

NAN FUNG TREASURY (II) LIMITED
(Incorporated in the British Virgin Islands with limited liability)
CONDENSED INTERIM FINANCIAL INFORMATION
FOR THE SIX MONTHS ENDED
30TH SEPTEMBER 2018

**REPORT ON REVIEW OF INTERIM FINANCIAL INFORMATION
TO THE BOARD OF DIRECTORS OF NAN FUNG TREASURY (II) LIMITED**
(incorporated in the British Virgin Islands with limited liability)

Introduction

We have reviewed the interim financial information set out on pages 2 to 18, which comprises the condensed statement of financial position of Nan Fung Treasury (II) Limited (the "Company") as at 30th September 2018 and the condensed statement of comprehensive income, the condensed statement of changes in equity and the condensed statement of cash flows for the six-month period then ended, and a summary of significant accounting policies and other explanatory notes. The directors of the Company are responsible for the preparation and presentation of this interim financial information in accordance with International Accounting Standard 34 "Interim Financial Reporting". Our responsibility is to express a conclusion on this interim financial information based on our review and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Scope of Review

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

Conclusion

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



PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, **28 NOV 2018**

NAN FUNG TREASURY (II) LIMITED

(Incorporated in the British Virgin Islands with limited liability)

**CONDENSED STATEMENT OF COMPREHENSIVE INCOME
FOR THE SIX MONTHS ENDED 30TH SEPTEMBER 2018**

		Unaudited	
		For the six months ended 30th September 2018 HK\$	For the period from 8th May 2017 (date of incorporation) to 30th September 2017 HK\$
	Note		
Interest income		116,091,209	78,028,518
Interest expenses		(107,845,810)	(72,804,486)
Net interest income	6	8,245,399	5,224,032
Other gains/(losses), net	7	18,225,117	(9,172,115)
Change in fair value on perpetual capital securities		321,633,833	(22,143,760)
Other operating expenses	8	(958,743)	(41,321,316)
Profit/(loss) before income tax		347,145,606	(67,413,159)
Income tax	9	(233,483)	5,959,763
Profit/(loss) and total comprehensive income/(loss) for the period		346,912,123	(61,453,396)

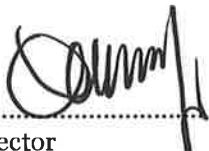
NAN FUNG TREASURY (II) LIMITED

(Incorporated in the British Virgin Islands with limited liability)

**CONDENSED STATEMENT OF FINANCIAL POSITION
AS AT 30TH SEPTEMBER 2018**

	Note	Unaudited as at 30th September 2018 HK\$	Audited as at 31st March 2018 HK\$
ASSETS			
Non-current asset			
Amount due from a fellow subsidiary company	10	3,862,352,625	3,862,352,625
Current assets			
Amounts due from fellow subsidiary companies	12	93,656,055	79,204,609
Derivative financial instruments	13	16,072,127	21,875,885
Cash at bank		16,211	6,067
		109,744,393	101,086,561
Total assets		3,972,097,018	3,963,439,186
EQUITY			
Share capital	14	7,784	7,784
Retained profits		488,139,615	141,227,492
Total equity		488,147,399	141,235,276
LIABILITIES			
Non-current liabilities			
Perpetual capital securities	15	3,409,882,688	3,747,341,520
Deferred income tax liabilities	11	233,483	-
		3,410,116,171	3,747,341,520
Current liabilities			
Accrual		88,200	58,800
Interest payable	16	72,844,039	73,139,000
Amounts due to fellow subsidiary companies	17	901,209	1,664,590
		73,833,448	74,862,390
Total liabilities		3,483,949,619	3,822,203,910
Total equity and liabilities		3,972,097,018	3,963,439,186

On behalf of the Board


 Director


 Director

NAN FUNG TREASURY (II) LIMITED

(Incorporated in the British Virgin Islands with limited liability)

**CONDENSED STATEMENT OF CHANGES IN EQUITY
FOR THE SIX MONTHS ENDED 30TH SEPTEMBER 2018**

	Unaudited		
	Share capital HK\$	(Accumulated loss)/ Retained profits HK\$	Total HK\$
At 8th May 2017 (date of incorporation)	-	-	-
Transaction with owner			
Issue of shares (note 14)	7,784	-	7,784
Comprehensive loss			
Loss for the period	-	(61,453,396)	(61,453,396)
At 30th September 2017	<u>7,784</u>	<u>(61,453,396)</u>	<u>(61,445,612)</u>
At 1st April 2018	7,784	141,227,492	141,235,276
Comprehensive income			
Profit for the period	-	346,912,123	349,912,123
At 30th September 2018	<u>7,784</u>	<u>488,139,615</u>	<u>488,147,399</u>

NAN FUNG TREASURY (II) LIMITED

(Incorporated in the British Virgin Islands with limited liability)

**CONDENSED STATEMENT OF CASH FLOWS
FOR THE SIX MONTHS ENDED 30TH SEPTEMBER 2018**

	Unaudited	
	For the six months ended 30th September 2018 HK\$	For the period from 8th May 2017 (date of incorporation) to 30th September 2017 HK\$
Cash flows from operating activities		
Profit/(loss) before income tax	347,145,606	(67,413,159)
Interest income	(116,091,209)	(78,028,518)
Interest expenses	107,845,810	72,804,486
Change in fair value on perpetual capital securities	(321,633,833)	22,143,760
Unrealised loss on derivative financial instruments	5,803,758	-
Net exchange (gain)/loss	(16,968,839)	9,172,115
Changes in working capital:		
Increase in accrual	29,400	29,400
(Decrease)/increase in amounts due to fellow subsidiary companies	(763,381)	7,342,810
Decrease/(increase) in amount due from fellow subsidiary companies	5,500,149	(3,862,352,625)
Net cash used in operating activities	10,867,461	(3,896,301,731)
Interest received	97,059,863	-
Interest paid	(107,917,180)	-
Net cash from/(used) in operating activities	10,144	(3,896,301,731)
Cash flows from financing activities		
Proceeds from issuance of ordinary shares	-	7,784
Proceeds from issuance of perpetual capital securities	-	3,896,300,000
Cash from financing activities	-	3,896,307,784
Net increase in cash and cash equivalents	10,144	6,053
Cash and cash equivalents at the beginning of the period	6,067	-
Cash and cash equivalents at the end of the period	16,211	6,053

NAN FUNG TREASURY (II) LIMITED

(Incorporated in the British Virgin Islands with limited liability)

NOTES TO THE INTERIM FINANCIAL INFORMATION

1 General information

Nan Fung Treasury (II) Limited (the “Company”) is a limited liability company incorporated in the British Virgin Islands. The address of the Company’s registered office is Commerce House, Wickhams Cay 1, P.O. Box 3140, Road Town, Tortola, British Virgin Islands. The principal activity of the Company is the provision of treasury services to group companies through the issuance of guaranteed senior perpetual capital securities.

The immediate holding company is NF Treasury Holdings Limited and the ultimate holding company is Chen’s Group International Limited, which is incorporated in the British Virgin Islands.

On 29th May 2017, the Company has issued US\$500 million 5.5% guaranteed senior perpetual capital securities (“perpetual capital securities”). The perpetual capital securities were issued for general corporate funding purposes and were guaranteed by Nan Fung International Holdings Limited (“NFIHL”) (the “Guarantor”), the intermediate holding company. Details of which are set out in note 15 to the interim financial information.

The condensed interim financial information (“interim financial information”) has been approved for issue by the Board of Directors on **28 NOV 2018**

2 Basis of preparation and summary of significant accounting policies

The condensed interim financial information for the six months ended 30th September 2018 has been prepared in accordance with the International Accounting Standard (“IAS”) 34 “Interim Financial Reporting” issued by the International Accounting Standard Board.

The condensed interim financial information should be read in conjunction with the Company’s financial statements for the year ended 31st March 2018, which were prepared in accordance with International Financial Reporting Standards (“IFRSs”). The accounting policies applied are consistent with those of the Company’s financial statements for the year ended 31st March 2018, except as stated in note 3 below.

(i) New standards and amendments to standards adopted by the Company

The Company has adopted the following new standards and amendments to standards which are mandatory for the financial year beginning 1st April 2018 and are relevant to its operation.

Annual Improvements to IFRSs (Amendments)	Annual Improvements to IFRSs 2014 – 2016 Cycle
IFRS 9	Financial Instruments
IFRS 15	Revenue from Contracts with Customers
IFRIC 22	Foreign Currency, Transactions and Advance Consideration

The Company has assessed the impact of the adoption of these new standards and amendments to standards, except for the adoption of IFRS 9 and IFRS 15, there is neither significant impact on the Company’s results and financial position nor any substantial changes in the Company’s accounting policies and presentation of the interim financial information. The changes in accounting policies and the impacts on the Company’s results and financial position for the adoption of IFRS 9 and IFRS 15 are summarised in note 3.

NAN FUNG TREASURY (II) LIMITED
(Incorporated in the British Virgin Islands with limited liability)

NOTES TO THE INTERIM FINANCIAL INFORMATION

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

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

The Company has not early adopted the following new standards and amendments to standards that have been issued but are not yet effective for the period:

		Effective for accounting periods beginning on or after
IAS 28 (Amendments)	Long-term Interests in Associates and Joint Ventures	1st January 2019
Annual Improvements to IFRSs (Amendments)	Annual Improvements to IFRSs 2015 – 2017 Cycle	1st January 2019
IFRS 16	Leases	1st January 2019
IFRIC 23	Uncertainty over Income Tax Treatments	1st January 2019
IFRS 10 and IAS 28 (Amendments)	Sale or Contribution of Assets Between an Investor and Its Associate or Joint Venture	To be determined

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

3 Impacts on the adoption of IFRS 9 and IFRS 15

The Company has adopted IFRS 9 and IFRS 15 with effect from 1st April 2018 and has taken transitional provisions not to restate comparative figures for prior periods.

(a) Changes in accounting policies

IFRS 9 Financial Instruments

IFRS 9 replaces the provisions of IAS 39 that relate to the recognition, classification, measurement and derecognition of financial assets and financial liabilities, impairment of financial assets and hedge accounting.

(i) Classification of financial assets

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

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

NAN FUNG TREASURY (II) LIMITED
(Incorporated in the British Virgin Islands with limited liability)

NOTES TO THE INTERIM FINANCIAL INFORMATION

3 Impacts on the adoption of IFRS 9 and IFRS 15 (Continued)

(a) Changes in accounting policies (Continued)

IFRS 9 Financial Instruments (Continued)

(ii) Measurement

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

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

(1) Debt instruments

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

- **Amortised cost:** Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Interest income from these financial assets is included in interest income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in profit or loss and presented in other gains/(losses), net, together with foreign exchange gains and losses and impairment losses.
- **Fair value through other comprehensive income ("FVOCI"):** Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVOCI. Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest income and foreign exchange gains and losses which are recognised in profit or loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to profit or loss and recognised in other gains/(losses), net. Interest income from these financial assets is included in interest income using the effective interest rate method. Foreign exchange gains and losses and impairment expenses are presented in other gains/(losses), net.
- **Fair value through profit or loss ("FVTPL"):** Assets that do not meet the criteria for amortised cost or FVOCI are measured at FVTPL. A gain or loss on a debt investment that is subsequently measured at FVTPL and is not part of a hedging relationship is recognised in profit or loss and presented net in the condensed statement of comprehensive income within other gains/(losses), net in the period in which it arises.

NAN FUNG TREASURY (II) LIMITED
(Incorporated in the British Virgin Islands with limited liability)

NOTES TO THE INTERIM FINANCIAL INFORMATION

3 Impacts on the adoption of IFRS 9 and IFRS 15 (Continued)

(a) Changes in accounting policies (Continued)

IFRS 9 Financial Instruments (Continued)

(ii) Measurement (Continued)

(2) Equity instruments

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

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

(iii) Impairment of financial assets

IFRS 9 introduces a new model for the recognition of impairment losses – the expected credit losses (“ECL”) model, which constitutes a change from the incurred loss model in IAS 39 to with a forward-looking ECL model. IFRS 9 contains a ‘three stage’ approach, which is based on the change in credit quality of financial assets since initial recognition. Assets move through the three stages as credit quality changes and the stages dictate how an entity measures impairment losses and applies the effective interest rate method.

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

(iv) Classification and measurement of financial liabilities

Financial liabilities shall be classified as subsequently measured at amortised cost. At initial recognition, the Company may irrevocably designate a financial liability as measured at FVTPL. The perpetual capital securities of the Company are designated as at FVTPL. Changes in the fair value of the perpetual capital securities designated as at FVTPL are recognised in profit or loss except for the change in fair value of the perpetual capital securities attributable to the changes in the credit risk of the financial liabilities designated as at FVTPL. Fair value change attributable to the changes in the credit risk of the financial liabilities designated as at FVTPL shall be presented in other comprehensive income.

NAN FUNG TREASURY (II) LIMITED
(Incorporated in the British Virgin Islands with limited liability)

NOTES TO THE INTERIM FINANCIAL INFORMATION

3 Impacts on the adoption of IFRS 9 and IFRS 15 (Continued)

(a) Changes in accounting policies (Continued)

IFRS 15 Revenue from Contracts with Customers

Revenues are recognised when or as the control of the good or service is transferred to the customer. Depending on the terms of the contract and the laws that apply to the contract, control of the good or service may be transferred over time or at a point in time.

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

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

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

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

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

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

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

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

(b) Impact on the condensed interim financial information

Effect of changes in accounting policies – IFRS 9

(i) Classification and measurement of financial assets and liabilities

The financial assets held by the Company include instruments (i.e. derivative financial instruments) currently classified as FVTPL which will continue to be classified on the same basis under IFRS 9. Accordingly, the Company does not expect the new guidance to affect the classification and measurement of these financial assets.

The Company's perpetual capital securities are designated as at FVTPL and the fair value changes attributable to its own credit risk will be recognised in other comprehensive income. The derecognition rules have been transferred from IAS 39 Financial Instruments: Recognition and Measurement to IFRS 9 and have not been changed.

NAN FUNG TREASURY (II) LIMITED
(Incorporated in the British Virgin Islands with limited liability)

NOTES TO THE INTERIM FINANCIAL INFORMATION

3 Impacts on the adoption of IFRS 9 and IFRS 15 (Continued)

(b) Impact on the condensed interim financial information (Continued)

Effect of changes in accounting policies – IFRS 9 (Continued)

(ii) Impairment of financial assets

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

Effect of changes in accounting policies – IFRS 15

There is no significant impact on the Company's accounting with respect to the timing of revenue recognition and allocation of the transaction price to performance obligations identified. Accordingly, opening balance of retained profits at 1st April 2018 are not adjusted.

4 Financial risk management
(a) Financial risk factors

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

The condensed interim financial information do not include all financial risk management information and disclosures required in the annual financial statements, and should be read in conjunction with the Company's financial statements for the year ended 31st March 2018.

There have been no change in the risk management programme or in any risk management policies since year end.

NAN FUNG TREASURY (II) LIMITED
(Incorporated in the British Virgin Islands with limited liability)

NOTES TO THE INTERIM FINANCIAL INFORMATION

4 Financial risk management (Continued)

(b) Fair value estimation

The financial instruments are measured in the statement of financial position 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 form prices) (level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

The following table represent the Company's financial instruments measured at fair value:

	Valuation Technique			
	Level 1	Level 2	Level 3	Total
	HK\$	HK\$	HK\$	HK\$
As at 30th September 2018				
Derivative financial instruments	-	-	-	-
- Assets	-	16,072,127	-	16,072,127
Perpetual capital securities	(3,409,882,688)	-	-	(3,409,882,688)
As at 31st March 2018				
Derivative financial instruments	-	-	-	-
- Assets	-	21,875,885	-	21,875,885
Perpetual capital securities	(3,747,341,520)	-	-	(3,747,341,520)

NAN FUNG TREASURY (II) LIMITED
(Incorporated in the British Virgin Islands with limited liability)

NOTES TO THE INTERIM FINANCIAL INFORMATION

4 Financial risk management (Continued)

(b) Fair value estimation (Continued)

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

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

Specific valuation techniques used to value financial instruments include:

- Quoted market prices or dealer quotes for similar instruments.
- The fair value of interest rate swaps is calculated as the present value of the estimated future cash flows based on observable yield curves.
- The fair value of forward foreign exchange contracts is determined using forward exchange rates at the end of the reporting period, 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.

Derivative financial instruments are valued based on dealer quotations or alternative pricing sources supported by observable inputs.

There is no significant reclassification of financial assets during the period.

5 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 expense. Actual results may differ from these estimates.

In preparing this condensed interim financial information, the significant judgements made by management in applying the Company's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the financial statements for the year ended 31st March 2018.

NAN FUNG TREASURY (II) LIMITED
(Incorporated in the British Virgin Islands with limited liability)

NOTES TO THE INTERIM FINANCIAL INFORMATION

6 Net interest income

	For the six months ended 30th September 2018 HK\$	For the period from 8th May 2017 (date of incorporation) to 30th September 2017 HK\$
Interest income from a fellow subsidiary company	116,091,209	78,028,518
Interest expenses on perpetual capital securities	(107,845,810)	(72,804,486)
	<u>8,245,399</u>	<u>5,224,032</u>

7 Other gains/(losses), net

	For the six months ended 30th September 2018 HK\$	For the period from 8th May 2017 (date of incorporation) to 30th September 2017 HK\$
Realised gain on derivative financial instruments	7,060,036	-
Unrealised loss on derivative financial instruments	(5,803,758)	-
Net exchange gain/(loss)	16,968,839	(9,172,115)
	<u>18,225,117</u>	<u>(9,172,115)</u>

8 Other operating expenses

	For the six months ended 30th September 2018 HK\$	For the period from 8th May 2017 (date of incorporation) to 30th September 2017 HK\$
Auditor's remuneration	29,400	29,400
Legal and professional fees	27,459	6,033,149
Registration fee	-	7,670
Preliminary expense	-	27,513
Administrative costs recharged by a fellow subsidiary company	901,209	1,166,085
Issuance cost of perpetual capital securities	-	34,057,499
Others	675	-
	<u>958,743</u>	<u>41,321,316</u>

NAN FUNG TREASURY (II) LIMITED
(Incorporated in the British Virgin Islands with limited liability)

NOTES TO THE INTERIM FINANCIAL INFORMATION

9 Income tax

Hong Kong profits tax has been provided at the rate of 16.5% (2017:16.5%) on the estimated assessable profits for the period ended 30th September 2018.

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

	For the six months ended 30th September 2018 HK\$	For the period from 8th May 2017 (date of incorporation) to 30th September 2017 HK\$
Deferred income tax	(233,483)	5,959,763

10 Amount due from a fellow subsidiary company

The balance is denominated in Hong Kong dollars. The balance of HK\$3,862,352,625 bears interest at a rate 5.995% per annum and is not expected to be repaid in one year or less.

11 Deferred income tax liabilities

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

	2018 HK\$'000
At 1st April	-
Charged to the statement of comprehensive income statement (note 9)	(233,483)
At 30th September	(233,483)

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

	Unrealised gains on derivative financial instruments HK\$
<u>Deferred income tax liabilities</u>	
At 8th May 2017 (date of incorporation)	-
Charged to the statement of comprehensive income	(3,609,521)
At 31st March 2018	(3,609,521)
Credited to the statement of comprehensive income	957,620
At 30th September 2018	(2,651,901)

NAN FUNG TREASURY (II) LIMITED
(Incorporated in the British Virgin Islands with limited liability)

NOTES TO THE INTERIM FINANCIAL INFORMATION

11 Deferred income tax liabilities (Continued)

	Tax loss HK\$
<u>Deferred income tax assets</u>	
At 8th May 2017 (date of incorporation)	-
Credited to the statement of comprehensive income	3,609,521
At 31st March 2018	3,609,521
Charged to the statement of comprehensive income	(1,191,103)
At 30th September 2018	2,418,418

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 statement of financial position:

	As at 30th September 2018 HK\$'000	As at 31st March 2018 HK\$'000
Deferred income tax assets	2,418,418	3,609,521
Deferred income tax liabilities	(2,651,901)	(3,609,521)
	(233,483)	-

12 Amounts due from fellow subsidiary companies

The balance is unsecured, interest free, has no fixed terms of repayment and is denominated in Hong Kong dollars and United States dollars.

13 Derivative financial instruments

	As at 30th September 2018		As at 31st March 2018	
	Notional amount HK\$	Fair value HK\$	Notional amount HK\$	Fair value HK\$
Current assets:				
- Cross currency swap contracts	3,875,000,000	16,072,127	3,875,000,000	21,875,885

Nan Fung Treasury Limited, a fellow subsidiary company, has assisted in entering into cross currency rate swap transactions ("CCS Transaction") contract with the bank on behalf of the Company. The terms are set out in note 18 to the financial statement. The derivative financial instruments are denominated in United States dollars.

NAN FUNG TREASURY (II) LIMITED
(Incorporated in the British Virgin Islands with limited liability)

NOTES TO THE INTERIM FINANCIAL INFORMATION

14 Share capital

	Number of shares	Share capital HK\$
Ordinary shares at US\$1 each issued:		
At 31st March and 30th September 2018	1,000	7,784

The Company was incorporated on 8th May 2017 with an authorised share capital of 50,000 ordinary shares at US\$1 each. 1,000 shares were issued on 5th August 2017.

15 Perpetual capital securities

	Fixed interest yield per annum	Principal amount (million)	As at 30th September 2018 HK\$	As at 31st March 2018 HK\$
Perpetual capital securities				
- Listed on Singapore Exchange Securities Trading Limited	5.5%	US\$500	3,409,882,688	3,747,341,520

As described in note 1 to the interim financial information, the Company has issued a perpetual capital securities on 29th May 2017. The perpetual capital securities bear interests at 5.5% which are repayable semi-annually in arrear from 29th November 2018 and the coupon payment can be deferred at the discretion of the Company and there is no limit as to the number of times of deferral of coupon payment. When the Guarantor and Company elect to declare dividends to their ordinary shareholders, the Company shall make distribution to the holders of perpetual securities at the distribution rates as defined in the subscription agreement. The perpetual capital securities have no fixed maturity and are redeemable at Company's option on or after 29th May 2020 at their principal amounts together with any accrued, unpaid or deferred distributions. It is designated as financial liabilities at fair value through profit or loss.

16 Interest payable

The balance represents interest payable on perpetual capital securities and is denominated in United States dollars.

17 Amounts due to fellow subsidiary companies

The balance is unsecured, interest free, has no fixed terms of repayment and is denominated in Hong Kong dollars and United States dollars.

NAN FUNG TREASURY (II) LIMITED
(Incorporated in the British Virgin Islands with limited liability)

NOTES TO THE INTERIM FINANCIAL INFORMATION

18 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 Company's business during the period were as follows:

	For the six months ended 30th September 2018 HK\$	For the period from 8th May 2017 (date of incorporation) to 30th September 2017 HK\$
Interest income from a fellow subsidiary company (note (i))	116,091,209	78,028,518
Net gain on derivative financial instruments from a fellow subsidiary company (note (ii))	1,256,278	-
Administrative costs recharged by a fellow subsidiary company (note (iii))	901,209	1,166,085

Notes:

- (i) Interest receivable from a fellow subsidiary company as at 30th September 2018 was HK\$38,697,070(31st March 2018 HK\$19,665,724). The terms of advance to the fellow subsidiary company are set out in note 10 to the financial statements.
- (ii) The Company entered into an arrangement with Nan Fung Treasury Limited ("NFT"), a fellow subsidiary company, to have NFT's assistance in entering into cross currency rate swap transaction ("CCS Transaction") contract with the bank on behalf Company. The gain/loss in respect of CCS Transaction is recharged to the Company.
- (iii) Administration costs were recharged by Nan Fung Development Limited for the administrative service provided. The amount was determined by and agreed between both parties.