

NAN FUNG TREASURY LIMITED

(Incorporated in the British Virgin Islands with limited liability)

FINANCIAL STATEMENTS

FOR THE YEAR ENDED

31ST MARCH 2024

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

Opinion

What we have audited

The financial statements of Nan Fung Treasury Limited (the "Company"), which are set out on pages 6 to 27, comprise:

- the statement of financial position as at 31st March 2024;
- the statement of comprehensive income for the year then ended;
- the statement of changes in equity for the year then ended;
- the statement of cash flows for the year then ended; and
- the notes to the financial statements, comprising material accounting policy information and other explanatory information.

Our opinion

In our opinion, the financial statements give a true and fair view of the financial position of the Company as at 31st March 2024, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs").

Basis for Opinion

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

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

Independence

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

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

(Incorporated in the British Virgin Islands with limited liability)

Key Audit Matters (Continued)

Key audit matter identified in our audit is the amount due from a fellow subsidiary company:

	How our audit addressed the key audit
Amount due from a fellow subsidiary company <i>Refer to note 9 to the financial statements</i> As at 31st March 2024, the Company had an amount due from a fellow subsidiary company of HK\$12,325,712,559. Our audit focused on the amount due from a fellow subsidiary company due to its size and the relative significance of our audit effort on such balance and also the inherent estimation uncertainty in respective recoverability assessment.	We have performed the following procedures in relation to amount due from a fellow subsidiary company: • we understood management's processes of the recoverability assessment and assessed the inherent risk of material misstatement by considering the degree of estimation uncertainty and the judgements involved in determining assumptions to be applied; • we obtained direct confirmation from the fellow subsidiary company to confirm the outstanding balance as at year end; • we checked the principal amount to the agreements signed with the fellow subsidiary company; • we assessed the reasonableness of the methodology and related parameters of expected credit loss assessment, including probability of default, loss given at default, risk exposure, and whether there was a significant increase in credit risk; and • we assessed the forward-looking information used by management, including macroeconomic variables, assumptions and weightings of multiple macroeconomic scenarios. Based on the audit procedures performed, we found the amount due from a fellow subsidiary company is supportable by available evidence.

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

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Other Information

The directors are responsible for the other information. The other information comprises the information included in the appendix "Detailed statement of comprehensive income for the year ended 31st March 2024", but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Directors for the Financial Statements

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

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

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

(Incorporated in the British Virgin Islands with limited liability)

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

(Incorporated in the British Virgin Islands with limited liability)

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

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

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Wan Sau Mei.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 25th June 2024

NAN FUNG TREASURY LIMITED

(Incorporated in the British Virgin Islands with limited liability)

**STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31ST MARCH 2024**

	Note	2024 HK\$	2023 HK\$
Interest income		653,436,859	747,315,746
Interest expenses		(558,208,365)	(650,899,081)
Net interest income	5	95,228,494	96,416,665
Other losses, net	6	(154,714,384)	(3,716,097)
Other operating expenses	7	(6,182,168)	(9,088,745)
(Loss)/profit before income tax		(65,668,058)	83,611,823
Income tax credit/(expense)	8	12,654,183	(11,625,833)
(Loss)/profit and total comprehensive (loss)/income for the year		(53,013,875)	71,985,990

NAN FUNG TREASURY LIMITED

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STATEMENT OF FINANCIAL POSITION**AS AT 31ST MARCH 2024**

	Note	2024 HK\$	2023 HK\$
ASSETS			
Non-current asset			
Amount due from a fellow subsidiary company	9	10,858,286,184	12,748,366,172
Current assets			
Amount due from a fellow subsidiary company	9	1,572,788,070	107,693,320
Derivative financial instruments	10	-	170,655,609
Tax recoverable		13,969,610	-
Other receivable		12,831,870	9,054,212
Cash and cash equivalents	11	190,961,571	216,110,629
		<u>1,790,551,121</u>	<u>503,513,770</u>
Total assets		<u><u>12,648,837,305</u></u>	<u><u>13,251,879,942</u></u>

NAN FUNG TREASURY LIMITED

(Incorporated in the British Virgin Islands with limited liability)

STATEMENT OF FINANCIAL POSITION (CONTINUED)**AS AT 31ST MARCH 2024**

	Note	2024 HK\$	2023 HK\$
EQUITY			
Share capital	12	7,800	7,800
Retained earnings		10,994,954	253,008,829
Total equity		<u>11,002,754</u>	<u>253,016,629</u>
LIABILITIES			
Non-current liabilities			
Medium term notes	13	10,918,124,273	12,831,574,568
Deferred income tax liabilities	16	-	17,402,635
		<u>10,918,124,273</u>	<u>12,848,977,203</u>
Current liabilities			
Accruals		111,904	204,541
Interest payable	14	108,041,602	53,642,128
Amounts due to fellow subsidiary companies	15	27,307,159	28,208,776
Derivative financial instruments	10	98,582,814	65,185,096
Tax payable		-	2,645,569
Medium term notes	13	1,485,666,799	-
		<u>1,719,710,278</u>	<u>149,886,110</u>
Total liabilities		<u>12,637,834,551</u>	<u>12,998,863,313</u>
Total equity and liabilities		<u>12,648,837,305</u>	<u>13,251,879,942</u>

On behalf of the Board

.....
Hui Him Yeung Billy
Director

.....
Tung Chun Wai Nelson
Director

NAN FUNG TREASURY LIMITED

(Incorporated in the British Virgin Islands with limited liability)

**STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31ST MARCH 2024**

	Share capital HK\$	Retained earnings HK\$	Total HK\$
At 1st April 2022	7,800	321,022,839	321,030,639
Comprehensive income			
Profit for the year	-	71,985,990	71,985,990
Transaction with equity owners	-	(140,000,000)	(140,000,000)
Dividend paid			
At 31st March 2023 and 1st April 2023	7,800	253,008,829	253,016,629
Comprehensive loss			
Loss for the year	-	(53,013,875)	(53,013,875)
Transaction with equity owners	-	(189,000,000)	(189,000,000)
Dividend paid			
At 31st March 2024	7,800	10,994,954	11,002,754

NAN FUNG TREASURY LIMITED

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**STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31ST MARCH 2024**

	Note	2024 HK\$	2023 HK\$
Cash flows from operating activities			
(Loss)/profit before income tax		(65,668,058)	83,611,823
Interest income		(653,436,859)	(747,315,746)
Interest expenses		558,208,365	650,899,081
Net exchange loss/(gain)		13,258,286	(4,764,039)
Unrealised loss on derivatives financial instruments		202,608,068	61,566,659
		<u>54,969,802</u>	<u>43,997,778</u>
Changes in working capital:			
(Increase)/decrease in other receivables		(3,777,658)	7,592,456
(Decrease)/increase in accruals		(92,637)	103,925
Decrease in amounts due to fellow subsidiary companies		(200,897,299)	(199,458,203)
Decrease in amount due from a fellow subsidiary company		386,044,918	3,759,895,460
Repayment of medium term notes	13	(409,990,211)	(3,805,557,612)
		<u>(173,743,085)</u>	<u>(193,426,196)</u>
Net cash used in operations		(173,743,085)	(193,426,196)
Interest received		654,706,359	777,374,840
Interest paid		(484,748,701)	(700,267,585)
Tax paid		(21,363,631)	(25,727,208)
		<u>(25,149,058)</u>	<u>(142,046,149)</u>
		<u>(25,149,058)</u>	<u>(142,046,149)</u>
Net decrease in cash and cash equivalents		(25,149,058)	(142,046,149)
Cash and cash equivalents at beginning of the year		216,110,629	358,156,778
		<u>190,961,571</u>	<u>216,110,629</u>
Cash and cash equivalents at end of the year		<u>190,961,571</u>	<u>216,110,629</u>

Significant non-cash transaction:

The dividend paid of HK\$189,000,000 for the year ended 31st March 2024 was settled through amounts due to fellow subsidiary company.

NAN FUNG TREASURY LIMITED

(Incorporated in the British Virgin Islands with limited liability)

NOTES TO THE FINANCIAL STATEMENTS

1 General information¹

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.

These financial statements have been approved for issue by the board of directors on 25th June 2024.

2 Summary of material accounting policies

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

(a) Basis of preparation

These financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRSs”). The financial statements have been prepared under the historical cost convention as modified by the revaluation of derivative financial instruments, which is carried at fair value.

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

(b) New standard and amendments to standards adopted by the Company

The new standard and amendments to standards which are mandatory for the financial year beginning 1st April 2023 and are relevant to the Company’s operations are as follows:

IAS 1 and IFRS Practice Statement 2 (Amendments)	Disclosure of Accounting Policies
IAS 8 (Amendments)	Definition of Accounting Estimates
IAS 12 (Amendments)	Deferred Tax related to Assets and Liabilities Arising from a Single Transaction
IAS 12 (Amendments)	International Tax Reform – Pillar Two Model Rules
IFRS 17 and IFRS 17 (Amendments)	Insurance contracts
IFRS 17	Initial Application of IFRS 17 and IFRS 9 – Comparative Information

The Company has assessed the impact of the adoption of these new standard and 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 financial statements.

NAN FUNG TREASURY LIMITED

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NOTES TO THE FINANCIAL STATEMENTS**2 Summary of material accounting policies (Continued)****(c) New standard and amendments to standards which are not yet effective for this financial year and have not been early adopted by the Company**

The Company has not early adopted the following new standard and amendments to standards that have been issued but are not yet effective for the year ended 31st March 2024:

		Effective for accounting periods beginning on or after
IAS 1 (Amendments)	Classification of Liabilities as Current or Non-current	1st January 2024
IAS 1 (Amendments)	Non-current Liabilities with Covenants	1st January 2024
IAS 7 and IFRS 7	Supplier Finance Arrangements	1st January 2024
IAS 16 (Amendments)	Lease Liability in a Sale and Leaseback	1st January 2024
IFRS S1	General Requirements for Disclosure of Sustainability – related Financial Information	1st January 2024
IFRS S2	Climate – related Disclosures	1st January 2024
IAS 21 (Amendments)	Lack of Exchangeability	1st January 2025
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 standard and amendments to standards and is in the process of assessing the impact on the financial statements.

(d) Foreign currency translation

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

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

NOTES TO THE FINANCIAL STATEMENTS

2 Summary of material accounting policies (Continued)

(e) Financial assets

(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 OCI. 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 other comprehensive income (“FVOCI”).

(ii) Measurement of financial assets

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 (“FVTPL”), transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVTPL 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 losses, net”, together with foreign exchange gains and losses and impairment losses.
- 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 losses, net”.

NAN FUNG TREASURY LIMITED

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NOTES TO THE FINANCIAL STATEMENTS

2 Summary of material accounting policies (Continued)

(e) Financial assets (Continued)

(ii) Measurement of financial assets (Continued)

(1) Debt instruments (Continued)

- 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 statement of comprehensive income within “other gains/(losses), net” in the period in which it arises. Interest income is recognised in the profit or loss.

(2) Equity instruments

The Company subsequently measures all equity investments at fair value. Where the Company’s management has elected to present fair value gains and losses on equity investments in OCI, there is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment. Dividends from such investments continue to be recognised in the profit or loss 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 statement of comprehensive income as applicable.

(iii) Impairment of financial assets

The Company assesses on a forward looking basis the expected credit loss (“ECL”) associated with its debt instruments carried at amortised cost and at FVOCI. The impairment methodology applied depends on whether there has been a significant increase in credit risk since initial recognition.

Impairment on debt instruments at amortised cost and FVOCI 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) Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the statement of financial position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously.

(f) Derivative financial instruments

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

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NOTES TO THE FINANCIAL STATEMENTS

2 Summary of material accounting policies (Continued)

(g) Cash and cash equivalents

Cash and cash equivalents includes cash in hand, deposit held at call with banks and other short term highly liquid investments with original maturities of three months or less.

(h) Borrowings

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

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

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

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

All other borrowing costs are charged to the statement of comprehensive income in the period in which they are incurred.

(i) Other payable

Other payable is recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

(j) Current and deferred income tax

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of reporting period in the countries where the Company operates and generates taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation and establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

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

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NOTES TO THE FINANCIAL STATEMENTS

2 Summary of material accounting policies (Continued)

(j) Current and deferred income tax (Continued)

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

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

(k) Provisions

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

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

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

(l) Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, from the proceeds.

3 Financial risk management

(a) Financial risk factors

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

(i) Credit risk

At the end of each reporting period, the Company's maximum exposure to credit risk in the event of the counterparties failure to discharge their obligations are in relation to each class of recognised financial assets as stated in the statement of financial position.

The Company's financial assets which are potentially subject to credit risk consist principally of the amount due from a fellow subsidiary company, other receivable and cash and cash equivalents. The exposures to these credit risks are closely monitored on an ongoing basis by established credit control procedures.

NAN FUNG TREASURY LIMITED

(Incorporated in the British Virgin Islands with limited liability)

NOTES TO THE FINANCIAL STATEMENTS

3 Financial risk management (Continued)

(a) Financial risk factors (Continued)

(i) Credit risk (Continued)

The Directors of the Company consider the probability of default upon initial recognition of asset and whether there has been significant increase in credit risk on an ongoing basis during the year. To assess whether there is a significant increase in credit risk the Company compares risk of a default occurring on the assets as at the end of the reporting period with the risk of default as at the date of initial recognition. Especially the following indicators are incorporated:

- actual or expected significant adverse changes in business, financial economic conditions that are expected to cause a significant change to the company's ability to meet its obligations;
- actual or expected significant changes in the operating results of the company; and
- significant changes in the expected performance and behavior of the company, including changes in the payment status of the third party.

With respect to credit risk arising on the amount due from a fellow subsidiary company, managements regularly assess credit risk for these amounts and consider the Company's credit risk arising from intercompany balances to be minimal.

With respect to credit risk arising on cash and cash equivalents and other receivable arising from derivative, the Company has limited its credit exposure by restricting their selection of financial institutions and banks with good credit rating.

Management considers amount due from a fellow subsidiary company, other receivable and cash and cash equivalents as low credit risk as counterparties have a strong capacity to meet its contractual cash flow obligations in the near future. The Company has assessed that the financial assets are performing without significant increase in credit risk. Hence, ECL is assessed based on 12-month ECL method. The impairment provision recognised for these balances is close to zero.

(ii) Foreign exchange risk

The Company does not expose to foreign exchange risk as most of the transactions are denominated in Hong Kong dollars and United States dollars. Cash and cash equivalents, interest payable, accruals, medium term notes and balances with fellow subsidiary companies are mainly denominated in Hong Kong dollars and United States dollars. In view of the fact that Hong Kong dollars is pegged to United States dollars, the foreign currency risk on United States dollars transactions and balances is minimal.

(iii) Liquidity risk

The Company's cash management policy is to regularly monitor its current and expected liquidity positions to ensure adequate funds are available for its short term and long term requirements. In order to maintain liquidity, the Company obtains funding from issuance of medium term notes and obtains funding from its group companies.

The table below analyses the Company's financial liabilities into relevant maturity groupings based on the remaining period at the end of the reporting period to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

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NOTES TO THE FINANCIAL STATEMENTS

3 Financial risk management (Continued)

(a) Financial risk factors (Continued)

(iii) Liquidity risk (Continued)

	Less than 1 year HK\$	Between 1 and 2 years HK\$	Between 2 and 5 years HK\$	Over 5 years HK\$
At 31st March 2024				
Interest payable	108,041,602	-	-	-
Amounts due to fellow subsidiary companies	27,307,159	-	-	-
Medium term notes	1,979,474,940	457,252,263	8,238,276,875	4,125,901,172
	<u>2,114,823,701</u>	<u>457,252,263</u>	<u>8,238,276,875</u>	<u>4,125,901,172</u>
At 31st March 2023				
Interest payable	53,642,128	-	-	-
Amounts due to fellow subsidiary companies	28,208,776	-	-	-
Medium term notes	550,006,889	2,031,701,121	4,997,985,731	8,301,096,999
	<u>631,857,793</u>	<u>2,031,701,121</u>	<u>4,997,985,731</u>	<u>8,301,096,999</u>

(iv) Price risk

The Company is exposed to price risk arising from fair value of certain swaps which is determined based on the in-house indexes of banks. Changes in fair value of these swaps are dealt with in the statement of comprehensive income.

(b) Capital risk management

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to provide returns for shareholder and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. The Company obtains funding from issuance of medium term notes and obtains funding from its group companies.

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NOTES TO THE FINANCIAL STATEMENTS**3 Financial risk management (Continued)****(c) Fair value estimation**

The fair value of financial liabilities is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Company for similar financial instruments.

The carrying amounts of cash and cash equivalents, other receivable, interest payable, amounts due from/to fellow subsidiary companies and accruals approximate their fair values due to the short-term maturities of these assets and liabilities.

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 from 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 represents the Company's financial instruments measured at fair value:

	Valuation Hierarchy			
	Level 1 HK\$	Level 2 HK\$	Level 3 HK\$	Total HK\$
As at 31st March 2024				
Derivative financial instruments				
- Assets	-	-	-	-
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Derivative financial instruments				
- Liabilities	-	(98,582,814)	-	(98,582,814)
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
As at 31st March 2023				
Derivative financial instruments				
- Assets	-	170,655,609	-	170,655,609
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Derivative financial instruments				
- Liabilities	-	(65,185,096)	-	(65,185,096)
	<u> </u>	<u> </u>	<u> </u>	<u> </u>

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

NOTES TO THE FINANCIAL STATEMENTS

3 Financial risk management (Continued)

(c) Fair value estimation (Continued)

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.

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 year.

4 Critical accounting estimates and judgements

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

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

Recoverability of amount due from a fellow subsidiary company

Management regularly assesses the loss allowances for amount due from a fellow subsidiary company based on assumptions about risk of default and expected loss rates. Management uses judgement in making these assumptions and selecting the inputs to the impairment calculation, based on the counterparty's past history, existing market conditions as well as forward looking estimates at the end of each reporting period.

5 Net interest income

	2024 HK\$	2023 HK\$
Interest income from amount due from a fellow subsidiary company (note 17)	653,436,859	747,315,746
Interest expenses on medium term notes	(558,208,365)	(650,899,081)
	<u>95,228,494</u>	<u>96,416,665</u>

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NOTES TO THE FINANCIAL STATEMENTS**6 Other losses, net**

	2024 HK\$	2023 HK\$
Net realised gain on derivative financial instruments	37,683,625	34,535,348
Net unrealised loss on derivative financial instruments	(202,608,068)	(61,566,659)
Gain on repurchase of medium term notes (note 13)	23,468,345	7,859,869
Gain on disposal of derivative financial instruments	-	10,691,306
Net loss on derivative financial instruments	(141,456,098)	(8,480,136)
Net exchange (loss)/gain	(13,258,286)	4,764,039
	<u>(154,714,384)</u>	<u>(3,716,097)</u>

7 Other operating expenses

	2024 HK\$	2023 HK\$
Auditor's remuneration	64,392	61,916
Bank charges	4,918	5,542
Legal and professional fees	1,654,632	3,693,731
Printing and stationery expenses	-	36,496
Administrative costs recharged by a fellow subsidiary company (note 17 (ii))	4,248,645	5,149,688
Sundry expenses	209,581	141,372
	<u>6,182,168</u>	<u>9,088,745</u>

8 Income tax (credit)/expense

Hong Kong profits tax has been provided at the rate of 16.5% (2023: 16.5%) on the estimated assessable profits for the year.

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

	2024 HK\$	2023 HK\$
Current tax		
Hong Kong profits tax		
- provision for current year	4,754,452	24,965,416
- tax rebate	(6,000)	(10,000)
Deferred income tax credit	(17,402,635)	(13,329,583)
	<u>(12,654,183)</u>	<u>11,625,833</u>

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NOTES TO THE FINANCIAL STATEMENTS**8 Income tax (credit)/expense (Continued)**

The tax on the Company's (loss)/profit before income tax differs from the theoretical amount that would arise using the profits tax rate of Hong Kong, the principal place where the Company operates, as follows:

	2024 HK\$	2023 HK\$
(Loss)/profit before income tax	(65,668,058)	83,611,823
Calculated at a tax rate of 16.5% (2023: 16.5%)	(10,835,230)	13,795,951
Income not subject to tax	(3,872,277)	(2,160,118)
Expenses not deductible for tax purposes	2,059,324	-
Tax rebate	(6,000)	(10,000)
Income tax (credit)/expense	(12,654,183)	11,625,833

9 Amount due from a fellow subsidiary company

The balances are denominated in Hong Kong and United States dollars.

The fair value of the amount due from a fellow subsidiary company was approximate to the corresponding carrying amount.

As at 31st March 2024, except for the amount due from a fellow subsidiary company of HK\$12,325,712,559 (31st March 2023: HK\$12,748,366,172) with interest bearing at rates ranging from 4.65% to 5.35% per annum (31st March 2023: from 4.10% to 5.35% per annum) and the maturity dates are as follows, the remaining balances of HK\$105,361,695 (31st March 2023: HK\$107,693,320) are unsecured, interest free and repayable on demand.

Principal amounts	Maturity date	2024 HK\$	2023 HK\$
US\$187,500,575/ US\$191,055,575 (note 1)	21st May 2024	1,467,426,375	1,499,728,947
HK\$497,915,000	13th September 2027	497,915,000	497,915,000
US\$367,545,306/ US\$384,820,800 (note 2)	27th September 2027	2,876,501,452	3,020,727,834
US\$462,382,321/ US\$490,880,295 (note 3)	5th September 2028	3,618,719,644	3,853,263,052
US\$493,870,000	20th August 2030	3,865,150,088	3,876,731,339
		12,325,712,559	12,748,366,172

Notes:

1. The fellow subsidiary company repaid the company a total of US\$3,555,000 (equivalent to HK\$27,818,231) during the year.
2. The fellow subsidiary company repaid the company a total of US\$17,275,494 (equivalent to HK\$135,186,967) during the year.
3. The fellow subsidiary company repaid the company a total of US\$28,497,974 (equivalent to HK\$223,039,721) during the year.

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NOTES TO THE FINANCIAL STATEMENTS

10 Derivative financial instruments

	2024		2023	
	Notional Amount HK\$	Fair value HK\$	Notional amount HK\$	Fair value HK\$
Current assets:				
– Cross currency swap contract	-	-	10,196,750,000	170,655,609
Current liabilities:				
– Cross currency swap contract	16,396,750,000	(98,582,814)	3,875,000,000	(65,185,096)

Notes:

- (a) The Company entered into cross currency rate swap transactions (“CCS Transaction”) contract with banks. As at 31st March 2023, CCS Transaction contract with notional amounts of HK\$3,875,000,000 was entered on behalf of Nan Fung Treasury (II) Limited (“NFT (II)”), a fellow subsidiary company, and its cumulative fair value gain is HK\$65,185,096. On 6th December 2023, the Company terminated CCS Transaction contract with NFT (II).
- (b) The derivative financial instruments are denominated in United States dollars.

11 Cash and cash equivalents

The carrying amount of the Company’s cash and cash equivalents balance is denominated in the following currencies:

	2024 HK\$	2023 HK\$
Hong Kong dollars	131,532,045	133,771,395
United States dollars	59,423,541	82,332,950
Renminbi dollars	5,985	6,284
	<u>190,961,571</u>	<u>216,110,629</u>

12 Share capital

	Number of shares	Share capital HK\$
Ordinary shares at US\$1 each issued:		
At 31st March 2023 and 2024	<u>1,000</u>	<u>7,800</u>

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NOTES TO THE FINANCIAL STATEMENTS**13 Medium term notes**

	2024 HK\$	2023 HK\$
Medium term notes (note)	12,403,791,072	12,831,574,568
Less: current portion of medium term notes	(1,485,666,799)	-
	<u>10,918,124,273</u>	<u>12,831,574,568</u>

	2024 HK\$	2023 HK\$
Medium term notes (note)		
- listed	11,904,600,729	12,332,599,845
- unlisted	499,190,343	498,974,723
	<u>12,403,791,072</u>	<u>12,831,574,568</u>

Note:

The Company has established a Medium Term Note Programme (“MTN”). The aggregate principal of US\$3 billion. As at 31st March 2024 and 2023, the Company has drawdown of HK\$500,000,000 (2023: HK\$500,000,000) which is unlisted and US\$1,533,056,000 (2023: US\$1,585,444,000) which is listed on Singapore Exchange Securities Trading Limited. The details of the drawdowns are as follows:

Issue dates	Principal loan drawdown amounts	Maturity date	Fixed interest yield per annum	Interests in arrear	2024 HK\$	2023 HK\$
29th May 2014	US\$189.87 million (note 1)	29th May 2024	4.875%	semi-annually	1,485,666,799	1,516,403,565
13th September 2017	HK\$500 million	13th September 2027	3.65%	quarterly	499,190,342	498,974,722
3rd October 2017	US\$372.49 million (note 2)	3rd October 2027	3.875%	semi-annually	2,897,334,703	3,056,674,003
5th September 2018	US\$470.69 million (note 3)	5th September 2028	5%	semi-annually	3,644,882,181	3,876,140,163
27th August 2020	US\$500 million	27th August 2030	3.625%	semi-annually	3,876,717,047	3,883,382,115
					<u>12,403,791,072</u>	<u>12,831,574,568</u>

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

The MTN is guaranteed unconditionally and irrevocably by Nan Fung International Holdings Limited, the Company's intermediate holding company. As at 31st March 2024, the fair values of the MTN are HK\$11,617,528,000 (31st March 2023: HK\$12,116,981,000). Of which, US\$1,424,986,000 equivalent to HK\$11,152,303,000 (31st March 2023: US\$1,483,831,000 equivalent to HK\$11,647,626,000) is within level 1 of fair value hierarchy and the remaining HK\$465,225,000 (31st March 2023: HK\$469,355,000) 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\$1,403,056,000 (31st March 2023: US\$1,350,859,000).

Notes:

1. During the year ended 31st March 2024, the company repurchased US\$3.6 million MTN from third party and subsequently cancelled, resulting in a decrease in drawdown balance from US\$193.47 million to US\$189.87 million.
2. During the year ended 31st March 2024, the company repurchased US\$19.78 million MTN from third party and subsequently cancelled, resulting in a decrease in drawdown balance from US\$392.27 million to US\$372.49 million.
3. During the year ended 31st March 2024, the company repurchased US\$29.01 million MTN from third party and subsequently cancelled, resulting in a decrease in drawdown balance from US\$499.7 million to US\$470.69 million.

14 Interest payable

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

15 Amounts due to fellow subsidiary companies

The amounts due to fellow subsidiary companies are unsecured, interest free and repayable on demand. The balances are denominated in Hong Kong and United States dollars.

NAN FUNG TREASURY LIMITED

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NOTES TO THE FINANCIAL STATEMENTS**16 Deferred income tax**

Deferred income tax is calculated in full on temporary differences under the liability method using a tax rate of 16.5%.

The movement of the deferred income tax liabilities are as follows:

	Unrealised gain on derivative financial instruments HK\$
At 1st April 2022	(30,732,218)
Credited to the statement of comprehensive income	13,329,583
At 31st March 2023	(17,402,635)
Credited to the statement of comprehensive income	17,402,635
At 31st March 2024	-

17 Significant related party transactions

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

	2024 HK\$	2023 HK\$
Interest income from a fellow subsidiary company (note i)	653,436,859	747,315,746
Administrative costs recharged by a fellow subsidiary company (note ii)	(4,248,645)	(5,149,688)
Net realised and unrealised gains on derivative financial instruments charged to a fellow subsidiary company (note iii)	57,604,877	9,993,758

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NOTES TO THE FINANCIAL STATEMENTS**17 Significant related party transactions (Continued)**

Notes:

- i. Interest receivable from a fellow subsidiary company as at 31st March 2024 was HK\$105,361,695 (2023: HK\$107,693,320). The terms of advance to the fellow subsidiary company is set out in note 9 to the financial statements.
- ii. Administrative costs were recharged by Nan Fung Enterprises (HK) Limited for the year ended 31st March 2024 and 2023 for the administrative services 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 contracts with notional amounts of HK\$3,875,000,000 (31st March 2023: HK\$3,875,000,000) with the bank on behalf of NFT (II). On 6th December 2023, this arrangement was terminated, and the fair value loss of swaps HK\$1,445,259 was recharged to NFT (II).

18 Holding companies

The ultimate holding company is Chen's Group International Limited, a company incorporated in the British Virgin Islands.

The immediate holding company is NF Treasury Holdings Limited, a company incorporated in the British Virgin Islands.

APPENDIX**NAN FUNG TREASURY LIMITED**

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**DETAILED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31ST MARCH 2024****(FOR MANAGEMENT INFORMATION PURPOSES ONLY)**

	2024 HK\$	2023 HK\$
Income/gains		
Interest income	653,436,859	747,315,746
Net exchange gain	-	4,764,039
Gain on disposal of derivative financial instruments	-	10,691,306
Gain on repurchase of medium term notes	23,468,345	7,859,869
	<u>676,905,204</u>	<u>770,630,960</u>
Less : Expenses/losses		
Interest expenses	558,208,365	650,899,081
Net loss on derivative financial instruments	164,924,443	27,031,311
Net exchange loss	13,258,286	-
Auditor's remuneration	64,392	61,916
Bank charges	4,918	5,542
Legal and professional fees	1,654,632	3,693,731
Printing and stationery expenses	-	36,496
Sundry expenses	209,581	141,372
Administrative costs recharged by Nan Fung Enterprises (HK) Limited	4,248,645	5,149,688
	<u>742,573,262</u>	<u>687,019,137</u>
(Loss)/profit before income tax	<u>(65,668,058)</u>	<u>83,611,823</u>