

## IMPORTANT NOTICE

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**THE SECURITIES TO BE PROVIDED IN RESPECT THEREOF HAVE NOT BEEN, AND WILL NOT BE, REGISTERED UNDER THE UNITED STATES SECURITIES ACT OF 1933, AS AMENDED (THE “SECURITIES ACT”), OR THE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES OR OTHER JURISDICTION AND THE SECURITIES MAY NOT BE OFFERED OR SOLD IN THE UNITED STATES, EXCEPT PURSUANT TO AN EXEMPTION FROM, OR IN A TRANSACTION NOT SUBJECT TO, THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT AND APPLICABLE STATE OR LOCAL SECURITIES LAWS. THIS OFFERING IS MADE SOLELY IN OFFSHORE TRANSACTIONS PURSUANT TO REGULATION S UNDER THE SECURITIES ACT.**

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**Confirmation of Your Representation:** You have accessed the attached document on the basis that you have confirmed to Nan Fung Treasury (III) Limited (the “**Issuer**”), Nan Fung International Holdings Limited (the “**Guarantor**”) and The Hongkong and Shanghai Banking Corporation Limited, Goldman Sachs (Asia) L.L.C., J.P. Morgan Securities plc and UBS AG Hong Kong Branch (the “**Joint Lead Managers**”) that: (1) you and any customers you represent are not in the United States, (2) the electronic mail address that you gave us and to which this e-mail has been delivered is not located in the United States, and (3) you consent to delivery of this document by electronic transmission. To the extent you purchase the securities described in the attached document, you will be doing so in an offshore transaction as defined in regulations under the Securities Act in compliance with Regulation S thereunder.

The Offering Circular has been made available to you in electronic form. You are reminded that documents transmitted via this medium may be altered or changed during the process of transmission and consequently neither the Issuer, the Guarantor, the Joint Lead Managers nor any of their affiliates, directors, officers, employees, representatives, agents and each person who controls any of them accepts any liability or responsibility whatsoever in respect of any such alteration or change to the Offering Circular distributed to you in electronic format or any difference between the Offering Circular distributed to you in electronic format and the hard copy version.

**Restrictions:** Nothing in this electronic transmission constitutes, and may not be used in connection with, an offer or an invitation by or on behalf of any of the Issuer, the Guarantor or the Joint Lead Managers to subscribe or purchase any of the securities described therein, in any place where offers or solicitations are not permitted by law and access has been limited so that it shall not constitute in the United States or elsewhere directed selling efforts (within the meaning of Regulation S under the Securities Act). If a jurisdiction requires that the offering be made by a licensed

broker or dealer and any Joint Lead Manager or any affiliate of a Joint Lead Manager is a licensed broker or dealer in that jurisdiction, the offering shall be deemed to be made by that Joint Lead Manager or such affiliate on behalf of the Issuer and the Guarantor in such jurisdiction. Any securities to be issued in respect thereof will not be registered under the Securities Act and may not be offered or sold in the United States unless registered under the Securities Act or pursuant to an exemption from such registration. Access has been limited so that it shall not constitute a general solicitation in the United States or elsewhere. If you have gained access to this transmission contrary to the foregoing restrictions, you will be unable to purchase any of the securities described therein.

You are reminded that you have accessed the Offering Circular on the basis that you are a person into whose possession the Offering Circular may be lawfully delivered in accordance with the laws of the jurisdiction in which you are located.

The materials relating to the offering do not constitute, and may not be used in connection with, an offer or solicitation in any place where offers or solicitations are not permitted by law.

If you receive the Offering Circular by e-mail, you should not reply by e-mail to the Offering Circular, and you may not purchase any securities by doing so. Any reply e-mail communications, including those you generate by using the "Reply" function on your e-mail software, will be ignored or rejected.

**You are responsible for protecting against viruses and other destructive items.** Your use of this e-mail is at your own risk and it is your responsibility to take precautions to ensure that it is free from viruses and other items of a destructive nature.



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

**U.S.\$500,000,000 5.00 per cent.**

**Guaranteed Senior Perpetual Capital Securities**

**Issue Price: 100.00 per cent.**

**unconditionally and irrevocably guaranteed by**

**NAN FUNG INTERNATIONAL HOLDINGS LIMITED**  
(incorporated with limited liability in the British Virgin Islands)

The 5.00 per cent. guaranteed senior perpetual capital securities in the aggregate principal amount of U.S.\$500,000,000 (the "Securities") will be issued by Nan Fung Treasury (III) Limited (the "Issuer") and will be unconditionally and irrevocably guaranteed (the "Guarantee of the Securities") by Nan Fung International Holdings Limited (the "Guarantor" or the "Company"), a company incorporated with limited liability in the British Virgin Islands.

The Securities confer a right to receive distributions (each, a "Distribution") for the period from and including 10 September 2020 (the "Issue Date") at the applicable rate described below (the "Distribution Rate"). Subject to the provisions of the Securities relating to deferral of Distribution (see "Terms and Conditions of the Securities—Distribution—Distribution Deferral"), Distributions shall be payable semi-annually in arrear on 10 March and 10 September of each year (each, a "Distribution Payment Date") commencing on 10 March 2021.

Unless previously redeemed in accordance with the terms of the Securities and subject to Condition 4(c) of the Terms and Conditions of the Securities (*Increase in Distribution following a Change of Control*), Distributions shall accrue on the outstanding principal amount of the Securities at a rate of 5.00 per cent. per annum.

The Issuer may, at its sole discretion, elect to defer any Distribution (including any Arrears of Distribution and any Additional Distribution Amount) which is otherwise scheduled to be paid on a Distribution Payment Date to the next Distribution Payment Date unless, during the three months ending on the day before that scheduled Distribution Payment Date, a Compulsory Distribution Payment Event has occurred. Any Distribution so deferred shall remain outstanding in full and constitute Arrears of Distribution. Each amount of Arrears of Distribution shall bear distribution as if it constituted the principal of the Securities at the prevailing Distribution Rate and the amount of such distribution ("Additional Distribution Amount") with respect to Arrears of Distribution shall be calculated by applying the Distribution Rate to the amount of the Arrears of Distribution as described in "Terms and Conditions of the Securities—Distribution—Distribution Deferral—Cumulative Deferral". The Issuer may further defer any Arrears of Distribution and Additional Distribution Amounts by complying with the specified notice requirements. The Issuer is not subject to any limits as to the number of times any Distributions and Arrears of Distribution may be deferred. See "Terms and Conditions of the Securities—Distribution—Distribution Deferral—Cumulative Deferral".

Upon the occurrence of a Change of Control (as defined in the Terms and Conditions of the Securities), unless an irrevocable notice to redeem the Securities has been given to Holders by the Issuer by the 30th day following the occurrence of the Change of Control, the Distribution Rate will be increased by 3.00 per cent. per annum with effect from (a) the next Distribution Payment Date or (b) if the date on which such event occurs is prior to the most recent preceding Distribution Payment Date, such Distribution Payment Date. See "Terms and Conditions of the Securities—Distribution—Increase in Distribution Rate following a Change of Control". If following an increase in the Distribution Rate after a Change of Control, such Change of Control is cured, remedied or no longer continuing, upon notification to the Holders, the Trustee and the Principal Paying Agent, the Distribution Rate shall be decreased by 3.00 per cent. per annum with effect from (and including) the next Distribution Payment Date immediately following the date of the notification referred to in the Terms and Conditions of the Securities, as further described in "Terms and Conditions of the Securities—Distribution—Increase in Distribution Rate following a Change of Control—Decrease in Distribution Rate".

If on any Distribution Payment Date, payment of all Distributions scheduled to be made on such date is not made in full, the restrictions as described in "Terms and Conditions of the Securities—Distribution—Distribution Deferral—Restrictions in the case of Deferral" shall apply.

The Securities will constitute direct, general, unsecured, unconditional and unsubordinated obligations of the Issuer and will at all times rank *pari passu* and without any preference among themselves and at least *pari passu* with all other present and future unsubordinated and unsecured obligations of the Issuer, save for such obligations as may be preferred by provisions of law that are both mandatory and of general application.

The Guarantee of the Securities constitutes a direct, general, unsecured, unconditional and unsubordinated obligation of the Guarantor which will at all times rank at least *pari passu* with all other present and future unsubordinated and unsecured obligations of the Guarantor, save for such obligations as may be preferred by provisions of law that are both mandatory and of general application.

Payments on the Securities will be made without withholding or deduction for taxes of the British Virgin Islands or any political subdivision or any authority thereof or therein having power to tax (each, a "Relevant Jurisdiction") to the extent described in "Terms and Conditions of the Securities—Taxation".

The Securities are perpetual securities and have no fixed redemption date. The Issuer may redeem the Securities in whole, or in part, on 10 September 2023 or on any Business Day thereafter at their principal amount (together with any Distribution accrued to the date fixed for redemption (including any Arrears of Distribution and any Additional Distribution Amount)); provided, however that the principal amount of the Securities outstanding after any partial redemption is at least U.S.\$250,000,000. The Securities may be redeemed at the option of the Issuer in whole, but not in part, at the relevant prices specified in "Terms and Conditions of the Securities—Redemption and Purchase" (a) upon the occurrence of a Change of Control or (b) if at least 75 per cent. in principal amount of the Securities originally issued has already been redeemed or purchased and cancelled. The Securities may also be redeemed at the option of the Issuer in whole, or in part, at the relevant prices specified in "Terms and Conditions of the Securities—Redemption and Purchase" upon the occurrence of (a) certain changes affecting taxes of any Relevant Jurisdiction; or (b) any change or amendment to the Relevant Accounting Standards such that the Securities must not or must no longer be recorded as "equity" of the Guarantor pursuant to the Relevant Accounting Standards; provided, however that the principal amount of the Securities outstanding after any such partial redemption is at least U.S.\$250,000,000.

Investing in the Securities involves certain risks. Investors should be aware that the Securities are perpetual in tenor and that they have no right to require redemption, that Distribution may be deferred in the circumstances set out in "Terms and Conditions of the Securities—Distribution—Distribution Deferral", that there are limited remedies for default under the Securities and that there are various other risks relating to the Securities, the Group, its business and its jurisdictions of operations which they should familiarise themselves with before making an investment in the Securities. See "Risk Factors" beginning on page 16.

The Securities and the Guarantee of the Securities have not been and will not be registered under the United States Securities Act of 1933, as amended (the "Securities Act") and may not be offered or sold within the United States, except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act. The Securities are being offered in offshore transactions outside the United States in reliance on Regulation S under the Securities Act. For a description of these and certain further restrictions on offers and sales of the Securities and the Guarantee of the Securities and the distribution of this Offering Circular, see "Subscription and Sale".

Approval in-principle has been received from the Singapore Exchange Securities Trading Limited (the "SGX-ST") for the listing of and quotation for the Securities on the Official List of the SGX-ST. The SGX-ST assumes no responsibility for the correctness of any of the statements made or opinions expressed or reports contained in this Offering Circular. Admission of the Securities to the Official List of the SGX-ST is not to be taken as an indication of the merits of the Issuer, the Guarantor, their respective subsidiaries, their respective affiliates or the Securities.

The Securities will be represented by beneficial interests in the global certificate (the "Global Certificate") in registered form which will be registered in the name of a nominee of, and shall be deposited on or about the Issue Date with, a common depository for Euroclear Bank SA/NV ("Euroclear") and Clearstream Banking S.A. ("Clearstream"). Beneficial interests in the Global Certificate will be shown on, and transfers thereof will be effected only through, records maintained by Euroclear and Clearstream. Except as described herein, certificates for the Securities will not be issued in exchange for interests in the Global Certificate.

The Securities are expected to be rated Baa3 by Moody's Investors Services ("Moody's"). A security rating is not a recommendation to buy, sell or hold securities and may be subject to suspension, reduction or withdrawal at any time by the assigning rating agency. The Guarantor is rated Baa3 by Moody's.

**Joint Global Coordinators, Joint Bookrunners and Joint Lead Managers**

**HSBC**

**Goldman Sachs (Asia) L.L.C.**

**J.P. Morgan**

**UBS**

This Offering Circular is dated 31 August 2020.

Each of the Issuer and the Guarantor, having made all reasonable enquiries, confirms that to the best of their knowledge and belief (i) this Offering Circular contains all material information with respect to the Issuer, the Guarantor and the Guarantor's subsidiaries taken as a whole (the Guarantor and its subsidiaries collectively, the "**Group**"), and to the Securities, (ii) all statements of fact relating to the Issuer, the Guarantor, the Group and to the Securities and the Guarantee of the Securities contained in this Offering Circular are in every material particular true and accurate and not misleading in any material respect, and that there are no other facts in relation to the Issuer, the Guarantor, the Group and to the Securities and the Guarantee of the Securities the omission of which would in the context of the issue of the Securities make any statement in this Offering Circular misleading in any material respect, (iii) the statements of intention, opinion, belief or expectation with regard to the Issuer, the Guarantor and the Group contained in this Offering Circular are honestly made or held and have been reached after considering all relevant circumstances and have been based on reasonable assumptions, and (iv) all reasonable enquiries have been made by the Issuer and the Guarantor to ascertain such facts and to verify the accuracy of all such statements. This Offering Circular has been prepared by the Issuer and the Guarantor solely for use in connection with the proposed offering of the Securities and giving of the Guarantee of the Securities described in this Offering Circular. The distribution of this Offering Circular, the offering of the Securities and the giving of the Guarantee of the Securities in certain jurisdictions may be restricted by law. Persons into whose possession this Offering Circular comes are required by the Issuer, the Guarantor, The Hongkong and Shanghai Banking Corporation Limited, Goldman Sachs (Asia) L.L.C., J.P. Morgan Securities plc and UBS AG Hong Kong Branch (the "**Joint Lead Managers**") to inform themselves about and to observe any such restrictions. No action is being taken to permit a public offering of the Securities and giving of the Guarantee of the Securities or the distribution of this document in any jurisdiction where action would be required for such purposes. There are restrictions on the offer and sale of the Securities and the Guarantor giving the Guarantee of the Securities, and the circulation of documents relating thereto, in certain jurisdictions and to persons connected therewith. For a description of certain further restrictions on offers, sales and resales of the Securities and distribution of this Offering Circular, see "*Subscription and Sale*".

**Singapore SFA Product Classification:** In connection with Section 309B of the Securities and Futures Act (Chapter 289) of Singapore (the "**SFA**") and the Securities and Futures (Capital Markets Products) Regulations 2018 of Singapore (the "**CMP Regulations 2018**"), the Issuer has determined, and hereby notifies all relevant persons (as defined in Section 309A(1) of the SFA), that the Securities are 'prescribed capital markets products' (as defined in the CMP Regulations 2018) and Excluded Investment Products (as defined in MAS Notice SFA 04-N12: Notice on the Sale of Investment Products and MAS Notice FAA-N16: Notice on Recommendations on Investment Products).

**PROHIBITION OF SALES TO EEA AND UK RETAIL INVESTORS** — The Securities are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the European Economic Area ("**EEA**") or in the United Kingdom (the "**UK**"). For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client as defined in point (11) of Article 4(1) of Directive 2014/65/EU (as amended, "**MiFID II**"); or (ii) a customer within the meaning of Directive (EU) 2016/97 ("**IDD**"), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II. Consequently no key information document required by Regulation (EU) No 1286/2014 (as amended, the "**PRIPs Regulation**") for offering or selling the Securities or otherwise making them available to retail investors in the EEA or in the UK has been prepared and therefore offering or selling the Securities or otherwise making them available to any retail investor in the EEA or in the UK may be unlawful under the PRIIPs Regulation.

No person has been authorised to give any information or to make any representation other than those contained in this Offering Circular or any other document entered into in relation to the offer and sale of the Securities and, if given or made, such information or representation should not be relied upon as having been authorised by the Issuer, the Guarantor or the Joint Lead Managers. Neither the delivery of this Offering Circular nor any

offering, sale or delivery made in connection with the issue of the Securities shall, under any circumstances, constitute a representation that there has been no change or development reasonably likely to involve a change in the affairs of the Issuer, the Guarantor, the Group or any of them since the date hereof or create any implication that the information contained herein is correct as at any date subsequent to the date hereof.

None of the Joint Lead Managers, the Trustee (as defined herein) or the Agents (as defined herein) has separately verified the information contained in this Offering Circular. None of the Joint Lead Managers, the Trustee or the Agents, or any director, officer, employee, agent or affiliate of any such person, makes any representation, warranty or undertaking, express or implied, or accepts any responsibility or liability, with respect to the accuracy or completeness of any of the information contained in this Offering Circular or any information supplied in connection with the Securities and the Guarantee of the Securities. Each person receiving this Offering Circular acknowledges that such person has not relied on the Joint Lead Managers or the agents or any of their respective affiliates in connection with its investigation of the accuracy of such information or its investment decision, and each such person must rely on its own examination of the Issuer, the Guarantor, the Group and the merit and risks involved in investing in the Securities. See “*Risk Factors*” for a discussion of certain factors to be considered in connection with an investment in the Securities.

To the fullest extent permitted by law, none of the Joint Lead Managers, the Trustee nor the Agents, nor any director, officer, employee, agent or affiliate of any such person, accepts any responsibility for the contents of this Offering Circular or for any other statement made or purported to be made by a Joint Lead Manager, the Trustee or an Agent, or any director, officer, employee, agent or affiliate of any such person or on its behalf, in connection with the Issuer, the Guarantor, the Group, the issue and offering of the Securities or the giving of the Guarantee of the Securities. Each of the Joint Lead Managers, the Trustee, the Agents and directors, officers, employees, agents and affiliates of such persons accordingly disclaims all and any liability whether arising in tort or contract or otherwise which it might otherwise have in respect of this Offering Circular or any such statement. None of the Joint Lead Managers, the Trustee or the Agents undertakes to review the financial condition or affairs of the Issuer, the Guarantor or the Group during the life of the arrangements contemplated by this Offering Circular nor to advise any investor or potential investor in the Securities of any information coming to the attention of the Joint Lead Managers, the Trustee or the Agents. Neither the delivery of this Offering Circular nor the offering, sale or delivery of any Securities shall, in any circumstances, create any implication that the information contained in this Offering Circular is true subsequent to the date hereof or that there has been no adverse change in the affairs of the Issuer, the Guarantor or the Group since the date hereof or create any implication that the information contained herein is correct as at any date subsequent to the date hereof.

This Offering Circular may not be used for the purpose of an offer or solicitation by anyone in any jurisdiction in which such offer or solicitation is not authorised or to any person to whom it is unlawful to make such an offer or solicitation. This Offering Circular does not constitute an offer or an invitation to subscribe for or to purchase any Securities, is not intended to provide the basis of any credit or other evaluation, and should not be considered as a recommendation by the Issuer, the Guarantor, the Joint Lead Managers, the Trustee, the Agents or any of them that any recipient of this Offering Circular should subscribe for or purchase any Securities. Each recipient of this Offering Circular shall be taken to have made its own investigation and appraisal of the condition (financial or otherwise) of the Issuer, the Guarantor and the Group with its own tax, legal and business advisers as it deems necessary.

In this Offering Circular, where information has been presented in thousands or millions of units, or as percentages, amounts may have been rounded up or down. Accordingly, totals of columns or rows of numbers in tables may not be equal to the apparent total of the individual items and actual numbers may differ from those contained herein due to rounding. References to information in billions of units are to the equivalent of a thousand million units.

This Offering Circular contains certain information regarding the Group's EBITDA. "EBITDA" is defined as profit before income tax but excludes unrealised gain/loss on financial assets at fair value through profit or loss; unrealised gain/loss on derivatives; net change in fair values of investment properties; other gains/losses, net; depreciation of property, plant and equipment; amortisation of land use rights; finance expenses/income, net; and loss/gain on disposal of interest in an associate or acquisition of interests in subsidiaries. EBITDA is not a standard measure under IFRS. EBITDA is a widely used financial indicator of a company's ability to service and incur debt. EBITDA should not be considered in isolation or construed as an alternative to cash flows, profit for the year or any other measure of financial performance or as an indicator of the Group's operating performance, liquidity, profitability or cash flows generated by operating, investing or financing activities. In evaluating EBITDA, investors should consider, among other things, the components of EBITDA such as turnover and operating expenses and the amount by which EBITDA exceeds capital expenditures and other charges. The Group has included EBITDA because it believes it is a useful supplement to cash flow data as a measure of the Group's performance and its ability to generate cash flow from operations to cover debt service and taxes. EBITDA presented herein may not be comparable to similarly titled measures presented by other companies. Investors should not compare the Group's EBITDA to EBITDA presented by other companies because not all companies use the same definition.

This Offering Circular is provided solely for the purpose of enabling the recipient to consider purchasing the Securities. The investors or prospective investors should read this Offering Circular carefully before making a decision regarding whether or not to purchase the Securities. This Offering Circular cannot be used for any other purpose and any information in this Offering Circular cannot be disclosed to any other person. This Offering Circular is personal to each prospective investor and does not constitute an offer to any other person or to the public generally to purchase or otherwise acquire the Securities.

This Offering Circular summarises certain material documents and other information, and the Issuer, the Guarantor, the Joint Lead Managers refer the recipient of this Offering Circular to them for a more complete understanding of what is contained in this Offering Circular. In making an investment decision, the prospective investor must rely on its own judgment and examination of the Issuer, the Guarantor and the Group and the Terms and Conditions of the Securities, including the merits and risks involved. See "*Risk Factors*" for a discussion of certain factors to be considered in connection with an investment in the Securities. None of the Issuer, the Guarantor, the Joint Lead Managers, the Trustee nor the Agents are making any representations regarding the legality of an investment in the Securities under any law or regulation. The recipient of this Offering Circular should not consider any information in this Offering Circular to be legal, business or tax advice. Any investor or prospective investor should consult his/her/its own attorney, business adviser and tax adviser for legal, business and tax advice regarding an investment in the Securities.

### **Warning**

The contents of this Offering Circular have not been reviewed by any regulatory authority in the British Virgin Islands, Hong Kong or elsewhere. Investors are advised to exercise caution in relation to the offer. If any investor is in any doubt about any of the contents of this document, that investor should obtain independent professional advice.

### **PRESENTATION OF FINANCIAL INFORMATION**

The audited consolidated financial statements of the Guarantor as at and for the year ended 31 March 2020 were prepared in accordance with IFRS.

## CERTAIN TERMS AND CONVENTIONS

This Offering Circular has been prepared using a number of conventions, which investors should consider when reading the information contained herein. Unless indicated otherwise, in this Offering Circular all references to (i) the “**Issuer**” are to Nan Fung Treasury (III) Limited, (ii) the “**Guarantor**” or the “**Company**” are to Nan Fung International Holdings Limited and (iii) the “**Group**” are to the Guarantor and its subsidiaries, taken as a whole.

Unless otherwise specified or the context otherwise requires, references to “**Hong Kong**” are to the Hong Kong Special Administrative Region of the People’s Republic of China, to the “**PRC**” or “**China**” are to the People’s Republic of China, for the purpose of this Offering Circular only, excluding Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan, to the “**U.S.**” or “**United States**” are to the United States of America, to “**Hong Kong dollars**,” “**HK dollars**” and “**HK\$**” are to the lawful currency of Hong Kong, to “**CNY**,” “**Renminbi**” or “**RMB**” are to the lawful currency of the PRC, to “**US\$**,” “**U.S.\$**” or “**U.S. dollars**” are to the lawful currency of the United States of America, to “**S\$**” are to the lawful currency of Singapore and to “**IFRS**” are to International Financial Reporting Standards issued by the International Accounting Standards Board (“**IASB**”).

Any discrepancies in the tables included herein between the listed amounts and the totals thereof are due to rounding.

## FORWARD LOOKING STATEMENTS

Certain statements under “*Risk Factors*”, “*Description of the Group*” and elsewhere in this Offering Circular constitute “forward-looking statements”. The words including “believe”, “expect”, “plan”, “anticipate”, “schedule”, “estimate” and similar words or expressions identify forward-looking statements. In addition, all statements other than statements of historical facts included in this Offering Circular, including, but without limitation, those regarding the financial position, business strategy, prospects, capital expenditure and investment plans of the Group and the plans and objectives of the Group’s management for its future operations (including development plans and objectives relating to the Group’s operations), are forward looking statements. Such forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause actual results or performance of the Group to differ materially from those expressed or implied by such forward-looking statements. Such forward-looking statements are based on numerous assumptions regarding the Group’s present and future business strategies and the environment in which the Group will operate in the future. Each of the Issuer and the Guarantor expressly disclaims any obligation or undertaking to release any updates or revisions to any forward-looking statements contained herein to reflect any change in the Issuer’s, the Guarantor’s or the Group’s expectations with regard thereto or any change of events, conditions or circumstances, on which any such statements were based. This Offering Circular discloses, under “*Risk Factors*” and elsewhere, important factors that could cause actual results to differ materially from the Issuer’s or the Guarantor’s expectations. All subsequent written and forward-looking statements attributable to the Issuer or the Guarantor or persons acting on behalf of the Issuer or the Guarantor are expressly qualified in their entirety by such cautionary statements.

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## SUMMARY

*This summary does not contain all the information that may be important to you. You should read the entire Offering Circular, including “Risk Factors” and the financial statements and related notes thereto, before deciding to invest in the Securities.*

### OVERVIEW

Pursuant to the Reorganisation (as described in “*Description of the Group*”), Nan Fung was incorporated in the British Virgin Islands on 8 August 2011 (BVI Company Number 1665059). It is the holding company for a Hong Kong-based property-focused conglomerate, which the Group believes is one of the largest privately owned conglomerates in Hong Kong based on assets.

The Group has interests in, and engages in, property development, property investment, construction, property management, mortgage financing and financial investment. The Group’s core business is property development and investment. It has been developing properties in Hong Kong since 1965. It is a fully integrated property developer in Hong Kong, with operations covering all principal stages of property development, including acquisition, design, engineering and marketing. Hong Kong continues to be the core market on which the Group focuses and across which it currently owns a portfolio of residential, commercial and industrial properties. As at 31 March 2020, the Group’s track record of property projects in Hong Kong amounted to over 67 million square feet (“**sq.ft.**”) of gross floor area (“**GFA**”). The Group’s investment property portfolio was valued at approximately HK\$74,477million as at 31 March 2020.

In recent years the Group has leveraged off its experience and success in the Hong Kong market to expand into the PRC and overseas property market.

For information regarding the ownership of Nan Fung as at the date of this Offering Circular, see “*Shareholders, Directors’ Interests and Related Party Transactions*”. The principal business activities of the Group are as follows:

- **Property development and investment:** The Group has developed and invested in 175 properties in Hong Kong since 1965 and these developments have been largely self-funded. The Group maintains a strategic land bank in Hong Kong and has a well-established presence in Hong Kong. In recent years, the Group has also entered the PRC property market, maintaining personnel and operations in first-tier cities in the PRC. The Group primarily undertakes its property development and investment business in the PRC either directly through its own operations, or through joint ventures with other parties. In Hong Kong, the Group is primarily engaged in the development and sale of residential and commercial properties. In addition, the Group owns and manages an investment and rental property portfolio comprising offices, shopping malls, residential apartments, apartments with customised services, hotels, industrial buildings and warehouses, most of which are located in Hong Kong. The Group has also invested in residential and commercial property development projects in Macau, Singapore, Japan, Malaysia, the United Kingdom and the United States.
- **Property-related services:** The Group is engaged in service businesses relating to its property businesses, including construction, property management and mortgage financing services in Hong Kong.
- **Financial investment:** The Group also has a significant financial investment portfolio that provides a substantial liquidity buffer and stable recurring income for the Group. The management of the Group’s financial investment portfolio is undertaken by Nan Fung Trinity (a subsidiary of the Group, see

“*Description of the Group — Financial Investment*” below), the financial investment assets and portfolio of the Group.

For the year ended 31 March 2020, Nan Fung reported consolidated revenue and profit attributable to the owners of the Guarantor of approximately HK\$5,989 million and HK\$2,025 million, respectively. For the year ended 31 March 2019, Nan Fung reported consolidated revenue and profit attributable to the owners of the Guarantor of approximately HK\$13,532 million and HK\$6,023 million, respectively. As at 31 March 2020 and 2019, Nan Fung reported consolidated total assets of HK\$160,933 million and HK\$159,965 million, respectively.

## **STRATEGY**

- Focus on the premium property development segment in Hong Kong and strategic geographic portfolio diversification
- Disciplined and prudent approach in growth and management of land bank
- Enhance the Group’s brand recognition by leveraging value-added products and services
- Focus on maintaining stable cash flows to offset cyclical nature of property development business
- Maintain financial prudence through active management of a liquid financial investment portfolio

## **COMPETITIVE STRENGTHS**

- Proven track record of successfully identifying, acquiring quality land bank and developing prime sites
- Ability to compete effectively
- Integrated business model
- Stable and recurring income base from its financial investment portfolio, property rentals and property management
- Substantial liquidity buffer
- Strategic partnerships with established developers
- Strong corporate governance and internal controls
- Experienced and stable management team
- Strong customer focus and reputable brand name
- Conservative capital structure and diversified sources of funding

## THE OFFERING

*The following is a summary of the terms of the offering and is qualified in its entirety by the remainder of this Offering Circular. Words and expressions defined in “Terms and Conditions of the Securities” below shall have the same meanings in this summary. For a more complete description of the Terms and Conditions of the Securities, please see “Terms and Conditions of the Securities”.*

<b>Issuer</b>	Nan Fung Treasury (III) Limited.
<b>Guarantor</b>	Nan Fung International Holdings Limited.
<b>Securities Offered</b>	U.S.\$500,000,000 5.00 per cent. Guaranteed Senior Perpetual Securities.
<b>Guarantee of the Securities</b>	The Guarantor will, in the Trust Deed, unconditionally and irrevocably guarantee the due and punctual payment in full of all sums payable by the Issuer in respect of the Securities and all other moneys payable by the Issuer under or pursuant to the Trust Deed.
<b>Issue Price</b>	100.00 per cent.
<b>Issue Date</b>	10 September 2020.
<b>Maturity Date</b>	There is no maturity date.
<b>Distribution</b>	Subject to Condition 4(e) of the Terms and Conditions of the Securities, the Securities confer a right to receive distribution (each a “ <b>Distribution</b> ”) from, and including, 10 September 2020 (the “ <b>Issue Date</b> ”) at the Distribution Rate in accordance with Condition 4 of the Terms and Conditions of the Securities. Subject to Condition 4(e) of the Terms and Conditions of the Securities, Distribution shall be payable on the Securities semi-annually in equal instalments in arrear on 10 March and 10 September of each year (each, a “ <b>Distribution Payment Date</b> ”), commencing on 10 March 2021.
<b>Rate of Distribution</b>	<p>Subject to any increase pursuant to Condition 4(c) of the Terms and Conditions of the Securities, the rate of distribution (“<b>Distribution Rate</b>”) applicable to the Securities shall be 5.00 per cent. per annum.</p> <p>Pursuant to Condition 4(c) of the Terms and Conditions of the Securities, upon the occurrence of a Change of Control, unless an irrevocable notice to redeem the Securities has been given to Holders by the Issuer by the 30th day following the occurrence of the Change of Control, the Distribution Rate will be increased by 3.00 per cent. per annum with effect from (a) the next Distribution Payment Date or (b) if the date on which such event occurs is prior to the most recent preceding Distribution Payment Date, such Distribution Payment Date, as further described in “<i>Terms and Conditions of the Securities—Distribution— Increase in Distribution Rate following a Change of Control</i>”.</p>

**Distribution Deferral**

The Issuer may, at its sole discretion, elect to defer any Distribution which is otherwise scheduled to be paid on a Distribution Payment Date to the next Distribution Payment Date by giving notice (an “**Optional Deferral Notice**”) to the Holders, the Trustee and the Principal Paying Agent not more than ten nor less than five business days prior to a scheduled Distribution Payment Date unless during the three months ending on the day before that scheduled Distribution Payment Date a Compulsory Distribution Payment Event has occurred.

**Compulsory Distribution Payment Event**

The Issuer may not elect to defer (in whole or in part) any Distribution which is otherwise scheduled to be paid on a Distribution Payment Date to the next Distribution Payment Date if during the three-month period ending on the day before the relevant Distribution Payment Date, either or both of the following criteria are met:

- (a) a discretionary dividend, distribution or other payment is declared, paid or made on any Junior Obligations or (except on a pro-rata basis) Parity Obligations of the Issuer or the Guarantor (other than a payment declared, paid or made in respect of an employee benefit plan or similar arrangement with or for the benefit of employees, officers, directors or consultants); or
- (b) the Issuer or the Guarantor, at its discretion, redeems, reduces, cancels, buys-back or acquires for any consideration any of its Junior Obligations or Parity Obligations (except for an exchange by the Issuer or the Guarantor of any of its Parity Obligations for Junior Obligations or in relation to Parity Obligations, on a pro-rata basis, or a repurchase or other acquisition of any securities in respect of an employee benefit plan or similar arrangement with or for the benefit of employees, officers, directors or consultants).

**No obligation to pay**

The Issuer shall have no obligation to pay any Distribution (including any Arrears of Distribution and any Additional Distribution Amount) on any Distribution Payment Date if it validly elects not to do so in accordance with Condition 4(e)(i) of the Terms and Conditions of the Securities and any failure to pay Distribution shall not constitute a default of the Issuer in respect of the Securities or of the Guarantor in respect of the Guarantee of the Securities.

**Cumulative Deferral**

Any Distribution deferred pursuant to Condition 4(c) of the Terms and Conditions of the Securities shall constitute “Arrears of Distribution”. The Issuer may, at its sole discretion, elect to further defer any Arrears of Distribution by complying with the notice requirement applicable to any deferral of an accrued Distribution. The Issuer is not subject to any limit as to

the number of times Distributions and Arrears of Distribution can be deferred except that Condition 4(e)(iv) of the Terms and Conditions of the Securities shall be complied with until all outstanding Arrears of Distribution have been paid in full.

Each amount of Arrears of Distribution shall bear distributions as if it constituted the principal of the Securities at the Distribution Rate and the amount of such distribution (the “**Additional Distribution Amount**”) with respect to Arrears of Distribution shall be calculated by applying the Distribution Rate to the amount of the Arrears of Distribution and otherwise mutatis mutandis as provided in Condition 4 of the Terms and Conditions of the Securities. The Additional Distribution Amount accrued up to any Distribution Payment Date shall be added (for the purpose of calculating the Additional Distribution Amount accruing thereafter) to the amount of Arrears of Distribution remaining unpaid on such Distribution Payment Date so that it will itself become Arrears of Distribution.

**Restrictions in the case of Distribution**

If, on any Distribution Payment Date, payment of all Deferral payments scheduled to be made on such date is not made in full, the Issuer and the Guarantor shall not:

- (a) declare or pay any discretionary dividends, distributions or make any other discretionary payment on, and will procure that no discretionary dividend, distribution or other discretionary payment is made on any of its Junior Obligations or (except on a pro-rata basis) its Parity Obligations *provided that* such restriction shall not apply to payments declared, paid or made in respect of an employee benefit plan or similar arrangement with or for the benefit of employees, officers, directors or consultants; or
- (b) at its discretion redeem, reduce, cancel, buy-back or acquire for any consideration any of its Junior Obligations or its Parity Obligations, *provided that* such restriction shall not apply to an exchange by the Issuer or the Guarantor of any of its Parity Obligations for Junior Obligations or in relation to Parity Obligations, on a pro-rata basis, or a repurchase or other acquisition of any securities in respect of an employee benefit plan or similar arrangement with or for the benefit of employees, officers, directors or consultants), in each case unless and until (i) the Issuer or the Guarantor has satisfied in full all outstanding Arrears of Distribution; or (ii) permitted to do so by an Extraordinary Resolution (as defined in the Trust Deed) of the Holders.

**Status of the Securities and Guarantee of the Securities**

The Securities constitute direct, general, unsecured, unconditional and unsubordinated obligations of the Issuer

which rank *pari passu* without any preference among themselves and at least *pari passu* with all other present and future unsecured and unsubordinated obligations of the Issuer, save for such obligations as may be preferred by provisions of law that are both mandatory and of general application.

The Guarantee of the Securities constitutes a direct, general, unsecured, unconditional and unsubordinated obligation of the Guarantor which ranks at least *pari passu* with all other present and future unsecured and unsubordinated obligations of the Guarantor, save for such obligations as may be preferred by provisions of law that are both mandatory and of general application.

**Use of Proceeds**

The Issuer intends to on-lend the proceeds from the issue of the Securities to the Guarantor and/or its subsidiaries for the refinancing of existing perpetual securities of the Group. Please see “*Use of Proceeds*”.

**Taxation**

All payments of principal and Distribution (including any Arrears of Distribution and any Additional Distribution Amount) in respect of the Securities by or on behalf of the Issuer or the Guarantor shall be made free and clear of, and without withholding or deduction for, or on account of, any present or future taxes, duties, assessments or governmental charges of whatever nature (“**Taxes**”) imposed or levied by or on behalf of the Relevant Jurisdiction, unless such withholding or deduction of such Taxes is required by law. In such event, the Issuer or, as the case may be, the Guarantor, will pay such additional amounts as may be necessary in order that the net amounts received by the Holders after the withholding or deduction shall equal the respective amounts which would have been receivable in respect of the Securities in the absence of such withholding or deduction; except that no such additional amounts shall be payable in relation to any payment in respect of any Security in the limited circumstances as further described therein.

**Redemption for Tax Reasons**

The Securities may be redeemed at the option of the Issuer in whole, or in part, at their principal amount, together with any Distribution accrued to the date fixed for redemption (including any Arrears of Distribution and any Additional Distribution Amount), in the event of certain changes affecting the taxes of any Relevant Jurisdiction, as further described in Condition 5(b) of the Terms and Conditions of the Securities; *provided, however* that the principal amount of the Securities outstanding after any partial redemption is at least U.S.\$250,000,000.

**Redemption for Change of Control**

Following the occurrence of a Change of Control, the Issuer shall give notice to Holders, the Trustee and the Paying Agents in accordance with Condition 14 of the Terms and Conditions of the Securities by not later than 30 days following the first

day on which it becomes aware of the occurrence of such Change of Control, stipulating that a Change of Control has occurred and whether or not it will redeem the Securities pursuant to Condition 5(e) of the Terms and Conditions of the Securities. A notice given by the Issuer stipulating that it will redeem the Securities pursuant to Condition 5(e) of the Terms and Conditions of the Securities shall: (A) stipulate the Change of Control Call Date; (B) be irrevocable; and (C) oblige the Issuer to redeem the Securities on the Change of Control Call Date at their principal amount, in each case plus Distribution accrued to such date (including any Arrears of Distribution and any Additional Distribution Amount), as further described in Condition 5(e) of the Terms and Conditions of the Securities.

**Redemption at the Option of the Issuer**

The Securities may be redeemed at the option of the Issuer in whole, or in part, on giving not less than 30 nor more than 60 days' notice to the Trustee, the Principal Paying Agent and the Holders at their principal amount (including any Arrears of Distribution and any Additional Distribution Amount)) on 10 September 2023 or on any Business Day thereafter (each, a "Call Date"). On expiry of any such notice as is referred to in Condition 5(d) of the Terms and Conditions of the Securities, the Issuer shall be bound to redeem the Securities on the relevant Call Date in accordance with Condition 5(d) of the Terms and Conditions of the Securities; *provided, however* that the principal amount of the Securities outstanding after any partial redemption is at least U.S.\$250,000,000.

**Redemption for Accounting Reasons**

The Securities may be redeemed at the option of the Issuer in whole, or in part, at any time, on the Issuer giving not less than 30 nor more than 60 days' notice to the Trustee, the Holders, the Registrar and the Principal Paying Agent (which notice shall be irrevocable) at their principal amount, in each case plus Distribution accrued to such date (including any Arrears of Distribution and any Additional Distribution Amount), if, as a result of any changes or amendments to IFRS or any other accounting standards that may replace IFRS for the purposes of the consolidated financial statements of the Guarantor (the "Relevant Accounting Standard"), the Securities and/or the Guarantee of the Securities must not or must no longer be recorded as "equity" of the Guarantor pursuant to the Relevant Accounting Standard; *provided, however* that the principal amount of the Securities outstanding after any partial redemption is at least U.S.\$250,000,000.

**Redemption for minimum outstanding amount**

The Securities may be redeemed at the option of the Issuer in whole, but not in part, at any time on giving not less than 30 nor more than 60 days' notice (which notice will be irrevocable) to the Trustee, the Registrar, the Principal Paying Agent and the Holders at their principal amount (together with

Distribution accrued to the date fixed for redemption (including any Arrears of Distribution and any Additional Distribution Amount)) if prior to the date fixed for redemption at least 75 per cent. in principal amount of the Securities originally issued (including any further Securities issued pursuant to Condition 13 of the Terms and Conditions of the Securities) has already been redeemed or purchased and cancelled.

**Limited Rights to institute proceedings**

No Holder shall be entitled either to institute proceedings for the Winding-Up of the Issuer or the Guarantor or to submit a claim in such Winding-Up, except that if the Trustee, having become bound to institute such proceedings as aforesaid, fails to do so, or, being able and bound to submit a claim in such Winding-Up, fails to do so, in each case within a reasonable period and such failure is continuing, then any such Holder may, on giving an indemnity satisfactory to the Trustee, in the name of the Trustee (but not otherwise), himself institute Winding-Up Proceedings and/or submit a claim in the Winding-Up of the Issuer or the Guarantor, as the case may be, to the same extent (but not further or otherwise) that the Trustee would have been entitled to do.

**Proceedings for Winding-up**

If (i) an order is made or an effective resolution is passed for the Winding-Up of the Issuer or the Guarantor or (ii) the Issuer or the Guarantor shall not make payment in respect of the Securities or the Guarantee of the Securities, as the case may be, for a period of 10 days or more after the date on which such payment is due, the Issuer and the Guarantor shall be deemed to be in default under the Securities (in the case of the Issuer) and the Guarantee of the Securities (in the case of the Guarantor) and the Trustee at its sole discretion may and, if so requested in writing by holders of at least 25 per cent. of the aggregate principal amount of the outstanding Securities, shall (subject to the Trustee having been indemnified and/or provided with security and/or pre-funded to its satisfaction) institute proceedings for the Winding-Up of the Issuer, the Guarantor or both of them (as applicable) and/or prove in the Winding-Up of the Issuer, the Guarantor or both of them (as applicable) and/or claim in the liquidation of the Issuer, the Guarantor or both of them (as applicable) for such payment.

**Further Issues**

The Issuer may (with the prior written consent of the Guarantor) from time to time, without the consent of the Holders, create and issue further securities having the same terms and conditions as the Securities in all respects (or in all respects except for the first payment of Distribution) so as to form a single series with the Securities. Any further securities which are to form a single series with the outstanding securities of any series (including the Securities) constituted by the Trust Deed or any supplemental deed shall, and any other further

	<p>securities may (with the consent of the Trustee), be constituted by a deed supplemental to the Trust Deed. The Trust Deed contains provisions for convening a single meeting of the Holders and the holders of securities of other series in certain circumstances where the Trustee so decides.</p>
<b>Trustee</b>	The Hongkong and Shanghai Banking Corporation Limited.
<b>Principal Paying Agent</b>	The Hongkong and Shanghai Banking Corporation Limited.
<b>Registrar</b>	The Hongkong and Shanghai Banking Corporation Limited.
<b>Form</b>	<p>The Securities will be represented by beneficial interests in the Global Certificate, which will be registered in the name of a nominee of, and deposited on the Issue Date with, a common depositary for Euroclear and Clearstream. Beneficial interests in the Global Certificate will be shown on and transfers thereof will be effected only through records maintained by Euroclear and Clearstream. Except as described herein, certificates for Securities will not be issued in exchange for beneficial interests in the Global Certificate.</p>
<b>Clearance and Settlement</b>	<p>The Securities are cleared through Euroclear and Clearstream and are settled in U.S. dollars only. The Securities have been accepted for clearance by Euroclear and Clearstream under the following codes:</p> <p>ISIN: XS2226621840</p> <p>Common code: 222662184</p>
<b>Issuer Legal Entity Identifier (“LEI”)</b>	254900SXLFWVFJY5QE98
<b>Denomination</b>	<p>The Securities will be issued in registered form in the denomination of U.S.\$200,000 and integral multiples of U.S.\$1,000 in excess thereof.</p>
<b>Governing Law</b>	<p>The Securities and the Trust Deed and any non-contractual obligations arising out of or in connection with the Securities and the Trust Deed are governed by, and will be construed in accordance with, English law.</p>
<b>Ratings</b>	<p>The Securities are expected to be rated Baa3 by Moody’s. Security ratings are not recommendations to buy, sell or hold the Securities. Ratings are subject to revision or withdrawal at any time by the rating agencies.</p>
<b>Listing</b>	<p>Approval in-principle has been received from the SGX-ST for the listing of and quotation for the Securities on the Official List of the SGX-ST. The Securities will be traded on the SGX-ST in a minimum trading board lot size of S\$200,000 (or its equivalent in other currencies) for so long as the Securities are listed on the SGX-ST and the rules of the SGX-ST so require.</p>
<b>Selling Restrictions</b>	<p>The Securities will not be registered under the Securities Act or under any state securities laws of the United States and will be</p>

subject to customary restrictions on transfer and resale. See  
“*Subscription and Sale*” section of this Offering Circular.

## SUMMARY FINANCIAL INFORMATION

The following tables set forth a summary of the consolidated financial information of the Guarantor as at and for the periods indicated.

The summary consolidated financial information as of and for the years ended 31 March 2020 and 2019 set forth below is derived from the Guarantor's audited consolidated financial statements as at and for the year ended 31 March 2020, which have been audited by PricewaterhouseCoopers, Certified Public Accountants, Hong Kong and included elsewhere in this Offering Circular.

The summary financial information set out below should be read in conjunction with, and qualified in its entirety by reference to, the relevant consolidated financial information of the Guarantor, including the notes thereto, included elsewhere in this Offering Circular.

The Guarantor's audited consolidated financial statements as at and for the year ended 31 March 2020 were prepared and presented in accordance with IFRS.

In preparing the audited consolidated financial statements as at and for the year ended 31 March 2020, the Company has adopted IFRS 16 and IAS 28 (Amendment) with effect from 1 April 2019 and has not restated the audited consolidated financial statements as at and for the year ended 31 March 2020 are not comparable with the audited consolidated financial statements as at and for the year ended 31 March 2019. For a discussion of the impact on the adoption of IFRS 16 and IAS 28 (Amendment), please refer to note 2(a)(i) of the audited consolidated financial statements as at and for the year ended 31 March 2020 beginning on page F-14.

### Consolidated Income Statements

	For the year ended 31 March	
	2020	2019
	(Audited)	(Audited)
	HK\$'000	
Revenue.....	5,988,845	13,532,369
Cost of sales .....	(1,865,482)	(8,756,710)
Gross profit .....	4,123,363	4,775,659
Other income and gains, net .....	(454,065)	955,233
Net change in fair values of investment properties	(417,441)	758,296
Other operating expenses .....	(1,839,730)	(1,843,776)
Operating profit.....	1,412,127	4,645,412
Finance income .....	837,837	546,838
Finance expenses.....	(301,166)	(321,309)
Other finance charges and net exchange difference on financing activities .....	144,326	(58,988)
Finance income, net.....	680,997	166,541
Share of results of		
— Joint ventures .....	422,582	1,516,629
— Associates.....	(15,810)	513,050

	<b>For the year ended 31 March</b>	
	<b>2020</b>	<b>2019</b>
	<b>(Audited)</b>	<b>(Audited)</b>
	<i>HK\$ '000</i>	
Profit before income tax .....	2,499,896	6,841,632
Income tax expense .....	(217,517)	(584,176)
Profit for the period/year .....	2,282,379	6,257,456
Profit/(loss) for the period/year attributable to:		
— Owners of the Company .....	2,024,855	6,023,476
— Holders of perpetual capital securities....	214,964	215,657
— Non-controlling interests .....	42,560	18,323
	<u>2,282,379</u>	<u>6,257,456</u>
 <b>Consolidated Balance Sheets</b>  		
	<b>As at 31 March</b>	
	<b>2020</b>	<b>2019</b>
	<i>(Audited)</i>	<i>(Audited)</i>
	<i>HK\$ '000</i>	
<b>ASSETS</b>		
<b>Non-current assets</b>		
Property, plant and equipment.....	2,193,780	2,878,214
Investment properties .....	74,476,965	69,776,779
Right-of-use assets .....	890,468	—
Land use rights .....	—	369,220
Joint ventures .....	8,200,649	9,326,494
Associates.....	3,424,382	7,248,354
Financial assets at fair value through profit or loss	14,343,838	11,869,326
Loans receivable.....	10,706,452	4,077,700
Amounts due from investee companies.....	47,578	45,435
Deferred income tax assets.....	269,159	234,517
	<u>114,553,271</u>	<u>105,826,039</u>
<b>Current assets</b>		
Properties for sale.....	15,217,725	15,415,902
Trade and other receivables, deposits and prepayments	7,476,291	10,556,408
Financial assets at fair value through profit or loss	7,571,789	10,063,720
Prepaid tax.....	143,740	83,580
Cash and bank balances.....	15,646,023	17,670,671
	<u>46,055,568</u>	<u>53,790,281</u>

	<b>As at 31 March</b>	
	<b>2020</b>	<b>2019</b>
	<i>HK\$ '000</i>	
	<i>(Audited)</i>	<i>(Audited)</i>
Assets classified as held-for-sale.....	324,370	348,280
	46,379,938	54,138,561
<b>Total assets</b> .....	<b>160,933,209</b>	<b>159,964,600</b>
<b>EQUITY</b>		
<b>Equity attributable to the owners of the Company</b>		
Share capital.....	62,743,532	62,743,532
Reserves .....	38,137,476	38,619,237
	100,881,008	101,362,769
<b>Perpetual capital securities</b> .....	<b>3,968,568</b>	<b>3,969,456</b>
	104,849,576	105,332,225
<b>Non-controlling interests</b> .....	<b>322,619</b>	<b>630,651</b>
<b>Total equity</b> .....	<b>105,172,195</b>	<b>105,962,876</b>
<b>LIABILITIES</b>		
<b>Non-current liabilities</b>		
Deferred income tax liabilities .....	3,047,849	3,066,076
Bank and other borrowings .....	28,813,367	32,819,740
Lease liabilities.....	129,834	—
Other long-term liabilities .....	74,842	11,163
	32,065,892	35,896,979
<b>Current liabilities</b>		
Trade and other payables, deposits and accruals	13,335,835	13,187,454
Lease liabilities.....	15,184	—
Contract liabilities .....	5,481,073	3,394,433
Financial liabilities at fair value through profit or loss	819,385	202,753
Bank and other borrowings .....	3,395,580	375,730
Tax payable .....	648,065	944,375
	23,695,122	18,104,745
<b>Total liabilities</b> .....	<b>55,761,014</b>	<b>54,001,724</b>
<b>Total equity and liabilities</b> .....	<b>160,933,209</b>	<b>159,964,600</b>

## Other Financial Information

	As of and/or for the year ended 31 March	
	2020	2019
	(Unaudited)	(Unaudited)
	<i>In HK\$ million, unless stated otherwise stated</i>	
Adjusted EBITDA <sup>(1)</sup> .....	3,409	5,470
Total Debt <sup>(2)</sup> .....	32,209	33,195
Total Debt/Adjusted EBITDA .....	9.4x	6.1x
Interest expenses <sup>(3)</sup> .....	1,216	1,243
Adjusted EBITDA/interest expenses .....	2.8x	4.4x

### Notes:

- (1) “**Adjusted EBITDA**” is defined as profit before income tax but excludes (i) net change in fair values of investment properties; (ii) depreciation of property, plant and equipment; (iii) amortisation of right-of-use of assets/land use rights; (iv) finance income, net; and (v) “Other income and gains, net” (except for (a) realised gain on financial assets at fair value through profit or loss and (b) realised gain on derivatives). Adjusted EBITDA is not a standard measure under IFRS. Adjusted EBITDA is a widely used financial indicator of a company’s ability to service and incur debt. Adjusted EBITDA should not be considered in isolation or construed as an alternative to cash flows, profit for the year or any other measure of financial performance or as an indicator of the Group’s operating performance, liquidity, profitability or cash flows generated by operating, investing or financing activities. In evaluating Adjusted EBITDA, investors should consider, among other things, the components of Adjusted EBITDA such as turnover and operating expenses and the amount by which Adjusted EBITDA exceeds capital expenditures and other charges. The Group has included Adjusted EBITDA because it believes it is a useful supplement to cash flow data as a measure of the Group’s performance and its ability to generate cash flow from operations to cover debt service and taxes. Adjusted EBITDA presented herein may not be comparable to similarly titled measures presented by other companies. Investors should not compare the Group’s Adjusted EBITDA to EBITDA presented by other companies because not all companies use the same definition.
- (2) Total Debt is defined as the total of non-current portion and current portion of bank and other borrowings and guaranteed notes, excluding perpetual capital securities.
- (3) Interest expenses is defined as total finance costs incurred, including interest capitalised in properties under development and investment properties under development.

## RISK FACTORS

*Prior to making any investment decision, prospective investors should consider carefully all of the information in this Offering Circular, including the risks and uncertainties described below. The business, financial condition or results of operations of the Group could be materially adversely affected by any of these risks. The Issuer and the Guarantor believe that the following factors may affect their ability to fulfil their obligations under the Securities issued under the Guarantee. All of these factors are contingencies which may or may not occur and the Issuer and the Guarantor are not in a position to express a view on the likelihood of any such contingency occurring. Factors which the Issuer and the Guarantor believe may be material for the purpose of assessing the market risks associated with the Securities issued under the Guarantee are also described below.*

*The Issuer and the Guarantor believe that the factors described below represent the principal risks inherent in investing in Securities, but the inability of the Issuer or the Guarantor to pay principal, interest (if any) or other amounts or fulfil other obligations on or in connection with any Securities and the Guarantee may occur for other reasons and the Issuer and the Guarantor do not represent that the statements below regarding the risks of holding the Securities are exhaustive.*

### **Risks Relating to the Group**

#### ***The reporting and disclosure standards applicable to the Guarantor may differ significantly from those applicable to companies with equity securities listed on a stock exchange***

Shares in the Guarantor are not listed on any stock exchange and are closely held (see the section “*Shareholders, Directors’ Interests and Related Party Transactions*”). As a result, the Guarantor is not bound by any continuing obligations similar to those imposed on companies with equity securities listed on The Stock Exchange of Hong Kong Limited (the “**Hong Kong Stock Exchange**”) or on other stock exchanges.

Further, the Guarantor is not bound by any continuing obligation as regards publication of non-public price sensitive information, major transactions/very substantial transactions or connected transactions, nor is it subject to any code as regards corporate governance. Although the Issuer will be required to comply with the continuing obligations of the SGX-ST pursuant to the listing of Securities on such exchange for so long as any such Securities are outstanding, the Guarantor cannot provide any assurance that the level of publicly available information in relation to the Guarantor or the Group, or the information disclosed by the Guarantor on an ongoing basis, will be equivalent to that available or disclosed in relation to companies with equity securities listed on the Hong Kong Stock Exchange or on other stock exchanges.

#### ***The Group is highly dependent upon the services of key management personnel***

The Group is dependent in part upon the collective services of all of the members of its senior management team and other qualified and experienced staff. In particular, the Group’s senior management team has extensive experience, knowledge, business relationships and expertise in the property development and investment business and therefore may be difficult to replace. Competition for such employees is intense in the Hong Kong, the PRC, the U.S. and the UK markets, and if the Group is unable to attract, retain and motivate its key personnel, its business, results of operations and financial position may be materially and adversely affected. The Group has various committees in place, and so is not reliant on any individual, but any significant change in management may materially and adversely affect the Group. Moreover, as the Group’s business continues to grow and as it expands into the PRC, the U.S. and the UK, it will need to employ, train and retain employees on a much larger geographical scale. If the Group cannot attract and retain suitable human resources, its business and prospects will be negatively affected.

***There are significant related-party transactions by members of the Group***

A part of the business undertaken by members of the Group is conducted with the Group's related companies and individuals. These transactions include those described under the notes to the Group's financial statements and information appearing elsewhere in this Offering Circular (see in particular note 37 to the Guarantor's audited consolidated financial statements for the year ended 31 March 2020 and below under "*Shareholders, Directors' Interests and Related Party Transactions*") and include the provision of loans and guarantees, property development and sale, construction, management, and marketing, leasing and administrative services. Certain of these transactions are entered into with members of the Crosby Group. The Group has had a close relationship with the Crosby Group for over 10 years and has entered into certain development projects and investments on a joint venture basis.

The Group expects that members of the Group will continue to enter into transactions with each other as well as other related companies and individuals. These transactions may involve conflicts of interest, which, although not contrary to law, may sometimes potentially be detrimental to the Group. In this regard, the Group operates under a set of guidelines with a Conflicts Committee to manage conflicts of interest (see below under "*Management*" and "*Shareholders, Directors' Interests and Related Party Transactions*") and its policy is to enter into contracts with related parties on commercial terms that would apply for arm's length transactions with independent parties. As at 31 March 2020, the amounts due to related companies and individuals totalled HK\$493 million, the amount due to ultimate holding company totalled HK\$210 million and the amount due from an immediate holding company totalled HK\$652 million.

There is no assurance that conflicts of interest will not arise between the Group and its related companies and individuals, in relation to the Group's businesses, including business opportunities that may be attractive to all or some of the various relevant parties. Should any action be taken by related companies and individuals which is not in the best commercial interests of the Group, or should the Group's related companies and individuals seek to enforce repayment of all of the amounts due to them, the Group's business and financial condition could be materially and adversely affected.

***The indirect beneficial interest in the shares of the Guarantor is currently subject to probate in Hong Kong and the British Virgin Islands***

On 17 June 2012, the Group's founder, former Chairman and sole shareholder, Dr. Chen Din Hwa passed away following a long illness. Dr. Chen's estate, including his 100 per cent. ownership of the ultimate holding company of the Guarantor, Chen's Group International Limited ("**CGIL**"), is currently subject to probate in Hong Kong and the British Virgin Islands. The Grant of Probate of Will in respect of Hong Kong was issued by the High Court of Hong Kong on 16 April 2013. The Grant of Probate of Will in respect of the British Virgin Islands was issued by the High Court of Justice of the British Virgin Islands on 28 August 2013. The shares in CGIL were transferred into the names of the executors of Dr Chen's will, being Ms. Vivien Chen and three solicitors who have advised Dr. Chen and his companies over many years, on 20 November 2013, and the executors of Dr. Chen's will, in their capacity as such, will hold the shares for the benefit of the estate until administration of the estate is completed and a distribution is made to the beneficiaries under the will. One of the executors passed away in February 2018 and the shares in CGIL are now registered under the names of the remaining three executors.

As described below under "*Shareholders, Directors' Interests and Related Party Transactions*", the Board of Directors does not consider that the continuity of day to day management of the Group will be affected by the passing of Dr. Chen, and does not anticipate any change in the composition of the Board arising from distribution of the estate to the beneficiaries under Dr. Chen's will. However, until completion of the administration of the estate, there can be no guarantee as to the ultimate manner of distribution of Dr. Chen's estate nor any guarantee as to whom such distributions will be made. A distribution of Dr. Chen's estate in a manner other than as set out in Dr. Chen's will and/or any material dispute as to the distribution of the estate,

may affect the continuity of day to day management and/or the composition of the Board, and may materially and adversely affect the Group's business and financial condition.

***There is limited publicly available information about the Issuer and the Guarantor***

Each of the Issuer and the Guarantor is a business company incorporated under the laws of the British Virgin Islands and its shares are not traded publicly. Therefore, there may be less publicly available information about each of the Issuer and the Guarantor than if it were a publicly listed company or incorporated in other jurisdictions.

***The adoption of new accounting standards could have a significant impact on the Group's businesses, financial condition, results of operations and growth prospects***

The IASB has from time to time issued new and revised IFRS. As accounting standards continue to develop, the IASB may in the future issue further updated and revised IFRS. As a result, the Group may be required to adopt new accounting policies which might or could have a significant impact on the Group's financial position and results of operations.

***The global economy is facing significant uncertainties and disruptions caused by COVID-19.***

The Group's business is subject to global market fluctuations and general economic conditions in Hong Kong, the PRC and the global economy. Any prolonged downturn, recession or other condition that adversely affects the Group's business and economic environment, including the ongoing COVID-19 pandemic, could materially and adversely impact its business, financial condition and results of operations.

The World Health Organization declared the novel coronavirus ("COVID-19") to be a global pandemic on 11 March 2020. The sudden and rapid spread of COVID-19 across the globe covering Asia, North America, Europe and the Middle East has put pressure on most economies due to disruption of business activities and weakened sentiment in the consumption and tourism related sectors. The recent plunge in global oil prices will add to the woes resulting from the pandemic, severely upsetting the economic growth of most countries which are already on a slow growth trajectory.

The outbreak of COVID-19 in different parts of the world, including places in which the Group operates, has a significant adverse impact on most economies due to the community standstill, disruption of business activities, and weakened sentiment in the consumption and tourism related sectors. As the situation in relation to COVID-19 is still evolving, the heightened uncertainties surrounding the pandemic may pose a negative impact on the Group's businesses, financial conditions, results of operations or growth prospects. There can be no assurance that there will not be another significant global outbreak of a severe communicable disease, and if such an outbreak were to occur, it may have an impact on the operations of the Group and its results of operations may suffer.

Governments and central banks around the globe have introduced or are planning fiscal and monetary stimulus measures including tax cuts, direct subsidies, rates cut, bond repurchase programs and suspension or relaxation of prudential bank capital requirements. These measures aim to contain the economic impact of the epidemic, stabilise the markets and provide liquidity easing to the markets. There is no assurance that such measures may be introduced in time or will be sufficient or effective in delivering their policy objectives. There is no assurance that these measures will be successful in containing the economic impact of the epidemic or stabilising the markets.

As a result, the global economy is facing significant uncertainties and the global financial markets are experiencing significant volatilities. Such volatilities may increase the default risk faced by the Group with respect to its fixed income investments and negatively impact the share prices of the entities in which the Group has equity investments. Any potential economic slowdowns may also negatively affect the purchasing powers of potential property purchasers, which may lead to a decline in the general demand for the Group's properties

and erosion of the selling prices of such properties. Moreover, governments may also impose various monetary and regulatory policies to combat potential economic slowdowns. Such policies may include measures affecting the property market. If the global financial markets continue to experience volatility or if the Hong Kong or the Mainland economy continues to slow down, the Group's business, financial condition and outlook may be adversely affected. In particular, property sales in Hong Kong and the PRC have slowed due to the COVID-19 pandemic, though end-user demand has remained for small- to medium-sized units. The COVID-19 pandemic has also impacted both domestic and tourist spending, with the traffic flow and tenant sales of the Group's shopping malls in Hong Kong and the PRC have been under pressure. In response to this, relief initiatives were offered to tenants in the Group's shopping malls including the granting of rent concessions.

The progress of the Group's construction project in the UK experienced delay due to the mandatory lockdown imposed by the UK government in March and April 2020. As of the date of this Offering Circular, the project has resumed at normal capacity. There can be no assurance that the Group would not experience further delays in its construction projects due to another significant global outbreak of a severe communicable disease, and if such an outbreak were to occur, it may have an adverse impact on the operations of the Group and its results of operations may suffer.

In addition, during the COVID-19 pandemic and the corresponding quarantine and traffic-flow control measures adopted by the Hong Kong government, the Group's hotel business could be vulnerable to reduced business travel, decreased consumer spending and reduced disposable income, all of which may result in reduced demand for hotel rooms and downward pressure on the Group's daily room rates. There can be no assurance that the economies of the jurisdictions in which the Group operates will improve or that hotel property values and rates will not decline or that interest rates will not rise in the future. A decline in the hotel and serviced suite industry could have an adverse effect on the Group's hotel business and therefore may materially and adversely impact on the Group's businesses, financial conditions, results of operations or growth prospects.

***An economic downturn or any adverse change in social and political environment in Hong Kong or any other economies may materially and adversely affect the Group's financial condition and results of operations.***

The Group conducts most of its operations and generates most of its revenues in Hong Kong, Macau and the PRC and therefore the financial condition and results of operations of the Group will be closely affected by the economic development in Hong Kong, Macau and the PRC. Any significant or sudden economic slowdown, recession or other adverse changes or developments in the local social and economic environment in Hong Kong may adversely affect the Group's business, financial condition, results of operations and prospects.

Civil unrest and an uncertain political environment may impact Hong Kong's economy. Protests causing disruptions to commercial activities and transportation systems may adversely impact investor confidence and affect overall business activities, which in turn may have a negative impact on the Group's business in Hong Kong. Any instability in the social and political landscape of Hong Kong may adversely affect the Group's business, financial condition and the results of its operations. Civil unrest is outside the control of the Group and there can be no assurance that further large-scale protests will not occur in the future which may affect the stability of the political and economic landscape in Hong Kong.

Further, with the increasing interaction between the PRC and Hong Kong economies, policies of the PRC are also expected to have varying degrees of impact on Hong Kong and Hong Kong companies conducting their businesses in the PRC. The Group may be affected accordingly. The Group's performance and the quality and growth of its assets in the PRC are dependent on the overall economic, regulatory and political conditions of the country. The Group's operations in the PRC may be affected by the general state of the economy, material regulatory changes and significant political, social or legal uncertainties or changes in the PRC (including changes in political leadership, the inflation rate, Renminbi interest rates, and Renminbi exchange rate, etc.).

There can be no assurance that the economic and political environment in the PRC will remain favourable to the Group's business in the PRC in future.

***No assurance that the Group's business will not be affected by sanctions or other measures imposed by foreign governments relating to Hong Kong***

On 30 June 2020, the Standing Committee of the National People's Congress of the PRC passed the Law of the People's Republic of China on Safeguarding National Security in the Hong Kong Special Administrative Region (the "**Hong Kong National Security Law**"), criminalising secession, subversion, terrorist activities, and collusion with a foreign country or with external elements to endanger national security and stipulating the corresponding penalties. The Hong Kong National Security Law took effect at 11:00 p.m. on 30 June 2020 upon gazettal in Hong Kong, whereas the Implementation Rules for Article 43 of the Law of the People's Republic of China on Safeguarding National Security in the Hong Kong Special Administrative Region (Instrument A406A), which stipulates the relevant implementation rules for the purposes of applying Article 43 of the Hong Kong National Security Law, took effect on 7 July 2020.

The Hong Kong government welcomed the legislation and believes that the legislation can safeguard the prosperity and stability of Hong Kong and provide a favourable business and investment environment. The Hong Kong government takes the view that the "One Country, Two Systems" principle and the legitimate rights and freedoms enjoyed by Hong Kong residents will remain intact, and the legitimate interests of foreign investors will continue to be protected by law.

Following the enactment of the Hong Kong National Security Law, U.S. President Donald Trump issued an executive order on 14 July 2020 to officially sign into law the Hong Kong Autonomy Act (the "**HKAA**"), which withdraws certain privileges granted to Hong Kong under the Hong Kong Policy Act of 1992, and the U.S. government indicated that it may impose sanctions or other measures relating to Hong Kong, e.g. higher tariffs, tougher investment rules, asset freezes and more onerous visa rules. There have been some comments that Hong Kong's standing as an international financial centre could be at risk. Among other things, U.S. tariffs on China and restrictions on technology transfer and investment could become applicable to Hong Kong or Hong Kong entities or persons. Certain other foreign governments and organisations have also taken actions in response to or expressed concern regarding the enactment of the Hong Kong National Security Law and there is a risk that actions that have or may be taken by all or some of them may be detrimental to Hong Kong. For example, on 3 July 2020, the Canadian government announced that it would immediately treat exports of sensitive goods to Hong Kong in the same way as those destined for and the PRC and it would suspend its extradition treaty with Hong Kong. On 9 July 2020, 23 July 2020 and 28 July 2020, the Australian government, the UK government and the New Zealand government respectively announced the suspension of its extradition treaty with Hong Kong. Until full details of the actions proposed by the U.S. and such other foreign governments and organisations are revealed, the Group will not be able to assess the impact of such actions on Hong Kong and the Group.

## **Risks Relating to the Property Businesses**

***Measures adopted from time to time by the Hong Kong government to restrict the real estate market could slow the industry's rate of growth or cause the real estate market to decline***

The Hong Kong real estate market is subject to significant regulation. The Hong Kong Monetary Authority has implemented regulatory measures in recent years to restrict the development of the real estate market. On 27 February 2015, the Hong Kong Monetary Authority ("**HKMA**") announced a series of counter cyclical measures to banks in relation to property mortgage lending to strengthen banks' risk management and resilience, with immediate effect, namely (i) the maximum loan-to-value ratio ("**LTV**") for self-use residential properties

with a value below HK\$7 million was lowered by a maximum of 10 percentage points. For example, the maximum loan-to-value ratio applicable to properties with a value of HK\$6 million or below and subject to the LTV cap of 70 per cent. was lowered to 60 per cent.; (ii) the maximum debt-servicing ratio (“**DSR**”) for borrowers who buy a second residential property for self-use was lowered to 40 per cent. from 50 per cent., and the stressed-DSR cap was lowered to 50 per cent. from 60 per cent. and (iii) the maximum DSR of mortgage loans for all non-self-use properties, including residential properties, commercial and industrial properties and car park spaces, was lowered to 40 per cent. from 50 per cent., and the stressed-DSR cap was lowered to 50 per cent. from 60 per cent. On 19 May 2017, the HKMA further announced a series of new measures to banks in relation to property mortgage lending to strengthen the risk management of banks and safeguard banking stability, with immediate effect, which include, amongst others (i) to lower the applicable LTV cap by 10 percentage points for property mortgage loans involving borrowers and/or guarantors with one or more pre-existing mortgage loans, in addition to the existing requirement of lowering the applicable DSR limit by 10 percentage points for these loans; and (ii) to lower the applicable DSR limit by 10 percentage points for property mortgage loans extended to borrowers whose income is mainly derived from outside of Hong Kong, on top of the existing requirement of lowering the applicable LTV cap by 10 percentage points for these loans. These regulatory changes (and any further measures the Hong Kong government may introduce from time to time in the future) may have an adverse effect on the property market in Hong Kong, and in turn, the Group’s business and profitability.

In addition, the Hong Kong government may introduce cooling measures on the Hong Kong property market from time to time, which may have a significant impact on the supply and demand in the property market.

The Stamp Duty (Amendment) Ordinance 2014 (the “**Amendment Ordinance**”) came into effect on 28 February 2014 and was deemed to have come into operation on 27 October 2012. Under the Amendment Ordinance, any residential property acquired on or after 27 October 2012, either by an individual or a company (regardless of where it is incorporated), and resold within 36 months, is subject to Special Stamp Duty (“**SSD**”). Residential properties acquired by any person (including a company incorporated) except a Hong Kong permanent resident, will also be subject to a Buyer’s Stamp Duty (the “**BSD**”), to be charged at a flat rate of 15 per cent. on top of the existing stamp duty and the SSD, if applicable.

The Stamp Duty (Amendment) (No. 2) Ordinance 2014 (the “**Amendment Ordinance No. 2**”) was gazetted on 25 July 2014. The Amendment Ordinance No. 2 provides that the ad valorem stamp duty (“**AVD**”) payable on certain instruments dealing with immovable properties executed on or after 23 February 2013 (the “**Effective Date**”) shall be computed at higher rates (“**Scale 1 rates**”). It also advanced the timing for charging AVD on non-residential property transactions from the conveyance on sale to the agreement for sale executed on or after the Effective Date. Under the Amendment Ordinance No. 2, any residential property and non-residential property acquired on or after the Effective Date, either by an individual or a company, is subject to the Scale 1 rates, except that acquired by a Hong Kong permanent resident acting on his/her own behalf who does not own any other residential property in Hong Kong at the time of acquisition.

The Stamp Duty (Amendment) Ordinance 2018 (the “**2018 Amendment Ordinance**”) was gazetted on 19 January 2018. Under the 2018 Amendment Ordinance, the AVD at Scale 1 rates enacted under the Amendment Ordinance No. 2 are further divided into Part 1 (a flat rate of 15 per cent.) and Part 2 (original Scale 1 rates under the Amendment Ordinance No. 2) with effect from 5 November 2016. Part 1 of the Scale 1 rates applies to instruments of residential property and Part 2 of the Scale 1 rates applies to instruments of non-residential property. The 2018 Amendment Ordinance provides, amongst others, that any instrument of residential property executed on or after 5 November 2016 for the sale and purchase or transfer of residential property, unless specifically exempted or provided otherwise, will be subject to AVD at the rate under Part 1 of the Scale 1 rates, i.e. a flat rate of 15 per cent. of the consideration or value of the residential property, whichever is the higher.

The Stamp Duty (Amendment) (No. 2) Ordinance 2018 (the “**2018 Amendment Ordinance No. 2**”) was gazetted on 20 April 2018. The 2018 Amendment Ordinance No. 2 provides, amongst others, that acquisition of more than one residential property under a single instrument executed on or after 12 April 2017, unless specifically exempted or provided otherwise, will be subject to AVD at the rate under Part 1 of the Scale 1 rates, i.e. a flat rate of 15 per cent. of the consideration or value of the residential property, whichever is the higher, even if the purchaser or transferee is a Hong Kong permanent resident acting on his/her behalf and does not own any other residential property in Hong Kong at the time of acquisition.

Besides, the Residential Properties (First-hand Sales) Ordinance (Cap. 621) has come into full operation with effect from 29 April 2013. It aims to enhance the transparency and fairness of the sales arrangements and transactions of first-hand residential properties to better protect the interest of purchasers. It sets out detailed requirements in relation to sales brochures, price lists, show flats, disclosure of transaction information, advertisements, sales arrangements, and the mandatory provisions for the preliminary agreement for sale and purchase and agreement for sale and purchase for the sales of first-hand residential properties.

The Hong Kong government’s restrictive measures to control property prices could limit the Group’s access to capital resources, reduce market demand and increase the Group’s operating costs. The Hong Kong government may adopt additional and more stringent measures in the future, which may further slow the development of the industry and materially and adversely affect the Group’s business and results of operations. In particular, any additional or more stringent measures imposed by the Hong Kong government in the future to curb residential real estate projects may materially and adversely affect the Group’s business and results of operations.

***Measures proposed by the Hong Kong government to expedite the supply of first-hand private residential units may have a negative impact on the Group***

On 29 June 2018, the Hong Kong government proposed introducing a tax on vacant first-hand private residential units at two times the annual rateable value of the units (the “**Vacancy Tax**”) to encourage developers to release residential units more quickly into the market. Under the proposal, developers of first-hand private residential units with an occupation permit issued for 12 or more months will be required to make annual returns disclosing the occupancy status of their units. Units that have not been occupied or rented out for more than six of the past 12 months will be considered vacant and subject to the Vacancy Tax, which will be collected annually.

On 13 September 2019, the Hong Kong government gazetted an amendment bill to implement the proposed Vacancy Tax at the Legislative Council. If implemented, the Vacancy Tax may present a financial burden to the Group, which may have an adverse effect on its business, operating results and financial condition. On 16 October 2019, the Hong Kong government announced plans to expand the eligibility under the Mortgage Insurance Programme of the Hong Kong Mortgage Corporation Limited. For a first-time home buyer, the cap on the value of property eligible for a mortgage loan with a maximum cover of 90 per cent. loan-to-value ratio will be raised from the existing HK\$4 million to HK\$8 million. The cap on the value of property eligible for a mortgage loan with a maximum cover of 80 per cent. loan-to-value ratio will also be raised from HK\$6 million to HK\$10 million. As the introduction of these measures are subject to policy changes reflecting domestic political or economic circumstances, there is no assurance that the Hong Kong government will not introduce further measures in the future that may have a significant impact on the property market, which may in turn affect the Group’s operating results and financial conditions.

***Mortgage loans offered by the Group to property buyers may have a negative impact on the Group’s financials***

The Group has offered mortgage loans to its residential property buyers at loan-to-value ratios higher than loans offered by banks and/or on terms and conditions more favourable than loans offered by banks. These include providing interest-free periods and providing zero amortisation for a certain period of time. Proof of income is

sometimes not required for certain mortgage loan applicants. Credit risk taken up by the Group is anticipated to be higher than that taken up by banks as the Group's credit approval process is significantly less stringent than that of banks, and it may be a financial burden to the Group if the repayment ability of buyers deteriorates or if buyers default.

On 20 June 2016, the Hong Kong Monetary Authority released an article on the topic of mortgage loans with high loan-to-value ratios offered by property developers. The article states that whilst the amount of mortgage loans currently provided by property developers is small when compared with the total amount of residential mortgage loans provided by banks, it has come to its attention that such loans provided by individual developers have been increasing by multiples over the past year. Whilst property developers are outside the supervisory ambit of the Hong Kong Monetary Authority, the fact that banks lend to property developers which in turn provide mortgages to homebuyers indirectly increases the potential credit risk faced by banks. On 12 May 2017, the Hong Kong Monetary Authority issued the Circular on Risk Management for Lending to Property Developers requiring local banks to set aside an adequate amount of capital for exposures to property developers offering high loan-to-value mortgages. To achieve this, the risk weights for credit risk exposures to property developers will be adjusted upward if the property developer has a mortgages-to-equity ratio of more than 5 per cent., with a larger adjustment where such ratio is more than 10 per cent. The higher risk weights will increase the amount of capital that banks are required to hold, which could lead to an increase in the interest rates charged to property developers. It is uncertain whether further measures will be adopted by the Hong Kong Monetary Authority and the impact of these measures, if any, on the financing offered by banks to property developers.

***The Group's performance is dependent on the performance of the Hong Kong property market***

The Group's financial condition and results of operations are largely dependent on its investment and rental properties and development properties situated in Hong Kong. See "*Description of the Group — Property Development and Investment — Hong Kong*". The property interests of the Group are subject to certain risks inherent generally in the ownership of, investment in and development of real property. These risks include the generally cyclical nature of property markets (for example, Hong Kong residential property prices, after reaching record highs in 1997, fell significantly as a result of the Asian economic crisis), changes in general economic, business and credit conditions, the illiquidity of land and other real property, changes in governmental policies or regulations, building material shortages and increases in the costs of labour and materials. The Group's property interests are also affected by the strength of the local economy.

In the event of economic decline, the Group may also experience market pressures that affect Hong Kong property companies, such as pressures from existing and prospective tenants to provide rent reductions and reduced market prices for sale properties. Rental values are also affected by factors such as political developments, governmental regulations and changes in planning or tax laws, interest rate levels and inflation. New residential and office properties are also scheduled for completion over the next few years and such additional supply may adversely affect residential and office rents, occupancy rates as well as sale prices for new residential and office units. In addition, from time to time during economic downturns, the Group has experienced pressures from existing and prospective commercial tenants to provide rent reductions or longer rent free periods than usually given. This has had an impact on the Group's rental income from its commercial property investments in the past and the recurrence of adverse market conditions in the future may have an adverse effect on the Group's business, operating results and financial condition.

There is no assurance that the problems of oversupply, falling property prices and tightening of credit provided by lenders will not recur or that the recurrence of such problems with respect to the Hong Kong property market will not adversely affect the business, financial condition and results of operations of the Group. Any slowdown in the economies of the United States, the European Union and certain Asian countries may adversely affect economic growth in Hong Kong and elsewhere.

The inherent volatility of the property market impacts the best timing for both the acquisition of sites and the sale of properties. This volatility, combined with the lead time required for completion of projects as well as the sale of existing properties, means that the Group's results from its property development activities may be susceptible to significant fluctuations from year to year. Furthermore, fluctuations in the Hong Kong property market will have an impact on the Group's balance sheet since the Group revalues its investment properties on a semi-annual basis.

***Risks associated with the effect of global credit markets on the economy and of a global economic slowdown***

Economic developments outside Hong Kong could also adversely affect the property market in Hong Kong and the PRC and the Group's overall business. Since late 2008, the global credit markets have experienced, and may continue to experience, significant dislocations and liquidity disruptions which have originated from the liquidity disruptions in the credit and mortgage markets of the United States and the European Union. The deterioration of the financial markets contributed to a recession in the United States and a slowdown in the global economy, which led to significant declines in employment, household wealth and consumer demand, and the announcement of stimulus measures by a number of governments including quantitative easing. A number of other related events have also caused fundamental and wide reaching disruptions to the global credit markets. Such events include the collapse of a number of financial institutions and other entities, rising government deficits and debt levels, ratings downgrades for the United States and certain EU sovereign debt, debt reduction measures taken by various countries and notably in the United States and the continued deterioration of certain European economies. On 23 June 2016, the UK voted in a national referendum to withdraw from the European Union and on 29 March 2017, invoked Article 50 of the Treaty on European Union requiring it to withdraw within two years. On 17 October 2019, the European Council endorsed the Withdrawal Agreement Bill under Article 50. The UK legally left the European Union on 31 January 2020 and entered a transition period for 11 months from 1 February 2020 to 31 December 2020. Uncertainty continues as the UK and the European Union have to negotiate and agree the detail of the terms of their future trade relationship. Moreover, since July 2018, the United States and the PRC have been involved in controversy over trade barriers that have triggered the implementation or proposed implementation of tariffs on certain imported products into the two countries. In January 2020, the United States and the PRC entered into "phase one" of an economic and trade agreement as an initial step towards resolving the trade war disputes between them. The effect of such an agreement remains elusive, and sustained or escalating tension between the United States and the PRC over trade policies could significantly undermine the stability of the global economies.

These events have had and continue to have a significant adverse impact on the global credit and financial markets which may adversely affect economic growth in countries where the Group has investment properties. There can be no assurance that the slowdown in the global economy will not result in oversupply and reduced property prices and rentals in countries where the Group has investment properties. Hong Kong and other stock market prices have also experienced significant volatilities which may continue to affect the value of the Group's investments.

***The Group's property investment and development businesses may require significant capital resources to fund land acquisitions and property developments***

Property development is capital intensive. The Group's ability to secure sufficient financing for land acquisition and property development depends on a number of factors that are beyond their control, including market conditions in debt capital markets, investors' perception of their debt securities, lenders' perception of their creditworthiness, the Hong Kong economy, the global economy and regulations that affect the availability and finance costs for real estate companies. Any deterioration in these factors, such as that which has occurred in the global credit and financial markets in recent years (as discussed above), may make it difficult for the Group to access financial markets and make it more difficult or expensive to obtain funding in the future. This may

have a material adverse effect on the Group's cash flow position, financial condition and business plans. The Group may also be subject to solvency risks of its banks and of its counterparties in its financial investments and arrangements.

***The illiquidity of property investments and the lack of alternative uses for properties could limit the Group's ability to respond to adverse changes in the performance of its properties***

As properties are in general relatively illiquid, the Group's ability to sell them promptly in response to changing economic, financial and investment conditions is limited. The real estate market is affected by many factors beyond the Group's control, such as general economic conditions, availability of financing, interest rates, supply and demand of properties and other factors that are beyond the Group's control. The Group cannot predict whether it will be able to sell any of its properties for the price or on the terms set by it, or whether any price or other terms offered by a prospective purchaser would be acceptable to it. The Group also cannot predict the length of time needed to find a purchaser and to close a sale in respect of a property.

Should a decision be made to sell a property subject to a management agreement or tenancy agreement, the Group may have to obtain consent from, or pay termination fees to, its management partners or its tenants.

In addition, properties are not readily convertible to alternative uses if they become unprofitable due to competition, age, decreased demand or other factors. The conversion of properties to alternative uses would generally require substantial capital expenditures. In particular, the Group may be required to expend funds to maintain properties, correct defects, or make improvements before an investment property can be sold. There is no assurance that the Group will have funds available for these purposes. These factors and any other factors that would impede the Group's ability to respond to adverse changes in the performance of its investment properties could affect its ability to retain tenants and to compete with other market participants, as well as affecting its results of operations.

***A part of the Group's property business is conducted through joint ventures and associates in Hong Kong and the PRC***

The Group has investments in several joint venture companies and associates in connection with its property investments and developments, principally in Hong Kong and the PRC. Such joint ventures may involve special risks associated with the possibility that the Group's joint venture partners may:

- have economic or business interests or goals that are inconsistent with those of the Group;
- take action contrary to the instructions or requests of the Group or contrary to the Group's policies or objectives with respect to its property investments;
- be unable or unwilling to fulfil their obligations under the joint ventures or other agreements; or
- experience financial or other difficulties.

Joint venture partners are not restricted from competing with the Group on other projects. In the PRC, property investment and development may often involve the participation of local and foreign partners, and there may be additional risks or problems associated with joint ventures and associates in the PRC. For instance, guarantees given by PRC parties in relation to joint ventures in the PRC may be difficult to enforce as their validity may depend on the financial and legal qualifications of the guarantors and the appropriate approvals having been obtained. Although the Group does not believe that it has experienced any significant problems with respect to its partners to date, should such problems occur in the future they could have a material adverse effect on the businesses and prospects of the Group.

***The Group is subject to general risks of doing business overseas and may not be able to manage its expansion and growth successfully***

The Group has commercial interests in the PRC and Macau, including interests in residential and commercial property development and property investments, and plans to increase these in the future as part of its growth strategy. The Group also has property investments in other overseas markets, including but not limited to Singapore, Japan, Malaysia, the UK and the United States. The Group's expansion in the PRC and investment in other overseas markets will be based on its forward-looking assessment of market prospects. There is no assurance that the Group's assessments will turn out to be accurate. In addition, to succeed in its business expansion, the Group will need to recruit and train new managers and other employees and build its operations and reputation in its target regional markets within a relatively short period of time. The Group may have limited knowledge of the conditions of these local property markets and little or no experience in property development in these regions. As it enters new markets, the Group may not have the same level of familiarity with contractors, business practices, customs, customer tastes, behaviour and preferences as compared to the cities where it is an established property developer. In addition, when the Group enters new geographical areas, it may face intense competition from developers with an established presence and market share in those areas. Accordingly, the Group is subject to greater exposure and the risks associated with conducting business in the PRC and other overseas markets. The need to integrate operations arising from the Group's expansion, particularly into other fast growing second-tier cities in the PRC may place a significant strain on the Group's managerial, operational and financial resources and contribute to an increase in the Group's financing requirements. Restrictive measures enacted by the PRC government, new policy measures and the terms of and procedures relating to land clearance agreements may also have a material impact on the Group as it further expands into the PRC. See "*Risks Relating to the PRC and Hong Kong — The Group's business in the PRC is subject to extensive governmental approval and compliance requirements*". The respective governments of the countries in which the Group has property investments may introduce new policies and/or regulations, or amend or abolish existing policies and/or regulations at any time, which could affect the value of the Group's investments and its profitability. Furthermore, repatriation of investment income, capital and the proceeds from sales of property by foreign investors such as the Group may require certain governmental registration and approval. If the governments of the jurisdictions in which the Group has investments tighten or otherwise change their laws and regulations relating to the repatriation of their local currency, the Group's ability to repatriate profits may be affected and accordingly, the Group's cash flow may be adversely affected. The Group may also be subject to a variety of risks incidental to the ownership of and investments in land and real estate in these countries, including changes in the supply of, or demand for, investment property in an area, changes in interest rates and the availability of financing, difficulties in mortgaging due to uncertainty in land and security regulations, difficulties which may be encountered at land or security registries, changes in property tax rates and/or land use and lease laws, problems caused by zoning or urban planning, credit risks of tenants, suppliers, contractors and borrowers, and environmental factors. The feasibility, marketability and value of any project in these countries may therefore be affected by factors beyond the Group's control.

***The Group may not always be able to obtain sites that are suitable for development or investment***

The Group derives a substantial part of its revenue from sales and leases of properties that it has developed. This revenue stream depends on the completion of, and the Group's ability to sell or lease, its property developments. The success of properties developed by the Group and retained for leasing purposes, and other properties acquired for investment, is dependent upon their ability to compete on the basis of accessibility, location and quality of tenants. In order to maintain and grow its business in the future, the Group will be required to replenish its land reserve with suitable sites for development. The Group's ability to identify and acquire suitable sites for development or investment is subject to a number of factors that are beyond its control. The Group's business, financial condition and results of operations may be adversely affected if it is unable to

obtain sites for development or investment at prices that allow it to achieve reasonable returns upon sale or lease to its customers.

The amount of land offered by the Hong Kong government by auction is limited. This affects the Group's ability to replenish its Hong Kong land bank. In addition, the PRC government controls all new land supply in the PRC and regulates land sales in the secondary market. The PRC central and local governments may regulate the means by which property developers, including the Group, obtain land sites for property developments. See "*Risks Relating to the PRC and Hong Kong — PRC political, legal and economic risks*". There is no assurance that the Group will be successful in tendering or bidding for sites. In addition, the Group has acquired and in the future intends to acquire land by acquiring other property development companies and there is no assurance that the Group will be able to obtain applicable government approvals for companies so acquired. As a result, the policies of the Hong Kong government and the PRC government towards land supply may adversely affect the Group's ability to acquire land use rights for sites it seeks to develop and could increase the costs of any acquisition.

***The Group's revenue and results of operations from property development and property investment fluctuate significantly from period to period***

The Group's results of operations from property development have varied significantly in the past and may continue to fluctuate significantly from period to period in the future. The Group's revenue and results of operations from property development for each period depend primarily on the number of properties that become available for sale or pre-sale in such periods. The Group's revenue from sales of completed properties is recognised when the construction of the relevant properties have been completed, properties have been delivered to the purchaser pursuant to the sale and purchase agreements and collectability of related receivables is reasonably assured.

The Group cannot predict with certainty the time of the completion and delivery of a property, and hence the time of the revenue recognition from any pre-sale and the ability to use all the proceeds from such pre-sale, as the completion of any property development will vary according to its construction timetable and the time required to obtain the certificate of completion. Accordingly, due to the volatile nature of the revenue that is generated from property development, the periods discussed in the financial statements included in this Offering Circular may not be comparable to each other or other future periods.

The Group's results of operations from property investment and development included an increase in the fair value of the investment properties, which was unrealised. Upward revaluation adjustments reflect unrealised capital gains on the Group's investment properties at the relevant balance sheet dates and are not profit generated from the sales or rentals of the Group's investment properties. They do not generate any actual cash inflow to the Group for potential dividend distribution unless and until such investment properties are disposed of at similarly revalued amounts.

The amount of revaluation adjustments has been, and may continue to be significantly affected by the prevailing conditions in the property markets and may be subject to market fluctuations. Macroeconomic factors, including economic growth rate, interest rate, inflation rate, urbanisation rate and disposable income level can substantially affect the fair value of the Group's investment properties and affect the supply and demand in those property markets. All these factors are beyond the Group's control. There can be no assurance that the Group will continue to record similar levels of increase in the fair value of investment properties in the future. Moreover, the fair value of the Group's investment properties could decrease in the event that the market for comparable properties experiences a downturn as a result of the government policies aimed at "cooling-off" the property market, or otherwise. Any such decrease in the fair value of the Group's investment properties may materially and adversely affect results of operations from property investment and development.

***The Group may experience schedule delays or budget overruns in completing the Group's property development projects and may be adversely affected by the concentration of such projects***

Property development projects typically require substantial capital outlay during the construction period and may take months or years before positive cash flows can be generated by pre-sales or sales of completed property developments, if at all. The time and costs required in completing a property development project may be subject to substantial increases due to many factors, including shortages of materials, equipment, technical skills and labour, adverse weather conditions, natural disasters, labour disputes, disputes with contractors, accidents, changes in government priorities and policies, changes in market conditions, delays in obtaining the requisite licences, permits and approvals from the relevant authorities and other unforeseeable problems and circumstances. Any of these factors may lead to delays in, or prevention of, the completion of a property development project and result in costs substantially exceeding those originally budgeted for. Furthermore, any failure to complete a property development project according to its original specifications or schedule may give rise to potential liabilities and, as a result, the Group's return on investments may be lower than originally expected. The Group's property development portfolio may be concentrated on a few projects which may form a significant proportion of the Group's portfolio. This may entail a higher level of risk than a portfolio which has a larger number of projects spread over a large geographical area. Any such increase in time and costs or failure to complete such projects could materially and adversely affect the Group's business, financial condition and results of operations.

In addition, any decreases in property prices or adverse developments in the property market after the acquisition of a parcel of land and prior to the pre-sales or sales of completed property developments on such land could also have an adverse impact on the Group's business, financial condition and results of operations.

***The Group may not be able to obtain land use right certificates in its projects with respect to certain parcels of land in which it has acquired an interest***

Land use right certificates are granted once the land premium is paid, and land use right certificates may not be issued piecemeal in proportion to the payment of the land premium in Hong Kong and the PRC. If the Group fails to obtain the relevant land use right certificates for any acquired land, it will not be able to develop and sell properties on such land. The Group may not be able to acquire replacement land parcels on terms acceptable to it, or at all. All or any of these factors may have an adverse effect on the Group's business.

***The Group may be unable to renew tenancies or re-lease space at rental rates equal to or above the current rental rates or at all for investment and rental properties when tenancies expire and may not receive rent payments in a timely manner***

A portion of the Group's turnover from property investment and development is derived from income from renting office space and from renting retail and residential properties held as investment and rental properties. Most residential investment and rental properties are leased on a relatively short term basis (primarily two years with a break clause allowing tenants the right of early termination by serving two or three months' notice after the first 12 months). Financial performance may be materially and adversely affected in the event of a decline in rental or occupancy levels, or difficulties in securing lease renewals or obtaining new tenants, or if existing tenants reduce the amount of space that they occupy, or fail to comply with the terms of their lease or commitment to lease, or seek the protection of bankruptcy laws delaying or preventing receipt of rent payments, for any reason. E-commerce in particular may impact the Group's ability to renew tenancies, obtain new tenants or re-lease space at satisfactory rental rates as more tenants move online and require less space or no space at all to run their business. The Group cannot be assured that existing tenants will renew their leases upon expiration or that the Group will be able to find replacement tenants at rental rates equal to or higher than those of the expiring tenancies. Moreover, the Group may be unable to obtain replacement tenants in a timely manner so as to minimise vacancy periods in between tenancies or to obtain rental rates equal to or above the current rental rates for tenancies. Furthermore, if vacant space cannot be leased out for a significant period of time, the

market value of the Group's investment and rental properties may be adversely affected. In the case of residential properties, the short term leases involved also give rise to increased volatility. Any such situation may materially and adversely affect the Group's cashflow, business, financial condition and results of operations from property investment and development.

***Potential liability for environmental problems could result in costs to the Group***

The Group is subject to various laws and regulations concerning the protection of health and the environment. The particular environmental laws and regulations which apply to any given project development site vary greatly according to the site's location, its environmental condition, the present and former uses of the site, as well as the presence of any adjoining properties. Environmental laws and conditions may result in delays to the Group's property developments, may cause the Group to incur compliance and other costs and can prohibit or severely restrict project development activity in environmentally-sensitive regions or areas.

Each project the Group develops is required under applicable local laws and regulations to undergo environmental assessments. Further, an environmental impact assessment document is required to be submitted to the relevant government authorities for approval before commencement of construction.

The local authorities may request the Group to submit additional environmental impact documents, issue orders to suspend the construction and/or impose penalties for any projects that have not, prior to the commencement of construction, received approval following the submission of the environmental impact assessment documents. Although the environmental investigations conducted to date have not revealed any environmental liability that the Group believes would have a material adverse effect on its business, financial condition or results of operations, it is possible that these investigations did not reveal all environmental liabilities, or that there are material environmental liabilities of which the Group is unaware.

***The Group is subject to uninsured risks***

The Group maintains insurance coverage on its properties under construction, third party liabilities and employer's liabilities, as well as other insurance typical for the industries in which it operates and in amounts that it believes to be adequate. However, certain types of losses such as war, civil disorder, acts of terrorism, earthquakes, typhoons, flooding, and other natural disasters are not covered as they are either uninsurable or not economically insurable. Accordingly, there may be circumstances in which the Group will not be covered or compensated for certain losses, damages and liabilities, which may in turn adversely affect its financial position and results of operations.

**Risks Relating to the Financial Investment Portfolio and Loan Activities**

***The Group's investments and loans are subject to economic, political, market, counterparty and company specific changes***

The prices of the Group's investments, including but not limited to debt, private equity and public equity, are subject to economic, political, market, counterparty and company specific changes. Such changes may adversely affect prices of securities regardless of company specific performance. Additionally, different industries, financial markets and securities can react differently to these changes. Such fluctuations in the value of the Group's portfolio are often exacerbated in the short-term as well. The risk that one or more companies in the Group's portfolio will fall, or fail to rise, may adversely affect the overall portfolio performance in any given period.

In particular, tensions between the United States and the PRC over trade policies has and may continue to cause volatility in the equity and fixed income markets. This may lead to lower returns on the Group's equity investments and an increased risk of default on the Group's fixed income investments, which may adversely affect the overall performance of the Group's portfolio.

Further, the Group's investments in securities which are issued out of different countries and denominated in different currencies involve certain risks. These risks are typically increased in developing countries and emerging markets. Such risks, which can have adverse effects on portfolio holdings, may include: (i) investment and repatriation restrictions; (ii) currency fluctuations; (iii) the potential for unusual market volatility as compared to more industrialised countries; (iv) government involvement in the private sector; (v) limited investor information and less stringent investor disclosure requirements; (vi) shallow and substantially smaller liquid securities markets than in more developed countries, which means the Group may at times be unable to sell certain securities at desirable prices; (vii) certain local tax law considerations; (viii) limited regulation of the securities markets; (ix) international and regional political and economic developments; (x) possible imposition of exchange controls or other local governmental laws or restrictions; (xi) adverse effects from deflation and inflation; (xii) limited legal recourse for the Group; and (xiii) the under-development of custodial and/or the settlement systems.

The Group may invest in initial public offerings from time to time. The market values of shares in initial public offerings may experience high volatility due to factors such as the absence of a prior public market, unseasoned trading, the limited number of shares available for trading and limited information about the issuer. The Group may be subject to lock-up arrangements in relation to certain investments. Such arrangements may limit or restrict the Group's ability to exit investments. Additionally, the Group may hold shares acquired from initial public offerings for a very short period of time, which may increase the Group's expenses. Some investments in initial public offerings may have an immediate and significant impact on the Group's performance. The Group has the flexibility under its investment strategy to hold large amounts of cash if investment opportunities are not available or market conditions are not suitable. While this strategy can assist the Group during times of falling markets, holdings in cash may result in lower returns when compared to equity investments.

The Group engages in loan participation financing and is subject to those risks inherent in such activities, including economic, political, and counterparty risks. Any adverse changes in these areas may result in decreased cashflow of the Group's debtors and lead to a deterioration in the quality of the Group's loans.

***The Group is exposed to fair value fluctuations on its derivative financial instruments and investments***

The Group manages its interest rate and foreign currency risk with derivative financial instruments such as interest rate swaps and foreign exchange contracts. Such derivative financial instruments are initially recognised at fair value and are subsequently re-measured at fair value. The gain or loss on re-measurement to fair value is recognised immediately in the profit and loss account. The fair value of forward exchange contracts is calculated with reference to current forward exchange rates and by discounting the future cash flows. The fair value of interest rate swaps contracts is determined as the present value of the estimated future cash flows based on observable yield curves.

The Group has entered into interest rate swaps ("IRS") and cross currency swaps ("CCS") to manage the interest rate and foreign currency risks. The Group has utilised CCS when converting U.S. dollar liabilities into Hong Kong dollar liabilities and IRS when converting floating rate liabilities into fixed rate liabilities in order to control interest expenses, in particular when an interest rate hike is anticipated. The Guarantor does not over hedge its position once fixed but it may become over hedged to the extent underlying liabilities are prepaid. Moreover, the Group may have a portfolio hedge in place instead of a specific hedge which it will over hedge or under hedge depending on the loan(s) outstanding. CCS and IRS may not satisfy the criteria of hedge accounting and that mark-to-market gain or loss will be reflected in the consolidated income statement, instead of other comprehensive income. In addition, interest rate changes may be against the forecast of management.

The Group holds investments classified as financial assets at fair value through profit or loss. For securities traded actively on organised financial markets, fair value is generally determined by reference to stock exchange quoted market bid prices at the close of business on the balance sheet date. For investments in unlisted funds

that are stated at fair value and are not quoted in an active market, fair value is determined primarily by reference to other prices observed in recent transactions or valuation techniques when the market price is not readily available. The fair value of other financial instruments that are stated at fair value and are not traded in an active market is estimated using other prices observed in recent transactions or valuation techniques when the market price is not readily available. For the year ended 31 March 2020, the Group recognised a net gain on financial assets at fair value through profit or loss and derivatives of approximately HK\$52 million (net loss of HK\$113 million for the year ended 31 March 2019) (see “*the Guarantor’s audited consolidated income statement for the year ended 31 March 2020*” set out herein).

The Group is therefore exposed to market price fluctuations in respect of derivative financial instruments and investments, which may result in volatility in its financial results. Further, there can be no assurance of the appropriateness of the method of valuation adopted by the Group in relation to investments that are not traded in an active market.

***The Group holds loans and investments for which no active market exists***

The Group holds certain loans and investments, including in funds, debt and private equity, which are not traded on any organised financial market and which are not otherwise actively traded. The Group’s intention is generally to hold such loans and investments to maturity or for the long term. However, as such loans and investments are in general relatively illiquid, the Group’s ability to sell them promptly in response to changing economic, financial and investment conditions is limited and the Group cannot predict whether it would be able to sell any such loan or investment for a price that is at or above its cost to the Group, or is reflective of its value as determined by the Group. If the Group is unable to dispose of such loans or investments promptly or at a price consistent with their valuation, the Group’s financial results and position could be adversely affected.

**Risks Relating to the Life Sciences Investments**

***Biotech companies are subject to risks relating to regulatory approvals and compliance and intellectual property and proprietary technology***

Nan Fung Life Sciences (“NFLS”), a subsidiary of the Guarantor, invests in funds that invest in biotech portfolio companies. Such portfolio companies may need to obtain various regulatory approvals and comply with extensive regulations regarding safety, quality and efficacy standards in order to market its products. These regulations, including the time required for regulatory review, vary across jurisdictions and can be lengthy, expensive and uncertain. There is no guarantee that any products of any portfolio company will be able to obtain the necessary regulatory approvals to promote that product in any of its targeted markets and any such regulatory approval may include significant restrictions on the uses for which the relevant products can be promoted and used. In addition, portfolio companies may incur significant costs in obtaining or maintaining its regulatory approvals. Delays or failure in obtaining regulatory approval for products may have a material adverse effect on the value of the relevant portfolio company and have a consequential impact on the return on investment available to the funds in which NFLS invests, and thus the performance of NFLS’s overall portfolio.

In addition, no assurance can be given that any current or future patent applications by any portfolio company will result in granted patents, that the scope of any patent protection will exclude competitors or provide competitive advantages to the relevant portfolio company, that any portfolio company’s patents will be held valid if challenged or that third parties will not claim rights in or ownership of the patents and other proprietary rights held by any portfolio company. When patents, trademarks or other proprietary rights are obtained, the portfolio company may be subject to claims in relation to the infringement of these rights. Adverse judgments against any portfolio company may give rise to significant liabilities in damages, legal fees and/or an inability to manufacture, market or sell products either at all or in particular territories using existing trademarks and/or particular technology. Where a portfolio company has given assurances to customers that its products do not infringe proprietary rights of third parties, any such infringement might also expose such portfolio company to

liabilities to those customers. Even claims without merit could deter customers and have a detrimental effect on a portfolio company's business as well as being costly and time consuming to defend and could divert such portfolio company's resources. Further, there can be no assurance that other companies or individuals have not developed or will not develop similar products, duplicate any of any portfolio company's products or design around any patents held by any portfolio company. Others may hold or receive patents which contain claims having a scope that covers products developed by a portfolio company (whether or not patents are issued to such portfolio company). A portfolio company may rely on patents to protect, among other things, its products. These rights act only to prevent a competitor from copying but not from independently developing products that perform the same functions. No assurance can be given that others will not independently develop or otherwise acquire substantial equivalent techniques or otherwise gain access to a portfolio company's unpatented proprietary technology or disclose such technology or that any portfolio company can ultimately protect meaningful rights to such unpatented proprietary technology.

***The bioVenture Funds primarily invest in early stage companies, which may subject the bioVenture Funds and NFLS to a greater risk of loss***

NFLS invests through two dedicated venture capital funds, namely Pivotal bioVenture Partners Fund I, L.P. and Pivotal bioVenture Partners China USD Fund I, L.P. (the "**bioVenture Funds**"). The bioVenture Funds primarily invest in early stage companies. Investments in such early stage portfolio companies may involve greater risks than are generally associated with investments in more established companies. For example, to the extent there is any public market for securities in such companies, such securities may be subject to more abrupt and erratic market price movements than those of larger, more established companies. Such companies may have shorter operating histories on which to judge future performance and, if operating, may have negative cash flow. In the case of start-up enterprises, such companies may not have significant or any operating revenues. Such companies may also have a lower capitalisation and fewer resources (including cash) and be more vulnerable to failure, resulting in the loss of the relevant bioVenture Fund's entire investment. The availability of capital is generally a function of capital market conditions that are beyond the bioVenture Funds' control, the control of the underlying private equity sponsors, or portfolio companies in which the bioVenture Funds invest. There can be no assurance that any portfolio company will be able to predict accurately the future capital requirements necessary for success or that additional funds will be available from any source. In addition, early stage portfolio companies are more likely to depend on the management talents and efforts of a small group of persons and, as a result, the death, disability, resignation or termination of one or more of those persons could have a material adverse impact on their business and prospects and the investment made.

**Risks Relating to the PRC and Hong Kong**

***The occurrence of a contagious disease in Asia could affect the Group's business, financial condition or results of operations***

The outbreak of an infectious disease such as the Influenza A (H1N1-2009), human avian influenza, Severe Acute Respiratory Syndrome, Ebola, Middle East Respiratory Syndrome, the novel coronavirus COVID-19 and other events beyond the control of the Group, in Asia and elsewhere, together with any resulting restrictions on travel and/or imposition of quarantines, could have a negative impact on the economy and business activities in Asia and elsewhere and could thereby adversely impact the Group's business, financial condition and results of operations. There can be no assurance that any precautionary measures taken against infectious diseases would be effective. Concerns about the spread of COVID-19 and H7N9 strain of flu (Avian Flu) in China and outbreaks of the H1N1 virus (Swine Flu) in North America, Europe and Asia in the past have caused governments to take measures to prevent spread of the virus. The outbreak of communicable diseases such as the ones listed above on a global scale may affect investment sentiment and result in sporadic volatility in global capital markets or adversely affect PRC and other economies. For example, in particular, the recent outbreak of COVID-19 in the PRC and Hong Kong has resulted in restrictions on travel and public transport and prolonged

closures of workplaces, which have in turn had an impact on the Group's operations, including on the progress of construction of property development projects and delays in receiving government approvals relating to projects in development. Continuation or escalation of the COVID-19 outbreak may have a material adverse effect on the global economy and on the Group's operations and business. The Group has taken certain measures to assist its tenants, including providing rental concessions to some of its tenants in Hong Kong and China, which could lead to a potential decrease in its rental income and valuation of investment properties. The Group has also experienced delays in constructions of certain of its projects due to, among others, delays in shipments of supplies, delays in submission of relevant documents to and application processing by governmental authorities, and reduction in some of its staffs as a result of health concerns and government-mandated quarantine protocols, all of which could lead to potential delays with launch of new projects and other interruptions to the Group's business. In addition, for example, past occurrences of epidemics such as SARS have caused different degrees of damage to the national and local economies in Hong Kong and China.

There can be no assurance that there will not be a significant outbreak of a highly contagious disease in Hong Kong or the PRC in the future, that existing outbreaks will not persist or escalate or that precautionary measures taken in response to such contagious diseases would not seriously disrupt the operations and business of the Group, or have a material adverse impact on the business, financial condition or results of operations of the Group.

***The Group's business in the PRC is subject to extensive governmental approval and compliance requirements***

The Group's business operations in the PRC are subject to extensive governmental regulation. As with other property developers in the PRC, the Group's property investment and development business must comply with various requirements mandated by PRC laws and regulations, including policies and procedures established by local authorities designed to implement national laws and regulations. In order to develop and complete a property development, the Group's property investment and development business must obtain various permits, licences, certificates and other approvals from the relevant administrative authorities at various stages of property development and leasing, as well as for hotel operations, including, for example, land use right documents, planning permits, construction permits, pre-sale permits and certificates or confirmation of completion and acceptance. Each approval is dependent on the satisfaction of certain conditions.

There can be no assurance that the Group will not encounter major problems in fulfilling the conditions precedent to the receipt of approvals or that the Group will be able to adapt itself to new laws, regulations or policies that may come into effect from time to time with respect to the real estate industry in general or particular processes with respect to the issuance of such approvals.

***PRC political, legal and economic risks***

A portion of the Group's operations are located in the PRC. The Guarantor expects that the Group will make further investments in the PRC, and that the Group's assets in the PRC will account for an increasing share of its overall income base. The Guarantor's financial condition, results of operations and future prospects depend to a large extent on the success of the Group's operations in the PRC and are subject, to a significant degree, to the political and economic situation and legal developments in the PRC.

The PRC economy differs from the economies of most developed countries in many respects, including, but not limited to:

- extent of government involvement;
- level of development;
- growth rate;

- economic and political structure;
- control of foreign exchange;
- allocation of resources; and
- regulation of capital reinvestment.

While the PRC economy has experienced significant growth in past decades, growth has been uneven, both geographically and among the various sectors of the economy. The PRC government has implemented various measures to encourage economic growth and to guide the allocation of resources.

Some of these measures benefit the overall PRC economy but may also have a negative effect on the Group's operations. For example, the Group's business and financial condition may be adversely affected by the PRC government's control over capital investments or any changes in tax regulations or foreign exchange controls that are applicable to it.

The PRC economy has been transitioning from a planned economy to a more market-oriented economy. Although in recent years the PRC government has implemented measures emphasising the utilisation of market forces for economic reform, the reduction of state ownership of productive assets and the establishment of sound corporate governance in business enterprises, a substantial portion of productive assets in the PRC is still owned by the PRC government. In addition, the PRC government continues to play a significant role in regulating the development of industries in the PRC by imposing topdown policies. It also exercises significant control over PRC economic growth through the allocation of resources, controlling the payment of foreign currency-denominated obligations, setting monetary policy and providing preferential treatment to particular industries or companies. There is no assurance that future changes in the PRC's political, economic and social conditions, laws, regulations and policies will not have a material adverse effect on the Group's current or future business and financial condition.

***The legal system in the PRC is less developed than in certain other countries and laws in the PRC may not be interpreted and enforced in a consistent manner***

The PRC legal system is a civil law system. Unlike the common law system, the civil law system is based on written statutes in which decided legal cases have little value as precedents. Since 1979, the PRC government has begun to promulgate a comprehensive system of laws and has introduced many new laws and regulations to provide general guidance on economic and business practices in the PRC and to regulate foreign investment. Progress has been made in the promulgation of laws and regulations dealing with economic matters such as corporate organisation and governance, foreign investment, commerce, taxation and trade. The promulgation of new changes to existing laws and the abrogation of local regulations by national laws could have a negative impact on the business and prospects of the Group. In addition, as these laws, regulations and legal requirements are relatively recent, their interpretation and enforcement may involve significant uncertainty. The interpretation of PRC laws may be subject to policy changes, which reflect domestic political changes. As the PRC legal system develops, the promulgation of new laws, changes to existing laws and the pre-emption of local regulations by national laws may have an adverse effect on the Group's business and financial condition.

***Currency risks***

The Group's revenue, costs, debts and capital expenditure are mainly denominated in Hong Kong dollars, Renminbi, U.S. dollars and sterling. Consequently, portions of the Group's costs, profit margins and asset values are affected by fluctuations in the exchange rates among the above-mentioned currencies.

Due to its expansion in the PRC, a material portion of the Group's revenue is denominated in Renminbi and must be converted to make payments in freely convertible currencies. Under the PRC's foreign exchange regulations, payments of current account items, including profit distributions, interest payments and

expenditures from trade, may be made in foreign currencies without prior approval, subject to certain procedural requirements. However, strict foreign exchange controls continue for capital account transactions, including repayment of loan principal and return of direct capital investments and investments in negotiable securities. In the past, there have been shortages of U.S. dollars or other foreign currencies available for conversion of Renminbi in the PRC, and it is possible such shortages could recur, or that restrictions on conversion could be re-imposed.

The value of the Renminbi against the U.S. dollar and other currencies fluctuates and is affected by, among other things, changes in China's political and economic conditions. Since the introduction of a regulated floating exchange rate system in 2005, the PRC government has made, and may in the future make, further adjustments to the exchange rate system. The People's Bank of China ("PBOC") surprised markets in August 2015 by thrice devaluing the Renminbi, lowering its daily mid-point trading price significantly against the U.S. dollar. Renminbi depreciated significantly against the U.S. dollar following this August 2015 announcement by the PBOC. In January and February 2016, Renminbi experienced further fluctuation in value against the U.S. dollar. With an increased floating range of the Renminbi's value against foreign currencies and a more market-oriented mechanism for determining the mid-point exchange rates, the Renminbi may further appreciate or depreciate significantly in value against the U.S. dollar or other foreign currencies in the long-term. Any significant appreciation of the Renminbi against the U.S. dollar or other foreign currencies may result in the decrease in the value of the Group's foreign currency-denominated assets. Conversely, any significant depreciation of the Renminbi may adversely affect the value of its investments in the PRC. In addition, there are limited instruments available for the Group to reduce its foreign currency risk exposure at reasonable costs. All of these factors may have a material adverse impact on the business, financial condition or results of operations of the Group.

#### ***Risks associated with the effect of civil unrest on the Hong Kong economy***

Civil unrest and an uncertain political environment may impact the Hong Kong economy and result in an economic slowdown. Protests, demonstrations or rioting causing mass disruption to businesses and transportation such as the anti-extradition bill protests in 2019, or the Occupy Central Movement that took place during the latter half of 2014, may decrease consumer spending and inbound tourism to Hong Kong, which in turn may have a negative impact on the local economy. If consumers avoid areas affected by social upheaval or are unable to reach these areas due to disruption in transportation or outbreak of violence, local businesses may be affected, especially if tensions become protracted and remain unresolved. Political uncertainty and a lack of decisive action to deal with social tensions, as demonstrated by the anti-extradition protests, may also adversely affect the economy. Moreover, inbound tourism may decrease, with less tourists travelling to Hong Kong in order to avoid any conflict. Civil unrest is outside the control of the Group and any such demonstrations, protests or riots could adversely impact the Hong Kong economy and result in an economic slowdown. Such a development may adversely affect the business of the Group's tenants and their ability to make rental payments. For example, in October 2019 to January 2020, the Group had granted rental concessions of up to 25% of monthly rent for certain tenants which were materially and adversely affected by the anti-extradition bill protests in 2019.

#### **Risks Relating to the Securities and the Guarantee of the Securities**

##### ***The Securities may not be a suitable investment for all investors.***

The Securities are complex financial instruments and may be purchased as a way to reduce risk or enhance yield with an understood, measured, appropriate addition of risk to their overall portfolios. A potential investor should not invest in the Securities unless it has the expertise (either alone or with the help of a financial adviser) to evaluate how the Securities will perform under changing conditions, the resulting effects on the value of such Securities and the impact this investment will have on the potential investor's overall investment portfolio.

Each potential investor in the Securities must determine the suitability of that investment in light of its own circumstances. In particular, each potential investor should:

- (i) have sufficient knowledge and experience to make a meaningful evaluation of the Securities, the merits and risks of investing in the Securities and the information contained or incorporated by reference in this Offering Circular or any applicable supplement;
- (ii) have access to, and knowledge of, appropriate analytical tools to evaluate, in the context of its particular financial situation, an investment in the Securities and the impact such investment will have on its overall investment portfolio;
- (iii) have sufficient financial resources and liquidity to bear all of the risks of an investment in the Securities;
- (iv) understand thoroughly the terms of the Securities and be familiar with the behaviour of any relevant indices and financial markets; and
- (v) be able to evaluate (either alone or with the help of a financial adviser) possible scenarios for economic, interest rate and other factors that may affect its investment and its ability to bear the applicable risks.

***The Securities are perpetual securities and investors have no right to require redemption.***

The Securities are perpetual and have no maturity date. The Issuer is under no obligation to redeem the Securities at any time and the Securities can only be disposed of by sale. Holders who wish to sell their Securities may be unable to do so at a price at or above the amount they have paid for them, or at all, if insufficient liquidity exists in the market for the Securities. Therefore, Holders should be aware that they may be required to bear the financial risks of an investment in the Securities for an indefinite period of time.

***Holders may not receive Distribution payments if the Issuer elects to defer Distribution payments under the Terms and Conditions of the Securities.***

The Issuer may, at its sole discretion and subject to certain conditions, elect to defer any scheduled Distribution on the Securities for any period of time. The Issuer is not subject to any limits as to the number of times Distributions can be deferred pursuant to the Terms and Conditions of the Securities, subject to compliance with certain restrictions and notwithstanding any increase in the Distribution Rate which may be provided for under the Terms and Conditions of the Securities.

Although, following a deferral, Arrears of Distributions are cumulative, subject to the Terms and Conditions of the Securities, the Issuer may defer their payment for an indefinite period of time by delivering the relevant deferral notices to the Holders. Any such deferral of Distribution shall not constitute a default for any purpose. Each of the Issuer and the Guarantor is subject to certain restrictions in relation to the payment of discretionary dividends on its Junior Securities and its Parity Securities, the discretionary redemption and repurchase of its Parity Securities or Junior Securities until any outstanding Arrears of Distribution and Additional Distribution Amount are satisfied or save in certain specified situations as further described in the Terms and Conditions of the Securities. Such restrictions on discretionary payments act as the main deterrent against deferral of Distribution on the Securities.

Any deferral of Distribution will likely have an adverse effect on the market price of the Securities. In addition, as a result of the Distribution deferral provision of the Securities, the market price of the Securities may be more volatile than the market prices of other debt securities on which original issue discount or interest accrues that are not subject to such deferrals and may be more sensitive generally to adverse changes in the Group's financial condition.

***The Securities may be redeemed at the Issuer's option on 10 September 2023 or on any Business Day thereafter or upon the occurrence of certain other events.***

The Securities are redeemable at the option of the Issuer on 10 September 2023 and or on any Business Day thereafter at their principal amount in whole or in part together with any Distribution accrued to the date fixed for redemption (including any Arrears of Distribution and any Additional Distribution Amount).

In addition, the Issuer also has the right to redeem the Securities upon the occurrence of a Change of Control, if at least 75 per cent. in principal amount of the Securities originally issued has already been cancelled, upon the occurrence of certain changes affecting taxes of any Relevant Jurisdiction or upon the occurrence of certain changes or amendments to the Relevant Accounting Standards such that the Securities must not or must no longer be recorded as "equity" of the Guarantor pursuant to the Relevant Accounting Standards. The date on which the Issuer elects to redeem the Securities may not accord with the preference of individual Holders. This may be disadvantageous to the Holders in light of market conditions or the individual circumstances of the Holders of the Securities. In addition, an investor may not be able to reinvest the redemption proceeds in comparable securities at an effective distribution rate at the same level as that of the Securities.

***There are limited remedies for non-payment under the Securities.***

Any scheduled Distribution will not be due if the Issuer elects to defer that Distribution pursuant to the Terms and Conditions of the Securities. Notwithstanding any of the provisions relating to non-payment defaults, the right to institute winding-up proceedings is limited to circumstances where payment has become due and the Issuer and the Guarantor fail to make the payment when due. The only remedy against the Issuer and the Guarantor available to the Trustee or (where the Trustee has failed to proceed against the Issuer and the Guarantor as provided in the Terms and Conditions of the Securities) any Holder for recovery of amounts in respect of the Securities following the occurrence of a payment default after any sum becomes due in respect of the Securities will be instituting winding-up proceedings and/or proving and/or claiming in winding-up proceedings in respect of any of the Issuer's and the Guarantor's payment obligations arising from the Securities and the Guarantee of the Securities.

***The Securities confer Holders with limited rights upon the occurrence of a Change of Control.***

The Securities confer Holders with limited rights upon the occurrence of a Change of Control. The Issuer may, at any time, on giving irrevocable notice to the Trustee, the Agents and Holders, redeem in whole, but not in part of the Securities if any of such event occurs. The Issuer is, however, not obliged to redeem the Securities upon the occurrence of any of such events under the Securities. If the Issuer elects not to redeem the Securities upon the occurrence of such event, the Distribution Rate will increase by a certain percentage per annum pursuant to Condition 4(c) of the Terms and Conditions of the Securities.

***The Issuer may raise other capital which affects the price of the Securities.***

The Issuer may raise additional capital through the issue of other securities or other means. There is no restriction, contractual or otherwise, on the amount or type of securities or other liabilities which the Issuer may issue or incur and which rank senior to, or *pari passu* with, the Securities. The issue of any such securities or the incurrence of any such other liabilities may reduce the amount (if any) recoverable by Holders on a winding-up of the Issuer or may increase the likelihood of a deferral of Distributions under the Securities. The issue of any such securities or the incurrence of any such other liabilities might also have an adverse impact on the trading price of the Securities and/or the ability of Holders to sell their Securities.

***Legal investment considerations may restrict certain investments.***

The investment activities of certain investors are subject to legal investment laws and regulations, or review or regulation by certain authorities. Each potential investor should consult its legal advisers to determine whether and to what extent (i) the Securities are legal investments for it, (ii) the Securities can be used as collateral for

various types of borrowing and (iii) other restrictions apply to its purchase or pledge of any Securities. Financial institutions should consult their legal advisers or the appropriate regulators to determine the appropriate treatment of the Securities under any applicable risk-based capital or similar rules.

***The Company's payment obligations are structurally subordinated to liabilities, contingent liabilities and obligations of the Company's subsidiaries.***

The Company owns assets and conducts its business operations through its subsidiaries. The Securities will not be guaranteed by any current or future subsidiaries. The Company's primary assets are ownership interests in and its loans to its subsidiaries. Accordingly, the Company's ability to make payments pursuant to the Guarantee of the Securities will depend upon the receipt of principal and interest payments on the intercompany loans and distributions of dividends from the Company's subsidiaries.

Creditors, including trade creditors of the Company's subsidiaries and any holders of the preferred shares in such entities, would have a claim on the Company's subsidiaries' assets that would be prior to the claims of the holders of the Securities. As a result, the Company's payment obligations under the Guarantee of the Securities will be effectively subordinated to all existing and future obligations of the Company's subsidiaries, and all claims of creditors of the Company's subsidiaries will have priority as to the assets of such entities over the Company's claims and those of the Company's creditors, including holders of the Securities.

***The Issuer's ability to make payments under the Securities will depend on timely payments under on-lent loans of the proceeds from the issue of the Securities to the Guarantor and its subsidiaries.***

The Issuer is a wholly-owned indirect subsidiary of the Company formed for the principal purpose of issuing the Securities and will on-lend the entire proceeds from the issue of the Securities to the Guarantor and/or its subsidiaries. The Issuer does not and will not have any net assets other than such on-lent loans and its ability to make payments under the Securities depends on timely payments under such loans. In the event that the Guarantor and its subsidiaries do not make such payments due to limitation in such loans or other agreements, lack of available cash flow or other factors, the Issuer's ability to make payments under the Securities may be adversely affected.

***The Trustee may request the Holders to provide an indemnity and/or security and/or prefunding to its satisfaction.***

In certain circumstances (including giving of notice to the Issuer and the taking of enforcement steps pursuant to Condition 8(c) of the Terms and Conditions of the Securities), the Trustee may (at its sole discretion) request Holders to provide an indemnity and/or security and/or prefunding to its satisfaction before it takes action on behalf of Holders. The Trustee will not be obliged to take any such actions if not indemnified and/or secured and/or prefunded to its satisfaction. Negotiating and agreeing to an indemnity and/or security and/or prefunding can be a lengthy process and may impact on when such actions can be taken. The Trustee may not be able to take action, notwithstanding the provision of an indemnity or security or prefunding to it, in breach of the terms of the Trust Deed and in circumstances where there is uncertainty or dispute as to the applicable laws or regulations and, to the extent permitted by the agreements and the applicable law, it will be for the Holders to take such action directly.

***The Terms and Conditions of the Securities contain provisions which may permit their modification without the consent of all investors.***

The Terms and Conditions of the Securities contain provisions for calling meetings of Holders to consider matters affecting their interests generally. These provisions permit defined majorities to bind all Holders including Holders who did not attend and vote at the relevant meeting and Holders who voted in a manner contrary to the majority.

The Terms and Conditions of the Securities also provide that the Trustee may, without the consent of Holders, authorise or waive any proposed breach or breach of the Securities or of any of the provisions of the Trust Deed or the Agency Agreement (in each case, other than a proposed breach or breach relating to the subject of a Reserved Matter (as defined in the Terms and Conditions of the Securities)) if, in the opinion of the Trustee, the interests of the Holders will not be materially prejudiced thereby.

***The Securities may be represented by a Global Certificate and holders of a beneficial interest in the Global Certificate must rely on the procedures of the relevant Clearing System(s).***

The Securities may be represented by a Global Certificate. Such Global Certificate will be lodged with the Euroclear and Clearstream (the “Clearing Systems”). Except in the circumstances described in the relevant Global Certificate, investors will not be entitled to receive definitive certificates. The Clearing Systems will maintain records of the beneficial interests in the Global Certificate. While the Securities are represented by a Global Certificate, investors will be able to trade their beneficial interests only through the Clearing Systems. While the Securities are represented by a Global Certificate, the Issuer will discharge its payment obligations under the Securities by making payments to the relevant paying agent for distribution to their account holders. A holder of a beneficial interest in a Global Certificate must rely on the procedures of the Clearing Systems to receive payments under the Securities. The Issuer has no responsibility or liability for the records relating to, or payments made in respect of, beneficial interests in the Global Certificate. Holders of beneficial interests in the Global Certificate will not have a direct right to vote in respect of the Securities. Instead, such holders will be permitted to act only to the extent that they are enabled by the Clearing Systems to appoint appropriate proxies.

***There is a lack of public market for the Securities.***

The Securities are a new issue of securities for which there is currently no trading market. Although approval in-principle has been received from the SGX-ST for the listing of and quotation for the Securities on the Official List of the SGX-ST, there can be no assurance that such listing will be maintained, or that, if listed, an active trading market will develop. If such a market were to develop, the Securities could trade at prices that may be higher or lower than the initial issue price depending on many factors, including prevailing interest rates, the operations of the Issuer, the Guarantor and the rest of the Group and the market for similar securities. The Joint Lead Managers are not obliged to make a market in the Securities and any such market making, if commenced, may be discontinued at any time at the sole discretion of the Joint Lead Managers.

***The liquidity and price of the Securities following the offering may be volatile.***

The price and trading volume of the Securities may be highly volatile. Factors such as variations in each of the Group’s sales revenues, earnings and cash flows and proposals of new investments, strategic alliances and/or acquisitions, interest rates and fluctuations in prices for comparable companies could cause the price of the Securities to change. Any such developments may result in large and sudden changes in the volume and price at which the Securities will trade. There is no assurance that these developments will not occur in the future.

***The ratings of the Securities may be downgraded or withdrawn.***

The Securities are expected to be assigned a rating of “Baa3” by Moody’s. The ratings represent only the opinions of the rating agencies and their assessment of the ability of the Issuer and the Guarantor to perform their respective obligations under the Securities and the Trust Deed and credit risks in determining the likelihood that payments will be made when due under the Securities. Ratings are not recommendations to buy, sell or hold the Securities and may be subject to suspension, reduction or withdrawn at any time. Neither the Issuer nor the Guarantor is obligated to inform holders of the Securities if the ratings are lowered or withdrawn. Each rating should be evaluated independently of the other rating. A downgrade or withdrawal of the ratings may materially and adversely affect the market price of the Securities and the Issuer’s ability to access the debt capital markets.

**The insolvency laws of the BVI and other local insolvency laws may differ from those of another jurisdiction with which the Holders are familiar.**

As the Issuer and the Guarantor are incorporated under the laws of the BVI, any insolvency proceeding relating to the Issuer or the Guarantor would likely involve insolvency laws of the BVI, the procedural and substantive provisions of which may differ from comparable provisions of the local insolvency laws of jurisdictions with which the Holders are familiar.

***Investment in the Securities is subject to exchange rate risks.***

The value of the U.S. dollar against the Hong Kong dollar and other foreign currencies fluctuates and is affected by changes in the United States and international political and economic conditions and by many other factors. The Issuer will make all payments of distribution, principal and premium (if any) with respect to the Securities in U.S. dollars. As a result, the value of these U.S. dollar payments may vary with the prevailing exchange rates in the marketplace. If the value of the U.S. dollar depreciates against the Hong Kong dollar or other applicable foreign currency between them, the value of investors' investment in Hong Kong dollar or other applicable foreign currency terms will have declined.

***Investment in the Securities is subject to interest rate risks.***

Investment in the Securities, which carry a fixed rate of interest, involves the risk that subsequent changes in market interest rates may adversely affect the value of the Securities. The Securities will carry a fixed interest rate. Consequently, the trading price of the Securities will vary with the fluctuations in the U.S. dollar interest rates.

***The Group may issue additional Securities in the future.***

The Group may, from time to time, and without the consent of the Holders create and issue further Securities (See "*Terms and Conditions of the Securities — Further Issues*") or otherwise raise additional capital through such means and in such manner as it may consider necessary. There can be no assurance that such future issuance or capital raising activity will not adversely affect the market price of the Securities.

## TERMS AND CONDITIONS OF THE SECURITIES

*The following, subject to amendment and save for the paragraphs in italics, are the Terms and Conditions of the Securities, substantially as they will appear on the reverse of each of the definitive certificates evidencing the Securities.*

The U.S.\$500,000,000 5.00 per cent. guaranteed senior perpetual capital securities (the “**Securities**”, which expression includes any further securities issued pursuant to Condition 13 (*Further issues*) and forming a single series therewith) of Nan Fung Treasury (III) Limited (the “**Issuer**”) are constituted by a trust deed dated 10 September 2020 (as amended and/or supplemented from time to time, the “**Trust Deed**”) entered into by the Issuer, Nan Fung International Holdings Limited (the “**Guarantor**”) and The Hongkong and Shanghai Banking Corporation Limited (the “**Trustee**”, which expression includes any successor trustee appointed from time to time in connection with the Securities) and are the subject of an agency agreement dated 10 September 2020 (as amended or supplemented from time to time, the “**Agency Agreement**”) between the Issuer, the Guarantor, the Trustee, The Hongkong and Shanghai Banking Corporation Limited as registrar (the “**Registrar**”, which expression includes any successor registrar appointed from time to time in connection with the Securities), The Hongkong and Shanghai Banking Corporation Limited as principal paying agent (the “**Principal Paying Agent**”, which expression includes any successor principal paying agent appointed from time to time in connection with the Securities), the transfer agent named therein (the “**Transfer Agent**”, which expression includes any successor or additional transfer agent appointed from time to time in connection with the Securities) and the paying agents named therein (together with the Principal Paying Agent, the “**Paying Agents**”, which expression includes any successor or additional paying agents appointed from time to time in connection with the Securities). References herein to the “**Agents**” are to the Registrar, the Principal Paying Agent, the Transfer Agent and the Paying Agents and any reference to an “**Agent**” is to any one of them. Certain provisions of these terms and conditions (the “**Conditions**”) are summaries of the Agency Agreement and the Trust Deed and subject to their detailed provisions. The Holders (as defined in Condition 3(a) (*Register, Title and Transfers — Register*)) are bound by, and are deemed to have notice of, all the provisions of the Agency Agreement and the Trust Deed applicable to them. Copies of the Agency Agreement and the Trust Deed are available for inspection by Holders upon proof of holding and prior written notice during normal business hours at the principal offices for the time being of the Principal Paying Agent, being at the date hereof at Level 24, HSBC Main Building, 1 Queen’s Road Central, Hong Kong and at the Specified Offices (as defined in the Agency Agreement) of each of the Agents, the initial Specified Offices of which are set out below.

### 1 Form and Denomination

The Securities are in registered form in the denomination of U.S.\$200,000 and integral multiples of U.S.\$1,000 in excess thereof (each, an “**Authorised Denomination**”).

### 2 Status of the Securities and the Guarantee of the Securities

- (a) *Status of the Securities*: The Securities constitute direct, general, unsecured, unconditional and unsubordinated obligations of the Issuer which rank *pari passu* and without any preference among themselves and at least *pari passu* with all other present and future unsecured and unsubordinated obligations of the Issuer (including Parity Obligations), save for such obligations as may be preferred by provisions of law that are both mandatory and of general application.
- (b) *Guarantee of the Securities; Status of the Guarantee of the Securities*: The Guarantor has, in the Trust Deed, unconditionally and irrevocably guaranteed the due and punctual payment of all sums payable by the Issuer in respect of the Securities and all other moneys payable by the Issuer under or pursuant to the Trust Deed. This guarantee (the “**Guarantee of the Securities**”) constitutes a direct, general,

unsecured, unconditional and unsubordinated obligations of the Guarantor (including Parity Obligations) which ranks at least *pari passu* with all other present and future unsecured and unsubordinated obligations of the Guarantor, save for such obligations as may be preferred by provisions of law that are both mandatory and of general application.

### 3 Register, Title and Transfers

- (a) *Register*: The Registrar will maintain a register (the “**Register**”) in respect of the Securities outside the United Kingdom in accordance with the provisions of the Agency Agreement. In these Conditions, the “**Holder**” of a Security means the person in whose name such Security is for the time being registered in the Register (or, in the case of a joint holding, the first named thereof). A certificate (each, a “**Certificate**”) will be issued to each Holder in respect of its registered holding. Each Certificate will be numbered serially with an identifying number which will be recorded in the Register.

Upon issue, the Securities will be represented by a Global Certificate deposited with, and registered in the name of a nominee of, a common depository for Euroclear and Clearstream. The Conditions are modified by certain provisions contained in the Global Certificate. See “*The Global Certificate*”.

- (b) *Title*: The Holder of each Security shall (except as otherwise required by law) be treated as the absolute owner of such Security for all purposes (whether or not it is overdue and regardless of any notice of ownership, trust or any other interest therein, any writing on the Certificate relating thereto (other than the endorsed form of transfer) or any notice of any previous loss or theft of such Certificate) and no person shall be liable for so treating such Holder. No person shall have any right to enforce any term or condition of the Securities or the Trust Deed under the Contracts (Rights of Third Parties) Act 1999.
- (c) *Transfers*: Subject to paragraphs (f) (Closed periods) and (g) (Regulations concerning transfers and registration) below, a Security may be transferred upon surrender of the relevant Certificate, with the endorsed form of transfer duly completed, at the Specified Office of the Registrar or any Transfer Agent, together with such evidence as the Registrar or (as the case may be) such Transfer Agent may reasonably require to prove the title of the transferor and the authority of the individuals who have executed the form of transfer; *provided, however, that* a Security may not be transferred unless the principal amount of Securities transferred and (where not all of the Securities held by a Holder are being transferred) the principal amount of the balance of Securities not transferred are Authorised Denominations. Where not all the Securities represented by the surrendered Certificate are the subject of the transfer, a new Certificate in respect of the balance of the Securities will be issued to the transferor. No transfer of title to a Security will be valid unless and until entered on the Register.

Transfers of interests in the Securities evidenced by the Global Certificate will be effected in accordance with the rules of the relevant clearing systems.

- (d) *Registration and delivery of Certificates*: Within five business days of the surrender of a Certificate in accordance with paragraph (c) (Transfers) above, the Registrar will register the transfer in question and deliver a new Certificate of a like principal amount to the Securities transferred to each relevant Holder at its Specified Office or (as the case may be) the Specified Office of any Transfer Agent or (at the request and risk of any such relevant Holder) by uninsured first class mail (airmail if overseas) to the address specified for the purpose by such relevant Holder. In this paragraph, “**business day**” means a day, excluding a Saturday and a Sunday, on which commercial banks are open for general business (including dealings in foreign currencies) in the city where the Registrar or (as the case may be) the relevant Transfer Agent has its Specified Office.

Except in the limited circumstances described herein (see “*The Global Certificate*”), owners of interests in the Securities will not be entitled to receive physical delivery of Certificates.

- (e) *No charge*: The transfer of a Security will be effected without charge by or on behalf of the Issuer, the Registrar or any Transfer Agent but against such indemnity as the Registrar or (as the case may be) such Transfer Agent may require in respect of any tax or other duty of whatsoever nature which may be levied or imposed in connection with such transfer.
- (f) *Closed periods*: Holders may not require transfers to be registered during (i) the period of 15 days ending on the due date for any payment of principal or Distribution (as defined in Condition 4(a) (*Distribution — Accrual of Distribution*)) in respect of the Securities or (ii) during the period of 15 days ending on (and including) any date on which the Securities may be called for redemption by the Issuer at its option pursuant to Condition 5 (*Redemption and Purchase*).
- (g) *Regulations concerning transfers and registration*: All transfers of Securities and entries on the Register are subject to the detailed regulations concerning the transfer of Securities scheduled to the Agency Agreement. The regulations may be changed by the Issuer with the prior written approval of the Registrar and the Trustee. A copy of the current regulations will be mailed (free of charge) by the Registrar to any Holder who requests in writing a copy of such regulations.
- (h) *Registration of transfer upon partial redemption*: In the event of a partial redemption of Securities under Condition 5 (*Redemption and Purchase*), the Issuer shall not be required to register the transfer of any Security, or part of a Security, called for partial redemption.

#### 4 Distribution

- (a) *Accrual of Distribution*: Subject to Condition 4(e) (*Distribution— Distribution Deferral*), the Securities confer a right to receive distribution (each a “**Distribution**”) from 10 September 2020 (the “**Issue Date**”) at the Distribution Rate in accordance with this Condition 4. Subject to Condition 4(e) (*Distribution — Distribution Deferral*), Distribution shall be payable on the Securities semi-annually in equal instalments in arrear on 10 March and 10 September of each year (each, a “**Distribution Payment Date**”), with the first Distribution Payment Date falling on 10 March 2021.

Unless otherwise provided for in these Conditions, each Security will cease to confer the right to receive any Distribution from the due date for redemption unless, upon due presentation, payment of the full amount due is improperly withheld or refused. In such latter event, Distribution will continue to accrue at the applicable Distribution Rate (after as well as before any judgment) up to but excluding whichever is the earlier of (a) the date on which all sums due in respect of any Security are received by or on behalf of the relevant Holder and (b) the day which is seven days after the Principal Paying Agent or the Trustee has notified the Holders that it has received all sums due in respect of the Securities up to such seventh day (except to the extent that there is a failure in the subsequent payment to the relevant Holders under these Conditions).

Subject to Condition 4(c) (*Increase in Distribution following a Change of Control*), the amount of Distribution payable on each Distribution Payment Date shall be U.S.\$5,000 in respect of each Security of U.S.\$200,000 denomination and U.S.\$25 in respect of each Security of U.S.\$1,000 denomination. If a Distribution is required to be calculated in respect of a Security on any other date, it shall be calculated on the basis of a 360-day year consisting of 12 months of 30 days each.

Distribution payable under this Condition will be paid in accordance with Condition 6 (*Payments*).

- (b) *Rate of Distribution*: Subject to Condition 4(c) (*Increase in Distribution following a Change of Control*), the rate of distribution (“**Distribution Rate**”) applicable to the Securities shall be 5.00 per cent. per annum.
- (c) *Increase in Distribution following a Change of Control*: Upon the occurrence of a Change of Control, unless an irrevocable notice to redeem the Securities has been given to Holders by the Issuer pursuant to Condition 5(e) (*Redemption and Purchase — Redemption for Change of Control*) by the 30th day following the occurrence of the Change of Control, the Distribution Rate will increase by 3.00 per cent. per annum with effect from (i) the next Distribution Payment Date; or (ii) if the date on which a Change of Control occurs is prior to the most recent preceding Distribution Payment Date, such Distribution Payment Date. Any increase in the Distribution Rate pursuant to this Condition 4(c) (*Increase in Distribution following a Change of Control*) shall be notified by the Issuer to the Holders (in accordance with Condition 14 (*Notices*)) and to the Trustee and the Agents in writing no later than the 14th day following the 60th day following the occurrence of the Change of Control.
- (d) *Decrease in Distribution*: If following an increase in Distribution upon the occurrence of a Change of Control pursuant to Condition 4(c) (*Increase in Distribution following a Change of Control*) such Change of Control is cured, remedied, no longer applicable or no longer continuing, then upon notification to the Holders (in accordance with Condition 14 (*Notices*)), the Trustee and the Principal Paying Agent accompanied by a certificate, signed by two directors of the Guarantor, stating that the Change of Control has been cured, remedied, is no longer applicable or is no longer continuing (as the case may be) and setting out the details of such circumstances, the Distribution Rate will decrease by 3.00 per cent. per annum with effect from the next Distribution Payment Date immediately following the date of the notification referred to this is Condition 4(d).
- (e) *Distribution Deferral*:
- (i) *Optional Deferral*: The Issuer may, at its sole discretion, elect to defer Distribution which is otherwise scheduled to be paid on a Distribution Payment Date to the next Distribution Payment Date by giving notice (an “**Optional Deferral Notice**”) to the Holders (in accordance with Condition 14 (*Notices*)), the Trustee and the Paying Agents not more than ten nor less than five Business Days prior to a scheduled Distribution Payment Date unless, during the three months ending on the day before that scheduled Distribution Payment Date, a Compulsory Distribution Payment Event (as defined below) has occurred. Any partial payment of outstanding Distributions (including any Arrears of Distribution (as defined below) and any Additional Distribution Amount (as defined below)) by the Issuer or the Guarantor shall be shared by the Holders of all outstanding Securities on a pro-rata basis.
- (ii) *No obligation to pay*: The Issuer shall have no obligation to pay any Distribution (including any Arrears of Distribution and any Additional Distribution Amount) on any Distribution Payment Date if it validly elects not to do so in accordance with Condition 4(e) (i) (*Distribution — Distribution Deferral— Optional Deferral*) and any failure to pay Distribution shall not constitute a default of the Issuer in respect of the Securities or of the Guarantor in respect of the Guarantee of the Securities.
- (iii) *Requirements as to Notice*: Each Optional Deferral Notice shall be accompanied by a certificate in the form scheduled to the Agency Agreement signed by two directors of the Guarantor confirming that no Compulsory Distribution Payment Event has occurred.
- (iv) *Cumulative Deferral*: Any Distribution deferred pursuant to this Condition 4(c) shall constitute “**Arrears of Distribution**”. The Issuer may, at its sole discretion, elect to further defer any Arrears of Distribution by complying with the foregoing notice requirement applicable to any

deferral of an accrued Distribution. The Issuer is not subject to any limit as to the number of times Distributions and Arrears of Distribution can or shall be deferred pursuant to this Condition 4(c) except that Condition 4(e)(v) (*Distribution— Distribution Deferral — Restrictions in the case of Deferral*) shall be complied with until all outstanding Arrears of Distribution have been paid in full.

Each amount of Arrears of Distribution shall bear distribution as if it constituted the principal of the Securities at the Distribution Rate and the amount of such distribution (the “**Additional Distribution Amount**”) with respect to Arrears of Distribution shall be due and payable pursuant to this Condition 4 and shall be calculated by applying the Distribution Rate to the amount of the Arrears of Distribution and otherwise mutatis mutandis as provided in the foregoing provisions of this Condition 4. The Additional Distribution Amount accrued up to any Distribution Payment Date shall be added, for the purpose of calculating the Additional Distribution Amount accruing thereafter, to the amount of Arrears of Distribution remaining unpaid on such Distribution Payment Date so that it will itself become Arrears of Distribution.

(v) *Restrictions in the case of Deferral*: If on any Distribution Payment Date, payment of all Distribution payments scheduled to be made on such date is not made in full by reason of this Condition 4(e), the Issuer and the Guarantor shall not:

- (A) declare or pay any discretionary dividends, distributions or make any other discretionary payment on, and will procure that no discretionary dividend, distribution or other discretionary payment is made on any of its Junior Obligations or (except on a pro-rata basis) its Parity Obligations *provided that* such restriction shall not apply to payments declared, paid or made in respect of an employee benefit plan or similar arrangement with or for the benefit of employees, officers, directors or consultants; or
- (B) at its discretion redeem, reduce, cancel, buy-back or acquire for any consideration any of its Junior Obligations or its Parity Obligations, *provided that* such restriction shall not apply to an exchange by the Issuer or the Guarantor of any of its Parity Obligations for Junior Obligations or in relation to Parity Obligations, on a pro-rata basis, or a repurchase or other acquisition of any securities in respect of an employee benefit plan or similar arrangement with or for the benefit of employees, officers, directors or consultants);

in each case unless and until (i) the Issuer or the Guarantor has satisfied in full all outstanding Arrears of Distribution; or (ii) permitted to do so by an Extraordinary Resolution (as defined in the Trust Deed) of the Holders.

(vi) *Satisfaction of Arrears of Distribution by payment*: The Issuer:

- (A) may satisfy any Arrears of Distribution (in whole or in part) at any time by giving notice of such election to the Holders (in accordance with Condition 14 (*Notices*)), the Trustee and the Paying Agents not more than 20 nor less than five Business Days prior to the relevant payment date specified in such notice (which notice is irrevocable and shall oblige the Issuer to pay the relevant Arrears of Distribution on the payment date specified in such notice); and
- (B) in any event must satisfy any outstanding Arrears of Distribution (in whole but not in part) on the earlier of (1) the date of redemption of the Securities in accordance with Condition 5(b) (*Redemption and Purchase — Redemption for tax reasons*), 5(c) (*Redemption and Purchase — Redemption for accounting reasons*), 5(d) (*Redemption and Purchase — Redemption at the option of the Issuer*) or 5(e) (*Redemption and Purchase — Redemption*

*for Change of Control*); (2) the next Distribution Payment Date on the occurrence of a breach of Condition 4(e) (v) (*Distribution— Restrictions in the case of Deferral*) or the occurrence of a Compulsory Distribution Payment Event; and (3) the date such amount becomes due under Condition 8 (*Non-payment*).

Any partial payment of outstanding Arrears of Distribution by the Issuer shall be shared by the Holders of all outstanding Securities on a pro-rata basis.

(vii) *No default*: Notwithstanding any other provision in these Conditions, the deferral of any Distribution payment in accordance with this Condition 4(e) shall not constitute a default for any purpose (including, without limitation, pursuant to Condition 8 (*Non-payment*)) on the part of the Issuer or the Guarantor.

(viii) *Definitions*: For the purposes of these Conditions:

“**Board of Directors**” means the board of directors elected or appointed by the stockholders of the Guarantor or otherwise in accordance with the memorandum and articles of association of the Guarantor, to manage the business of the Guarantor;

“**Business Day**” means any day, excluding a Saturday and a Sunday, on which banks are open for general business (including dealings in foreign currencies) in Hong Kong and New York;

a “**Change of Control**” occurs when:

- (i) the Controlling Persons cease to have Control of the Guarantor; or
- (ii) the Guarantor consolidates with or merges into or sells or transfers all or substantially all of the Guarantor’s assets to any Person or Persons other than one or more Controlling Persons, unless the consolidation, merger, sale or transfer will not result in the other Person or Persons acquiring Control over the Guarantor or the successor entity; or
- (iii) the number of Executive Directors on the Board of Directors that are not Existing Directors exceeds the number of Executive Directors that are Existing Directors;

“**Control**” means (i) the ownership or control of more than 50 per cent. of the voting rights of the issued share capital of the Guarantor or (ii) the right to appoint and/or remove all or the majority of the members of the Guarantor’s board of directors or other governing body, whether obtained directly or indirectly, and whether obtained by ownership of share capital, the possession of voting rights, contract or otherwise;

a “**Compulsory Distribution Payment Event**” occurs if either or both of the following criteria are met:

- (i) a discretionary dividend, distribution or other payment is declared, paid or made on any Junior Obligations or (except on a pro-rata basis) Parity Obligations of the Issuer or the Guarantor (other than a payment declared, paid or made in respect of an employee benefit plan or similar arrangement with or for the benefit of employees, officers, directors or consultants); or
- (ii) the Issuer or the Guarantor, at its discretion, redeems, reduces, cancels, buys-back or acquires for any consideration any of its Junior Obligations or Parity Obligations (except for an exchange by the Issuer or the Guarantor of any of its Parity Obligations for Junior Obligations or in relation to Parity Obligations, on a pro-rata basis, or a repurchase or other acquisition of any securities in respect of an employee benefit plan or similar arrangement with or for the benefit of employees, officers, directors or consultants);

**“Controlling Persons”** means (i) any trusts established for the benefit of the estate of the late Dr. Chen Din Hwa or the benefit of the beneficiaries of the estate of the late Dr. Chen Din Hwa or for charitable purposes and/or (ii) any of the executors, administrators, personal representatives or similar representatives of the estate of the late Dr. Chen Din Hwa, and/or (iii) any member of late Dr. Chen’s family and/or any of their associated companies (as defined in the Listing Rules of The Stock Exchange of Hong Kong Limited) and/or any trust established for the benefit of such persons or their respective beneficiaries and/or (iv) any person entitled to the estate of the late Mr. Chen Din Hwa or the beneficiaries of the estate of the late Mr. Chen Din Hwa and/or (v) any of the entities (including but not limited to trusts) established for the benefit of or for the purpose of holding assets on trust for the trust stated in (i) and/or (iii). For the purpose of this definition, the meaning of “trust” includes any trust or foundation formed pursuant to a trust deed, by way of incorporation or otherwise;

**“Executive Directors”** means a member of the Board of Directors of the Guarantor who (a) actively participates in, or (b) is responsible for directly supervising, or exercises managerial responsibility over, the business of the Guarantor and/or the Guarantor and its Subsidiaries;

**“Existing Directors”** means, at any time, (i) Executive Directors which were Executive Directors on 31 August 2020 or (ii) Executive Directors which were recommended by the Board of Directors to be appointed and were appointed as Executive Directors by (x) the shareholders of the Guarantor in general meeting or (y) a majority of the Board of Directors;

**“Guarantee”** means, in relation to any Indebtedness of any Person, any obligation of another Person to pay such Indebtedness including (without limitation):

- (i) any obligation to purchase such Indebtedness;
- (ii) any obligation to lend money, to purchase or subscribe shares or other securities or to purchase assets or services in order to provide funds for the payment of such Indebtedness;
- (iii) any indemnity against the consequences of a default in the payment of such Indebtedness; and
- (iv) any other agreement to be responsible for such Indebtedness;

**“IFRS”** means International Financial Reporting Standards issued by the International Accounting Standards Board;

**“Indebtedness”** means any indebtedness (whether being principal, premium, interest or other amounts) for or in respect of any notes, bonds, debentures, debenture stock, loan stock or other securities or any borrowed money or any liability under or in respect of any acceptance or acceptance credit;

**“Junior Obligations”** means (a) in respect of the Issuer, (i) any class of the Issuer’s share capital (including preference shares) qualifying as equity under IFRS, (ii) any instrument or security issued or entered into by or other obligation of the Issuer which ranks, or is expressed to rank, junior to the Issuer’s obligations under the Securities, and (iii) any security or other obligation guaranteed by the Issuer where the Issuer’s obligations under the relevant guarantee rank or are expressed to rank junior to the Issuer’s obligations under the Securities, and (b) in respect of the Guarantor, (i) any class of the Guarantor’s share capital (including preference shares) qualifying as equity under IFRS, (ii) any instrument or security issued or entered into by or other obligation of the Guarantor which ranks or is expressed to rank junior to the Guarantor’s obligations under the Guarantee of the Securities, and (iii) any security or other obligation guaranteed by the Guarantor where the Guarantor’s obligations under the relevant guarantee rank or are expressed to rank junior to the Guarantor’s obligations under the Guarantee of the Securities;

“**Parity Obligations**” means, (a) in respect of the Issuer, any instrument or security issued, entered into or guaranteed by the Issuer which ranks or is expressed to rank, by its terms or by operation of law, *pari passu* with the Securities; (b) in respect of the Guarantor, any instrument or security issued, entered into or guaranteed by the Guarantor which ranks or is expressed to rank, by its terms or by operation of law, *pari passu* with the Guarantee of the Securities; and (c) for the purposes of Condition 4(e)(i) (*Distribution – Distribution Deferral – Optional Deferral*) and Condition 4(e)(v) (*Distribution – Distribution Deferral – Restrictions in the case of Deferral*) only, in respect of the Issuer or the Guarantor, as the case may be, any instrument or security issued, entered into or guaranteed by the Issuer or the Guarantor, the terms of which provide that the making of payments thereon or distributions in respect thereof are fully at the discretion of the Issuer or, as the case may be, the Guarantor; and

a “**Person**”, as used in this Condition 4 and in Condition 5(e) (*Redemption for Change of Control*), includes any individual, company, corporation, firm, partnership, joint venture, undertaking, association, organisation, trust, state or agency of a state (in each case whether or not being a separate legal entity) but does not include the Guarantor’s board of directors or any other governing board and does not include the Guarantor’s wholly-owned direct or indirect subsidiaries.

## 5 Redemption and Purchase

- (a) *No fixed redemption date*: The Securities are perpetual securities in respect of which there is no fixed redemption date and the Issuer shall (subject to the provisions of Condition 2 (*Status of the Securities and the Guarantee of the Securities*) and without prejudice to Condition 8 (*Non-payment*)), only have the right to redeem or purchase them in accordance with the following provisions of this Condition 5.
- (b) *Redemption for tax reasons*: The Securities may be redeemed at the option of the Issuer in whole, or in part, at any time, on giving not less than 30 nor more than 60 days’ notice to the Holders (which notice shall be irrevocable), the Trustee, the Registrar and the Principal Paying Agent at their principal amount, together with Distribution accrued to the date fixed for redemption (including any Arrears of Distribution and any Additional Distribution Amount), if:
  - (i) (A) the Issuer has or will become obliged to pay additional amounts as provided or referred to in Condition 7 (*Taxation*) as a result of any change in, or amendment to, the laws or regulations of a Relevant Jurisdiction (as defined in Condition 7 (*Taxation*)), or any change in the application or official interpretation of such laws or regulations (including a holding by a court of competent jurisdiction), which change or amendment becomes effective on or after 31 August 2020; and (B) such obligation cannot be avoided by the Issuer taking reasonable measures available to it; or
  - (ii) (A) the Guarantor has or (if a demand was made under the Guarantee of the Securities) would become obliged to pay additional amounts as provided or referred to in Condition 7 (*Taxation*) or the Guarantee of the Securities, or the Guarantor has or will become obliged to make any such withholding or deductions as to referred to in Condition 7 (*Taxation*) or the Guarantee of the Securities as the case may be, from any amount paid by it to the Issuer in order to enable the Issuer to make a payment of principal or distribution in respect of the Securities, in either case as a result of any change in, or amendment to, the laws or regulations of a Relevant Jurisdiction, or any change in the application or official interpretation of such laws or regulations (including a holding by a court of competent jurisdiction), which change or amendment becomes effective on or after 31 August 2020; and (B) such obligation cannot be avoided by the Guarantor taking reasonable measures available to it;

*provided, however, that* (X) no such notice of redemption shall be given earlier than 90 days prior to the earliest date on which the Issuer or the Guarantor would be obliged to pay such additional amounts if a

payment in respect of the Securities were then due or (as the case may be) a demand under the Guarantee of the Securities were then made; and (Y) the principal amount of the Securities outstanding after any partial redemption is at least U.S.\$250,000,000.

Prior to the publication of any notice of redemption pursuant to this Condition 5(b), the Issuer shall deliver or procure that there is delivered to the Trustee:

- (A) a certificate, signed by two directors of the Issuer, stating that the circumstances referred to in (i)(A) and (i)(B) above prevail and setting out the details of such circumstances or (as the case may be) a certificate, signed by two directors of the Guarantor stating that the circumstances referred to in (ii)(A) and (ii)(B) above prevail and setting out details of such circumstances; and
- (B) an opinion of independent legal advisers of recognised standing to the effect that the Issuer or (as the case may be) the Guarantor has or will become obliged to pay such additional amounts as a result of such change or amendment, *provided that* the Trustee may accept such certificate or opinion without further investigation or enquiry.

Upon the expiry of any such notice as is referred to in this Condition 5(b), the Issuer shall be bound to redeem the Securities in accordance with this Condition 5(b).

- (c) *Redemption for accounting reasons:* The Securities may be redeemed at the option of the Issuer in whole, or in part, at any time, on giving not less than 30 nor more than 60 days' notice to the Holders (which notice shall be irrevocable), the Trustee, the Registrar and the Principal Paying Agent at their principal amount plus Distribution accrued to such date (including any Arrears of Distribution and any Additional Distribution Amount), if, as a result of any changes or amendments to IFRS or any other accounting standards that may replace IFRS for the purposes of the consolidated financial statements of the Guarantor (the "**Relevant Accounting Standard**"), the Securities and/or the Guarantee of the Securities must not or must no longer be recorded as "equity" of the Guarantor pursuant to the Relevant Accounting Standard; *provided, however* that the principal amount of the Securities outstanding after any partial redemption is at least U.S.\$250,000,000.

Prior to the publication of any notice of redemption pursuant to this Condition 5(c), the Guarantor shall deliver or procure that there is delivered to the Trustee:

- (A) a certificate, signed by two directors of the Guarantor, stating that the circumstances referred to above prevail and setting out the details of such circumstances; and
- (B) an opinion of the Guarantor's independent auditors stating that the circumstances referred to above prevail and the date on which the relevant change or amendment to the Relevant Accounting Standard is due to take effect, *provided that* the Trustee may accept such certificate or opinion without further investigation or enquiry.

The period during which notice of redemption may be given under this Condition 5(c) shall start on the date on which the change in the Relevant Accounting Standard (the "**Change**") is officially adopted. For the avoidance of doubt, such period shall include any transitional period between the date on which the Change is officially adopted and the date on which it comes into effect.

Upon the expiry of any such notice as is referred to in this Condition 5(c), the Issuer shall be bound to redeem the Securities in accordance with this Condition 5(c) *provided that* such date for redemption shall be no earlier than the last day before the date on which the Securities and/or the Guarantee of the Securities must not or must no longer be so recorded as "equity" of the Guarantor pursuant to the Relevant Accounting Standard.

- (d) *Redemption at the option of the Issuer:* The Securities may be redeemed at the option of the Issuer in whole, or in part, on 10 September 2023 or on any Business Day (as defined in Condition 4) thereafter (each, a “**Call Date**”) on the Issuer’s giving not less than 30 nor more than 60 days’ notice to the Trustee, the Principal Paying Agent and (in accordance with Condition 14 (*Notices*)) the Holders (which notice shall be irrevocable and shall oblige the Issuer to redeem the Securities on the relevant Call Date at their principal amount plus Distribution accrued to such date (including any Arrears of Distribution and any Additional Distribution Amount)) ; *provided, however* that the principal amount of the Securities outstanding after any partial redemption is at least U.S.\$250,000,000.
- (e) *Redemption for Change of Control:* Upon the occurrence of a Change of Control, the Issuer shall give notice to Holders, the Trustee and the Paying Agents in accordance with Condition 14 (*Notices*) by not later than 30 days following the first day on which it becomes aware of the occurrence of such Change of Control, stipulating that a Change of Control has occurred and whether or not it will redeem the Securities pursuant to this Condition 5(e). A notice given by the Issuer stipulating that it will redeem the Securities pursuant to this Condition 5(e) shall: (A) stipulate the Change of Control Call Date; (B) be irrevocable; and (C) oblige the Issuer to redeem the Securities on the Change of Control Call Date at their principal amount plus Distribution accrued to such date (including any Arrears of Distribution and any Additional Distribution Amount).

The “**Change of Control Call Date**” shall be a date not less than 30 nor more than 60 days from the date of the notice referred to in the paragraph above.

- (f) *Redemption for minimum outstanding amount:* The Securities may be redeemed at the option of the Issuer in whole, but not in part, at any time on giving not less than 30 nor more than 60 days’ notice to the Holders (which notice will be irrevocable), the Trustee, the Registrar and the Principal Paying Agent at their principal amount, together with Distribution accrued to the date fixed for redemption (including any Arrears of Distribution and any Additional Distribution Amount) if prior to the date of such notice at least 75 per cent. in principal amount of the Securities originally issued (including any further Securities issued pursuant to Condition 13 (*Further Issues*) and consolidated and forming a single series with the Securities) has already been redeemed or purchased and cancelled.
- (g) *No other redemption:* The Issuer shall not be entitled to redeem the Securities and shall have no obligation to make any payment of principal in respect of the Securities otherwise than as provided in Conditions 5(b) (*Redemption for tax reasons*) to 5(f) (*Redemption for minimum outstanding amount*) above.
- (h) *Purchase:* The Issuer, the Guarantor or any of their respective Subsidiaries may at any time purchase Securities in the open market or otherwise and at any price.
- (i) *Cancellation:* All Securities so redeemed or purchased by the Issuer, the Guarantor or any of their respective Subsidiaries shall be cancelled and may not be reissued or resold.

Neither the Trustee nor any Agent shall be required to take any steps to ascertain whether any event as provided in Conditions 5(b) (*Redemption for tax reasons*) to 5(f) (*Redemption for minimum outstanding amount*) above has occurred.

- (j) *Provisions relating to partial redemptions:* In the case of a partial redemption of Securities, the Securities to be redeemed (“**Redeemed Securities**”) will be selected individually by lot, in the case of Redeemed Securities represented by definitive Securities, and in accordance with the rules of Euroclear and/or Clearstream (to be reflected in the records of Euroclear and Clearstream as either a pool factor or a reduction in nominal amount, at their discretion) and, in the case of Redeemed Securities represented by a Global Certificate, not more than 30 days prior to the date fixed for redemption (such date of selection

being hereinafter called the “**Selection Date**”). In the case of Redeemed Securities represented by definitive certificates evidencing the Securities, a list of the serial numbers of such Redeemed Securities will be published in accordance with Condition 14 (*Notices*) not less than 15 days prior to the date fixed for redemption. The aggregate nominal amount of Redeemed Securities represented by definitive certificates or represented by a Global Certificate shall in each case bear the same proportion to the aggregate nominal amount of all Redeemed Securities as the aggregate nominal amount of definitive certificates outstanding and Securities outstanding represented by such Global Certificate, respectively, bears to the aggregate nominal amount of the Securities outstanding, in each case on the Selection Date, provided that, if necessary, appropriate adjustments shall be made to such nominal amounts to ensure that each represents an integral multiple of U.S.\$1,000. No exchange of the Global Certificate will be permitted during the period from (and including) the Selection Date to (and including) the date fixed for redemption pursuant to Condition 5 (*Redemption and Purchases*) and notice to that effect shall be given by the Issuer to the Holders in accordance with Condition 14 (*Notices*) at least five days prior to the Selection Date.

## 6 Payments

- (a) *Principal*: Payments of principal shall be made in U.S. dollars not later than the fifteenth day before the due date for any such payment, by transfer to a U.S. dollar account (in the case of redemption) upon surrender (or, in the case of part payment only, endorsement) of the relevant Certificates at the Specified Office of any Paying Agent.
- (b) *Distribution*: Payments of Distribution (including any Arrears of Distribution and any Additional Distribution Amount) shall be made in U.S. dollars not later than the fifteenth day before the due date for any such payment, by transfer to a U.S. dollar account (in the case of Distribution payable on redemption) upon surrender (or, in the case of part payment only, endorsement) of the relevant Certificates at the Specified Office of any Paying Agent.
- (c) *Payments subject to fiscal laws*: All payments in respect of the Securities are subject in all cases to (i) any applicable fiscal or other laws and regulations in the place of payment, but without prejudice to the provisions of Condition 7 (*Taxation*) and (ii) any withholding or deduction required pursuant to an agreement described in Section 1471(b) of the U.S. Internal Revenue Code of 1986 (the “**Code**”) or otherwise imposed pursuant to Sections 1471 through 1474 of the Code, any regulations or agreements thereunder, any official interpretations thereof, or (without prejudice to the provisions of Condition 7 (*Taxation*)) any law implementing an intergovernmental approach thereto. No commissions or expenses shall be charged to the Holders in respect of such payments.
- (d) *Payments on business days*: Where payment is to be made by transfer to a U.S. dollar account, payment instructions (for value the due date, or, if the due date is not a business day, for value the next succeeding business day) will be initiated (i) (in the case of payments of principal and Distribution payable on redemption) on the later of the due date for payment and the day on which the relevant Certificate is surrendered (or, in the case of part payment only, endorsed) at the Specified Office of a Paying Agent and (ii) (in the case of payments of Distribution payable other than on redemption) on the due date for payment. A Holder of a Security shall not be entitled to any Distribution or other payment in respect of any delay in payment resulting from the due date for a payment not being a business day. In this paragraph, “**business day**” means any day, other than a Saturday and a Sunday, on which banks are open for general business (including dealings in foreign currencies) in New York City, Hong Kong and, in the case of surrender (or, in the case of part payment only, endorsement) of a Certificate, in the place in which the Certificate is surrendered (or, as the case may be, endorsed).

*So long as the Securities are represented by the Global Certificate, each payment will be made to, or to the order of, the person whose name is entered on the Register at the close of business on the Clearing System Business Day immediately prior to the date of payment, where “Clearing System Business Day” means a weekday (Monday to Friday, inclusive) except 25 December and 1 January.*

- (e) *Partial payments:* If a Paying Agent makes a partial payment in respect of any Security, the Issuer shall procure that the amount and date of such payment are noted on the Register and, in the case of partial payment upon presentation of a Certificate, that a statement indicating the amount and the date of such payment is endorsed on the relevant Certificate.
- (f) *Record date:* Each payment in respect of a Security will be made to the person shown as the Holder in the Register at the opening of business in the place of the Registrar’s Specified Office on the fifteenth day before the due date for such payment (the “**Record Date**”).

## 7 Taxation

All payments of principal and Distribution (including any Arrears of Distribution and any Additional Distribution Amount) in respect of the Securities by or on behalf of the Issuer or the Guarantor shall be made free and clear of, and without withholding or deduction for, or on account of, any present or future taxes, duties, assessments or governmental charges of whatever nature (“**Taxes**”) imposed or levied by or on behalf of the Relevant Jurisdiction, unless such withholding or deduction of such Taxes is required by law. In such event, the Issuer or, as the case may be, the Guarantor, will pay such additional amounts as may be necessary in order that the net amounts received by the Holders after the withholding or deduction shall equal the respective amounts which would have been receivable in respect of the Securities in the absence of such withholding or deduction; except that no such additional amounts shall be payable in relation to any payment in respect of any Security:

- (i) presented for payment by or on behalf of a Holder who is liable for such Taxes in respect of such Security by reason of his having some connection with a Relevant Jurisdiction other than the mere holding of such Security; or
- (ii) presented for payment more than 30 days after the Relevant Date (as defined below) except to the extent that a Holder would have been entitled to an additional amount on presenting the same for payment on the last day of the period of 30 days assuming (whether or not such is in fact the case) that day to have been a business day (as defined in Condition 6(d)).

In these Conditions:

“**Relevant Date**” means whichever is the later of (1) the date on which the payment in question first becomes due and (2) if the full amount payable has not been received in New York City by the Principal Paying Agent or the Trustee on or prior to such due date, the date on which (the full amount having been so received) notice to that effect has been given to the Holders; and

“**Relevant Jurisdiction**” means the British Virgin Islands or any political subdivision thereof or any authority therein or thereof having power to tax; or any other jurisdiction or any political subdivision or any authority thereof or therein having power to tax to which the Issuer or the Guarantor, as the case may be, becomes subject in respect of payments made by it of principal or Distribution (including any Arrears of Distribution and any Additional Distribution Amount) on the Securities.

Any reference in these Conditions to principal, Distribution, Arrears of Distribution or Additional Distribution Amount shall be deemed to include any additional amounts in respect of principal, Distribution, Arrears of Distribution or Additional Distribution Amount (as the case may be) which may be payable under this Condition

7, or under any undertakings given in addition to, or in substitution for, this Condition pursuant to the Trust Deed.

If the Issuer or the Guarantor becomes subject at any time to any taxing jurisdiction other than the British Virgin Islands, references in these Conditions to the British Virgin Islands shall be construed as references to (as the case may be) the British Virgin Islands and/or such other jurisdiction.

## **8 Non-payment**

- (a) *Non-payment when due:* Notwithstanding any of the provisions below in this Condition 8, the right to institute Winding-Up (as defined in Condition 8(e) (*Non-payment — Definitions*)) proceedings is limited to circumstances where a payment of principal or Distribution has become due. In the case of any Distribution, such Distribution will not be due if the Issuer has elected to defer that Distribution in accordance with Condition 4(e) (*Distribution— Distribution Deferral*).
- (b) *Proceedings for Winding-Up:* If (i) an order is made or an effective resolution is passed for the Winding-Up of the Issuer or the Guarantor or (ii) the Issuer or the Guarantor shall not make payment in respect of the Securities or the Guarantee of the Securities, as the case may be, for a period of 10 days or more after the date on which such payment is due, the Issuer and the Guarantor shall be deemed to be in default under the Securities (in the case of the Issuer) and the Guarantee of the Securities (in the case of the Guarantor) and the Trustee at its sole discretion may and, if so requested in writing by holders of at least 25 per cent. of the aggregate principal amount of the outstanding Securities, shall (subject to the Trustee having been indemnified and/or provided with security and/or pre-funded to its satisfaction) institute proceedings for the Winding-Up of the Issuer, the Guarantor or both of them (as applicable) and/or prove in the Winding-Up of the Issuer, the Guarantor or both of them (as applicable) and/or claim in the liquidation of the Issuer, the Guarantor or both of them (as applicable) for such payment.
- (c) *Enforcement:* Without prejudice to Condition 8(b) (*Non-payment — Proceedings for Winding-Up*), the Trustee at its sole discretion may and, if so requested in writing by holders of at least 25 per cent. of the aggregate principal amount of the outstanding Securities shall (subject to the Trustee having been indemnified and/or provided with security and/or pre-funded to its satisfaction) without further notice to the Issuer and/or the Guarantor institute such proceedings against the Issuer, the Guarantor or both of them (as applicable) as it may think fit to enforce any term or condition binding on the Issuer and/or the Guarantor under the Securities or the Guarantee of the Securities (other than any payment obligation of the Issuer or the Guarantor under or arising from the Securities or the Guarantee of the Securities, including, without limitation, payment of any principal or premium (if any) or satisfaction of any Distributions (including any Arrears of Distribution and any Additional Distribution Amount) in respect of the Securities or the Guarantee of the Securities, including any damages awarded for breach of any obligations) and in no event shall the Issuer or the Guarantor, by virtue of the institution of any such proceedings, be obliged to pay any sum or sums, in cash or otherwise, sooner than the same would otherwise have been payable by it.
- (d) *Extent of Holders' remedy:* No Holder shall be entitled either to institute proceedings for the Winding-Up of the Issuer or the Guarantor or to submit a claim in such Winding-Up, except that if the Trustee, having become bound to institute such proceedings as aforesaid, fails to do so, or, being able and bound to submit a claim in such Winding-Up, fails to do so, in each case within a reasonable period and such failure is continuing, then any such Holder may, on giving an indemnity satisfactory to the Trustee, in the name of the Trustee (but not otherwise), himself institute Winding-Up Proceedings and/or submit a claim in the Winding-Up of the Issuer or the Guarantor, as the case may be, to the same extent (but not further or otherwise) that the Trustee would have been entitled to do.

- (e) *Definitions:* In these Conditions, “**Winding-Up**” means, with respect to the Issuer or the Guarantor, a final and effective order or resolution for the winding up, liquidation or similar proceedings in respect of the Issuer or the Guarantor, as the case may be.

## 9 Prescription

Claims for principal and Distribution on redemption shall become void unless the relevant Certificates are surrendered for payment within ten years of the appropriate Relevant Date.

## 10 Replacement of Certificates

If any Certificate is lost, stolen, mutilated, defaced or destroyed, it may be replaced at the Specified Office of the Registrar, subject to all applicable laws and stock exchange requirements, upon payment by the claimant of the expenses incurred in connection with such replacement and on such terms as to evidence, security, indemnity and otherwise as the Issuer may reasonably require. Mutilated or defaced Certificates must be surrendered before replacements will be issued.

## 11 Agents

In acting under the Agency Agreement and in connection with the Securities, the Agents act solely as agents of the Issuer and the Guarantor and (to the extent provided therein) the Trustee and do not assume any obligations towards or relationship of agency or trust for or with any of the Holders.

The initial Agents and their initial Specified Offices are listed below. The Issuer and the Guarantor reserve the right (with the prior written approval of the Trustee) at any time to vary or terminate the appointment of any Agent and to appoint a successor registrar, principal paying agent, agent bank and additional or successor paying agents and transfer agent; *provided, however, that* the Issuer and the Guarantor shall at all times maintain a principal paying agent and a registrar.

Notice of any change in any of the Agents or in their Specified Offices shall promptly be given to the Holders.

## 12 Meetings of Holders; Modification

- (a) *Meetings of Holders:* The Trust Deed contains provisions for convening meetings of Holders to consider matters relating to the Securities, including the modification of any provision of these Conditions and the Trust Deed. Any such modification may be made if sanctioned by an Extraordinary Resolution. Such a meeting may be convened by the Issuer and the Guarantor (acting together) or the Trustee and shall be convened by the Issuer upon the request in writing of Holders holding not less than one tenth of the aggregate principal amount of the outstanding Securities. The quorum at any meeting convened to vote on an Extraordinary Resolution will be one or more persons holding or representing more than 50 per cent. in aggregate principal amount of the outstanding Securities or, at any adjourned meeting, one or more persons being or representing Holders whatever the principal amount of the Securities held or represented; *provided, however, that* certain proposals (including any proposal to change any date fixed for payment of principal or Distribution (including any Arrears of Distribution and any Additional Distribution Amount) in respect of the Securities, to reduce the amount of principal or Distribution (including any Arrears of Distribution and any Additional Distribution Amount) payable on any date in respect of the Securities, to alter the method of calculating the amount of any payment in respect of the Securities or the date for any such payment, to change the currency of payments under the Securities, to amend the terms of the Guarantee of the Securities or to change the quorum requirements relating to meetings or the majority required to pass an Extraordinary Resolution (each, a “**Reserved Matter**”)) may only be sanctioned by an Extraordinary Resolution passed at a meeting of Holders at which one or

more persons holding or representing not less than two-thirds or, at any adjourned meeting, one-third of the aggregate principal amount of the outstanding Securities form a quorum. Any Extraordinary Resolution duly passed at any such meeting shall be binding on all the Holders, whether present or not.

In addition, (i) a resolution in writing signed by or on behalf of Holders of not less than three-fourths of the aggregate principal amount of Securities for the time being outstanding will take effect as if it were an Extraordinary Resolution, whether contained in one document or several documents in the same form, each signed by or on behalf of one or more Holders (a “**Written Resolution**”) and (ii) a resolution passed by way of electronic consents through the clearing systems by or on behalf of Holders of not less than three-fourths of the aggregate principal amount of Securities for the time being outstanding (an “**Electronic Consent**”) will take effect as if it were an Extraordinary Resolution, in each case whether or not relating to a Reserved Matter.

A Written Resolution and/or an Electronic Consent will be binding on all Holders whether or not they participated in such Written Resolution and/or Electronic Consent, as the case may be.

- (b) *Modification*: The Trustee may, without the consent of the Holders, agree to any modification of the Securities, these Conditions, the Trust Deed and/or the Agency Agreement to amend any provision of a formal, minor or technical nature or to correct a manifest error. In addition, the parties to the Trust Deed and the Agency Agreement may agree to modify any provision thereof, but the Issuer, the Guarantor and the Trustee shall not agree, without the consent of the Holders, to any such modification unless it is of a formal, minor or technical nature, it is made to correct a manifest error or it is, in the opinion of the Trustee, not materially prejudicial to the interests of the Holders.
- (c) *Trustee to have Regard to Interests of Holders as a Class*: In connection with the exercise by it of any of its trusts, powers, authorities and discretions (including, without limitation, any modification, waiver, authorisation determination or substitution), the Trustee shall have regard to the general interests of the Holders as a class but shall not have regard to any interests arising from circumstances particular to individual Holders (whatever their number) and, in particular but without limitation, shall not have regard to the consequences of any such exercise for individual Holders (whatever their number) resulting from their being for any purpose domiciled or resident in, or otherwise connected with, or subject to the jurisdiction of, any particular territory or any political sub-division thereof and the Trustee shall not be entitled to require, nor shall any Holder be entitled to claim, from the Issuer, the Guarantor, the Trustee or any other person any indemnification or payment in respect of any tax consequence of any such exercise upon individual Holders except to the extent already provided for in Condition 7 (*Taxation*) and/or any undertaking given in addition to, or in substitution for, Condition 7 (*Taxation*) pursuant to the Trust Deed.
- (d) *Notification to the Holders*: Any modification, abrogation, waiver, authorisation, determination or substitution shall be binding on the Holders and, unless the Trustee agrees otherwise, any modification or substitution shall be notified by the Issuer to the Holders as soon as practicable thereafter in accordance with Condition 14 (*Notices*).

### 13 Further Issues

The Issuer may (with the prior written consent of the Guarantor) from time to time, without the consent of the Holders, create and issue further securities having the same terms and conditions as the Securities in all respects (or in all respects except for the first payment of Distribution) so as to form a single series with the Securities. Any further securities which are to form a single series with the outstanding securities of any series (including the Securities) constituted by the Trust Deed or any supplemental deed shall, and any other further securities may (with the consent of the Trustee), be constituted by a deed supplemental to the Trust Deed. The Trust Deed

contains provisions for convening a single meeting of the Holders and the holders of securities of other series in certain circumstances where the Trustee so decides.

#### **14 Notices**

Notices to the Holders will be sent to them by first class mail (or its equivalent) or (if posted to an overseas address) by airmail at their respective addresses on the Register. Any such notice shall be deemed to have been given on the fourth day after the date of mailing.

So long as the Securities are represented by the Global Certificate and the Global Certificate is held on behalf of Euroclear or Clearstream or the Alternative Clearing System, notices to Holders may be given by delivery of the relevant notice to Euroclear or Clearstream or the Alternative Clearing System, for communication by it to entitled account holders in substitution for notification as required by these Conditions and shall be deemed to have been given on the date of delivery to such clearing system.

#### **15 Indemnification and Protection of the Trustee and its contracting with the Issuer and the Guarantor**

- (a) *Indemnification and protection of the Trustee:* The Trust Deed contains provisions for the indemnification of the Trustee and for its relief from responsibility and liability towards the Issuer, the Guarantor and the Holders, including (i) provisions relieving it from taking action unless indemnified and/or secured and/or pre-funded to its satisfaction and (ii) provisions limiting or excluding its liability in certain circumstances. The Trust Deed provides that, when determining whether an indemnity or any security or pre-funding is satisfactory to it, the Trustee shall be entitled (i) to evaluate its risk in any given circumstance by considering the worst-case scenario and (ii) to require that any indemnity or security given to it by the Holders or any of them be given on a joint and several basis and be supported by evidence satisfactory to it as to the financial standing and creditworthiness of each counterparty and/or as to the value of the security and an opinion as to the capacity, power and authority of each counterparty and/or the validity and effectiveness of the security.
- (b) *Trustee Contracting with the Issuer and the Guarantor:* The Trust Deed also contains provisions pursuant to which the Trustee is entitled, inter alia, (i) to enter into business transactions with the Issuer and/or the Guarantor and/or any of the Guarantor's other Subsidiaries and to act as trustee for the holders of any other securities issued or guaranteed by, or relating to, the Issuer and/or the Guarantor and/or any of the Guarantor's other Subsidiaries, (ii) to exercise and enforce its rights, comply with its obligations and perform its duties under or in relation to any such transactions or, as the case may be, any such trusteeship without regard to the interests of, or consequences for, the Holders, and (iii) to retain and not be liable to account for any profit made or any other amount or benefit received thereby or in connection therewith.

#### **16 Governing Law and Jurisdiction**

- (a) *Governing law:* The Securities and any non-contractual obligations arising out of or in connection with the Securities are governed by, and construed in accordance with, English law.
- (b) *Submission to Jurisdiction:*
  - (i) Subject to Condition 16(b)(iii), the English courts have exclusive jurisdiction to settle any dispute arising out of or in connection with the Trust Deed or the Securities including any dispute as to their existence, validity, interpretation, performance, breach or termination or the consequences of their nullity and any dispute relating to any non-contractual obligations arising out of or in

connection with the Trust Deed or the Securities (a “**Dispute**”) and, each of the Issuer, the Guarantor, the Trustee and any Holders in relation to any Dispute submits to the exclusive jurisdiction of the English courts.

- (ii) For the purposes of this Condition, each of the Issuer and the Guarantor waives any objection to the English courts on the grounds that they are an inconvenient or inappropriate forum to settle any Dispute.
  - (iii) To the extent allowed by law, the Trustee and the Holders may, in respect of any Dispute or Disputes, take (i) proceedings in any other court with jurisdiction and (ii) concurrent proceedings in any number of jurisdictions.
- (c) *Appointment of Process Agent:* Each of the Issuer and the Guarantor irrevocably appoints Endurance Land LLP at 17 Savile Row, London W1S 3PN, United Kingdom as its agent for service of process and undertakes that, in the event of Nan Fung UK Properties Limited ceasing so to act or ceasing to be registered in England, it will appoint another person approved by the Trustee as its agent for service of process in England in respect of any Proceedings and notify the Holders of such appointment. Nothing herein shall affect the right to serve proceedings in any other manner permitted by law.

## SUMMARY OF PROVISIONS RELATING TO THE SECURITIES IN GLOBAL FORM

The Global Certificate contains provisions which apply to the Securities while they are in global form, some of which modify the effect of the Terms and Conditions of the Securities set out in this Offering Circular. The following is a summary of those provisions.

### 1 Accountholders

For so long as all of the Securities or any part thereof are represented by the Global Certificate and the Global Certificate is held on behalf of a clearing system, each person (other than another clearing system) who is for the time being shown in the records of Euroclear or Clearstream (as the case may be) as the holder of a particular aggregate principal amount of such Securities (each an “**Accountholder**”) (in which regard any certificate or other document issued by Euroclear or Clearstream (as the case may be) as to the aggregate principal amount of such Securities standing to the account of any person shall, in the absence of manifest error, be conclusive and binding for all purposes) shall be treated as the holder of such aggregate principal amount of such Securities (and the expression “**Holders**” and references to “**holding of Securities**” and to “**holder of Securities**” shall be construed accordingly) for all purposes other than with respect to payments on such Securities, the right to which shall be vested, as against the Issuer, the Guarantor and the Trustee, solely in the nominee for the relevant clearing system (the “**Relevant Nominee**”) in accordance with and subject to the terms of the Global Certificate. Each Accountholder must look solely to Euroclear or Clearstream, as the case may be, for its share of each payment made to the Relevant Nominee.

### 2 Cancellation

Cancellation of any Securities following its redemption or purchase by the Issuer, the Guarantor or any of their respective Subsidiaries will be effected by reduction in the aggregate principal amount of the Securities in the register of Holders and by the annotation of the appropriate schedule to the Global Certificate.

### 3 Payments

Payments of principal, premium (if any) and interest in respect of Securities represented by the Global Certificate will be made if no further payment falls to be made in respect of the Securities, against surrender of the Global Certificate to or to the order of the Registrar or such other Agent as shall have been notified to the holder of the Global Certificate for such purpose.

Each payment will be made to or to the order of the person whose name is entered on the Register at the close of business on the Clearing System Business Day immediately prior to the date of payment, where “**Clearing System Business Day**” means a day on which Euroclear and Clearstream are open for business.

Distributions of amounts with respect to book-entry interests in the Securities held through Euroclear or Clearstream will be credited, to the extent received by the Registrar, to the cash accounts of Euroclear or Clearstream participants in accordance with the relevant system’s rules and procedures.

A record of each payment made will be endorsed on the appropriate schedule to the Global Certificate by or on behalf of the Registrar and shall be prima facie evidence that payment has been made.

### 4 Notices

So long as all the Securities are represented by the Global Certificate and the Global Certificate is held on behalf of a clearing system, notices to Holders may be given by delivery of the relevant notice to that clearing system for communication by it to entitled Accountholders in substitution for notification as required by the Conditions.

Whilst any of the Securities held by a Holder are represented by a Global Certificate, notices to be given by such Holder may be given by such Holder (where applicable) through Euroclear and/or Clearstream and otherwise in such manner as the Trustee and Euroclear and Clearstream may approve for this purpose.

## **5 Registration of Title**

Registration of title to Securities in a name other than that of the Relevant Nominee will not be permitted unless Euroclear or Clearstream, as appropriate, notifies the Issuer and the Guarantor that it is unwilling or unable to continue as a clearing system in connection with the Global Certificate, and in each case a successor clearing system approved by the Trustee is not appointed by the Issuer and the Guarantor within 90 days after receiving such notice from Euroclear or Clearstream. In these circumstances title to Securities may be transferred into the names of holders notified by the Relevant Nominee in accordance with the Conditions, except that Certificates in respect of Securities so transferred may not be available until 21 days after the request for transfer is duly made.

The Registrar will not register title to the Securities in a name other than that of the Relevant Nominee for a period of 15 calendar days preceding the due date for any payment of principal, premium (if any) or interest in respect of the Securities.

## **6 Transfers**

Transfers of book-entry interests in the Securities will be effected through the records of Euroclear, Clearstream and their respective participants in accordance with the rules and procedures of Euroclear, Clearstream and their respective direct and indirect participants.

## CAPITALISATION AND INDEBTEDNESS

### Capitalisation and Indebtedness of the Group

As at 31 March 2020, the Guarantor was authorised to issue a maximum of 1,000,000,000,000 no par value shares of a single class and has 62,743,532,190 ordinary shares in issue.

The following table sets forth the capitalisation and indebtedness of the Group as at 31 March 2020 and as adjusted to give effect to the issue of the Securities:

	As at 31 March 2020	
	Actual	As Adjusted <sup>(5)</sup>
	<i>HK\$'000</i>	<i>HK\$'000</i>
<b>Short-term borrowings</b>		
Bank and other borrowings – current portion <sup>(1)</sup> .....	935,613	935,613
Long-term bank borrowings – current portion <sup>(1)</sup> .....	2,459,967	2,459,967
<b>Long-term borrowings</b>		
Bank borrowings – non-current portion <sup>(1)</sup> .....	16,194,984	16,194,984
Medium term notes <sup>(2)</sup> .....	12,618,383	12,618,383
<b>Total borrowings</b> .....	32,208,947	32,208,947
Securities to be issued .....	—	3,875,650
<b>Equity attributable to owners of the Guarantor and holders of perpetual capital securities<sup>(3)</sup></b> .....	104,849,576	108,725,226
<b>Total capitalisation<sup>(4)</sup></b> .....	<b>137,058,523</b>	<b>140,934,173</b>

Notes:

- (1) The Group had secured bank borrowings of approximately HK\$12,095 million as at 31 March 2020.
- (2) On 27 August 2020, Nan Fung Treasury Limited issued U.S.\$500 million 3.625 per cent. guaranteed notes due 2030, which are guaranteed by the Guarantor, all of which remains outstanding.
- (3) Includes 5.5 per cent. perpetual capital securities with an aggregate principal of U.S.\$500 million (HK\$3,896 million) issued on 29 May 2017 and the related distribution.
- (4) Total capitalisation equals the sum of total borrowings and equity attributable to owners of the Guarantor and holders of perpetual capital securities.
- (5) Assuming the Securities to be issued in this offering in the total amount of U.S.\$500 million (before deducting commissions to be charged by the Joint Lead Managers and other expenses payable in connection with this offering) had been issued as at 31 March 2020 and such amount to be translated at the rate of HK\$7.7513 to U.S.\$1.00, the exchange rate as at 31 March 2020 as set forth in the H.10 statistical release of the Board of Governors of the Federal Reserve System of the United States.

Save as set out in the notes to the above table, there has been no material change in the capitalisation and indebtedness of the Group since 31 March 2020.

**Capitalisation and Indebtedness of the Issuer**

As at the date of this Offering Circular, the Issuer is authorised to issue a maximum of 50,000 shares of a single class without par value and 1,000 shares have been issued to and are held by NF Treasury Holdings Limited, an indirectly wholly-owned subsidiary of the Guarantor, representing the entire issued capital of the Issuer.

## **USE OF PROCEEDS**

The Issuer estimates that the net proceeds from the issue of the Securities, after deducting commissions to be charged by the Joint Lead Managers and other estimated expenses payable in connection with the offering of the Securities, will be approximately U.S.\$495,000,000. The Issuer intends to on-lend such proceeds from the issue of the Securities to the Guarantor and/or its subsidiaries for the refinancing of existing perpetual securities of the Group.

## DESCRIPTION OF THE ISSUER

### Formation

Nan Fung Treasury (III) Limited is a limited liability company incorporated under the BVI Business Companies Act, 2004, as amended, of the British Virgin Islands (BVI Company Number: 2032252). It was incorporated in the British Virgin Islands on 27 February 2020. Its registered office is at Commerce House, Wickhams Cay 1, P.O. Box 3140, Road Town, Tortola, British Virgin Islands. The Issuer is an indirect wholly-owned subsidiary of Nan Fung.

### Business Activity

The Issuer was established to raise financing for the Guarantor pursuant to the unrestricted objects and powers set out in its memorandum of association. The Issuer does not sell any products or provide any services and it has undertaken no business activities since the date of its incorporation, other than those incidental to its incorporation and establishment as an indirect wholly-owned subsidiary of Nan Fung.

### Financial Statements

Under British Virgin Islands law, the Issuer is not required to publish interim or annual financial statements. The Issuer has not published, and does not propose to publish, any financial statements. The Issuer is, however, required to keep records that are sufficient to show and explain its transactions and will, at any time, enable the financial position of the Issuer to be determined with reasonable accuracy.

### Directors and Officers

The Directors of the Issuer are Nelson TANG Chun Wai, Connie Charlotte BERRY and Billy HUI Him Yeung and each of their business addresses are c/o Nan Fung at 23/F, Nan Fung Tower, 88 Connaught Road C, Central, Hong Kong. None of the Directors of the Issuer holds any shares or options to acquire shares of the Issuer. There are no conflicts of interest between the duties to the Issuer of the persons listed above and their private interests and duties.

The Issuer does not have any employees and has no subsidiaries.

### Share Capital

The Issuer is authorised under its memorandum of association to issue a maximum of 50,000 shares of a single class without par value and 1,000 shares have been issued to and are held by NF Treasury Holdings Limited (formerly, Rainbow Joy Holdings Limited), an indirect wholly-owned subsidiary of Nan Fung. The register of members of the Issuer is maintained at its registered office in the British Virgin Islands. No part of the equity securities of the Issuer is listed or dealt in on any stock exchange and no listing or permission to deal in such securities is being or is proposed to be sought.

## DESCRIPTION OF THE GROUP

### Introduction

Pursuant to the Reorganisation (as described below), Nan Fung was incorporated in the British Virgin Islands on 8 August 2011 (BVI Company Number 1665059). It is the holding company for a Hong Kong-based property-focused conglomerate, which the Group believes is one of the largest privately owned conglomerates in Hong Kong based on assets.

The Group has interests in, and engages in, property development, property investment, construction, property management, mortgage financing and financial investment. The Group's core business is property development and investment. It has been developing properties in Hong Kong since 1965. It is a fully integrated property developer in Hong Kong, with operations covering all principal stages of property development, including acquisition, design, engineering and marketing. Hong Kong continues to be the core market on which the Group focuses and across which it currently owns a portfolio of residential, commercial and industrial properties. As at 31 March 2020, the Group's track record of property projects in Hong Kong amounted to over 67 million square feet ("sq.ft.") of gross floor area ("GFA"). The Group's investment property portfolio was valued at HK\$74,477 million as at 31 March 2020.

In recent years the Group has leveraged off its experience and success in the Hong Kong market to expand into the PRC property market.

For information regarding the ownership of Nan Fung as at the date of this Offering Circular, see "*Shareholders, Directors' Interests and Related Party Transactions*". The principal business activities of the Group are as follows:

- **Property development and investment:** The Group has developed and invested in 175 properties in Hong Kong since 1965 and these developments have been largely self-funded. The Group maintains a strategic land bank in Hong Kong and has a well-established presence in Hong Kong. In recent years, the Group has also entered the PRC property market, maintaining personnel and operations in first-tier cities in the PRC. The Group primarily undertakes its property development and investment business in the PRC either directly through its own operations, or through joint ventures with other parties. In Hong Kong, the Group is primarily engaged in the development and sale of residential and commercial properties. In addition, the Group owns and manages an investment and rental property portfolio comprising offices, shopping malls, residential apartments, apartments with customised services, hotels, industrial buildings and warehouses, most of which are located in Hong Kong. The Group has also invested in residential and commercial property development projects in Macau, Singapore, Japan, Malaysia, the UK and the United States.
- **Property-related services:** The Group is engaged in service businesses relating to its property businesses, including construction, property management and mortgage financing services in Hong Kong.
- **Financial investment:** The Group also has a significant financial investment portfolio that provides a substantial liquidity buffer and stable recurring income for the Group. The management of the Group's financial investment portfolio is undertaken by Nan Fung Trinity (HK) Limited (a subsidiary of the Group, see "*Description of the Group — Financial Investment*" below). With the underlying assets and portfolio being a part of the Group's assets, it provides a substantial liquidity buffer and stable recurring income to the Group. Separately, in 2007 Nan Fung Consolidated Investments Limited ("NFCI"), a company in which the Group and Crosby Group each have a 50 per cent. economic interest, was formed to obtain a 50 per cent. ownership interest in HSBC NF China Investors Limited, which was a joint

venture formed with HSBC Specialist Investments Limited (“**HSIL**”) to act as general partner of HSBC NF China Real Estate Fund, LP. In early 2011, a management buy-out took place in HSIL (previously a wholly-owned subsidiary of The Hongkong and Shanghai Banking Corporation Limited (“**HSBC**”)) resulting in the management of HSIL owning 80.1 per cent. and HSBC owning 19.9 per cent. of HSIL. HSIL and HSBC NF China Real Estate Fund, LP have since changed their names to InfraRed Capital Partners Limited (“**InfraRed**”) and InfraRed NF China Real Estate Fund, L.P. (“**Fund I**”), respectively. NFCI and InfraRed have established InfraRed NF China Real Estate Fund II, L.P. (“**Fund II**”) as a follow-on fund to Fund I. See “*Business — Financial Investment — Fund I and Fund II*” below.

For the year ended 31 March 2020, Nan Fung reported consolidated revenue and profit attributable to the owners of the Guarantor of approximately HK\$5,989 million and HK\$2,025 million, respectively. For the year ended 31 March 2019, Nan Fung reported consolidated revenue and profit attributable to the owners of the Guarantor of approximately HK\$13,532 million and HK\$6,023 million, respectively. As at 31 March 2020 and 2019, Nan Fung reported consolidated total assets of HK\$160,933 million and HK\$159,965 million, respectively.

## History

In 1954, Nan Fung’s founder, Dr. Chen Din Hwa (“**Dr. Chen**”), established Nan Fung Textiles Limited, which specialised in cotton yarn production. It subsequently became the largest cotton yarn manufacturer in Hong Kong in terms of volume, before growing into a large privately owned, Hong Kong-based conglomerate.

In 1965, the Group completed its first property development, Fook Cheung Mansion in Yau Yat Tsuen.

Following a major reorganisation, Nan Fung Textiles Consolidated Limited was established in 1969 and publicly listed on the Hong Kong stock exchange in 1970. Nan Fung Textiles Consolidated Limited served as the holding company of Nan Fung Textiles Limited, Nan Fung Textiles Second Mill Limited and Kin Fung Garments and Investments Limited. In 1989, Nan Fung Textiles Consolidated Limited was privatised and became 100 per cent. owned by the Group. With effect from 5 July 2012, Nan Fung Textiles Consolidated Limited has changed its name to Nan Fung Property Consolidated Limited.

In the 1970s, the Group purchased a site in Quarry Bay to develop it into what was at the time one of Hong Kong’s largest residential developments, Nan Fung Sun Chuen. The project was completed in 1978 and had a GFA of 1.6 million sq.ft., comprising 12 tower blocks and approximately 2,800 apartments. In the same year, the Group made its initial overseas investments in the United States, Singapore and Malaysia.

In 1993, the Group made its first PRC investment in a Tianjin developer, Tianjin Tifen Industrial Park Investment (Group) Co., Ltd. (“**Tifen**”), which is a joint venture set up between the Group, Singapore Eastern Petroleum Group and Tianjin TEDA Investment Holding Co, a subsidiary of the Tianjin City Government. Tifen’s development projects are mostly located in Tianjin, but it also has projects outside Tianjin such as in Haikou in Hainan Island. The equity in Tifen was disposed of in March 2016.

In 2007 the Group, the Crosby Group and HSBC jointly established Fund I (originally known as the HSBC NF China Real Estate Fund, L.P. and known as at the date of this Offering Circular as InfraRed NF China Real Estate Fund, L.P.), a US\$710 million fund (of which US\$510 million was raised from the market) with an investment focus on Chinese real estate. The Group has a 25 per cent. economic interest in the general partner which manages Fund I and invested US\$50 million in the fund. NFCI and InfraRed established Fund II as a follow-on fund to Fund I.

In 2010, the Group became the second largest shareholder of Sino-Ocean Land Holdings Limited (“**SOL**”). On 22 November 2013, the Group’s interest in SOL increased from 14.05 per cent. to 19.14 per cent. In December 2015, the Group disposed of its shareholding in SOL.

In 2012, the Group issued its inaugural tranche of guaranteed notes of US\$600 million. Such guaranteed notes obtained an investment grade rating from S&P Global Ratings, Moody’s and Fitch Ratings. In January 2017, the Group repaid such guaranteed notes with a principal amount of US\$600 million in full.

On 28 August 2013, the Guarantor’s wholly owned subsidiary, New Precise Holdings Limited, acquired 29.98 per cent. of the units in Forterra Trust for approximately SGD 226.7 million. Lucky Token Investments Limited, another wholly-owned subsidiary of the Guarantor, acquired 100 per cent. of the equity in Oriental Management Services Limited, a holding company which owns 100 per cent. of the trustee manager and property manager of Forterra Trust, for approximately €17.5 million. On 13 February 2015, the Group completed the privatisation and delisting of Forterra Trust from the Singapore Exchange Securities Trading Limited. Subsequent to the delisting and privatisation, Forterra Trust became a wholly owned subsidiary of the Group. For further details, please refer to “*Investment properties in the PRC*” below.

In March 2015, the Group acquired a property in the UK, 16 Old Bailey, London, for investment purposes. This is a co-investment with Crosby Group and the Group holds an 80 per cent. equity interest.

On 29 May 2017, the Group issued its inaugural tranche of perpetual capital securities in the amount of US\$500 million with a distribution rate of 5.5 per cent. and with an investment grade rating by Moody’s. The perpetual capital securities are classified as equity of the Group in accordance with IFRS.

On 31 May 2017, the Group won the tender for a commercial site at the former Kai Tak airport from the Lands Department for HK\$24.6 billion. The site, which is located at the heart of the Kai Tak-Kowloon East central business district, is intended to be developed into an integrated, mixed-use commercial project, comprising of Grade A offices and a retail complex.

In March 2018, the Group acquired Regent Quarter, King’s Cross in London.

## Awards

As a well-established property developer, Nan Fung Group has garnered numerous awards. Each award is recognition of the Group’s continuous efforts to improve and contribute to the local communities it works with for their present and future prosperity. Below are some selected awards that the Group has garnered since 2015:

2020.....	Airside, Kai Tak was awarded the HK Green Building Council - BEAM Plus New Building v1.2 – Provisional Platinum (2020)
2016, 2017, 2018 and 2019 .....	Top 10 Developers by BCI Asia
2018.....	The Mills, Tsuen Wan achieved LEED Gold Final Certification in Core and Shell Development
2017.....	The Quayside, Kwun Tong was awarded the Gold Winner for Best Futura Project at the MIPIM Asia Summit
2015.....	The Visionary, Tung Chung was awarded the “Best Property Project” in “Best of the Best Awards 2015”

## Reorganisation

Prior to 30 September 2011, the entities in the Group were held by Dr. Chen through his 100 per cent. direct interest in Chen’s Holdings Limited (now known as Nan Fung Group Holdings Limited, a company incorporated in the British Virgin Islands and primarily undertaking property development and investment business in Hong Kong), Sheng Fung Company Limited (now known as Nan Fung Property Holdings Limited,

a company incorporated in Hong Kong and carrying on property development and investment business in the PRC and Gavast Estates Limited (a company incorporated in Hong Kong, undertaking financial investment management business), and other smaller entities.

On 30 September 2011, the Group completed the Reorganisation, under which the operating companies of the Group were consolidated under Chen's Holdings Limited (as set out above). The Guarantor was incorporated to serve as the direct holding company of Chen's Holdings Limited. Chen's Holdings Limited has since changed its name to Nan Fung Group Holdings Limited ("NFGHL") with effect from 25 July 2012. A second company, Chen's Group International Limited, was incorporated in the British Virgin Islands to hold 100 per cent. of the shares in the Guarantor, with the shares in Chen's Group International Limited being beneficially owned by Dr. Chen. The Reorganisation has allowed the Group to streamline its decision-making process, with decisions on behalf of the Group being made centrally at the level of NFGHL.

Chen's Group International Limited incorporated another company, Chen's Group Holdings Limited, in the British Virgin Islands to hold 100 per cent. of the shares in the Guarantor with effect from 10 November 2014.

## **Strategy**

The Group's overall strategic aim is to be a preeminent real estate developer that provides premium property services and products, with a focus on excellence in quality and design, compliance with statutory and functional requirements and customer satisfaction, whilst delivering projects development and management services in a reliable, efficient and environmentally responsible project manner. The Group's core values are: Quality, Value, Innovation and Services. The Group seeks to achieve this objective through the following strategies:

### ***Focus on the premium property development segment in Hong Kong and strategic geographic portfolio diversification***

The Group intends to maintain and leverage on its position as a comprehensive and established premium property developer in the Hong Kong market, with a focus on luxury residential development, by strategically building its land bank through acquisitions, promoting its brand, and continuing to focus on high quality customer service and maximise cost efficiencies through its vertically integrated business model. The Group also intends to continue to strengthen its relationships with various business partners and identify and collaborate with strategic partners.

In addition, the Group intends to continue to increase its presence in jurisdictions outside of Hong Kong, particularly in the PRC and overseas, over the medium to long-term to achieve a more balanced split between Hong Kong, the PRC and overseas based investment and development portfolio, which will diversify the geographical concentration of the Group's business in Hong Kong and to capture the growth potential in the PRC and overseas. This may involve direct development opportunities in the cities in which the Group currently has operations, such as Shanghai and Guangzhou, or considering joint ventures with, or the acquisition of, local developers in other cities and areas. Entering into joint ventures with local developers allows the Group to leverage off local knowledge and experience, and to reduce risk. The Group believes that its investment in Fund I has also provided it with the opportunity to increase its goodwill, reputation and experience in the PRC market, and that its investment in Fund II will continue to expand on this opportunity. The Group also aims to use this investment to enhance market confidence in its capabilities as an integrated property developer in the PRC. Over the long-term, the Group intends to build up a portfolio of commercial properties in first-tier cities in the PRC in order to generate stable recurring income.

Through these efforts, the Group believes it can take advantage of growth opportunities in Hong Kong, the PRC and overseas to further broaden its revenue base.

### ***Disciplined and prudent approach in growth and management of land bank***

The Group intends to continue to acquire new land bank and properties in a cost conscious and prudent manner to enhance the profitability of its development projects. In Hong Kong, the Group continuously monitors and seeks out sources to grow its land bank, such as public auctions and tenders, tendering for development projects offered by the Urban Renewal Authority (“URA”) and the MTR Corporation (“MTR”), private land sales, acquisitions of old buildings for redevelopment purposes, and acquisitions of other property development companies. The Group has a dedicated team for this purpose. The Group also possesses the capability to acquire urban sites through the assembly of fragmented titles in existing old buildings. When a potential site is identified, the Group carries out detailed feasibility studies to assess risk and profitability. This has allowed the Group to minimise the costs at which it acquires properties while ensuring that its land bank is maintained at a sufficient volume to support the Group’s development activities. The Group may also seek to minimise its exposure to any single property development project by entering into joint ventures with other major property developers.

### ***Enhance the Group’s brand recognition by leveraging value-added products and services***

The Group intends to continue to enhance the “Nan Fung” brand by delivering high quality products and maintaining its high standard of after-sales and property management services. The Group regards property management as an integral part of its business and intends to leverage property management to enhance the reputation and brand recognition of the Group. The Group aims to achieve this through sound and proactive management of both Group and third party properties. The Group is also developing the “D’Home” brand for use with luxury furnished apartments held for leasing with customised services, to increase its presence in the high-end property market. The “D’Home” brand has been established with an emphasis on comfort, quality, and versatility to meet the requirements of the luxury market.

### ***Focus on maintaining stable cash flows to offset cyclical nature of property development business***

The Group intends to maintain an appropriate investment and rental property portfolio mix in Hong Kong, the PRC and the UK which will enhance its recurring income stream, by retaining for leasing purposes a number of developed properties that are either centrally located or are otherwise in areas of relative scarcity and high demand such as the Mid-Levels or the South side of Hong Kong Island, and aims to continue to grow its portfolio in these areas. The Group may also acquire existing properties with turnaround plans via alteration and addition for release in particular niche markets when such opportunities become available. The Group holds an exhibition centre in Guangzhou and two hotels, one in Hong Kong and one in Guangzhou, all of which have helped to add to the Group’s ongoing recurring income. The Group’s sales or investment strategy, to focus on short-term profit or long-term assets value, is periodically reviewed to align with the Group’s financial objectives and the market outlook. The completed properties for investment of the Group in Hong Kong amounted to approximately 2.3 million sq.ft. in total attributable GFA as at 31 March 2020. This business segment continues to be a key source of recurring stable income for the Group. The Group also intends to add new investment properties in prime locations, while maximising the occupancy levels and efficiency of its rental portfolio. The Group expects that the rental income from the investment and rental property portfolio will continue to provide a stable and recurring income base to the Group.

### ***Maintain financial prudence through active management of a liquid financial investment portfolio***

The Group has maintained a financial investment portfolio, which consists of liquid investments diversified across various asset classes. The Group’s strategy involves investing globally in assets and strategic investments that offer reasonable valuation with solid long-term underlying businesses and good long-term potential. The Group aims at searching for investment opportunities that have an intrinsic value higher than their trading prices, see “Description of the Group — Financial Investment”.

## **Competitive Strengths**

The Group believes it has the following competitive strengths:

### ***Proven track record of successfully identifying, acquiring quality land bank and developing prime sites***

The Group has consistently been able to identify, acquire and develop prime sites for both city-core commercial developments and integrated residential communities. Many of the Group's commercial development projects are either within urban areas or along transportation hubs in new towns, and many of its residential properties are located near public transportation hubs. The Group believes that its track record of securing and developing conveniently located prime sites is largely attributable to the extensive market research that the Group conducts and its management team's valuable experience and capabilities. Through this process, the Group believes it gains important insights into the particular land parcels in which it is interested and the development plans of the relevant authorities.

The Group believes this increases its chances of successfully obtaining the land in the subsequent auction or tender process. The Group also possesses the capability to acquire urban sites through the assembly of fragmented titles of existing old buildings. This is evidenced by the Group's acquisition of all 100 fragmented titles of an old residential building in Chai Wan within a year, which is a record in the industry.

The Group has a strategic, quality land bank which it believes includes attractive development locations. The Group acquires land for future development in areas where it believes the land will appreciate in value, such as developing urban areas and other areas with substantial government investment in infrastructure support. Through developments such as the Airside, Kai Tak in East Kowloon (an integrated commercial project comprising mostly Grade A offices with retail component) and The Quayside in Kwun Tong (a Grade A commercial building under development along the Kowloon East Central Business District Harbourfront), the Group believes it has positioned itself to benefit from the Hong Kong government's plan to develop the East Kowloon Kai Tak area as an additional commercial central area of Hong Kong and cruise terminal, and hence benefit from the continued growth of Hong Kong as an international financial and offshore Renminbi centre and tourist centre.

The Group believes that its knowledge of the property development business cycle and its connections in the market in Hong Kong provides it with opportunities to acquire quality sites during a market downturn. Due to the expertise of its management team, the Group believes it has been able to acquire much of its land bank at reasonable prices.

### ***Ability to compete effectively***

The Group competes with other property developers in Hong Kong and in the PRC for the acquisition of suitable development sites and available investment properties. Although the Group has a number of strategic joint venture arrangements with certain of its competitors, such arrangements are typically project-based only and do not restrict them from competing on other project developments. Nan Fung believes that its extensive cumulative experience in property investment, development, leasing and management enables it to compete effectively with its competitors. Furthermore, Nan Fung believes that its strategy of assessing cost against expected yield, the development of working relationships with local governments and industry participants, its continuous focus on the development of quality properties and the provision of premium customer service will continue to enable it to maintain its reputation as a developer and landlord of quality properties.

### ***Integrated business model***

The Group operates a comprehensive vertically integrated property business and maintains an in-house property development team of professionals including registered architects, professional planners, urban designers, professional engineers, interior designers, chartered builders and surveyors. This allows the Group to oversee

and largely perform all aspects of its development operations, including the selection and purchase of sites, the preparation of feasibility studies, the obtaining of government approvals for zoning and modifications, the design and management of development projects, the marketing, leasing and management of completed projects, and property financing. This also provides the Group with flexibility to control the timing of capital expenditure at different points of market cycles, and to control quality while minimising costs.

### ***Stable and recurring income base from its financial investment portfolio, property rentals and property management***

The Group maintains a substantial financial investment portfolio. The primary goal of this strategy is to maintain liquidity and generate stable dividend and interest income (see “*Description of the Group — Financial investment*” below), with dividend income from investments and interest income from debt and convertible securities amounting to HK\$1,412 million for the year ended 31 March 2020 (HK\$687 million for the year ended 31 March 2019). The Group has a portfolio of quality investment and rental properties with a stable and recurring income base providing gross rental income of HK\$1,561 million for the year ended 31 March 2020 (HK\$1,537 million for the year ended 31 March 2019). Attributable rental income from joint venture rental projects amounted to HK\$324 million for the year ended 31 March 2020 (HK\$242 million for the year ended 31 March 2019). The Group also manages 79 properties with a total GFA of 28 million sq.ft. as of 31 March 2020 (82 properties with a total GFA of 29 million sq.ft. as of 31 March 2019), which provides a stable recurring property management fee income of HK\$289 million for the year ended 31 March 2020 (HK\$283 million for the year ended 31 March 2019) (see note 6 to the Guarantor’s audited consolidated financial statements for the year ended 31 March 2020 set out herein for further details). Other than the aforementioned, the Group’s joint-venture rental projects also provide it with stable and recurring income. This stable recurring income base reduces the potential volatility in the Group’s financial results which are associated with property development, whilst providing a liquidity buffer to reduce the effect of financial downturns and other adverse events on the Group’s operations (as described below). The Group usually has approximately one-third of its tenancy agreements up for renewal each year and this has helped the Group to avoid the concentration of rent renewal dates during any one particular period of a financial year, whilst also providing the Group with opportunities to adjust rentals to reflect prevailing market rates. As a result, property rentals have shown resilience through downturns, complementing the recurring cash flow streams from net rental income and property management.

### ***Substantial liquidity buffer***

The Group’s stable recurring income base, and in particular its financial investment portfolio, provides a substantial liquidity buffer to the Group and allows it to maintain strong cash flows despite adverse economic events such as the Asian financial crisis in 1997, the SARS outbreak in 2003 and the global credit and financial crisis in 2008. The availability of a consistent and diversified cash flow stream allows the Group to weather the cyclical nature of the Group’s property development business, and take advantage of new opportunities even in market downturns. The Group also has the benefit of a material liquidity buffer from its undrawn banking facilities. As at 31 March 2020, the Group had total undrawn banking facilities amounting to HK\$19,381 million (HK\$17,954 million as at 31 March 2019).

### ***Strategic partnerships with property market players***

The Group has entered into strategic partnerships and joint ventures with established property developers in Hong Kong and the PRC. In Hong Kong, the Group has existing or completed joint ventures with Wheelock, Cheung Kong, Wing Tai, Sino Land, K.Wah, Henderson Land, Sun Hung Kai Properties, HKR International and LINK REIT. In the PRC, the Group’s strategic partners include Shanghai Industrial Urban Development Group Limited, a Hong Kong listed company (stock code 0563.hk), held by Shanghai Industrial Holding Limited, a Hong Kong listed company (stock code 0363.hk).

The Group's strategic partnerships and joint ventures with established property developers based in Hong Kong and the PRC have enabled the Group and its partners to acquire projects at a reasonable cost with reduced financial risk, to capture successfully new business opportunities in new markets and to enhance its ability to develop commercial and investment properties. The Group has capitalised on synergies by working closely together with its strategic partners.

#### ***Strong corporate governance and internal controls***

The Group is committed to maintaining good standards of corporate governance and has its own code which provides the framework for its corporate governance policies and practices. This includes internal controls to manage the risk of conflicts and to review potential substantial transactions. The Group also has in place an enterprise risk management framework and internal controls to identify and mitigate significant business risks.

#### ***Experienced and stable management team***

The Group has dedicated and experienced senior management who have achieved a consistent track record of success in the real estate and financial investment sectors in Hong Kong and are building a strong reputation in the PRC. The management team has a detailed understanding of the real estate markets in both Hong Kong and the PRC, and the majority of the Group's senior management team have over 20 years of experience in their fields. Their in-depth knowledge of the markets means that Nan Fung is able to identify market trends and formulate strategies which are in the best interests of the Group.

#### ***Strong customer focus and reputable brand name***

The Group believes that the success of its projects has been largely due to its ability to interpret and respond to customers' tastes and preferences. The Group's focus on customer satisfaction begins with its market research team, which works closely with its experienced senior management to study the potential of individual sites the Group seeks to acquire, and their ultimate appeal and value to prospective buyers. During the design phase, the Group's project management team works closely with its market research and sales teams to identify the key features that customers desire and incorporates them into the design.

The Group's customer-centric culture is further evidenced by its emphasis on delivering a quality product. This is achieved through the Group's own engineering and project management teams, allowing the Group to maintain close supervision and control to ensure quality construction. At project completion, the Group conducts its own quality checks in addition to the mandatory inspections by government agencies.

Furthermore, the Group's attention to detail and customer satisfaction extends beyond the completion of its projects through its comprehensive after-sales and property management services. The Group believes its customer-oriented culture has made its residential property sales popular in the market.

The Group believes that its customer focus and quality products have also enabled it to build "Nan Fung" into a reputable and well-recognised brand in Hong Kong and other areas where it has operations.

#### ***Conservative capital structure and diversified sources of funding***

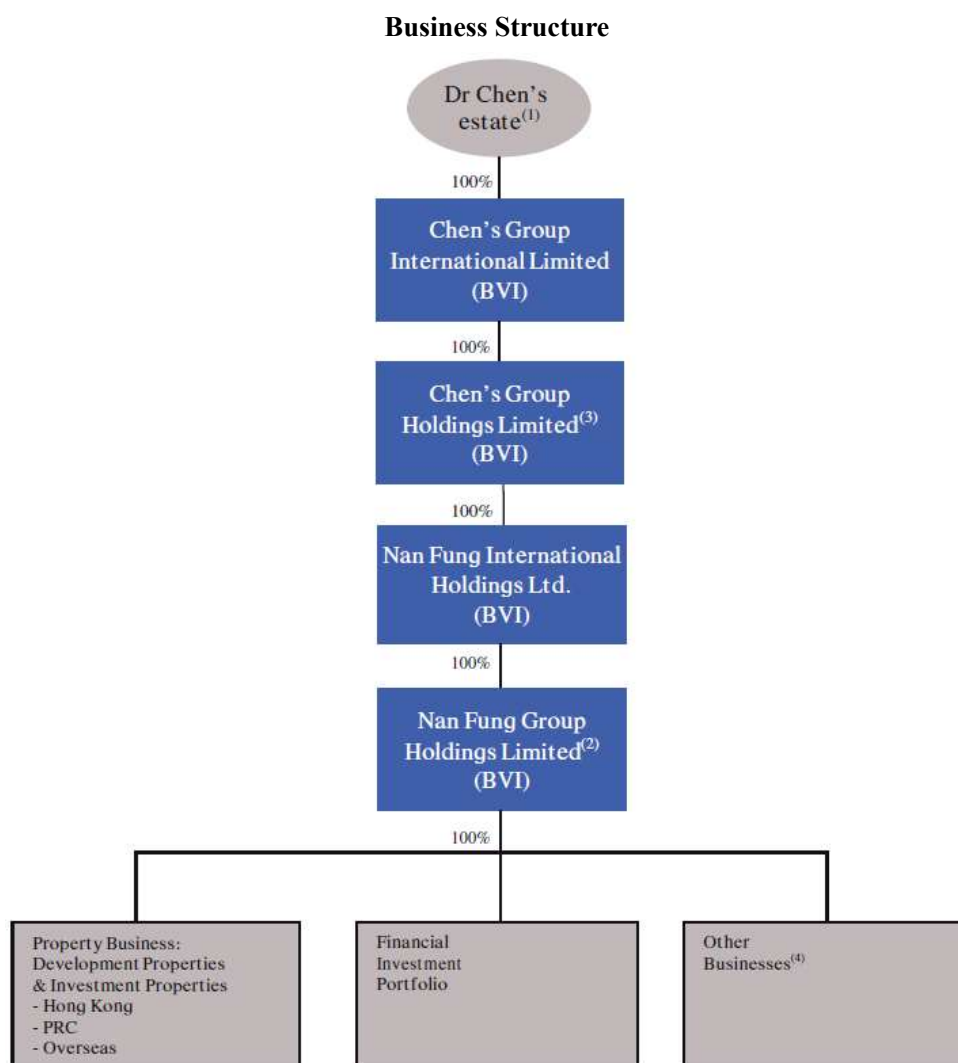
The Group adopts a conservative approach to financing which allows the Group to adopt a prudent approach to property development. As at 31 March 2020, the Group had a net debt to owners' equity ratio of 15.8 per cent. This provides the Group with the flexibility to wait for optimal conditions to commence development or to sell properties, allowing it to maximise the price obtained on sales and to stagger its developments over property cycles. In addition, with its strong financial and credit profile, Nan Fung has been able to obtain bank loan financing at terms which are in line with those offered to other large developers in Hong Kong. Nan Fung has expanded its exposure to external funding, allowing it to diversify its funding sources and lengthen its maturity profile. These factors enable Nan Fung to maintain what it believes is a strong balance sheet with a high and increasing level of liquidity.

### Recent Development

Based on the information available to the Group, as a result of the ongoing COVID-19 situation and market conditions, since 31 March 2020 there have been a lower contribution from property sales revenue and hotel revenue as compared to the same period in 2019, which are partially offset by the increase in the Group's income from its financial investment. Subject to market conditions and if the foregoing circumstances relating to the Group's financial performance continue into the second half of 2020, there could be a material reduction to the Group's profit for the six months ending 30 September 2020, as compared to the same period in 2019.

### Business

The following sets forth an overview of the Group's organisational structure showing its principal functional units and business activities as at the date of this Offering Circular:



Notes:

- (1) For information regarding the ownership of Nan Fung as at the date of this Offering Circular, see “*Shareholders, Directors' Interests and Related Party Transactions*”.
- (2) Nan Fung Group Holdings Limited was known as Chen's Holdings Limited prior to 25 July 2012.
- (3) Chen's Group Holdings Limited was incorporated on 29 August 2014.

- (4) Other businesses include hospitality, construction business, property management, warehouse business and life sciences investments.

The following tables set forth the revenues and results for the business segments of the Group for the years indicated:

	<b>For the year ended 31 March</b>	
	<b>2020</b>	<b>2019</b>
	<i>(HK\$ million)</i>	
<b>Property Business — Hong Kong</b>		
— Revenue .....	3,285	11,440
— Results <sup>(1)</sup> .....	257	3,446
<b>Property Business — PRC and overseas</b>		
— Revenue .....	1,292	1,405
— Results <sup>(1)</sup> .....	268	1,046
<b>Financial Investment</b>		
— Revenue .....	1,412	687
— Results <sup>(1)</sup> .....	916	189
<b>Corporate, treasury and other operations</b>		
— Revenue .....	—	—
— Results <sup>(1)</sup> .....	(29)	(36)
<b>Total (after inter-segment elimination)</b>		
— Revenue .....	5,989	13,532
— Results <sup>(1)</sup> .....	1,412	4,645

Note:

- (1) Before finance income & expenses, and taxation.

The following table sets forth the Group's share of results of its associated companies (those over which the Group may exert influence through representations on the board of directors of such companies) and joint ventures (those over which the Group exercises joint control along with its partners pursuant to contractual arrangements), by business segments for the years indicated:

	<b>For the year ended 31 March</b>	
	<b>2020</b>	<b>2019</b>
	<i>(HK\$ million)</i>	
Share of results of joint ventures .....	422	1,517
— HK Properties .....	689	2,042

	<b>For the year ended 31 March</b>	
	<b>2020</b>	<b>2019</b>
	<i>(HK\$ million)</i>	
— PRC Properties.....	(267)	(522)
— Others.....	—	(3)
Share of results of associates.....	(16)	513
— HK Properties .....	(166)	431
— PRC Properties.....	163	100
— Others.....	(13)	(18)

## Property Development and Investment

### Hong Kong and Macau

#### *Properties For Sale (“PFS”)*

The Group’s core business is the development and sale in Hong Kong of residential and commercial properties, including retail and office space, along with a small number of industrial properties. The Group is an established property developer in the Hong Kong market, with a track record of 175 projects since 1965.

The Group operates a comprehensive, vertically integrated, property business, which covers all principal stages from acquisition (which may include land use conversion), through to marketing and property management, with or through its various subsidiaries and affiliates, helping the Group to control costs, quality and scheduling. The Group is able to oversee and largely perform all aspects of its development operations, including the selection and purchase of sites, the preparation of feasibility studies, the obtaining of government approvals for zoning and modifications, the design and management of development projects, the marketing, leasing and management of completed projects, and mortgage financing.

As at 31 March 2020, the Group had a land bank available for development of approximately 393,000 sq.ft. in Hong Kong and PFS with an attributable GFA of approximately 2.3 million sq.ft. in Hong Kong and Macau. Sales of property in Hong Kong historically have been a significant source of the Group’s operating profits.

For the years ended 31 March 2020 and 2019, the Group’s revenue from sales of properties was HK\$2,219 million and HK\$10,451 million, respectively. Revenue from sales of properties under joint-venture projects amounted to HK\$1,687 million and HK\$4,730 million for the years ended 31 March 2020 and 2019 respectively.

For the year ended 31 March 2020, attributable contracted sales achieved by the Group in Hong Kong and Macau was approximately HK\$6.9 billion.

The typical development cycle for vacant land in Hong Kong from acquisition of the site and preparation of architectural plans to expected completion date is approximately three to five years. However, if there is a variance of land usage required, the process may take longer and may involve the payment to the government of substantial land premiums in connection with the modification of the land use restrictions. The development cycle for urban property may also be longer, since such sites generally are not vacant and frequently contiguous multiple sites or separate units within a site must be assembled before development can begin.

In general, the Group’s practice is to pre-sell its developments before completion and the granting of occupation permits by government authorities in order to improve liquidity and reduce market risk. Revenues and profits

from such sales are only recognised on the transfer of risks and ownership. Deposits and instalments received on properties sold prior to their completion are included in current liabilities.

The table below sets out the Group's major PFS projects in Hong Kong and Macau as at 31 March 2020:

<u>Project name and location</u>	<u>Approximate Site area</u> (sq.ft.)	<u>Approximate GFA</u> (sq.ft.)	<u>Land use purpose</u>	<u>Group's equity interest</u> (%)	<u>Approximate Attributable GFA</u> (sq.ft.)	<u>Expected Completion Date/ Completion Date</u>
<b>COMPLETED</b>						
1 Mount Nicholson, Mount Nicholson Road, The Peak.....	251,000	83,000	Residential	50	41,000	September 2016
2 La Cresta, Kau To.....	64,000	18,000	Residential	50	9,000	December 2017
3 One Oasis .....	365,000	478,000 <sup>(1)</sup>	Residential	17	81,000	2015
4 Island Garden, Shau Kei Wan .....	57,000	22,000	Residential	100	22,000	February 2019
5 Ori, Tuen Mun.....	33,000	33,000	Commercial	75	25,000	December 2018
6 Deep Water Bay Drive, Shouson Hill ...	110,000	116,000	Residential	85	99,000	July 2018
7 Others.....	N/A	11,000 <sup>(1)</sup>	N/A	N/A	2,000	N/A
<b>Sub-total</b>					<u>279,000</u>	
<b>UNDER DEVELOPMENT</b>						
1 LP6, Tseung Kwan O	147,000	1,474,000	Residential	60	885,000	2020
2 LOHAS Park (Package 10), Tseung Kwan O..	86,000	812,000	Residential	100	812,000	2022
3 One Oasis, Macau.....	195,000	1,259,000 <sup>(1)</sup>	Residential	17	214,000	2020
4 Chai Wan Project.....	11,000	151,000	Industrial	50	76,000	2024
<b>Sub-total</b> .....					<u>1,987,000</u>	
<b>Total</b> .....					<u>2,266,000</u>	

Note:

(1) Representing saleable floor area (SFA).

Set forth below is a brief description of selected PFS projects:

#### *Mount Nicholson, The Peak*

In July 2010, a joint venture between the Group and the Wheelock group acquired a site at Mount Nicholson in a government auction for HK\$10.4 billion. The site is a rare large-scale residential site in the upmarket Peak area overlooking the Victoria Harbour, Happy Valley and Wanchai. The Group developed the site into 48 high-end apartment units and 19 houses. The Group holds a 50 per cent. interest in the project and the project was completed in September 2016.

#### *Island Garden, Shau Kei Wan*

In 2011, the Group acquired 100 per cent. interest of the Island Gardens, a residential building of ex-Civil Servants' Cooperative Building Societies, for redevelopment purpose. In July 2015, the Group agreed to a lease modification for GFA relaxation with the HKSAR Government at a land premium of approximately HK\$3 billion. The site area is approximately 57,000 sq.ft. and the total GFA is approximately 458,000 sq.ft. after the GFA relaxation. It was developed into 470 residential units and completed in February 2019.

#### *La Cresta, Kau To*

On 1 August 2013, the Group won a tender for a parcel of land at Sha Tin Town Lot No. 563, Area 56A, Kau To, Sha Tin, jointly with HKR International Limited through a 50:50 joint venture company at a consideration

of HK\$1,220 million. The parcel of land has an aggregate site area of 64,000 sq.ft. and an anticipated GFA of approximately 134,000 sq.ft. The site comprised of 48 high-end apartment units and 13 houses which was completed in December 2017.

#### *LP6, Tseung Kwan O*

On 20 January 2015, the Group won the tender to develop MTR Corporation's LOHAS Park Package Six residential project in Tseung Kwan O with a 60 per cent. equity. SOL holds the remaining 40 per cent. equity interest. Total land premium was HK\$3,345 million and the development will produce 2,392 units with total GFA of approximately 1,474,000 sq.ft. Completion is expected in 2020.

#### *LOHAS Park (Package 10) Project*

On 9 March 2016, the Group won the tender to develop MTR Corporation's LOHAS Park Package Ten residential project in Tseung Kwan O with a total land premium of HK\$1,659 million. The development will have up to 893 units with total GFA of approximately 812,000 sq.ft. Completion is expected in 2022.

#### *8 Deep Water Bay Drive, Shouson Hill*

On 30 May 2012, the Group won a government tender for a parcel of land at No. 8-12, Deep Water Bay Drive (RBL 1190), Shouson Hill, Hong Kong at a consideration of HK\$6 billion. The Group holds an 85 per cent. interest in the project and develop the site into 52 high-end apartment units and two deluxe houses, among which six special units are intended to be held for investment purposes. The development was completed in July 2018.

#### *Land bank in Hong Kong*

As at 31 March 2020, the Group had a land bank in Hong Kong of approximately 393,000 sq.ft. available for development.

The Group believes that, by means of a combination of existing methods of replenishing the land bank such as public auctions and tenders, tendering for development projects offered by URA and MTR and private land sales and the acquisition of development land in the secondary market, the Group's land bank will continue to be sufficient to satisfy its development plans in Hong Kong.

#### ***Investment Properties***

The investment properties of the Group in Hong Kong and Macau amounted to approximately 4.2 million sq.ft. in total attributable GFA as at 31 March 2020. The Group's revenue for the years ended 31 March 2020 and 2019 from gross rental income from its investment properties and other properties amounted to HK\$1,561 million and HK\$1,537 million, respectively, comprising 26 per cent. and 11 per cent. of the Group's revenue, respectively. Rental income represents the aggregate rental received from the Group's investment properties and properties for sale. Most of the completed investment properties are managed by the property management arm of the Group: Hon Hing Enterprises Limited, Main Shine Development Limited, Vineberg Property Management Limited and New Charm Management Limited.

The completed investment properties consist mainly of residential properties, office, commercial and hotel buildings. The leases the Group has granted are typically for two to three years for office tenants occupying relatively small commercial floor space and longer lease periods of up to ten years for those tenants occupying commercial and relatively large office floor space. The Group does not have any firm policy or practice in relation to rent reviews or adjustments, preferring to be flexible on such matters after assessing market demand and supply conditions for the relevant property.

In accordance with IFRS, the Group values its investment properties at every reporting balance sheet date at their fair market value based on an independent professional valuation. Any change in the valuation is charged or credited, as the case may be, to the consolidated income statement. The Group's financial performance is

therefore subject to fluctuation from period to period in light of the movements in property value in Hong Kong, which has been cyclical in the past and could result in a significant accounting profit or loss for the Group.

The Group's rents are generally quoted in square feet per lettable area or gross area. In most cases, the rents quoted by the Group do not include property management charges and government rates payable by its tenants.

The Group's major completed investment properties in Hong Kong have recorded an overall occupancy rate of approximately 90 per cent.<sup>(1)</sup> as at 31 March 2020.

The following table shows the Group's attributable holdings of major investment properties, completed and under development, in Hong Kong as at 31 March 2020:

	<b>Attributable GFA</b>	<b>Carrying Value</b>
	(%)	(%)
Residential.....	5	10
Office .....	46	51
Commercial.....	39	36
Hotel.....	8	2
Industrial & Godown .....	1	-
Others.....	1	1
	<u>100</u>	<u>100</u>

Note:

- (1) The overall occupancy rate of major investment properties has not included those of commercial portions with less than 50 per cent. ownership.

The following table shows the Group's major investment properties in Hong Kong as at 31 March 2020:

<b>Project name and location</b>	<b>Purpose</b>	<b>Government Lease term</b>	<b>Approximate GFA</b>	<b>Group's interest</b>	<b>Approximate Attributable GFA</b>
			(sq.ft.)	(%)	(sq.ft.)
<b>COMPLETED</b>					
1 Nan Fung Tower, Central <sup>(1)</sup> ..	Office	999 years from 29/06- 14/10/1903	230,000	100	230,000
2 Nan Fung Tower, Central <sup>(1)</sup> ..	Commercial	29/06- 14/10/1903	66,000	100	66,000
3 33-49 Des Voeux Road West, Sai Ying Pun.....	Office & Commercial	999 years from 29/09/1900	144,000	100	144,000
4 The Quayside.....	Office & Commercial	50 years from 23/02/2015	899,000	40	360,000

Project name and location	Purpose	Government Lease term	Approximate GFA	Group's interest	Approximate Attributable GFA
			(sq.ft.)	(%)	(sq.ft.)
5 Tseung Kwan O Plaza .....	Commercial	From 21/03/1997 to 30/06/2047	376,000	100	376,000
6 Ma On Shan Centre .....	Commercial	From 24/05/1991 to 30/06/2047	96,000	100	96,000
7 Richwood Park, Tai Po .....	Commercial	From 18/05/1992 to 30/06/2047	16,000	50	8,000
8 The Mills .....	Others <sup>(4)</sup>	From 10/07/1993 to 30/06/2047	258,000	100	258,000
9 Courtyard by Marriott Hong Kong Sha Tin — Hotel Portion <sup>(2)</sup> .....	Hotel	From 17/04/1997 to 30/06/2047	326,000	100	326,000
10 Courtyard by Marriott Hong Kong Sha Tin — Commercial Portion <sup>(2)</sup> .....	Commercial	From 17/04/1997 to 30/06/2047	24,000	100	24,000
11 Deep Water Bay Drive, Shouson Hill .....	Residential	50 years from 03/07/2012	85,000	85	72,000
12 80 Robinson Road, Mid-Levels <sup>(1)</sup> .....	Residential	999 years from 25/06/1859	43,000	100	43,000
13 Fortuna Court, Repulse Bay <sup>(1)</sup> .....	Residential	75 years, renewable for 22/11/1937 75 years from	31,000	100	31,000
14 Grand Garden, South Bay .....	Residential	75 years, renewable for 08/06/1982 75 years from	40,000	100	40,000
15 Queen's Cube, Wanchai .....	Residential & Commercial	50 years from 20/04/2007	45,000	100	45,000

<b>Project name and location</b>	<b>Purpose</b>	<b>Government Lease term</b>	<b>Approximate GFA</b> <i>(sq.ft.)</i>	<b>Group's interest</b> <i>(%)</i>	<b>Approximate Attributable GFA</b> <i>(sq.ft.)</i>
16 Cheung Fung Industrial Building, Tsuen Wan .....	Industrial	99 years from 01/07/1898(3)	28,000	100	28,000
17 Well Fung Industrial Building, Kwai Chung <sup>(1)</sup> .....	Industrial	99 years from 01/07/1898(3)	7,000	100	7,000
18 Others .....	N/A	N/A	497,000	N/A	163,000
<b>Sub-total</b> .....					<b>2,317,000</b>
<b>UNDER DEVELOPMENT</b>					
1 Airside, Kai Tak .....	Office, Commercial & Others	50 years from 28/06/2017	1,911,000	100	1,911,000
<b>Sub-total</b> .....					<b>1,911,000</b>
<b>Total</b> .....					<b>4,228,000</b>

Notes:

- (1) The property is classified as PFS under existing accounting treatment.
- (2) The property is classified as property, plant and equipment under existing accounting treatment.
- (3) The lease term had been automatically extended for a further term of 50 years to 30 June 2047 pursuant to the New Territories Leases (Extension) Ordinance.
- (4) The intended purpose is for development of an incubation centre and for commercial use.

### ***Selected investment properties projects in Hong Kong***

#### ***Nan Fung Tower***

Nan Fung Tower is located in Des Voeux Road Central, Hong Kong Island, and is easily accessible by established transport networks including MTR, ferry piers and the airport express railway. This Grade A office building provides a flexible space system for office layout and subdivision, panoramic views of Victoria Harbour and double glass windows to provide a quiet working environment. The tower also includes a few floors of podium and basement for commercial use. Following a refurbishment that was completed in 2015, the occupancy rate reached 99 per cent. as at 31 March 2020.

#### ***33-49 Des Voeux Road West***

33-49 Des Voeux Road West is an iconic commercial complex situated in the heart of the Central and Western District, one of the fastest-gentrifying areas in Hong Kong and with a high concentration of galleries, cafes and boutique hotels. This area is well-served by a wide range of public transportation including buses, minibuses, trams and taxis which are readily available along Des Voeux Road West, with an MTR station only a few minutes' walk away.

The property is a 27-storey commercial complex with retail, dining, entertainment, and office space, and has a total GFA of 144,000 sq.ft. The occupancy rate was 100 per cent. as at 31 March 2020.

### *The Quayside*

On 27 January 2015, the Group won a tender for a parcel of land at 77 Hoi Bun Road, Kowloon Bay Action Area with a 40 per cent. equity interest. The Link Real Estate Investment Trust holds the remaining 60 per cent. equity interest.

The Quayside is a new grade A office-cum-commercial development situated in the Kowloon Bay Action Area with a total GFA of approximately 899,000 sq.ft. The occupancy rate was 78 per cent. as at 31 March 2020.

In line with the Government's Energizing Kowloon East policy, this development endeavours to contribute to building a sustainable community and to provide a balance between optimal user experience and community engagement. Its harmonic design strives to encompass commercial prestige as well as environmental consciousness. Input from the Group, designers, as well as members of the community contributed to the integrated design approach that helps to achieve these goals.

A key feature of the development is the public podium garden which provides a tranquil venue for outdoor relaxation. A jogging track and facilities for stretching and exercising have been constructed, thereby reinforcing the development's role as an urban oasis and a community hub.

As a local pioneer in sustainability, the development has been pre-certified under the highest level of world-wide renowned sustainable frameworks, including LEED-CS Pre-certification Platinum, BEAM Plus Provisional Platinum and WELL-CS Pre-certification Gold. The WELL Building Standard is a performance-based system for measuring, certifying and monitoring features of the built environment that impact human health. The development's environmental features result in low energy consumption and low carbon emissions, thus ensuring the development's long-term sustainability. These environmental features include the use of sophisticated green technologies as well as passive design strategies, such as landscaping and the use of shading devices to maximise views and natural light. The development was awarded the MIPIM Asia Awards 2019 Best Green Development – Gold Winner.

### *The Mills*

The Mills project transformed the Group's former textile factory located in Chai Wan Kok, Tsuen Wan into a new global destination which comprises of techstyle (intersection of textile and technology) innovation, incubation, experimental retail, as well as textile-related art and culture. With the government re-zoning of the area from industrial use to other uses, the development transformed three buildings of the former Nan Fung Textiles into a single coherent complex with a museum-quality gallery, business incubator, retail space and food and beverage space with a GFA totaling approximately 258,000 sq.ft. The occupancy rate was 97 per cent. as at 31 March 2020. The project, in which the Group has 100 per cent. equity interest, is in line with the Group's focus on environmental sustainability and has achieved LEED gold pre-certification in Core and Shell Development. Other sustainability measures include initiating green leases for tenants, landscaping, energy reduction, rooftop farming and setting up an on-site food decomposer.

The Group's goal for The Mills is for it to become a platform for catalytic exchanges, so as to inspire and grow a new generation of entrepreneurs. The Group hopes that companies and individuals which are grateful for the opportunities that Hong Kong has offered to them can give back to the community by re-investing in the creativity and entrepreneurial spirit of its people.

The development was awarded the RICS Awards Hong Kong 2019 Refurbishment/Revitalisation Team of the Year (Winner), the Hong Kong Institute of Architect - Cross-Strait Architectural Design Award 2019 (Merit), Medal of the Year of Hong Kong 2019, and the Special Architectural Award – Heritage & Adaptive Re-use 2019.

### *Tseung Kwan O Plaza Shopping Mall*

As an integral part of the large scale residential project of Tseung Kwan O Plaza developed by the Group in 2004, the shopping mall provides the Group with an attributable GFA of 376,000 sq.ft. of commercial area and 301 car park spaces. Eight residential towers with 2,880 residential units sit above the shopping mall, and the mall is centrally located among various residential estates in Tseung Kwan O, with direct connection to the MTR station and a public transport interchange. Three phases of renovation were completed at the end of 2015. The occupancy rate was 99 per cent. as at 31 March 2020.

### *Ma On Shan Centre*

Ma On Shan Centre is a shopping and commercial centre with a GFA of 96,000 sq.ft. and 210 car parking spaces. The centre is located next to the MTR station at Ma On Shan and is surrounded by numerous residential estates. It also contains a number of education and recreation centres for children and teenagers, catering for all daily necessities of the surrounding residents. The occupancy rate was 97 per cent. as at 31 March 2020.

### *80 Robinson Road*

80 Robinson Road was built in 2001 and is located in the Mid Levels, Hong Kong Island with easy access to Central and Soho as well as a number of schools ranging from kindergarten to The University of Hong Kong. A number of the apartments have panoramic views of Victoria Harbour, and the building contains two clubhouses for the use of residents, with facilities including a bowling alley, dance room, gymnasium, squash court and an indoor thermostatic swimming pool with a jacuzzi. Typical apartments range in size from approximately 865 sq.ft. to 2,356 sq.ft. (saleable floor area). Occupancy rate for the Group's units in 80 Robinson Road was approximately 94 per cent. as at 31 March 2020.

### *Airside, Kai Tak*

On 31 May 2017, the Group won the tender for a commercial site at the former Kai Tak airport from the Lands Department for HK\$24.6 billion. The site is located close to a future MTR station, part of the Shatin-Central Link which is scheduled to open by 2021. The site is expected to yield a total gross floor area of 1.91 million sq.ft. The Group intends to develop an integrated commercial project on the site, comprising mostly Grade A offices and a retail area. The project is expected to complete by 2022.

The development was recently awarded the International WELL Building Institute WELL Building Standard – Multifamily Residential – Platinum Precertification (2019), as well as the HK Green Building Council - BEAM Plus New Building v1.2 – Provisional Platinum (2020).

### *Other Furnished Residential Apartments under D'Home*

The Group expanded its residential portfolio in 2011 with the addition of approximately 88 furnished apartments in Queen's Cube, Wanchai, Hong Kong Island.

The Group is also developing the "D'Home" brand for use with luxury furnished apartments held for leasing with customised services. The "D'Home" brand has been established to focus on comfort, quality, and versatility to meet the requirements of the luxury market, providing for short-term tenancies as well as for furnished homes and optional amenity service. As at the date of this Offering Circular, the "D'Home" branding is being applied to furnished apartments in Queen's Cube and is to be extended to furnished apartments in other properties situated in central locations in a select number of neighbourhoods on the basis of market response. The occupancy rate of D'Home in Queen's Cube was 57 per cent. as at 31 March 2020.

### ***Hotel business in Hong Kong***

The Group successfully completed its first hotel project, Courtyard by Marriott Hong Kong Sha Tin, in 2013. Courtyard by Marriott Hong Kong Sha Tin, with a GFA of 350,000 sq.ft., is a 524-room hotel at 1 On Ping Street, on the bank of the Shing Mun River in Sha Tin. The site is within walking distance of the MTR Shek

Mun Station, and is in close proximity by car to Tsim Sha Tsui. The hotel offers 5 room types, ranging from standard rooms and executive suites, to deluxe suites, to cater for both travellers and business patrons. The hotel also offers a wide range of facilities, including one of the largest banquet ballrooms in Sha Tin, which will cater for approximately 430 people and will be available for use by both private parties and business meetings, and a large outdoor landscaped deck with swimming pool. The podium floors of the hotel house a variety of restaurants and shops, providing convenience to hotel guests. The top floor was renovated to add a new bar/lounge and eight meeting rooms in July 2015 to the existing executive lounge to provide premium services to hotel guests and business clients. The development was awarded “Best New Hotel Construction and Design, Hong Kong” at the 2012 International Property Awards Asia Pacific in association with HSBC. It also achieved the Platinum Rating of Final Assessment under the New Buildings (4/04 Version) of the HK-BEAM Society.

## **PRC**

Since 2005 the Group has undertaken a prudent programme of expansion into the PRC. The Group’s plan is to continue to increase its investment in the PRC gradually with the long-term goal of building a commercial property portfolio comprising prime offices and retail space located in first-tier cities.

### ***PFS in the PRC***

As at 31 March 2020, the total attributable GFA of the Group’s PFS in the PRC amounted to 1,000 sq.m., consisting of one completed property project in Wuxi in the PRC.

### ***Investment properties in the PRC***

The Group’s investment properties portfolio mainly consists of properties located in the first-tier cities of Shanghai and Guangzhou. The Group completed The Place, Guangzhou, which is an office and commercial complex with an attributable GFA of 75,000 sq.m. in 2012. In the second half of 2013, the Group completed the Nan Fung International Convention and Exhibition Centre and Langham Place, Guangzhou, an exhibition centre and hotel with an attributable GFA of 89,000 sq.m. In February 2015, through the privatisation and delisting of Forterra, the Group consolidated and refurbished the properties under Forterra, resulting in a sizable investment in Shanghai. The Group plans to retain these developments for leasing purposes.

The Group expects its investment property portfolio will continue to generate a more meaningful recurring income to the Group in the future, hence allowing the Group to benefit from the long-term growth and rising affluence of the PRC. In July 2017, the Group acquired the remaining 40 per cent of shareholding of WPP Campus and became the sole owner of the property. In May 2019, the Group has successfully obtained a land parcel in Xianxia Road, Changning District, Shanghai. The Group intends to continue to monitor the property market in the PRC and, if the Group considers conditions and acquisition costs to be favourable, to expand its portfolio gradually over the years. The Group has sought to identify premium commercial sites at an early stage, and also has the flexibility to consider acquiring controlling interests in the commercial portion of joint venture projects from partners, hence allowing acquisition to be made at a reasonable cost. By the time of completion of the existing projects under development, the Group’s investment property portfolio in the PRC is expected to comprise Grade A office properties, retail and commercial properties, convention and exhibition properties, hotels and car park spaces held for long-term investment, amounting to approximately 691,000 sq.m. in attributable GFA.

The table below sets out the Group’s major investment properties projects in the PRC as at 31 March 2020:

<b>Project name and location</b>	<b>Land use purpose</b>	<b>Approximate GFA</b> <i>(sq.m.)</i>	<b>Group's interest</b> <i>(%)</i>	<b>Approximate Attributable GFA</b> <i>(sq.m.)</i>	<b>Expiry date of the land use term</b>
<b>COMPLETED</b>					
1 The Place, Shanghai ..	Office & Commercial	216,000	100	216,000	07/03/2043 (Phase 1) 14/12/2065 (Phase 2) 27/03/2053 (Phase 3)
2 Shanghai Mart, Shanghai.....	Office & Commercial & Exhibition <sup>(1)</sup>	249,000	49	122,000	20/10/2049
3 WPP Campus, Shanghai.....	Office & Commercial	73,000 <sup>(2)</sup>	100	73,000	28/04/2060
4 Nan Fung Tower, Shanghai.....	Office & Commercial	14,000	100	14,000	15/08/2054
5 Nan Fung International Convention and Exhibition Centre and Langham Place, Guangzhou .....	Commercial, Hotel & Exhibition	89,000	100	89,000	17/12/2047
6 The Place, Guangzhou	Office & Commercial	75,000	100	75,000	Office: 18/11/2057 Commercial: 18/11/2047
7 Central Park Mall, Qingdao (Phase 1) .....	Commercial	43,000	55	24,000	02/04/2048
8 Creativo, Tianjin (Phase 1) <sup>(4)</sup> .....	Commercial	47,000	75	35,000	28/01/2053
9 Le Rendez-vous, Shanghai <sup>(3)</sup> .....	Commercial	11,000	75	11,000	24/07/2042
<b>Sub-total .....</b>				<b>659,000</b>	
<b>UNDER DEVELOPMENT</b>					
1 C8 Project, Shanghai..	Office & Commercial	54,000	60	32,000	29/12/2069
<b>Sub-total .....</b>				<b>32,000</b>	
<b>Total.....</b>				<b>691,000</b>	

Notes:

- (1) The property use purpose is commercial but with a remark of exhibition on the remark page of the title certificate.
- (2) The property's GFA includes an above ground carpark.
- (3) The property was formerly known as Huai Hai Mall.
- (4) Creativo, Tianjin (Phase 1) was subsequently disposed in the second quarter of 2020.

The following table shows the Group's attributable holdings of investment properties in the PRC as at 31 March 2020:

	Attributable GFA	Carrying Value
	(%)	
<b>Cities</b>		
Shanghai.....	68	76
Guangzhou .....	24	21
Tianjin .....	5	1
Qingdao.....	3	2
<b>Total</b> .....	<u>100</u>	<u>100</u>

The following table shows the Group's attributable holdings of investment properties in the PRC by use as at 31 March 2020:

	Attributable GFA
	(%)
Commercial.....	44
Office .....	38
Exhibition Centre .....	5
Hotel.....	10
Others.....	3
<b>Total</b> .....	<u>100</u>

### ***Selected investment properties projects in the PRC***

#### *The Place, Shanghai*

The Place is a large scale fully-integrated office/retail complex and a landmark development in the core area of the “New Hongqiao — Tianshan Regional Business Centre”, one of the thirteen municipal-level commercial centres in Shanghai. The Place is within 10 minutes' walking distance of Line 2 metro stations and 20 minutes driving distance of the Shanghai Hongqiao Airport and traffic hub. The Place provides a fully integrated complex with three Grade A office towers and a shopping mall with a pedestrian street.

As at 31 March 2020, the office area had a total GFA of 110,000 sq.m. and registered an occupancy rate of 95 per cent., while the retail area had a total GFA of 106,000 sq.m. with an occupancy rate of 96 per cent.

#### *Shanghai Mart, Shanghai*

Officially opened in 1999, Shanghai Mart was the first permanent international trade mart in the PRC. It is the largest of its kind in Asia with a total aboveground GFA of 249,000 sq.m. The complex features a combination of functions including office, commercial as well as trade and exhibition spaces. Shanghai Mart is situated at No. 2299 Yannan Road (West), a prime location in the Shanghai Hong Qiao Development Zone and a landmark

in the Changning District. It is 20 minutes' driving distance from the Shanghai Hongqiao traffic hub and accessible by subway lines 2 and 10, as well as various bus lines. The Group acquired the project in September 2014 through a joint venture with Shanghai Industrial Urban Development Group Limited. As at the date of this Offering Circular, the Group held 49 per cent. equity shares in the project. As at 31 March 2020, the office tower registered an occupancy rate of 89 per cent., and the retail portion registered an occupancy rate of 78 per cent.

#### *WPP Campus, Shanghai*

WPP Campus is a Grade A office building situated at Heng Feng Road in Jing An district in Shanghai, with a total aboveground GFA of 73,000 sq.m. The building is close to Shanghai's railway station and the West Nanjing Road Central Business District, and is easily accessible by established transport networks including subway lines 1, 3, 4, 12 and 13, buses and the inter-city high-speed train. In July 2017, the Group acquired its co-investment partner's 40 per cent. equity interest in the project and now wholly owns the project. As at 31 March 2020, the office area with GFA of 56,000 sq.m. registered an occupancy rate of 97 per cent. and the podium retail area with GFA of 4,000 sq.m. registered an occupancy rate of 100 per cent.

#### *Nan Fung Tower, Shanghai*

Set in the historic French concession area accentuated by the adjacent Hua Shan Park and part of the Xujiahui Regional Business Centre radiation area, Nan Fung Tower with GFA of 14,000 sq.m. is a 12-storey modern, boutique international grade office building with ground level retail space erected over a three-level basement car park completed in 2006. As at 31 March 2020, Nan Fung Tower registered an occupancy rate of 97 per cent.

#### *Nan Fung International Convention and Exhibition Centre and Langham Place, Guangzhou*

The development is located in the Pazhou business and commercial district. Located on the top floors of the development is a luxury five-star hotel managed by Langham Hotels International, attracting both business and leisure travellers. The hotel with GFA 68,000 sq.m. offers 499 rooms as well as facilities supporting large-scale banquets and international conferences. In 2018, Langham Place Guangzhou won "Top 10 MICE Hotel of China" and "Best Grand Ballroom". The podium floors are designed for commercial and exhibition use, with a capacity to accommodate up to 1,500 world-class exhibition booths. The total GFA for exhibition is 21,000 sq.m.

#### *The Place, Guangzhou*

The Place is located in the core area of Pazhou District, one of Southern China's wholesale trading hubs with a direct link to the metro station. The Place consists of grade A offices and a lifestyle destination mall with GFA of 75,000 sq.m. and registered occupancy rates of approximately 96 per cent. for the office area and 99 per cent. for the retail area as at 31 March 2020.

#### *Le Rendez-vous, Shanghai*

Formerly known as Huai Hai Mall, the property is located in the heart of the Shanghai's Central Business District fronting the Middle Huaihai Road, one of Shanghai's strongest and highest profile luxury retail goods precincts, Le Rendez-vous is a low-rise retail property with GFA of 11,000 sq.m. comprising a five-storey building and a basement level. The refurbishment of the property was completed in late 2019. As at 31 March 2020, Le Rendez-vous registered an occupancy rate of 91 per cent.

#### *C8 Project, Shanghai*

In May 2019, the Group successfully obtained a land parcel with GFA of approximately 54,000 sq.m. for office development. The land parcel is located in Xianxia Road, Changning District, and is within walking distance from the Group's flagship project, The Place. It is expected that significant synergies will be created between these two projects upon the completion of development.

The expiry date of the land-use right of such land parcel is 50 years and the land use purpose is predominantly for office use. The development is expected to be completed by 2023.

#### *Land bank in the PRC*

As at 31 March 2020, the Group had a land bank in the PRC with a total attributable GFA of approximately 105,000 sq.m. available for development.

#### **International**

To take advantage of its property development and investment expertise in Hong Kong, the Group selectively expands overseas and invests in property projects, particularly in gateway cities such as London and first-tier cities in United States, with the goal of diversifying geographical risks and enhancing its rental and other income. As at 31 March 2020, the Group had a total GFA of 1,772,000 sq. ft. of completed properties available for lease overseas.

The Group acquired a completed Grade A commercial property, 16 Old Bailey, London, in March 2015 for investment purposes. The Group holds an 80 per cent. equity interest and Crosby Group holds the remaining 20 per cent. equity interest in the property, which is located in zone 1 of London with a GFA of 94,000 sq.ft. The property has been vacated and is undergoing a redevelopment programme with anticipated completion in the fourth quarter of 2020 or the first quarter of 2021. GFA will increase by 23 per cent. to approximately 114,000 sq.ft. after refurbishment. In March 2018, the Group acquired Regent Quarter, which is situated adjacent to King's Cross Station in Central London's Zone 1, with 12 office buildings and 20 retail units, with GFA of 198,000 sq. ft. for office and 65,000 sq. ft. for retail. Apart from the UK, the Group has also invested in residential and commercial property development projects in Singapore, Japan, Malaysia and the United States. The rental income contribution from the Group's international property business is not significant relative to the Group's overall rental income.

The following table shows the Group's attributable holdings of major investment properties overseas, as at 31 March 2020:

	<b>Purpose</b>	<b>Approximate GFA</b>	<b>Group's Interest</b>	<b>Approximate Attributable GFA</b>	
		<i>(sq.ft.)</i>	<i>(%)</i>	<i>(sq.ft.)</i>	
<b>COMPLETED</b>					
1	16 Old Bailey, London .....	Office	94,000 <sup>(1)</sup>	80	75,000
		Office &			
2	Cheapside House, London .....	Commercial	81,000 <sup>(1)</sup>	100	81,000
3	108 Cannon Street, London .....	Office	40,000 <sup>(1)</sup>	100	40,000
		Office &			
4	Regent Quarter, London .....	Commercial	269,000 <sup>(1)</sup>	100	269,000
5	24-02 49th Avenue, Long Island City, New York .....	Industrial	848,000 <sup>(1)</sup>	94	797,000
6	51 Sleeper Street, Boston, Massachusetts; .....	Commercial	166,000 <sup>(1)</sup>	100	166,000
7	1 Winthrop Square, Boston, Massachusetts .....	Commercial	120,000 <sup>(1)</sup>	100	120,000
8	91 Cavenagh Road, Cavenagh Fortuna, Singapore .....	Rental Apartment	31,000	100	31,000

	<b>Purpose</b>	<b>Approximate GFA</b>	<b>Group's Interest</b>	<b>Approximate Attributable GFA</b>
		<i>(sq.ft.)</i>	<i>(%)</i>	<i>(sq.ft.)</i>
9 Others .....	N/A	14,000	100	14,000
<b>Sub-total</b> .....				<b>1,593,000</b>
<b>UNDER DEVELOPMENT</b>				
1 23-30 Borden Avenue, New York .....	Industrial	407,000	44	179,000
<b>Sub-total</b> .....				<b>179,000</b>
<b>Total</b> .....				<b>1,772,000</b>

Note:

(1) Representing net internal area.

In 2015, Nan Fung and Innovo Property Group (“**IPG**”) formed a real estate investment and operating platform focused on acquiring, developing and managing assets in the Greater New York City metropolitan area. IPG is based in New York City, NY USA and brings extensive multi-sector experience and longstanding relationships at all levels of the real estate industry.

In 2018, Nan Fung acquired a majority stake in Endurance Land LLP (“**Endurance Land**”) to further its development capabilities and to build upon its expanding real estate portfolio in the UK. As a commercial property investment and development platform, Endurance Land specialises in the refurbishment and redevelopment of buildings, primarily within Central London.

In 2019, Nan Fung Life Sciences Real Estate LLC (“**NFLSRE**”) was established to acquire, develop and manage life sciences related properties in innovation-driven markets across the United States. Based in Boston MA, USA, NFLSRE is led by a world class management team with extensive experiences in life sciences real estate development and operations.

### **Property-related service businesses**

As part of the Group’s approach to integrate its property development business vertically, it has developed operations engaged in property-related service businesses, which broadly cover construction, property management and mortgage financing services in Hong Kong.

### **Construction**

The Group generally relies on its own architectural, engineering and construction efforts for the design and construction of its projects. The Group has obtained two contractor registration licences from the Hong Kong government and is qualified to carry out a range of construction works including site formation, foundation and general building and alteration and additional works through its in-house ISO 9001:2000-certified registered contractors. The Group’s construction companies are also certified by the Hong Kong Quality Assurance Agency (“**HKQAA**”) and conduct their construction operations through an Integrated Management System (“**IMS**”). The Group has constructed a wide range of luxury residential, high grade commercial offices, innovative shopping arcades, and city revitalisation projects. The Group also provides some construction services to other property developers in Hong Kong and a number of institutional academics through the Architectural Services Department of the Hong Kong government. The Group has not generally encountered any material difficulties in sourcing labour and building raw materials for its construction activities.

## **Property Management**

The Group has an established property management business operated through Hon Hing Enterprises Limited, Main Shine Development Limited, Vineberg Property Management Limited and New Charm Management Limited, which together had approximately 1,800 employees as at 31 March 2020. Through these companies, the Group manages over 79 projects ranging from luxury properties, large-scale residential estates, shopping arcades, offices to industrial buildings, with GFA of more than 28 million sq. ft. in total. These companies are committed to providing professional and quality management services to satisfy the needs of clients. The Group believes that its services in this area have contributed to its branding and provided the means to continually enhance its reputation among the public.

## **Mortgage Financing**

The Group selectively extends mortgage financing to purchasers of residential units from projects developed by the Group on a project by project basis. These mortgages typically take the form of monthly instalment loans by way of mortgage co-financing facilities and may be in the form of a first or second mortgage with the underlying property used as mortgage collateral.

## **Financial investment**

The Group's underlying assets and portfolio provides a substantial liquidity buffer and stable recurring income to the Group. As at 31 March 2020, the Group's Long Term Financial Assets and Trading Securities (as those terms are defined below) amounted to approximately HK\$21 billion and accounted for approximately 13 per cent. of the Group's total assets. As at 31 March 2020, the portfolio was largely unleveraged.

Since July 2019, the Group's financial investment assets are managed by Nan Fung Trinity (HK) Limited ("**Nan Fung Trinity**"), a subsidiary of the Group.

## ***Investment strategy***

The Group's investment strategy involves having part of the portfolio held for long-term investment with the remaining portion of the portfolio being actively traded with a view to profit from market fluctuations. The primary goal of the strategy is to generate dividend and interest income as well as capital appreciation while maintaining sufficient liquidity to support the Group's core operations. The Group also acquires significant longer-term positions, including listed as well as non-listed investments, in businesses and industries where its management knowledge and competencies can enhance value in its investments and is in line with the Group's vision to increase long-term sustainable returns for its shareholders.

The size and nature of the financial investment portfolio are dynamic and at any time depend on the Group's ability to identify suitable investment opportunities and its view of the market. The Group's aim is to search for investment opportunities that it believes to have an intrinsic value higher than their trading prices. In general, the Group analyses potential investments based on valuation methodologies such as price-to-earnings ratio, dividend yield, return on equity, price-to-book, price-to-net-tangible assets and revenue growth. The Group also places great emphasis on cash flow and balance sheet strength in terms of net debt and gearing levels, as well as interest coverage.

## ***Investment team***

The Group has appointed its subsidiary, Nan Fung Trinity, to advise and manage on a day-to-day basis the financial investment portfolio of the Group as described above under "*Investment strategy*". The Finance and Investment Committee of the Group is mandated by the Board to oversee the Group's overall investment activities and guide the overall process governing the Group's core investment and treasury operations.

The investment team comprises investment professionals who undertake detailed investment analysis to identify suitable opportunities. Once an investment opportunity is identified, the responsible manager will

prepare an investment proposal. If approved, an investment size will be set up for each counter within the asset allocation framework as discussed below.

In relation to the Group's financial investment portfolio, certain risk parameters are in place and Nan Fung Trinity's investment team has authority to a prescribed limit beyond which proposals are submitted to the Finance and Investment Committee of the Group for approval. For investments above its prescribed authority limit, the Finance and Investment Committee will submit to the Board's Executive Committee for final approval.

### ***Investment classification***

The analysis process is applicable to both the Group's non-current portion of financial assets at fair value through profit or loss ("**Long Term Financial Assets**") and current portion of financial assets at fair value through profit or loss, including derivative financial instruments ("**Trading Securities**") (as described below). Investment allocation is monitored on an ongoing basis by portfolio managers and changes may be implemented as and when necessary.

The Group's principal investment portfolio is classified as either Trading Securities or Long Term Financial Assets according to accounting principles. Trading Securities are financial assets which are acquired for the purpose of trading, or are part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking. Long Term Financial Assets are investments, other than trading financial assets generally with a longer investment-holding period and in some cases such are held by the Group for strategic purposes.

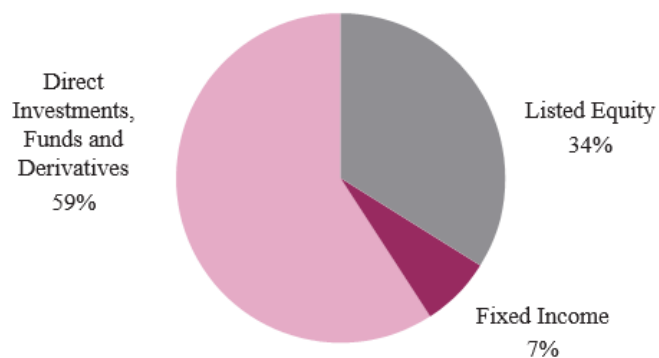
The average holding period for Long Term Financial Assets typically averages more than one year. In the case of Trading Securities, the Group's aim is to capture trading gains from short-term price anomalies. As a result, holding periods will depend on the pace of price recovery and this can range from a few weeks to a few months. In cases where the Group believes there is substantial upside potential after its initial internal analysis, the Group may decide to hold the positions of certain Trading Securities for a longer period in order to maximise returns.

The Group's Trading Securities as at 31 March 2020 amounted to HK\$6,752 million consisting mainly of highly liquid investments. Long Term Financial Assets as at 31 March 2020 of financial investment segment amounted to HK\$14,227 million, comprising equity investments, fixed income investments, funds and private investments.

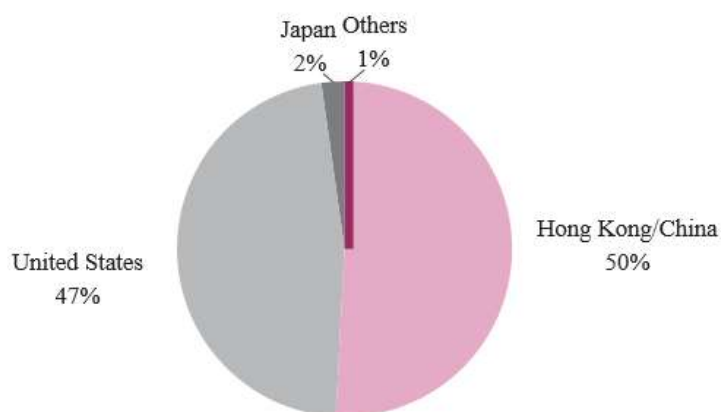
As at 31 March 2020, the approximate breakdown of asset classes was 34 per cent. listed equities investments, 7 per cent. fixed income investments and 59 per cent. private investments funds and derivatives. Listed equities investments in terms of the trading book are generally blue chip, highly liquid equities listed in Hong Kong/China, the United States, Europe and other major markets. Fixed income investments in terms of the trading book are generally liquid and marketable securities. In terms of regional exposure, a significant portion of exposure as at 31 March 2020 was mainly focused on Asia Pacific, North America and a small portion on Western Europe and other regions. However, asset class breakdowns and regional exposure are subject to change based on market conditions.

The following charts set out the breakdown of the Group's financial investment portfolio by asset class, and the Group's equity investments by industry sector and geographical area, as at 31 March 2020. Given the nature of the Trading Securities portfolio, the position and breakdown of the entire portfolio at any one time does not necessarily reflect the position or breakdown at any other time.

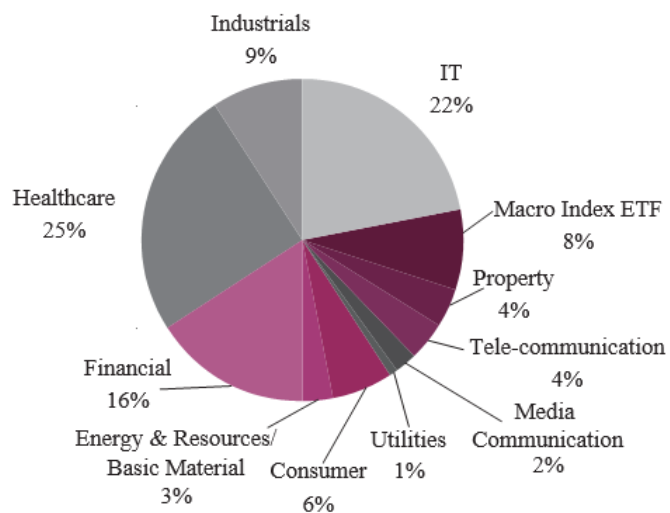
**Financial Investment Portfolio Asset Class Breakdown as at 31 March 2020**



**Listed Equities Exposure by Geographical Area as at 31 March 2020**



**Listed Equities Exposure by Industry Sector as at 31 March 2020**



### ***Risk management and investment controls***

The Group primarily exercises risk control through its asset allocation process and continuous monitoring of its portfolio. Asset allocation limits determine the amount of overall allocation as well as allocation per major equity market. Subsequent decisions on individual investment sizes are made within the asset allocation framework and these positions are both monitored daily by the portfolio managers of Nan Fung Trinity and the Group.

The Group's finance and investment committee oversees credit risk, interest rate risk and foreign currency risk of the financial investment portfolio whilst such risks are managed on a day-to-day basis by Nan Fung Trinity. Credit risk is managed by financial credit analysis with single position control and continuously monitored by Nan Fung Trinity through periodic and ad hoc reviews on an as needed basis. Interest rate risk and foreign currency risk are mitigated by futures, options and other derivatives based on an assessment of the costs and benefits. Nan Fung Trinity provides regular risk reports to the Group. The Group has overall oversight of risk exposure together with its other businesses on a holistic basis.

The Group has an established risk management framework to ensure that a systematic process and delegation of responsibility is clearly set out to guide management in its investment decisions and Nan Fung Trinity is required to follow these policies. Nan Fung Trinity has in place various types of control measures in accordance with current legal requirements. Investment and risk meetings are held regularly, or as the Group and Nan Fung Trinity deem appropriate, to generate ideas as well as identify short and long-term risks. For a discussion of the Group's financial risk management, see note 3 to the Guarantor's audited consolidated financial statements for the year ended 31 March 2020 set out herein.

Ongoing compliance reviews are performed with results reported to the Group's control personnel. Regular audits are performed with results reported to management and the Board. External legal counsel is consulted if deemed necessary.

The Group also has in place a business continuity and disaster recovery plan for critical business functions to ensure the resilience of critical systems and regular backup of data.

### ***Fund I and Fund II***

In 2007 the Group and Crosby Group each individually committed to invest US\$50 million totalling US\$100 million in the creation of Fund I (initially called HSBC NF China Real Estate Fund, L.P.), a private equity real estate opportunity fund established as a Guernsey limited partnership. In early 2011, a management buy-out took place in HSIL (previously a 100 per cent. owned subsidiary of HSBC) resulting in the management of HSIL owning 80.1 per cent. and HSBC owning 19.9 per cent. of HSIL. HSIL and Fund I have since changed their names to InfraRed Capital Partners Limited ("**IRCP**") and InfraRed NF China Real Estate Fund, L.P., respectively. The last phase of the management buy-out was completed at the end of August 2015 when HSBC Group relinquished its residual 19.9% stake in IRCP which resulting the management of IRCP owning 100% of IRCP. The Group has a 25 per cent. effective interest in the general partner which manages Fund I. Since Fund I was established in 2007, it has invested US\$748.1 million of equity in 11 investments and all investments have been realised. InfraRed NF China Real Estate Fund II ("**Fund II**"), as a follow-on fund to Fund I was formed with final closing in June 2015. The Group and Crosby Group have each committed to invest US\$31.875 million, totalling US\$63.75 million, in Fund II. Fund II invests in equity and debt (mezzanine) investments in a portfolio of real estate developments and investments in the PRC and Hong Kong. As at 31 March 2020, Fund II has invested in nine investments with aggregated fund committed equity of US\$271.5 million. Six out of nine investments of Fund II have been realised and the remaining three are expected to exit in or before 2021.

## Life sciences investments

The Group has recognised life sciences as an area for new growth and has set up NFLS, a global platform focusing on life sciences investments and operations. Through the bioVenture Funds, NFLS invests at all stages in a company's evolution, from company creation through to mid and late stage clinical development across the United States, Europe and the PRC.

Pivotal bioVenture Partners Fund I, L.P is a US\$300 million venture capital fund focusing on investing in innovative therapeutic products and platforms to address major unmet medical needs in the United States and Europe.

Pivotal bioVenture Partners China USD Fund I, L.P. is a US\$200 million venture capital fund specialising in venture building in the life sciences industry. Its investment strategy is centered on identifying promising innovative products and technologies and bringing them to build new companies in China.

Beyond investing in the Pivotal bioVenture Funds, NFLS also invests in biotech funds managed by other global investment managers and has a portfolio of co-investments and passive investments in the life sciences space. NFLS's investment team comprises of investment professionals with diverse experience across venture capital, company building, and drug discovery and development.

## Subsidiaries

The key subsidiaries of the Guarantor as at the date of this Offering Circular are set out in the following table:

Name	Place (and year) of incorporation	Principal activities	Particulars of issued share capital/registered capital	Percentage of interest in ownership/voting power/profit sharing
Nan Fung Property Holdings Limited.....	Hong Kong (1954)	Investment holding	HK\$2,007,800	100%
Nan Fung Property Consolidated Limited.....	Hong Kong (1969)	Investment holding	HK\$1,260,138,835 ordinary and HK\$138,834,776 non-voting deferred	100%
Nan Fung Development Limited .....	Hong Kong (1975)	Financing, investment holding and property investment	HK\$900,000,002 ordinary and HK\$100,000,000 non-voting deferred	100%
Gavast Estates Limited ...	Hong Kong (1980)	Investment holding	HK\$2	100%

Further details of principal subsidiaries of the Guarantor are set out in note 38 to the Guarantor's audited consolidated financial statements for the year ended 31 March 2020.

## Insurance

The Group is covered by insurance policies arranged with reputable insurance agents which cover loss of rental, fire, flood, riot and strike, malicious damage, other material damage to property and development sites, business interruption and public liability.

The Group believes that its properties are covered with adequate insurance provided by reputable independent insurance companies and with commercially reasonable deductibles and limits on coverage. Notwithstanding the Group's insurance coverage, damage to the Group's buildings, facilities, equipment, or other properties as

a result of occurrences such as fire, floods, water damage, explosion, typhoons, riots, strikes and other natural disasters could nevertheless have a material adverse effect on the Group's financial condition and results of operations.

### **Laws, Rules & Regulations**

The operations of the Group are subject to various laws and regulations of Hong Kong, the PRC and the other countries and regions in which it has operations. The Group's activities conducted on its investment and development properties are governed by relevant statutes, rules and regulations. Developments, major building works and other re-development projects may require government permits, some of which may take longer to obtain than others. From time to time, governments may impose new regulations on landlords such as mandatory retrofitting of upgraded safety and fire systems in all buildings. The Group's properties are subject to inspections by government with regard to various safety and environmental issues if warranted by the circumstances. Nan Fung believes that the Group is in compliance in all material respects with government safety regulations currently in effect.

The Group has not experienced significant problems with Government regulations with regard to these issues, and is not aware of any pending Government legislation that might have a material adverse effect on its properties.

### **Environmental Matters**

Nan Fung believes that the Group is in compliance in all material respects with applicable environmental regulations in Hong Kong and the PRC. Nan Fung is not aware of any environmental proceedings or investigations to which it is or might become a party.

### **Legal Proceedings**

Neither Nan Fung nor any of its subsidiaries is involved in any litigation which would have a material adverse effect on the business or financial position of the Group.

### **Employees**

As at 31 March 2020, a total of approximately 2,700 full-time employees were engaged in the Group's operations, of which the majority are based in Hong Kong. The remuneration of employees is in line with the market and commensurable with the levels of pay in the industry.

The Group has not experienced any strikes or disruptions due to labour disputes. Nan Fung considers its relations with its employees to be good.

### **Financial Resources and Liquidity**

As at 31 March 2020, the aggregate amount of the Group's bank borrowings amounted to approximately HK\$19,591 million, the majority of which was on a secured basis. The maturity profile of the bank borrowings and guaranteed notes, the cash and bank balances and the gearing ratio of the Group as at 31 March 2020 are set out as follows:

	<b>As at 31 March 2020</b>
	<u>(HK\$ million)</u>
Cash and bank balances .....	15,646
Bank and other borrowings and guaranteed notes	

	<b>As at 31 March 2020</b>
	<u>(HK\$ million)</u>
Current portion <sup>(1)</sup> .....	3,396
Non-current portion <sup>(1)</sup> .....	28,813
<b>Total Debt — total borrowings</b> .....	<b>32,209</b>
Equity attributable to owners of the Guarantor <sup>(2)</sup> and holders of perpetual capital securities <sup>(3)</sup>	104,850
Total Debt to equity ratio .....	30.7%
Net debt <sup>(4)</sup> to owners' equity ratio .....	15.8%

Notes:

- (1) Current and non-current portion represented maturity profile of bank and other borrowings and guaranteed notes repayable within 1 year and after 1 year, respectively.
- (2) Dividend of approximately HK\$1,084 million was declared and paid in Q2 2020.
- (3) Includes 5.5 per cent. perpetual capital securities with an aggregate principal of US\$500 million (HK\$3,896 million) issued on 29 May 2017 and the related distribution.
- (4) Net debt is defined as Total Debt net of cash and bank balances.

### Contingent Liabilities

As at 31 March 2020, the Group provided financial guarantee to joint ventures for bank loans related to overseas property development project. The amount of the Group's share of guarantee is HK\$3.3 billion, which is proportionate to the Group's effective interest of ownership in the joint venture. See note 33 to the Guarantor's audited consolidated financial statements for the year ended 31 March 2020 set out herein.

## MANAGEMENT

### Directors

The Board of Directors of the Guarantor currently consists of seven Executive Directors of NFGHL. The decision-making process of the Group is centralised at the level of NFGHL, a direct wholly-owned subsidiary of the Guarantor. The Board of Directors of NFGHL (the “**Board**”) currently consists of 12 Directors, comprising eight Executive Directors, three Independent Non-executive Directors and one Non-executive Director. The Board has ultimate oversight of the management of the Group, including setting the long-term objectives of the Group, the Group’s business and commercial strategy and financial plans to achieve these, changes to the Group’s capital structure and changes to the Group’s management and control structure.

The following table sets out the name and position of each of the Directors of NFGHL as at the date of this Offering Circular:

<b>Name</b>	<b>Position</b>
Mr. Antony Leung .....	Group Chairman and Chief Executive Officer and Executive Director
Mr. Frank Seto .....	Vice Chairman and Executive Director
Mr. Vincent Cheung .....	Group Chief Operating Officer and Managing Director
Ms. Vanessa Cheung.....	Managing Director
Mr. Stephen Cheung.....	Executive Director
Mr. Meng Gao .....	Executive Director
Mr. Joe Kwok .....	Executive Director
Mr. Nelson Tang .....	Executive Director
Dr. Norman Leung.....	Independent Non-executive Director
Mr. Joseph Lai .....	Independent Non-executive Director
Mrs. Mignonne Cheng.....	Independent Non-executive Director
Mr. Stephen Kuok .....	Non-executive Director

### Honorary Chairman

**Vivien CHEN Wai Wai** retired from the positions of Chairman and Managing Director of the Group on 31 March 2016 and was appointed as the Honorary Chairman with immediate effect. The daughter of the Group’s founder, Dr. Chen Din Hwa, Ms. Vivien Chen joined Nan Fung in 1981 and was promoted to Vice Chairman and Managing Director in 2005. Following her father’s retirement in January 2009 and until end March 2016, Ms. Chen served as Chairman of the Group. In addition, she currently serves as Chairman of Crosby Investment Holdings Inc. and is a director of several of its affiliated companies, including Vervain China Development Holdings Ltd. (formerly known as Nan Fung China Development Holdings Ltd.) and Vervain Resources Ltd. (formerly known as Nan Fung Resources Ltd.), as well as a director of certain other companies with the same ultimate beneficial shareholder as the Group. In addition, Ms. Chen is a Counsellor of Our Hong Kong Foundation; the Honorary President of the Shanghai Fraternity Association Hong Kong Limited, the International Ningbo Merchants Association Company Limited, The United Zhejiang Residents Association (HK) Limited, and the Ning Po Residents Association (HK) Limited. Continuing her father’s charitable legacy, Ms. Chen now chairs The D.H. Chen Foundation Ltd., serves as a Governor of her mother’s foundation (Chen Yang Foo Oi Foundation), and has established a foundation in her own right (The Chen Wai Wai Vivien

Foundation Limited). She is also the Honorary Vice-President of the Shanghai Charity Foundation, a charity set up by the city of Shanghai; a member of the Board of Governors of the Hong Kong Adventist Hospital Foundation; one of the founders of the Hong Kong Eating Disorders Association Limited; a founding member of the First Initiative Foundation Limited; and a member of the Board of Trustees of Shaw College, The Chinese University of Hong Kong. On 4 December 2014, The Chinese University of Hong Kong conferred an honorary degree of Doctor of Social Science *honoris causa*, in recognition of Ms. Chen's significant business achievements and her outstanding contribution to the community, including the advancement and development of The Chinese University of Hong Kong.

### **Executive Directors**

**Antony LEUNG Kam Chung** is the Group Chairman & CEO of Nan Fung Group. He joined the Group in February 2014. Prior to this, Mr. Leung was Senior Managing Director, Chairman of Greater China and a member of the Executive Committee of Blackstone.

Before joining Blackstone, Mr. Leung was the Financial Secretary of Hong Kong Special Administrative Region from 2001 to 2003. Prior to his appointment as Hong Kong's Financial Secretary, he was the Chairman of Asia for JP Morgan Chase based in Hong Kong. Before that he worked for Citi in Hong Kong, Singapore, Manila and New York for 23 years in various positions including Head of Private Banking for Asia, Country Corporate Officer for China and Hong Kong, Regional Treasurer for North Asia and Head of Investment Banking for North Asia, South West Asia.

Other public service that Mr. Leung had engaged in include his role as Non-Official Member of the Executive Council of Hong Kong SAR, Chairman of Education Commission, Chairman of University Grants Committee, Member of Exchange Fund Advisory Committee, Director of Hong Kong Airport Authority and Hong Kong Futures Exchange, Member of the Preparatory Committee and Election Committee for the Hong Kong Special Administrative Region and Hong Kong Affairs Advisors.

Past board memberships include Independent Director of Industrial and Commercial Bank of China, China Mobile (Hong Kong) Limited, American International Assurance (Hong Kong) Limited, Vice Chairman of China National Bluestar Group, Senior Advisor and Member of the International Advisory Board of Blackstone, International Advisory Board Member of China Development Bank and European Advisory Group, and Chairman of Harvard Business School Association of Hong Kong.

Mr. Leung is also the Group Chairman & Co-Founder of the New Frontier Group, a group that engages in healthcare, elderly services and investment business in China. He is an Independent Non-Executive Director of China Merchants Bank. He serves as Chairman of two charity organisations — Heifer Hong Kong and Food Angel.

**Frank SETO Kai Shui** is the Vice Chairman and an Executive Director of the Group. Mr. Seto joined the group in 2000. In 2006, Mr. Seto was promoted to be the Group's Executive Director and in 2010, he was promoted to be the Group's Vice Chairman and Executive Director. Previously, Mr. Seto was General Manager of the Property Division of the Chevalier Group of Hong Kong. Prior to this, he practiced corporate, commercial and real estate law in Hong Kong and Toronto, Canada. Mr. Seto was admitted as a barrister and solicitor of the Supreme Court of Ontario, Canada, a solicitor of the Supreme Court of England and Wales, and a solicitor of the Supreme Court of Hong Kong. Mr. Seto graduated from the University of Western Ontario, Canada (1974, B. Sc.), the University of Ottawa, Canada (1984, LL. B.), and McMaster University, Canada (1986, MBA).

**Vincent CHEUNG Sai Sing** is the Chief Operating Officer and the Managing Director of the Group since 31 March 2016 and is responsible for the Group's overall businesses and operations. Mr. Cheung joined Nan Fung Development Limited in 2009 and has extensive experiences in the financial sector. Before joining Nan Fung Development Limited, Mr. Cheung was Vice President of Barclays Capital Asia Limited from 2008 to 2009,

and Vice President of Citigroup Global Markets Asia Limited from 2004 to 2008. Mr. Cheung is the son of Ms. Vivien Chen and graduated from the University of California, Berkeley, graduating with honours in Molecular and Cell Biology in 2003.

**Vanessa CHEUNG Tih Lin** is the Group Managing Director and Head of Property Division of NFGHL. She is responsible for the active management of the Group's core real estate businesses in Hong Kong, China, UK and US, overseeing major functions such as property development and investment, asset management, sales, design, and project management. Ms. Cheung is also Founder of The Mills — a revitalisation project in Hong Kong transforming the old Nan Fung Textile Mills into a new destination of global techstyle innovations comprising 3 pillars: a startup incubator, an experimental shopfloor and an interactive art gallery. Prior to joining the Group in October 2013, Ms. Cheung worked for AECOM as a landscape designer and assistant project manager, managing both major public works and private commercial projects. Ms. Cheung graduated from the University of California, Berkeley with a Bachelor's in Molecular and Cell Biology in 2006. She further pursued her graduate studies at the Harvard University Graduate School of Design and obtained her Master's in Landscape Architecture degree in 2010. She is the youngest daughter of Ms. Vivien Chen.

**Stephen CHEUNG Pui Kuen** is an Executive Director and the Group Chief Administration Officer and oversees the Group's corporate governance, legal and compliance, IT systems and administration affairs. He joined the Group in 1989 and has in-depth knowledge and participation in all segments of the Group's businesses. Mr. Cheung is a Chartered Secretary and before joining Nan Fung, he worked in an international accounting firm for four years providing a full range of professional services on corporate related matters. Prior to that, he was the Secretarial Department Manager of one of the largest listed conglomerates in Hong Kong and had worked there for 10 years.

**Meng GAO** is an Executive Director and the Managing Director of the Group CEO's office and joined the Group in 2015. He is responsible for developing the Group's strategic initiatives including Nan Fung Life Sciences and overseas real estate platform, as well as overseeing the Group's financial investment activities. Prior to joining the Group, Mr. Gao was a Managing Director at Blackstone's Private Equity Group in Hong Kong where he was involved in a number of transactions across multiple industries. Before joining Blackstone, he was a Senior Vice President at Oaktree Capital Management where he was involved in sourcing, structuring and executing private equity investments in China. Prior to that, Mr. Gao was an investment banker with Credit Suisse and JPMorgan in New York. Mr. Gao received a Bachelor of Economics degree from Peking University, an M.A. from Yale University and an M.B.A. with Honors from the Wharton School of the University of Pennsylvania.

**Joe KWOK Kin Ho** has been an Executive Director of NFGHL since January 2017. Mr. Kwok has been the Chief Executive, China Property since he joined the Group in July 2015 and is responsible for the Group's overall property development, property investment and asset management businesses in the PRC. He has over 30 years of real estate development and investment experience in the PRC. Before joining the Group, he worked in Hongkong Land Holdings Limited for approximately 19 years and was the President, China Residential Property prior to his departure. He completed the Global CEO Program for China organised jointly by the CEIBS-Harvard Business School-IESE Business School. He graduated from the Hong Kong Baptist University with a Bachelor's degree in Sociology and obtained a Master of Science degree in Real Estate from the University of Hong Kong.

**Nelson TANG Chun Wai** is an Executive Director and the Group Chief Financial Officer and Executive Assistant to Group Chairman and CEO. Mr. Tang is responsible for the Group's overall financial management including accounting, treasury, corporate finance, tax, mortgage and investor relations, as well as strategic acquisitions for the Group. Prior to joining the Group in 2010, Mr. Tang was an equities trader covering Asia ex-Japan markets at Goldman Sachs Asia LLC. He graduated summa cum laude from the Wharton School of

the University of Pennsylvania, with a Bachelor of Science in Economics concentrating in Accounting and Finance and a minor in Psychology.

### **Independent Non-executive Directors**

**Norman LEUNG Nai Pang** *G.B.S., LL.D., J.P.* has been an Independent Non-executive Director of NFGHL since 2009. Dr. Leung is the Chairman and an Independent Non-executive Director of Transport International Holdings Ltd., and an Independent Non-executive Director of Sun Hung Kai Properties Limited, both of which are listed on The Stock Exchange of Hong Kong Limited. Dr. Leung has been active in public service for 40 years and he served as Commissioner of the Civil Aid Service from 1993 to 2007, Chairman of the Broadcasting Authority from 1997 to 2002, a member of the Advisory Committee on Post-office Employment for former Chief Executives and Politically Appointed Officials from 2007 to 2013, Council Chairman of City University of Hong Kong from 1997 to 2003 and Pro-Chancellor of City University of Hong Kong from 2005 to 2016. Dr. Leung is currently the Council Chairman of The Chinese University of Hong Kong.

**Joseph LAI Ming** has been an Independent Non-executive Director of NFGHL since 2009. Mr. Lai is a fellow member of the Hong Kong Institute of Certified Public Accountants (“**HKICPA**”), the Chartered Institute of Management Accountants (“**CIMA**”), the Australian Institute of Certified Public Accountants and the Hong Kong Institute of Directors. He is also a founding member and first honorary treasurer of Opera Hong Kong Limited. Mr. Lai was the President of HKICPA in 1986 and the President of the Hong Kong Branch of CIMA from 1974 to 1975 and 1979 to 1980.

He retired as an Independent Non-executive Director of Jolimark Holdings Limited and the chairmanship of its Audit Committee on 21 May 2019. He is currently an Independent Non-executive Director and Chairman of the Audit Committee of Country Garden Holdings Company Limited. Both of these companies are listed on the Hong Kong Stock Exchange. Mr. Lai retired from the board of Guangzhou R&F Properties Company Limited (another Hong Kong listed company) and the chairmanship of its Audit Committee on 19 May 2017.

**Mignonne DAO (“Mrs. Cheng”)** has been an Independent Non-executive Director of NFGHL since 2015. Mrs. Cheng, a seasoned banker, has amassed over 40 years of experience in the financial sector with over 28 years in senior management positions in corporate and commercial banking as well as investment banking. Mrs. Cheng is currently the Chairman of BNP Paribas Wealth Management for Asia Pacific and a member of the Executive Committee of BNP Paribas Wealth Management, since the appointment in 2010. In addition, she is the G100 member of BNP Paribas Group.

Mrs. Cheng joined BNP Paribas in 1990 and has held various senior positions for the past 29 years. Prior to joining BNP Paribas, Mrs. Cheng was with Chase Manhattan Bank Hong Kong Branch for 18 years, where she took up various positions both on the control and on the operational sides. Mrs. Cheng was a member of the Banking Advisory Committee chaired by The Honourable John Tsang, Financial Secretary of the HKSAR, and has also served as a member of The Consultative Committee of the Basic Law of the HKSAR between 1985 and 1989 when the Basic Law was being drafted.

### **Non-executive Director**

**Stephen KUOK Hoi Sang** *M.H.* was appointed as a Non-Executive Director of NFGHL in June 2017. Mr. Kuok is currently the Chairman and Managing Director of Chevalier Group, which is listed on The Stock Exchange of Hong Kong Limited. Mr. Kuok has over 45 years of experience in strategic planning and business operation management in property investment and development, investment projects, building construction, civil engineering, building supplies, aluminum windows and curtain walls, lift and escalator as well as electrical and mechanical engineering. Mr. Kuok is the Vice President of The Hong Kong Federation of Electrical and Mechanical Contractors Limited, the President of The Lift and Escalator Contractors Association in Hong Kong, the Chairman of the Hong Kong - China Branch of The International Association of Elevator Engineers and a

Registered Lift and Escalator Engineer in Hong Kong. Mr. Kuok was a member of the Guangzhou Committee of the Chinese People's Political Consultative Conference from the 9th to 12th sessions. He has served on a number of Hong Kong Government Boards and Committees, including the Election Committee, the Examination Committee (Registration of lift engineers and escalator engineers) and the Lift and Escalator Safety Advisory Committee of the Electrical and Mechanical Services Department (EMSD). Mr. Kuok is the father of Mr. Raymond Kwok Chun Wai.

### **Senior Management**

**Victor MAK Yat King** is a Director of Nan Fung Development Limited and the Vice Chairman – Sales Department of the Group. He is responsible for formulating the sales and marketing strategy and land acquisition policy of the Group in Hong Kong. Mr. Mak has over 50 years of experience in the Hong Kong property sector. Before joining the Group, Mr. Mak worked for other property companies, such as the Great Eagle and Far East Consortium, and has since specialised in the property development business.

**John LAM Cheung Wah** is the Vice Chairman and Executive Director of Nan Fung Property Holdings Limited and Nan Fung Property Consolidated Limited. Mr. Lam was a senior Bank Executive with over 30 years of international experience, having worked in Canada, United States, Hong Kong and the PRC. Having joined the Group in February 2013, Mr. Lam is responsible for the Group's property investment in the PRC. Mr. Lam is also an Independent Non-Executive Director of Wing Lee Property Investments Limited. Mr. Lam graduated from Ryerson University, Toronto, Canada with a Marketing Diploma and a Bachelor's Degree in Business Management. He is a Fellow of Institute of Canadian Bankers (FICB) and a Fellow of the Royal Institute of Chartered Surveyors (FRICS).

Mr. Lam is Vice Chairman of China Real Estate Chamber of Commerce, Hong Kong Chapter and a member of the People's Political Consultative Conference of Guangzhou.

**Peter BISGAARD** is a Managing Director of the Group CEO's office and joined the Group in 2017. He is responsible for life sciences investment strategies and operations in the United States. He was a senior partner at Novo Ventures and had been with Novo Ventures (US) Inc. since 2009. He was responsible for overall investment and portfolio strategy as well as ongoing development of Novo Ventures' team in the United States. Mr. Bisgaard was with Novo Ventures since 2001 in Denmark. Prior to Novo Ventures, he was with McKinsey & Co. and the Firm's Corporate Finance and Strategy Practice. Mr. Bisgaard has an M.Sc. in Engineering from the Technical University of Denmark and has a postgraduate degree in Mathematical Modeling in Economics from the European Consortium for Mathematics in the Industry.

**Raymond KWOK Chun Wai** is the Senior Investment Director for International Property in the Group. Mr. Kwok is responsible for the Group's real estate investment activities in overseas markets with a focus in the UK. Before joining the Group in 2015, he was working as a real estate investment professional at Vervain Resources, as well as Lehman Brothers Real Estate Partners. Mr. Kwok also worked as an architectural designer at Skidmore Owings & Merrill in New York. He graduated from Cornell University with a Bachelor in Architecture. He further pursued his graduate studies at Harvard Business School and obtained his MBA. Mr. Kwok is the son of Mr. Stephen Kuok Hoi Sang.

**Helen ZHU** is the Managing Director and CIO of Nan Fung Trinity (which manages the Group's financial investments in public and private securities and funds), she joined the Group in 2019. Prior to joining the Group, Helen was Head of China Equities for Blackrock's active investment group. Her responsibilities included managing various China equities investment portfolios, overseeing China research, developing the China equities active investing business platform, and being a board member of the onshore China businesses. She also served on a variety of firmwide committees including BlackRock Investment Council, EM Investment Council, Geopolitical Risk Committee etc, which formulated investment strategies across geographies and asset classes. Before joining BlackRock in 2014, Helen spent eight years at Goldman Sachs in Hong Kong in various

capacities including Chief China Strategist and Business Unit leader for the Asia Telecom/Internet/Media sector research team. Helen joined Goldman Sachs from ABN AMRO, where she spent five years and was sector head of the Asian telecom research team. Helen had previously also worked in private investing for a corporation and in investment banking at Donaldson, Lufkin & Jenrette in Hong Kong and New York. She was educated at the Massachusetts Institute of Technology.

**Billy HUI Him Yeung** is the Executive Director of Hong Kong Property Division, Director of the Group CEO's Office and Executive Assistant to the Group Managing Director of NFGHL. Mr. Hui is responsible for overseeing daily operations of the Group's real estate business in Hong Kong, China, the UK and the US, identifying and implementing overall business process improvement, as well as managing strategic investments for the Group. Prior to joining the Group in 2013, Mr. Hui worked in Morgan Stanley Asia Limited and focused on managing divisional and cross-border operational issues. Mr. Hui graduated from the Hong Kong University of Science and Technology with a Bachelor of Business Administration in Management of Organizations and Operation Management.

**Connie Charlotte BERRY** is the Treasury Director of the Group. She is responsible for the treasury affairs of the Group, including bond issuances, investor relations, financing, cashflow, gearing and liquidity management. Mrs. Berry has over 20 years working experience in commercial and corporate banking in Hong Kong. Before joining the Group in 2010, she was a senior credit approver of the Corporate Credit Management Centre of Bank of China (HK) Limited and Vice-President, Credit Department of Agricultural Bank of China, Hong Kong Branch. Mrs. Berry graduated from the Chinese University of Hong Kong with a Bachelor degree in Social Science, and is a Chartered Financial Analyst.

**Ronald LEUNG Wei Ping** is the Financial Controller of the Group. Mr. Leung joined the Group in 1992 and is responsible for finance and treasury, cash management, daily operation, reporting & tax compliance of the Group. Mr. Leung has over 30 years of experience in the accounting field in Hong Kong. Mr. Leung was educated in Hong Kong and is a Certified Public Accountant.

### **Corporate Governance**

Nan Fung seeks to maintain levels of corporate governance similar to those of a listed company. As a result, it has adopted a governance structure that includes three independent non-executive directors and one non-executive director (out of a total of 12 Directors) on its Board and a number of Board committees. In addition, the Group has a formalised range of policies and internal controls which are overseen ultimately by the Board and its committees. The Group's management provides detailed reports to the Board on major transactions including acquisitions and disposals of the Group on a quarterly basis.

### **Committees of the Board**

#### ***Executive Committee***

The Board of Directors has delegated a range of powers to the Executive Committee which consists of all eight Executive Directors of NFGHL. All decisions of the Executive Committee are copied to and noted by the full Board on a regular basis.

The Board of Directors has also established six other committees, namely the Finance and Investment Committee, which is tasked with establishing and ensuring strict adherence to risk management and investment guidelines for the Group's financial investment portfolio, the Group Support, Operations and General Administration Committee, the Hong Kong Property Development and Investment Committee, the China Property Development and Investment Committee, the International Property Development and Investment Committee and the Life Sciences Committee. These committees oversee the management of the major businesses of the Group subject to certain limits imposed by the terms of reference of these committees. Authorities with limits of lesser amounts are delegated by the Board of Directors to individual officers.

### ***Audit Committee***

The Audit Committee consists solely of two Independent Non-executive Directors, namely Norman Leung and Joseph Lai and one Non-executive Director, Stephen Kuok.

The Audit Committee is responsible for reviewing the effectiveness of the financial reporting system and internal control procedures. The committee monitors the integrity of the financial statements, reviewing any significant financial reporting judgements and compliance with financial reporting standards. Other responsibilities include engagement/removal of auditors, monitoring the auditors' independence and objectivity, approval of the auditors' remuneration, discussion of audit procedures and any other related matters.

### ***Remuneration Committee***

The Remuneration Committee consists solely of all three Independent Non-executive Directors, namely Norman Leung, Joseph Lai and Mignonne Cheng.

The main responsibility of the Remuneration Committee is to determine the remuneration structure of the Executive Directors and senior management of the Group, taking into account the salaries and benefits paid by comparable companies, as well as the time commitment and responsibilities of the Executive Directors and senior management. It makes recommendations to the Board for the remuneration of Non-executive Directors. It also evaluates and makes recommendations as to employee benefits. The committee also reviews and approves performance-based remuneration by reference to the goals and objectives set by the Board and compensation arrangements made on termination of or dismissal from office.

The Remuneration Committee ensures that no Director is involved in deciding his/her own remuneration.

### ***Conflicts Committee***

The Conflicts Committee consists solely of all three Independent Non-Executive Directors, namely Norman Leung, Joseph Lai and Mignonne Cheng.

The responsibility of the Conflicts Committee is to manage conflicts of interest arising as a result of the interests of any member of the Board of Directors. The committee considers all significant contracts between any member of the Group and any Director (or their related parties) and ensures that any such contracts are entered into on an arm's length and independent basis. The committee is authorised to examine any activity within its terms of reference and may seek any information from any Director or employee, who is required to co-operate with any request of the committee.

## **SHAREHOLDERS, DIRECTORS' INTERESTS AND RELATED PARTY TRANSACTIONS**

### **Shareholders**

As at 31 March 2020, the issued share capital of the Guarantor was HK\$62,743,532,190, comprising 62,743,532,190 no par value shares. The Guarantor is ultimately wholly owned by CGIL.

On 17 June 2012, the Group's founder, former Chairman and sole shareholder, Dr. Chen Din Hwa passed away following a long illness. Dr. Chen's estate, including his 100 per cent. ownership of CGIL, is located in a number of jurisdictions and therefore probate has had to be obtained in each such jurisdiction. The Grant of Probate of Will in respect of Hong Kong was issued by the High Court of Hong Kong on 16 April 2013, whilst the Grant of Probate of Will in respect of the British Virgin Islands was issued by the High Court of Justice of the British Virgin Islands on 28 August 2013. The shares in CGIL were transferred into the names of the executors of Dr. Chen's will, being Ms. Vivien Chen and three solicitors who have advised Dr. Chen and his companies over many years, on 20 November 2013, and the executors of Dr. Chen's will, in their capacity as such, will hold the shares for the benefit of the estate until administration of the estate is completed and a distribution is made to the beneficiaries under the will. One of the executors passed away in February 2018 and the shares in CGIL are now registered under the names of the remaining three executors. The Executors have made distribution to the beneficiaries of the Estate of cash income which the Estate received in May 2019 and May 2020. The Board of Directors does not anticipate any change in the composition of the Board of Directors as a result of the distribution of the estate to the beneficiaries under Dr. Chen's will.

The beneficiaries of Dr. Chen's will are The D.H. Chen Foundation and Dr. Chen's family members. The D.H. Chen Foundation is a charitable foundation founded by Dr. Chen in 1970. Ms. Vivien Chen is currently the Chairman of the Board of Trustees of The D.H. Chen Foundation.

### **Directors' Interests**

As at the date of this Offering Circular, except for Mr. Antony Leung Kam Chung, Mr. Vincent Cheung Sai Sing and Ms. Vanessa Cheung Tih Lin, none of the Directors has any interests in the shares or underlying shares of Nan Fung, or any of its subsidiaries, joint ventures and associated companies.

### **Related Party Transactions**

The Group has in the past engaged in transactions with its Directors and controlling shareholder and other related parties, and expects that it will continue to enter into such transactions in the future. The Group has in place certain checks and balances to ensure that the Group's interests (and those of its beneficial shareholder) are protected in relation to related party transactions.

Prior to 2009, responsibility for supervision and oversight of related party transactions was with the respective boards and/or shareholder(s) of the relevant Group companies and/or Dr. Chen, and any related party transaction entered into by the Group would have had to be notified, approved or sanctioned by such parties.

In 2009, the Group constituted a Conflicts Committee with responsibility for supervision and oversight of related party transactions carried out by the Group, which committee is presently comprised solely of the three INEDs. This committee reviews all related party transactions and ensures that they are on commercial terms that would apply for arm's length transactions with independent parties. In addition, the Audit Committee considers all related party contracts and financial arrangements and NFGHL has specific Board guidelines in place that regulate conflicts of interest.

Significant related party transactions carried out by the Group during the two years ended 31 March 2020 and 2019 are disclosed in accordance with IFRS in note 37 to the Guarantor's audited consolidated financial statements for the year ended 31 March 2020. They include property development and sale, construction,

management, marketing, leasing and administrative services, and the provision of loans and guarantees (see “*Risk Factors — There are significant amounts due from the Group to its related companies and individuals*”).

## EXCHANGE RATES

The HK dollar is freely convertible into the U.S. dollar. Since 1983, the HK dollar has been linked to the U.S. dollar. Under existing Hong Kong law, there are no foreign exchange controls or other laws, decrees or regulations that affect the remittance of payments to U.S. residents. The Basic Law of the Hong Kong Special Administrative Region of the PRC, which came into effect on 1 July 1997, provides that no foreign exchange control policies may be applied in Hong Kong. Although the market exchange rate of the HK dollar against the U.S. dollar was and continues to be determined by forces of supply and demand in the foreign exchange markets, between 1983 and May 2005 Hong Kong maintained a fixed rate system which sets the rate of exchange at HK\$7.80 per U.S. dollar (the “**Linked Exchange Rate System**”). However, in May 2005, the Hong Kong Monetary Authority broadened the 22-year trading band from the original rate of HK\$7.80 per U.S. dollar to a new range varying between HK\$7.75 and HK\$7.85 per U.S. dollar. The Hong Kong government has indicated its intention to maintain the Linked Exchange Rate System. The Hong Kong government has also stated that it has no intention of imposing exchange controls and that the HK dollar will remain freely convertible into other currencies, including the U.S. dollar. However, no assurance can be given that the Hong Kong government will maintain the trading band at HK\$7.75 to HK\$7.85 per U.S. dollar or at all. As a result of the Linked Exchange Rate System, exchange rates between the HK dollar and other currencies are influenced by the value of the U.S. dollar.

The following tables sets forth, for the periods indicated, certain information concerning the exchange rates between HK dollars and U.S. dollars. The exchange rates reflect the exchange rates as set forth in the H.10 statistical release of the Federal Reserve Board.

Period	Exchange Rate			
	Period End	Average <sup>(1)</sup>	High	Low
	<i>(HK\$ per U.S.\$1.00)</i>			
2014.....	7.7531	7.7554	7.7669	7.7495
2015.....	7.7507	7.7519	7.7686	7.7495
2016.....	7.7534	7.7618	7.8270	7.7505
2017.....	7.8128	7.7950	7.8267	7.7540
2018.....	7.8305	7.8376	7.8499	7.8043
2019.....	7.7894	7.8335	7.8499	7.7850
2020.....				
January .....	7.7665	7.7725	7.7889	7.7661
February .....	7.7927	7.7757	7.763	7.7951
March .....	7.7513	7.7651	7.7863	7.7511
April .....	7.7514	7.7512	7.7530	7.7498
May .....	7.7513	7.7519	7.7561	7.7500
June .....	7.7501	7.7501	7.7514	7.7498
July.....	7.7500	7.7509	7.7538	7.7499
August (through 21 August).....	7.7502	7.7502	7.7506	7.7500

Note:

- (1) Determined by averaging the rates on the last business day of each month during the relevant year, except for monthly average rates, which are determined by averaging the daily rates during the respective months.

## TAXATION

*The following summary of certain tax consequences of the purchase, ownership and disposition of the Securities is based upon applicable laws, regulations, rulings and decisions in effect as of the date of this Offering Circular, all of which are subject to change (possibly with retroactive effect). This discussion does not purport to be a comprehensive description of all the tax considerations that may be relevant to a decision to purchase, own or dispose of the Securities and does not purport to deal with consequences applicable to all categories of investors, some of which may be subject to special rules. Neither these statements nor any other statements in this Offering Circular are to be regarded as advice on the tax position of any holder of the Securities or any persons acquiring, selling or otherwise dealing in the Securities or on any tax implications arising from the acquisition, sale or other dealings in respect of the Securities. Persons considering the purchase of the Securities should consult their own tax advisers concerning the possible tax consequences of buying, holding or selling any Securities under the laws of their country of citizenship, residence or domicile.*

### **British Virgin Islands**

The Issuer, as a company incorporated under the BVI Business Companies Act, 2004, as amended, of the British Virgin Islands, is exempt from all provisions of the Income Tax Act (as amended) of the British Virgin Islands (including with respect to all amounts of principal and premium payable in respect of the Securities and other amounts payable by the Issuer to persons who are not persons resident in the British Virgin Islands).

Capital gains realised with respect to the Securities by persons who are not persons resident in the British Virgin Islands are also exempt from all provisions of the Income Tax Act of the British Virgin Islands.

No estate, inheritance, succession or gift tax, rate, duty, levy or other charge is payable by persons who are not persons resident in the British Virgin Islands with respect to the Securities.

### **Hong Kong**

#### ***Withholding Tax***

No withholding tax is payable in Hong Kong on payments of principal or Distribution with respect to the Securities or in respect of any capital gains arising from the sale of the Securities.

#### ***Profits Tax***

Hong Kong profits tax is chargeable on every person carrying on a trade, profession or business in Hong Kong in respect of profits arising in or derived from Hong Kong from such trade, profession or business (excluding profits arising from the sale of capital assets).

Interest on the Securities may be deemed to be profits arising in or derived from Hong Kong from a trade, profession or business carried on in Hong Kong in the following circumstances:

- (a) Distribution on the Securities is derived from Hong Kong and is received by or accrues to a corporation carrying on a trade, profession or business in Hong Kong; or
- (b) Distribution on the Securities is derived from Hong Kong and is received by or accrues to a person (other than a corporation), carrying on a trade, profession or business in Hong Kong and is in respect of the funds of that trade, profession or business; or
- (c) Distribution on the Securities is received by or accrues to a financial institution (as defined in the Inland Revenue Ordinance (Cap. 112 of the Laws of Hong Kong) (the “**IRO**”)) and arises through or from the carrying on by the financial institution of its business in Hong Kong; or

- (d) Distribution on the Securities is received by or accrues to a corporation, other than a financial institution, and arises through or from the carrying on in Hong Kong by the corporation of its intra-group financing business (within the meaning of section 16(3) of the IRO).

Sums received by or accrued to a financial institution by way of gains or profits arising through or from the carrying on by the financial institution of its business in Hong Kong from the sale, disposal or redemption of Securities will be subject to Hong Kong profits tax. Sums received by or accrued to a corporation, other than a financial institution, by way of gains or profits arising through or from the carrying on in Hong Kong by the corporation of its intra-group financing business (within the meaning of section 16(3) of the IRO) from the sale, disposal or other redemption of Securities will be subject to Hong Kong profits tax.

Sums derived from the sale, disposal or redemption of Securities will be subject to Hong Kong profits tax where received by or accrued to a person, other than a financial institution, who carries on a trade, profession or business in Hong Kong and the sum has a Hong Kong source unless otherwise exempted. The source of such sums will generally be determined by having regard to the manner in which the Securities are acquired and disposed of.

In certain circumstances, Hong Kong profits tax exemptions (such as concessionary tax rates) may be available. Investors are advised to consult their own tax advisors to ascertain the applicability of any exemptions to their individual position.

### ***Stamp Duty***

No Hong Kong stamp duty will be chargeable upon the issue or subsequent transfer of the Securities.

### **The proposed European Union financial transactions tax (the “FTT”)**

On 14 February 2013, the European Commission published a proposal (the “**Commission’s Proposal**”) for a Directive for a common FTT in Belgium, Germany, Estonia, Greece, Spain, France, Italy, Austria, Portugal, Slovenia and Slovakia (the “**participating Member States**”). However, Estonia has since stated that it will not participate.

The Commission’s Proposal has very broad scope and could, if introduced, apply to certain dealings in the Securities (including secondary market transactions) in certain circumstances. The issuance and subscription of Securities should, however, be exempt.

Under the Commission’s Proposal the FTT could apply in certain circumstances to persons both within and outside of the participating Member States. Generally, it would apply to certain dealings in the Securities where at least one party is a financial institution, and at least one party is established in a participating Member State. A financial institution may be, or be deemed to be, “established” in a participating Member State in a broad range of circumstances, including (a) by transacting with a person established in a participating Member State or (b) where the financial instrument which is subject to the dealings is issued in a participating Member State.

However, the FTT proposal remains subject to negotiation between participating Member States. It may therefore be altered prior to any implementation, the timing of which remains unclear. Additional European Union Member States may decide to participate.

Prospective holders of the Securities are advised to seek their own professional advice in relation to the FTT.

### **Foreign Account Tax Compliance Act**

Pursuant to certain provisions of the U.S. Internal Revenue Code of 1986, commonly known as FATCA, a “**foreign financial institution**” (as defined by FATCA) may be required to withhold on certain payments it makes (“**foreign passthru payments**”) to persons that fail to meet certain certification, reporting or related requirements. The issuer is a foreign financial institution for these purposes. A number of jurisdictions

(including Hong Kong) have entered into, or have agreed in substance to, intergovernmental agreements with the United States to implement FATCA (“IGAs”), which modify the way in which FATCA applies in their jurisdictions. Under the provisions of IGAs as currently in effect, a foreign financial institution in an IGA jurisdiction would generally not be required to withhold under FATCA or an IGA from payments that it makes. Certain aspects of the application of the FATCA provisions and IGAs to instruments such as the Securities, including whether withholding would ever be required pursuant to FATCA or an IGA with respect to payments on instruments such as the Securities, are uncertain and may be subject to change. Even if withholding would be required pursuant to FATCA or an IGA with respect to payments on instruments such as the Securities, such withholding would not apply prior to the date that is two years after the date on which final regulations defining foreign passthru payments are published in the U.S. Federal Register and the Securities characterised as debt (or which are not otherwise characterised as equity and have a fixed term) for U.S. federal tax purposes that are issued on or prior to the date that is six months after the date on which final regulations defining foreign passthru payments are published generally would be grandfathered for purposes of FATCA withholding unless materially modified after such date. However, if additional Securities (as described under “*Terms and Conditions—Further Issues*”) that are not distinguishable from previously issued Securities are issued after the expiration of the grandfathering period and are subject to withholding under FATCA, then withholding agents may treat all Securities, including the Securities offered prior to the expiration of the grandfathering period, as subject to withholding under FATCA. Holders should consult their own tax advisers regarding how these rules may apply to their investment in the Securities.

## SUBSCRIPTION AND SALE

The Issuer and the Guarantor have entered into a subscription agreement with the Joint Lead Managers dated 31 August 2020 (the “**Subscription Agreement**”), pursuant to which and subject to certain conditions contained therein, the Issuer and the Guarantor have jointly and severally agreed to sell to the Joint Lead Managers, and the Joint Lead Managers have agreed to severally, but not jointly, subscribe and pay for, or to procure subscribers to subscribe and pay for, the principal amount of the Securities as set forth opposite their names in the following table:

<b>Name of Joint Lead Manager</b>	<b>Principal amount of Securities to be subscribed</b>
	<i>(U.S.\$)</i>
The Hongkong and Shanghai Banking Corporation Limited .....	125,000,000
Goldman Sachs (Asia) L.L.C. ....	125,000,000
J.P. Morgan Securities plc .....	125,000,000
UBS AG Hong Kong Branch .....	125,000,000
Total .....	500,000,000

The Subscription Agreement provides that the Issuer and the Guarantor will jointly and severally indemnify the Joint Lead Managers against certain liabilities in connection with the offer and sale of the Securities. The Subscription Agreement provides that the obligations of the Joint Lead Managers are subject to certain conditions precedent, and entitles the Joint Lead Managers to terminate it in certain circumstances prior to payment being made to the Issuer.

The Joint Lead Managers and certain of their subsidiaries and affiliates may have performed certain investment banking and advisory services for the Issuer, the Guarantor and/or their affiliates from time to time for which they have received customary fees and expenses and may, from time to time, engage in transactions with and perform services for the Issuer, the Guarantor and/or their affiliates in the ordinary course of their business.

The Joint Lead Managers or certain of their affiliates may purchase the Securities and be allocated the Securities for asset management and/or proprietary purposes but not with a view to distribution. The Joint Lead Managers or their respective affiliates may purchase the Securities for its or their own account and enter into transactions, including credit derivatives, such as asset swaps, repackaging and credit default swaps relating to the Securities and/or other securities of the Issuer, the Guarantor or their subsidiaries or associates at the same time as the offer and sale of the Securities or in secondary market transactions. Such transactions would be carried out as bilateral trades with selected counterparties and separately from any existing sale or resale of the Securities to which this Offering Circular relates (notwithstanding that such selected counterparties may also be purchasers of the Securities).

In addition, the Issuer and the Guarantor agreed with the Joint Lead Managers that the Issuer and the Guarantor will pay a commission to certain private banks in connection with the distribution of the Securities to their clients. This commission will be based on the principal amount of the Securities so distributed, and may be deducted from the purchase price for the Securities payable by such private banks upon settlement.

If a jurisdiction requires that the offering be made by a licensed broker or dealer and any Joint Lead Manager or any affiliate of a Joint Lead Manager is a licensed broker or dealer in that jurisdiction, the offering shall be

deemed to be made by that Joint Lead Manager or such affiliate on behalf of the Issuer and the Guarantor in such jurisdiction.

### **General**

The Securities are a new issue of securities with no established trading market. No assurance can be given as to the liquidity of any trading market for the Securities.

The distribution of this Offering Circular or any offering material and the offering, sale or delivery of the Securities is restricted by law in certain jurisdictions. Therefore, persons who may come into possession of this Offering Circular or any offering material are advised to consult with their own legal advisers as to what restrictions may be applicable to them and to observe such restrictions. This Offering Circular may not be used for the purpose of an offer or invitation in any circumstances in which such offer or invitation is not authorised.

No action has been taken or will be taken in any jurisdiction that would permit a public offering of the Securities, or possession or distribution of this Offering Circular or any amendment or supplement thereto or any other offering or publicity material relating to the Securities, in any country or jurisdiction where action for that purpose is required.

### **United States**

- (i) Each Joint Lead Manager understands that the Securities and the Guarantee of the Securities have not been and will not be registered under the Securities Act, and the Securities may not be offered or sold within the United States except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act.
- (ii) Each Joint Lead Manager represents and agrees that it has not offered or sold, and will not offer or sell, any Securities and Guarantee constituting part of its allotment within the United States except in accordance with Rule 903 of Regulation S under the Securities Act.
- (iii) Each Joint Lead Manager represents and agrees that it, its affiliates or any persons acting on its or their behalf have not engaged and will not engage in any directed selling efforts with respect to the Securities and the Guarantee.

Terms used above have the meaning given to them by Regulation S.

### **Prohibition of Sales to EEA and UK Retail Investors**

Each Joint Lead Manager has represented, warranted and agreed that it has not offered, sold or otherwise made available and will not offer, sell or otherwise make available any Securities to any retail investor in the European Economic Area or in the UK. For the purposes of this provision:

- (a) the expression “**retail investor**” means a person who is one (or more) of the following:
  - (i) a retail client as defined in point (11) of Article 4(1) of MiFID II; or
  - (ii) a customer within the meaning of IDD, where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II.

### **United Kingdom**

Each Joint Lead Manager has represented, warranted and agreed that:

- (i) it has only communicated or caused to be communicated and will only communicate or cause to be communicated an invitation or inducement to engage in investment activity (within the meaning of Section 21 of the Financial Services and Markets Act 2000 (the “**FSMA**”)) received by it in connection

with the issue or sale of any Securities in circumstances in which Section 21(1) of the FSMA does not apply to the Issuer or the Guarantor; and

- (ii) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to any Securities in, from or otherwise involving the United Kingdom.

## **Hong Kong**

Each Joint Lead Manager has represented and agreed that:

- (i) it has not offered or sold and will not offer or sell in Hong Kong, by means of any document, any Securities other than (i) to “**professional investors**” as defined in the Securities and Futures Ordinance (Cap. 571) of Hong Kong (the “**SFO**”) and any rules made under the SFO; or (ii) in other circumstances which do not result in the document being a “**prospectus**” as defined in the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Cap. 32) of Hong Kong (the “**C(WUMP)O**”) or which do not constitute an offer to the public within the meaning of the C(WUMP)O; and
- (ii) it has not issued or had in its possession for the purposes of issue, and will not issue or have in its possession for the purposes of issue, whether in Hong Kong or elsewhere, any advertisement, invitation or document relating to the Securities, which is directed at, or the contents of which are likely to be accessed or read by, the public of Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than with respect to Securities which are or are intended to be disposed of only to persons outside Hong Kong or only to “**professional investors**” as defined in the SFO and any rules made under the SFO.

## **Singapore**

Each Joint Lead Manager has acknowledged that this Offering Circular has not been registered as a prospectus with the Monetary Authority of Singapore. Accordingly, each Joint Lead Manager has represented, warranted and agreed that it has not offered or sold any Securities or caused the Securities to be made the subject of an invitation for subscription or purchase and will not offer or sell any Securities or cause the Securities to be made the subject of an invitation for subscription or purchase, and has not circulated or distributed, nor will it circulate or distribute this Offering Circular or any other document or material in connection with the offer or sale, or invitation for subscription or purchase of any Securities, whether directly or indirectly, to any person in Singapore other than (a) to an institutional investor (as defined in Section 4A of the Securities and Futures Act (Chapter 289) of Singapore, as modified or amended from time to time (the “**SFA**”)) pursuant to Section 274 of the SFA, (b) to a relevant person (as defined in Section 275(2) of the SFA) pursuant to Section 275(1) of the SFA, or any person pursuant to Section 275(1A) of the SFA, and in accordance with the conditions, specified in Section 275 of the SFA, or (c) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA.

Where the Securities are subscribed or purchased under Section 275 of the SFA by a relevant person which is:

- (i) a corporation (which is not an accredited investor (as defined in Section 4A of the SFA)) the sole business of which is to hold investments and the entire share capital of which is owned by one or more individuals, each of whom is an accredited investor; or
- (ii) a trust (where the trustee is not an accredited investor) whose sole purpose is to hold investments and each beneficiary of the trust is an individual who is an accredited investor,

securities or securities-based derivatives contracts (each term as defined in Section 2(1) of the SFA) of that corporation or the beneficiaries’ rights and interest (howsoever described) in that trust shall not be transferred within six months after that corporation or that trust has acquired the Securities pursuant to an offer made under Section 275 of the SFA except:

- (a) to an institutional investor or to a relevant person, or to any person arising from an offer referred to in Section 275(1A) or Section 276(4)(i)(B) of the SFA;
- (b) where no consideration is or will be given for the transfer;
- (c) where the transfer is by operation of law;
- (d) as specified in Section 276(7) of the SFA; or
- (e) as specified in Regulation 37A of the Securities and Futures (Offers of Investments) (Securities and Securities-based Derivatives Contracts) Regulations 2018.

*Singapore SFA Product Classification: In connection with Section 309B of the SFA and the CMP Regulations 2018, the Issuer has determined, and hereby notifies all relevant persons (as defined in Section 309A(1) of the SFA), that the Securities are 'prescribed capital markets products' (as defined in the CMP Regulations 2018) and Excluded Investment Products (as defined in MAS Notice SFA 04-N12: Notice on the Sale of Investment Products and MAS Notice FAA-N16: Notice on Recommendations on Investment Products).*

### **Japan**

The Securities have not been and will not be registered under the Financial Instruments and Exchange Act of Japan (Act No. 25 of 1948, as amended) (the “**FIEA**”). Accordingly, each Joint Lead Manager has represented, warranted and undertaken that it has not, directly or indirectly, offered or sold and will not, directly or indirectly, offer or sell any Securities in Japan or to, or for the benefit of, any resident of Japan (as defined under Item 5, Paragraph 1, Article 6 of the Foreign Exchange and Foreign Trade Act (Act No. 228 of 1949, as amended)), or to others for re-offering or resale, directly or indirectly, in Japan or to, or for the benefit of, a resident of Japan except pursuant to an exemption from the registration requirements of, and otherwise in compliance with, the FIEA and any other applicable laws, regulations and ministerial guidelines of Japan.

### **British Virgin Islands**

Each Joint Lead Manager has represented and agreed that no offer has been or will be made, and no Securities will be sold, directly or indirectly to any person resident in the British Virgin Islands to subscribe for any of the Securities.

## GENERAL INFORMATION

### Clearance of the Securities

The Securities have been accepted for clearance through Euroclear and Clearstream under Common Code number 222662184 and the International Securities Identification Number (ISIN) for the Securities is XS2226621840.

### Issuer LEI

The Issuer's LEI is 254900SXLFWVFJY5QE98.

### Listing of the Securities

Approval in-principle has been received from the SGX-ST for the listing of and quotation for the Securities on the Official List of the SGX-ST. The Securities will be traded on the SGX-ST in a minimum board lot size of S\$200,000 (or its equivalent in other currencies) for so long as the Securities are listed on the SGX-ST and the rules of the SGX-ST so require.

So long as the Securities are listed on the SGX-ST and the rules of the SGXST so require, the Issuer shall appoint and maintain a paying agent in Singapore, where the Securities may be presented or surrendered for payment or redemption, in the event that the Global Certificate is exchanged for definitive certificates. In addition, in the event that the Global Certificate is exchanged for definitive certificates, an announcement of such exchange shall be made through the SGX-ST and such announcement will include all material information with respect to the delivery of the definitive certificates, including details of the paying agent in Singapore.

### Consents and Approvals

The Issuer has obtained all necessary consents, approvals and authorisations in connection with the issue of and performance of its obligations under the Securities, the Trust Deed and the Agency Agreement. The issue of the Securities was approved and authorised by resolutions of the board of directors and the sole member of the Issuer passed on 3 March 2020. The Guarantor has obtained all necessary consents, approvals and authorisations in connection with the giving of the Guarantee of the Securities and the performance of its obligations under the Trust Deed and the Agency Agreement. The giving of the Guarantee of the Securities was approved and authorised by resolutions of the board of directors of the Guarantor passed on 3 March 2020.

### No Material Adverse Change or Pending Litigation

Save as disclosed in the Offering Circular, there has been no material adverse change, or any development reasonably likely to involve a material adverse change, in the condition (financial or otherwise), prospects or results of operations of the Issuer, the Company or the Group (taken as a whole) since 31 March 2020.

The Group is from time to time involved in legal proceedings arising in the ordinary course of its business, including as both plaintiff or defendant in litigation or arbitration proceedings. There are no current litigation or arbitration proceedings against the Issuer, the Company or any other member of the Group that could have a material adverse effect on its financial condition or results of operations or the ability of the Issuer and the Company to perform their obligations under the Securities and the Guarantee of the Securities, respectively.

### Inspection of Accounts

For so long as any of the Securities is outstanding, copies of the following documents will be available for inspection, with proof of holdings and prior written request, at the specified office of the Trustee at Level 24, HSBC Main Building, 1 Queen's Road Central, Hong Kong, during normal business hours:

- (a) this Offering Circular which contains the audited consolidated financial statements of the Group as at and for the year ended 31 March 2020;

- (b) the Agency Agreement; and
- (c) the Trust Deed.

The audited consolidated financial statements of the Group as at and for the year ended 31 March 2020 which are included in this Offering Circular, have been audited by PricewaterhouseCoopers, Certified Public Accountants, Hong Kong, the independent auditor of the Guarantor, whose audit report is included herein.

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*Page references included in the Guarantor's audited consolidated financial statements for the year ended 31 March 2020 set forth below refer to pages in such audited consolidated financial statements.*

**NAN FUNG INTERNATIONAL HOLDINGS LIMITED**  
(Incorporated in the British Virgin Islands with limited liability)

**CONSOLIDATED FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED**

**31ST MARCH 2020**

**INDEPENDENT AUDITOR'S REPORT  
TO THE BOARD OF DIRECTORS OF NAN FUNG INTERNATIONAL HOLDINGS  
LIMITED**

(Incorporated in the British Virgin Islands with limited liability)

**Opinion**

*What we have audited*

The consolidated financial statements of Nan Fung International Holdings Limited (the "Company") and its subsidiaries (the "Group") set out on pages 4 to 102, which comprise:

- the consolidated balance sheet as at 31st March 2020;
- the consolidated income statement for the year then ended;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the consolidated financial statements, which include a summary of significant accounting policies.

*Our opinion*

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31st March 2020, and of its consolidated financial performance and its consolidated 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 Consolidated 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 Group 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.

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

(Incorporated in the British Virgin Islands with limited liability)

**Responsibilities of Directors for the Consolidated Financial Statements**

The directors of the Company are responsible for the preparation of the consolidated 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group'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 Group or to cease operations, or have no realistic alternative but to do so.

**Auditor's Responsibilities for the Audit of the Consolidated Financial Statements**

Our objectives are to obtain reasonable assurance about whether the consolidated 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 consolidated 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 consolidated 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 Group's internal control.

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

(Incorporated in the British Virgin Islands with limited liability)

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

- 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 Group'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 consolidated 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 Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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.

**PricewaterhouseCoopers**  
Certified Public Accountants

Hong Kong, 23rd June 2020

**NAN FUNG INTERNATIONAL HOLDINGS LIMITED**  
(Incorporated in the British Virgin Islands with limited liability)

**CONSOLIDATED INCOME STATEMENT  
FOR THE YEAR ENDED 31ST MARCH 2020**

	Note	2020 HK\$'000	2019 HK\$'000
Revenue	5, 6	5,988,845	13,532,369
Cost of sales		(1,865,482)	(8,756,710)
Gross profit		4,123,363	4,775,659
Other income and (losses)/gains, net	7	(454,065)	955,233
Net change in fair values of investment properties		(417,441)	758,296
Other operating expenses		(1,839,730)	(1,843,776)
Operating profit	8	1,412,127	4,645,412
Finance income		837,837	546,838
Finance expenses		(301,166)	(321,309)
Other finance charges and net exchange difference on financing activities		144,326	(58,988)
Finance income, net	10	680,997	166,541
Share of results of			
- Joint ventures	5	422,582	1,516,629
- Associates	5	(15,810)	513,050
Profit before income tax		2,499,896	6,841,632
Income tax expense	11	(217,517)	(584,176)
Profit for the year		2,282,379	6,257,456
Profit for the year attributable to:			
- Owners of the Company		2,024,855	6,023,476
- Holders of perpetual capital securities		214,964	215,657
- Non-controlling interests		42,560	18,323
		2,282,379	6,257,456

**NAN FUNG INTERNATIONAL HOLDINGS LIMITED**  
(Incorporated in the British Virgin Islands with limited liability)

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME  
FOR THE YEAR ENDED 31ST MARCH 2020**

	2020 HK\$'000	2019 HK\$'000
<b>Profit for the year</b>	2,282,379	6,257,456
<b>Other comprehensive loss</b> <i>Items that may be reclassified subsequently to profit or loss</i>		
Share of other comprehensive loss of joint ventures and associates	(50,934)	(169,910)
Release of exchange reserves upon disposal of interests in subsidiaries	(680)	11,490
Release of hedging reserve upon discontinuation of hedging relationship	-	(135,764)
Exchange translation differences	(1,647,252)	(1,430,584)
Other comprehensive loss for the year	(1,698,866)	(1,724,768)
<b>Total comprehensive income for the year</b>	583,513	4,532,688
<b>Total comprehensive income attributable to:</b>		
- Owners of the Company	372,289	4,327,099
- Holders of perpetual capital securities	214,964	215,657
- Non-controlling interests	(3,740)	(10,068)
	583,513	4,532,688

**NAN FUNG INTERNATIONAL HOLDINGS LIMITED**  
(Incorporated in the British Virgin Islands with limited liability)

**CONSOLIDATED BALANCE SHEET**  
**AS AT 31ST MARCH 2020**

	Note	2020 HK\$'000	2019 HK\$'000
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	13	2,193,780	2,878,214
Investment properties	14	74,476,965	69,776,779
Right-of-use assets	15	890,468	-
Land use rights	16	-	369,220
Joint ventures	17	8,200,649	9,326,494
Associates	18	3,424,382	7,248,354
Financial assets at fair value through profit or loss	23	14,343,838	11,869,326
Loans and other receivables	19	10,706,452	4,077,700
Amounts due from investee companies	20	47,578	45,435
Deferred income tax assets	28	269,159	234,517
		114,553,271	105,826,039
		-----	-----
<b>Current assets</b>			
Properties for sale	21	15,217,725	15,415,902
Trade and other receivables, deposits and prepayments	22	7,476,291	10,556,408
Financial assets at fair value through profit or loss	23	7,571,789	10,063,720
Prepaid tax		143,740	83,580
Cash and bank balances	24	15,646,023	17,670,671
		46,055,568	53,790,281
Assets classified as held-for-sale	25	324,370	348,280
		46,379,938	54,138,561
		-----	-----
<b>Total assets</b>		160,933,209	159,964,600

**NAN FUNG INTERNATIONAL HOLDINGS LIMITED**  
(Incorporated in the British Virgin Islands with limited liability)

**CONSOLIDATED BALANCE SHEET (CONTINUED)**  
**AS AT 31ST MARCH 2020**

	Note	2020 HK\$'000	2019 HK\$'000
<b>EQUITY</b>			
<b>Equity attributable to the owners of the Company</b>			
Share capital	26	62,743,532	62,743,532
Reserves	27	38,137,476	38,619,237
		100,881,008	101,362,769
<b>Perpetual capital securities</b>	26	3,968,568	3,969,456
		104,849,576	105,332,225
<b>Non-controlling interests</b>		322,619	630,651
		105,172,195	105,962,876
		105,172,195	105,962,876
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Deferred income tax liabilities	28	3,047,849	3,066,076
Bank and other borrowings	29	28,813,367	32,819,740
Lease liabilities		129,834	-
Other long-term liabilities		74,842	11,163
		32,065,892	35,896,979
		32,065,892	35,896,979
<b>Current liabilities</b>			
Trade and other payables, deposits and accruals	30	13,335,835	13,187,454
Contract liabilities	31	5,481,073	3,394,433
Financial liabilities at fair value through profit or loss	23	819,385	202,753
Lease liabilities		15,184	-
Bank and other borrowings	29	3,395,580	375,730
Tax payable		648,065	944,375
		23,695,122	18,104,745
		23,695,122	18,104,745
<b>Total liabilities</b>		55,761,014	54,001,724
		55,761,014	54,001,724
<b>Total equity and liabilities</b>		160,933,209	159,964,600

On behalf of the Board

Cheung Vincent Sai Sing  
Director

Leung Kam Chung  
Director

**NAN FUNG INTERNATIONAL HOLDINGS LIMITED**  
(Incorporated in the British Virgin Islands with limited liability)

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY  
FOR THE YEAR ENDED 31ST MARCH 2020**

	Attributable to owners of the Company				Total	Perpetual capital securities	Non- controlling interests	Total equity
	Share capital	Retained earnings	Merger reserve	Other reserves				
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	
<b>At 1st April 2019</b>	62,743,532	73,006,850	(33,100,357)	(1,287,256)	101,362,769	3,969,456	630,651	105,962,876
Adjustment on adoption of IFRS 16 (note 2(a)(i))	-	59,151	-	-	59,151	-	-	59,151
<b>At 1st April 2019, as restated</b>	62,743,532	73,066,001	(33,100,357)	(1,287,256)	101,421,920	3,969,456	630,651	106,022,027
<b>Comprehensive income</b>								
Profit for the year	-	2,024,855	-	-	2,024,855	214,964	42,560	2,282,379
Other comprehensive loss	-	-	-	(1,652,566)	(1,652,566)	-	(46,300)	(1,698,866)
<b>Total comprehensive income/(loss)</b>	-	2,024,855	-	(1,652,566)	372,289	214,964	(3,740)	583,513
Dividend paid to owners of the Company (note 12)	-	(909,781)	-	-	(909,781)	-	-	(909,781)
Dividend paid to non- controlling interest	-	-	-	-	-	-	(25,000)	(25,000)
Capital injection of non- controlling interests	-	-	-	-	-	-	25,693	25,693
Acquisition of non-controlling interest (note 32 (c))	-	-	-	(8,247)	(8,247)	-	(282,092)	(290,339)
Partial disposal of interest in subsidiaries (note 32 (b))	-	-	-	4,827	4,827	-	(22,893)	(18,066)
Release of merger reserve upon liquidation of a subsidiary	-	(27,999)	27,999	-	-	-	-	-
Transfer of statutory reserve of an associate	-	(5,594)	-	5,594	-	-	-	-
Distribution paid to holders of perpetual capital securities	-	-	-	-	-	(215,852)	-	(215,852)
<b>At 31st March 2020</b>	62,743,532	74,147,482	(33,072,358)	(2,937,648)	100,881,008	3,968,568	322,619	105,172,195

**NAN FUNG INTERNATIONAL HOLDINGS LIMITED**  
(Incorporated in the British Virgin Islands with limited liability)

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (CONTINUED)**  
**FOR THE YEAR ENDED 31ST MARCH 2020**

	Attributable to owners of the Company					Perpetual capital securities HK\$'000	Non- controlling interests HK\$'000	Total equity HK\$'000
	Share capital HK\$'000	Retained earnings HK\$'000	Merger reserve HK\$'000	Other reserves HK\$'000	Total HK\$'000			
<b>At 1st April 2018</b>	62,743,532	71,645,695	(37,757,621)	404,064	97,035,670	3,969,252	624,913	101,629,835
<b>Comprehensive income</b>								
Profit for the year	-	6,023,476	-	-	6,023,476	215,657	18,323	6,257,456
Other comprehensive loss	-	-	-	(1,696,377)	(1,696,377)	-	(28,391)	(1,724,768)
<b>Total comprehensive income/(loss)</b>	-	6,023,476	-	(1,696,377)	4,327,099	215,657	(10,068)	4,532,688
Dividend paid to non- controlling interests	-	-	-	-	-	-	(3,510)	(3,510)
Capital injection of non- controlling interests	-	-	-	-	-	-	19,316	19,316
Transfer of statutory reserve of an associate	-	(5,057)	-	5,057	-	-	-	-
Distribution paid to holders of perpetual capital securities	-	-	-	-	-	(215,453)	-	(215,453)
Release of merger reserve upon liquidation of a subsidiary	-	(4,657,264)	4,657,264	-	-	-	-	-
<b>At 31st March 2019</b>	62,743,532	73,006,850	(33,100,357)	(1,287,256)	101,362,769	3,969,456	630,651	105,962,876

**NAN FUNG INTERNATIONAL HOLDINGS LIMITED**  
(Incorporated in the British Virgin Islands with limited liability)

**CONSOLIDATED STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED 31ST MARCH 2020**

	Note	2020 HK\$'000	2019 HK\$'000
<b>Cash flows from operating activities</b>			
Net cash generated from operations	32(a)	6,301,258	7,783,464
Profits tax paid		(460,935)	(392,537)
		<hr/>	<hr/>
Net cash from operating activities		5,840,323	7,390,927
		<hr/>	<hr/>
<b>Cash flows from investing activities</b>			
Interest received		849,698	501,905
Purchase of property, plant and equipment		(76,992)	(47,793)
Proceeds from disposal of property, plant and equipment		946	1,704
Additions to investment properties		(5,902,866)	(1,683,131)
Proceeds from sale of investment properties		-	410,904
(Increase)/decrease in amounts due from investee companies		(2,143)	3,020
Decrease in amounts due from non-controlling interests		-	26,157
(Increase)/decrease in investment in and decrease in amounts due from joint ventures		(604,400)	665,804
Dividends received from joint ventures		11,250	106,250
Increase in amounts due to joint ventures		1,614,428	1,316,795
Dividends received from associates		10,000	3,000
Increase in investment in and advances to associates		(203,155)	(564,244)
Increase in amounts due to associates		118,835	288,952
Net proceeds from partial disposal/disposal of interests in subsidiaries	32(b)	421,175	5,475,759
(Increase)/decrease in loans and other receivables		(403,242)	51,571
Decrease/(increase) in amounts due from fellow subsidiary companies		1,733	(3,819)
Decrease in amounts due from related companies		14,098	17,212
Decrease in amount due from an immediate holding company		385,049	109,245
Decrease/(increase) in amount due from ultimate holding company		21	(906)
Decrease/(increase) in short term bank deposits with original maturities more than three months		2,667,718	(3,567,135)
Decrease in restricted bank deposits		23	28,650
		<hr/>	<hr/>
Net cash (used in)/from investing activities		(1,097,824)	3,139,900
		<hr/>	<hr/>

**NAN FUNG INTERNATIONAL HOLDINGS LIMITED**  
(Incorporated in the British Virgin Islands with limited liability)

**CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)**  
**FOR THE YEAR ENDED 31ST MARCH 2020**

	Note	2020 HK\$'000	2019 HK\$'000
<b>Cash flows from financing activities</b>	32(d)		
Interest paid		(1,111,921)	(1,162,528)
Decrease in amounts due to related companies and individuals		(101,505)	(54,728)
Decrease in amounts due to fellow subsidiaries		-	(248,789)
(Decrease)/increase in amount due to immediate holding company		(22)	8,024
(Decrease)/increase in amount due to ultimate holding company		(410,132)	80,476
Capital injection from non-controlling interests		25,693	19,316
Decrease in amounts due to non-controlling interests		(515,323)	(53,523)
Issuance of medium term note		-	3,848,141
Distribution paid to holders of perpetual capital securities		(215,852)	(215,453)
Principal elements of lease payments		(16,012)	-
Drawdown of bank and other borrowings		8,481,667	17,904,316
Repayment of bank and other borrowings		(8,652,511)	(23,338,329)
Dividend paid to owners of the Company		(909,781)	-
Dividend paid to non-controlling interest		(25,000)	(3,510)
Acquisition of non-controlling interests	32(c)	(290,339)	-
Net cash used in financing activities		<u>(3,741,038)</u>	<u>(3,216,587)</u>
<b>Net increase in cash and cash equivalents</b>		1,001,461	7,314,240
Cash and cash equivalents at beginning of year		13,931,949	6,776,231
Currency translation differences		(358,368)	(158,522)
<b>Cash and cash equivalents at end of year</b>	24	<u><u>14,575,042</u></u>	<u><u>13,931,949</u></u>

**NAN FUNG INTERNATIONAL HOLDINGS LIMITED**  
(Incorporated in the British Virgin Islands with limited liability)

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

**1 General information**

Nan Fung International Holdings Limited (the “Company”) is a limited liability company incorporated in the British Virgin Islands on 8th August 2011 and is wholly and beneficially owned by Dr. Chen Din Hwa (“Dr. Chen”). In June 2012, Dr. Chen had deceased.

The Company and its subsidiaries are collectively referred to as the “Group”. The ultimate holding company of the Company is Chen’s Group International Limited (“CGIL”). CGIL is wholly owned by Dr. Chen’s Estates.

The address of the Company’s registered office is Vistra Corporate Services Centre, Wickhams Cay II, Road Town, Tortola, VG1110, British Virgin Islands.

The Company’s principal activity is investment holding. The principal activities of the Group are property investment and development, hotel operation, investment holding and trading, building management, provision of construction contracting services and provision of properties related services.

The consolidated financial statements are presented in thousands of Hong Kong dollar (“HK\$’000”) unless otherwise stated. The consolidated financial statements were approved for issue by the Board of Directors on 23rd June 2020.

**2 Summary of significant accounting policies**

The significant accounting policies applied in the preparation of these consolidated 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 consolidated financial statements have been prepared in accordance with all applicable International Financial Reporting Standards (“IFRSs”). The consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of investment properties and financial assets and financial liabilities (including derivative financial instruments) at fair value through profit or loss, which are carried at fair values.

The preparation of consolidated 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 Group’s accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in note 4.

(i) New standard, amendments to standards and interpretation adopted by the Group

The Group has adopted the following new standard, amendments to standards and interpretation which are mandatory for the financial year beginning 1st April 2019 and are relevant to its operation.

Annual Improvements to IFRSs (Amendments)	Annual Improvements to IFRSs 2015 – 2017 Cycle
IAS 28 (Amendments)	Long-term Interests in Associates and Joint Ventures
IFRS 16	Leases
IFRS 9 (Amendments)	Prepayment Features with Negative Compensation
IFRIC 23	Uncertainty over Income Tax Treatments

**NAN FUNG INTERNATIONAL HOLDINGS LIMITED**  
(Incorporated in the British Virgin Islands with limited liability)

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

**2 Summary of significant accounting policies (Continued)**

**(a) Basis of preparation (Continued)**

- (i) New standard, amendments to standards and interpretation adopted by the Group (Continued)

The Group has assessed the impact of the adoption of these new standard, amendments to standards and interpretation, except for the adoption of IFRS 16 and IAS 28 (Amendments), there is neither significant impact on the Group's results and financial position nor any substantial changes in the Group's accounting policies and presentation of the consolidated financial statements. The changes in accounting policies and the impacts on the Group's results and financial position for the adoption of IFRS 16 and IAS 28 (Amendments) are summarised below:

Effect of changes in accounting policies – IFRS 16

The Group has adopted IFRS 16 with effect from 1st April 2019 and has taken transitional provisions not to restate comparative figures for prior periods. IFRS 16 establishes new accounting requirements on leases which lead to the recognition of lease transactions in lessees' financial statements. IFRS 16 focuses on whether an arrangement contains a lease or a service agreement and introduces a substantial change to lessee accounting. The previous distinction between operating and finance leases is eliminated for lessee. A right-of-use asset (representing the right to use the leased asset during the lease term) and a lease liability (representing the obligation to pay rents) are recognised for all leases. The lessor accounting remains largely unchanged.

In accordance with the transition provisions of IFRS 16, the Group has adopted the modified retrospective application for existing leases at 1st April 2019 with certain transition reliefs, and under which comparative figures are not restated. For leases previously classified as operating leases, the Group has elected to measure the right-of-use assets at the amounts equal to the lease liabilities adjusted by any prepaid or accrued lease payments. Accordingly, no adjustments were recognised to the opening balance of retained earnings at the date of initial application.

The Group applied the following practical expedients on transition to IFRS 16 for those leases which were previously classified as operating leases under IAS 17.

- the use of a single discount rate to a portfolio of leases with reasonably similar characteristics;
- applying the recognition exemption for leases of low value assets;
- the exclusion of initial direct costs from the measurement of the right-of-use assets; and
- the use of hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

Upon the adoption of IFRS 16, the Group reclassified the "land use rights" under operating leases and leasehold land under finance lease in "property, plant and equipment" to right-of-use assets for presentation purpose.

**NAN FUNG INTERNATIONAL HOLDINGS LIMITED**  
(Incorporated in the British Virgin Islands with limited liability)

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

**2 Summary of significant accounting policies (Continued)**

**(a) Basis of preparation (Continued)**

- (i) New standard, amendments to standards and interpretation adopted by the Group (Continued)

Effect of changes in accounting policies – IFRS 16 (Continued)

IFRS 16 also amends the definition of investment property under IAS 40 to include property held by a lessee as right-of-use assets to earn rentals or for capital appreciation or both and requires the Group to account for such right-of-use assets at their fair value.

The Group has also elected not to reassess whether a contract is or contains a lease at the date of initial application. Instead, for contracts entered into before the transition date, the Group relied on its assessment made previously when applying IAS 17 and IFRIC 4 Determining whether an Arrangement contains a Lease.

Upon the adoption of IFRS 16, the Group recognised lease liabilities in relation to leases which had previously been classified as ‘operating leases’ under the principles of IAS 17.

The table below explains the difference between operating lease commitments disclosed at 31st March 2019 by applying IAS 17 and lease liabilities recognised at 1st April 2019 by applying IFRS 16:

	HK\$'000
Operating lease commitments disclosed as at 31st March 2019	75,198
Discounted using the lessee’s incremental borrowing rate at the date of initial application	67,710
Add: adjustments as a result of different treatment for extension options	101,636
Less: short-term leases recognised on a straight-line basis as expense	(13,090)
Less: low-value leases recognised on a straight-line basis as expense	(2,329)
Less: leases signed in financial year ended 31st March 2019 and commenced in financial year ended 31st March 2020	(33,532)
	<hr/>
Lease liabilities recognised as at 1st April 2019	120,395
	<hr/> <hr/>
Represented by:	
Current lease liabilities	10,692
Non-current lease liabilities	109,703
	<hr/>
	120,395
	<hr/> <hr/>

**NAN FUNG INTERNATIONAL HOLDINGS LIMITED**  
(Incorporated in the British Virgin Islands with limited liability)

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

**2 Summary of significant accounting policies (Continued)**

**(a) Basis of preparation (Continued)**

- (i) New standard, amendments to standards and interpretation adopted by the Group (Continued)

Effect of changes in accounting policies – IFRS 16 (Continued)

These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as of 1st April 2019. The weighted average lessee's incremental borrowing rate applied to the lease liabilities on 1st April 2019 was 3.6%.

In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not to exercise a termination option. Extension options (or periods beyond the dates when respective termination options are exercisable) are only included in the lease term if the lease is reasonably certain to be extended (or not be terminated). The assessment is reviewed if a significant event or a significant change in circumstances that is within the control of the lessee has occurred which affects this assessment. As at 1st April 2019, the financial effect of revising the lease terms to reflect the effect of exercising extension and termination options was an increase in both recognised lease liabilities and right-of-use assets by HK\$101,636,000.

Effect of changes in accounting policies – IAS 28 (Amendments)

Following the adoption of IAS 28 (Amendments), the Group has applied IFRS 9 to financial instruments in its associates and joint ventures to which the equity method is no longer applied. These include long-term interests that, in substance, form part of the Group's net investments in associates or joint ventures. The Group has made changes to its accounting policies in the classification, measurement and impairment of its long-term interests in associates or joint ventures under IFRS 9.

While the new policies are generally required to be applied retrospectively, the Group has taken transitional provisions in IAS 28 (Amendments) not to restate comparative information for prior periods with respect to classification and measurement (including impairment) requirements. Therefore, comparative balances have not been restated. There are no material differences in the carrying amounts resulting from the adoption of IAS 28 (Amendments).

The tables below show the adjustments of each individual financial statement line item by the application of IFRS 16 and IAS 28 (Amendments). Line items that were not affected by the changes have not been included.

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**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

**2 Summary of significant accounting policies (Continued)**

**(a) Basis of preparation (Continued)**

(i) New standard, amendments to standards and interpretation adopted by the Group (Continued)

(a) The impacts on the Group's consolidated balance sheet as at 1st April 2019 by the adoption of IFRS 16 and IAS 28 (Amendments) are as follows:

	As at 1st April 2019			
	As originally presented HK\$'000	IFRS 16 HK\$'000	IAS 28 (amendments) HK\$'000	As adjusted HK\$'000
<b>Consolidated balance sheet</b>				
<b>(extract)</b>				
<u>Non-current assets</u>				
Property, plant and equipment				
- Land and building	2,517,734	(548,867)	-	1,968,867
Investment properties	69,776,779	156,323	-	69,933,102
Right-of-use assets	-	941,310	-	941,310
Land use rights	369,220	(369,220)	-	-
Joint ventures	9,326,494	-	(1,403,886)	7,922,608
Associates	7,248,354	-	(3,255,200)	3,993,154
Loans and other receivables	4,077,700	-	4,659,086	8,736,786
<u>Equity attributable to the owners of the Company</u>				
Reserves				
- Retained earnings	73,006,850	59,151	-	73,066,001
<u>Non-current liabilities</u>				
Lease liabilities	-	109,703	-	109,703
<u>Current liabilities</u>				
Lease liabilities	-	10,692	-	10,692

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**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

**2 Summary of significant accounting policies (Continued)**

**(a) Basis of preparation (Continued)**

- (i) New standard, amendments to standards and interpretation adopted by the Group (Continued)
- (b) The impacts on the Group's consolidated income statement, consolidated statement of comprehensive income and consolidated statement of cash flows for the year ended 31st March 2020 and consolidated balance sheet as at 31st March 2020 by the adoption of IFRS 16 and IAS 28 (Amendments) are as follows:

	For the year ended 31st March 2020			
	Without the adoption of IFRS 16 and IAS 28 (Amendments) HK\$'000	IFRS 16 HK\$'000	IAS 28 (Amendments) HK\$'000	As reported HK\$'000
<b>Consolidated income statement (extract)</b>				
Other operating expenses				
- Short-term and low-value leases expenses	-	(21,788)	-	(21,788)
- Rental expense under operating lease	(37,828)	37,828	-	-
- Depreciation and amortisation of				
- property, plant and equipment	(167,646)	18,570	-	(149,076)
- right-of-use assets	-	(41,928)	-	(41,928)
- land use rights	(12,451)	12,451	-	-
Net change in fair values of investment properties	(414,971)	(2,470)	-	(417,441)
Finance income, net				
- Finance expenses	(296,792)	(4,374)	-	(301,166)
Profit for the year	2,284,090	(1,711)	-	2,282,379
Profit for the year attributable to:				
- Owners of the Company	2,026,566	(1,711)	-	2,024,855

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**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

**2 Summary of significant accounting policies (Continued)**

**(a) Basis of preparation (Continued)**

- (i) New standard, amendments to standards and interpretation adopted by the Group (Continued)
- (b) The impacts on the Group's consolidated income statement, consolidated statement of comprehensive income and consolidated statement of cash flows for the year ended 31st March 2020 and consolidated balance sheet as at 31st March 2020 by the adoption of IFRS 16 and IAS 28 (Amendments) are as follows: (Continued)

	As at 31st March 2020			
	Without the adoption of IFRS 16 and IAS 28 (Amendments) HK\$'000	IFRS 16 HK\$'000	IAS 28 (Amendments) HK\$'000	As reported HK\$'000
<b>Consolidated balance sheet (extract)</b>				
<u>Non-current assets</u>				
Property, plant and equipment				
- Land and building	2,354,012	(501,901)	-	1,852,111
Investment properties	74,332,808	144,157	-	74,476,965
Right-of-use assets	-	890,468	-	890,468
Land use rights	334,050	(334,050)	-	-
Joint ventures	11,228,776	-	(3,028,127)	8,200,649
Associates	6,838,782	-	(3,414,400)	3,424,382
Loans and other receivables	4,263,925	-	6,442,527	10,706,452
<u>Equity attributable to the owners of the Company</u>				
Reserves				
- Retained earnings	74,090,042	57,440	-	74,147,482
- Other reserves	(2,933,864)	(3,784)	-	(2,937,648)
<u>Non-current liabilities</u>				
Lease liabilities	-	129,834	-	129,834
<u>Current liabilities</u>				
Lease liabilities	-	15,184	-	15,184

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**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

**2 Summary of significant accounting policies (Continued)**

**(a) Basis of preparation (Continued)**

- (i) New standard, amendments to standards and interpretation adopted by the Group (Continued)
- (b) The impacts on the Group's consolidated income statement, consolidated statement of comprehensive income and consolidated statement of cash flows for the year ended 31st March 2020 and consolidated balance sheet as at 31st March 2020 by the adoption of IFRS 16 and IAS 28 (Amendments) are as follows: (Continued)

	For the year ended 31st March 2020			
	Without the adoption of IFRS 16 and IAS 28 (Amendments) HK\$'000	IFRS 16 HK\$'000	IAS 28 (Amendments) HK\$'000	As adjusted HK\$'000
<b>Consolidated statement of cash flows (extract)</b>				
<u>Cash flows from operating activities</u>				
Profit before income tax	2,501,607	(1,711)	-	2,499,896
Depreciation and amortisation of				
- property, plant and equipment	167,646	(18,570)	-	149,076
- right-of-use assets	-	41,928	-	41,928
- land use rights	12,451	(12,451)	-	-
Finance income, net	(685,371)	4,374	-	(680,997)
Net change in fair values of investment properties	414,971	2,470	-	417,441
Trade and other receivables, deposits and prepayment	509,914	4,346	-	514,260
Net cash from operating activities	5,819,937	20,386	-	5,840,323
<u>Cash flows from financing activities</u>				
Interest paid	(1,107,547)	(4,374)	-	(1,111,921)
Principle elements of lease payments	-	(16,012)	-	(16,012)
Net cash used in financing activities	(3,720,652)	(20,386)	-	(3,741,038)

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**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

**2 Summary of significant accounting policies (Continued)**

**(a) Basis of preparation (Continued)**

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

The Group 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 2020:

		Effective for accounting periods beginning on or after
Conceptual Framework for Financial Reporting 2018	Revised Conceptual Framework for Financial Reporting	1 January 2020
IAS 1 and IAS 8 (Amendments)	Definition of Material	1 January 2020
IAS 39, IFRS 7 and IFRS 9 (Amendment)	Interest Rate Benchmark Reform	1 January 2020
IFRS 3 (Amendments)	Definition of a Business	1 January 2020
IFRS 17	Insurance Contracts	1 January 2021
IFRS 10 and IAS 28 (Amendments)	Sale or Contribution of Assets Between an Investor and Its Associate or Joint Venture	To be determined

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

**(b) Consolidation**

- (i) Subsidiaries

A subsidiary is an entity (including a structured entity) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

The Group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. Acquisition-related costs are expensed as incurred.

Inter-company transactions, balances and unrealised gains on transactions between group companies are eliminated unless the transaction provides evidence of an impairment of the transferred asset. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset.

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**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

**2 Summary of significant accounting policies (Continued)**

**(b) Consolidation (Continued)**

(i) Subsidiaries (Continued)

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is re-measured to fair value at the acquisition date; any gains or losses arising from such re-measurement are recognised in profit or loss.

When the Group ceases to have control, any retained interest in the entity is re-measured to its fair value at the date when control is lost, with the change in carrying amount recognised in profit or loss. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. It means the amounts previously recognised in other comprehensive income are reclassified to profit or loss or transferred to another category of equity as specified or permitted by applicable IFRS.

(ii) Transactions with non-controlling interests

Transactions with non-controlling interests that do not result in a loss of control are accounted for as equity transactions. The difference between fair value of any consideration paid and the relevant share acquired of the carrying amount of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

(iii) Joint arrangements

Under IFRS 11, investments in joint arrangements are classified as either joint operations or joint ventures depending on the contractual rights and obligations of each investor, rather than the legal structure of the joint arrangement. The Group has both joint operations and joint ventures.

(a) Joint operations

Joint operations arise where the investors that have joint control of the arrangement have rights to the assets and obligations for the liabilities of an arrangement.

The Group recognises its direct right to the assets, liabilities, revenues and expenses of joint operations and its share of any jointly held or incurred assets, liabilities, revenues and expenses in the joint operations in accordance with the applicable standards.

These have been incorporated in the financial statements under the appropriate headings. Details of the joint operations are set out in note 38(a).

(b) Joint ventures

A joint venture arises where the investors that have joint control of the arrangement have rights to the net assets of the arrangement.

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**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

**2 Summary of significant accounting policies (Continued)**

**(b) Consolidation (Continued)**

(iii) Joint arrangements (Continued)

(b) Joint ventures (Continued)

Joint ventures are accounted for using the equity method. Under the equity method of accounting, interests in joint ventures are initially recognised at cost and adjusted thereafter to recognise the Group's share of the post-acquisition profits or losses and movements in other comprehensive income of the investee in other comprehensive income. When the Group's share of losses in a joint venture equals or exceeds its interest in the joint venture, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the joint venture.

(iv) Associates

An associate is an entity over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting. Under the equity method, the investment is initially recognised at cost, and the carrying amount is increased or decreased to recognise the investor's share of the profit or loss of the investee after the date of acquisition. The Group's investment in associates includes goodwill identified on acquisition, net of any accumulated impairment loss.

The Group's share of post-acquisition profit or loss is recognised in the consolidated income statement, and its share of post-acquisition movements in other comprehensive income is recognised in other comprehensive income with a corresponding adjustment to the carrying amount of the investment. When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate.

The financial statements of the associates used for this purpose cover a year end of not more than three months before the Group's year end and serve as the most recent available financial information. Where a significant event occurs between the associates' year end and that of the Group, adjustments are made in the consolidated financial statements for the effect of the event.

The Group determines at each reporting date whether there is any objective evidence that the investment in associate is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognises the amount adjacent to 'share of results of associates' in the consolidated income statement.

**(c) Foreign currency translation**

(i) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The consolidated financial statements are presented in Hong Kong dollar ("HK dollar"), which is the Group's presentation currency and the Company's functional currency.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

**2 Summary of significant accounting policies (Continued)**

**(c) Foreign currency translation (Continued)**

(ii) Transactions and balances

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 consolidated income statement.

Foreign exchange gains and losses that relate to borrowings are presented in the consolidated income statement within 'finance income/(expenses), net'. All other foreign exchange gains and losses are presented in the consolidated income statement within 'other income and gains, net'.

Translation differences on non-monetary financial assets and liabilities such as equities held at FVTPL are recognised in consolidated income statement as part of the fair value gain or loss.

(iii) Group companies

The results and financial position of all the group entities (none of which has the currency of a hyper-inflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- (a) assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;
- (b) income and expenses for each income statement are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions); and
- (c) all resulting exchange differences are recognised in other comprehensive income.

When a foreign operation is partially disposed of or sold, exchange differences that were recorded in equity are recognised in the consolidated income statement as part of the gain or loss on disposal.

**(d) Property, plant and equipment**

Leasehold land classified as finance lease (policy applicable until 31st March 2019) and all other property, plant and equipment is stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the consolidated income statement during the financial period in which they are incurred.

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**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

**2 Summary of significant accounting policies (Continued)**

**(d) Property, plant and equipment (Continued)**

Leasehold land classified as finance lease commences amortisation from the time when the land interest becomes available for its intended use (policy applicable until 31st March 2019). Depreciation on property, plant and equipment is calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives, as follows:

Freehold land	Not depreciated
Leasehold land	Lease term of 40 years (Policy applicable until 31st March 2019)
Building and hotel properties	The shorter of the lease term of 40 years or estimated useful lives
Furniture, fixtures and equipment	Initial charge of 30% on cost in the year of acquisition and 10% per annum thereafter on cost
Hotel furniture, fixtures and equipment	5% - 10% per annum on cost
Motor vehicles	25% per annum on cost

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (note 2 (j)).

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised within 'other income and gains, net' in the consolidated income statement.

**(e) Land use rights**

Until 31st March 2019, land use rights represents prepaid operating lease payments which are initially recognised at cost and released to profit or loss over the lease term on a straight-line basis.

**(f) Investment properties**

Investment properties, principally comprising leasehold land and buildings, are held for long-term rental yields or for capital appreciation or both, and that are not occupied by the Group. They also include properties that are being constructed or developed for future use as investment properties. Land held under operating leases are accounted for as investment properties when the rest of the definition of an investment property is met. In such cases, the operating leases concerned are accounted for as if they were finance leases.

Investment properties are initially measured at cost, including related transaction costs and where applicable borrowing costs. After initial recognition, investment properties are carried at fair value, representing open market value determined at each reporting date by external valuers. Fair value is based on active market prices, adjusted, if necessary, for any difference in the nature, location or condition of the specific asset. If the information is not available, the Group uses alternative valuation methods such as recent prices on less active markets or discounted cash flow projections. Changes in fair values are recorded in the consolidated income statement.

Subsequent expenditure is charged to the asset's carrying amount only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance costs are expensed in the consolidated income statement during the financial period in which they are incurred. Investment properties that are being redeveloped for continuing use as investment properties continue to be measured at fair value. Fair value measurement on properties under construction is applied unless the fair value is considered not to be reliably measurable.

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**2 Summary of significant accounting policies (Continued)**

**(f) Investment properties (Continued)**

Investment properties are derecognised either when they have been disposed of or when the investment properties are permanently withdrawn from use and no future economic benefit is expected from its disposal.

Where the Group disposes of an investment property, the transaction price less the carrying value immediately prior to the sale is treated as gain/loss on disposal of investment property and is recorded in consolidated income statement within 'other income and gains, net'.

**(g) Properties under development and properties for sale**

Properties under development are investments in land and buildings on which construction work and development have not been completed, and are stated at the lower of cost and net realisable value. Borrowing costs incurred during the construction period and up to the date of completion of construction are capitalised as development costs. On completion, the properties are reclassified to properties for sale at the then carrying amount.

Properties for sale are stated at the lower of cost and estimated net realisable value. Net realisable value is the estimated selling price in the ordinary course of business less selling expenses.

**(h) Leases**

**(i) Accounting policies applied from 1st April 2019**

A lease is recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Group. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant rate of interest on the remaining balance of the liability for each period. The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable
- variable lease payment that are based on an index or a rate
- amounts expected to be payable by the lessee under residual value guarantees
- the exercise price of a purchase option if the lessee is reasonably certain to exercise that option, and
- payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be determined, the lessee's incremental borrowing rate is used, being the rate that the lessee would have to pay to borrow the funds necessary to obtain an asset of similar value in a similar economic environment with similar terms and conditions.

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**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

**2 Summary of significant accounting policies (Continued)**

**(h) Leases (Continued)**

(i) Accounting policies applied from 1st April 2019 (Continued)

To determine the incremental borrowing rate, the Group:

- where possible, uses recent third-party financing received by the individual lessee as a starting point, adjusted to reflect changes in financing conditions since third party financing was received
- uses a build-up approach that starts with a risk-free interest rate adjusted for credit risk for leases held by the Group, which does not have recent third party financing, and
- makes adjustments specific to the lease, e.g. term, country, currency and security.

Right-of-use assets are measured at cost comprising the following:

- the amount of initial measurement of the lease liability
- any lease payments made at or before the commencement date less any lease incentives received
- any initial direct costs, and
- restoration costs.

Payments associated with short-term leases and leases of low-value assets are recognised on a straight-line basis as an expense in the consolidated income statement. Short-term leases are leases with a lease term of 12 months or less.

Extension and termination options are included in a number of property leases across the Group. These terms are used to maximise operational flexibility in terms of managing contracts. The majority of extension and termination options held are exercisable only by the Group and not by the respective lessors.

(ii) Accounting policies applied until 31st March 2019

The Group applied IFRS 16 retrospectively, but has elected not to restate comparative information. As a result, the comparative information provided continues to be accounted for in accordance with the Group's previous accounting policy.

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. All other leases are classified as finance leases.

(a) The Group as lessor

Rental income from operating leases is recognised in the consolidated income statement on a straight-line basis over the term of the relevant lease.

(b) The Group as lessee

Operating lease payments are recognised as an expense on a straight-line basis over the term of the relevant lease. Benefits received and receivable as an incentive to enter into an operating lease are recognised as a reduction of rental expense over the lease term on a straight-line basis.

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**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

**2 Summary of significant accounting policies (Continued)**

**(i) Financial assets**

(i) Classification of financial assets

The Group 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 Group 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 Group 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 Group 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 Group’s business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories into which the Group 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 finance 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 income and gains, 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 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 income and gains, net’. Interest income from these financial assets is included in finance income using the effective interest rate method. Foreign exchange gains and losses and impairment expenses are presented in ‘other income and gains, net’.

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**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

**2 Summary of significant accounting policies (Continued)**

**(i) 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 fair value 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 consolidated income statement within “other income and gains, net” in the period in which it arises. Interest income and dividend income are recognised in the profit or loss and presented as part of revenue in the consolidated income statement.

(2) Equity instruments

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

Changes in the fair value of financial assets at FVTPL are recognised in ‘other income and gains, net’ in the consolidated income statement as applicable.

(iii) Impairment of financial assets

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

For trade receivables, the Group applies the simplified approach as permitted by IFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the trade receivables.

Impairment on other 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) Hedge accounting

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in the cash flow hedge reserve within equity. The gain or loss relating to the ineffective portion is recognised immediately in profit or loss, within ‘other income and gains, net’.

Amounts accumulated in equity are reclassified in the periods when the hedged item affects profit or loss. The gain or loss relating to the effective portion of the interest rate swaps hedging variable rate borrowings is recognised in profit or loss within finance cost at the same time as the interest expense on the hedged borrowings.

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**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

**2 Summary of significant accounting policies (Continued)**

**(i) Financial assets (Continued)**

(iv) Hedge accounting (Continued)

When a hedging instrument expires, or is sold or terminated, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss in equity at that time remains in equity until the forecast transaction occurs. When the forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately reclassified to profit or loss.

(v) Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the consolidated balance sheet 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.

**(j) Impairment of non-financial assets**

Assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. Assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

**(k) Trade and other receivables**

Trade receivables are amounts due from customers for goods sold or services performed in the ordinary course of business. If collection of trade and other receivables is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Trade and other receivables are recognised initially at the amount of consideration that is unconditional unless they contain significant financing components, when they are recognised at fair value. Trade receivable are subsequently measured at amortised cost using the effective interest method, less provision for impairment.

For trade receivables, the Group applies the simplified approach permitted by IFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables. For other receivables, the Group assesses on a forward looking basis the ECL under 12 months expected losses method. The impairment methodology applied depends on whether there has been a significant increase in credit risk since initial recognition.

**(l) Cash and cash equivalents**

In the consolidated statement of cash flows, cash and cash equivalents includes cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less and bank overdrafts. In the consolidated balance sheet, bank overdrafts are shown within borrowings in current liabilities.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

**2 Summary of significant accounting policies (Continued)**

**(m) Employee benefits**

(i) Employee leave entitlements

Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the balance sheet date.

Employee entitlements to sick leave and maternity leave are not recognised until the time of leave.

(ii) Pension obligations

The Group operates several defined contribution retirement schemes and mandatory provident fund schemes which are available to all employees. The assets of the schemes are held separately from those of the Group in independently administered funds. The Group's contributions under the schemes are expensed as incurred. The amount of the Group's contributions is based on specified percentages of the basic salaries of employees. Any contributions forfeited by employees who leave the Group, relating to unvested benefits, are used to reduce the Group's ongoing contributions otherwise payable.

(iii) Bonus entitlements

The expected cost of bonus payments is recognised as liability when the Group has a present legal or constructive obligation as a result of services rendered by employees and a reliable estimate of the obligation can be made.

**(n) 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 consolidated income statement 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 prepayment for liquidity services and amortised over the period of the facility to which it relates.

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

**(o) Trade payables**

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade payables are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

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**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

**2 Summary of significant accounting policies (Continued)**

**(p) Current and deferred income tax**

The tax expense for the period comprises current and deferred income tax. Tax is recognised in the consolidated income statement, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

(i) Current income tax

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Company and its subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

(ii) Deferred income tax

Inside basis differences

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 liabilities are not recognised if they arise from the initial recognition of goodwill; 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 substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

The deferred tax liabilities in relation to investment properties in the United Kingdoms, Singapore, Malaysia and the United States that are measured at fair value are determined assuming the properties will be recovered entirely through sale. While deferred tax liabilities in relation to investment properties in the PRC are determined assuming the properties will be recovered entirely through use.

Outside basis differences

Deferred income tax liabilities are provided on taxable temporary differences arising from investments in subsidiaries, joint ventures and associates, except for deferred income tax liability where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred income tax assets are recognised on deductible temporary differences arising from investments in subsidiaries only to the extent that it is probable the temporary difference will reverse in the future and there is sufficient taxable profit available against which the temporary difference can be utilised.

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.

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**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

**2 Summary of significant accounting policies (Continued)**

**(p) Current and deferred income tax (Continued)**

(iii) Offsetting

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 on either the same taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

**(q) Provisions**

Provisions are recognised when the Group 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.

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.

**(r) Financial guarantee contract**

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the beneficiary of the guarantee for a loss the holder incurs because a specified debtor fails to make payment when due in accordance with the terms of a debt instrument. Such financial guarantees are given to banks, financial institutions and other bodies on behalf of subsidiaries, associates, joint ventures and related companies to secure loans, overdrafts and other banking facilities.

The Group regards its financial guarantees provided to its subsidiaries, associates, joint ventures and related companies as insurance contracts. The Group assesses at each balance sheet date the liabilities under its insurance contracts using current estimates of future cash flows. Changes in carrying amount of these insurance liabilities are recognised in the consolidated income statement.

**(s) Revenue and income recognition**

Revenue is measured at the fair value of the consideration received or receivable, and represents amounts receivable for goods supplied, stated net of discounts, returns and value added taxes. The Group recognises revenue when it satisfies the identified performance obligation by transfer the promised good or service to the customer; and when specific criteria have been met for each of the Group's activities, as described below. Goods and services are transferred when or as the customer obtain control of them. The Group bases its estimate on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

Depending on the terms of the contract and the laws that apply to the contract, control of the good or service may be transferred over time or at a point in time.

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**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

**2 Summary of significant accounting policies (Continued)**

**(s) Revenue and income recognition (Continued)**

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

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

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

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

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

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

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

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

**(i) Revenue from contract with customers**

**(1) Sale of properties**

The Group develops and sells residential properties. Revenue is recognised when control over the property has been transferred to the customer. The properties have generally no alternative use for the Group due to contractual restrictions. However, an enforceable right to payment does not arise until legal title has passed to the customer. Therefore, revenue is recognised at a point in time when the legal title has passed to the customer.

Certain costs incurred for obtaining a pre-sale property contract would be eligible for capitalisation under IFRS 15 and match with revenue recognition pattern of related contract.

**(2) Construction revenue**

Revenue from construction service contract is recognised over the period of the contract by reference to the progress towards complete satisfaction of that performance obligation using input method.

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**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

**2 Summary of significant accounting policies (Continued)**

**(s) Revenue and income recognition (Continued)**

(i) Revenue from contract with customers (Continued)

(3) Hotel revenue

Hotel revenue comprises amounts earned in respect of services, facilities and goods supplied by the hotel. Revenue from room rental is recognised over time during the period of stay for the hotel guests. Revenue from food and beverage sales and other ancillary services is generally recognised at a point in time when services are rendered.

(4) Others

Property management fee income is recognised over time when the services are rendered.

(ii) Revenue and income from other sources

(1) Rental income

Rental income is recognised on a straight-line basis over the period of the lease.

(2) Dividend income

Dividend income is recognised when the right to receive payment is established.

(3) Interest income

Interest income is recognised on a time proportion basis using the effective interest rate method.

**(t) Contract related assets and contract liabilities**

Upon entering into a contract with a customer, the Group obtains rights to receive consideration from the customer and assumes performance obligations to transfer goods or provide services to the customer.

The combination of those rights and performance obligations gives rise to a net contract asset or a net contract liability depending on the relationship between the remaining rights and the performance obligations. The contract is an asset and recognised as contract assets if the cumulative revenue recognised in profit or loss exceeds cumulative payments made by customers. Conversely, the contract is a liability and recognised as contract liabilities if the cumulative payments made by customers exceeds the revenue recognised in profit or loss.

Contract assets are assessed for impairment under the same approach adopted for impairment assessment of financial assets carried at amortised cost. Contract liabilities are recognised as revenue when the Group transfers the goods or services to the customers and therefore satisfies its performance obligation.

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**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

**2 Summary of significant accounting policies (Continued)**

**(t) Contract related assets and contract liabilities (Continued)**

The incremental costs of obtaining a contract with a customer are capitalised and presented as contract related assets under “contract cost assets” within “trade and other receivables, deposits and prepayments”, if the Group expects to recover those costs, and are subsequently amortised on a systematic basis that is consistent with the transfer to the customers of the goods or services to which the assets relate. The Group recognises an impairment loss in the statement of comprehensive income to the extent that the carrying amount of the contract related assets recognised exceeds the remaining amounts of consideration that the Group expects to receive less the costs that directly relate to those goods or services and have not been recognised as expenses.

**(u) Share capital**

Ordinary shares are classified as equity.

**(v) Borrowing costs**

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 consolidated income statement in the year in which they are incurred.

**(w) Segment reporting**

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Executive Directors that makes strategic decisions.

**(x) Contingent liabilities**

A contingent liability is a possible obligation that arises from past events and whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group. It can also be a present obligation arising from past events that is not recognised because it is not probable that outflow of economic resources will be required or the amount of obligation cannot be measured reliably.

A contingent liability is not recognised but is disclosed in the notes to the financial statements. When a change in the probability of an outflow occurs so that outflow is probable, it will then be recognised as a provision.

**(y) Non-current assets (or disposal groups) held-for-sale**

Non-current assets (or disposal groups) are classified as held-for-sale when their carrying amount is to be recovered principally through a sale transaction and a sale is considered highly probable. The non-current assets are stated at the lower of carrying amount and fair value less costs to sell. Deferred tax assets, assets arising from employee benefits, financial assets (other than investments in subsidiaries and associates) and investment properties, which are classified as held for sale, would continue to be measured in accordance with the policies set out in note 2 of the consolidated financial statements.

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**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

**2 Summary of significant accounting policies (Continued)**

**(z) Dividend distribution**

Provision is made for the amount of any dividend declared, being appropriately authorised and no longer at the discretion of the entity, on or before the end of the reporting period but not distributed at the end of the reporting period.

**3 Financial risk management**

The Group holds the following financial instruments:

	2020 HK\$'000	2019 HK\$'000
<b>Financial assets</b>		
<i>Financial assets at amortised cost</i>		
<u>Non-current assets</u>		
- Amount due from joint ventures	1,976,648	765,026
- Amount due from associates	3,414,400	3,255,200
- Loans and other receivables from third parties	2,826,742	1,927,078
- Amounts due from investee companies	47,578	45,435
<u>Current assets</u>		
- Trade and other receivables and deposits	7,020,183	10,313,348
- Cash and bank balances	15,646,023	17,670,671
<i>Financial assets at fair value through profit or loss</i>		
<u>Non-current assets</u>		
- Financial assets at fair value through profit or loss	14,343,838	11,869,326
- Amount due from joint ventures at fair value through profit or loss	745,691	638,860
- Loans receivables at fair value through profit or loss	1,742,971	2,150,622
<u>Current assets</u>		
- Loans receivable at fair value through profit or loss	88,770	43,425
- Financial assets at fair value through profit or loss	7,571,789	10,063,720
<b>Financial liabilities</b>		
<i>Liabilities at amortised cost</i>		
<u>Non-current liabilities</u>		
- Bank and other borrowings	28,813,367	32,819,740
- Lease liabilities	129,834	-
<u>Current liabilities</u>		
- Trade and other payables, deposits and accruals	13,091,353	12,836,577
- Bank and other borrowings	3,395,580	375,730
- Lease liabilities	15,184	-
<i>Financial liabilities at fair value through profit or loss</i>		
<u>Non-current liabilities</u>		
- Other long-term liabilities	74,842	11,163
<u>Current liabilities</u>		
- Financial liabilities at fair value through profit or loss	819,385	202,753

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**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

**3 Financial risk management (continued)**

**(a) Financial risk factors**

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

(i) Price risk

The Group is exposed to equity price changes arising from investments classified as financial assets at fair value through profit or loss. To manage its price risk arising from investments in equity securities, the Group diversifies its portfolio. The investments are made either for strategic purposes, or for the purpose of achieving investment yield and balancing the Group's liquidity level simultaneously. Each investment is managed by senior management on a case by case basis.

As at 31st March 2020, if the market values of the Group's financial assets at fair value through profit or loss increase/decrease by 10%, with all other variables held constant, the Group's post-tax profit and total equity would increase/decrease by approximately HK\$674,654,000 (2019: HK\$796,990,000).

(ii) Credit risk

At each balance sheet date, the Group'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 consolidated balance sheet.

The Group's financial assets which are potentially subject to credit risk consist of financial assets at amortised cost, including cash and bank balances, trade and other receivables and deposits, loans and other receivables and amounts due from fellow subsidiary companies, investee companies, related companies, non-controlling interests, an immediate holding company, ultimate holding company, joint ventures and associates. The exposures to these credit risks are closely monitored on an ongoing basis by established credit control procedures in each of its core businesses.

*Credit risk of cash and bank balances*

With respect to credit risk arising on cash and bank balances, the Group has limited its credit exposure by restricting their selection of financial institutions and banks with good credit rating as at 31st March 2020 ranging from AA- to BBB- issued by Standard and Poor's or Moody's as follows:

	2020 HK\$'000	2019 HK\$'000
AA-	1,269,251	2,781,019
A- to A+	12,706,190	9,942,556
BBB- to BBB+	1,560,127	4,919,866
Unrated <sup>1</sup>	110,455	27,230
	<u>15,646,023</u>	<u>17,670,671</u>

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

**3 Financial risk management (Continued)**

**(a) Financial risk factors (Continued)**

(ii) Credit risk (Continued)

*Credit risk of cash and bank balances (Continued)*

- 1 The directors monitor the exposure on unrated assets and considered that the risk of default is minimal as these balances were mainly placed in banks located in Hong Kong.

There has been no recent history of default in relation to these banks and financial institutions. The ECL is close to zero.

*Credit risk of trade receivables*

Trade receivables mainly include receivables from lease of properties, trading of securities, and other services. To manage this risk, the Group has policies in place to ensure that credit terms are made to counterparties with an appropriate credit history and the management performs ongoing credit evaluations of its counterparties. In addition, the Group has policies in place to ensure that rental deposits are required from tenants prior to commencement of leases, sales proceeds are received before the assignment of properties are executed. The Group has a large number of customers and there is no concentration of credit risk.

The Group applies the simplified approach to provide for ECL prescribed by IFRS 9, which permits the use of the lifetime expected loss provision for all trade receivables. In view of the sound financial position and collection history of receivables due from these counterparties and insignificant risk of default, to measure the ECL, trade receivables have been grouped based on shared credit risk characteristics and the days past due. A default on trade receivable is when the counterparty fails to make contractual payments within credit period when they fall due. The expected loss rates are based on the payment profiles of sales and the corresponding historical credit losses experienced, adjusted with current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables.

Trade receivables are written off, in whole or in part, when it has exhausted all practical recovery efforts and has concluded that there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, amongst others, the failure of a debtor to engage in a repayment plan within the Group, and its failure to make contractual payments for a period. Impairment losses on trade receivables are presented as net impairment losses within “other income and gains, net”. Subsequent recoveries of amounts previously written off are credited against the same item.

Apart from the trade receivables with loss allowances provided disclosed in “Loss allowances provided for trade receivables and loans and other receivables” below, management believes that the ECL of other trade receivables is immaterial and the credit risk inherent in the Group’s outstanding trade receivables balances due from these counterparties is not significant.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

**3 Financial risk management (Continued)**

**(a) Financial risk factors (Continued)**

(ii) Credit risk (Continued)

*Credit risk of loans and other receivables*

Loans and other receivables at the end of each of the reporting period are mainly comprised of deposits, interest receivable, stakeholder's account, loans receivables at amortised cost, amounts due from fellow subsidiary companies, investee companies, non-controlling interests, related companies, an immediate holding company, ultimate holding company, joint ventures and associates.

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 Group 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 or individual'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 or individual, including changes in the payment status of the third party.

Over the term of the loans, the Group accounts for its credit risk by appropriately providing for expected credit losses on a timely basis. In calculating the expected credit loss rates, the Group considers corresponding historical credit losses of the debtors experienced, adjusted with current and forward-looking information on macroeconomic factors affecting the ability of the debtors to settle the receivables.

Apart from the loans and other receivables with loss allowances provided disclosed in "Loss allowances provided for trade receivables and loans and other receivables" below, management considers the credit risk of loans and other receivables is insignificant when they have a low risk of default and the issuer has a strong capacity to meet its contractual cash flow obligations in the near term, and the loss allowance recognised is therefore limited to 12 months expected losses. In view of insignificant risk of default and credit risk since initial recognition, management believes that the ECL of these loans and other receivables under the 12 months expected losses method is immaterial.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

**3 Financial risk management (Continued)**

**(a) Financial risk factors (Continued)**

(ii) Credit risk (Continued)

*Loss allowances provided for trade receivables and loans and other receivables*

For the year ended 31st March 2020, loss allowances of HK\$59,287,000 (2019: HK\$659,000) and HK\$546,985,000 (2019: write-back of provision of HK\$944,000) were provided for trade receivables and loans receivables and there is a write-back of provision for loss allowance of other receivables of HK\$76,292,000 (2019: provision of HK\$203,839,000). The amount mainly include:

1. As at 31st March 2020, the Group has trade receivables of HK\$300,424,000 (net of provision of HK\$59,287,000) (2019: HK\$197,331,000 (net of provision of HK\$918,000)) and unsecured loans receivables of HK\$183,403,000 (2019: HK\$74,132,000). Certain trade receivables of HK\$92,068,000 (2019: HK\$nil) and unsecured loans receivable at amortised cost of HK\$50,404,000 (2019: HK\$nil) in Hong Kong were underperforming as at 31st March 2020, with the indicators that there were alteration of original terms of contracts before contract renewal. Management considered that there was a significant increase in credit risk of these trade receivables and unsecured loans receivable compared to original expectation. Loss allowances of HK\$59,142,000 and HK\$30,243,000 were provided for the trade receivables and loans receivable at amortised cost respectively and was recognised in profit or loss for the year ended 31st March 2020. Details of the trade receivables and the unsecured loans receivable at amortised cost are disclosed in note 22 and note 19 to the consolidated financial statements respectively.
2. As at 31st March 2020, the Group has secured loans receivable at amortised cost of HK\$3,268,839,000 (2019: HK\$3,257,627,000). Certain secured loans receivable of HK\$706,500,000 (2019: HK\$nil) were non-performing as at 31st March 2020, with the indicators for negotiation of extension of original terms of contract which was due in April 2020. Management considered the risk of default of these loans to be high as at 31st March 2020. Taken into consideration that the loans receivable was secured, loss allowances of HK\$207,000,000 was provided for the secured loans receivable at amortised cost and was recognised in profit or loss for the year ended 31st March 2020. Details of the secured loans receivables at amortised cost are disclosed in note 19 to the consolidated financial statements.
3. As at 31st March 2019, other receivables of RMB150 million (equivalent to HK\$180 million) was in default and non-performing. Loss allowance of RMB150 million (equivalent to HK\$180 million) was provided by management. During the year ended 31st March 2019, HK\$75 million was received from the counterparty and write-back of provision of HK\$75 million was recognised.

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**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

**3 Financial risk management (Continued)**

**(a) Financial risk factors (Continued)**

(ii) Credit risk (Continued)

*Loss allowances provided for trade receivables and loans and other receivables  
(Continued)*

4. As at 31st March 2020, the Group has amount due from joint venture at amortised cost of HK\$2,589 million (2019: HK\$3,221 million). Certain amount due from joint venture of RMB1,364 million (equivalent to HK\$1,490 million) after provision of RMB616 million (equivalent to HK\$673 million) (31st March 2019: RMB1,844 million (equivalent to HK\$2,161 million) after provision of RMB336 million (equivalent to HK\$394 million)) were non-performing as at 31st March 2020. Management considered the risk of default of these loans to be high as at 31st March 2020. Additional loss allowances of RMB280 million (equivalent to HK\$310 million) was provided based on the estimated cashflow of management for the amount due from joint venture at amortised cost and was recognised in profit or loss for the year ended 31st March 2020. Details of the secured loans receivables at amortised cost are disclosed in note 19 to the consolidated financial statements.

(iii) Interest rate risk

The Group's main exposure to interest rate risk relates principally to the Group's bank deposits, bank borrowings, loans and other receivables, amounts due from joint ventures, associates and investee companies and amounts due to non-controlling interests.

Interest rates of bank deposits, bank borrowing, loans and other receivables, amounts due from joint ventures, associates and investee companies and amounts due to non-controlling interests are determined based on prevailing market rates and expose the Group to cash flow interest rate risk. The Group manages its interest rate exposure by monitoring of interest rate movements, replacing and entering into new banking facilities when favourable pricing opportunities arise and would consider using interest rate swap when appropriate.

As at 31st March 2020, if interest rates increase/decrease by 50 basis points with all other variables held constant, the Group's pre-tax profit, before taking into account the impact of interest capitalisation, would decrease/increase by approximately HK\$7,022,000 (2019: decrease/increase by approximately HK\$1,743,000), resulting from the change in the borrowing costs of bank borrowings and interest bearing financial liabilities, and change in interest income from the interest bearing financial assets.

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**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

**3 Financial risk management (Continued)**

**(a) Financial risk factors (Continued)**

(iv) Foreign exchange risk

The Group operates mainly in Hong Kong, the PRC, the United States and United Kingdoms, and is exposed to foreign exchange risk arising from various currency exposures in the financial investment portfolio, primarily with respect to the United States dollar (“US dollar”), Renminbi (“RMB”), Euro and Great British Pound (“GBP”). Foreign exchange risk arises from future commercial transactions, recognised assets and liabilities.

The Group’s foreign currency exposures primarily arise from monetary assets and liabilities that are denominated in a currency that is not the entity’s functional currency, where these assets and liabilities are mainly denominated in US dollar, RMB, Euro and GBP.

In view of the fact that HK dollar is pegged to US dollar, the foreign currency exposure of operating units with functional currency as HK dollar on US dollar transactions and balances is minimal.

As at 31st March 2020, if US dollar/HK dollar had weakened/strengthened 2% against RMB and Euro with all other variables held constant, the Group’s pre-tax profit would increase/decrease by HK\$28,954,000 (2019: HK\$2,275,000) and HK\$9,383,000 (2019: HK\$14,375,000) respectively as a result of foreign exchange gains/losses.

As at 31st March 2020, if US dollar/HK dollar had weakened/strengthened 2% against GBP with all other variables held constant, the Group’s pre-tax profit would decrease/increase by HK\$1,811,000 (2019: decrease/increase by HK\$441,000) as a result of foreign exchange losses/gains.

(v) Liquidity risk

The Group’s cash flow management 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 sufficient liquidity, the Group monitors and maintains a level of cash and cash equivalents in addition to committed credit facilities available, which are deemed adequate by the management from time to time.

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**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

**3 Financial risk management (Continued)**

**(a) Financial risk factors (Continued)**

(v) Liquidity risk (Continued)

The table below analyses the Group's financial liabilities into relevant maturity groupings based on the remaining period at the consolidated balance sheet to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

	Less than 1 year HK\$'000	Between 1 and 2 years HK\$'000	Between 2 and 5 years HK\$'000	Over 5 years HK\$'000
<b>At 31st March 2020</b>				
Trade and other payables and accruals	2,630,243	-	1,623,790	-
Amounts due to joint ventures, associates and investee companies	4,677,519	-	-	-
Amounts due to related companies and individuals	493,048	-	-	-
Amounts due to immediate holding company	8,002	-	-	-
Amount due to ultimate holding company	209,610	-	-	-
Amounts due to non- controlling interests	3,546,013	-	-	-
Financial liabilities at fair value through profit or loss	819,385	-	-	-
Lease liabilities	20,007	16,993	38,817	116,368
Bank and other borrowings	4,493,618	5,540,578	17,138,443	10,159,430
	<u>16,897,445</u>	<u>5,557,571</u>	<u>18,801,050</u>	<u>10,275,798</u>

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**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

**3 Financial risk management (Continued)**

**(a) Financial risk factors (Continued)**

(v) Liquidity risk (Continued)

	Less than 1 year HK\$'000	Between 1 and 2 years HK\$'000	Between 2 and 5 years HK\$'000	Over 5 years HK\$'000
<b>At 31st March 2019</b>				
Trade and other payables and accruals	2,161,495	-	1,623,790	-
Amounts due to joint ventures, associates and investee companies	5,098,580	-	-	-
Amounts due to related companies and individuals	594,553	-	-	-
Amounts due to immediate holding company	8,024	-	-	-
Amount due to ultimate holding company	619,742	-	-	-
Amounts due to non-controlling interests	2,850,782	-	-	-
Financial liabilities at fair value through profit or loss	202,753	-	-	-
Bank and other borrowings	1,532,688	3,687,123	21,590,541	12,988,602
Other long-term liabilities	-	11,163	-	-
	<u>13,068,617</u>	<u>3,698,286</u>	<u>23,214,331</u>	<u>12,988,602</u>

**(b) Capital risk management**

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholder and to maintain an optimal capital structure to reduce the cost of capital. The Group obtains its financing from its related companies and individuals, immediate holding company, ultimate holding company, non-controlling interests, banks, issuance of guaranteed notes and issuance of perpetual capital securities.

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**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

**3 Financial risk management (Continued)**

**(b) Capital risk management (Continued)**

The Group monitors its capital on the basis of the net debt to equity ratio. Net debt is calculated as total bank and other borrowings (including “current and non-current bank borrowings” and “guaranteed notes”) less cash and bank balances. The net debt to equity ratio as at 31st March 2020 and 31st March 2019 is as follows:

	2020 HK\$'000	2019 HK\$'000
Bank borrowings	19,590,564	20,461,325
Guaranteed notes	12,618,383	12,734,145
	<hr/>	<hr/>
Total debts - interest bearing bank and other borrowings	32,208,947	33,195,470
Less: Cash and bank balances	(15,646,023)	(17,670,671)
	<hr/>	<hr/>
Net debt	16,562,924	15,524,799
	<hr/> <hr/>	<hr/> <hr/>
Equity attributable to owners of the Company and holders of perpetual capital securities	104,849,576	105,332,225
	<hr/> <hr/>	<hr/> <hr/>
Net debt to equity ratio	15.80%	14.74%
	<hr/> <hr/>	<hr/> <hr/>

Increase in net debt to equity ratio is mainly resulted from cash outflow for acquisition of investment properties partially offset by cash flow from joint ventures, which engaged in properties development business.

**(c) Fair value estimation**

**(i) Financial instruments carried at fair value**

The financial instruments are measured in the consolidated balance sheet 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).

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**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

**3 Financial risk management (Continued)**

**(c) Fair value estimation (Continued)**

(i) Financial instruments carried at fair value (Continued)

The following table represents the Group's financial instruments measured at fair value:

	Valuation Hierarchy			Total HK\$'000
	Level 1 HK\$'000	Level 2 HK\$'000	Level 3 HK\$'000	
<b>At 31st March 2020</b>				
Amounts due from joint ventures at fair value through profit or loss	-	-	745,691	745,691
Loans receivable at fair value through profit or loss	-	-	1,831,741	1,831,741
Financial assets at fair value through profit or loss				
- listed	8,684,003	-	-	8,684,003
- unlisted	-	449,637	12,781,987	13,231,624
<b>Total</b>	<b>8,684,003</b>	<b>449,637</b>	<b>15,359,419</b>	<b>24,493,059</b>
Financial liabilities at fair value through profit or loss				
- unlisted	-	(819,385)	-	(819,385)
<b>Total</b>	<b>-</b>	<b>(819,385)</b>	<b>-</b>	<b>(819,385)</b>

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**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

**3 Financial risk management (Continued)**

**(c) Fair value estimation (Continued)**

(i) Financial instruments carried at fair value (Continued)

The following table represents the Group's financial instruments measured at fair value:  
(Continued)

	Valuation Hierarchy			Total HK\$'000
	Level 1 HK\$'000	Level 2 HK\$'000	Level 3 HK\$'000	
<b>At 31st March 2019</b>				
Amounts due from joint ventures at fair value through profit or loss	-	-	638,860	638,860
Loans receivable at fair value through profit or loss	-	-	2,194,047	2,194,047
Financial assets at fair value through profit or loss				
- listed	10,310,678	-	-	10,310,678
- unlisted	-	117,033	11,505,335	11,622,368
<b>Total</b>	<b>10,310,678</b>	<b>117,033</b>	<b>14,338,242</b>	<b>24,765,953</b>
Financial liabilities at fair value through profit or loss				
- unlisted	-	(202,753)	-	(202,753)
<b>Total</b>	<b>-</b>	<b>(202,753)</b>	<b>-</b>	<b>(202,753)</b>

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 Group is the current bid price. These instruments are included in level 1.

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

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**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

**3 Financial risk management (Continued)**

**(c) Fair value estimation (Continued)**

(i) Financial instruments carried at fair value (Continued)

Specific valuation techniques used to value financial instruments include:

- Quoted market prices or dealer quotes for similar instruments.
- The fair value of interest rate swaps is calculated as the present value of the estimated future cash flows based on observable yield curves.
- The fair value of forward foreign exchange contracts is determined using forward exchange rates at the balance sheet date, with the resulting value discounted back to present value.
- Other techniques, such as discounted cash flow analysis, are used to determine fair value for the remaining financial instruments.

As at 31st March 2020, financial assets at fair value through profit or loss of HK\$12,781,987,000 (2019: HK\$11,505,335,000) are measured with valuation techniques using significant unobservable inputs (level 3). It included private equity funds, unquoted direct investments, fixed income fund, venture capital fund and others which represent approximate 35%, 37%, 8%, 11% and 9% (2019: 28%, 39%, 10%, 14% and 9%) of those level 3 investments respectively.

Fair values of the unlisted funds are mainly determined based on the net asset value, representing the fair value of the fund reported by respective fund administrators and relevant factors if deemed necessary.

Fair values of unquoted direct investment are determined by the Group using valuation techniques. Such valuation techniques may consider original transaction price and take into account relevant developments since the acquisition of the investments and other factor pertinent to the valuation of the investments, with reference to recent third party transactions of comparable type of instruments and reliable indicative offers from potential buyers.

The determination of fair value is subject to the valuation policies and procedures formulated by the Group's Investment Department and the oversight of senior management committees. These policies and procedures facilitate the exercise of judgement in determining the risk characteristics of various financial instruments, discount rates, estimates of future cash flows and other factors used in the valuation process. Judgement may also be applied in adjusting prices of less readily observable external parameters. The management considers the appropriateness of the valuation model inputs, as well as the valuation result using various valuation methods and techniques generally accepted within the industry.

Details on sensitivity analysis of the Group's financial assets at fair value through profit or loss are set out on note 3(a)(i) to the consolidated financial statements.

There is no transfer between level 1, level 2 and 3 during the year.

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**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

**3 Financial risk management (Continued)**

**(c) Fair value estimation (Continued)**

(i) Financial instruments carried at fair value (Continued)

The following represents the changes in level 3 instruments for the year ended 31st March 2020:

	Amounts due from joint ventures at fair value through profit or loss HK\$'000	Available- for-sale financial assets HK\$'000	Financial assets at fair value through profit or loss HK\$'000	Loans receivable at fair value through profit or loss HK\$'000
At 1st April 2019	638,860	-	11,505,335	2,194,047
Additions	386,926	-	1,783,881	1,178
Repayment	(280,095)	-	-	(420,078)
Disposal	-	-	(399,757)	-
Return of capital	-	-	(989,293)	-
Fair value adjustment	-	-	-	56,594
Unrealised gains recognised in income statement	-	-	1,022,468	-
Exchange translation differences	-	-	(140,647)	-
<b>At 31st March 2020</b>	<b>745,691</b>	<b>-</b>	<b>12,781,987</b>	<b>1,831,741</b>
At 1st April 2018	-	9,927,842	16,783	2,530,109
Adoption of IFRS 9	583,501	(9,927,842)	9,927,842	-
Additions	189,111	-	2,467,473	-
Repayment	(133,752)	-	-	(178,334)
Disposal	-	-	(125,568)	-
Return of capital	-	-	(1,062,897)	-
Fair value adjustment	-	-	-	(157,728)
Unrealised gains recognised in income statement	-	-	291,328	-
Exchange translation differences	-	-	(9,626)	-
<b>At 31st March 2019</b>	<b>638,860</b>	<b>-</b>	<b>11,505,335</b>	<b>2,194,047</b>

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**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

**3 Financial risk management (Continued)**

**(c) Fair value estimation (Continued)**

(ii) Financial instruments carried at other than fair value

The fair values of loans and other receivables at amortised cost, trade and other receivables, deposits, cash and bank balances, short-term bank loans, trade and other payables, and the amounts due from/to associates, joint ventures, investee companies, related companies and individuals, fellow subsidiary companies, an immediate holding company, immediate holding company, ultimate holding company and non-controlling interests are assumed to approximate their carrying amounts.

**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 Group 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.

(i) Estimate of fair value of investment properties

The fair value of investment properties is determined by using valuation technique. Details of the judgement and assumptions have been disclosed in note 14.

(ii) Estimate of fair value of financial assets at fair value through profit or loss

The fair value of financial instruments traded in active markets is based on quoted market prices as at the reporting date. The quoted market price used is the closing bid price as at the reporting date. The fair values of unlisted derivatives are based on brokers' quote and statements. The fair value of investments in funds that are not quoted in an active market is determined primarily by reference to the latest available net assets value for each fund as determined by the fund administrator of such fund. The fair value of other financial instruments that are not traded in an active market is estimated using other prices observed in recent transactions or valuation techniques when the market price is not readily available. The Group uses its judgement to select a variety of methods and make assumptions that are mainly based on market conditions existing at the end of each reporting period, as detailed in note 3(c)(i).

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

**4 Critical accounting estimates and judgements (Continued)**

(iii) Estimate of impairment and net realisable values of properties for sale

Management reviews the net realisable values of properties for sale at each reporting date. The net realisable values are the estimated selling price of the properties less costs to sell. Management makes estimates in determining the net realisable values. Any changes to the estimated net realisable values may cause a material adjustment to the carrying amount and result in future financial year if the actual net realisable values of the properties for sale are different than expected as a result of change in market condition.

In considering the net realisable values of these properties, the Group takes into account estimated costs to completion based on past experience and committed contracts and estimated net sales or rental value based on prevailing market conditions. Provision is made when events or changes in circumstances indicate that the carrying amounts may not be realised. The assessment requires the use of judgement and estimates.

(iv) Estimate of impairment of financial assets at amortised cost

The loss allowances for financial assets at amortised cost are based on assumptions about risk of default and expected loss rates. The Group uses judgement in making these assumptions and selecting the inputs to the impairment calculation, based on the Group's past history, existing market conditions as well as forward looking estimates at the end of each reporting period. Details of the key assumptions and inputs used are disclosed in note 3(a)(ii) and note 19.

(v) Income taxes

Significant estimates are required in determining provision for income taxes of the Group. There are many transactions and calculations for which the ultimate tax determination is uncertain. The Group recognises liabilities for anticipated tax issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current and deferred income tax provisions.

Recognition of deferred income tax asset, which principally relates to tax losses of certain subsidiaries, depends on the management's expectation of future taxable profit that will be available against which the tax losses can be utilised. The outcome of their actual utilisation may be different.

(vi) Estimated impairment of property, plant and equipment and right-of-use assets

Property, plant and equipment and right-of-use assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of the asset exceeds its recoverable amount. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount of an asset or a cash generating unit is determined based on the higher of its fair value less cost to sell and its value in use, calculated on the basis of management/independent professional qualified valuer's assumptions and estimates. Projection for a period of five to ten years in general may be used on the basis that a longer projection period represents the long-dated nature of the Group's hotel properties and is more appropriate reflection of the future cash flow generated from the hotel operations. Changing the key assumptions, including the discount rates or the growth rate assumptions in the cash flow projections, could materially affect the recoverable amount.

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**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

**4 Critical accounting estimates and judgements (Continued)**

(vii) Classification of properties

The Group determines whether a property qualifies as an investment property or property for sale. In making the judgement, the Group considers the intention of holding the property (land or building). Property held to earn rental or for capital appreciation is considered as investment property whereas property held for sale in the ordinary course of business is considered as property for sale. The Group considers each property separately in making its judgement.

**5 Segment reporting**

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Executive Directors who make strategic decisions.

Management has determined the operating segments based on these reports and analysed from a business perspective including subsidiaries, joint ventures and associates:

- Hong Kong properties (including construction services)
- PRC and overseas properties
- Financial investment
- Corporate, treasury and others

Segment assets consist primarily of property, plant and equipment, investment properties, right-of-use assets, land use rights, joint ventures, associates, financial assets at fair value through profit or loss, loans and other receivables, amounts due from investee companies, properties for sale, trade and other receivables, deposits and prepayments and cash and bank balances. Other assets comprise mainly prepaid tax and deferred income tax assets.

Segment liabilities comprise operating liabilities. Other liabilities include amount due to immediate holding company, tax payable, bank and other borrowings and deferred income tax liabilities.

Capital expenditure comprises additions to non-current assets other than the financial instruments and deferred income tax assets.

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**5 Segment reporting (Continued)**

The segment results for the year ended 31st March 2020 are as follows:

	The Company and its subsidiaries			Joint ventures		Associates		Total
	Revenue recognised at a point in time HK\$'000	Revenue recognised over time HK\$'000	Revenue from other sources HK\$'000	Share of revenue HK\$'000	Share of results HK\$'000	Share of revenue HK\$'000	Share of results HK\$'000	
Hong Kong properties	2,285,316	278,383	721,269	1,674,455	689,303	136,846	(165,905)	5,096,269
PRC and overseas properties	127,567	235,535	929,179	51,577	(267,063)	192,787	163,241	1,536,645
Financial investment	-	-	1,411,596	182	342	7,420	(13,146)	1,419,198
Corporate, treasury and others	-	-	-	-	-	-	-	-
	2,412,883	513,918	3,062,044	1,726,214	422,582	337,053	(15,810)	8,052,112
Segment results								1,818,899
Finance income, net								680,997
Profit before income tax								2,499,896
Income tax expense								(217,517)
Profit for the year								2,282,379

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**5 Segment reporting (Continued)**

The segment results for the year ended 31st March 2019 are as follows:

	The Company and its subsidiaries			Joint ventures			Associates			Total
	Revenue recognised at a point in time HK\$'000	Revenue recognised over time HK\$'000	Revenue from other sources HK\$'000	Share of revenue HK\$'000	Share of results HK\$'000	Share of revenue HK\$'000	Share of results HK\$'000	Share of revenue HK\$'000	Share of results HK\$'000	
Hong Kong properties	10,524,883	331,574	584,194	4,154,465	2,042,349	647,641	431,115	16,242,757	5,920,058	
PRC and overseas properties	158,897	265,779	980,201	18,129	(522,374)	195,088	100,203	1,618,094	623,392	
Financial investment	-	-	686,841	314	(3,346)	5,951	(18,268)	693,106	167,705	
Corporate, treasury and others	-	-	-	-	-	-	-	-	(36,064)	
	<u>10,683,780</u>	<u>597,353</u>	<u>2,251,236</u>	<u>4,172,908</u>	<u>1,516,629</u>	<u>848,680</u>	<u>513,050</u>	<u>18,553,957</u>	<u>6,675,091</u>	
Segment results									6,675,091	
Finance income, net									166,541	
Profit before income tax									6,841,632	
Income tax expense									(584,176)	
Profit for the year									<u>6,257,456</u>	

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**5 Segment reporting (Continued)**

The segment assets and liabilities as at 31st March 2020 are as follows:

	The Company and its subsidiaries HK\$'000	Joint ventures HK\$'000	Associates HK\$'000	Total assets HK\$'000	Total liabilities HK\$'000
Hong Kong properties	71,798,670	8,727,207	4,802,166	85,328,043	(15,623,832)
PRC and overseas properties	35,759,684	2,499,786	2,384,203	40,643,673	(2,265,655)
Financial investment	24,550,681	2,921	32,436	24,586,038	(713,974)
Corporate, treasury and others	9,962,556	-	-	9,962,556	(1,043,082)
	<u>142,071,591</u>	<u>11,229,914</u>	<u>7,218,805</u>	<u>160,520,310</u>	<u>(19,646,543)</u>
Deferred income tax assets				269,159	-
Prepaid tax				143,740	-
Bank and other borrowings				-	(32,208,947)
Amount due to ultimate holding company				-	(209,610)
Deferred income tax liabilities				-	(3,047,849)
Tax payable				-	(648,065)
Consolidated total assets/(liabilities)				<u>160,933,209</u>	<u>(55,761,014)</u>

The segment assets and liabilities as at 31st March 2019 are as follows:

	The Company and its subsidiaries HK\$'000	Joint ventures HK\$'000	Associates HK\$'000	Total assets HK\$'000	Total liabilities HK\$'000
Hong Kong properties	70,961,636	9,080,392	5,040,008	85,082,036	(13,188,057)
PRC and overseas properties	31,754,346	2,699,486	2,281,485	36,735,317	(1,095,930)
Financial investment	24,846,498	2,610	237,688	25,086,796	(991,902)
Corporate, treasury and others	12,742,354	-	-	12,742,354	(900,172)
	<u>140,304,834</u>	<u>11,782,488</u>	<u>7,559,181</u>	<u>159,646,503</u>	<u>(16,176,061)</u>
Deferred income tax assets				234,517	-
Prepaid tax				83,580	-
Bank and other borrowings				-	(33,195,470)
Amount due to ultimate holding company				-	(619,742)
Deferred income tax liabilities				-	(3,066,076)
Tax payable				-	(944,375)
Consolidated total assets/(liabilities)				<u>159,964,600</u>	<u>(54,001,724)</u>

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**5 Segment reporting (Continued)**

The Group's depreciation and amortisation and additions to non-current assets other than financial instruments and deferred income tax assets are as follows:

	<u>Depreciation and amortisation</u>		<u>Additions to non-current assets</u>	
	For the year ended 31st March		For the year ended 31st March	
	2020	2019	2020	2019
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Hong Kong properties	94,301	84,558	2,146,964	2,146,485
PRC and overseas properties	78,522	83,677	5,290,579	220,135
Financial investment	7,198	295	58,049	833
Corporate, treasury and others	10,983	1,292	42,168	11,987
	<u>191,004</u>	<u>169,822</u>	<u>7,537,760</u>	<u>2,379,440</u>

The following is an analysis of the Group's revenue by geographical areas in which the customer/operations are located, irrespective of the origin of the goods/services:

	For the year	For the year
	ended	ended
	31st March	31st March
	2020	2019
	HK\$'000	HK\$'000
Hong Kong	4,696,565	12,127,492
The PRC	1,091,595	1,168,117
Overseas	200,685	236,760
	<u>5,988,845</u>	<u>13,532,369</u>

The following is an analysis of the Group's non-current assets other than financial instruments and deferred income tax assets by areas in which the business operations/assets are located.

	As at	As at
	31st March	31st March
	2020	2019
	HK\$'000	HK\$'000
Hong Kong	54,338,334	58,072,686
The PRC	26,154,405	24,859,599
Overseas	8,693,505	6,666,776
	<u>89,186,244</u>	<u>89,599,061</u>

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**6 Revenue**

	2020 HK\$'000	2019 HK\$'000
Sale of properties	2,218,948	10,450,547
Gross rental income	1,561,398	1,537,279
Construction revenue	7,846	11,335
Hotel revenue	410,794	536,640
Property management fee income	289,214	282,611
Dividend income from investments	1,318,016	513,543
Interest income from debt and convertible securities and loans receivable classified as financial assets at fair value through profit or loss	182,629	200,414
	<u>5,988,845</u>	<u>13,532,369</u>

**7 Other income and (losses)/gains, net**

	2020 HK\$'000	2019 HK\$'000
Net gain/(loss) on financial assets at fair value through profit or loss (note (a))	53,674	(320,945)
Unrealised gain/(loss) on loans receivable at fair value through profit or loss (note 19(c))	56,594	(157,728)
Net (loss)/gain on derivatives (note (b))	(1,971)	207,974
Net (loss)/gain on disposal/liquidation of subsidiaries	(28,843)	982,070
Net gain on disposal of property, plant and equipment	397	1,430
Net gain on disposal of investment properties (note (c))	-	170,418
Net provision for loss allowances of financial assets (note (d))	(529,980)	(203,554)
Net exchange (loss)/gain	(208,509)	33,457
Others	204,573	242,111
	<u>(454,065)</u>	<u>955,233</u>

Notes:

- (a) The amount comprised realised gain of HK\$246,406,000 (2019: HK\$54,840,000) and unrealised loss of HK\$192,732,000 (2019: HK\$375,785,000) on financial assets at fair value through profit or loss.
- (b) The amount comprised realised gain of HK\$281,605,000 (2019: HK\$283,551,000) and unrealised loss of HK\$283,576,000 (2019: HK\$75,577,000) on derivatives.
- (c) The amount represented net disposal gain of investment properties with total consideration amounted to HK\$399,821,000 less cost of properties sold of HK\$229,403,000 (including net fair value gain of investment properties recognised in previous years of HK\$86,799,000) for the year ended 31st March 2019.

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**7 Other income and (losses)/gains, net (Continued)**

Notes: (Continued)

(d) The amount comprised net provision for loss allowances of trade receivables of HK\$59,287,000 (2019: HK\$659,000) and loans receivables of HK\$546,985,000 (2019: write-back of provision of HK\$944,000). The amount also comprised a write-back of provision for loss allowances of other receivables of HK\$76,292,000 (2019: provision of HK\$203,839,000).

**8 Operating profit**

Operating profit is arrived at after charging/(crediting):

	2020 HK\$'000	2019 HK\$'000
Cost of properties sold	1,381,995	8,476,408
(Write-back)/cost of construction works	(14,178)	27,403
Hotel direct costs	183,055	217,253
Outgoings in respect of rental income	306,168	296,367
Depreciation and amortisation of		
- property, plant and equipment (note 13)	149,076	156,849
- right-of-use assets - leasehold land and land use right	31,021	-
- right-of-use assets - buildings	10,907	-
- land use rights (note 16)	-	12,973
Staff costs (note 9)	909,200	725,438
Marketing and selling expenses	170,490	141,806
Short-term and low-value leases expenses	21,788	-
Rental expense under operating lease	-	24,352
	<u>                    </u>	<u>                    </u>

**9 Staff costs and key management compensation**

	2020 HK\$'000	2019 HK\$'000
Staff costs		
- wages, salaries and allowances and benefits in kind	1,068,804	1,052,483
- retirement benefit costs - defined contribution schemes	25,475	41,308
	<u>                    </u>	<u>                    </u>
Total staff costs incurred for the year	1,094,279	1,093,791
Less: amount capitalised to investment properties and properties for sale under development	(185,079)	(368,353)
	<u>                    </u>	<u>                    </u>
Amount directly charged to the consolidated income statement	909,200	725,438
	<u>                    </u>	<u>                    </u>
Including:		
Key management compensation		
- wages, salaries and allowances and benefits in kind	214,254	198,840
- retirement benefit costs - defined contribution schemes	2,350	1,398
	<u>                    </u>	<u>                    </u>
Total key management compensation incurred for the year	216,604	200,238
	<u>                    </u>	<u>                    </u>

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**10 Finance income, net**

	2020 HK\$'000	2019 HK\$'000
Interest income on		
- amount due from		
- joint ventures	31,417	37,220
- associates	111,119	96,127
- investee company	1,157	1,078
- bank deposits	400,878	260,063
- loans and other receivables	263,838	135,549
- others	29,428	16,801
	<u>837,837</u>	<u>546,838</u>
	-----	-----
Interest expenses on		
- bank borrowings	(572,581)	(687,256)
- guaranteed notes	(545,939)	(462,107)
- amount due to non-controlling interest	(86,768)	(87,900)
- lease liabilities	(4,374)	-
- others	(6,456)	(5,836)
	<u>(1,216,118)</u>	<u>(1,243,099)</u>
Total finance costs incurred	(1,216,118)	(1,243,099)
Less: amount capitalised to investment properties and properties for sale under development	914,952	921,790
	<u>(301,166)</u>	<u>(321,309)</u>
	-----	-----
Total finance costs expensed during the year	(301,166)	(321,309)
	<u>536,671</u>	<u>225,529</u>
Interest income, net	536,671	225,529
Other finance charges	(38,573)	(54,049)
Net exchange gain/(loss) on financing activities	182,899	(4,939)
	<u>680,997</u>	<u>166,541</u>
Finance income, net	<u>680,997</u>	<u>166,541</u>

The weighted average capitalised interest rate applied to general borrowings used for the investment properties and properties for sale under development is 3.89% (2019: 3.48%) per annum.

**11 Income tax expense**

Hong Kong profits tax has been provided at the rate of 16.5% (2019: 16.5%) on the estimated assessable profits for the year. Subsidiaries established and operated in the PRC are subject to corporate income tax at the rate of 25% (2019: 25%). Taxation on overseas profits has been calculated on the estimated assessable profits for the year at the rates of taxation prevailing in the countries in which the Group operates.

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**11 Income tax expense (Continued)**

Withholding tax is levied on profit distribution or dividend income upon declaration or remittance at the rates of taxation prevailing in the PRC and overseas countries.

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

	2020 HK\$'000	2019 HK\$'000
Current income tax		
Hong Kong profits tax		
- provision for current year	124,385	431,125
- over provision in prior years	(98,062)	(386)
PRC income tax		
- provision for current year	6,239	3,088
- under provision in prior years	-	52
Overseas profits tax		
- provision for current year	35,848	6,505
- (over)/under provision in prior years	(539)	2,166
Withholding tax	21,693	31,028
Deferred income tax (note 28)	127,953	110,598
	<u>217,517</u>	<u>584,176</u>

The tax on the Group'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 Group operates, as follows:

	2020 HK\$'000	2019 HK\$'000
Profit before income tax	2,499,896	6,841,632
Less: share of results of		
- joint ventures	(422,582)	(1,516,629)
- associates	15,810	(513,050)
	<u>2,093,124</u>	<u>4,811,953</u>
Calculated at a tax rate of 16.5% (2019: 16.5%)	345,365	793,972
Effect of different tax rates in other countries	39,596	64,606
Income not subject to tax	(907,368)	(809,235)
Expenses not deductible for tax purposes	508,674	440,168
(Over)/under provision in prior years	(98,601)	1,832
Withholding tax	21,693	31,028
Tax losses not recognised	339,083	77,072
Others	(30,925)	(15,267)
Income tax expense	<u>217,517</u>	<u>584,176</u>

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**11 Income tax expense (Continued)**

The Group's share of income tax expense of joint ventures and associates for the year ended 31st March 2020 totalling HK\$186,790,000 (2019: HK\$368,623,000) is included in the consolidated income statement as share of results of joint ventures and associates.

Deferred income tax assets are recognised for tax loss carried forwards and deductible temporary differences to the extent that realisation of the related tax benefit through future taxable profits is probable. As at 31st March 2020, the Group has unrecognised tax losses of HK\$3,546,748,000 (2019: HK\$2,216,795,000) to carry forward against future taxable profits. Unrecognised tax losses of HK\$2,577,582,000 as at 31st March 2020 (2019: HK\$728,870,000) have no expiry date and the remaining losses will expire at various dates up to and including 2024 (2019: 2023).

**12 Dividends**

	2020 HK\$'000	2019 HK\$'000
Dividend paid of HK\$0.0145 per share (2019: HK\$nil)	909,781	-

On 2nd April 2020, the directors of the Company resolved that a dividend of HK\$0.17 per share, totalling HK\$1,084,020,000 to be paid on 20th April 2020. The aggregated amount is not recognised as a liability as at 31st March 2020.

**13 Property, plant and equipment**

	Land and building HK\$'000	Furniture, fixture, equipment and motor vehicles HK\$'000	Total HK\$'000
<b>At 1st April 2018</b>			
Cost	3,099,179	808,747	3,907,926
Accumulated depreciation	(409,912)	(398,403)	(808,315)
Net book amount	<u>2,689,267</u>	<u>410,344</u>	<u>3,099,611</u>
<b>Year ended 31st March 2019</b>			
Opening net book amount	2,689,267	410,344	3,099,611
Additions	-	47,793	47,793
Disposals, cost adjustment and write-off	-	(10,881)	(10,881)
Charge for the year	(85,312)	(71,537)	(156,849)
Exchange difference	(86,221)	(15,239)	(101,460)
Closing net book amount	<u>2,517,734</u>	<u>360,480</u>	<u>2,878,214</u>

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**13 Property, plant and equipment (Continued)**

	Land and building HK\$'000	Furniture, fixture, equipment and motor vehicles HK\$'000	Total HK\$'000
<b>At 31st March 2019</b>			
Cost	3,001,239	784,265	3,785,504
Accumulated depreciation	(483,505)	(423,785)	(907,290)
Net book amount	<u>2,517,734</u>	<u>360,480</u>	<u>2,878,214</u>
<b>Year ended 31st March 2020</b>			
Opening net book amount	2,517,734	360,480	2,878,214
Adoption of IFRS 16 (note 2(a)(i))	(548,867)	-	(548,867)
At 1st April	1,968,867	360,480	2,329,347
Additions	-	76,992	76,992
Disposals, impairment and write-off	(4,091)	(749)	(4,840)
Charge for the year	(71,760)	(77,316)	(149,076)
Exchange difference	(40,905)	(17,738)	(58,643)
Closing net book amount	<u>1,852,111</u>	<u>341,669</u>	<u>2,193,780</u>
<b>At 31st March 2020</b>			
Cost	2,279,086	801,981	3,081,067
Accumulated depreciation	(426,975)	(460,312)	(887,287)
Net book amount	<u>1,852,111</u>	<u>341,669</u>	<u>2,193,780</u>

**14 Investment properties**

	2020 HK\$'000	2019 HK\$'000
Completed investment properties	42,148,077	41,595,499
Investment properties under development	32,328,888	28,181,280
Total	<u>74,476,965</u>	<u>69,776,779</u>

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**14 Investment properties (Continued)**

	Hong Kong residential HK\$'000	Overseas residential HK\$'000	Hong Kong commercial HK\$'000	Overseas commercial HK\$'000	PRC commercial HK\$'000	Total HK\$'000
At 1st April 2019	4,837,599	472,088	37,846,000	6,055,664	20,565,428	69,776,779
Adoption of IFRS 16 (note 2(a)(i))	-	-	-	-	156,323	156,323
At 1st April 2019, as restated	4,837,599	472,088	37,846,000	6,055,664	20,721,751	69,933,102
Additions	5,061	-	2,134,925	1,767,169	2,777,299	6,684,454
Net change in fair values	(32,860)	(11,160)	(349,125)	56,878	(81,174)	(417,441)
Exchange differences	-	(30,273)	-	(403,131)	(1,289,746)	(1,723,150)
At 31st March 2020	4,809,800	430,655	39,631,800	7,476,580	22,128,130	74,476,965
At 1st April 2018	4,376,750	503,629	42,489,850	6,509,512	21,637,857	75,517,598
Additions	321,041	-	1,801,427	93,820	50,047	2,266,335
Net change in fair values	139,808	(549)	64,723	239,463	314,851	758,296
Disposal	-	(9,115)	(6,510,000)	-	-	(6,519,115)
Transfer to assets classified as held-for-sale (note 25)	-	-	-	(348,280)	-	(348,280)
Exchange differences	-	(21,877)	-	(438,851)	(1,437,327)	(1,898,055)
At 31st March 2019	4,837,599	472,088	37,846,000	6,055,664	20,565,428	69,776,779

The Group's investment properties at their carrying amounts are analysed as follows:

	2020 HK\$'000	2019 HK\$'000
In Hong Kong, held on leases of between 10 to 50 years	41,741,600	40,283,599
over 50 years	2,700,000	2,400,000
	<u>44,441,600</u>	<u>42,683,599</u>
In the PRC and overseas		
Freehold	7,904,188	6,524,193
Leases of between 10 to 50 years	22,128,130	20,565,427
Leases over 50 years	3,047	3,560
	<u>30,035,365</u>	<u>27,093,180</u>
	<u>74,476,965</u>	<u>69,776,779</u>

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**14 Investment properties (Continued)**

Leasing arrangements

The investment properties are leased to tenants under operating leases.

Risk management strategy on leases of investment properties are set out in note 3(a)(ii).

Minimum lease payments receivable on leases of investment properties are set out in note 34. None of the leases include significant variable rentals.

Valuation processes of the Group

As at 31st March 2020, the Group's investment properties were valued by independent professional valuers - Knight Frank Petty Limited, Savills and DTZ Cushman & Wakefield.

Fair value of the Group's investment properties are categorised as level 3 measurement in the three-level fair value hierarchy. During the year, there is no transfer between level 1, level 2 and level 3.

The Group's finance department reviews the valuations performed by the independent valuers and report directly to senior management of the Group. Discussion of valuation processes and results are held between the management and valuers at least once every six months, in line with the Group's interim and annual report dates. At each financial year end, the Finance and Project Development Departments:

- verify all major inputs to the independent valuation report;
- assess property valuation movements when compared to the prior year valuation report;  
and
- hold discussions with the independent valuer.

Valuation techniques

Fair values of investment properties in Hong Kong, the PRC and overseas are generally derived using the income capitalisation method and wherever appropriate, by direct comparison method. Income capitalisation method is based on the capitalisation of the net income and reversionary income potential by adopting appropriate capitalisation rates, which are derived from analysis of sale transactions and valuers' interpretation of prevailing investor requirements or expectations.

The prevailing market rents adopted in the valuation have reference to recent lettings, within the subject properties and other comparable properties. Direct comparison method is based on comparing the property to be valued directly with other comparable properties, which have recently transacted. However, given the heterogeneous nature of real estate properties, appropriate adjustments are usually required to allow for any qualitative differences that may affect the price likely to be achieved by the property under consideration.

Fair values of certain completed investment properties in the PRC are derived using the discounted cash flow method, or a combination of discounted cash flow method and income capitalisation method or direct comparison method. The net present value of the income stream is estimated by applying an appropriate discount rate which reflects the risk profile.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

**14 Investment properties (Continued)**

Valuation techniques (Continued)

Fair values of properties under development in Hong Kong and properties under redevelopment in overseas are generally derived using the residual method. This valuation method is essentially a means of valuing the completed properties by reference to its development potential by deducting estimated development costs together with developer's profit and risk from the estimated capital value of the proposed development assuming completed as at the date of valuation.

Significant unobservable inputs used to determine fair value

Capitalisation rates are estimated by valuers based on the risk profile of the investment properties being valued. The higher the rates, the lower the fair value. As at 31st March 2020, capitalisation rates of 2.0% to 4.8% (2019: 2.0% to 4.8%), 3.8% to 5.3% (2019: 3.8% to 5.3%) and 2.5% to 4.6% (2019: 4.3% to 5.3%) are used for investment properties in Hong Kong, PRC and overseas respectively in the income capitalisation method.

Discount rates are estimated by valuers based on the risk profile of the investment properties being valued. The higher the rates, the lower the fair value. As at 31st March 2020, discount rates of 5.0% to 7.8% (2019: 5.0% to 7.8%) are used for investment properties in the PRC in the discounted cash flow method.

Prevailing market rents are estimated based on valuers' view of recent lettings, within the subject properties and other comparable properties. The lower the rents, the lower the fair value. As at 31st March 2020, rental value of HK\$11 to HK\$157 (2019: HK\$12 to HK\$165) per square feet per month, HK\$6 to HK\$97 (2019: HK\$6 to HK\$93) per square feet per month and HK\$40 to HK\$68 (2019: HK\$52 to HK\$73) per square feet per month are used for Hong Kong, PRC and overseas respectively.

Estimated costs to completion, developer's profit and risk margins of 5% to 15% (2019: 5% to 15%) required are estimated by valuers based on market conditions as at 31st March 2020 for investment properties under development. The estimates are largely consistent with the budgets developed internally by the Group based on management's experience and knowledge of market conditions. The higher the costs and the margins, the lower the fair value.

**15 Right-of-use assets**

	As at 31st March 2020 HK\$'000	As at 1st April 2019* HK\$'000
Leasehold land and land-use right	835,951	918,087
Buildings	54,517	23,223
	<u>890,468</u>	<u>941,310</u>

\* Balances were recognised and reclassified according to IFRS16. Details are disclosed in note (2)(a).

The Group obtains right to control the use of land-use right and various land and buildings for a period of time through lease arrangements. Lease arrangements for buildings are negotiated on an individual basis and obtain a wide range of different terms and conditions including lease payments and lease terms ranging from 2 to 7 years. The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor.

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**15 Right-of-use assets (Continued)**

During the year ended 31st March 2020, additions to the right-of-use assets and lease liabilities were HK\$42,786,000. The total cash outflow for leases was HK\$37,800,000 for the year ended 31st March 2020.

**16 Land use rights**

	2020 HK\$'000	2019 HK\$'000
Opening net book amount	369,220	409,333
Adoption of IFRS 16 (note 2(a)(i))	(369,220)	-
Amortisation	-	(12,973)
Exchange differences	-	(27,140)
	<hr/>	<hr/>
Closing net book amount	-	369,220
	<hr/> <hr/>	<hr/> <hr/>

The Group's land use rights represent prepaid operating lease payments and their net book values. The land use rights were held on leases between 10 to 50 years in the PRC.

**17 Joint ventures**

	2020 HK\$'000	2019 HK\$'000
Share of net assets	8,200,649	7,922,608
Amounts due from joint ventures at amortised cost (note 2(a)(i) and note 19 (d))	-	3,221,020
Amounts due from joint ventures at fair value through profit or loss (note 2(a)(i) and note 19 (e))	-	638,860
	<hr/>	<hr/>
	8,200,649	11,782,488
Amounts due within one year included in current assets (note 2(a)(i) and note 19 (d) & (e) and note 22)	-	(2,455,994)
	<hr/>	<hr/>
	8,200,649	9,326,494
	<hr/> <hr/>	<hr/> <hr/>
Amounts due to joint ventures (note 30)	(4,542,509)	(4,026,223)
	<hr/> <hr/>	<hr/> <hr/>

Details of the principal joint ventures as at 31st March 2020 are shown in note 38 to the consolidated financial statements.

The financial information below, after making adjustments to conform to the Group's significant accounting policies, represents the Group's interest in respective joint ventures. Management considers there are no material joint ventures to the Group.

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**17 Joint ventures (Continued)**

	Non-current assets HK\$'000	Current assets HK\$'000	Non-current liabilities HK\$'000	Current liabilities HK\$'000	Revenue HK\$'000	Profit after income tax HK\$'000
2020	<u>5,249,728</u>	<u>8,139,361</u>	<u>(3,544,135)</u>	<u>(1,644,305)</u>	<u>1,726,214</u>	<u>422,582</u>
2019	<u>2,236,956</u>	<u>8,666,978</u>	<u>(1,190,707)</u>	<u>(1,790,619)</u>	<u>4,172,908</u>	<u>1,516,629</u>

**18 Associates**

	2020 HK\$'000	2019 HK\$'000
Share of net assets	3,424,382	3,993,154
Amounts due from associates at amortised cost (note 2(a)(i) and note 19 (f))	-	3,566,027
	<u>3,424,382</u>	<u>7,559,181</u>
Amounts due within one year included in current assets (note 2(a)(i) and note 22)	-	(310,827)
	<u>3,424,382</u>	<u>7,248,354</u>
Amount due to associates (note 30)	<u>(125,892)</u>	<u>(1,063,239)</u>

Details of the principal associates as at 31st March 2020 are shown in note 38 to the consolidated financial statements.

The financial information below, after making adjustments to conform to the Group's significant accounting policies, represents the Group's interest in respective associates. Management considers there are no material associates to the Group.

	Non-current assets HK\$'000	Current assets HK\$'000	Non-current liabilities HK\$'000	Current liabilities HK\$'000	Revenue HK\$'000	Profit after income tax HK\$'000
2020	<u>7,721,244</u>	<u>1,761,276</u>	<u>(5,267,013)</u>	<u>(791,125)</u>	<u>337,053</u>	<u>(15,810)</u>
2019	<u>7,552,247</u>	<u>1,953,351</u>	<u>(4,376,828)</u>	<u>(1,135,616)</u>	<u>848,680</u>	<u>513,050</u>

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**19 Loans and other receivables**

	2020 HK\$'000	2019 HK\$'000
Loans receivable at amortised cost		
- secured loans (note (a))	3,152,022	3,257,627
- unsecured loans (note (b))	137,369	51,024
Loans receivable at fair value through profit or loss (note (c))	1,831,741	2,194,047
Amounts due from joint ventures		
- at amortised cost (note (d))	2,283,574	-
- at fair value through profit or loss (note (e))	745,691	-
Amounts due from associates at amortised cost (note (f))	3,794,423	-
Other receivables (note 32 (b)(iii))	813,191	-
	<u>12,758,011</u>	<u>5,502,698</u>
Less: current portion of loans receivable		
- at amortised cost (note 22)	(1,275,840)	(1,381,573)
- at fair value through profit or loss (note 22)	(88,770)	(43,425)
amounts due from joint ventures (note (d) and note 22)	(306,926)	-
amounts due from associates (note 22)	(380,023)	-
	<u>10,706,452</u>	<u>4,077,700</u>

Notes:

- (a) The balance mainly includes an amount of HK\$1,875,000,000 (2019: HK\$1,875,000,000) which carries interest at prevailing market rate and is repayable in June 2022; an amount of HK\$499,500,000 (2019: HK\$nil) after provision of HK\$207,000,000 (2019: HK\$nil), which carries interest at 10% (2019: HK\$nil) per annum and was repayable in April 2020; and an amount of HK\$775,450,000 (2019: HK\$784,985,000) which carries interest at 12.5% (2019: 12%) per annum and was originally repayable in May 2020 and the maturity date was subsequently extended for six months to November 2020. The balances are denominated in the following currencies:

	2020 HK\$'000	2019 HK\$'000
HK dollar	2,374,500	1,875,000
US dollar	777,522	1,382,627
	<u>3,152,022</u>	<u>3,257,627</u>

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**19 Loans and other receivables (Continued)**

Notes: (Continued)

- (b) The balance includes an amount of HK\$20,161,000 (2019: HK\$51,024,000) after provision of HK\$30,243,000 (2019: HK\$nil), which carries interest at prevailing market rate and is repayable in June 2023, an amount of HK\$116,318,000 (2019: HK\$nil) which carries interest at 12% (2019: HK\$nil) per annum and is repayable in July 2029 and an amount of HK\$890,000 (2019: HK\$nil) which is interest free and repayable on February 2021. The balances are denominated in the following currencies:

	2020 HK\$'000	2019 HK\$'000
HK dollar	890	-
US dollar	136,479	51,024
	<u>137,369</u>	<u>51,024</u>

- (c) As at 31st March 2020, loans receivable at fair value through profit or loss are interest free for the initial two or three years and subsequently bear interest at variable interest rate. The fair value is calculated based on cash flows discounted using prevailing market rates and the repayment date estimated by the Group. Interest income from the loans receivable at fair value through profit or loss of HK\$41,816,000 (2019: HK\$23,105,000) and unrealised gain on loans receivable of HK\$56,594,000 (2019: loss of HK\$157,728,000) (note 7) are recognised in the consolidated income statement.

- (d) Included in the amounts due from joint ventures is a loan facility of RMB2,500 million (equivalent to HK\$2,751 million) granted to a PRC property developer (“Borrower”) for a residential and commercial property development project in Foshan.

As at 31st March 2019, total outstanding balance was RMB1,844 million (equivalent to HK\$2,161 million) after provision of RMB336 million (equivalent to HK\$394 million). During the year ended 31st March 2020, RMB200 million (equivalent to HK\$218 million) was received.

On 28th May 2020, the Group has signed a term sheet (the “Term Sheet”) with the Borrower which outlined a repayment plan and schedule with last repayment on 31st December 2021. According to the Term Sheet, the loan will be additionally secured by pledges of shares of a PRC company which held a piece of land in the PRC.

Present value of expected repayment is not sufficient to cover the outstanding loan balance. As a result, additional provision of RMB280 million (equivalent to HK\$310 million) was made during the year, resulting a total net loan receivable balance of RMB1,364 million (equivalent to HK\$1,490 million) as at 31st March 2020.

Subsequent to year end, RMB25 million (equivalent to HK\$27 million) scheduled repayment was further received, total net loan receivable balance reduced to RMB1,339 million (equivalent to HK\$1,463 million).

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**19 Loans and other receivables (Continued)**

Notes: (Continued)

(d) (Continued)

As at 31st March 2020, except for HK\$306,945,000 (2019: HK\$752,254,000) which is interest free, an amount of HK\$486,556,000 (2019: HK\$307,641,000) carries interest at 4.25% (2019: 3.5%) per annum. The balances are unsecured and have no fixed term of repayment.

The balance are denominated in the following currencies:

	2020 HK\$'000	2019* HK\$'000
HK dollar	551,660	587,558
RMB	1,731,914	2,384,131
US dollar	-	249,331
	<u>2,283,574</u>	<u>3,221,020</u>

\* Balances were classified as joint ventures (note 17). Details are disclosed in note 2(a)(i).

(e) The fair value of amounts due from joint ventures at fair value through profit or loss is determined based on cash flows discounted using prevailing market rates and the repayment date estimated by the Group.

The balance includes an amount of HK\$322,656,000 (2019: HK\$175,729,000) which carries interest at prevailing market rates and an amount of HK\$423,035,000 (2019: HK\$463,131,000) which carries interest at fixed rate ranged from 2.9% to 2.95% (2019: 2.2%) per annum. For comparative figures, please refer to note 17.

(f) As at 31st March 2020, except for HK\$378,487,000 (2019: HK\$309,309,000) which is interest free, HK\$1,536,000 (2019: HK\$1,518,000) and HK\$3,414,400,000 (2019: HK\$3,255,200,000) bear interest at prevailing market rate and fixed rate of 3.3% (2019: 3.2%) per annum respectively. The balances are unsecured, have no fixed term of repayment and mainly denominated in HK dollar.

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**20 Amounts due from/to investee companies**

	2020 HK\$'000	2019 HK\$'000
Amounts due from investee companies (note (a))	48,082	45,939
Amounts due within one year included in current assets (note 22)	(504)	(504)
	<u>47,578</u>	<u>45,435</u>
Amounts due to investee companies (note (b) and note 30)	<u>9,118</u>	<u>9,118</u>

Notes:

- (a) As at 31st March 2020, the amounts due from investee companies of HK\$44,737,000 (2019: HK\$42,699,000) bear interest at prevailing market rates and have no fixed terms of repayment. The remaining balance of HK\$3,345,000 (2019: HK\$3,240,000) (net of provision for loss allowance of HK\$234,357,000 (2019: HK\$234,462,000)) are interest free. The balances are unsecured and denominated in HK dollar.
- (b) The amounts due to investee companies are unsecured, interest free and has no fixed term of repayment. The balances are denominated in HK dollar.

**21 Properties for sale**

	2020 HK\$'000	2019 HK\$'000
Completed properties	8,521,698	9,958,648
Under development	6,696,027	5,457,254
	<u>15,217,725</u>	<u>15,415,902</u>
The carrying value of properties for sale comprised:		
In Hong Kong		
- leases of between 10 to 50 years	13,355,164	13,369,399
- leases of over 50 years	1,855,790	1,855,790
In the PRC and overseas		
- leases of between 10 to 50 years	-	181,345
- leases of over 50 years	6,771	9,368
	<u>15,217,725</u>	<u>15,415,902</u>

As at 31st March 2020, properties under development of HK\$3,589,936,000 (2019: HK\$5,457,254,000) are not expected to be recovered within 12 months.

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**22 Trade and other receivables, deposits and prepayments**

	2020 HK\$'000	2019 HK\$'000
Trade receivables (notes (a))	359,711	198,249
Less: Provision for loss allowance of trade receivables	(59,287)	(918)
	<hr/>	<hr/>
Trade receivables, net of provision (notes (b))	300,424	197,331
Other receivables and deposits (note (b))	3,067,262	2,842,072
Interest receivable (note (b))	85,911	97,772
Stakeholder's account	835,974	1,859,055
Prepayments	127,565	103,032
Contract cost assets	239,773	96,603
Loans receivable at amortised cost (note 19)	1,275,840	1,381,573
Loans receivable at fair value through profit or loss (note 19)	88,770	43,425
Amounts due from fellow subsidiary companies (note (c))	10,109	6,947
Amounts due from joint ventures (note 19)	306,926	2,455,994
Amounts due from associates (note 19)	380,023	310,827
Amounts due from investee companies (note 20)	504	504
Amounts due from non-controlling interests (note (d))	93,292	93,292
Amounts due from related companies (note (e))	3,956	22,949
Amount due from an immediate holding company (note (f))	652,305	1,037,354
Amount due from ultimate holding company (note (g))	7,657	7,678
	<hr/>	<hr/>
	<u>7,476,291</u>	<u>10,556,408</u>

Notes:

- (a) The Group applies the IFRS 9 simplified approach to measure expected credit losses which use a lifetime expected credit loss allowance for all trade receivables.

The Group has different credit policies for different business operations depending on the requirements of the markets and business in which the subsidiaries operate. The analysis of trade receivables is as follows:

	2020 HK\$'000	2019 HK\$'000
Fully performing	262,823	181,847
Under performing	96,888	16,402
	<hr/>	<hr/>
	<u>359,711</u>	<u>198,249</u>

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**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

**22 Trade and other receivables, deposits and prepayments (Continued)**

Notes: (Continued)

(a) (Continued)

Movement in the loss allowance for trade debtors during the year is as follows:

	2020 HK\$'000	2019 HK\$'000
As at the beginning of the year	918	33,038
Impairment loss recognised during the year	59,287	659
Uncollectible amount write off	(918)	(32,779)
	<u>59,287</u>	<u>918</u>
As at the end of the year	<u>59,287</u>	<u>918</u>

(b) Other classes within trade and other receivables, deposits and prepayments do not contain material impaired assets. There is no concentration of credit risk with respect to trade receivables as the customers bases are widely dispersed in different business operations.

The trade receivables, other receivables and deposits and interest receivable are denominated in the following currencies:

	2020 HK\$'000	2019 HK\$'000
HK dollar	3,037,702	2,704,027
US dollar	90,534	147,454
RMB	163,042	151,154
GBP	125,382	129,329
Others	36,937	5,211
	<u>3,453,597</u>	<u>3,137,175</u>

(c) Amounts due from fellow subsidiary companies are unsecured, interest free and have no fixed terms of repayment. The balances are denominated in HK dollar.

(d) The balances are unsecured, interest free and have no fixed terms of repayment. The balances are denominated in HK dollar.

The amounts due from non-controlling interests are fully performing and none of them are impaired.

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**22 Trade and other receivables, deposits and prepayments (Continued)**

Notes: (Continued)

- (e) The balances are unsecured, interest free and have no fixed terms of repayment. The balances are denominated in the following currencies:

	2020 HK\$'000	2019 HK\$'000
HK dollar	3,956	10,399
US dollar	-	12,550
	<u>3,956</u>	<u>22,949</u>

- (f) Amount due from an immediate holding company is unsecured, interest free and have no fixed terms of repayment. The balance is denominated in HK dollar.

- (g) The balances are unsecured, interest free and have no fixed terms of repayment. The balances are denominated in the following currencies:

	2020 HK\$'000	2019 HK\$'000
HK dollar	7,331	7,336
GBP	326	342
	<u>7,657</u>	<u>7,678</u>

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**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

**23 Financial assets/(liabilities) at fair value through profit or loss**

	2020 HK\$'000	2019 HK\$'000
<u>Equity and debt securities</u>		
Non-current assets:		
- listed in Hong Kong	253,349	-
- listed overseas	1,315,755	370,856
- unlisted in Hong Kong	170,019	186,924
- unlisted overseas	12,604,715	11,311,546
	<u>14,343,838</u>	<u>11,869,326</u>
Current assets:		
- listed in Hong Kong	2,560,818	2,625,273
- listed overseas	4,554,081	7,309,774
- unlisted overseas	7,253	6,865
	<u>7,122,152</u>	<u>9,941,912</u>
	<u>21,465,990</u>	<u>21,811,238</u>
<u>Derivative financial instruments</u>		
Current assets:		
- swap	383,669	107,203
- option	489	-
- warrant	23,764	-
- forward	41,715	9,829
- future	-	4,776
	<u>449,637</u>	<u>121,808</u>
Current liabilities:		
- swap	(491,337)	(147,529)
- option	(299,288)	(52,444)
- forward	(28,760)	(2,780)
	<u>(819,385)</u>	<u>(202,753)</u>
Representing:		
- non-current assets	14,343,838	11,869,326
- current assets	7,571,789	10,063,720
- current liabilities	(819,385)	(202,753)
Total	<u>21,096,242</u>	<u>21,730,293</u>

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**23 Financial assets/(liabilities) at fair value through profit or loss (Continued)**

The financial assets/(liabilities) at fair value through profit or loss are denominated in the following currencies:

	2020 HK\$'000	2019 HK\$'000
HK dollar	2,611,294	2,775,806
US dollar	17,525,597	17,501,556
Singapore dollar	247,008	222,500
Japanese Yen	116,320	373,571
GBP	41,846	70,666
Euro	271,880	645,679
RMB	186,487	-
Others	95,810	140,515
	<u>21,096,242</u>	<u>21,730,293</u>

**24 Cash and bank balances**

	2020 HK\$'000	2019 HK\$'000
Bank balances and cash	5,439,675	4,353,930
Short term bank deposits	10,206,348	13,316,741
	<u>15,646,023</u>	<u>17,670,671</u>
Representing:		
- unpledged	15,646,023	17,670,648
- restricted	-	23
	<u>15,646,023</u>	<u>17,670,671</u>

The effective interest rate on the bank deposits is 2.63% (2019: 2.51%) per annum. These deposits have an average maturity of 60 days (2019: 133 days).

Cash and bank balances are denominated in the following currencies:

	2020 HK\$'000	2019 HK\$'000
HK dollar	4,305,726	7,368,152
US dollar	8,570,009	8,807,976
RMB	1,363,338	1,087,991
Euro	270,961	146,543
GBP	157,534	192,624
Singapore dollar	849,687	14,404
Others	128,768	52,981
	<u>15,646,023</u>	<u>17,670,671</u>

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**24 Cash and bank balances (Continued)**

The conversion of RMB denominated balances into foreign currencies and the remittances of such foreign currencies denominated bank balances and cash out of the PRC are subject to relevant rules and regulations of foreign exchange control promulgated by the PRC government.

Cash and cash equivalents include the following for purpose of the consolidated statement of cash flows.

	2020 HK\$'000	2019 HK\$'000
Bank balances and cash	5,439,675	4,353,930
Short-term bank deposits	10,206,348	13,316,741
	<u>15,646,023</u>	<u>17,670,671</u>
Less: bank deposits with original maturities of more than three months	(1,070,981)	(3,738,699)
Less: restricted cash	-	(23)
	<u>14,575,042</u>	<u>13,931,949</u>

**25 Assets classified as held-for-sale**

	As at 31st March 2020 HK\$'000	As at 31st March 2019 HK\$'000
Investment properties classified as held-for-sale	<u>324,370</u>	<u>348,280</u>

On 28th December 2018, the Group entered into a sale and purchase agreement with an independent third party to disposal of its entire interests in a bare land with undetermined used in Malaysia at a consideration of Ringgit Malaysian (“RM”) 181 million (equivalent to HK\$324 million (2019: HK\$348 million)). As a result, relevant investment properties of HK\$324 million (2019: HK\$348 million) are classified as held-for-sale in the consolidated financial statements. Approval of the disposal has been obtained from the government of Malaysia during the year ended 31st March 2020 and the disposal is expected to be completed during the year ending 31st March 2021. As at 31st March 2020, RM24 million (equivalent to HK\$42 million (2019: HK\$45 million)) was received as deposit.

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**26 Share capital and perpetual capital securities**

Share capital

	Number of shares (Thousands)	Amount HK\$'000
Authorised:		
Ordinary shares of 1 Hong Kong dollar each		
At 1st April 2018, 31st March 2019 and 31st March 2020	1,000,000,000	1,000,000,000
	<u>                    </u>	<u>                    </u>
Issued and fully paid:		
Ordinary shares of 1 Hong Kong dollar each		
At 1st April 2018, 31st March 2019 and 31st March 2020	62,743,532	62,743,532
	<u>                    </u>	<u>                    </u>

Perpetual capital securities

	As at 31st March 2020 HK\$'000	As at 31st March 2019 HK\$'000
USD500 million issued in 2017	3,968,568	3,969,456
	<u>                    </u>	<u>                    </u>

On 29th May 2017, a wholly owned subsidiary of the Group (the “Issuer”) issued 5.5% perpetual capital securities with an aggregate principal of USD500 million for cash. The perpetual capital securities are guaranteed by the Company.

These securities are perpetual and the coupon payment can be deferred at the discretion of the Issuer and there is no limit as to the number of times of deferral of coupon payment. When the Company and Issuer elect to declare dividends to their ordinary shareholders, the Issuer shall make distribution to the holders of perpetual securities at the distribution rates as defined in the subscription agreement.

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**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

**27 Reserves**

	Exchange reserve HK\$'000	Investment revaluation reserve HK\$'000	Retained earnings HK\$'000	Merger reserve HK\$'000	Other reserves note (a) HK\$'000	Total HK\$'000
At 1st April 2019	(804,131)	-	73,006,850	(33,100,357)	(483,125)	38,619,237
Adjustment on adoption of IFRS 16 (note 2(a)(i))	-	-	59,151	-	-	59,151
As at 1st April 2019, as restated	(804,131)	-	73,066,001	(33,100,357)	(483,125)	38,678,388
Profit for the year	-	-	2,024,855	-	-	2,024,855
Dividend paid to owners of the Company (note 12)	-	-	(909,781)	-	-	(909,781)
Acquisition of non-controlling interest (note 32 (c))	-	-	-	-	(8,247)	(8,247)
Partial disposal of interest in a subsidiary (note 32 (b)(iii))	-	-	-	-	4,827	4,827
Release of exchange reserve upon disposal of interests in subsidiaries	(680)	-	-	-	-	(680)
Release of merger reserve upon liquidation of a subsidiary	-	-	(27,999)	27,999	-	-
Exchange translation differences						
- Group	(1,600,952)	-	-	-	-	(1,600,952)
- Joint ventures and associates	(50,921)	-	-	-	-	(50,921)
Share of other reserve of an associate	-	-	-	-	(13)	(13)
Transfer of statutory reserve of an associate	-	-	(5,594)	-	5,594	-
At 31st March 2020	(2,456,684)	-	74,147,482	(33,072,358)	(480,964)	38,137,476
As at 1st April 2018	756,482	-	71,645,695	(37,757,621)	(352,418)	34,292,138
Profit for the year	-	-	6,023,476	-	-	6,023,476
Release of exchange reserve upon disposal of interests in subsidiaries	11,490	-	-	-	-	11,490
Release of hedging reserve upon discontinuation of hedging relationship	-	-	-	-	(135,764)	(135,764)
Exchange translation differences						
- Group	(1,402,193)	-	-	-	-	(1,402,193)
- Joint ventures and associates	(169,910)	-	-	-	-	(169,910)
Transfer of statutory reserve of an associate	-	-	(5,057)	-	5,057	-
Release of merger reserve upon liquidation of a subsidiary	-	-	(4,657,264)	4,657,264	-	-
At 31st March 2019	(804,131)	-	73,006,850	(33,100,357)	(483,125)	38,619,237

Note (a): Other reserves mainly represent reserves arose from acquisition of additional interest in a subsidiary from non-controlling interests.

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**28 Deferred income tax**

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

	2020 HK\$'000	2019 HK\$'000
At 1st April	(2,831,559)	(2,969,554)
Disposal of interests in subsidiaries	(3,389)	59,981
Charged to the consolidated income statement (note 11)	(127,953)	(110,598)
Exchange difference	184,211	188,612
	<u>                    </u>	<u>                    </u>
At 31st March	<u>(2,778,690)</u>	<u>(2,831,559)</u>

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

Deferred income tax liabilities

	Unrealised gains on investment securities HK\$'000	Accelerated tax depreciation HK\$'000	Fair value gains on properties HK\$'000	Others HK\$'000	Total HK\$'000
At 1st April 2019	(24,646)	(142,068)	(2,913,247)	(54,750)	(3,134,711)
Credited/(charged) to consolidated income statement	(53,278)	(24,869)	(101,010)	9,162	(169,995)
Exchange difference	164	-	185,062	-	185,226
	<u>                    </u>	<u>                    </u>	<u>                    </u>	<u>                    </u>	<u>                    </u>
At 31st March 2020	<u>(77,760)</u>	<u>(166,937)</u>	<u>(2,829,195)</u>	<u>(45,588)</u>	<u>(3,119,480)</u>
At 1st April 2018	(133,195)	(127,076)	(2,884,001)	(77,042)	(3,221,314)
Disposal of subsidiaries	-	59,981	-	-	59,981
Credited/(charged) to consolidated income statement	108,536	(74,976)	(221,556)	22,292	(165,704)
Exchange difference	13	3	192,310	-	192,326
	<u>                    </u>	<u>                    </u>	<u>                    </u>	<u>                    </u>	<u>                    </u>
At 31st March 2019	<u>(24,646)</u>	<u>(142,068)</u>	<u>(2,913,247)</u>	<u>(54,750)</u>	<u>(3,134,711)</u>

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**28 Deferred income tax (Continued)**

Deferred income tax assets

	Tax losses HK\$'000	Provisions HK\$'000	Unrealised intra-group profits HK\$'000	Total HK\$'000
At 1st April 2019	101,157	5,795	196,200	303,152
Disposal of subsidiaries	-	(3,389)	-	(3,389)
Credited/(charged) to consolidated income statement	37,128	(2,406)	7,320	42,042
Exchange difference	(1,015)	-	-	(1,015)
	<u>137,270</u>	<u>-</u>	<u>203,520</u>	<u>340,790</u>
At 31st March 2020				
At 1st April 2018	89,918	3,741	158,101	251,760
Credited/(charged) to consolidated income statement	14,953	2,054	38,099	55,106
Exchange difference	(3,714)	-	-	(3,714)
	<u>101,157</u>	<u>5,795</u>	<u>196,200</u>	<u>303,152</u>
At 31st March 2019				

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when the deferred income taxes relate to the same fiscal authority. The following amounts, determined after appropriate offsetting, are shown in the consolidated balance sheet:

	2020 HK\$'000	2019 HK\$'000
Deferred income tax assets	269,159	234,517
Deferred income tax liabilities	<u>(3,047,849)</u>	<u>(3,066,076)</u>

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**29 Bank and other borrowings**

	2020 HK\$'000	2019 HK\$'000
<u>Bank borrowings (note (a))</u>		
Long-term bank borrowings		
- secured	11,159,345	11,975,036
- unsecured	7,495,606	8,486,289
Less: current portion of long-term bank borrowings	(2,459,967)	(375,730)
	<u>16,194,984</u>	<u>20,085,595</u>
Current portion of long-term bank borrowings		
- secured	461,029	375,730
- unsecured	1,998,938	-
Short-term bank borrowings		
- secured	935,613	-
	<u>3,395,580</u>	<u>375,730</u>
	<u>19,590,564</u>	<u>20,461,325</u>
<u>Guaranteed notes</u>		
Medium term notes (note (b))		
- listed	10,812,568	10,929,483
- unlisted	1,805,815	1,804,662
	<u>12,618,383</u>	<u>12,734,145</u>
Total bank and other borrowings	<u>32,208,947</u>	<u>33,195,470</u>
Representing:		
- non-current liabilities	28,813,367	32,819,740
- current liabilities	3,395,580	375,730
Total	<u>32,208,947</u>	<u>33,195,470</u>

As at and 31st March 2020 and 31st March 2019, the Group's bank and other borrowings are repayable as follows:

	2020 HK\$'000	2019 HK\$'000
Within one year	3,395,580	375,730
Between one and two years	4,553,182	2,582,566
Between two and three years	12,380,780	4,475,046
Between three and four years	546,050	8,419,170
Between four and five years	2,444,008	6,228,997
Over five years	8,889,347	11,113,961
	<u>32,208,947</u>	<u>33,195,470</u>

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**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

**29 Bank and other borrowings (Continued)**

Notes:

- (a) These bank borrowings are secured by property, plant and equipment, investment properties, right-of-use assets/land use rights, properties for sale and financial assets at fair value through profit or loss.

The effective interest rate based on the prevailing market rates on the bank borrowings as at 31st March 2020 is 2.86% (2019: 2.92%) per annum.

Bank borrowings are approximated their fair values and denominated in the following currencies:

	2020 HK\$'000	2019 HK\$'000
HK dollar	11,410,864	12,764,180
RMB	3,795,491	4,268,141
US dollar	935,613	101,685
GBP	3,039,066	3,327,319
Australian dollar	409,530	-
	19,590,564	20,461,325

- (b) Nan Fung Treasury Limited, a subsidiary of the Group has established a Medium Term Note Programme ("MTN"). The aggregate principal amount increased from US\$2 billion to US\$3 billion on 24th August 2018. As at 31st March 2020, the Group has drawdown of totalling HK\$12,744 million, of which US\$1,410 million is listed on Singapore Exchange Securities Trading Limited. The details of the drawdown are as follows:

Issue dates	Principal loan drawdown amounts	Maturity date	Interest yield per annum	Interests in arrear
29th August 2012	HK\$800 million	29th August 2022	4.425%	Quarterly
20th September 2012	US\$300 million	20th September 2022	4.50%	Semi-annually
10th October 2012	HK\$300 million	10th October 2022	4.125%	Quarterly
8th November 2012	HK\$110 million	8th November 2022	3.95%	Quarterly
30th January 2013	HK\$100 million	30th January 2023	3.85%	Quarterly
29th May 2014	US\$200 million	29th May 2024	4.875%	Semi-annually
13th September 2017	HK\$500 million	13th September 2027	3.65%	Quarterly
3rd October 2017	US\$410 million	3rd October 2027	3.875%	Semi-annually
5th September 2018	US\$500 million	5th September 2028	5%	Semi-annually

The MTN is guaranteed unconditionally and irrevocably by the Company. As at 31st March 2020, the fair values of the MTN are HK\$13,490,868,000 (2019: HK\$13,059,263,000). Of which, HK\$11,598,964,000 (2019: HK\$11,229,561,000) is within level 1 of fair value hierarchy and the remaining is within level 2 of fair value hierarchy which is estimated using other comparable prices observed in the market. Total remaining capacity of the MTN amounted to US\$1,356,587,000 (2019: US\$1,359,422,000).

- (c) As at 31st March 2020, the Group had HK\$30,880,632,000 (2019: HK\$31,415,423,000) undrawn banking facilities.

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**30 Trade and other payables, deposits and accruals**

	2020 HK\$'000	2019 HK\$'000
Trade and other payables and accruals (note (a))	3,599,407	3,146,871
Accruals for construction work (note (a))	221,974	242,713
Rental and other deposits received (note (a))	557,754	518,025
Deferred income	22,508	108,164
Amounts due to joint ventures (note (b))	4,542,509	4,026,223
Amounts due to associates (note (c))	125,892	1,063,239
Amounts due to investee companies (note 20)	9,118	9,118
Amounts due to related companies and individuals (note (d))	493,048	594,553
Amount due to immediate holding company (note (e))	8,002	8,024
Amount due to ultimate holding company (note (e))	209,610	619,742
Amounts due to non-controlling interests (note (f))	3,546,013	2,850,782
	<u>13,335,835</u>	<u>13,187,454</u>

Notes:

- (a) Trade and other payables mainly includes payables related to property development projects including construction and development cost payables. Trade and other payables, deposits and accruals are denominated in the following currencies:

	2020 HK\$'000	2019 HK\$'000
HK dollar	3,695,309	3,137,679
RMB	319,709	488,580
US dollar	176,599	167,596
Others	187,405	113,754
	<u>4,379,022</u>	<u>3,907,609</u>

- (b) Amounts due to joint ventures are unsecured, interest free and repayable on demand. The balances are denominated in the following currencies:

	2020 HK\$'000	2019 HK\$'000
HK dollar	4,540,580	4,023,600
RMB	1,929	2,623
	<u>4,542,509</u>	<u>4,026,223</u>

Details of the principal joint ventures as at 31st March 2020 are shown in note 38 to the consolidated financial statements.

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**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

**30 Trade and other payables, deposits and accruals (Continued)**

Notes: (Continued)

- (c) Amounts due to associates are unsecured, interest free and repayable on demand. The balances are denominated in the following currencies:

	2020 HK\$'000	2019 HK\$'000
HK dollar	125,892	293,892
US dollar	-	769,347
	<u>125,892</u>	<u>1,063,239</u>

- (d) As at 31st March 2020, amounts due to related companies and individuals of HK\$4,772,000 (2019: HK\$4,725,000) bear interest at 1% per annum (2019: 1% per annum) and remaining balances are interest free. The balances are unsecured and repayable on demand. The balances are denominated in HK dollar.

- (e) Amounts due to immediate holding company and ultimate holding company are unsecured, interest free and repayable on demand. The balances are denominated in HK dollar.

- (f) As at 31st March 2020, amounts due to non-controlling interests of HK\$1,591,370,000 (2019: HK\$1,956,754,000) bear interest rate ranged from 5.01% to 6.04% (2019: 5.01% to 6.04%). The remaining balances are interest free. The balances are unsecured and repayable on demand.

The balances are denominated in the following currencies:

	2020 HK\$'000	2019 HK\$'000
HK dollar	3,120,804	2,445,065
US dollar	10,312	10,440
RMB	226,360	230,955
GBP	188,537	164,322
	<u>3,546,013</u>	<u>2,850,782</u>

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**31 Contract liabilities**

	2020 HK\$'000	2019 HK\$'000
Contract liabilities related to property sales (note a)	<u>5,481,073</u>	<u>3,394,433</u>

Notes:

(a) The Group received payments from customers based on billing schedules as established in contracts. Payments are usually received in advance before the transfer of properties.

(b) The following table shows the amount of revenue recognised in the current year that was included in the contract liability balance at the beginning of the year:

	2020 HK\$'000	2019 HK\$'000
Revenue recognised that was included in the contract liabilities balance at the beginning of the year		
- Property sales	<u>373,057</u>	<u>6,938,525</u>

(c) The following table shows the aggregate amount of transaction price allocated to unsatisfied performance obligations resulting from fixed price contracts with an original expected duration of revenue recognition in one year or more:

	2020 HK\$'000	2019 HK\$'000
Expected to be recognised within one year	7,061,462	1,089,395
Expected to be recognised after one year	-	5,807,822
	<u>7,061,462</u>	<u>6,897,217</u>

For all other contracts with an original expected duration of one year or less or are billed based on time incurred. As permitted under IFRS 15, the transaction price allocated to these unsatisfied performance obligations is not disclosed.

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**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

**32 Notes to the consolidated statement of cash flows**

(a) Reconciliation of profit before income tax to net cash generated from operations:

	2020 HK\$'000	2019 HK\$'000
Profit before income tax	2,499,896	6,841,632
Depreciation and amortisation of		
- property, plant and equipment	149,076	156,849
- right-of-use assets	41,928	-
- land use rights	-	12,973
Net change in fair values of investment properties	417,441	(758,296)
Net gain on disposal of property, plant and equipment	(397)	(1,430)
Impairment and write-off of property, plant and equipment	4,291	6,612
Net gain on disposal of investment properties	-	(170,418)
Net loss/(gain) on disposal/liquidation of subsidiaries	28,843	(982,070)
Unrealised (gain)/loss on loans receivable at fair value through profit or loss	(56,594)	157,728
Unrealised loss on financial assets at fair value through profit or loss and derivatives	476,308	451,362
Net provision for loss allowances of financial assets	529,980	203,554
Finance income, net	(680,997)	(166,541)
Unrealised exchange loss	137,919	-
Share of results of joint ventures	(422,582)	(1,516,629)
Share of results of associates	15,810	(513,050)
	<hr/>	<hr/>
Net cash from operating profit before working capital changes	3,140,922	3,722,276
Decrease/(increase) in:		
Properties for sale	149,989	8,307,754
Trade and other receivables, deposits and prepayments	514,260	(2,773,061)
Financial assets at fair value through profit or loss	(663,690)	1,315,475
Increase/(decrease) in:		
Trade and other payables, deposits and accruals	456,505	1,178,979
Contract liabilities	2,086,640	(3,900,666)
Financial liabilities at fair value through profit or loss	616,632	(67,293)
	<hr/>	<hr/>
Net cash generated from operations	<u>6,301,258</u>	<u>7,783,464</u>

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**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

**32 Notes to the consolidated statement of cash flows (Continued)**

(b) Net proceeds from disposal of subsidiaries

(i) Disposal of entire interests in Fast Trend Investments Limited (“Fast Trend”)

On 1st June 2018, the Group entered into a sale and purchase agreement with an independent third party for sale of 100% of the issued share capital of Fast Trend. Fast Trend held 100% interests in a subsidiary which held an investment property in Hong Kong, at a total consideration of HK\$7,394 million and provided a loan to the intermediate holding company of the purchaser. The transaction was completed on 30th August 2018. Details of the disposal are as follows:

	HK\$'000
Net assets disposed of:	
Investment properties	6,510,000
Trade and other receivables	21,408
Cash and bank balances	42,748
Trade and other payables	(107,458)
Tax payables	(7,131)
Deferred income tax liabilities	(59,981)
	<u>6,399,586</u>
Net gain on disposal of interests in subsidiaries:	
Total consideration	7,393,507
Net assets disposed of	(6,399,586)
	<u>993,921</u>
Net cash inflow on disposal of interests in subsidiaries:	
Net consideration received during the period	5,518,507
Cash and bank balances disposed of	(42,748)
	<u>5,475,759</u>

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**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

**32 Notes to the consolidated statement of cash flows (Continued)**

(b) Net proceeds from disposal of subsidiaries (Continued)

(ii) Disposal of entire interests in 257 Water Street LLC (“257 Water Street”)

On 16th October 2019, the Group entered into a sale and purchase agreement with an independent third party for sale of 78.56% of the issued share capital of 257 Water Street. 257 Water Street held a residential property in New York, at a total consideration of USD8 million. The transaction was completed on 16th October 2019. Details of the disposal are as follows:

	HK\$'000
Net assets disposed of:	
Properties for sale	181,103
Trade and other receivables	1,222
Cash and bank balances	2,270
Trade and other payables	(3,017)
Bank borrowings	(100,514)
	<hr/>
	81,064
Non-controlling interests	(17,380)
	<hr/>
78.56% of net assets disposed of	<u>63,684</u>
Net gain on disposal of interests in subsidiaries:	
Total consideration	64,138
Net assets disposed of	(63,684)
Release of exchange reserves	(680)
	<hr/>
	(226)
	<hr/>
Net cash inflow on disposal of interests in subsidiaries:	
Consideration received during the year	64,138
Cash and bank balances disposed of	(2,270)
	<hr/>
	<u>61,868</u>

(iii) Partial disposal of Nice Jolly Holdings Limited (“Nice Jolly”)

On 23rd December 2019, the Group entered into a sale and purchase agreement with an independent third party (the “Purchaser”), for the (i) sale of 40% of the issued share capital and (ii) assignment of shareholder’s loan of Nice Jolly at approximately HK\$1,305 million. Nice Jolly is an investment holding company which holds 100% interests in a subsidiary which holds a property development project (the “Project”) in Shanghai. The transaction was completed on 23rd December 2019. Subsequent to the completion, Nice Jolly remains as a non-wholly owned subsidiary of the Group.

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**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

**32 Notes to the consolidated statement of cash flows (Continued)**

(b) Net proceeds from disposal of subsidiaries (Continued)

(iii) Partial disposal of Nice Jolly Holdings Limited (“Nice Jolly”) (Continued)

The consideration is to be settled by two instalments. The first instalment of HK\$359 million was received during the year ended 31st March 2020. The second instalment of HK\$946 million will due at the later of (i) 30th June 2023; and (ii) within five business days after the Project completion notification date.

Details of the disposal of Nice Jolly are as follows:

	HK\$'000
Net liabilities of the subsidiaries:	
Other non-current asset	2,787,370
Trade and other receivables	1,956
Cash and bank balance	112,540
Shareholder’s loan	(2,871,992)
Other liabilities	(43,597)
	<u>(13,723)</u>
	<u>(5,489)</u>
40% of net liabilities disposed of	<u>(5,489)</u>
Net gain on disposal of partial interests in subsidiaries:	
Consideration received during the year	359,307
Present value of consideration receivable	802,101
	<u>1,161,408</u>
Present value of total consideration receivable	1,161,408
Assignment of shareholder’s loan	(1,148,797)
Net liabilities disposed of	5,489
	<u>18,100</u>
Capital gain tax	(13,273)
	<u>4,827</u>

As at 31st March 2020, present value of the remaining consideration receivable for transaction is approximately HK\$813 million, which was included in loans and other receivables (note 19) as non-current asset, after taking into account of HK\$11 million finance income recognised during the year.

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**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

**32 Notes to the consolidated statement of cash flows (Continued)**

(c) Acquisition of non-controlling interests

During the year ended 31st March 2020, acquisition of non-controlling interests mainly represents acquisition of remaining interests in Grace Shine Enterprises Limited (“Grace Shine”) with net cash outflow of HK\$285,044,000.

Grace Shine was a 85% owned subsidiary of the Group. It is an investment holding company which holds 100% interests of a property development project in Hong Kong. On 31st May 2019, the Group acquired the remaining 15% of issued shares of Grace Shine at a consideration of HK\$285,044,000. Grace Shine became a wholly owned subsidiary of the Group after the acquisition. As a result, the Group recognised a decrease in non-controlling interests of HK\$277,941,000. The difference between the consideration and the decrease in non-controlling interest, amounted to HK\$7,103,000, is recognised in other reserves.

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**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

**32 Notes to the consolidated statement of cash flows (Continued)**

(d) Reconciliation of liabilities arising from financing activities:

	Bank and other borrowings	Interest Payables	Amounts due to related companies and individuals	Amounts due to fellow subsidiary companies	Amount due to immediate holding company	Amount due to ultimate holding company	Amounts due to non controlling interests	Assets held to hedge bank and other borrowings	Lease liabilities	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
<b>At 1st April 2019</b>	33,195,470	128,752	594,553	-	8,024	619,742	2,850,782	-	-	37,397,323
Adoption of IFRS 16 (note 2(a)(i))	-	-	-	-	-	-	-	-	-	120,395
Cash flows	(170,844)	(1,111,921)	(101,505)	-	(22)	(410,132)	(515,323)	-	(16,012)	(2,325,759)
Finance cost	-	1,118,520	-	-	-	-	86,768	-	4,374	1,209,662
Exchange differences	(770,733)	(10,538)	-	-	-	-	(25,011)	-	(6,525)	(812,807)
Other non-cash movement	(44,946)	-	-	-	-	-	1,148,797	-	42,786	1,146,637
<b>At 31st March 2020</b>	32,208,947	124,813	493,048	-	8,002	209,610	3,546,013	-	145,018	36,735,451
<b>At 1st April 2018</b>	35,440,292	55,975	649,281	248,789	-	539,266	2,905,441	(125,574)	-	39,713,470
Cash flows	(1,585,872)	(1,162,528)	(54,728)	(248,789)	8,024	80,476	(53,523)	-	-	(3,016,940)
Finance cost	-	1,237,263	-	-	-	-	-	-	-	1,237,263
Exchange differences	(612,938)	(1,958)	-	-	-	-	(1,136)	-	-	(616,032)
Other non-cash movement	(46,012)	-	-	-	-	-	-	125,574	-	79,562
<b>At 31st March 2019</b>	33,195,470	128,752	594,553	-	8,024	619,742	2,850,782	-	-	37,397,323

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**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

**33 Financial guarantees/contingent liabilities**

As at 31st March 2019, the Group has undertaken to a bank amounting to HK\$67,571,000 in respect of the performance bonds issued for the contract works entered by its subsidiary and joint ventures. During the year ended 31st March 2020, the Group was released from the financial guarantee contract upon the completion of the contract works.

As at 31st March 2020, the Group provided financial guarantee to joint ventures for bank loans related to overseas property development project. The amount of the Group's share of guarantee is HK\$3,328,037,000 (2019: HK\$nil), which is proportionate to the Group's effective interest of ownership in the joint venture.

**34 Commitments**

Other than those disclosed elsewhere in the financial statements, the Group has significant commitments as follows:

(a) Capital commitments

	2020 HK\$'000	2019 HK\$'000
Contracted but not provided for		
Investment properties (note (i))	5,611,676	3,722,883
Other investments (note (ii))	3,754,783	5,949,095
	<u>9,366,459</u>	<u>9,671,978</u>
Capital contribution to		
Joint ventures (note (iii))	240,873	-
	<u>9,607,332</u>	<u>9,671,978</u>

(i) As at 31st March 2020 and 31st March 2019, the Group had capital commitments for investment properties under development and completed investment properties.

(ii) As at 31st March 2020 and 31st March 2019, the Group had uncalled capital commitments to invest in the funds and direct investments. The commitments are subject to certain conditions described in the contracts.

(iii) As at 31st March 2020, the Group has an outstanding commitment to contribute capital of US\$31,062,000 to joint ventures for jointly developing manufacturing and office properties and parking lot located in New York.

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**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

**34 Commitments (Continued)**

(b) Commitments under operating leases

As at 31st March 2019, the Group had future aggregate minimum lease payments under non-cancellable operating leases for land and buildings as follows:

	2019 HK\$'000
Third parties	
- not later than one year	27,272
- later than one year and not later than five years	47,926
	<u>75,198</u>

The lease terms range from 1 to 7 years for the year ended 31st March 2019.

From 1 April 2019, the Group recognised right-of-use assets for these leases, except for short-term and low-value leases. Please refer to note 2(a)(i) for new standards, amendments to standards and interpretation adopted by the Group. The aggregate lease payments under short-term leases and low-value leases are as follows:

	2020 HK\$'000
Third parties	
- not later than one year	5,433
- later than one year and not later than five years	2,197
	<u>7,630</u>

**35 Future operating lease receivables**

As at 31st March 2020 and 31st March 2019, the Group had future aggregate minimum lease receivables under non-cancellable operating leases in respect of the Group's investment properties and properties for sale as follows:

	2020 HK\$'000	2019 HK\$'000
Within one year	1,416,941	1,290,725
Between one and two years	967,611	1,060,496
Between two and three years	625,439	653,645
Between three to four years	413,419	380,583
Between four to five years	332,396	268,113
Later than five years	1,744,717	1,732,552
	<u>5,500,523</u>	<u>5,386,114</u>

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**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

**36 Pledge of assets**

As at 31st March 2020 and 31st March 2019, the Group had pledged certain assets to secure borrowings of the Group. Their carrying values were as follows:

	2020 HK\$'000	2019 HK\$'000
Property, plant and equipment	1,307,370	1,441,733
Investment properties	44,981,007	45,036,339
Right-of-use assets	334,050	-
Land use rights	-	369,220
Properties for sale	-	181,345
Financial assets at fair value through profit or loss	5,112,569	7,006,334
	<u>51,734,996</u>	<u>54,034,971</u>

**37 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 Group's business during the year were as follows:

	2020 HK\$'000	2019 HK\$'000
<b>Income:</b>		
From associates		
- management fee income (note (a))	<u>14,117</u>	<u>17,062</u>
From related companies which is held by a close family member of directors of the Company		
- rental income (note (b))	<u>22,780</u>	<u>-</u>

Notes:

- (a) Management fee income from associates for administrative and management services provided. The terms were determined by and agreed between both parties.
- (b) Rental income from related companies for premises rented to related companies. The terms were determined by and agreed between both parties.

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**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

**38 Particulars of principal subsidiaries, joint ventures and associates**

(a) Subsidiaries

The Group had interests in the following principal subsidiaries:

Name	Place of incorporation	Principal activities	Issued share capital/ registered capital	Percentage of effective interest in ownership/voting power/profit sharing	
				2020	2019
Blooming Lotus Holdings Limited	British Virgin Islands	Property investment	US\$1,000	100%	-
Bordon Construction Company Limited	Hong Kong	Investment holding and building construction	HK\$686,700,000	100%	100%
Bright Region Enterprise Limited	Hong Kong	Property investment and property trading	HK\$2	100%	100%
Capital Treasure Investments Limited <sup>1</sup>	British Virgin Islands	Property investment	US\$1,000	80%	80%
Century Wealth Development Limited	Hong Kong	Property trading, money-lending and financing	HK\$2	100%	100%
Cheerwide Investment Limited <sup>1</sup>	Hong Kong	Property investment and property trading	HK\$1	85%	85%
Chun Yip Construction Company Limited	Hong Kong	Investment holding and building construction	HK\$570,000,200 ordinary and HK\$1,000,000 non-voting deferred	100%	100%
City Century Development Limited <sup>2</sup>	Hong Kong	Property development	HK\$1	100%	100%
Cloud Fort Development Company Limited	Hong Kong	Property investment and trading	HK\$20	100%	100%
Continental Discovery Sdn. Bhd.	Malaysia	Property investment	RM100,000	100%	100%
Crown Time Properties Limited	Hong Kong	Property trading	HK\$2	100%	100%
Enormous Asset Limited <sup>1</sup>	Hong Kong	Property trading	HK\$1	75%	75%
Ever Crown Development Limited	Hong Kong	Property investment	HK\$2	100%	100%
Ever Grand Enterprises Limited	Hong Kong	Property investment	HK\$1	100%	100%
First Harvest Development Limited <sup>1</sup>	Hong Kong	Property trading	HK\$1	100%	85%

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**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

**38 Particulars of principal subsidiaries, joint ventures and associates (Continued)**

(a) Subsidiaries (Continued)

The Group had interests in the following principal subsidiaries: (Continued)

Name	Place of incorporation	Principal activities	Issued share capital/ registered capital	Percentage of effective interest in ownership/voting power/profit sharing	
				2020	2019
Forterra Trust	Singapore	Investment holding	SG\$1,078,617,757	100%	100%
Gavast Estates Limited	Hong Kong	Investment holding	HK\$2	100%	100%
Goldstead Properties Limited	Hong Kong	Property investment	HK\$1,000	100%	100%
Goodyear Investments Private Limited	Singapore	Property investment	SG\$250,000	100%	100%
Great Team Development Limited <sup>1,2</sup>	Hong Kong	Property development	HK\$1	60%	60%
Greatco Finance Limited	Hong Kong	Financing	HK\$1	100%	100%
Group Reliance Limited	Hong Kong	Financing	HK\$250,000,000	100%	100%
Hing Fung Sendirian Berhad	Malaysia	Property investment	RM3,200,000	100%	100%
Hon Hing Enterprises Limited	Hong Kong	Building management	HK\$10,000	100%	100%
Jubilant Century Limited	Hong Kong	Property investment	HK\$10,000	100%	100%
Jubilee Charm Investments Limited	British Virgin Islands	Property investment	US\$1,000	100%	100%
Landsun International Limited	Hong Kong	Hotel operation, money lending and financing	HK\$2	100%	100%
Lok Choy Limited	Hong Kong	Property investment	HK\$100	100%	100%
London George Unit Trust	Jersey	Property investment	GBP52,600,000	100%	100%
Longbrook Development Limited	Hong Kong	Property investment	HK\$10,000	100%	100%
Main Shine Development Limited	Hong Kong	Building management	HK\$500,000	100%	100%
Marvel and Company, Limited	Hong Kong	Investment holding, property investment and property trading	HK\$500,000	100%	100%

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**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

**38 Particulars of principal subsidiaries, joint ventures and associates (Continued)**

(a) Subsidiaries (Continued)

The Group had interests in the following principal subsidiaries: (Continued)

Name	Place of incorporation	Principal activities	Issued share capital/ registered capital	Percentage of effective interest in ownership/voting power/profit sharing	
				2020	2019
Nan Fung Development Limited	Hong Kong	Financing, investment holding and property investment	HK\$900,000,002 ordinary and HK\$100,000,000 non-voting deferred	100%	100%
Nan Fung Finance Limited	Hong Kong	Money lending and financing	HK\$1,000,000	100%	100%
Nan Fung (Holdings) Limited	Hong Kong	Investment holding, property investment and trading	HK\$6,000,000	100%	100%
Nan Fung Group Holdings Limited	British Virgin Islands	Investment holding	US\$5,545,836,729	100%	100%
Nan Fung International Finance Limited	Hong Kong	Financing	HK\$1	100%	100%
Nan Fung Property Consolidated Limited	Hong Kong	Investment holding	HK\$1,260,138,835 ordinary and HK\$138,834,776 non-voting deferred	100%	100%
Nan Fung Property Holdings Limited	Hong Kong	Investment holding	HK\$2,007,800	100%	100%
Nan Fung Real Estate Agency Limited	Hong Kong	Provision of real estate agency service	HK\$100,000	100%	100%
Nan Fung Textiles Limited	Hong Kong	Investment holding, property investment and trading	HK\$10,000,000	100%	100%
Nan Fung Textiles Second Mill Limited	Hong Kong	Property investment and trading	HK\$3,500,000	100%	100%
Nan Fung Treasury Limited	British Virgin Islands	Financing	US\$1,000	100%	100%
Nan Fung Treasury (II) Limited	British Virgin Islands	Financing	US\$1,000	100%	100%
Nan Fung Trinity (HK) Limited	Hong Kong	Investment holding	HK\$1	100%	-
Nan Wai Development Limited	Hong Kong	Property investment	HK\$1	100%	100%

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**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

**38 Particulars of principal subsidiaries, joint ventures and associates (Continued)**

(a) Subsidiaries (Continued)

The Group had interests in the following principal subsidiaries: (Continued)

Name	Place of incorporation	Principal activities	Issued share capital/ registered capital	Percentage of effective interest in ownership/voting power/profit sharing	
				2020	2019
New Charm Management Limited	Hong Kong	Building management	HK\$10,000	100%	100%
New Connect Investments Limited	British Virgin Islands	Property investment	US\$1,000	100%	100%
New Excellent Development Limited	Hong Kong	Property investment	HK\$1	100%	100%
NF The Mills UK Ltd	United Kingdom	Gallery and event space	GBP1	100%	-
NFLSRE 1 Winthrop LLC	Delaware	Property investment	US\$28,257,300	100%	-
NFLSRE 51 Sleeper LLC	Delaware	Property investment	US\$40,950,000	100%	-
Northern Green Ventures Sdn. Bhd.	Malaysia	Property investment	RM100 ordinary and RM53,095,420 redeemable preference	100%	100%
Poh Foong Sdn. Bhd.	Malaysia	Property investment	RM200,000	100%	100%
Portslade Global Limited	British Virgin Islands	Investment holding	US\$1,000	100%	100%
Rich Union Development Limited	Hong Kong	Property development	HK\$1	100%	100%
The Mills Limited	Hong Kong	Event space and business planning	HK\$1	100%	100%
Timse Enterprises Limited	Hong Kong	Property trading	HK\$1	100%	100%
Unishine Development Limited	Hong Kong	Property trading	HK\$2	100%	100%
Vineberg Property Management Limited	Hong Kong	Building management	HK\$100,000	100%	100%
Yip Fung Sendirian Berhad	Malaysia	Property investment	RM6,900,000	100%	100%
上海華天房地產發展有限公司	PRC	Property investment	RMB1,772,890,815	100%	100%
上海景信房地產開發有限公司	PRC	Property investment	RMB108,880,055	100%	100%

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**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

**38 Particulars of principal subsidiaries, joint ventures and associates (Continued)**

(a) Subsidiaries (Continued)

The Group had interests in the following principal subsidiaries: (Continued)

Name	Place of incorporation	Principal activities	Issued share capital/ registered capital	Percentage of effective interest in ownership/voting power/profit sharing	
				2020	2019
上海寶禾置業有限公司	PRC	Property investment	US\$117,000,000	100%	100%
上海英旭置業有限公司	PRC	Financing	RMB334,000,000	100%	100%
上海崇豐房地產發展有限公司	PRC	Property development	RMB2,531,793,280	60%	-
大灣管理諮詢(深圳)有限公司 (formerly named as 中南聯合資產管理諮詢(深圳)有限公司)	PRC	Asset management	RMB15,000,000	100%	100%
天津智升科技發展有限公司	PRC	Investment holding	RMB11,000,000	100%	100%
南豐京華投資諮詢(北京)有限公司	PRC	Consultancy service	USD1,000,000	100%	100%
廣州市展匯房地產開發有限公司	PRC	Property investment	HK\$1,369,000,000	100%	100%
廣州市展豐房地產開發有限公司	PRC	Property investment	HK\$2,345,000,000	100%	100%

1 Management regards there are no material non-controlling interests to the Group.

2 The companies have entered into joint operations with an independent third party on property development projects in Hong Kong. They will share any jointly held or incurred assets, liabilities, revenue and expenses up to its interests in accordance with the development agreements.

(b) Joint ventures

The Group had indirect interests in the following principal joint ventures:

Name	Place of incorporation	Principal activities	Issued share capital/ registered capital	Percentage of effective interest in ownership/voting power/profit sharing	
				2020	2019
Ace Glory Limited	Hong Kong	Property development, investment and trading	HK\$1	30%	30%
Best Profit Limited	Hong Kong	Property development, investment and trading	HK\$1	25%	25%

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**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

**38 Particulars of principal subsidiaries, joint ventures and associates (Continued)**

(b) Joint ventures (Continued)

The Group had indirect interests in the following principal joint ventures: (Continued)

Name	Place of incorporation	Principal activities	Issued share capital/ registered capital	Percentage of effective interest in ownership/voting power/profit sharing	
				2020	2019
Brave Sky Investments Limited	Hong Kong	Property development and trading	HK\$2	50%	50%
Brave Sky Mortgage Limited	Hong Kong	Money lending	HK\$2	50%	50%
Century Rise Limited	Hong Kong	Property development, investment and trading	HK\$1	30%	30%
Everbeam Investments Limited	Hong Kong	Property trading	HK\$1	50%	50%
Everbeam Mortgage Limited	Hong Kong	Money lending	HK\$1	50%	50%
Fortune Creation developments Limited	British Virgin Islands	Property development	US\$100	50%	-
23-30 Borden JV LLC	Delaware	Property investment	US\$20,800,000	44%	44%
IPG LIC 49th Ave Lot 22 JV LLC <sup>1</sup>	Delaware	Property investment	US\$1,888,605	94%	-
IPG LIC 49th Ave Lower Floor Units JV LLC <sup>1</sup>	Delaware	Property investment	US\$67,738,427	94%	-
IPG LIC 49th Ave Upper Floor Unit JV LLC <sup>1</sup>	Delaware	Property investment	US\$24,272,969	94%	-
Market Prospect Limited	Hong Kong	Property development and trading	HK\$2	50%	50%
Pacific Bond Limited	Hong Kong	Property development, investment and trading	HK\$1	30%	30%
Teamer International Limited	Hong Kong	Property development and trading	HK\$1	25%	25%
Union King (Hong Kong) Limited	Hong Kong	Property development and trading	HK\$1	25%	25%
悅居(天津)有限公司	PRC	Property development	RMB730,000,000	46.22%	46.22%

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**38 Particulars of principal subsidiaries, joint ventures and associates (Continued)**

(b) Joint ventures (Continued)

- 1 The directors of the Company considered the Group does not have unilateral control over these joint ventures as the decisions about relevant activities require the unanimous consent of the parties sharing of control.

(c) Associates

The Group had indirect interests in the following principal associates:

Name	Place of incorporation	Principal activities	Issued share capital/ registered capital	Percentage of effective interest in ownership/voting power/profit sharing	
				2020	2019
Century Land Investment Limited	Hong Kong	Property development	HK\$1	40%	40%
Empresa de Fomento Industrial E Comercial Concórdia, S.A. <sup>1</sup>	Macau	Property development and investment	MOP100,000,000	17%	17%
上海世界貿易商城有限公司	PRC	Property investment	US\$100,000,000	49%	49%

- 1 The directors of the Company considered the Group has significant influence over this company through its representative on the board of directors of this company.

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