



**Sinochem Hong Kong (Group)
Company Limited**

**Interim Condensed
Consolidated Financial Statements
for the six months ended 30 June 2019**

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Review report to the board of directors of Sinochem Hong Kong (Group) Company Limited *(Incorporated in Hong Kong with limited liability)*

Introduction

We have reviewed the interim condensed consolidated financial statements set out on pages 3 to 36, which comprise the consolidated statement of financial position of Sinochem Hong Kong (Group) Company Limited (the “Company”) and its subsidiaries (together, the “Group”) as of 30 June 2019 and the related consolidated statement of comprehensive income, consolidated statement of changes in equity and condensed consolidated statement of cash flows for the six month period then ended and explanatory notes. The directors of the Company are responsible for the preparation and presentation of interim condensed consolidated financial statements in accordance with Hong Kong Accounting Standard 34, *Interim financial reporting*, issued by the Hong Kong Institute of Certified Public Accountants.

Our responsibility is to form a conclusion, based on our review, on the interim condensed consolidated financial statements 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 Hong Kong Standard on Review Engagements 2410, *Review of interim financial information performed by the independent auditor of the entity*, issued by the Hong Kong Institute of Certified Public Accountants. A review of the interim condensed consolidated financial statements consists of making enquiries, 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 Hong Kong 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.

**Review report to the board of directors of
Sinochem Hong Kong (Group) Company Limited
(continued)**
(Incorporated in Hong Kong with limited liability)

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the interim condensed consolidated financial statements as at 30 June 2019 are not prepared, in all material respects, in accordance with Hong Kong Accounting Standard 34, *Interim financial reporting*.

KPMG
Certified Public Accountants

8th Floor, Prince's Building
10 Chater Road
Central, Hong Kong

5 September 2019

Consolidated statement of comprehensive income for the six months ended 30 June 2019 - unaudited

(Expressed in Hong Kong dollars)

	Note	Six months ended 30 June	
		2019	2018 (Note)
		HK\$ million	HK\$ million
REVENUE	4	33,385	45,174
Cost of sales		(25,677)	(32,908)
Gross profit		7,708	12,266
Other income, gains and losses, net	6	3,971	1,017
Selling and distribution expenses		(929)	(948)
Administrative expenses		(2,092)	(1,755)
Fair value changes of investment properties		674	255
Finance costs:	7(a)		
Interest expenses		(1,872)	(2,180)
Transaction costs		(21)	(34)
Share of profits and losses of:			
Joint ventures		248	(12)
Associates		(44)	57
PROFIT BEFORE TAXATION	7	7,643	8,666
Income tax expense	8	(1,932)	(3,070)
PROFIT FOR THE PERIOD		5,711	5,596
Attributable to:			
Owners of the parent		2,058	1,891
Non-controlling interests		3,653	3,705
		5,711	5,596

The notes on pages 15 to 36 from part of the interim condensed consolidated financial statements.

Consolidated statement of comprehensive income for the six months ended 30 June 2019 – unaudited (continued)

(Expressed in Hong Kong dollars)

	Note	Six months ended 30 June	
		2019	2018 (Note)
		HK\$ million	HK\$ million
PROFIT FOR THE PERIOD		5,711	5,596
OTHER COMPREHENSIVE INCOME			
Other comprehensive income to be reclassified to profit or loss in subsequent periods:			
Cash flow hedges, net of tax		(26)	24
Net investment hedge, net of tax		-	17
Exchange differences on translation of foreign operations		(790)	(1,384)
Net other comprehensive income to be reclassified to profit or loss in subsequent periods		(816)	(1,343)
Other comprehensive income not to be reclassified to profit or loss in subsequent periods:			
Gain on property revaluation, net of tax		60	12
Net loss on equity investment at fair value through other comprehensive income		(59)	(156)
Net other comprehensive income not to be reclassified to profit or loss in subsequent periods		1	(144)
OTHER COMPREHENSIVE INCOME FOR THE PERIOD, NET OF TAX		(815)	(1,487)
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		4,896	4,109

The notes on pages 15 to 36 from part of the interim condensed consolidated financial statements.

**Consolidated statement of comprehensive income
 for the six months ended 30 June 2019 – unaudited
 (continued)**
(Expressed in Hong Kong dollars)

	Note	<u>Six months ended 30 June</u>	
		2019	2018 (Note)
		HK\$ million	HK\$ million
Total comprehensive income attributable to:			
Owners of the parent		1,493	1,123
Non-controlling interests		3,403	2,986
		<u>4,896</u>	<u>4,109</u>

Note:

The Group has initially applied HKFRS 16 at 1 January 2019 using the modified retrospective approach. Under this approach, comparative information is not restated. See note 3.

The notes on pages 15 to 36 form part of the interim condensed consolidated financial statements.

Consolidated statement of financial position as at 30 June 2019 - unaudited (Expressed in Hong Kong dollars)

	Note	30 June 2019 HK\$ million	31 December 2018 (Note) HK\$ million
NON-CURRENT ASSETS			
Property, plant and equipment	10	15,740	15,539
Land under development	9	11,347	10,924
Properties under development		57,823	57,201
Investment properties		35,274	33,856
Right-of-use assets	3	2,431	-
Prepaid land lease payments	3	-	2,216
Goodwill		4,025	4,028
Intangible assets		724	674
Investments in joint ventures		13,057	8,857
Investments in associates		7,320	8,705
Financial assets at fair value through other comprehensive income		1,634	1,767
Amounts due from related parties		30,927	30,858
Deferred tax assets		2,854	2,293
Amounts due from non-controlling shareholders		3,487	4,138
Other non-current assets		4,477	1,854
Total non-current assets		191,120	182,910

The notes on pages 15 to 36 from part of the interim condensed consolidated financial statements.

Consolidated statement of financial position as at 30 June 2019 – unaudited (continued)

(Expressed in Hong Kong dollars)

	Note	30 June 2019 HK\$ million	31 December 2018 (Note) HK\$ million
CURRENT ASSETS			
Inventories		6,263	6,476
Land under development	9	2,665	3,538
Properties under development		59,157	55,321
Properties held for sale		14,949	10,261
Prepaid land lease payments		-	77
Trade and bills receivables	11	2,160	1,502
Contract assets		224	176
Prepayments, deposits and other receivables		31,654	25,127
Amounts due from related parties		54,835	54,648
Prepaid taxes		4,072	3,409
Derivative financial instruments		1	8
Restricted bank balances		6,293	5,087
Cash and cash equivalents	12	30,455	28,320
Other financial assets		322	306
Total current assets		<u>213,050</u>	<u>194,256</u>
CURRENT LIABILITIES			
Trade and bills payables	13	18,993	16,511
Other payables and accruals		93,686	82,188
Derivative financial instruments		100	75
Interest-bearing borrowings	14	37,802	32,361
Amounts due to related parties		29,492	19,545
Tax payable		1,327	1,956
Provision for land appreciation tax		3,073	3,060
Total current liabilities		<u>184,473</u>	<u>155,696</u>
NET CURRENT ASSETS		<u>28,577</u>	<u>38,560</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>219,697</u>	<u>221,470</u>

The notes on pages 15 to 36 from part of the interim condensed consolidated financial statements.

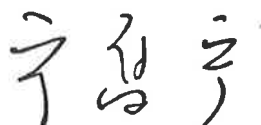
Consolidated statement of financial position as at 30 June 2019 – unaudited (continued)

(Expressed in Hong Kong dollars)

	Note	30 June 2019	31 December 2018 (Note)
		HK\$ million	HK\$ million
NON-CURRENT LIABILITIES			
Interest-bearing borrowings	14	92,893	95,884
Lease liabilities	3	126	-
Deferred tax liabilities		7,286	6,395
Deferred income		76	83
Derivative financial instruments		61	51
Other non-current liabilities		104	119
Total non-current liabilities		<u>100,546</u>	<u>102,532</u>
NET ASSETS		<u>119,151</u>	<u>118,938</u>
CAPITAL AND RESERVES			
Issued capital	15	24,468	24,468
Reserves		<u>21,906</u>	<u>20,581</u>
Equity attributable to owners of the parent		46,374	45,049
Non-controlling interests		<u>72,777</u>	<u>73,889</u>
TOTAL EQUITY		<u>119,151</u>	<u>118,938</u>

Note:

The Group has initially applied HKFRS 16 at 1 January 2019 using the modified retrospective approach. Under this approach, comparative information is not restated. See note 3.



Director



Director

The notes on pages 15 to 36 form part of the interim condensed consolidated financial statements.

Consolidated statement of changes in equity for the six months ended 30 June 2019 – unaudited (Expressed in Hong Kong dollars)

Note	Attributable to owners of the parent										Total equity HK\$ million		
	Issued capital HK\$ million	Capital reserve HK\$ million (Note a)	Asset revaluation reserve HK\$ million	Merger reserve HK\$ million (Note b)	Statutory reserve HK\$ million (Note c)	Investment revaluation reserve HK\$ million	Translation reserve HK\$ million	Other contribution reserve HK\$ million (Note d)	Hedging reserve HK\$ million	Retained profits HK\$ million		Total HK\$ million	Non- controlling interests HK\$ million
At 1 January 2019	24,468	(2,346)	604	(3,837)	4,572	103	(1,345)	2,433	23	20,374	45,049	73,889	118,938
Profit for the period	-	-	-	-	-	-	-	-	-	2,058	2,058	3,653	5,711
Other comprehensive income for the period:													
Net loss on equity investment at fair value through other comprehensive income	-	-	-	-	-	(53)	-	-	-	-	(53)	(6)	(59)
Cash flow hedges, net of tax	-	-	-	-	-	-	(529)	-	(13)	-	(13)	(13)	(26)
Exchange differences on translation of foreign operations	-	-	30	-	-	-	-	-	-	-	-	(261)	(790)
Gains on property revaluation, net of tax	-	-	-	-	-	-	-	-	-	-	30	30	60
Total comprehensive income for the period, net of tax	-	-	30	-	-	(53)	(529)	-	(13)	2,058	1,493	3,403	4,896
Capital contribution from non-controlling shareholders	-	2	-	-	-	-	-	-	-	-	2	1,478	1,480
Reduction in non-controlling interests through capital injection	-	(15)	-	-	-	-	-	-	-	-	(15)	15	-
Exercise of share options of subsidiaries	-	62	-	-	-	-	-	-	-	-	62	10	72
Dividends declared to non-controlling shareholders	-	-	-	-	-	-	-	-	-	-	-	(1,231)	(1,231)
Transfer from retained profits	-	-	-	286	-	-	-	-	-	(286)	-	-	-
Acquisition of subsidiaries	-	-	-	-	-	-	-	-	-	-	-	810	810
Disposal of subsidiaries	-	-	-	-	-	-	-	-	-	-	-	(732)	(732)
Acquisition of non-controlling interests	-	(217)	-	-	-	-	-	-	-	-	(217)	(2,066)	(2,273)
Redemption of perpetual securities	-	-	-	-	-	-	-	-	-	-	-	(2,299)	(2,299)
Equity-settled share-based payment of subsidiaries	-	-	-	-	-	-	-	-	-	-	-	43	43
Distribution paid on perpetual capital securities	-	-	-	-	-	-	-	-	-	-	-	(553)	(553)
Maintenance and production fund	-	-	-	-	-	-	-	3	-	(3)	-	-	-
At 30 June 2019	24,468	(2,514)*	634*	(3,837)*	4,858*	50*	(1,874)*	2,436*	10*	22,143*	46,374	72,777	119,151

The notes on pages 15 to 36 form part of the interim condensed consolidated financial statements.

Consolidated statement of changes in equity for the six months ended 30 June 2019 – unaudited (continued) (Expressed in Hong Kong dollars)

	Attributable to owners of the parent										Non-controlling interests HK\$ million	Total equity HK\$ million		
	Issued capital HK\$ million	Capital reserve HK\$ million (Note a)	Asset revaluation reserve HK\$ million	Merger reserve HK\$ million (Note b)	Statutory reserve HK\$ million (Note c)	Investment revaluation reserve HK\$ million	Translation reserve HK\$ million	Other contribution reserve HK\$ million (Note d)	Perpetual capital securities HK\$ million	Hedging reserve HK\$ million			Retained profits HK\$ million	Total HK\$ million
At 31 December 2017	24,468	(1,604)	573	(3,837)	3,875	474	1,667	2,427	4,619	(35)	19,314	51,941	61,691	113,632
Adjustment on adoption of HKFRS 15, net of tax	-	-	-	-	-	(20)	-	-	-	-	34	72	34	106
Adjustment on adoption of HKFRS 9, net of tax	-	-	-	-	-	-	-	-	-	-	57	37	34	71
At 1 January 2018	24,468	(1,604)	573	(3,837)	3,875	454	1,667	2,427	4,619	(35)	19,405	52,012	61,797	113,809
Profit for the period	-	-	-	-	-	-	-	-	-	-	1,891	1,891	3,705	5,596
Other comprehensive income for the period	-	-	-	-	-	(155)	-	-	-	-	-	(155)	(1)	(156)
Net loss on financial assets at FVOCI	-	-	-	-	-	-	-	-	-	-	-	(155)	(1)	(156)
Cash flow hedges, net of tax	-	-	-	-	-	-	-	-	-	24	-	24	-	24
Net investment hedge, net of tax	-	-	-	-	-	-	-	-	-	9	-	9	8	17
Exchange differences on translation of foreign operations	-	-	-	-	-	-	(655)	-	-	-	-	(655)	(729)	(1,384)
Gains on property revaluation, net of tax	-	-	9	-	-	-	-	-	-	-	-	9	3	12
Total comprehensive income for the period, net of tax	-	-	9	-	-	(155)	(655)	-	-	33	1,891	1,123	2,986	4,109
Issue of shares to non-controlling shareholders	-	(323)	-	-	-	-	-	-	-	-	-	(323)	3,628	3,305
Repurchase of shares to non-controlling shareholders	-	4	-	-	-	-	-	-	-	-	-	4	(70)	(66)
Exercise of share options of subsidiaries	-	-	-	-	-	-	-	-	-	-	-	-	5	5
Dividends distributed	-	-	-	-	-	-	-	-	-	-	(471)	(471)	(1,286)	(471)
Dividends declared to non-controlling shareholders	-	-	-	-	-	-	-	-	-	-	-	-	(1,286)	(1,286)
Transfer from retained profits	-	-	-	-	13	-	-	-	-	-	(13)	(13)	(3,292)	(3,443)
Acquisition of non-controlling interests	-	(151)	-	-	-	-	-	-	-	-	-	(151)	(534)	(534)
Distribution paid on issued perpetual securities of China Jimmao Holdings Group Limited ("Jimmao")	-	-	-	-	-	-	-	-	-	-	-	-	14	14
Equity-settled share-based payment of subsidiaries	-	-	-	-	-	-	-	-	-	-	(118)	(118)	-	(118)
Distribution paid on perpetual capital securities	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Transfer of share option Reserve upon the forfeiture or expiry of share options	-	-	-	-	-	-	-	-	-	-	1	1	(1)	-
Capital contribution from non-controlling shareholders	-	3	-	-	-	-	-	-	-	-	-	3	646	649
Maintenance and production fund	-	-	-	-	-	-	6	-	-	-	(6)	-	-	-
At 30 June 2018	24,468	(2,071)	582	(3,837)	3,888	299	1,012	2,433	4,619	(2)	20,689	52,080	63,893	115,973

* These reserve accounts comprise the consolidated reserves of HK\$21,906 million in the interim condensed consolidated statement of financial position.

Note: The Group has initially applied HKFRS 16 at 1 January 2019 using the modified retrospective approach. Under this approach, comparative information is not restated. See note 3.

The notes on pages 15 to 36 form part of the interim condensed consolidated financial statements.

Consolidated statement of changes in equity for the six months ended 30 June 2019 – unaudited (continued) (Expressed in Hong Kong dollars)

Notes:

- (a) The capital reserve of the Group mainly comprises (i) contributions from owners in respect of settlement of doubtful receivables which have been written off and the transfer of an equity interest in a joint venture to the Group in previous years; and (ii) contributions made by the shareholders to the Company's subsidiaries.
- (b) The merger reserve of the Group comprises the difference between the nominal value of the shares of the subsidiaries acquired and the nominal value of the shares issued by the holding companies of the acquirees as consideration for the group restructuring transactions.
- (c) Statutory reserve comprises the statutory reserve fund, reserve fund and enterprise expansion fund. In accordance with the relevant PRC rules and regulations, each of the Group's PRC subsidiaries is required to transfer an amount of its profit after income tax to the statutory reserve fund, until the accumulated total of the fund reaches 50% of its registered capital. The appropriations to the reserve fund and enterprise expansion fund are determined by the articles of association of the Company's subsidiaries and are subject to the approval by the boards of directors of the subsidiaries.
- (d) Other contribution reserve mainly comprises capital contributions, maintenance and production fund, capital contribution for energy saving and emission reduction projects, and deemed contributions from equity owners net of deemed distributions to equity owners. The maintenance and production fund is appropriated/utilised in accordance with relevant PRC regulations on certain enterprises.

The notes on pages 15 to 36 form part of the interim condensed consolidated financial statements.

Condensed consolidated statement of cash flows for the six months ended 30 June 2019 – unaudited

(Expressed in Hong Kong dollars)

	Note	Six months ended 30 June	
		2019	2018
		HK\$ million	(Note) HK\$ million
NET CASH FLOWS FROM OPERATING ACTIVITIES			
Cash generated from operations		7,498	3,583
Income tax paid		(3,046)	(2,305)
Net cash generated from operating activities		<u>4,452</u>	<u>1,278</u>
NET CASH FLOWS FROM INVESTING ACTIVITIES			
Increase in loans to joint ventures and associates		(6,746)	(1,217)
Decrease in amounts due from other related parties		6,136	2,113
Increase in restricted bank deposits		(1,128)	(868)
Disposal/deemed disposal of subsidiaries	17	(1,442)	(2,213)
Proceeds from disposal of associates		506	6,884
Acquisition of subsidiaries	16	(365)	-
(Increase)/decrease in entrusted loans to non-controlling shareholders		(57)	407
Additions to investments in associates		(969)	(108)
Additions to investments in joint ventures		(3,054)	(2,339)
Advances of investment to third parties		(1,687)	(7,131)
Decrease in other financial assets		1,191	6,983
Increase in long-term time deposit		(3,903)	-
Other investing activities		(133)	469
Net cash (used in)/generated from investing activities		<u>(11,651)</u>	<u>2,980</u>

The notes on pages 15 to 36 form part of the interim condensed consolidated financial statements.

Condensed consolidated statement of cash flows
for the six months ended 30 June 2019 – unaudited
(continued)
(Expressed in Hong Kong dollars)

	Note	Six months ended 30 June	
		2019	2018 (Note)
		HK\$ million	HK\$ million
NET CASH FLOWS FROM FINANCING ACTIVITIES			
New bank loans and other loans		46,231	37,885
Repayment of bank loans and other loans		(40,657)	(25,387)
Issue of shares to non-controlling shareholders		-	3,305
Interest paid		(2,709)	(3,700)
Loans from non-controlling shareholders		2,775	99
Dividends paid		(852)	(471)
Acquisition of non-controlling interests		(2,273)	(3,443)
Increase/(decrease) in amounts due to related parties		10,213	(3,002)
Redemption of perpetual securities		(2,299)	-
Perpetual securities' distribution paid		(553)	(538)
Advanced investment received from third parties		1,833	5,158
Repayment of loans from non-controlling shareholders		(3,735)	(1,746)
Capital contribution from non-controlling shareholders		1,480	643
Other financing activities		21	(687)
		<u>9,475</u>	<u>8,116</u>
Net cash generated from financing activities		9,475	8,116
NET INCREASE IN CASH AND CASH EQUIVALENTS		2,276	12,374

The notes on pages 15 to 36 form part of the interim condensed consolidated financial statements.

Condensed consolidated statement of cash flows for the six months ended 30 June 2019 – unaudited (continued)

(Expressed in Hong Kong dollars)

	Note	Six months ended 30 June	
		2019	2018 (Note)
		HK\$ million	HK\$ million
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD		28,320	27,672
Effect of foreign exchange rate changes, net		(141)	(586)
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD		30,455	39,460
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and cash equivalents as stated in the consolidated statement of financial position	12	30,455	39,460

Note:

The Group has initially applied HKFRS 16 at 1 January 2019 using the modified retrospective approach. Under this approach, comparative information is not restated. See note 3.

The notes on pages 15 to 36 form part of the interim condensed consolidated financial statements.

Notes to interim condensed consolidated financial statements

(Expressed in Hong Kong dollars unless otherwise indicated)

1. Corporate information

Sinochem Hong Kong (Group) Company Limited (the "Company") is a limited company incorporated in Hong Kong. Its registered office is located at 46th Floor, Office Tower, Convention Plaza, 1 Harbour Road, Wanchai, Hong Kong.

In the opinion of the directors, the Company's ultimate holding company is Sinochem Group (the "Ultimate Parent"), and the immediate parent is Sinochem Corporation Co., Ltd. ("Sinochem Corporation"), both of which were established in the People's Republic of China (the "PRC").

2. Basis of preparation

These interim condensed consolidated financial statements of the Company and its subsidiaries (together referred to as the "Group") has been prepared in accordance with Hong Kong Accounting Standard 34 ("HKAS 34"), *Interim financial reporting*, issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). It was authorised for issue on 5 September 2019.

The interim condensed consolidated financial statements has been prepared in accordance with the same accounting policies adopted in the 2018 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2019 annual financial statements. Details of any changes in accounting policies are set out in note 3.

The preparation of interim condensed consolidated financial statements in conformity with HKAS 34 requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses on a year to date basis. Actual results may differ from these estimates.

These interim condensed consolidated financial statements contain condensed consolidated financial statements and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the 2018 annual financial statements. The interim condensed consolidated financial statements and notes thereon do not include all of the information required for full set of financial statements prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs").

The interim condensed consolidated financial statements are unaudited, but have been reviewed by KPMG in accordance with Hong Kong Standard on Review Engagements 2410, *Review of interim financial information performed by the independent auditor of the entity*, issued by the HKICPA. KPMG's independent review report to the Board of Directors is included on pages 1 and 2.

2. Basis of preparation (continued)

The interim condensed consolidated financial statements for the six months ended 30 June 2019 have been prepared for the purpose of reporting to the Board of Directors of the Company the consolidated financial position of the Group as at 30 June 2019 and of its consolidated financial performance and consolidated cash flows for the six months ended 30 June 2019. The Company, as a wholly owned subsidiary of Sinochem Corporation, has applied section 379(3) of the Companies Ordinance to prepare company level financial statements as the Company's statutory financial statements. Consequently, the financial information relating to the financial year ended 31 December 2018 that is included in the interim condensed consolidated financial statements as comparative information does not constitute the Company's statutory annual financial statements for that financial year. Further information relating to these statutory financial statements disclosed in accordance with section 436 of the Hong Kong Companies Ordinance (Cap. 622) is as follows:

The Company has delivered the financial statements for the year ended 31 December 2018 to the Registrar of Companies as required by section 662(3) of, and Part 3 of Schedule 6 to, the Companies Ordinance.

The Company's auditor has reported on those financial statements. The auditor's report was unqualified; did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying its report; and did not contain a statement under section 406(2), 407(2) or (3) of the Companies Ordinance.

3. Changes in accounting policies

The HKICPA has issued a new HKFRS, HKFRS 16, *Leases*, and a number of amendments to HKFRSs that are first effective for the current accounting period of the Group.

Except for HKFRS 16, *Leases*, none of the developments have had a material effect on how the Group's results and financial position for the current or prior periods have been prepared or presented in these interim condensed consolidated financial statements. The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

HKFRS 16, *Leases*

HKFRS 16 replaces HKAS 17, *Leases*, and the related interpretations, HK(IFRIC) 4, *Determining whether an arrangement contains a lease*, HK(SIC) 15, *Operating leases – incentives*, and HK(SIC) 27, *Evaluating the substance of transactions involving the legal form of a lease*. It introduces a single accounting model for lessees, which requires a lessee to recognise a right-of-use asset and a lease liability for all leases, except for leases that have a lease term of 12 months or less ("short-term leases") and leases of low value assets. The lessor accounting requirements are brought forward from HKAS 17 substantially unchanged.

The Group has initially applied HKFRS 16 as from 1 January 2019. The Group has elected to use the modified retrospective approach and has therefore recognised the cumulative effect of initial application as an adjustment to the opening balance of equity at 1 January 2019. Comparative information has not been restated and continues to be reported under HKAS 17.

3. Changes in accounting policies (continued)

At the date of transition to HKFRS 16 (i.e. 1 January 2019), the Group determined the length of the remaining lease terms and measured the lease liabilities for the leases previously classified as operating leases at the present value of the remaining lease payments, discounted using the relevant incremental borrowing rates at 1 January 2019. The weighted average of the incremental borrowing rates used for determination of the present value of the remaining lease payments was 4.75%.

To ease the transition to HKFRS 16, the Group applied the following recognition exemption and practical expedients at the date of initial application of HKFRS 16:

- (i) the Group elected not to apply the requirements of HKFRS 16 in respect of the recognition of lease liabilities and right-of-use assets to leases for which the remaining lease term ends within 12 months from the date of initial application of HKFRS 16, i.e. where the lease term ends on or before 31 December 2019;
- (ii) when measuring the lease liabilities at the date of initial application of HKFRS 16, the Group applied a single discount rate to a portfolio of leases with reasonably similar characteristics (such as leases with a similar remaining lease term for a similar class of underlying asset in a similar economic environment); and
- (iii) when measuring the right-of-use assets at the date of initial application of HKFRS 16, the Group relied on the previous assessment for onerous contract provisions as at 31 December 2018 as an alternative to performing an impairment review.

The following table reconciles the operating lease commitments as disclosed in note 18(b) as at 31 December 2018 to the opening balance for lease liabilities recognised as at 1 January 2019:

	1 January 2019 HK\$ million
Operating lease commitments at 31 December 2018	133
Less: commitments relating to leases exempt from capitalisation:	
- short-term leases and other leases with remaining lease term ending on or before 31 December 2019 and leases of low value assets	(21)
	112
Less: total future interest expenses	(3)
Total lease liabilities recognised at 1 January 2019	109

The right-of-use assets in relation to leases previously classified as operating leases have been recognised at an amount equal to the amount recognised for the remaining lease liabilities, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the statement of financial position at 31 December 2018.

3. Changes in accounting policies (continued)

The following table summarises the impacts of the adoption of HKFRS 16 on the Group's consolidated statement of financial position:

	<i>Carrying amount at 31 December 2018</i> HK\$ million	<i>Capitalisation of operating lease contracts</i> HK\$ million	<i>Carrying amount at 1 January 2019</i> HK\$ million
Line items in the consolidated statement of financial position impacted by the adoption of HKFRS 16:			
Right-of-use assets	-	2,396	2,396
Prepaid land lease payments (non-current)	2,216	(2,206)	10
Total non-current assets	182,910	190	183,100
Prepayments, other receivables and other assets	25,127	(4)	25,123
Prepaid land lease payments (current)	77	(77)	-
Total current assets	194,256	(81)	194,175
Lease liabilities (current)	-	-	-
Current liabilities	155,696	-	155,696
Net current assets	38,560	(81)	38,479
Total assets less current liabilities	221,470	109	221,579
Lease liabilities (non-current)	-	109	109
Total non-current liabilities	102,532	109	102,641
Net assets	118,938	-	118,938

The analysis of the net book value of the Group's right-of-use assets by class of underlying asset at the end of the reporting period and at the date of transition to HKFRS 16 is as follows:

	<i>At 30 June 2019</i> HK\$ million	<i>At 1 January 2019</i> HK\$ million
Right-of-use assets: Land and buildings	2,431	2,396

4. Revenue

Set out below is the disaggregation of the Group's revenue from contracts with customers:

	<i>Six months ended 30 June</i>	
	2019	2018
	HK\$ million	HK\$ million
Revenue from contracts with customers within the scope of HKFRS 15		
Disaggregated by major products of service lines		
- Sales of fertilisers	16,271	15,943
- Sales of chemical products	-	2,125
- Sale of properties	11,741	16,647
- Land development	2,257	7,206
- Hotel operations	1,121	1,268
- Others	1,160	1,073
	32,550	44,262
Revenue from other sources		
Gross rental income	835	912
	33,385	45,174
Total revenue	33,385	45,174

5. Business analysis

The Group organises its business activities into the following operating segments: (i) fertilisers; (ii) real estate; and (iii) others (mainly chemical product trading and securities investments). The following is an analysis of the Group's revenue and results by operating segment:

5. Business analysis (continued)

	<i>Fertilisers</i>	<i>Real estate</i>	<i>Others</i>	<i>Elimination</i>	<i>Consolidated (Note)</i>
	HK\$ million	HK\$ million	HK\$ million	HK\$ million	HK\$ million
Six months ended 30 June 2019					
REVENUE					
External sales	16,271	16,926	188	-	33,385
Inter-segment sales	-	15	754	(769)	-
Total	16,271	16,941	942	(769)	33,385
Segment profit/(loss)	489	5,566	907	(819)	6,143
Interest income					1,536
Finance costs					(1,893)
Gain on disposal/deemed disposal of subsidiaries					889
Gain on bargain purchase					462
Gain on equity interest previously held as investments in associates					302
Share of profits and losses of:					
Joint ventures					248
Associates					(44)
Profit before taxation					7,643
Six months ended 30 June 2018					
REVENUE					
External sales	15,943	26,811	2,420	-	45,174
Inter-segment sales	-	16	3,122	(3,138)	-
Total	15,943	26,827	5,542	(3,138)	45,174
Segment profit/(loss)	416	9,262	3,352	(3,109)	9,921
Interest income					824
Finance costs					(2,214)
Gain on disposal/deemed disposal of subsidiaries					90
Share of profits and losses of:					
Joint ventures					(12)
Associates					57
Profit before tax from continuing operations					8,666

Note: The group has initially applied HKFRS 16 at 1 January 2019 using the modified retrospective approach. Under this approach, comparative information is not restated. See note 3.

5. Business analysis (continued)

Segment profit or loss represents the results earned by or loss from each segment without allocation of interest income, finance costs, gain on disposal/deemed disposal of subsidiaries and share of results of joint ventures and associates.

6. Other income, gains and losses, net

	<i>Six months ended 30 June</i>	
	2019	2018
	HK\$ million	HK\$ million
Bank interest income	278	192
Interest on other advances	1,153	532
Interest on other financial assets	105	100
Dividend income from financial assets at fair value through other comprehensive income	6	5
Government grants (Note i)	12	21
Compensation received	2	1
Sales of scrapped materials	11	9
Penalty income	6	2
Sundry income, net	32	120
	1,605	982
Gain on disposal/deemed disposal of subsidiaries (Note 17)	889	90
Gain on bargain purchase (Note 16)	462	-
Gain on equity interest previously held as investments in associates (Note 16)	302	-
Gain on disposal of property, plant and equipment	1	5
Impairment of trade receivables	(3)	(1)
Foreign exchange difference, net	18	(10)
Gain on disposal of associates	2	-
Fair value gains/(losses), net:		
Derivative financial instruments	(40)	(13)
Transfers from properties held for sale to investment properties	305	-
Other income/(expenses)	430	(36)
	2,366	35
Other income, gains and losses, net	3,971	1,017

Note:

- (i) Government grants mainly comprised proceeds received or receivable from the PRC government to support the development of the businesses of group entities in accordance with applicable regulations in the PRC.

7. Profit before taxation

The Group's profit before taxation is arrived at after charging:

(a) Finance costs

	<u>Six months ended 30 June</u>	
	2019	2018
	HK\$ million	HK\$ million
Interest on interest bearing borrowings	4,379	3,544
Less: interest expense capitalised	(2,507)	(1,364)
	<u>1,872</u>	<u>2,180</u>

(b) Other items

	<u>Six months ended 30 June</u>	
	2019	2018
	HK\$ million	HK\$ million
Amortisation of other non-current assets	4	3
Amortisation of prepaid land lease payments	-	48
Amortisation of intangible assets	27	27
Depreciation of owned property, plant and equipment	404	385
Depreciation of right-of-use assets	69	-
Write-down of inventories	1	4
	<u>1</u>	<u>4</u>

8. Income tax expense

	<u>Six months ended 30 June</u>	
	2019 HK\$ million	2018 HK\$ million
Hong Kong profits tax:		
Current tax	-	-
PRC tax:		
PRC enterprise income tax	1,297	2,302
Land appreciation tax ("LAT")	645	865
Over-provision in prior years	(12)	(5)
	<u>1,930</u>	<u>3,162</u>
Tax in other jurisdictions:		
Current tax	-	2
Deferred taxation	<u>2</u>	<u>(94)</u>
	<u>1,932</u>	<u>3,070</u>

Hong Kong profits tax has been provided at the rate of 16.5% on the estimated assessable profits arising in Hong Kong for both periods.

PRC corporate income tax has been provided at the rate of 25% on the taxable profits of the Group's PRC subsidiaries for both periods.

A non-wholly-owned subsidiary of the Group incorporated in the Macao Special Administrative Region is exempted from income tax.

Corporate income tax in other jurisdictions has been provided at rates ranging from 17% to 19%.

According to the requirements of the *Provisional Regulations of the PRC on LAT* (中华人民共和国土地增值税暂行条例) effective from 1 January 1994, and the *Detailed Implementation Rules on the Provisional Regulations of the PRC on LAT* (中华人民共和国土地增值税暂行条例实施细则) effective from 27 January 1995, all gains arising from a transfer of real estate property in Mainland China effective from 1 January 1994 are subject to LAT at progressive rates ranging from 30% to 60% on the appreciation of land value, being the proceeds from sales of properties less deductible expenditure including borrowing costs and all property development expenditure.

9. Land under development

Land under development represents the project costs, land requisition costs, compensation costs and other preliminary infrastructure costs incurred by Jinmao, in relation to the land development projects in Changsha Meixi Lake International New City, Nanjing Qinglong Mountain International Ecological New City and Ningbo Ningnan New City (the "Projects") which are situated in Mainland China. Though Jinmao does not have the ownership title or land use rights to such land, it is given the right to carry out construction and preparation works in respect of land infrastructure and ancillary public facilities as well as other development works in the Projects. When the land plots are sold by the local government, Jinmao is entitled to receive from the local authorities the land development fee.

10. Property, plant and equipment

Acquisitions and disposals of owned assets

During the six months ended 30 June 2019, the Group acquired items of property, plant and equipment with a cost of HK\$536 million (2018: HK\$412 million). Items of property, plant and equipment with a net book value of HK\$31 million were disposed (2018: HK\$9 million), resulting in a gain on disposal of HK\$1 million (2018: HK\$5 million).

11. Trade and bills receivables

	30 June 2019 HK\$ million	31 December 2018 HK\$ million
Trade receivables	1,668	956
Bills receivable	510	560
Less: loss allowance	(18)	(14)
	<u>2,160</u>	<u>1,502</u>

12. Cash and cash equivalents

	30 June 2019 HK\$ million	31 December 2018 HK\$ million
Cash and bank balances	<u>30,455</u>	<u>28,320</u>
Cash and cash equivalents in the consolidated statement of financial position and condensed consolidated statement of cash flows	<u>30,455</u>	<u>28,320</u>

13. Trade and bills payables

As at the end of the reporting period, the trade and bills payable are presented as follows:

	30 June 2019 HK\$ million	31 December 2018 HK\$ million
Trade payables	17,269	14,366
Bills payable	1,724	2,145
	<u>18,993</u>	<u>16,511</u>

14. Interest-bearing borrowings

	30 June 2019 HK\$ million	31 December 2018 HK\$ million
Current:		
Bank loans, secured	2,741	3,131
Bank loans, unsecured	19,211	14,287
Notes issued under the medium-term note programme, unsecured	-	3,758
Bonds	6,288	3,456
Notes, unsecured	2,615	799
Other loans, unsecured	6,947	6,930
	<u>37,802</u>	<u>32,361</u>
Non-current:		
Bank loans, secured	10,128	9,444
Bank loans, unsecured	12,845	17,672
Guaranteed senior notes, unsecured	27,258	25,611
Notes issued under the medium term note programme, unsecured	5,731	5,744
Domestic corporate bonds, unsecured	2,562	517
Bonds	6,237	9,113
Other loans, unsecured	28,132	27,783
	<u>92,893</u>	<u>95,884</u>
Carrying amounts repayable:		
Within one year	37,802	32,361
In the second year	37,103	35,668
In the third to fifth years, inclusive	46,434	50,339
More than five years	9,356	9,877
	<u>130,695</u>	<u>128,245</u>

15. Share capital

	30 June 2019 HK\$ million	31 December 2018 HK\$ million
Issued and fully paid: 24,468,400,000 (2018: 24,468,400,000) ordinary shares	24,468	24,468

16. Business combinations

Business combinations during the period mainly included the acquisitions of several new energy companies and property development companies and acquisition of additional interests in associates (collectively referred to as the "Acquirees") of Jinmao. The directors of Company consider that none of these subsidiaries acquired during the period was significant to the Group and thus the individual financial information of these subsidiaries on the acquisition date was not disclosed.

The Group remeasured the fair value of the equity interest previously accounted for as investments in associates at the date of acquisition, and fair value gains of RMB262 million (equivalent to HK\$302 million) were recognised in other income, gains and losses, net in profit or loss during the six months ended 30 June 2019 (note 6).

The Group has elected to measure the non-controlling interest in the Acquirees at the non-controlling interest's proportionate share of the Acquirees' identifiable net assets.

The fair values of the identifiable assets and liabilities of the Acquirees as at the date of acquisition were as follows:

16. Business combinations (continued)

	Note	Six months ended 30 June 2019 HK\$ million
Property, plant and equipment		174
Intangible assets		74
Right-of-use assets		57
Properties under development		13,165
Prepayments, other receivables, and other assets		5,520
Prepaid taxes		665
Deferred tax assets		189
Cash and cash equivalents		1,109
Trade and bills payables		(207)
Other payables and accruals		(12,041)
Interest-bearing borrowings		(3,414)
Deferred tax liabilities		(488)
Total identifiable net assets at fair value		4,803
Non-controlling interests		(802)
		4,001
Gain on bargain purchase recognised in other income, gains and losses, net in the consolidated statement of comprehensive income	6	(462)
		3,539
Satisfied by		
Cash		1,474
Fair value of equity interest previously held as investments in associates		2,065
		3,539
Total purchase consideration		3,539

The fair values of its trade receivables and other receivables as at the date of acquisition amounted to RMB4,856 million (equivalent to HK\$5,520 million), which are equal to its gross contractual amounts. There was no estimated uncollectable amount of the contractual cash flows at the date of acquisition.

The Group incurred transaction costs of RMB843,000 (equivalent to HK\$969,000) for these acquisitions. These transaction costs have been expensed and are included in administrative expenses in the consolidated statement of comprehensive income.

16. Business combinations (continued)

The Group recognised a gain on bargain purchase of approximately RMB402 million (equivalent to HK\$462 million) in profit or loss for the six months ended 30 June 2019, which was, in the opinion of the directors of the Company, primarily attributable to Jinmao's ability in negotiating the agreed terms of the transaction with the independent third parties, as Jinmao has good reputation and rich experience in the development and management of residential properties, commercial buildings and hotel properties, and has sufficient available funds for the ongoing development of the projects.

An analysis of the cash flows in respect of the acquisition of the subsidiaries is as follows:

	<i>Six months ended 30 June 2019 HK\$ million</i>
Cash consideration	(1,474)
Cash and cash equivalents acquired	1,109
Net outflow of cash and cash equivalents included in cash flows used in investing activities	(365)
Transaction costs of the acquisition included in cash flows used in operating activities	(1)
	(366)

Since the acquisition, the Acquirees contributed RMB2,508 million (equivalent to HK\$2,882 million) to the Group's revenue and caused a loss of RMB126 million (equivalent to HK\$145 million) to the consolidated results for the six months ended 30 June 2019 in aggregate.

Had the combination taken place at the beginning of the period, the revenue of the Group and the profit of the Group for the period would have been HK\$34,964 million and HK\$5,865 million, respectively.

17. Disposal/deemed disposal of subsidiaries

For the six months ended 30 June 2019, the Group lost control over certain subsidiaries.

17. Disposal/deemed disposal of subsidiaries (continued)

Details of the financial impacts are summarised below:

	<i>Note</i>	<i>Six months ended 30 June 2019 HK\$ million</i>
Net assets/(liabilities) disposed of:		
Property, plant and equipment		1
Deferred tax assets		26
Cash and cash equivalents		1,442
Properties under development		7,859
Prepayments, deposits and other receivables		3,574
Prepaid taxes		497
Trade and bills payables		(520)
Other payables and accruals		(7,254)
Interest-bearing borrowings		(4,416)
		1,209
Non-controlling interests		(732)
		477
Gain on disposal/deemed disposal of subsidiaries	6	889
		1,366
Satisfied by		
Fair value of interests retained by the Group		1,366
		1,366

An analysis of the net outflow of cash and cash equivalents in respect of the disposal/deemed disposal of subsidiaries is as follows:

	<i>Six months ended 30 June 2019 HK\$ million</i>
Cash and cash equivalents disposed of	(1,442)
Net outflow of cash and cash equivalents in respect of the disposal/deemed disposal of subsidiaries	(1,442)

18. Commitments

(a) Capital commitments

	30 June 2019 HK\$ million	31 December 2018 HK\$ million
Contracted, but not provided for:		
Property, plant and equipment	193	226
Properties under development	32,178	35,494
Land under development	1,499	1,787
Capital contributions to joint ventures	996	3,050
	<u>34,866</u>	<u>40,557</u>
Authorised, but not contracted for:		
Property, plant and equipment	1,243	1,383
	<u>1,243</u>	<u>1,383</u>
	<u>36,109</u>	<u>41,940</u>

(b) *At 31 December 2018, the total future minimum lease payments under non-cancellable operating leases were payable as follows:*

	2018 HK\$ million
Within 1 year	63
Over 1 year, but within 5 years	70
	<u>133</u>

The Group is the lessee in respect of a number of properties held under leases which were previously classified as operating leases under HKAS 17. The Group has initially applied HKFRS 16 using the modified retrospective approach. Under this approach, the Group adjusted the opening balances at 1 January 2019 to recognise lease liabilities relating to these leases (see note 3). From 1 January 2019 onwards, future lease payments are recognised as lease liabilities in the statement of financial position in accordance with the policies set out in note 3.

19. Related party transactions

In addition to the transactions disclosed elsewhere in these financial statements, the Group had the following transactions with related parties during the period:

	<u>Six months ended 30 June</u>	
	2019 HK\$ million	2018 HK\$ million
The ultimate parent:		
Sale of fertilisers	-	50
Purchase of fertilisers	56	180
Interest expense	-	17
Rental income	5	5
The immediate parent:		
Rental income	48	53
Property management fee income	6	6
Interest income and other income	91	139
Interest expense	56	9
Fellow subsidiaries:		
Sales of fertilisers	358	78
Sale of chemical products	-	643
Interest expense	63	27
Rental income	149	109
Property management fee income	27	23
Building decoration services income	2	19
Interest income and other income	56	70
Interests income for financial assets from related parties	8	8
Purchase of fertilisers	-	6
Purchase of financial assets from related parties	92	362
Property management fee expense	-	1
Storage fee expenses	-	2

19. Related party transactions (continued)

	<u>Six months ended 30 June</u>	
	2019 HK\$ million	2018 HK\$ million
Associates:		
Purchase of fertilisers	29	145
Property management fee income	19	14
Interest income and other income	227	129
Consulting fee income	13	11
Interest expense	-	1
Building decoration services income	16	20
Other operating expenses	-	132
Joint ventures:		
Sale of fertilisers	193	169
Interest income and other income	583	165
Purchase of fertilisers	926	601
Consulting fee income	89	42
Rental income	2	1
Property management fee income	32	16
Other operating expenses	-	172
Building decoration services income	97	68
Interest expense	19	1
An associate of the Group's ultimate holding company:		
Rental income	-	40
Sales of fertilisers	99	551
Interest income	-	5
Purchase of fertilisers	695	723
Interest expense	-	1
Property management fee income	-	5

20. Contingent liabilities

At the end of the reporting period, Jinmao has provided guarantees in respect of mortgage facilities for certain purchasers of Jinmao's properties amounting to approximately HK\$24,924 million (31 December 2018: HK\$27,205 million).

21. Fair value and fair value hierarchy

The carrying amounts of the Group's financial instruments carried at cost or amortised cost were not materially different from their fair values as at 31 December 2018 and 30 June 2019.

The Group's corporate finance is responsible for determining the policies and procedures for the fair value measurement of financial instruments.

21. Fair value and fair value hierarchy (continued)

The fair values of the financial assets and liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. The following methods and assumptions were used to estimate the fair values:

The fair values of listed equity investments are based on quoted market prices. The fair values of unlisted equity investments designated at fair value through other comprehensive income ("FVOCI") have been estimated using a market-based valuation technique based on assumptions that are not supported by observable market prices or rates. The valuation requires the directors to determine comparable public companies (peers) based on industry, size, leverage and strategy, and calculates an appropriate price multiple, such as enterprise value to earnings before interest, taxes, depreciation and amortisation ("EV/EBITDA") multiple and price to earnings ("P/E") multiple, for each comparable company identified. The multiple is calculated by dividing the enterprise value of the comparable company by an earnings measure. The trading multiple is then discounted for considerations such as illiquidity and size differences between the comparable companies based on company-specific facts and circumstances. The discounted multiple is applied to the corresponding earnings measure of the unlisted equity investments to measure the fair value. The directors believe that the estimated fair values resulting from the valuation technique, which are recorded in the consolidated statement of financial position, and the related changes in fair values, which are recorded in other comprehensive income, are reasonable, and that they were the most appropriate values at the end of the reporting period.

The Group invests in unlisted investments, which represent wealth management products issued by banks in Mainland China. The Group has estimated the fair value of these unlisted investments by using a discounted cash flow valuation model based on the market interest rates of instruments with similar terms and risks.

The Group enters into derivative financial instruments with counterparties, principally financial institutions with good credit ratings. Derivative financial instruments are measured using present value calculations or similar calculations. The models incorporate market observable inputs including the foreign exchange spot and forward rates.

Fair value hierarchy

The Group uses the following hierarchy for determining and disclosing the fair values of financial instruments:

Level 1: fair values measured based on quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2: fair values measured based on valuation techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly;

Level 3: fair values measured based on valuation techniques for which any inputs which have a significant effect on the recorded fair value are not based on observable market data (unobservable inputs).

21. Fair value and fair value hierarchy (continued)

Assets measured at fair value:

As at 30 June 2019

	<i>Fair value measurement using</i>			<i>Total</i> HK\$ million
	<i>Quoted prices in active markets (Level 1)</i> HK\$ million	<i>Significant observable inputs (Level 2)</i> HK\$ million	<i>Significant unobservable inputs (Level 3)</i> HK\$ million	
Equity investments designated at FVOCI	1,179	-	455	1,634
Other financial assets	155	341	133	629
Derivative financial instruments	-	1	-	1
	<u>1,334</u>	<u>342</u>	<u>588</u>	<u>2,264</u>

As at 31 December 2018

	<i>Fair value measurement using</i>			<i>Total</i> HK\$ million
	<i>Quoted prices in active markets (Level 1)</i> HK\$ million	<i>Significant observable inputs (Level 2)</i> HK\$ million	<i>Significant unobservable inputs (Level 3)</i> HK\$ million	
Equity investments designated at FVOCI	1,310	-	457	1,767
Other financial assets	78	1,417	225	1,720
Derivative financial instruments	-	8	-	8
	<u>1,388</u>	<u>1,425</u>	<u>682</u>	<u>3,495</u>

21. Fair value and fair value hierarchy (continued)

Liabilities measured at fair value:

As at 30 June 2019

	<i>Fair value measurement using</i>			<i>Total</i> HK\$ million
	<i>Quoted prices in active markets (Level 1)</i> HK\$ million	<i>Significant observable inputs (Level 2)</i> HK\$ million	<i>Significant unobservable inputs (Level 3)</i> HK\$ million	
Derivative financial instruments	-	161	-	161

As at 31 December 2018

	<i>Fair value measurement using</i>			<i>Total</i> HK\$ million
	<i>Quoted prices in active markets (Level 1)</i> HK\$ million	<i>Significant observable inputs (Level 2)</i> HK\$ million	<i>Significant unobservable inputs (Level 3)</i> HK\$ million	
Derivative financial instruments	-	126	-	126

During the period, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3 for both financial assets and financial liabilities (2018: Nil).

Assets for which fair values are disclosed:

The Group did not have any financial assets that were not measured at fair value in the statement of financial position but for which the fair values were disclosed as at 30 June 2019 (2018: Nil).

22. Events after the reporting period

- (a) On 23 July 2019, Franshion Brilliant Limited, a wholly-owned subsidiary of Jinmao, completed an issue of the guaranteed senior notes in an aggregate principal amount of US\$500,000,000. The notes are guaranteed by the Jinmao, interest-bearing at 4.25% per annum payable semi-annually in arrears and will mature on 23 July 2029. The net proceeds from the issuance of these securities, after deduction of commissions and other expenses, amounted to approximately US\$494,840,000 (equivalent to HK\$3,859,752,000).

22. Events after the reporting period (continued)

- (b) On 26 July 2019, Jinmao, the Company and Ping An of China Asset Management (Hong Kong) Company Limited ("Ping An") entered into a placing and subscription agreement, pursuant to which the Company agreed to sell 1,787,077,435 ordinary shares in the share capital of Jinmao to Ping An at the price of HK\$4.8106 per share, and Jinmao conditionally agreed to issue and the Company conditionally agreed to subscribe for 153,934,201 ordinary shares in the share capital of Jinmao at the price of HK\$4.8106 per share. The transactions were completed on 2 August 2019.

On 26 July 2019, Jinmao, the Company and New China Life Insurance Company Ltd. ("NCL") entered into a placing and subscription agreement, pursuant to which the Company agreed to sell 15,559,860 ordinary shares in the share capital of Jinmao to NCL at the price of HK\$4.8106 per share, and Jinmao conditionally agreed to issue and the Company conditionally agreed to subscribe for 15,559,860 ordinary shares in the share capital of China Jinmao at the price of HK\$4.8106 per share. The transactions were completed on 2 August 2019.

Upon the completion of above transactions, the Company owns approximately 35.1% of the equity interest of Jinmao. The directors of the Company believes that Jinmao will remain as a subsidiary controlled by the Company.

- (c) On 28 August 2019, Shanghai Jinmao Investment Management Group Co., Ltd. ("Shanghai Jinmao"), a wholly-owned subsidiary of Jinmao, completed an issue of corporate bonds in an aggregate principal amount of RMB\$2,000,000,000 (equivalent to HK\$2,215,000,000). The corporate bonds are unsecured and have a term of 5 years with coupon rate of 3.65%.

23. Comparative figures

The Group has initially applied HKFRS 16 at 1 January 2019 using the modified retrospective method. Under this approach, comparative information is not restated. Further details of the changes in accounting policies are disclosed in note 3.