



Ageas Capital (Asia) Limited
(Incorporated in the British Virgin Islands with
limited liability)

Financial Statements
for the year ended 31 December 2013

Contents	Page(s)
Independent auditor's report	1 - 2
Audited financial statements	
– Statement of comprehensive income	3
– Balance sheet	4
– Statement of changes in equity	5
– Cash flow statement	6 - 7
– Notes to the financial statements	8 - 21



Independent auditor's report to the shareholders of Ageas Capital (Asia) Limited

(Incorporated in British Virgin Islands with limited liability)

We have audited the financial statements of Ageas Capital (Asia) Limited (the "Company") set out on pages 3 to 21, which comprise the balance sheet as at 31 December 2013, the statement of comprehensive income, the statement of changes in equity and the cash flow statement for the year then ended and a summary of significant accounting policies and other explanatory information.

Directors' responsibility for the financial statements

The directors of the Company are responsible for the preparation of financial statements that give a true and fair view in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and for such internal control as the directors determine is necessary to enable the presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. This report is made solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the financial statements that give a true and fair view 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

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



Independent auditor's report to the shareholders of Ageas Capital (Asia) Limited (continued)

(Incorporated in British Virgin Islands with limited liability)

Opinion

In our opinion, the financial statements give a true and fair view of the state of affairs of the Company as at 31 December 2013 and of its loss and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards.

Certified Public Accountants

8th Floor, Prince's Building
10 Chater Road
Central, Hong Kong

25 JUN 2014

Statement of comprehensive income
for the year ended 31 December 2013
(Expressed in Hong Kong dollars)

	<i>Note</i>	<i>2013</i> \$	<i>2012</i> \$
Interest income	4	102,330,167	45,697,292
Interest expense	5	<u>(102,714,572)</u>	<u>(46,687,702)</u>
Net interest expense		(384,405)	(990,410)
Other operating expenses		<u>(609,528)</u>	<u>(12,097)</u>
Loss before tax	6	(993,933)	(1,002,507)
Tax	8	<u>-</u>	<u>-</u>
Loss and total comprehensive income for the year		<u>(993,933)</u>	<u>(1,002,507)</u>

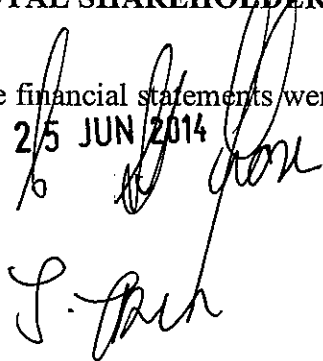
The notes on pages 8 to 21 form part of these financial statements.

Balance sheet at 31 December 2013

(Expressed in Hong Kong dollars)

	Note	2013 \$	2012 \$
Non-current asset			
Amount due from an immediate holding company	9	1,921,488,299	767,278,282
Current assets			
Amount due from an immediate holding company	9	775,998,630	-
Cash and cash equivalents	10	19,723	20,116
Total current assets		776,018,353	20,116
Current liabilities			
Interest-bearing notes	11	(775,998,630)	-
Accrued expenses		(185,519)	(18,700)
Total current liabilities		(776,184,149)	(18,700)
Net current (liabilities)/assets		(165,796)	1,416
Total assets less current liabilities		1,921,322,503	767,279,698
Non-current liability			
Interest-bearing notes	11	(1,929,562,488)	(774,525,750)
NET LIABILITIES		(8,239,985)	(7,246,052)
EQUITY			
Issued capital	12	8	8
Accumulated losses		(8,239,993)	(7,246,060)
TOTAL SHAREHOLDER'S DEFICIT		(8,239,985)	(7,246,052)

The financial statements were approved and authorised for issue by the board of directors on 25 JUN 2014



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Directors

The notes on pages 8 to 21 form part of these financial statements.

Statement of changes in equity for the year ended 31 December 2013

(Expressed in Hong Kong dollars)

	<i>Issued capital</i> \$	<i>Accumulated losses</i> \$	<i>Total shareholder's deficit</i> \$
At 1 January 2012	8	(6,243,553)	(6,243,545)
Loss and total comprehensive income for the year	<u>-</u>	<u>(1,002,507)</u>	<u>(1,002,507)</u>
At 31 December 2012 and 1 January 2013	8	(7,246,060)	(7,246,052)
Loss and total comprehensive income for the year	<u>-</u>	<u>(993,933)</u>	<u>(993,933)</u>
At 31 December 2013	<u><u>8</u></u>	<u><u>(8,239,993)</u></u>	<u><u>(8,239,985)</u></u>

The notes on pages 8 to 21 form part of these financial statements.

Cash flow statement for the year ended 31 December 2013

(Expressed in Hong Kong dollars)

	Note	2013 \$	2012 \$
Cash flows from operating activities			
Loss for the year		(993,933)	(1,002,507)
Adjustments for:			
Interest income from an immediate holding company	4	(102,330,167)	(45,697,292)
Interest expense	5	<u>102,714,572</u>	<u>46,687,702</u>
		(609,528)	(12,097)
Decrease in amount due from an immediate holding company		26,840,268	-
Increase in accrued expenses		<u>166,819</u>	<u>1,450</u>
Net cash inflow/(outflow) from operating activities		<u>26,397,559</u>	<u>(10,647)</u>
Cash flows from investing activities			
New loans to an immediate holding company		(2,716,665,000)	-
Loan repaid by an immediate holding company		776,390,000	-
Interest received from an immediate holding company		<u>85,556,252</u>	<u>47,329,624</u>
Net cash (outflow)/inflow from investing activities		<u>(1,854,718,748)</u>	<u>47,329,624</u>
Cash flows from financing activities			
Issuance of interest-bearing notes		1,915,364,100	-
Interest paid on interest-bearing notes		<u>(87,043,304)</u>	<u>(47,319,423)</u>
Net cash inflow/(outflow) from financing activities		<u>1,828,320,796</u>	<u>(47,319,423)</u>

Cash flow statement
for the year ended 31 December 2013 (continued)
(Expressed in Hong Kong dollars)

	<i>Note</i>	<i>2013</i> \$	<i>2012</i> \$
Net decrease in cash and cash equivalents		(393)	(446)
Cash and cash equivalents at beginning of year		<u>20,116</u>	<u>20,562</u>
Cash and cash equivalents at end of year		<u>19,723</u>	<u>20,116</u>
Analysis of balances of cash and cash equivalents			
Cash and bank balances		<u>19,723</u>	<u>20,116</u>

The notes on pages 8 to 21 form part of these financial statements.

Notes to the financial statements

(Expressed in Hong Kong dollars unless otherwise indicated)

1 Corporate information

The Company was incorporated in the British Virgin Islands as a company with limited liability under the International Business Companies Act on 5 November 2004.

The Company's principal activity is bond issuance.

The Company is a wholly-owned subsidiary of Ageas Insurance Company (Asia) Limited ("AICA"), a company incorporated in Bermuda. In the opinion of the directors, the Company's ultimate holding company is ageas SA/NV, a company incorporated in Belgium. The ultimate holding company produces financial statements available for public use.

2 Fundamental accounting concept

The financial statements have been prepared on the going concern concept, notwithstanding the Company's net current liabilities and net liabilities as at 31 December 2013, as the Company's immediate holding company, AICA, has confirmed that it will provide adequate financial support to the Company as is necessary to ensure its continuing operation for a period of at least 12 months from 31 December 2013.

3.1 Basis of preparation

These financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRSs"), which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), accounting principles generally accepted in Hong Kong. They have been prepared under the historical cost convention. These financial statements are presented in Hong Kong dollars which is also the Company's functional currency.

3.2 Impact of new interpretations and amendments to Hong Kong Financial Reporting Standards

The HKICPA has issued a number of new HKFRSs and amendments to HKFRSs that are first effective for the current accounting period of the Company. Of these, the following development is relevant to the Company's financial statements:

- HKFRS 13, *Fair value measurement*

3.2 Impact of new interpretations and amendments to Hong Kong Financial Reporting Standards (continued)

The Company has not applied any new standard or interpretation that is not yet effective for the current accounting period (note 3.3). Impact of the adoption of HKFRS 13 is discussed below:

HKFRS 13, Fair value measurement

HKFRS 13 replaces existing guidance in individual HKFRSs with a single source of fair value measurement guidance. HKFRS 13 also contains extensive disclosure requirements about fair value measurements for both financial instruments and non-financial instruments. To the extent that the requirements are applicable to the Company, the Company has provided those disclosures in note 11. The adoption of HKFRS 13 does not have any material impact on the fair value measurements of the Company's assets and liabilities.

In accordance with the transitional provision of HKFRS 13, the Company has not provided any comparative information for new disclosures.

3.3 Impact of issued but not yet effective interpretations and amendments to Hong Kong Financial Reporting Standards

Up to the date of issue of these financial statements, the HKICPA has issued a few amendments and a new standard which are not yet effective for the year ended 31 December 2013 and which have not been adopted in these financial statements. These include the following which may be relevant to the Company.

*Effective for
accounting periods
beginning on or after*

HKFRS 9, *Financial instruments*

Unspecified

The Company is in the process of making an assessment of what the impact of this amendment is expected to be in the period of initial application. So far it has concluded that the adoption of them is unlikely to have a significant impact on the financial statements, except for the adoption of HKFRS 9, *Financial instruments*. However, the final HKFRS 9 requirements for classification and measurement and impairment remain uncertain and so it remains impracticable to quantify the effect of HKFRS 9 as at the date of the publication of these financial statements.

3.4 Summary of significant accounting policies

(a) *Interest income*

When it is probable that the economic benefits will flow to the Company and when the income can be measured reliably, interest income is recognised on an accrual basis using the effective interest method by applying the rate that discounts the estimated future cash receipts through the expected life of the financial instrument to the net carrying amount of the financial asset.

(b) *Investments and other financial assets*

Financial assets in the scope of HKAS 39 are classified as financial assets at fair value through profit or loss, held-to-maturity investments, loans and receivables and available-for-sale financial assets, as appropriate. When financial assets are recognised initially, they are measured at fair value, plus, in the case of financial assets not at fair value through profit or loss, directly attributable transaction costs.

The Company determines the classification of its financial assets after initial recognition and, where allowed and appropriate, re-evaluates this designation at the balance sheet date.

All regular way purchases and sales of financial assets are recognised on the trade date, that is the date that the Company commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are subsequently carried at amortised cost using the effective interest method less any allowance for impairment. Amortised cost is calculated taking into account any discount or premium on acquisition and includes fees that are an integral part of the effective interest rate and transaction costs. Gains and losses are recognised in the profit or loss when the loans and receivables are derecognised or impaired, as well as through the amortisation process.

3.4 Summary of significant accounting policies (continued)

(c) *Impairment of financial assets*

The Company assesses at each balance sheet date whether there is any objective evidence that a financial asset or a group of financial assets is impaired.

Assets carried at amortised cost

If there is objective evidence that an impairment loss on loans and receivables carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e., the effective interest rate computed at initial recognition). The carrying amount of the asset is reduced either directly or through the use of an allowance account. The amount of the impairment loss is recognised in the profit or loss. Loans and receivables together with any associated allowances are written off when there is no realistic prospect of future recovery.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed by adjusting the allowance account. Any subsequent reversal of an impairment loss is recognised in the profit or loss, to the extent that the carrying value of the asset does not exceed its amortised cost at the reversal date.

(d) *Derecognition of financial assets*

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognised where:

- the rights to receive cash flows from the asset have expired;
- the Company retains the rights to receive cash flows from the asset, but has assumed an obligation to pay in full without material delay to a third party under a "pass-through" arrangement; or
- the Company has transferred its rights to receive cash flows from the asset and either (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

3.4 Summary of significant accounting policies (continued)

(d) *Derecognition of financial assets (continued)*

Where the Company has transferred its rights to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Company's continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Company could be required to repay.

(e) *Financial liabilities at amortised cost*

Financial liabilities representing interest-bearing loans and accrued expenses are initially stated at fair value less directly attributable transaction costs and are subsequently measured at amortised cost, using the effective interest method unless the effect of discounting would be immaterial, in which case it is stated at cost.

Gains and losses are recognised in the profit or loss when the liabilities are derecognised as well as through the amortisation process.

(f) *Derecognition of financial liabilities*

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability, and the difference between the respective carrying amounts is recognised in the profit or loss.

(g) *Income tax*

Income tax for the year comprises current tax and movements in deferred tax assets and liabilities. Current tax and movements in deferred tax assets and liabilities are recognised in profit or loss except to the extent that they relate to items recognised in other comprehensive income or directly in equity, in which case the relevant amounts of tax are recognised in other comprehensive income or directly in equity, respectively.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the end of the reporting period, and any adjustment to tax payable in respect of previous years.

3.4 Summary of significant accounting policies (continued)

(g) *Income tax (continued)*

Deferred tax assets and liabilities arise from deductible and taxable temporary differences respectively, being the differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases. Deferred tax assets also arise from unused tax losses and unused tax credits. Apart from differences which arise on initial recognition of assets and liabilities, all deferred tax liabilities, and all deferred tax assets to the extent that it is probable that future taxable profits will be available against which the asset can be utilised, are recognised.

The amount of deferred tax recognised is measured based on the expected manner of realisation or settlement of the carrying amount of the assets and liabilities, using tax rates enacted or substantively enacted at the end of the reporting period. Deferred tax assets and liabilities are not discounted.

(h) *Foreign currencies*

These financial statements are presented in Hong Kong dollars, which is the Company's functional and presentation currency. Foreign currency transactions are initially recorded using the functional currency rates ruling at the date of the transactions. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rates of exchange ruling at the balance sheet date. All differences are taken to profit or loss. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was measured.

(i) *Cash and cash equivalents*

Cash and cash equivalents comprise cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition.

(j) *Borrowing costs*

Borrowing costs are recognised as expenses in the profit or loss in the period in which they are incurred.

3.4 Summary of significant accounting policies (continued)

(k) *Related parties*

- (a) A person, or a close member of that person's family, is related to the Company if that person:
- (i) has control or joint control over the Company;
 - (ii) has significant influence over the Company; or
 - (iii) is a member of the key management personnel of the Company or the Company's parent.
- (b) An entity is related to the Company if any of the following conditions applies:
- (i) the entity and the Company are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others);
 - (ii) one entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a Company of which the other entity is a member);
 - (iii) both entities are joint ventures of the same third party;
 - (iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;
 - (v) the entity is a post-employment benefit plan for the benefit of employees of either the Company or an entity related to the Company;
 - (vi) the entity is controlled or jointly controlled by a person identified in (a); or
 - (vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

Close member of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the Company.

4 Interest income

	2013 \$	2012 \$
Interest income from an immediate holding company	<u>102,330,167</u>	<u>45,697,292</u>

5 Interest expense

	<i>2013</i>	<i>2012</i>
	\$	\$
Interest on interest-bearing notes	<u>102,714,572</u>	<u>46,687,702</u>

6 Loss before tax

The Company's loss before tax is arrived at after charging:

	<i>2013</i>	<i>2012</i>
	\$	\$
Auditors' remuneration	<u>100,000</u>	<u>18,700</u>

7 Directors' remuneration

No director received any remuneration in respect of their services rendered to the Company during the year (2012: \$Nil).

8 Tax

Hong Kong profits tax has not been provided as the Company did not generate any assessable profits arising in Hong Kong for the year (2012: \$Nil).

A reconciliation of the tax expense applicable to loss before tax using the statutory rate to the tax expense at the effective tax rate is as follows:

	<i>2013</i>		<i>2012</i>	
	\$	%	\$	%
Loss before tax	<u>(993,933)</u>		<u>(1,002,507)</u>	
Notional tax on loss before tax	(163,999)	16.5	(165,414)	16.5
Tax effect of unused tax losses not recognised	<u>163,999</u>	<u>(16.5)</u>	<u>165,414</u>	<u>(16.5)</u>
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

8 Tax (continued)

The Company has accumulated tax losses arising in Hong Kong of \$8,256,056 (2012: \$7,262,123) that are available indefinitely for offsetting against future taxable profits of the Company. Deferred tax assets have not been recognised in respect of these losses as it is not considered probable that taxable profits will be available against which the tax losses can be utilised.

9 Amounts due from an immediate holding company

Included in the 2012 balance of amount due from an immediate holding company, is an amount of US\$100,000,000 that was unsecured, interest-bearing at 5.875% per annum and repayable on demand. The amount was fully repaid on 30 May 2013.

On 26 April 2013, a loan of US\$250,000,000 (the "1st loan") was issued to an immediate holding company and is unsecured, interest-bearing at 4.215% per annum and repayable on 25 April 2023. Interest is payable semi-annually in arrears on 25 April and 25 October in each year.

On 30 May 2013, a loan of US\$100,000,000 (the "2nd loan") was issued to an immediate holding company and is unsecured, interest-bearing at 5.875% per annum and repayable on 17 December 2014. Interest is payable semi-annually in arrears on 17 June and 17 December in each year.

As at 31 December 2013, the 1st loan has a fair value of \$1,773,991,430 and is classified as level 2 valuation in accordance with HKFRS 13. Further details of fair value classification are discussed in note 11.

The directors consider the fair value of the 2nd loan approximately equals its carrying amount. Except for the 1st loan and the 2nd loan above, other amounts due from an immediate holding company are unsecured, interest-free and are not repayable within the next twelve months. Their carrying amounts approximate to their fair values.

10 Cash and cash equivalents

Cash at bank earns interest at floating rates based on daily bank deposit rates.

11 Interest-bearing notes

	2013 \$	2012 \$
5.875% notes due 2014 (note (i))	775,998,630	774,525,750
4.125% notes due 2023 (note (ii))	1,929,562,488	-
	<u>2,705,561,118</u>	<u>774,525,750</u>

11 Interest-bearing notes (continued)

Notes:

- (i) On 17 December 2004, the Company issued, in an aggregate principal amount of US\$100 million (approximately \$780 million), certain guaranteed bonds with a coupon rate of 5.875% (the "Bonds I") due 17 December 2014, whereby the Company raised approximately US\$98,647,995 (\$767,185,457), net of expenses.

Interest on the Bonds I is payable on 17 June and 17 December of each year, beginning on 17 June 2005. The Bonds I are fully and unconditionally guaranteed by an immediate holding company. The immediate holding company's guarantee is its unsecured and unsubordinated obligation which ranks equally with all of its other existing and future unsecured and unsubordinated obligations. As required by the insurance laws of Hong Kong and Bermuda, the immediate holding company's guarantee is effectively junior to the liabilities of its long term business, to the extent of the assets maintained by the immediate holding company in respect of its long term business. The Bonds I are listed on the Main Board of the Singapore Exchange Securities Trading Limited and under the provision of Rule 144A of the United States Securities Act.

The Company may redeem the Bonds I in whole, but not in part, at a redemption price equal to 100% of the principal amount thereof, together with accrued and unpaid interest, if any, to the date fixed for redemption (a "Tax Redemption Date"), and additional amounts, if any, then due and which will become due on the Tax Redemption Date as a result of the redemption or otherwise, if as a result of a change in tax law as defined in the Offering Memorandum.

The Bonds I will fully mature on 17 December 2014. Accordingly, the Bonds I have been classified as current liabilities as at the balance sheet date and are repayable within one year. The effective interest rate of the Bonds I is 6.12% per annum. The carrying value of the Bonds I including accrued interest thereon was \$775,998,630 as at 31 December 2013 (2012: \$774,525,750).

The directors consider that the fair value of the Bonds I approximately equals the corresponding carrying value.

- (ii) On 25 April 2013, the Company issued an aggregate principal amount of US\$250 million (approximately \$1,940 million) of guaranteed bonds with a coupon rate of 4.125% (the "Bonds II") due 25 April 2023, whereby the Company raised approximately \$1,915,364,100 (US\$246,790,284), net of expenses.

11 Interest-bearing notes (continued)

Notes: (continued)

(ii) (continued)

Interest on the Bonds II is repayable on 25 April and 25 October of each year, beginning on 25 October 2013. The Bonds II are fully and unconditionally guaranteed by an immediate holding company. The immediate holding company's guarantee is an unsecured and unsubordinated obligation which ranks equally with all of its other existing and future unsecured and unsubordinated obligations. As required by the insurance laws of Hong Kong and Bermuda, the immediate holding company's guarantee is effectively junior to the liabilities of its long term business, to the extent of the assets maintained by the immediate holding company in respect of its long term business. The Bonds II are listed on the Main Board of the Singapore Exchange Securities Trading Limited and under the provisions of Rule 144A of the United States Securities Act.

The Bonds II will fully mature on 25 April 2023. Accordingly, the Bonds II have been classified as non-current liabilities as at the balance sheet date and are not repayable within the next twelve months. The effective interest rate of the Bonds II is 4.29% per annum. The carrying value of the Bonds II including accrued interest thereon was \$1,914,889,028 as at 31 December 2013.

At 31 December 2013, the fair value of the Bonds II was \$1,687,464,250.

As defined in HKFRS 13, *Fair value measurement*, fair value is required to be categorised into the three-level fair value hierarchy. The level into which a fair value measurement is classified is determined with reference to the observability and significance of the inputs used in the valuation technique as follows:

- Level 1 valuations: Fair value measured using only Level 1 inputs, i.e. unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date.
- Level 2 valuations: Fair value measured using Level 2 inputs which fail to meet Level 1, and not using significant unobservable inputs. Unobservable inputs are inputs for which market value are not available.
- Level 3 valuations: Fair value measured using significant unobservable inputs.

For the purpose of HKFRS 13, the fair value of Bonds II is determined based on recent price offered by third party in the market. As Bonds II is actively traded in the market since its issuance, the fair value of Bonds II is categorised as Level 1 as at 31 December 2013.

11 Interest-bearing notes (continued)

Notes: (continued)

(ii) (continued)

The Group's policy is to recognise transfers between levels of fair value hierarchy at each reporting date. During the year ended 31 December 2013, there are no transfers in or out of Level 1.

12 Share capital

	2013 \$	2012 \$
Authorised:		
50,000 ordinary shares of US\$1 each	<u>390,000</u>	<u>390,000</u>
Issued and fully paid:		
1 ordinary share of US\$1 each	<u>8</u>	<u>8</u>

The holder of ordinary shares is entitled to receive dividends as declared from time to time and is entitled to one vote per share at meetings of the Company. All ordinary shares rank equally with regard to the Company's residual assets.

13 Related party transactions

(a) Details of the material transactions with a related party are as follows:

	2013 \$	2012 \$
New loans issued to an immediate holding company (Note (i))	<u>2,699,795,117</u>	<u>-</u>
Loan repaid by an immediate holding company (Note (i))	<u>776,390,000</u>	<u>-</u>
Interest income from an immediate holding company (Note (ii))	<u>102,330,167</u>	<u>45,697,292</u>

13 Related party transactions (continued)

(a) (continued)

Notes:

- (i) During the year, an immediate holding company has fully repaid the loan of US\$100,000,000 on 30 May 2013, and the Company has issued 2 loans of US\$250,000,000 and US\$100,000,000 to an immediate holding company on 26 April 2013 and 30 May 2013 respectively. Details of which are included in note 9 above.
- (ii) During the year, the Company received interest income from an immediate holding company. Interest is charged at (i) 5.875% per annum on a loan of US\$100,000,000 due from an immediate holding company and (ii) 4.215% per annum on a loan of US\$250,000,000 due from an immediate holding company, details of which are included in note 9 above.

(b) *Compensation of key management personnel of the Company*

The Company's key management personnel are the directors, and as disclosed in note 7 above, they did not receive any remuneration from the Company for their services rendered during the year (2012: \$Nil).

14 Financial risk management objectives and policies

The Company's principal financial instruments comprise loans to an immediate holding company, cash and cash equivalents, interest bearing notes and accrued expenses. The main purpose of these financial instruments is to raise finance for the operations of its immediate holding company.

The Company had not entered into any derivative transactions during the year. It is, and has been, throughout the year under review, the Company's policy that no trading in financial instruments shall be undertaken.

The main risk arising from the Company's financial instruments is liquidity risk. The board reviews and agrees policies for managing this risk and it is summarised below.

(a) *Liquidity risk*

Liquidity risk is the risk that the Company cannot meet its current obligations as they fall due. The Company considered that the liquidity risk is minimal as an immediate holding company has confirmed its intention to provide continuous financial support to the Company to meet its liabilities as and when they fall due.

14 Financial risk management objectives and policies (continued)

(a) Liquidity risk (continued)

The maturity profile of the Company's financial liabilities as at the balance sheet date, based on the contractual undiscounted cash flows, was as follows:

Financial liabilities

2013						
Contractual undiscounted cash outflow						
	On demand	Less than 3 months	3 to less than 12 months	Over 1 year	Total	Carrying amount
	\$	\$	\$	\$	\$	\$
Interest-bearing notes	-	-	900,937,260	2,618,351,335	3,519,288,595	2,705,561,118
Accrued expenses	-	185,519	-	-	185,519	185,519
	-	185,519	900,937,260	2,618,351,335	3,519,474,114	2,705,746,637

2012						
Contractual undiscounted cash outflow						
	On demand	Less than 3 months	3 to less than 12 months	Over 1 year	Total	Carrying amount
	\$	\$	\$	\$	\$	\$
Interest-bearing notes	-	-	45,537,713	820,647,713	866,185,426	774,525,750
Accrued expenses	-	18,700	-	-	18,700	18,700
	-	18,700	45,537,713	820,647,713	866,204,126	774,544,450

(b) Foreign currency risk

The Company has exposure to foreign currency risk, which arise from the interest-bearing notes issued in United States dollars. The Company arranged unsecured interest-bearing loans with its immediate holding company, which are also denominated in United States dollars. In respect of the above arrangement, the management considers that the net exposure is kept to an acceptable level.

(c) Capital management

The primary objective of the Company's capital management is to ensure sufficient financial assets are maintained in order to meet its financial liabilities as and when they fall due, and to safeguard the Company's ability to continue as a going concern. The Company has a net deficit of \$8,239,985 (2012: \$7,246,052) as at the balance sheet date and the Company's daily operation is supported by an immediate holding company, which has a net asset attributable to shareholders of \$5,894,492,000 (2012: \$6,738,010,000) as at the balance sheet date.