

NAN FUNG TREASURY LIMITED

(Incorporated in the British Virgin Islands with limited liability)

CONDENSED INTERIM FINANCIAL INFORMATION

FOR THE SIX MONTHS ENDED

30TH SEPTEMBER 2020

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

Introduction

We have reviewed the interim financial information set out on pages 2 to 15, which comprises the condensed statement of financial position of Nan Fung Treasury Limited (the “Company”) as at 30th September 2020 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 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, 8th December 2020

NAN FUNG TREASURY LIMITED

(Incorporated in the British Virgin Islands with limited liability)

**CONDENSED STATEMENT OF COMPREHENSIVE INCOME
FOR THE SIX MONTHS ENDED 30TH SEPTEMBER 2020**

		Unaudited For the six months ended 30th September	
	Note	2020 HK\$	2019 HK\$
Interest income		347,869,488	339,290,684
Interest expenses		(307,988,096)	(297,253,014)
Net interest income	5	39,881,392	42,037,670
Other (losses)/gains, net	6	(48,908,432)	286,305,601
Other operating expenses	7	(3,966,982)	(3,254,312)
(Loss)/profit before income tax		(12,994,022)	325,088,959
Income tax credit/(expense)	8	1,472,404	(53,473,795)
(Loss)/profit and total comprehensive (loss)/income for the period		(11,521,618)	271,615,164

NAN FUNG TREASURY LIMITED

(Incorporated in the British Virgin Islands with limited liability)

**CONDENSED STATEMENT OF FINANCIAL POSITION
AS AT 30TH SEPTEMBER 2020**

		Unaudited as at 30th September 2020 HK\$	Audited as at 31st March 2020 HK\$
	Note		
ASSETS			
Non-current asset			
Amount due from a fellow subsidiary company	9	16,338,490,652	12,566,333,926
		-----	-----
Current assets			
Amount due from a fellow subsidiary company	9	126,952,156	108,684,476
Derivative financial instruments	10	297,223,191	374,484,676
Other receivable		6,301,443	10,926,433
Cash at bank	11	210,584,871	240,887,704
		-----	-----
		641,061,661	734,983,289
		-----	-----
Total assets		16,979,552,313	13,301,317,215
		=====	=====

NAN FUNG TREASURY LIMITED

(Incorporated in the British Virgin Islands with limited liability)

CONDENSED STATEMENT OF FINANCIAL POSITION (CONTINUED)
AS AT 30TH SEPTEMBER 2020

	Note	Unaudited as at 30th September 2020 HK\$	Audited as at 31st March 2020 HK\$
EQUITY			
Share capital	12	7,800	7,800
Retained earnings		348,134,592	359,656,210
Shareholder's fund		<u>348,142,392</u>	<u>359,664,010</u>
LIABILITIES			
Non-current liabilities			
Medium term notes	13	16,393,260,671	12,618,382,517
Deferred income tax liabilities		31,495,105	40,961,254
		<u>16,424,755,776</u>	<u>12,659,343,771</u>
Current liabilities			
Accruals		3,667,169	70,392
Interest payable	14	63,493,360	112,189,905
Amounts due to fellow subsidiary companies	15	13,207,585	29,971,800
Derivative financial instruments	10	106,343,765	126,234,652
Tax payable		19,942,266	13,842,685
		<u>206,654,145</u>	<u>282,309,434</u>
Total liabilities		<u>16,631,409,921</u>	<u>12,941,653,205</u>
Total equity and liabilities		<u>16,979,552,313</u>	<u>13,301,317,215</u>

On behalf of the Board

Berry Connie Charlotte
DirectorTang Chun Wai Nelson
Director

NAN FUNG TREASURY LIMITED

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**CONDENSED STATEMENT OF CHANGES IN EQUITY
FOR THE SIX MONTHS ENDED 30TH SEPTEMBER 2020**

		Unaudited	
	Share capital HK\$	Retained earnings HK\$	Total HK\$
At 1st April 2019	7,800	47,963,305	47,971,105
Comprehensive income			
Profit for the period	-	271,615,164	271,615,164
At 30th September 2019	<u>7,800</u>	<u>319,578,469</u>	<u>319,586,269</u>
At 1st April 2020	7,800	359,656,210	359,664,010
Comprehensive loss			
Loss for the period	-	(11,521,618)	(11,521,618)
At 30th September 2020	<u>7,800</u>	<u>348,134,592</u>	<u>348,142,392</u>

NAN FUNG TREASURY LIMITED

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**CONDENSED STATEMENT OF CASH FLOWS
FOR THE SIX MONTHS ENDED 30TH SEPTEMBER 2020**

	Note	Unaudited	
		For the six months ended	
		30th September	
		2020	2019
		HK\$	HK\$
Cash flows from operating activities			
(Loss)/profit before income tax		(12,994,022)	325,088,959
Interest income		(347,869,488)	(339,290,684)
Interest expenses		307,988,096	297,253,014
Net exchange gain		(11,372)	(643,987)
Unrealised loss/(gain) on derivatives financial instruments, net		57,370,598	(267,893,527)
Changes in working capital:			
Increase in accruals		3,596,777	19,317
Decrease in other receivable		4,624,990	1,533,237
Decrease in amounts due to fellow subsidiary companies		(17,528,045)	(66,103,197)
Increase in amount due from a fellow subsidiary companies		(3,777,645,047)	(57,167,249)
Net cash used in operations		(3,782,467,513)	(107,204,117)
Interest received		329,601,808	335,675,889
Interest paid		(347,247,042)	(288,283,796)
Tax paid		(1,894,164)	(890,572)
Net cash used in operating activities		(3,802,006,911)	(60,702,596)
Cash flows from financing activities			
Proceeds from issuance of medium term notes, net of transaction cost		3,822,296,241	-
Repurchase of medium term notes	13	(50,592,163)	-
Net cash from financing activities		3,771,704,078	-
Net decrease in cash and cash equivalents		(30,302,833)	(60,702,596)
Cash and cash equivalents at the beginning of the period		240,887,704	180,750,022
Cash and cash equivalents at the end of the period		210,584,871	120,047,426

NAN FUNG TREASURY LIMITED

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NOTES TO THE INTERIM FINANCIAL INFORMATION

1 General information

Nan Fung Treasury 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 medium term notes.

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.

The Company has established a Medium Term Note Programme with aggregate nominal amount of US\$3 billion (“MTN”). The MTN is guaranteed by Nan Fung International Holdings Limited, the intermediate holding company. Details of the drawdown are set out in note 13 to the interim financial information.

The condensed interim financial information (“interim financial information”) has been approved for issue by the Board of Directors on 8th December 2020.

2 Basis of preparation and summary of significant accounting policies

The condensed interim financial information for the six months ended 30th September 2020 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 2020, 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 2020.

(i) Amendments to standards adopted by the Company

The Company has adopted the following amendments to standards which are mandatory for the financial year beginning 1st April 2020 and are relevant to its operation:

IAS 1 and IAS 8 (Amendments)	Definition of Material
IFRS 3 (Amendments)	Definition of a Business
IAS 39, IFRS 7 and IFRS 9 (Amendments)	Interest Rate Benchmark Reform
Conceptual Framework for Financial Reporting 2018	Revised Conceptual Framework for Financial Reporting

The Company also early adopted IFRS16 (Amendments) “COVID-19-Related Rent Concessions”. The Company has assessed the impact of the adoption of these amendments to standards, 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.

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NOTES TO THE INTERIM FINANCIAL INFORMATION

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

- (ii) 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 amendments to standards that have been issued but are not yet effective for the period and are relevant to its operation:

		Effective for accounting periods beginning on or after
IAS 16 (Amendments)	Property, Plant and Equipment	1st January 2022
IAS 37 (Amendments)	Provisions, Contingent Liabilities and Contingent Assets	1st January 2022
Annual Improvements to IFRS (Amendments)	Annual Improvements 2018-2020 Cycle	1st January 2022
IAS 1 (Amendments)	Classification of Liabilities as Current or Non- current	1st January 2023
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 amendments to standards as and when they become effective. The Company has already commenced the assessment of the impact of these amendments to standards, the amendments to standards would not be expected to have a material impact on the Company.

3 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 2020.

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

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NOTES TO THE INTERIM FINANCIAL INFORMATION

3 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 Hierarchy			
	Level 1 HK\$	Level 2 HK\$	Level 3 HK\$	Total HK\$
At 30th September 2020				
Derivative financial instruments				
- Assets	-	297,223,191	-	297,223,191
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Derivative financial instruments				
- Liabilities	-	(106,343,765)	-	(106,343,765)
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
At 31st March 2020				
Derivative financial instruments				
- Assets	-	374,484,676	-	374,484,676
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Derivative financial instruments				
- Liabilities	-	(126,234,652)	-	(126,234,652)
	<u> </u>	<u> </u>	<u> </u>	<u> </u>

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NOTES TO THE INTERIM FINANCIAL INFORMATION

3 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.

The fair value of financial instruments that are not traded in an active market is determined using valuation techniques which maximise the use of observable market data and rely as little as possible on entity-specific estimates. 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.

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.

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 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 2020.

5 Net interest income

	For the six months ended 30th September	
	2020 HK\$	2019 HK\$
Interest income from a fellow subsidiary company	347,869,488	339,290,684
Interest expenses on medium term notes	(307,988,096)	(297,253,014)
	<u>39,881,392</u>	<u>42,037,670</u>

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NOTES TO THE INTERIM FINANCIAL INFORMATION

6 Other (losses)/gains, net

	For the six months ended 30th September	
	2020 HK\$	2019 HK\$
Realised gain on derivative financial instruments	12,584,174	17,768,087
Unrealised (loss)/gain on derivative financial instruments, net	(57,370,598)	267,893,527
Loss on repurchase of medium term notes (note 13)	(4,133,380)	-
Net (loss)/gain on derivative financial instruments	(48,919,804)	285,661,614
Net exchange gain	11,372	643,987
	<u>(48,908,432)</u>	<u>286,305,601</u>

7 Other operating expenses

	For the six months ended 30th September	
	2020 HK\$	2019 HK\$
Auditor's remuneration	35,196	29,317
Bank charges	2,452	1,862
Legal and professional fees	1,983,307	769,986
Administrative costs recharged by a fellow subsidiary company	1,946,027	2,453,147
	<u>3,966,982</u>	<u>3,254,312</u>

8 Income tax (credit)/expense

Hong Kong profits tax has been provided at the rate of 16.5% (2019: 16.5%) on the estimated assessable profits for the period ended 30th September 2020.

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

	For the six months ended 30th September	
	2020 HK\$	2019 HK\$
Current income tax		
- Hong Kong profit tax	7,993,745	9,271,364
Deferred income tax	(9,466,149)	44,202,431
	<u>(1,472,404)</u>	<u>53,473,795</u>

NAN FUNG TREASURY LIMITED

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NOTES TO THE INTERIM FINANCIAL INFORMATION**9 Amount due from a fellow subsidiary company**

The balances are denominated in Hong Kong dollars and United States dollars. The balance amounted to HK\$16,338,490,652 (31st March 2020: HK\$12,566,333,926) is interest bearing at a rates ranging from 4.10% to 5.35% per annum (31st March 2020: from 4.10% to 5.35% per annum) and the maturity dates are as follows:

Principal amounts	Maturity date
HK\$795,200,000	22nd August 2022
US\$123,815,000 (equivalent to HK\$959,572,441)	13th September 2022
HK\$1,329,573,263	13th September 2022
HK\$296,970,000	3rd October 2022
HK\$109,098,660	1st November 2022
HK\$100,000,000	23rd January 2023
US\$191,055,575 (equivalent to HK\$1,480,690,259) (note)	21st May 2024
HK\$497,915,000	13th September 2027
US\$404,555,200 (equivalent to HK\$3,135,323,028)	27th September 2027
US\$491,175,000 (equivalent to HK\$3,806,630,809)	5th September 2028
US\$493,870,000 (equivalent to HK\$3,827,517,194)	20th August 2030

The remaining balance is unsecured, interest free and repayable on demand.

Note:

On 21st August 2020, the fellow subsidiary company repaid the loan of USD6,444,425 (equivalent to HK\$49,944,938) to the Company and hence the balance decreased from USD197,500,000 to USD191,055,575 during the period.

10 Derivative financial instruments

	As at 30th September 2020		As at 31st March 2020	
	Notional amount HK\$	Fair value HK\$	Notional amount HK\$	Fair value HK\$
Current assets:				
- Cross currency swap contracts (note (a))	14,846,750,000	297,223,191	14,846,750,000	374,484,676
Current liabilities:				
- Cross currency swap contracts	3,875,000,000	(106,343,765)	3,875,000,000	(126,234,652)

Notes:

- (a) The Company has entered into cross currency rate swap transactions ("CCS Transaction") contract with banks. Of which, CCS Transaction contract with notional amounts of HK\$3,875,000,000 (31st March 2020: HK\$3,875,000,000) was entered on behalf of Nan Fung Treasury (II) Limited ("NFT (II)"), a fellow subsidiary company, the fair value of such cross currency swaps as at 30th September 2020 was a gain of HK\$106,343,765 (31st March 2020: HK\$126,234,652).
- (b) The derivative financial instruments are denominated in United States dollars.

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NOTES TO THE INTERIM FINANCIAL INFORMATION

11 Cash at bank

The carrying amount of the Company's cash at bank balance is denominated in the following currencies:

	As at 30th September 2020 HK\$	As at 31st March 2020 HK\$
Hong Kong dollars	209,665,102	240,547,243
United States dollars	919,769	340,461
	<u>210,584,871</u>	<u>240,887,704</u>

12 Share capital

	Number of shares	Share capital HK\$
Ordinary shares at US\$1 each issued:		
At 31st March and 30th September 2020	<u>1,000</u>	<u>7,800</u>

13 Medium term notes

	As at 30th September 2020 HK\$	As at 31st March 2020 HK\$
Medium term notes		
- listed	14,586,851,211	10,812,567,808
- unlisted	1,806,409,460	1,805,814,709
	<u>16,393,260,671</u>	<u>12,618,382,517</u>

NAN FUNG TREASURY LIMITED

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NOTES TO THE INTERIM FINANCIAL INFORMATION**13 Medium term notes (Continued)**

As at 30th September 2020, the MTN outstanding is HK\$16,563,000,000 of which US\$1,903,474,000 is listed on Singapore Exchange Securities Limited ("SGX"). The details are as follows:

Issue dates	Principal loan drawdown amounts	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\$193 million (note)	29th May 2024	4.875%	semi-annually
13th September 2017	HK\$500 million	13th September 2027	3.65%	quarterly
3rd October 2017	US\$410 million	3rd October 2027	3.875%	semi-annually
5th September 2018	US\$500 million	5th September 2028	5.00%	semi-annually
27th August 2020	US\$500 million	27th August 2030	3.625%	semi-annually

The MTN is guaranteed unconditionally and irrevocably by Nan Fung International Holdings Limited, the Company's intermediate holding company. As at 30th September 2020, the fair values of the MTN are HK\$17,468,910,000 (31st March 2020: HK\$13,490,869,000). Of which, HK\$15,574,251,000 (31st March 2020: HK\$11,598,965,000) is within level 1 of fair value hierarchy and the remaining is within level 2 of fair value hierarchy which is estimated using other comparable prices observed in the market. Total remaining capacity of the MTN amounted to US\$862,979,000 (31st March 2020: US\$1,356,587,000).

Note:

On 20th July 2020, the Company repurchased MTN of USD6,526,000 (equivalent to HK\$50,592,163) from third party and subsequently cancelled the drawdown on 12th August 2020 and hence the drawdown balance decreased from USD200 million to USD193 million during the period. The repurchase of MTN results in a loss of HK\$4,133,380 (note 6).

14 Interest payable

The balance represents interest payable on medium term notes and is denominated in Hong Kong dollars and United States dollars.

15 Amounts due to fellow subsidiary companies

The amounts due to fellow subsidiary companies are unsecured, interest free, have no fixed terms of repayment. The balances are denominated in Hong Kong dollars and United States dollars.

NAN FUNG TREASURY LIMITED
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NOTES TO THE INTERIM FINANCIAL INFORMATION

16 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	
	2020 HK\$	2019 HK\$
Interest income from a fellow subsidiary company (note (i))	347,869,488	339,290,684
Administrative costs recharged by a fellow subsidiary company (note (ii))	1,946,027	2,453,147
Realised and unrealised (gain)/loss on derivative financial instruments to a fellow subsidiary company (note (iii))	<u>(13,867,646)</u>	<u>129,082,075</u>

Notes:

- (i) Interest receivable from a fellow subsidiary company as at 30th September 2020 was HK\$126,952,156 (31st March 2020: HK\$108,684,476). The terms of advance to the fellow subsidiary company are set out in note 9 to the financial statements.
- (ii) Administration costs were recharged by Nan Fung Enterprises (HK) Limited, a fellow subsidiary company, for the administrative service provided. The amount was determined by and agreed between both parties.
- (iii) The Company entered into an arrangement with NFT (II), a fellow subsidiary company, to have assistance in entering into CCS Transaction contract with the bank on behalf of NFT (II). The gain/loss in respect of CCS Transactions is recharged to NFT (II).