



Ageas Capital (Asia) Limited
(Formerly known as Fortis Capital (Asia) Limited)
(Incorporated in the British Virgin Islands with
limited liability)

Audited Financial Statements
31 December 2010

AGEAS CAPITAL (ASIA) LIMITED
(Formerly known as Fortis Capital (Asia) Limited)

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INDEPENDENT AUDITOR'S REPORT

To the shareholders of Ageas Capital (Asia) Limited

(Formerly known as Fortis Capital (Asia) Limited)

(Incorporated in the 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 18, which comprise the balance sheet as at 31 December 2010, 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 the disclosure requirements of the Hong Kong Companies Ordinance 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 (continued)

To the shareholders of Ageas Capital (Asia) Limited
(Formerly known as Fortis Capital (Asia) Limited)
(Incorporated in Bermuda 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 2010 and of its loss and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

A handwritten signature in black ink, appearing to be 'KMC'.

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

15 JUL 2011

AGEAS CAPITAL (ASIA) LIMITED
(Formerly known as Fortis Capital (Asia) Limited)

STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 December 2010

	Note	2010 HK\$	2009 HK\$
Interest income	4,13	45,639,892	45,537,316
Interest expense	5	<u>(46,632,087)</u>	<u>(46,470,016)</u>
NET INTEREST EXPENSE		(992,195)	(932,700)
Other interest income		-	1
Other operating expenses		<u>(48,983)</u>	<u>(48,449)</u>
LOSS BEFORE TAX	6	(1,041,178)	(981,148)
Tax	8	<u>-</u>	<u>-</u>
LOSS AND TOTAL COMPREHENSIVE INCOME FOR THE YEAR		<u><u>(1,041,178)</u></u>	<u><u>(981,148)</u></u>

The notes on pages 7 to 18 form part of these financial statements.

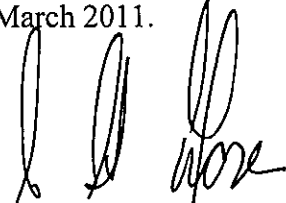
AGEAS CAPITAL (ASIA) LIMITED
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BALANCE SHEET

Year ended 31 December 2010

	Note	2010 HK\$	2009 HK\$
NON-CURRENT ASSET			
Due from an immediate holding company	9	<u>769,440,011</u>	<u>767,635,205</u>
CURRENT ASSET			
Cash and cash equivalents	10	<u>20,876</u>	<u>21,126</u>
CURRENT LIABILITY			
Accrued expenses		<u>(17,250)</u>	<u>(15,000)</u>
NET CURRENT ASSET		<u>3,626</u>	<u>6,126</u>
TOTAL ASSETS LESS CURRENT LIABILITY		<u>769,443,637</u>	<u>767,641,331</u>
NON-CURRENT LIABILITY			
Interest-bearing loans	11	<u>(774,593,198)</u>	<u>(771,749,714)</u>
NET LIABILITIES		<u>(5,149,561)</u>	<u>(4,108,383)</u>
EQUITY			
Issued capital	12	8	8
Accumulated losses		<u>(5,149,569)</u>	<u>(4,108,391)</u>
TOTAL DEFICIT		<u>(5,149,561)</u>	<u>(4,108,383)</u>

The financial statements were approved and authorised for issue by the board of directors on 23 March 2011.


.....
Director


.....
Director

The notes on pages 7 to 18 form part of these financial statements.

AGEAS CAPITAL (ASIA) LIMITED
(Formerly known as Fortis Capital (Asia) Limited)

STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2010

	Note	Issued capital HK\$	Accumulated losses HK\$	Total deficit HK\$
At 1 January 2009		8	(3,127,243)	(3,127,235)
Total comprehensive income for the year		-	(981,148)	(981,148)
At 31 December 2009 and 1 January 2010		8	(4,108,391)	(4,108,383)
Total comprehensive income for the year		-	(1,041,178)	(1,041,178)
At 31 December 2010		8	(5,149,569)	(5,149,561)

The notes on pages 7 to 18 form part of these financial statements.

AGEAS CAPITAL (ASIA) LIMITED
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CASH FLOW STATEMENT

Year ended 31 December 2010

	Note	2010 HK\$'000	2009 HK\$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Loss for the year		(1,041,178)	(981,148)
Adjustments for:			
Interest income from an immediate holding company	13	(45,639,892)	(45,537,316)
Other interest income		-	(1)
Interest expense	5	46,632,087	46,470,016
Increase in accrued expenses		<u>2,250</u>	<u>3,070</u>
Net cash outflow from operating activities		<u>(46,733)</u>	<u>(45,379)</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest received from an immediate holding company		43,835,086	45,094,861
Other interest received		<u>-</u>	<u>1</u>
Net cash inflow from investing activities		<u>43,835,086</u>	<u>45,094,862</u>
CASH FLOWS FROM FINANCING ACTIVITY			
Interest paid on interest bearing loans		<u>(43,788,603)</u>	<u>(45,049,994)</u>
NET DECREASE IN CASH AND CASH EQUIVALENTS			
Cash and cash equivalents at beginning of year		<u>21,126</u>	<u>21,637</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR		<u><u>20,876</u></u>	<u><u>21,126</u></u>
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and bank balances		<u><u>20,876</u></u>	<u><u>21,126</u></u>

The notes on pages 7 to 18 form part of these financial statements.

AGEAS CAPITAL (ASIA) LIMITED
(Formerly known as Fortis Capital (Asia) Limited)

NOTES TO FINANCIAL STATEMENTS

31 December 2010

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 has not changed during the year and is bond issuance.

The Company is a wholly-owned subsidiary of Ageas Insurance Company (Asia) Limited, a company incorporated in Bermuda. In the opinion of the directors, the Company's ultimate holding companies are ageas SA/NV, a company incorporated in Belgium and ageas N.V., a company incorporated in the Netherlands, which are together referred to as Ageas. The ultimate holding companies produce financial statements available for public use.

2. FUNDAMENTAL ACCOUNTING BASIS

The financial statements have been prepared on the going concern basis, notwithstanding the Company's net liabilities as at 31 December 2010, as the Company's immediate holding company has confirmed to provide continuous financial support to enable the Company to meet its liabilities as and when they fall due.

3.1 BASIS OF PREPARATION

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Statements ("HKASs") and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants, 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 two revised HKFRSs, a number of amendments to HKFRSs and two new Interpretations that are first effective for the current accounting period of the Group and the Company.

Improvements to HKFRSs (2009)

HK (Int) 5, *Presentation of Financial Statements - Classification by the Borrower of a Term Loan that contains a Repayment on Demand Clause*

The Company has not applied any new standard or interpretation that is not yet effective for the current accounting period.

AGEAS CAPITAL (ASIA) LIMITED
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NOTES TO FINANCIAL STATEMENTS

31 December 2010

3.2 IMPACT OF NEW INTERPRETATIONS AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS (continued)

The improvements to HKFRSs (2009) and the HK (Int) 5 had no material impact on the Company's financial statements as they were not relevant to the Company's operation.

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 number of amendments and Interpretations and one new standard which are not yet effective for the year ended 31 December 2010 and which have not been adopted in these financial statements. These include the following which may be relevant to the company.

	<i>Effective for accounting periods beginning on or after</i>
Revised HKAS 24, <i>Related party disclosures</i>	1 January 2011
HKFRS 9, <i>Financial instruments</i>	1 January 2013
Improvements to HKFRs 2010	1 July 2010 or 1 January 2011
Amendments to HKAS 12, <i>Income taxes</i>	1 January 2012

The Company is in the process of making an assessment of what the impact of these amendments 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 Company's results of operations and financial position.

AGEAS CAPITAL (ASIA) LIMITED
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NOTES TO FINANCIAL STATEMENTS

31 December 2010

3.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Interest income

Interest income is recognised when it is probable that the economic benefits will flow to the Company and when the income can be measured reliably, 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.

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 assesses whether a contract contains an embedded derivative when the Company first becomes a party to it and assesses whether an embedded derivative is required to be separated from the host contract which is not measured at fair value through profit or loss when the analysis shows that the economic characteristics and risks of embedded derivatives are not closely related to those of the host contract. Reassessment only occurs if there is a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required under the contract.

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 profit or loss when the loans and receivables are derecognised or impaired, as well as through the amortisation process.

AGEAS CAPITAL (ASIA) LIMITED
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NOTES TO FINANCIAL STATEMENTS

31 December 2010

3.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 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 profit or loss, to the extent that the carrying value of the asset does not exceed its amortised cost at the reversal date.

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.

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.

AGEAS CAPITAL (ASIA) LIMITED
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NOTES TO FINANCIAL STATEMENTS

31 December 2010

3.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Derecognition of financial assets (continued)

Where continuing involvement takes the form of a written and/or purchased option (including a cash-settled option or similar provision) on the transferred asset, the extent of the Company's continuing involvement is the amount of the transferred asset that the Company may repurchase, except in the case of a written put option (including a cash-settled option or similar provision) on an asset measured at fair value, where the extent of the Company's continuing involvement is limited to the lower of the fair value of the transferred asset and the option exercise price.

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.

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.

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

AGEAS CAPITAL (ASIA) LIMITED
(Formerly known as Fortis Capital (Asia) Limited)

NOTES TO FINANCIAL STATEMENTS

31 December 2010

3.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

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 determined.

Cash and cash equivalents

For the purpose of the cash flow statement, cash and cash equivalents comprise cash on hand and demand deposits, and short-term highly liquid investments that are readily convertible into known amounts of cash, are subject to insignificant risk of changes in value, and have a short maturity of generally within three months when acquired.

For the purpose of balance sheet classification, cash and bank balances comprise cash on hand and at bank, which are not restricted as to use.

Borrowing costs

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

AGEAS CAPITAL (ASIA) LIMITED
(Formerly known as Fortis Capital (Asia) Limited)

NOTES TO FINANCIAL STATEMENTS

31 December 2010

3.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Related parties

A party is considered to be related to the Company if:

- (a) the party, directly or indirectly through one or more intermediaries, (i) controls, is controlled by, or is under common control with, the Company; (ii) has an interest in the Company that gives it significant influence over the Company; or (iii) has joint control over the Company;
- (b) the party is an associate;
- (c) the party is a jointly-controlled entity;
- (d) the party is a member of the key management personnel of the Company or its parent;
- (e) the party is a close member of the family of any individual referred to in (a) or (d);
- (f) the party is an entity that is controlled, jointly controlled or significantly influenced by or for which significant voting power in such entity resides with, directly or indirectly, any individual referred to in (d) or (e); or
- (g) the party is a post-employment benefit plan for the benefit of employees of the Company, or of any entity that is a related party of the Company.

4. INTEREST INCOME

	2010 HK\$	2009 HK\$
Interest income from an immediate holding company	<u>45,639,892</u>	<u>45,537,316</u>

5. INTEREST EXPENSE

	2010 HK\$	2009 HK\$
Interest on interest-bearing loans	<u>46,632,087</u>	<u>46,470,016</u>

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NOTES TO FINANCIAL STATEMENTS

31 December 2010

6. LOSS BEFORE TAX

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

	2010 HK\$	2009 HK\$
Auditors' remuneration	<u>17,250</u>	<u>15,000</u>

7. DIRECTORS' REMUNERATION

No director received any remuneration in respect of their services rendered to the Company during the year (2009: Nil).

8. TAX

Hong Kong profits tax has not been provided as the Company did not generate any assessable profits arising in Hong Kong where the Company operated for the year (2009: Nil).

Under the current system of taxation in the British Virgin Islands, the Company is exempted from paying taxes on income, profit or capital gains.

9. DUE FROM AN IMMEDIATE HOLDING COMPANY

The amount due from Ageas Insurance Company (Asia) Limited ("AICA"), the immediate holding company, is unsecured, interest-bearing at a fixed rate of 5.875% per annum and repayable on demand by AICA in an amount equal to one of (a) on the scheduled maturity date of 17 December 2014, the redemption amount payable in respect of the interest-bearing loans; (b) on the tax redemption date, the amount payable on the tax redemption date; or (c) on the date the Company elects to pay an amount to the Fiscal Agency in accordance with section 8 (Defeasance and Discharge) of the Fiscal Agency Agreement dated 17 December 2004, the amount payable by the Company in accordance with section 8, or as otherwise agreed between AICA and the Company from time to time. The carrying amount approximates to its fair value.

10. CASH AND CASH EQUIVALENTS

Cash at bank earns interest at floating rates based on daily bank deposit rates. The carrying amounts of the cash and cash equivalents approximate to their fair values.

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NOTES TO FINANCIAL STATEMENTS

31 December 2010

11. INTEREST-BEARING LOANS

On 17 December 2004, the Company issued, in an aggregate principal amount of US\$100 million (approximately HK\$780 million), certain guarantee bonds with a fixed coupon rate of 5.875% (the "Bonds") due 17 December 2014 to independent third party investors, whereby the Company raised approximately HK\$767,185,457 (US\$98,647,995), net of expenses.

Interest on the Bonds is payable on 17 June and 17 December of each year, beginning on 17 June 2005. The Bonds are fully and unconditionally guaranteed by AICA. AICA's guarantee is its unsecured and unsubordinated obligation which ranks equally with all of its other existing and future unsecured and unsubordinated obligations. The Bonds 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.

According to section 8 (Defeasance and Discharge) of the Fiscal Agency Agreement dated 17 December 2004, in order to exercise either legal defeasance or covenant defeasance, the Company must irrevocably deposit with the Fiscal Agent, in trust for such purpose, money in an amount sufficient to pay the principal and interest on the Bonds outstanding at maturity or upon redemption, together with all other amounts payable by the Company under the Fiscal Agency Agreement.

The Company may redeem the Bonds 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 will fully mature on 17 December 2014. Accordingly, the Bonds have been classified as non-current liabilities as at the balance sheet date. The effective interest rate of the Bonds is 6.12% per annum. The total amortisation value of the interest-bearing loans was HK\$774,593,198 as at 31 December 2010 (2009: HK\$771,749,714).

The carrying amount approximates to its fair value.

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NOTES TO FINANCIAL STATEMENTS

31 December 2010

12. SHARE CAPITAL

	2010 HK\$	2009 HK\$
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 holders of ordinary shares are entitled to receive dividends as declared from time to time and are 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:

	Note	2010 HK\$	2009 HK\$
Interest income from AICA	(i)	<u>45,639,892</u>	<u>45,537,316</u>

Note:

(i) During the year, the Company received an interest income from AICA, its immediate holding company. Interest is charged at 5.875% per annum on the outstanding amount due from AICA, 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 (2009: Nil).

AGEAS CAPITAL (ASIA) LIMITED
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NOTES TO FINANCIAL STATEMENTS

31 December 2010

14. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

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

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.

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 a Company's 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.

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

Financial liabilities

	2010					Total HK\$
	On demand HK\$	Less than 3 months HK\$	3 to less than 12 months HK\$	1 to 5 years HK\$	Over 5 years HK\$	
Interest-bearing loans	-	-	-	774,593,198	-	774,593,198
Accrued expenses	-	17,250	-	-	-	17,250
	<u>-</u>	<u>17,250</u>	<u>-</u>	<u>774,593,198</u>	<u>-</u>	<u>774,610,448</u>

	2009					Total HK\$
	On demand HK\$	Less than 3 months HK\$	3 to less than 12 months HK\$	1 to 5 years HK\$	Over 5 years HK\$	
Interest-bearing loans	-	-	-	771,749,714	-	771,749,714
Accrued expenses	-	15,000	-	-	-	15,000
	<u>-</u>	<u>15,000</u>	<u>-</u>	<u>771,749,714</u>	<u>-</u>	<u>771,764,714</u>

AGEAS CAPITAL (ASIA) LIMITED
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NOTES TO FINANCIAL STATEMENTS

31 December 2010

14. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Foreign currency risk

The Company has exposure to foreign currency risk, which arise from the interest-bearing loans issued in United States dollars. As at 31 December 2010, the amortisation value of the interest-bearing loan was HK\$774,593,198 (2009: HK\$771,749,714). The Company alternatively arranged an unsecured interest-bearing loan with its immediate holding company, AICA, which is also denominated in US dollars. In respect of the above arrangement, the management considers that the net exposure is kept to an acceptable level.

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 HK\$5,149,561 (2009: HK\$4,108,383) 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 HK\$ 3,440,350,000 as at the balance sheet date.