

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

FINANCIAL STATEMENTS

FOR THE YEAR ENDED

31ST MARCH 2026

Independent Auditor's Report

To the Member of Nan Fung Treasury (III) Limited
(incorporated in the British Virgin Islands with limited liability)

Opinion

What we have audited

The financial statements of Nan Fung Treasury (III) Limited (the "Company"), which are set out on pages 6 to 21, comprise:

- the statement of financial position as at 31st March 2026;
- 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 2026, and of its financial performance and its cash flows for the year then ended in accordance with IFRS Accounting Standards.

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 Code of Ethics for Professional Accountants as issued by the Hong Kong Institute of Certified Public Accountants (the “Code”), as applicable to audits of financial statements of public interest entities. We have also fulfilled our other ethical responsibilities in accordance with the Code.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, 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.

The key audit matter identified in our audit is related to impairment of amount due from a fellow subsidiary company.

Key Audit Matter	How our audit addressed the Key Audit Matter
Impairment of amount due from a fellow subsidiary company Refer to note 9 to the financial statements. As at 31st March 2026, the Company had amounts due from a fellow subsidiary company of HK\$3,837,815,085. Our audit focused on the impairment of amounts 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 impairment assessment.	We have performed the following procedures in relation to amounts 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 balances 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 management’s assessment of the impairment of amounts due from a fellow subsidiary company is supportable by available evidence.

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 2026”, 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 IFRS Accounting Standards, 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.

The directors are responsible for overseeing the Company’s financial reporting process.

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 judgment 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.

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 Lo Pui Shan.

PricewaterhouseCoopers
Certified Public Accountants
Hong Kong, 7th July 2026

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

STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31ST MARCH 2026

	Note	2026 HK\$	2025 HK\$
Interest income		201,485,292	201,485,292
Interest expenses		(195,174,854)	(194,810,656)
Net interest income	5	6,310,438	6,674,636
Change in fair value on perpetual capital securities		100,088,629	138,059,466
Other (losses)/gains, net	6	(348,482)	4,640,603
Other operating expenses	7	(2,945,097)	(2,939,157)
Profit before income tax		103,105,488	146,435,548
Income tax expense	8	(490,130)	(653,973)
Profit for the year		102,615,358	145,781,575
Other comprehensive loss			
<i>Items that may not be reclassified subsequently to profit or loss</i>			
Change in fair value on perpetual capital securities attributable to the change in the credit risk		(321,134,853)	(231,989,128)
Other comprehensive loss for the year		(321,134,853)	(231,989,128)
Total comprehensive loss for the year		(218,519,495)	(86,207,553)

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

STATEMENT OF FINANCIAL POSITION
AS AT 31ST MARCH 2026

	Note	2026 HK\$	2025 HK\$
ASSETS			
Non-current assets			
Amount due from a fellow subsidiary company	9	3,837,815,085	3,837,815,085
Deferred tax asset	13	3,304,533	3,794,663
		<u>3,841,119,618</u>	<u>3,841,609,748</u>
Current assets			
Amount due from a fellow subsidiary company	9	32,568,855	32,568,855
Amount due from immediate holding company	9	7,836	7,778
Cash and cash equivalents		2,524,146	8,483,940
		<u>35,100,837</u>	<u>41,060,573</u>
Total assets		<u><u>3,876,220,455</u></u>	<u><u>3,882,670,321</u></u>

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

STATEMENT OF FINANCIAL POSITION (CONTINUED)
AS AT 31ST MARCH 2026

	Note	2026 HK\$	2025 HK\$
EQUITY			
Share capital	10	7,793	7,793
Other reserve		(876,975,141)	(555,840,288)
Retained earnings		1,746,760,966	1,644,145,608
Total equity		<u>869,793,618</u>	<u>1,088,313,113</u>
LIABILITIES			
Non-current liability			
Perpetual capital securities	11	<u>2,992,101,224</u>	<u>2,771,055,000</u>
Current liabilities			
Accruals		96,104	93,604
Interest payable	12	11,427,062	11,343,500
Amounts due to fellow subsidiary companies	9	<u>2,802,447</u>	<u>11,865,104</u>
		<u>14,325,613</u>	<u>23,302,208</u>
Total liabilities		<u>3,006,426,837</u>	<u>2,794,357,208</u>
Total equity and liabilities		<u>3,876,220,455</u>	<u>3,882,670,321</u>

On behalf of the Board

Berry Connie Charlotte	Tang Chun Wai Nelson
Director	Director

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

**STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31ST MARCH 2026**

	Share capital	Other reserve (note)	Retained earnings	Total
	HK\$	HK\$	HK\$	HK\$
At 1st April 2024	7,793	(323,851,160)	1,498,364,033	1,174,520,666
Comprehensive loss				
Profit for the year	-	-	145,781,575	145,781,575
Other comprehensive income				
Change in fair value on perpetual capital securities attributable to the change in the credit risk	-	(231,989,128)	-	(231,989,128)
Total comprehensive loss for the year	-	(231,989,128)	145,781,575	(86,207,553)
At 31st March 2025 and at 1st April 2025	7,793	(555,840,288)	1,644,145,608	1,088,313,113
Comprehensive loss				
Profit for the year	-	-	102,615,358	102,615,358
Other comprehensive income				
Change in fair value on perpetual capital securities attributable to the change in the credit risk	-	(321,134,853)	-	(321,134,853)
Total comprehensive loss for the year	-	(321,134,853)	102,615,358	(218,519,495)
At 31st March 2026	7,793	(876,975,141)	1,746,760,966	869,793,618

Note:

The other reserve comprises the change in fair value of the perpetual capital securities attributable to the changes in the credit risk of perpetual capital securities.

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

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31ST MARCH 2026

	2026 HK\$	2025 HK\$
Cash flows from operating activities		
Profit before income tax	103,105,488	146,435,548
Interest income	(201,485,292)	(201,485,292)
Interest expenses	195,174,854	194,810,656
Change in fair value on perpetual capital securities	(100,088,629)	(138,059,466)
Net exchange losses/(gains)	348,482	(4,640,603)
Operating loss before working capital changes	(2,945,097)	(2,939,157)
Increase in accruals	2,500	2,634
(Decrease)/increase in amounts due to fellow subsidiary companies	(9,274,093)	3,914,533
Net cash (used in)/generated from operating activities	(12,216,690)	978,010
Interest received	201,485,292	202,037,307
Interest paid	(195,228,396)	(194,880,437)
Net cash (used in)/generated from operating activities	(5,959,794)	8,134,880
Net (decrease)/ increase in cash and cash equivalents	(5,959,794)	8,134,880
Cash and cash equivalents at the beginning of the year	8,483,940	349,060
Cash and cash equivalents at the end of the year	<u>2,524,146</u>	<u>8,483,940</u>

NAN FUNG TREASURY (III) LIMITED

(Incorporated in the British Virgin Islands with limited liability)

NOTES TO THE FINANCIAL STATEMENTS

1 General information

Nan Fung Treasury (III) 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 10th September 2020, the Company issued US\$500 million 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 intermediate holding company. Details of which are set out in note 11 to the financial statements.

These financial statements have been approved for issue by the board of directors on 7th July 2026.

2 Summary of material accounting policies

The material accounting policies applied 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 IFRS Accounting Standards. The financial statements have been prepared under the historical cost convention as modified by the revaluation of perpetual capital securities, which are carried at fair value.

The preparation of financial statements in conformity with IFRS Accounting Standards 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) Amendments to standard adopted by the Company

The Company has adopted the following amendments to standard which are mandatory for the financial year beginning 1st April 2025 and are relevant to its operation.

IAS 21 (Amendments)

Lack of Exchangeability

The Company has assessed the impact of the adoption of the amendments to standard. 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.

NOTES TO THE FINANCIAL STATEMENTS

2 Summary of material accounting policies (Continued)

(c) New standards 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 standards and amendments to standards that have been issued but are not yet effective for the year ended 31st March 2026:

		Effective for accounting periods beginning on or after
IFRS 9 & IFRS 7 (Amendments)	Amendments to the Classification and Measurement of Financial Instruments	1st April 2026
IFRS 1, IFRS 7, IFRS 9, IFRS 10 and IAS 7 (Amendments)	Annual Improvement to IFRS Accounting Standards – Volume 11	1st April 2026
IFRS 9 and IFRS 7 (Amendments)	Contracts Referencing Nature-dependent Electricity	1st April 2026
IFRS 18	Presentation and Disclosure in Financial Statements	1st April 2027
IFRS 19	Subsidiaries without Public Accountability: Disclosures	1st April 2027
IAS 21 (Amendments)	Translation to a Hyperinflationary Presentation Currency	1st April 2027
IFRS 20	Regulatory Assets and Regulatory Liabilities	1st April 2029
IFRS 10 and IAS 28 (Amendments)	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	To be determined

IFRS 18 will replace IAS 1 Presentation of Financial Statements, introducing new requirements that will help to achieve comparability of the financial performance of similar entities and provide more relevant information and transparency to users. Even though IFRS 18 will not impact the recognition or measurement of items in the financial statements, its impacts on presentation and disclosure are expected to be pervasive, in particular those related to the statement of comprehensive income and providing management-defined performance measures within the financial statements.

Management is currently assessing the detailed implications of applying IFRS 18 on the Company's financial statements. The Company expects to apply the new standard from its mandatory effective date of 1st April 2027. Retrospective application is required, and so the comparative information for the financial year ending 31st March 2027 will be restated in accordance with IFRS 18.

Except for IFRS 18, the other new standard and amendments to standards would not be expected to have a material impact to financial statements of the Company.

(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 profit or loss.

NOTES TO THE FINANCIAL STATEMENTS

2 Summary of material accounting policies (Continued)

(e) Financial assets

(i) Classification of financial assets

The Company classifies all its financial assets as financial assets measured at amortised cost. 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.

(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.

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)/gains, net'. Foreign exchange gains and losses and impairment expenses are presented in 'Other (losses)/gains, net'.

(ii) Impairment of financial assets

The Company assesses on a forward looking basis the expected credit loss ("ECL") associated with its financial assets measured at amortised cost. 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 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.

(iii) 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. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the company or the counterparty.

(f) 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.

(g) Other payables

Except for perpetual capital securities, the financial liabilities at amortised cost are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

NOTES TO THE FINANCIAL STATEMENTS

2 Summary of material accounting policies (Continued)

(h) Financial liabilities at fair value through profit or loss

The perpetual capital securities of the Company are designated as at FVTPL as the perpetual capital securities containing an embedded derivative which is an extension option not having a concurrent adjustment to the current market interest rate at the time of the extension. 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 perpetual capital securities, which shall be presented in other comprehensive income. Interest expense from the perpetual capital securities is recognised in profit or loss using the stated coupon rate of the perpetual capital securities. There is no contractual term enabling the holders to redeem the perpetual capital securities.

(i) 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 the reporting period in Hong Kong, where the Company operates and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which the applicable Hong Kong tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the Hong Kong Inland Revenue Department.

Deferred income tax is recognised, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. However, deferred income tax 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 the reporting period and are expected to apply.

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

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income tax assets and liabilities relate to income taxes levied by the same taxation authority.

(j) 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, interest rate 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.

(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.

NOTES TO THE FINANCIAL STATEMENTS
3 Financial risk management (Continued)

(a) Financial risk factors (Continued)

(i) Credit risk (Continued)

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

The directors 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 debtor's ability to meet its obligations;
- actual or expected significant changes in the operating results of the debtor; and
- significant changes in the expected performance and behavior of the debtor

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.

With respect to credit risk arising on the amount due from a fellow subsidiary company and the immediate holding company, managements regularly assess credit risk for these amounts and consider the Company's credit risk arising from these balances to be minimal. The Company evaluates credit risk of them by reference to external credit ratings of NFIHL, an intermediate holding company of the Company and the guarantor (the "Guarantor") of the perpetual capital securities, primarily Moody's default probabilities and loss given default data, complemented by forward-looking macroeconomic data. With respect to credit risk arising on cash and cash equivalents, the Company has limited its credit exposure by restricting their selection of financial institutions and banks with good credit rating. The impairment provision recognised for these balances is minimal.

(ii) Interest rate risk

The Company is exposed to interest rate risk arising on its financial liabilities designated at fair value through profit or loss. Perpetual capital securities are sensitive to changes in market benchmark interest rates, with fair value movements arising from interest rate risk to be recognised in profit or loss. The Company manages this exposure through regular monitoring of interest rate markets and periodic review of the debt portfolio structure. As at 31st March 2026, if interest rates had been 25 basis points higher/ lower with all other variables held constant, profit after tax for the year would have been HK\$110 million/HK\$119 million (2025: HK\$95 million/HK\$102 million) higher/lower, as a result of a fair value gain/loss of the perpetual capital securities.

(iii) Foreign exchange risk

The Company's exposure to currency risk is minimal as most of the transactions are denominated in Hong Kong dollars and United States dollars. Cash and cash equivalents, interest payable, accruals, perpetual capital securities, balances with a fellow subsidiary company and immediate holding company 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.

NAN FUNG TREASURY (III) LIMITED
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NOTES TO THE FINANCIAL STATEMENTS

3 Financial risk management (Continued)

(a) Financial risk factors (Continued)

(iv) Liquidity risk

In order to maintain liquidity, the Company obtains funding from issuance of perpetual capital securities 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.

	Less than 1 year or repayable on demand HK\$	Perpetual HK\$
At 31st March 2026		
Amounts due to fellow subsidiary companies	2,802,447	-
Perpetual capital securities (Note)		
- Principal amount	-	3,917,850,000
	<u>2,802,447</u>	<u>3,917,850,000</u>
At 31st March 2025		
Amounts due to fellow subsidiary companies	11,865,104	-
Perpetual capital securities (Note)		
- Principal amount	-	3,889,200,000
	<u>11,865,104</u>	<u>3,889,200,000</u>

Note:

The perpetual capital securities bear distributions at 5% p.a. (or 8% p.a. following a change of control of the Guarantor) payable semi-annually, subject to deferral upon satisfaction of certain conditions as detailed in note 11.

Assuming the perpetual capital securities will be redeemed on any business day thereafter the first call date, 10th September 2023, by giving not less than 30 nor more than 60 days' notice to the trustee, the interest accruing and payable will be as below:

	Less than 1 year HK\$
At 31st March 2026	
Interest payable on perpetual capital securities	<u>32,201,507</u>
At 31st March 2025	
Interest payable on perpetual capital securities	<u>31,996,027</u>

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

NOTES TO THE FINANCIAL STATEMENTS

3 Financial risk management (Continued)

(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 perpetual capital securities and obtains funding from its group companies.

(c) Fair value estimation

The carrying amounts of cash and cash equivalents, interest payable, amounts due from/to fellow subsidiary companies and immediate holding company and accruals approximate their fair values due to the short-term maturities of these assets and liabilities or the interest rate approximates the current market rate.

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

	Valuation hierarchy			Total HK\$
	Level 1 HK\$	Level 2 HK\$	Level 3 HK\$	
At 31st March 2026				
Perpetual capital securities	2,992,101,224	-	-	2,992,101,224
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
At 31st March 2025				
Perpetual capital securities	2,771,055,000	-	-	2,771,055,000
	<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 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.

There is no transfer between level 1, level 2 and 3 of financial assets and liabilities during the year.

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

NOTES TO THE FINANCIAL STATEMENTS

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

	2026 HK\$	2025 HK\$
Interest income from a fellow subsidiary company (note 9(a) and note 15)	201,485,292	201,485,292
Interest expenses on perpetual capital securities	(195,174,854)	(194,810,656)
	<u>6,310,438</u>	<u>6,674,636</u>

6 Other (losses)/gains, net

	2026 HK\$	2025 HK\$
Exchange (losses)/gains, net	<u>(348,482)</u>	<u>4,640,603</u>

7 Other operating expenses

	2026 HK\$	2025 HK\$
Administrative expenses recharged by a fellow subsidiary company (note 15)	1,220,490	1,277,753
Auditor's remuneration	54,654	55,955
Registration fee	33,231	37,362
Donation	1,565,001	1,500,000
Legal and professional fee	70,971	67,327
Others	750	760
	<u>2,945,097</u>	<u>2,939,157</u>

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NOTES TO THE FINANCIAL STATEMENTS

8 Income tax expense

No provision for Hong Kong profits tax has been made as the Company has no assessable profits for the years after utilisation of tax losses.

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

	2026 HK\$	2025 HK\$
Deferred income tax charged (note 13)	490,130	653,973

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

	2026 HK\$	2025 HK\$
Profit before income tax	103,105,488	146,435,548
Calculated at a tax rate of 16.5% (2025: 16.5%)	17,012,406	24,161,865
Income not taxable	(16,522,276)	(23,507,892)
	490,130	653,973

9 Amounts due from/(to) group companies

	2026 HK\$	2025 HK\$
Amounts due from a fellow subsidiary company (Note a)	3,870,383,940	3,870,383,940
Amount due from immediate holding company (Note b)	7,836	7,778
Amounts due to fellow subsidiary companies (Note b)	(2,802,447)	(11,865,104)

Notes:

- (a) The balances are denominated in Hong Kong dollars. As at 31st March 2026, the balance of HK\$3,837,815,085 (2025: HK\$3,837,815,085) bears interest at a rate of 5.25% (2025: 5.25%) per annum and with a maturity date of 11th September 2030, while the balance of HK\$32,568,855 (2025: HK\$32,568,855) is expected to be repaid in one year or less.
- (b) The balance is unsecured, interest free, repayable on demand and denominated in Hong Kong dollar.

10 Share capital

	Number of shares	Amount HK\$
Ordinary shares at US\$1 each issued: At 31st March 2025 and 2026	1,000	7,793

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NOTES TO THE FINANCIAL STATEMENTS

11 Perpetual capital securities

			As at 31st March 2026	As at 31st March 2025
	Fixed distribution rate per annum	Principal amount (million)	Fair value HK\$	Fair value HK\$
Perpetual capital securities				
- Listed on Singapore Exchange Securities Trading Limited	5%	US\$500	2,992,101,224	2,771,055,000

As described in note 1 to the financial statements, the Company issued perpetual capital securities on 10th September 2020 with NFIHL, an intermediate holding company, as the guarantor (the “Guarantor”). During the outstanding period, the perpetual capital securities bear distributions at 5% p.a, which are payable semi-annually in arrear from 10th March 2021. There is no limit as to the number of times of deferral of distribution payment. When the distribution is deferred and the Guarantor and or the Company elect to declares dividends to their ordinary shareholders or voluntarily redeem the ordinary shares, the Company shall make distribution to the holders of perpetual securities at the distribution rates as defined in the offering circular. The perpetual capital securities have no fixed maturity and are redeemable at Company’s option on or after 10th September 2023 or upon the occurrence of the other events. It is designated as financial liabilities at fair value through profit or loss.

12 Interest payable

The balance is unsecured, interest free, payable in accordance with the term of perpetual capital securities and is denominated in United States dollars.

13 Deferred tax assets

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 assets are as follows:

	Tax losses HK\$
At 1st April 2024	4,448,636
Charged to profit or loss (note 8)	(653,973)
At 31st March 2025 and at 1st April 2025	3,794,663
Charged to profit or loss (note 8)	(490,130)
At 31st March 2026	3,304,533

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NOTES TO THE FINANCIAL STATEMENTS

14 Reconciliation of liabilities arising from financing activities

	Perpetual capital securities
	HK\$
Balance as at 1st April 2024	2,677,125,338
Non-cash changes:	
Change in fair value on perpetual capital securities other than those attributable to credit risk	(138,059,466)
Change in fair value on perpetual capital securities attributable to credit risk	231,989,128
At 31st March 2025 and at 1st April 2025	2,771,055,000
Non-cash changes:	
Change in fair value on perpetual capital securities other than those attributable to credit risk	(100,088,629)
Change in fair value on perpetual capital securities attributable to credit risk	321,134,853
At 31st March 2026	2,992,101,224

15 Significant related party transactions

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

	2026 HK\$	2025 HK\$
Administrative expenses recharged by a fellow subsidiary company (note a)	1,220,490	1,277,753
Interest income from a fellow subsidiary company (note b)	201,485,292	201,485,292

Notes:

- (a) Administrative expenses to Nan Fung Enterprises (HK) Limited were for administration services provided. The terms were determined and agreed between both parties.
- (b) As at 31st March 2026, amount due from a fellow subsidiary company comprises interest receivables of HK\$32,568,855 (2025: HK\$32,568,855). The terms of advance to the fellow subsidiary company are set out in note 9 to the financial statements.

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**DETAILED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31ST MARCH 2026****(FOR MANAGEMENT INFORMATION PURPOSES ONLY)**

	2026 HK\$	2025 HK\$
INCOME/GAINS		
Interest income	201,485,292	201,485,292
Change in fair value on perpetual capital securities	100,088,629	138,059,466
Net exchange gain	-	4,640,603
	<u>301,573,921</u>	<u>344,185,361</u>
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EXPENSES/LOSSES		
Net exchange loss	(348,482)	-
Auditor's remuneration	(54,654)	(55,955)
Donation	(1,565,001)	(1,500,000)
Interest expenses	(195,174,854)	(194,810,656)
Legal and professional fee	(70,971)	(67,327)
Administration costs recharged by Nan Fung Enterprise (HK) Limited	(1,220,490)	(1,277,753)
Business registration fee	(33,231)	(37,362)
Bank charges	(750)	(760)
	<u>(198,468,433)</u>	<u>(197,749,813)</u>
	-----	-----
PROFIT BEFORE INCOME TAX	<u><u>103,105,488</u></u>	<u><u>146,435,548</u></u>