zhao De are as follows:

	HK$'000
Net assets disposed of:	
Property, plant and equipment	2,467
Properties for sale	2,123,987
Cash and bank balance	85,642
Other assets	29,292
Bank borrowings	(650,063)
Trade and other payables	(946,501)
Other liabilities	(26,805)
	618,019
Non-controlling interests	(26,399)
	591,620
Net gain on disposal of interests in subsidiaries:	
Consideration received during the year	51,819
Consideration receivable	718,760
Consideration receivable	770,579
Present value impact of consideration receivable	(43,645)
Present value of total consideration receivable	726,934
Net assets disposed of	(591,620)
Release of exchange reserve	54,389
	189,703
Net cash outflow on disposal of interests in subsidiaries:	
Consideration received during the year	51,819
Cash and bank balance disposed of	(85,642)
	(33,823)

(ii) Disposal of Skylab Profits Limited ("Skylab")

The Group has disposed of Skylab, which held 1 unit of Fortuna court, to an independent third party at a consideration of HK$59,297,000 during the year ended 31st March 2016.

(iii) Disposal of The Noon Company Inc ("The Noon")

The Group has disposed of The Noon, which held a fund, to an independent third party at a net consideration of HK$46,500,000 during the year ended 31st March 2016.

30 Notes to the consolidated statement of cash flow (Continued)

(d) On 4th November 2014, the Group had made a General Offer to acquire all the issued units of SGX-listed Forterra Trust. Forterra Trust was transformed from an associate to become a wholly-owned subsidiary of the Group after the privatisation. The transformation resulted in a net fair value gain of HK$1,535,362 for the year ended 31st March 2015.

31 Financial guarantees/contingent liabilities

(a)

	2016		2015	
	Facility amount HK$'000	Utilised HK$'000	Facility amount HK$'000	Utilised HK$'000
Guarantees executed in respect of banking facilities granted to				
- related companies	15,947	15,947	67,349	67,349
- joint ventures	3,935,114	3,855,114	4,437,448	3,933,499
	3,951,061	3,871,061	4,504,797	4,000,848

(b) As at 31st March 2016, the Group provided guarantees of approximately HK$14,671,000 (2015: HK$70,845,000) in respect of mortgage facilities granted by certain banks relating to the mortgage loans arranged for certain purchasers of the Group's properties. Pursuant to the terms of the guarantees, upon default in mortgaging payments by these purchasers, the Group is responsible to repay the outstanding mortgage principals together with accrued interest and penalty owed by the defaulted purchasers to the banks and the Group is entitled to take over the legal title and possession of the related properties. The Group's guarantee period starts from the dates of grant of the relevant mortgage loans and ends when the property purchasers obtain the "property title certificate" which is then pledged with the banks.

(c) The Company and its subsidiary have undertaken to a bank amounting to HK$1,709,916,000 (2015: HK$282,030,000) in respect of the performance bonds issued for the contract works entered by its subsidiary and joint ventures.

32 Commitments

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

(a) Capital commitments

(i) At 31st March 2016 and 31st March 2015, the Group had capital commitments for investment properties under development, investment properties and property, plant and equipment as follows:

	2016 HK$'000	2015 HK$'000
Contracted but not provided for	217,823	640,505
Authorised but not contracted for	2,288,820	1,720,398

32 Commitments (Continued)

(a) Capital commitments (Continued)

(ii) At 31st March 2016 and 31st March 2015, the Group's share of capital commitments of the joint ventures themselves not included in the above are as follows:

	2016 HK$'000	2015 HK$'000
Contracted but not provided for	805,773	1,206,019
Authorised but not contracted for	209,289	452,956

(iii) At 31st March 2016 and 31st March 2015, the Group had uncalled capital commitments to invest in the funds as follows:

	2016 HK$'000	2015 HK$'000
Contracted but not provided for	2,820,479	2,288,807

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

(b) Commitments under operating leases

At 31st March 2016 and 31st March 2015, the Group had future aggregate minimum lease payments under non-cancellable operating leases for land and buildings as follows:

	2016 HK$'000	2015 HK$'000
Third parties		
- not later than one year	6,134	9,927
- later than one year and not later than five years	3,416	9,422
	9,550	19,349

33 Future operating lease receivables

At 31st March 2016 and 31st March 2015, 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:

	2016 HK$'000	2015 HK$'000
Not later than one year	966,667	764,571
Later than one year and not later than five years	2,113,234	1,333,103
Later than five years	920,883	934,560
	4,000,784	3,032,234

34 Pledge of assets

	2016 HK$'000	2015 HK$'000
Property, plant and equipment	1,725,930	1,844,817
Investment properties	21,243,891	23,763,269
Land use rights	419,810	451,367
Interest in associates	-	4,197,947
Available-for-sale financial assets	103,071	202,836
Properties for sale	2,854,304	2,392,229
Financial assets at fair value through profit or loss	5,566,524	10,058,282
	31,913,530	42,910,747

At 31st March 2016, the above assets were pledged together with the assignment of rental income from those properties for sale in favour of banks to secure banking facilities of HK$34,425,543,000 (2015: HK$35,134,392,000) granted to the Group, of which approximately HK$16,363,845,000 (2015: HK$12,835,779,000) was utilised at the balance sheet date.

35 Significant related party transactions

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

	2016 HK$'000	2015 HK$'000
Income:		
From related companies which are held by the ultimate beneficial shareholder:		
- management fee income (note (a))	11,399	12,641
- service fee income (note (b))	71,034	-
- rental income (note (c))	5,283	6,548
From related companies which are held by a director of the Group:		
- commission (note (d))	3,451	4,698
- construction revenue (note (e))	6,934	2,266
From joint ventures		
- construction revenue (note (e))	318,664	175,530
From an associate		
- management fee income (note (a))	8,705	-
Expenses:		
To related companies which are held by a director of the Group:		
- cost recharged (note (f))	17,545	26,951
- management fees (note (g))	28,981	93,814
- marketing service expenses (note (h))	27,787	5,063

35 Significant related party transactions (Continued)

Notes:

(a) Management fees were charged for administrative and management services provided by a subsidiary to certain related companies. The terms were determined and agreed between both parties.

(b) Service fee income was received from a related company for the property advisory and other services provided. The terms were determined by and agreed between both parties.

(c) Rental income was received from a related company for premises rented to the related company. The terms were determined by and agreed between both parties.

(d) Commission income was received from related companies for selling and leasing of properties on behalf of the related companies. The terms of commission were determined by and agreed between both parties.

(e) Construction revenue was received from related companies for the construction work. Revenue was derived from contract with 5% mark up on costs as agreed between both parties.

(f) Salaries and certain administrative costs, which are related to staff and resources commonly used by the Group and related companies, were recharged based on allocation methods as agreed between both parties.

(g) 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.

(h) Marketing service expenses were charged for marketing services provided by certain related companies to the subsidiaries of the group. The terms were determined by and agreed between both parties.

36 Subsequent events

Disposal of 100% issued share capital of 無錫市馬山靈聖置業有限公司("無錫馬山")

On 29th April 2016, the Group entered into a sale and purchase agreement with an indirect wholly-owned subsidiary of Country Garden Holdings Company Limited ("Country Garden") for sale of 100% of the issued share capital of 無錫馬山 at a consideration of approximately RMB120 million (equivalent to HK$144 million), subject to adjustment (the "Transaction"). The Transaction involves (i) sale of Phase 3 property under development and the commercial use clubhouse under Phase 1 and 2 to Country Garden and (ii) transfer of 30 remaining completed residential units in Phase 1 and 2 to another wholly-owned subsidiary of the Group in the PRC. The Transaction was completed on 31st May 2016.

Impairment losses on property under development and property for sale of approximately RMB256 million (equivalent to HK$305 million) and other provisions of approximately RMB22 million (equivalent to HK$26 million) are recognised in current year. Impairment losses are calculated as net realisable values less carrying amounts taken into account consideration of the Transaction and the subsequent sale of residential units in Phase 1 and 2 to third party before completion of the Transaction.

37 Comparative figures

Certain comparative figures have been reclassified to conform with the current year's presentations.

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 2016	2015
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 Ford Development Limited	Hong Kong	Investment holding	HK$2	100%	100%
Cavanah Company Limited	Hong Kong	Property investment	HK$2,000,000	100%	100%
Century Wealth Development Limited	Hong Kong	Property trading, money-lending and financing	HK$2	100%	100%
Cheerwide Investment Limited [2]	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%	-
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 Century Development Limited [2]	Hong Kong	Property investment and trading	HK$1	70%	70%
Crown Time Properties Limited	Hong Kong	Property trading	HK$2	100%	100%
Enormous Asset Limited [2]	Hong Kong	Property development	HK$1	75%	75%
Ever Crown Development Limited	Hong Kong	Property development	HK$2	100%	100%
First Harvest Development Limited [2]	Hong Kong	Property investment and trading	HK$1	85%	85%
Gavast Estates Limited	Hong Kong	Investment holding	HK$2	100%	100%
Goldstead Properties Limited	Hong Kong	Property investment	HK$1,000	100%	100%

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 2016	2015
Goodyear Investments Private Limited	Singapore	Property investment	SG$250,000	100%	100%
Great Team Development Limited	Hong Kong	Property development	HK$1	60%	60%
Greatco Finance Limited	Hong Kong	Financing	HK$1	100%	100%
Hallmark Sdn. Bhd.	Malaysia	Property investment	RM500,000	100%	100%
Health Link Investment Limited	Hong Kong	Property investment	HK$2	100%	100%
Hing Fung Sdn. Bhd.	Malaysia	Property investment	RM3,200,000	100%	100%
Hon Hing Enterprises Limited	Hong Kong	Building management	HK$10,000	100%	100%
Nan Fung (Holdings) Limited	Hong Kong	Investment holding, property investment and trading	HK$6,000,000	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%
Main Shine Development Limited	Hong Kong	Building management	HK$500,000	100%	100%
Marvel and Company, Limited	Hong Kong	Investment holding and property investment	HK$500,000	100%	100%
Nan Fung Development Limited	Hong Kong	Financing, investment holding and property investment	HK$900,000,002 ordinary and HK$100,000,000 non-voting deferred	100%	100%
Nan Fung Development Holdings Limited	Hong Kong	Investment holding	HK$1	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$7,000,000,000	100%	100%
Nan Fung International Finance Limited	Hong Kong	Financing	HK$1	100%	100%
Nan Fung Real Estate Agency Limited	Hong Kong	Provision of real estate agency service	HK$100,000	100%	100%

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** 2016	2015
Nan Fung Textiles Limited	Hong Kong	Investment holding, property investment and trading	HK$10,000,000	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 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 (I) Limited	British Virgin Islands	Financing	US$1,000	100%	100%
New Charm Management Limited	Hong Kong	Building management	HK$10,000	100%	100%
New Excellent Development Limited	Hong Kong	Property investment	HK$1	100%	100%
Northern Green Ventures Sdn.	Malaysia	Property investment	RM100 ordinary and RM5,309,542 redeemable preference	100%	100%
Poh Foong Sdn. Bhd.	Malaysia	Property investment	RM200,000	100%	100%
Richmass Trading Limited	Hong Kong	Financing	HK$2	100%	100%
Nan Fung Property Holdings Limited	Hong Kong	Investment holding	HK$2,000,000	100%	100%
上海英旭置業有限公司	PRC	Financing	RMB484,000,000	100%	100%
Skill Wonder Limited	British Virgin Islands	Investment holding	US$1,000	100%	100%
Spring Glory Investment Limited	Hong Kong	Investment holding	HK$1	100%	100%
The Mills Limited	Hong Kong	Event space and business planning	HK$1	100%	-
Timse Enterprises Limited	Hong Kong	Property development	HK$1	100%	100%
True Expert Investments Limited	British Virgin Islands	Investment holding	US$1,000	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%

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 2016	2015
上海寶禾置業有限公司 [1,2]	PRC	Property investment	US$117,000,000	45%	45%
天津智升科技發展有限公司	PRC	Investment holding	RMB11,000,000	100%	100%
悅居(天津)有限公司 [2]	PRC	Property development	RMB450,000,000	75%	75%
無錫市馬山靈聖置業有限公司	PRC	Property development	RMB392,705,077	100%	100%
廣州南豐展覽有限公司	PRC	Exhibition and convention business	RMB2,000,000	100%	100%
廣州市展豐房地產開發有限公司	PRC	Hotel operation and property investment	HK$2,345,000,000	100%	100%
無錫燕莎房地產開發有限公司	PRC	Property development	RMB601,861,530	100%	100%
廣州市展匯房地產開發有限公司	PRC	Property investment	HK$1,369,000,000	100%	100%
Forterra Trust	Singapore	Investment holding	SG$992,830,065	100%	100%
257 Water Street, LLC	New York	Property investment	US$9,795,000	78.56%	78.56%
Capital Treasure Investments Limited	British Virgin Islands	Property investment	US$1,000	80%	80%

1 Although the Group owns less than half of the equity interest, it is able to gain power over more than one half of the voting rights by virtue of an agreement with other investors. Consequently, the Group consolidates the subsidiaries.

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

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

(b) Joint ventures

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

Name	Place of incorporation	Principal activities	Issued share capital/ registered capital	Percentage of effective interest in ownership/voting power/ profit sharing 2016	2015
Ace Glory Limited	Hong Kong	Property development, investment and trading	HK$1	30%	30%
Brave Sky Investments Limited	Hong Kong	Property development	HK$2	50%	50%
Brave Sky Mortgage Limited	Hong Kong	Money Lending	HK$2	50%	-
Best Profit Limited	Hong Kong	Property development	HK$1	25%	25%
Century Rise Limited	Hong Kong	Property development, investment and trading	HK$1	30%	30%
Everbeam Investments Limited	Hong Kong	Property development	HK$1	50%	50%
Market Prospect Limited	Hong Kong	Property development and trading	HK$2	50%	50%
Nan Wai Development Limited	Hong Kong	Property development	HK$1	50%	50%
Pacific Bond Limited	Hong Kong	Property development, investment and trading	HK$1	30%	30%
SNSI Capital Management Inc.	Cayman Islands	Provision of investment management and financial advisory services	US$3,000	33.33%	33.33%
SNSI Investment Fund Ltd	Cayman Islands	Private equity investments	US$60,000	33.33%	33.33%
Teamer International Limited	Hong Kong	Property development	HK$1	25%	25%
Union King (Hong Kong) Limited	Hong Kong	Property development	HK$1	25%	25%
大連海港慶豐展有限公司	PRC	Property development and investment	US$37,200,000	45.84%	45.84%
豐永(上海)置業有限公司	PRC	Property development and investment	RMB610,000,000	50%	50%

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 2016	2015
Empresa de Fomento Industrial E Comercial Concórdia, S.A. [1]	Macau	Property development and investment	MOP100,000,000	17%	17%
Century Land Investment Limited	Hong Kong	Property development	HK$1	40%	40%
上海世界贸易商城有限公司	PRC	Property investment	US$100,000,000	49%	49%

REPORT ON REVIEW OF INTERIM FINANCIAL INFORMATION
TO THE BOARD OF DIRECTORS OF NAN FUNG INTERNATIONAL HOLDINGS LIMITED
(incorporated in the British Virgin Islands with limited liability)

Introduction

We have reviewed the interim financial information set out on pages 2 to 38, which comprises the condensed consolidated balance sheet of Nan Fung International Holdings Limited (the "Company") and its subsidiaries (together, the "Group") as at 30th September 2016, and the related condensed consolidated income statement, the condensed consolidated statement of comprehensive income, the condensed consolidated statement of changes in equity and the condensed consolidated statement of cash flows for the six-month period then ended, and a summary of significant accounting policies and other explanatory notes. The directors of the Company are responsible for the preparation and presentation of this interim financial information in accordance with International Accounting Standard 34 "Interim Financial Reporting". Our responsibility is to express a conclusion on this interim financial information based on our review and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Scope of review

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

Conclusion

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

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 12th December 2016

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

CONDENSED CONSOLIDATED INCOME STATEMENT
FOR THE SIX MONTHS ENDED 30TH SEPTEMBER 2016

		Unaudited For the six months ended 30th September	
		2016	2015
	Note	HK$'000	HK$'000
Revenue	5, 6	2,993,655	1,771,808
Cost of sales		(1,415,695)	(792,548)
Gross profit		1,577,960	979,260
Other income, net	6	671,304	(1,444,876)
Net change in fair values of investment properties		205,069	304,247
Other gains/(losses), net	7	512,110	(262,755)
Other operating expenses		(808,501)	(804,009)
Operating profit/(loss)	8	2,157,942	(1,228,133)
Finance (expense)/income, net	9	(219,181)	66,869
Share of results of			
- Joint ventures		29,685	120,386
- Associates		318,146	1,068,031
Profit before income tax		2,286,592	27,153
Income tax expense	10	(341,384)	(144,655)
Profit/(loss) for the period		1,945,208	(117,502)
Profit/(loss) for the period attributable to:			
- Owners of the Company		1,868,674	(222,907)
- Non-controlling interests		76,534	105,405
		1,945,208	(117,502)

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

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE SIX MONTHS ENDED 30TH SEPTEMBER 2016

	Unaudited For the six months ended 30th September 2016 HK$'000	2015 HK$'000
Profit/(loss) for the period	1,945,208	(117,502)
Other comprehensive income/(loss)		
Items that may be reclassified subsequently to profit or loss		
Fair value change on available-for-sale financial assets, net of tax	(5,791)	(378,673)
Release of investment revaluation deficit to the income statement upon impairment of available-for-sale financial assets	15,205	6,877
Release of investment revaluation reserves upon disposal of available-for-sale financial assets	(472,015)	(212,062)
Share of other comprehensive (loss)/income of associates and joint ventures	(20,050)	9,859
Release of exchange reserves	(12,969)	(693)
Exchange translation differences	(608,628)	(852,697)
Other comprehensive loss for the period, net of tax	(1,104,248)	(1,427,389)
Total comprehensive income/(loss) for the period	840,960	(1,544,891)
Total comprehensive income/(loss) for the period attributable to:		
- Owners of the Company	817,268	(1,610,378)
- Non-controlling interests	23,692	65,487
	840,960	(1,544,891)

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

CONDENSED CONSOLIDATED BALANCE SHEET
AS AT 30TH SEPTEMBER 2016

	Note	Unaudited as at 30th September 2016 HK$'000	Audited as at 31st March 2016 HK$'000
ASSETS			
Non-current assets			
Property, plant and equipment	11	3,290,158	3,388,346
Investment properties	12	44,678,749	43,492,872
Land use rights		400,910	419,810
Joint ventures	13	7,683,563	9,999,993
Associates	14	5,565,837	5,184,021
Available-for-sale financial assets		7,428,843	7,129,975
Loans and other receivable	15	711,659	411,712
Amounts due from investee companies		53,612	160,231
Deferred income tax assets		97,696	114,324
		69,911,027	70,301,284
Current assets			
Properties for sale		14,653,287	14,396,895
Trade and other receivables, deposits and prepayments	15	5,739,790	4,474,927
Financial assets at fair value through profit or loss and derivative financial instruments		10,603,717	11,596,128
Prepaid tax		44,127	70,236
Cash and bank balances		21,155,587	19,124,918
		52,196,508	49,663,104
Assets classified as held-for-sale	16	665,195	-
		52,861,703	49,663,104
Total assets		122,772,730	119,964,388

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

CONDENSED CONSOLIDATED BALANCE SHEET (CONTINUED)
AS AT 30TH SEPTEMBER 2016

	Note	Unaudited as at 30th September 2016 HK$'000	Audited as at 31st March 2016 HK$'000
EQUITY			
Owner's equity attributable to the Company's equity holders			
Share capital	17	62,743,532	62,743,532
Reserves		20,116,656	19,016,388
		82,860,188	81,759,920
Non-controlling interests		1,619,295	1,599,515
Total equity		84,479,483	83,359,435
LIABILITIES			
Non-current liabilities			
Deferred income tax liabilities		2,868,419	2,752,684
Bank borrowings	18	13,669,573	11,217,190
Guaranteed notes	18	5,144,909	5,141,075
Other long-term liabilities		97,743	344,173
		21,780,644	19,455,122
Current liabilities			
Trade and other payables, deposits and accruals	19	8,409,099	7,817,163
Receipts in advance on properties for sale		256,508	165,415
Financial liabilities at fair value through profit or loss and derivative financial instruments		522,085	1,028,087
Bank borrowings	18	1,622,724	2,562,421
Guaranteed notes	18	4,649,777	4,642,781
Tax payable		1,034,533	933,964
		16,494,726	17,149,831
Liabilities classified as held-for-sale	16	17,877	-
		16,512,603	17,149,831
Total liabilities		38,293,247	36,604,953
Total equity and liabilities		122,772,730	119,964,388

On behalf of the Board

Leung Kam Chung
Director

Cheung Vincent Sai Sing
Director

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

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE SIX MONTHS ENDED 30TH SEPTEMBER 2016

	Unaudited						
	Attributable to owners of the Company						
	Share capital HK$'000	Retained earnings HK$'000	Merger reserve HK$'000	Other reserves HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total equity HK$'000
At 1st April 2016	62,743,532	54,622,184	(37,757,621)	2,151,825	81,759,920	1,599,515	83,359,435
Comprehensive income							
Profit for the period	-	1,868,674	-	-	1,868,674	76,534	1,945,208
Other comprehensive loss, net of tax	-	-	-	(1,051,406)	(1,051,406)	(52,842)	(1,104,248)
Total comprehensive income	-	1,868,674	-	(1,051,406)	817,268	23,692	840,960
Dividend paid to non-controlling interest	-	-	-	-	-	(16,969)	(16,969)
Capital injection of/settlement with non-controlling interest	-	283,000	-	-	283,000	13,057	296,057
	-	283,000	-	-	283,000	(3,912)	279,088
At 30th September 2016	62,743,532	56,773,858	(37,757,621)	1,100,419	82,860,188	1,619,295	84,479,483
At 1st April 2015	62,743,532	54,564,182	(37,757,613)	3,925,541	83,475,642	1,524,759	85,000,401
Comprehensive loss							
Loss for the period	-	(222,907)	-	-	(222,907)	105,405	(117,502)
Other comprehensive loss, net of tax	-	-	-	(1,387,471)	(1,387,471)	(39,918)	(1,427,389)
Total comprehensive loss	-	(222,907)	-	(1,387,471)	(1,610,378)	65,487	(1,544,891)
Transfer of reserve upon liquidation of a subsidiary	-	8	(8)	-	-	-	-
Disposal of a subsidiary	-	-	-	-	-	8,519	8,519
Capital injection of non-controlling interest	-	-	-	-	-	1	1
	-	8	(8)	-	-	8,520	8,520
At 30th September 2015	62,743,532	54,341,283	(37,757,621)	2,538,070	81,865,264	1,598,766	83,464,030

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

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE SIX MONTHS ENDED 30TH SEPTEMBER 2016

		Unaudited For the six months ended 30th September	
		2016	2015
	Note	HK$'000	HK$'000
Cash flows from operating activities			
Net cash generated from operations	20	1,715,336	1,434,093
Profits tax paid		(27,399)	(238,407)
Net cash from operating activities		1,687,937	1,195,686
Cash flows from investing activities			
Interest received		411,853	484,973
Purchase of property, plant and equipment		(33,313)	(47,108)
Proceeds from sale of property, plant and equipment		584	486
Additions to investment properties		(1,654,753)	(487,516)
Proceeds from sale of investment properties		2,772	98,385
Purchase of available-for-sale financial assets		(877,366)	(840,941)
Proceeds from disposal of available-for-sale financial assets		579,632	671,308
Decrease in amounts due from investee companies		106,598	792,089
Increase in amounts due to investee companies		2,294	195,499
(Increase)/decrease in amounts due from non-controlling interests		(65,273)	1,323,103
Capital injection from non-controlling interests		2,359	1
Decrease in amounts due from joint ventures		292,702	724,205
Dividends received from joint ventures		500	5,546
Increase in amounts due to joint ventures		219,992	104,840
Investment in and increase in amounts due from associates		(120,220)	(103,510)
Dividends received from associates		-	388,474
Increase/(decrease) in amounts due to associates		462,714	(4,201)
Proceeds from disposal of a subsidiary		60,201	46,502
Proceeds from disposal of joint ventures		73,141	-
Increase in loans and other receivable		(306,662)	(4,742)
Decrease in amounts due from related companies		81,608	31,166
Decrease/(increase) in restricted bank deposits		42,346	(12,598)
Decrease in pledged bank deposits		792,159	-
Increase in short term bank deposits with original maturities more than three months		(2,355,092)	(133,347)
Net cash (used in)/from investing activities		(2,281,224)	3,232,614

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

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE SIX MONTHS ENDED 30TH SEPTEMBER 2016

	Unaudited For the six months ended 30th September	
	2016	2015
	HK$'000	HK$'000
Cash flows from financing activities		
Interest paid	(558,983)	(982,982)
Decrease in amounts due to related companies	(66,589)	(41,560)
Decrease in amount due to ultimate holding company	(240)	(216)
Increase/(decrease) in amounts due to non-controlling interests	4,754	(262,291)
Drawdown of bank borrowings	5,370,756	622,809
Repayment of bank borrowings	(3,630,361)	(1,281,469)
Dividend paid to non-controlling interest	(16,969)	-
Net cash from/(used in) financing activities	1,102,368	(1,945,709)
Net increase in cash and cash equivalents	509,081	2,482,591
Cash and cash equivalents at beginning of period	15,182,833	6,347,956
Currency translation differences	10,505	91,489
Cash and cash equivalents of subsidiaries classified as held for sale	(9,504)	-
Cash and cash equivalents at end of period	15,692,915	8,922,036
Analysis of the balance of the cash and cash equivalents:		
Bank balances and cash	3,078,745	3,023,736
Short-term bank deposits	18,076,842	6,398,151
	21,155,587	9,421,887
Less: bank deposits with original maturities more than three months	(5,447,109)	(396,861)
pledged bank deposits	(15,563)	(70,247)
restricted cash	-	(32,743)
Cash and cash equivalents at end of period	15,692,915	8,922,036

NOTES TO THE INTERIM FINANCIAL INFORMATION

1 General information

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

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

The address of the Company's registered office is P.O. Box 957, Offshore Incorporations Centre, Road Town, Tortola, 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 and provision of construction contracting services.

The condensed consolidated interim financial information is presented in thousands of Hong Kong dollar ("HK$'000") unless otherwise stated. The condensed consolidated interim financial information was approved for issue by the Board of Directors on 12th December 2016.

2 Basis of preparation and summary of significant accounting policies

This condensed consolidated interim financial information for the six months ended 30th September 2016 has been prepared in accordance with the International Accounting Standard ("IAS") 34 "Interim Financial Reporting" issued by the International Accounting Standard Board.

The condensed consolidated interim financial information should be read in conjunction with the Group's consolidated financial statements for the year ended 31st March 2016, which were prepared in accordance with International Financial Reporting Standards. The accounting policies applied are consistent with those of the Group's consolidated financial statements for the year ended 31st March 2016, except for the accounting policy in relation to assets classified as held-for-sale applicable in the period and the adoption of amendments to standards to IFRSs effective for the financial year beginning 1st April 2016 as described below.

(i) Accounting policy in relation to assets classified as held-for-sale applicable in the period

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 Group's consolidated financial statement for the year ended 31st March 2016.

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

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

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

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

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

(iii) 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 period:

		Effective for accounting periods beginning on or after
IAS 7 (Amendments)	Disclosure Initiative	1st January 2017
IAS 12 (Amendments)	Recognition of Deferred Tax Assets for Unrealised Losses issued	1st January 2017
IFRS 9	Financial Instruments	1st January 2018
IFRS 15	Revenue from Contracts with Customers	1st January 2018
IFRS 16	Leases	1st January 2019
IAS 28 (Amendment)	Sale or Contribution of Assets Between an Investor and Its Associate or Joint Venture	To be determined

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

The condensed consolidated interim financial information does not include all financial risk management information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's consolidated financial statements for the year ended 31st March 2016. There have been no changes in the Group's financial risk management programme and policies since last year end.

(b) Fair value estimation

Financial instruments carried at fair value

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

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

3 Financial risk management (Continued)

(b) Fair value estimation (Continued)

<u>Financial instruments carried at fair value (Continued)</u>

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

	Level 1 HK$'000	Level 2 HK$'000	Level 3 HK$'000	Total HK$'000
At 30th September 2016				
Available-for-sale financial assets				
Equity securities				
- listed	720,168	-	-	720,168
- unlisted	-	-	6,544,644	6,544,644
Debt and convertible securities				-
- unlisted	-	1,673	162,358	164,031
Financial assets at fair value through profit or loss				
Equity securities - held-for-trading				
- listed	6,080,947	-	-	6,080,947
Equity securities - designated				
- listed	881,503	-	-	881,503
- unlisted	-	-	16,072	16,072
Debt securities - held-for-trading				
- listed	3,206,394	-	-	3,206,394
- unlisted	-	322,211	-	322,211
				-
Debt securities - designated				
- listed	45,175	-	-	45,175
- unlisted	-	-	-	-
Derivative financial instruments - held-for-trading				
- listed	7,739	-	-	7,739
- unlisted	-	43,676	-	43,676
Total	10,941,926	367,560	6,723,074	18,032,560

3 Financial risk management (Continued)

(b) Fair value estimation (Continued)

Financial instruments carried at fair value (Continued)

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

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

3 Financial risk management (Continued)

(b) Fair value estimation (Continued)

Financial instruments carried at fair value (Continued)

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

	Level 1 HK$'000	Level 2 HK$'000	Level 3 HK$'000	Total HK$'000
At 30th September 2016				
Financial liabilities at fair value through profit or loss				
Equity securities - held-for-trading				
- listed	(289,649)	-	-	(289,649)
Derivatives				
- listed	(115,533)	-	-	(115,533)
- unlisted	-	(116,903)	-	(116,903)
Total	(405,182)	(116,903)	-	(522,085)
At 31st March 2016				
Financial liabilities at fair value through profit or loss				
Equity securities - held-for-trading				
- listed	(354,369)	-	-	(354,369)
Derivatives				
- listed	(41,682)	-	-	(41,682)
- unlisted	-	(632,036)	-	(632,036)
Total	(396,051)	(632,036)	-	(1,028,087)

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

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

3 Financial risk management (Continued)

(b) Fair value estimation (Continued)

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.

At 30th September 2016, available-for-sale financial instruments of HK$6,707,002,000 (31st March 2016: HK$6,045,846,000) are measured with valuation techniques using significant unobservable inputs (level 3). It mainly included private equity funds, unquoted direct equity investments, hedge funds and real estate funds which represent approximate 38%, 32%, 7% and 14% (31st March 2016: 39%, 35%, 6% and 14%) of those level 3 investments respectively. Valuations are mainly using net asset value reported by the respective fund administrators. The Group has determined that the reported net asset value represents fair value at the end of the reporting period.

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.

At 30th September 2016, if the market values of the Group's available-for-sale financial assets increase/decrease by 10%, with all other variables held constant, would not affect the Group's post-tax profit unless there are impairments but would increase/decrease the Group's total equity by approximately HK$726,481,000 (31st March 2016: HK$704,346,000).

At 30th September 2016, 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$665,265,000 (31st March 2016: HK$684,440,000).

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

3 Financial risk management (Continued)

(b) Fair value estimation (Continued)

Financial instruments carried at fair value (Continued)

The following represents the changes in level 3 instruments for the six months ended 30th September 2016:

	Available-for-sale financial assets HK$'000	Financial assets at fair value through profit or loss and derivative financial instruments HK$'000
At 1st April 2016	6,045,846	16,665
Additions	969,795	-
Disposal	(548)	-
Return of capital	(92,428)	-
Total gains or losses recognised in		
- Income statement	-	(593)
- Other comprehensive income	(216,757)	-
Exchange translation differences	1,094	-
At 30th September 2016	6,707,002	16,072
At 1st April 2015	5,268,292	18,431
Additions	1,058,197	-
Disposal	(411,821)	-
Return of capital	(217,256)	-
Total gains or losses recognised in		
- Income statement	-	(1,023)
- Other comprehensive income	195,152	-
Exchange translation differences	(1,988)	-
At 30th September 2015	5,890,576	17,408

4 Critical accounting estimates and judgements

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

In preparing this condensed consolidated interim financial information, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements for the year ended 31st March 2016.

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 that makes 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 (included construction services)
- PRC and overseas properties
- Financial investment
- Corporate and treasury

The segment revenue includes revenue from sale of properties, rental income, construction revenue, hotel revenue, property management, dividend income from investments and interest income from debt and convertible securities.

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

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

Capital expenditure comprises additions to non-current assets other than the available-for-sale financial assets, loans and other receivable, amounts due from investee companies and deferred income tax assets.

5 Segment reporting (Continued)

The segment results for the six months ended 30th September 2016 are as follows:

	The Company and its subsidiaries		Joint ventures		Associates		Total	
	Revenue	Results	Share of revenue	Share of results	Share of revenue	Share of results	Segment revenue	Segment results
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Hong Kong properties	2,051,246	513,396	389,713	38,621	1,564	104,847	2,442,523	656,864
PRC and overseas properties	550,582	278,573	6,967	(8,673)	393,329	212,829	950,878	482,729
Financial investment	391,827	1,387,901	449	(263)	1,480	470	393,756	1,388,108
Corporate and treasury	-	(21,928)	-	-	-	-	-	(21,928)
	2,993,655	2,157,942	397,129	29,685	396,373	318,146	3,787,157	2,505,773

Segment results	2,505,773
Finance expense, net	(219,181)
Profit before income tax	2,286,592
Income tax expense	(341,384)
Profit for the period	1,945,208

The segment results for the six months ended 30th September 2015 are as follows:

	The Company and its subsidiaries		Joint ventures		Associates		Total	
	Revenue	Results	Share of revenue	Share of results	Share of revenue	Share of results	Segment revenue	Segment results
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Hong Kong properties	738,873	309,651	789,215	135,703	982,059	32,456	2,510,147	477,810
PRC and overseas properties	513,087	(503,087)	39,884	(15,098)	828,707	1,027,918	1,381,678	509,733
Financial investment	519,848	(828,028)	451	(219)	6,093	7,657	526,392	(820,590)
Corporate and treasury	-	(29,331)	-	-	-	-	-	(29,331)
	1,771,808	(1,050,795)	829,550	120,386	1,816,859	1,068,031	4,418,217	137,622

Segment results	137,622
Finance expense, net	(110,469)
Profit before income tax	27,153
Income tax expense	(144,655)
Loss for the period	(117,502)

5 Segment reporting (Continued)

The segment assets and liabilities at 30th September 2016 are as follows:

	The Company and its subsidiaries HK$'000	Joint ventures HK$'000	Associates HK$'000	Total assets HK$'000	Total liabilities HK$'000
Hong Kong properties	40,482,262	7,734,322	2,725,645	50,942,229	(4,173,750)
PRC and overseas properties	31,330,400	3,266,571	2,828,327	37,425,298	(3,115,353)
Financial investment	19,590,681	9,143	119,664	19,719,488	(692,728)
Corporate and treasury	14,543,892	-	-	14,543,892	(1,319,304)
	105,947,235	11,010,036	5,673,636	122,630,907	(9,301,135)
Deferred income tax assets				97,696	-
Prepaid tax				44,127	-
Bank borrowings				-	(15,292,297)
Guaranteed notes				-	(9,794,686)
Amount due to ultimate holding company				-	(2,177)
Deferred income tax liabilities				-	(2,868,419)
Tax payable				-	(1,034,533)
Consolidated total assets/ (liabilities)				122,772,730	(38,293,247)

The segment assets and liabilities at 31st March 2016 are as follows:

	The Company and its subsidiaries HK$'000	Joint ventures HK$'000	Associates HK$'000	Total assets HK$'000	Total liabilities HK$'000
Hong Kong properties	38,509,304	7,508,114	2,534,045	48,551,463	(4,493,853)
PRC and overseas properties	30,524,645	4,001,771	2,613,033	37,139,449	(2,446,184)
Financial investment	21,125,378	9,137	113,990	21,248,505	(1,101,285)
Corporate and treasury	12,840,411	-	-	12,840,411	(1,311,099)
	102,999,738	11,519,022	5,261,068	119,779,828	(9,352,421)
Deferred income tax assets				114,324	-
Prepaid tax				70,236	-
Bank borrowings				-	(13,779,611)
Guaranteed notes				-	(9,783,856)
Amounts due to ultimate holding company				-	(2,417)
Deferred income tax liabilities				-	(2,752,684)
Tax payable				-	(933,964)
Consolidated total assets/ (liabilities)				119,964,388	(36,604,953)

5 Segment reporting (Continued)

The Group's depreciation and amortisation, additions to non-current assets other than the available-for-sale financial assets, loans and other receivable, amounts due from investee companies and deferred income tax assets and revenue by geographical areas in which the customer/operations are located, irrespective of the origin of the goods/services are as follows:

	Depreciation and amortisation		Additions to non-current assets		Revenue by geographical/business segment	
	For the six months ended 30th September		For the six months ended 30th September		For the six months ended 30th September	
	2016	2015	2016	2015	2016	2015
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Hong Kong properties	40,531	37,180	586,655	349,244	2,051,246	738,873
PRC properties	46,298	52,259	331,237	328,203	509,315	485,682
Overseas properties	-	-	920,272	-	41,267	27,405
Financial investment	-	122	5,178	375	391,827	519,848
Corporate and treasury	231	261	-	-	-	-
	87,060	89,822	1,843,342	677,822	2,993,655	1,771,808

The following is an analysis of the Group's non-current assets other than the available-for-sale financial assets, loans and other receivable, amounts due from investee companies and deferred income tax assets by areas in which the business operations/assets are located.

	As at 30th September 2016	As at 31st March 2016
	HK$'000	HK$'000
Hong Kong	32,030,654	30,975,054
The PRC	25,242,731	28,005,488
Overseas	4,345,832	3,504,500
	61,619,217	62,485,042

6 Revenue and other income

	For the six months ended 30th September	
	2016	2015
	HK$'000	HK$'000
Revenue		
Sale of properties	1,499,216	122,194
Rental income	622,133	497,361
Construction revenue	193,837	337,889
Hotel revenue	192,671	181,157
Property management fee income	72,713	64,783
Dividend income from investments	292,771	365,779
Interest income from debt and convertible securities	120,314	202,645
	2,993,655	1,771,808
Other income, net		
Net gain/(loss) on financial assets at fair value through profit or loss (note a)	668,891	(936,553)
Net loss on derivatives (note b)	(47,965)	(555,655)
Others	50,378	47,332
	671,304	(1,444,876)

Notes:

(a) The amount comprised of realised gain of HK$201,172,000 (2015: realised gain of HK$353,849,000) and unrealised gain of HK$467,719,000 (2015: unrealised loss of HK$1,290,402,000) on financial assets at fair value through profit or loss.

(b) The amount comprised of realised gain of HK$16,199,000 (2015: realised loss of HK$413,663,000) and unrealised loss of HK$64,164,000 (2015: unrealised loss of HK$141,992,000) on derivatives.

7 Other gains/(losses), net

	For the six months ended 30th September 2016 HK$'000	2015 HK$'000
Impairment loss on available-for-sale financial assets	(15,205)	(6,877)
Net gain on disposal of available-for-sale financial assets	471,718	186,718
Net gain on disposal of subsidiaries	16,205	38,984
Net gain on disposal of joint ventures	57,542	-
Net gain on disposal of property, plant and equipment	51	486
Impairment of property, plant and equipment	-	(350)
Net (loss)/gain on disposal of investment properties (note (a))	(28)	4,566
Net exchange gain/(loss)	9,416	648
Provision for bad debt (note (b))	(3)	(499,436)
Others	(27,586)	12,506
	512,110	(262,755)

Notes:

(a) It is calculated as the sale proceeds of HK$2,772,000 (2015: HK$98,385,000) less cost of properties sold of HK$2,800,000 (2015: HK$93,819,000) (including net change of fair value of investment properties recognised in previous years of HK$2,150,000 (2015: HK$48,332,000)).

(b) Details of the provision for bad debt of HK$480,504,000 for the six months ended 30th September 2015 is included in note 13(a).

8 Operating profit/(loss)

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

	For the six months ended 30th September 2016 HK$'000	2015 HK$'000
Cost of properties sold	857,511	57,341
Cost of construction works	164,512	319,138
Hotel direct costs	91,779	88,829
Depreciation of property, plant and equipment (30th September 2015: net of amount capitalised in properties under development of HK$61,000)	80,539	82,886
Amortisation of land use rights	6,521	6,875
Impairment of properties for sale included in cost of sales	186,895	99,146
Staff costs (net of amount capitalised in properties under development of HK$18,095,000 (30th September 2015: HK$60,867,000)	372,446	344,496
Marketing and selling expenses	68,883	38,380

9 Finance (expense)/income, net

	For the six months ended 30th September 2016 HK$'000	2015 HK$'000
Interest income on		
- joint ventures	45,114	346,757
- associates	30,318	47,598
- investee companies	767	6,052
- non-controlling interest	-	13,162
- bank deposits	60,323	16,404
- others	15,236	1,602
	151,758	431,575
Interest expenses	(525,635)	(766,253)
Less: amount capitalised to properties under development	296,228	505,013
	(229,407)	(261,240)
Interest (expense)/income, net	(77,649)	170,335
Other finance charge	(7,231)	(6,536)
Net exchange loss on financing activities	(134,301)	(96,930)
Finance (expense)/income, net	(219,181)	66,869

10 Income tax expense

Taxes on income in the interim period are accrued using the tax rate that would be applicable to expected total annual earnings. Hong Kong profits tax has been provided at the rate of 16.5% (for the six months ended 30th September 2015: 16.5%) on the estimated assessable profit for the period. Subsidiaries established and operated in the PRC are subject to corporate income tax at the rate of 25% (for the six months ended 30th September 2015: 25%). Taxation on overseas profit has been calculated on the estimated assessable profit for the period 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% (for the six months ended 30th September 2015: 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.

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

	For the six months ended 30th September	
	2016	2015
	HK$'000	HK$'000
Current income tax		
Hong Kong profits tax		
- provision for current period	139,136	69,632
- over provision in prior years	(25,096)	(20)
PRC income tax		
- provision for current period	2,821	8,530
- over provision in prior years	-	(4,744)
Overseas taxation		
- provision for current period	2,324	1,314
- over provision in prior years	-	-
PRC land appreciation tax	14	8,412
Withholding tax	11,485	20,417
Deferred income tax	210,700	41,114
	341,384	144,655

Tax credit for the six months ended 30th September 2015 relating to components of other comprehensive income was HK$6,033,000.

The Group's share of tax charge of joint ventures and associates for the six months ended 30th September 2016 totalling HK$42,230,000 (for the six months ended 30th September 2015: HK$366,208,000) is included in the condensed consolidated income statement as share of results of joint ventures and associates.

11 Property, plant and equipment

	2016 HK$'000	2015 HK$'000
Net book amount:		
At 1st April	3,388,346	3,563,161
Additions	33,313	47,108
Disposal of a subsidiary	-	(388)
Disposals	(533)	-
Impairments	-	(350)
Transfer to assets classified as held-for-sale	(579)	-
Charge for the period	(80,539)	(82,947)
Exchange differences	(49,850)	(45,191)
At 30th September	3,290,158	3,481,393

12 Investment properties

	2016 HK$'000	2015 HK$'000
At 1st April	43,492,872	40,821,485
Additions	1,804,851	630,714
Net change in fair values	205,069	304,247
Disposals	(2,800)	(93,819)
Exchange differences	(821,243)	(712,401)
At 30th September	44,678,749	40,950,226

The analysis of valuation of the above investment properties at 30th September 2016 and 31st March 2016 are as follows:

	As at 30th September 2016 HK$'000	As at 31st March 2016 HK$'000
At external professional valuation	44,678,749	43,492,872

13 Joint ventures

	As at 30th September 2016 HK$'000	As at 31st March 2016 HK$'000
Share of net assets	1,968,114	2,053,934
Amounts due from joint ventures (note (a) & (b))	9,041,922	9,465,088
	11,010,036	11,519,022
Amounts due within one year included in current assets (note (a) & (b) and note 15)	(3,326,473)	(1,519,029)
	7,683,563	9,999,993
Amounts due to joint ventures (note (c) and note 19)	(354,046)	(234,054)

Notes:

(a) Included in the amounts due from joint ventures is a loan facility of RMB2,500 million (equivalent to HK$2,907 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. The balance will be repaid by tranches with final settlement in June 2017.

As at 30th September 2016, the outstanding loan balance amounted to RMB2,072 million (equivalent to HK$2,409 million) ((31st March 2016: RMB2,072 million (equivalent to HK$2,483 million)) and interest receivable amounted to RMB491 million (equivalent to HK$572 million) ((31st March 2016: RMB603 million (equivalent to HK$722 million)) (net of bad and doubtful debt provision of RMB395 million (equivalent to HK$459 million) (31st March 2016: RMB395 million (equivalent to HK$ HK$481 million))). Of which, total principal and interest of RMB578 million (equivalent to HK$672 million) was past due (31st March 2016: RMB690 million (equivalent to HK$827 million)). Subsequent to the period end and up to the date of this report, RMB40 million (equivalent to HK$47 million) was further received, the remaining balance is expected to be recovered after 12 months from the end of reporting period.

The Group has assessed the recoverability of the outstanding amounts and considered the risk of default of the loan principal is minimal as the Group will acquire from the Borrower a shopping mall of 150,000 sq.m at a fixed price of RMB13,000 per sq.m and carparks of approximately RMB140 million upon completion, total about RMB2,090 million (equivalent to HK$2,431 million).

13 Joint ventures (Continued)

Notes: (Continued)

(b) At 30th September 2016, except for amounts due from joint ventures of HK$1,042,232,000 (31st March 2016: HK$1,624,394,000) are interest free, the remaining balances are interest bearing.

As at 30th September 2016, other than the amounts due from joint ventures disclosed in note (a) above, HK$3,838,401,000 (31st March 2016: HK$3,738,780,000) and HK$1,179,945,000 (31st March 2016: HK$895,694,000) bear interest at prevailing market rates and fixed rate ranged from 2.2% to 3.5% (31st March 2016: 3.5% to 5.4%) per annum respectively.

HK$3,332,401,000 (31st March 2016: HK$3,232,780,000) is subordinated to the banks for the bank borrowings due by the joint ventures. Except for the loan to the PRC property developer, the remaining balances are unsecured.

(c) The amounts due to joint ventures are unsecured, interest free and have no fixed terms of repayment.

14 Associates

	As at 30th September 2016 HK$'000	As at 31st March 2016 HK$'000
Share of net assets	1,754,447	1,456,921
Amounts due from associates (note (a))	3,919,189	3,804,147
	5,673,636	5,261,068
Amounts due within one year included in current assets (note (a) and note 15)	(107,799)	(77,047)
	5,565,837	5,184,021
Amounts due to associates (note (b)) (note 19)	(1,012,980)	(549,166)

Note:

(a) At 30th September 2016, except for HK$1,491,716,000 (31st March 2016: HK$1,362,985,000) is interest free, HK$1,473,000 (31st March 2016: HK$1,633,000) and HK$2,426,000,000 (31st March 2016: HK$2,439,529,000) bear interest at prevailing market rate and 2.5% (31st March 2016: 2.6%) per annum respectively.

(b) The amounts due to associates are unsecured, interest free and have no fixed terms of repayment.

15 Loans and other receivable/trade and other receivables, deposits and prepayments

	As at 30th September 2016 HK$'000	As at 31st March 2016 HK$'000
Loans and other receivable		
Loans receivable	396,403	89,741
Less: current portion of loans receivable	(20,583)	(8,514)
	375,820	81,227
Other receivable (note (a))	335,839	330,485
	711,659	411,712

	As at 30th September 2016 HK$'000	As at 31st March 2016 HK$'000
Trade and other receivables, deposits and prepayments		
Trade receivables	317,619	235,303
Other receivables and deposits	743,779	640,930
Disposal proceeds receivable (note (a) & (b))	432,772	611,686
Interest receivable	81,189	216,176
Stakeholders' accounts	188,840	671,276
Prepayments	254,302	239,770
Loans receivable	20,583	8,514
Amounts due from joint ventures (note 13)	3,326,473	1,519,029
Amounts due from associates (note 14)	107,799	77,047
Amounts due from investee companies	-	505
Amounts due from non-controlling interest (note (c))	210,435	117,084
Amounts due from related companies (note (d))	55,999	137,607
	5,739,790	4,474,927

15 Loans and other receivable/trade and other receivables, deposits and prepayments (Continued)

Note:

(a) On 3rd December 2015, the Group entered into a conditional sale and purchase agreement with independent third party (the "Purchaser"), for the (i) sale of 86.33% of the issued share capital of Zhao De Land Limited at a consideration of approximately HK$771 million, subject to adjustment and (ii) assignment of shareholder's loan of approximately HK$427 million (the "Transaction"). The transaction was completed on 31st March 2016.

The consideration is to be settled by several instalments with the last due date being 31st March 2018. As at 30th September 2016, HK$479 million (31st March 2016: HK$479 million) was received from the Purchaser, comprised of HK$52 million (31st March 2016: HK$52 million) consideration of issued share capital and HK$427 million (31st March 2016: HK$427 million) consideration of shareholder's loan.

As at 30th September 2016, present value of consideration received and receivable is approximately HK$739 million (31st March 2016: HK$727 million), of which, HK$351 million (31st March 2016:HK$345 million) consideration receivable which will be due on 31st March 2017 is included in trade and other receivables, deposits and prepayments as current assets while the remaining HK$336 million (31st March 2016:HK$330 million) consideration receivable which will be due on 31st March 2018 is included in loans and other receivable as non-current assets.

(b) On 29th April 2016, the Group entered into a sale and purchase agreement with an independent third party for sale of 100% of the issued share capital of 無錫市馬山靈聖置業有限公司 at a consideration of approximately RMB120 million (equivalent to HK$140 million), subject to adjustment (the "Transaction"). The Transaction was completed on 31st May 2016. As at 30th September 2016, RMB50 million (equivalent to HK$58 million) was received, another RMB50 million (equivalent to HK$58 million) was further received on 31st October 2016 while the remaining RMB20 million (equivalent to HK$24 million) will be settled in January 2017.

(c) As at 30th September 2016, the amounts due from non-controlling interest are unsecured, interest free and have no fixed terms of repayment.

(d) As at 30th September 2016, the amounts due from related companies are unsecured, interest free and have no fixed terms of repayment. The balances are fully performing and none of them are past due or impaired.

16 Assets and liabilities classified as held-for-sale

	As at 30th September 2016 HK$'000
Property, plant and equipment	579
Properties for sale	653,662
Other receivables and deposits	1,450
Cash and bank balances	9,504
Assets classified as held-for-sale	665,195
Other payables, deposits and accruals	(8,865)
Amount due to related companies	(9,012)
Liabilities classified as held-for-sale	(17,877)

On 9th September 2016, the Group entered into a letter of intent with an independent third party for (i) disposal of 100% interests in a wholly-owned subsidiary, Vastline Limited ("Vastline") and (ii) assignment of shareholder's loan (collectively referred to as the "Transactions") at an aggregated consideration of RMB620 million (equivalent to HK$721 million), subject to adjustments. Impairment loss of approximately HK$187 million is recognised in the current period. Impairment loss is calculated as net realisable values less carrying amounts taken into account consideration and transaction costs of the Transactions. Subsequently, the Group entered into a sale and purchase agreement on 18th October 2016 and the Transactions were completed on 4th November 2016. As a result, assets and liabilities of Vastline and its subsidiaries were presented as held-for-sale in the financial statements.

17 Share capital

	Number of shares (thousands)	Amount HK$'000
Authorised:		
Ordinary shares of 1 HK dollar each		
At 31st March 2016 and 30th September 2016	1,000,000,000	1,000,000,000
Issued and fully paid:		
Ordinary shares of 1 HK dollar each		
At 31st March 2016 and 30th September 2016	62,743,532	62,743,532

18 Bank borrowings and guaranteed notes

	As at 30th September 2016 HK$'000	As at 31st March 2016 HK$'000
Bank borrowings (note (a) and (b))		
Long-term bank borrowings		
- secured	7,856,532	7,310,696
- unsecured	6,195,490	5,998,595
Less: current portion of long-term borrowings	(382,449)	(2,092,101)
	13,669,573	11,217,190
Current portion of long-term borrowings		
- secured	382,449	2,092,101
Other short-term bank borrowings		
- secured	1,014,284	436,131
Other borrowings	225,991	34,189
	1,622,724	2,562,421
	15,292,297	13,779,611
Guaranteed notes		
Guaranteed notes (note (c))		
- listed	4,649,777	4,642,781
Medium term notes (note (d))		
- listed	3,840,662	3,837,247
- unlisted	1,304,247	1,303,828
	9,794,686	9,783,856
Less: current portion of guaranteed notes	(4,649,777)	(4,642,781)
	5,144,909	5,141,075

As at 30th September 2016 and 31st March 2016, the Group's bank borrowings and guaranteed notes were repayable as follows:

	As at 30th September 2016 HK$'000	As at 31st March 2016 HK$'000
Within one year	6,272,501	7,205,202
Between one and two years	2,731,314	621,944
Between two and three years	3,889,055	6,011,687
Between three and four years	1,085,137	1,616,528
Between four and five years	3,670,701	2,080,261
Over five years	7,438,275	6,027,845
	25,086,983	23,563,467

18 Bank borrowings and guaranteed notes (Continued)

Notes:

(a) These bank borrowings are secured by property, plant and equipment, investment properties, land use rights, properties for sale, available-for-sale financial assets and financial assets at fair value through profit or loss (note 21).

(b) The effective interest rate on the bank borrowings as at 30th September 2016 is 3.35% (31st March 2016: 4.62%) per annum. The balance approximates its fair value.

(c) Guaranteed notes were issued by a subsidiary of the Company to investors on 20th January 2012 and 13th February 2012 respectively. The notes were issued for a principal amount of US$350,000,000 and US$250,000,000 with maturity date on 20th January 2017. The notes bear interests of 5.25% per annum which are repayable semi-annually in arrear. The notes are guaranteed unconditionally and irrevocably by NFIHL and listed on Singapore Exchange Securities Trading Limited ("SGX"). As at 30th September 2016, the fair value of the guaranteed notes is HK$4,702,576,000 (31st March 2016: HK$4,770,542,000), which are within level 1 of fair value hierarchy.

(d) Nan Fung Treasury Limited, a subsidiary of the Group has established a Medium Term Note Programme with aggregate nominal amount of US$2 billion ("MTN"). As at 30th September 2016, the Group has drawdown of totalling HK$5,187,900,000, of which US$500,000,000 is listed on SGX. The details of the drawdown are as follows:

Issue dates	Principal loan drawdown amount	Maturity date	Fixed 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

The MTN is guaranteed unconditionally and irrevocably by NFIHL. HK$4,292,814,000 (31st March 2016: HK$4,095,734,000) is within level 1 of fair value hierarchy and the remaining is within level 2 of fair value hierarchy which is estimated using other comparable prices observed in the market. As at 30th September 2016, the fair values of the MTN are HK$5,734,128,000 (31st March 2016: HK$5,474,706,000). Total remaining capacity of the MTN amounted to US$1,331,091,000 (31st March 2016: US$1,331,057,000).

19 Trade and other payables, deposits and accruals

	As at 30th September 2016 HK$'000	As at 31st March 2016 HK$'000
Trade and other payables and accruals	2,324,856	1,346,495
Accruals for construction work	462,624	1,101,619
Rental and other deposits received	443,897	411,940
	3,231,377	2,860,054
Amounts due to customers for contract work	79,100	90,236
Amounts due to joint ventures (note 13)	354,046	234,054
Amounts due to associates (note 14)	1,012,980	549,166
Amounts due to investee companies (note (a))	3,667	1,373
Amounts due to related companies and individuals (note (b))	1,525,959	1,601,561
Amount due to ultimate holding company (note (c))	2,177	2,417
Amounts due to non-controlling interests (note (d))	2,199,793	2,478,302
	8,409,099	7,817,163

(a) At 30th September 2016, amounts due to investee companies are unsecured, interest free and have no fixed terms of repayment.

(b) At 30th September 2016, amounts due to related companies and individuals of HK$4,608,000 (31st March 2016: HK$4,585,000) bear interest at 1% per annum (31st March 2016: 1% per annum) and remaining balances are interest free. The balances are unsecured and have no fixed terms of repayment.

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

(d) At 30th September 2016, amounts due to non-controlling interests of HK$684,904,000 (31st March 2016: HK$684,602,000) with interest bearing with rates vary from 2.06% to 4.77% (31st March 2016: 2.69% to 4.77%). The remaining balance is interest free. The balances are unsecured and have no fixed terms of repayment.

At 31st March 2016, HK$49,333,000 was unsecured with interest bearing at 3-month HIBOR plus 1%, equivalent to 1.56% per annum. The balance was settled during the period.

20 Note to condensed consolidated statement of cash flows

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

	For the six months ended 30th September	
	2016	2015
	HK$'000	HK$'000
Profit before income tax	2,286,592	27,153
Adjustments for:		
Depreciation of property, plant and equipment	80,539	82,886
Amortisation of land use rights	6,521	6,875
Fair value gain on investment properties, net	(205,069)	(304,247)
Net gain on disposal of available-for-sale financial assets	(471,718)	(186,718)
Net gain on disposal of subsidiaries	(16,205)	(38,984)
Net gain on disposal of joint ventures	(57,542)	-
Impairment loss on available-for-sale financial assets	15,205	6,877
Impairment of properties for sale	186,895	99,146
Provision for bad debt	3	499,436
Interest income	(151,758)	(431,575)
Interest expenses	229,407	261,240
Share of results of joint ventures	(29,685)	(120,386)
Share of results of associates	(318,146)	(1,068,031)
Others	(2)	(4,702)
Net cash generated from/(used in) operating profit before working capital changes	1,555,037	(1,171,030)
Decrease/(increase):		
Properties for sale	(1,292,316)	(345,323)
Trade and other receivables, deposits and prepayments	311,314	654,315
Amounts due from customers for contract work	-	12,064
Financial assets at fair value through profit or loss and derivative financial instruments	836,223	2,662,155
Increase/(decrease):		
Trade and other payables, deposits and accrued expenses	453,385	(3,039,414)
Receipts in advance on properties for sale under development	209,582	2,437,854
Amount due to customer for contract work	(11,136)	34,234
Financial liabilities at fair value through profit or loss and derivative financial instruments	(346,753)	189,238
Net cash generated from operations	1,715,336	1,434,093

21 Pledge of assets

	As at 30th September 2016 HK$'000	As at 31st March 2016 HK$'000
Property, plant and equipment	1,544,603	1,725,930
Investment properties	22,081,090	21,243,891
Land use rights	400,910	419,810
Available-for-sale financial assets	76,940	103,071
Properties for sale	1,934,523	1,962,783
Financial assets at fair value through profit or loss	8,919,763	5,566,524
	34,957,829	31,022,009

At 30th September 2016, the above assets were pledged together with the assignment of rental income from those properties for sale in favour of banks to secure banking facilities of approximately HK$42,577,887,000 (31st March 2016: HK$34,425,543,000) granted to the Group of which approximately HK$14,148,549,000 (31st March 2016: HK$13,844,907,000) was utilised at the end of reporting period.

22 Financial guarantees/contingent liabilities

(a) Guarantees

	As at 30th September 2016		As at 31st March 2016	
	Facility amount HK$'000	Utilised HK$'000	Facility amount HK$'000	Utilised HK$'000
Guarantees executed in respect of banking facilities granted to				
- related companies	8,686	8,686	15,947	15,947
- joint ventures	3,451,612	3,451,612	3,935,114	3,855,114
	3,460,298	3,460,298	3,951,061	3,871,061

(b) The Company and its subsidiary have undertaken to a bank amounting to HK$22,000,000 (31st March 2016: HK$1,709,916,000) in respect of the performance bonds issued for the contract works entered by its subsidiary and joint ventures.

23 Commitments

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

(a) Capital commitments

(i) The Group had capital commitments for investment properties under development, investment properties, and uncalled capital commitments to invest in the funds as follows:

	As at 30th September 2016 HK$'000	As at 31st March 2016 HK$'000
Contracted but not provided for	4,087,600	3,038,302

(ii) The Group's share of capital commitments of the joint ventures themselves not included in the above are as follows:

	As at 30th September 2016 HK$'000	As at 31st March 2016 HK$'000
Contracted but not provided for	565,915	805,773

(b) Commitments under operating leases

The Group had future aggregate minimum lease payments under non-cancellable operating leases for buildings as follows:

	As at 30th September 2016 HK$'000	As at 31st March 2016 HK$'000
Third parties		
- not later than one year	8,853	6,134
- later than one year and not later than five years	10,376	3,416
	19,229	9,550

24 Future operating lease receivables

The Group had future aggregate minimum lease receivables under non-cancellable operating leases in respect of the Group's investment properties and properties for sale as follows:

	As at 30th September 2016 HK$'000	As at 31st March 2016 HK$'000
Not later than one year	1,052,498	966,667
Later than one year and not later than five years	2,272,681	2,113,234
Later than five years	865,492	920,883
	4,190,671	4,000,784

25 Significant related party transactions

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

	For the six months ended 30th September	
	2016 HK$'000	2015 HK$'000
Income:		
From joint ventures		
- Contract revenue (note (a))	75,017	151,493
Expenses:		
Paid to related companies		
- Management fee expenses (note (b))	-	25,773
- Marketing service expenses (note (c))	-	21,373
Key management compensation	33,978	39,142

25 Significant related party transactions (Continued)

Notes:

(a) Contract revenue was received from related companies for the construction work. Revenue was derived from contract with 3% to 5% mark up on costs as agreed between both parties.

(b) Management fee expenses 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.

(c) Marketing service expenses were charged for marketing services provided by certain related companies to the subsidiaries of the Group. The terms were determined by and agreed between both parties.

26 Comparatives

Certain comparative amounts have been reclassified to conform to the current period's presentation.

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