Standard Chartered APR Limited

Directors' Report and Financial Statements
for the year ended 31 December 2017

Registered Number: 5215167

Contents **Page(s)**

Directors' Report

The Directors present their report and audited financial statements of Standard Chartered APR Limited (the "Company") for the year ended 31 December 2017.

Principal activity

The principal activity of the Company throughout the year was that of an investment holding.

Business review

The results of the Company are set out on page 8.

The directors set out below a review of the development and performance of the business during the year and its position at the year end. This review is consistent with the size and nature of the business and is written in the context of the risks and uncertainties faced.

The Company is an investment holding company.

The Company has investments in equity shares issued by a bank in Vietnam which was reclassified as an 'asset-held-for-sale' in year 2016. Upon receipt of approval from the State Bank of Vietnam on 15 December 2017, the Company fully disposed its entire stake in the Vietnam bank on 9 January 2018. For further details, please refer to note 13 to the financial statements.

The Company forms part of Standard Chartered Group and this is not expected to change in the foreseeable future.

The key performance indicator used by management in assessing the performance of the Company is the monitoring of the net return on the investment holdings of the Company.

The financial statements have not been prepared on a going concern basis. Please refer to note 1(a) to the financial statements for details.

Financial instruments

Financial instruments for the year comprised inter group balances and investment in listed securities.

Directors' Report

Dividend

No dividend was declared and paid in 2017 (2016: Nil). The directors do not recommend the payment of a final dividend (2016: Nil).

Directors

The Directors who held office during the year and up to the date of this report were as follows:

Paul Stuart Chambers	
Christopher John Daniels	
Hoi Keung Lee	(resigned on 16 May 2017)
Yee Mann Hau	(appointed on 19 May 2017)

Qualifying third party indemnities

There are no qualifying third party indemnities in force at the time of this report.

Employees

The Company has no employees (2016: Nil).

Risk management

The risk management objectives of the Company are set out in note 11.

Disclosure of information to auditors

The Directors who held office at the date of approval of this Directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the Company's auditors are unaware; and each director has taken all the steps that ought to have been taken as a director to make themselves aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

Directors' Report

Auditors

Pursuant to section 487 of the Companies Act 2006, the auditor will be deemed to be appointed and KPMG LLP will therefore continue in office.

Strategic report

In accordance with section 414A(2) of the Companies Act 2006, the Company is not required to present a strategic report.

By order of the Board

Paul Stuart Chambers

Director

1 Basinghall Avenue
London
EC2V 5DD

Date: 28/09/18

Statement of directors' responsibilities in respect of the Directors' Report and the financial statements

The Directors are responsible for preparing the Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with International Financial Reporting Standards as adopted by the European Union (IFRSs as adopted by the EU) and applicable law.

Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and estimates that are reasonable, relevant and reliable;
- state whether they have been prepared in accordance with IFRSs as adopted by the EU;
- assess the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

Independent Auditor's Report to the members of Standard Chartered APR Limited

Opinion

We have audited the financial statements of Standard Chartered APR Limited ("the company") for the year ended 31 December 2017 which comprise the statement of comprehensive income, statement of financial position, statement of changes in equity, cash flow statement and related notes, including the accounting policies in note 1.

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2017 and of its profit for the year then ended;
- have been properly prepared in accordance with International Financial Reporting Standards as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We have fulfilled our ethical responsibilities under, and are independent of the company in accordance with, UK ethical requirements including the FRC Ethical Standard. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

Emphasis of matter – non-going concern basis of preparation

We draw attention to the disclosure made in note 1 to the financial statements which explains that the financial statements have not been prepared on the going concern basis for the reason set out in that note. Our opinion is not modified in respect of this matter.

Independent Auditor's Report to the members of Standard Chartered APR Limited (continued)

Directors' report

The directors are responsible for the directors' report. Our opinion on the financial statements does not cover that report and we do not express an audit opinion thereon.

Our responsibility is to read the directors' report and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work:

- we have not identified material misstatements in the directors' report;
- in our opinion the information given in that report for the financial year is consistent with the financial statements; and
- in our opinion that report has been prepared in accordance with the Companies Act 2006.

Matters on which we are required to report by exception

Under the Companies Act 2006, we are required to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit; or
- the directors were not entitled to take advantage of the small companies exemption from the requirement to prepare a strategic report.

We have nothing to report in these respects.

Directors' responsibilities

As explained more fully in their statement set out on page 1, the directors are responsible for: the preparation of the financial statements and for being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Independent Auditor's Report to the members of Standard Chartered APR Limited (continued)

Auditor's responsibilities

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities.

The purpose of our audit work and to whom we owe our responsibilities

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members, as a body, for our audit work, for this report, or for the opinions we have formed.

Richard Rawstron (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
15 Canada Square
Canary Wharf
London
E14 5GL

Statement of comprehensive income for the year ended 31 December 2017
(Expressed in United States dollars)

	Note	*2017* $'000	*2016* $'000
Revenue	5	287	313
Exchange gain		248	918
Fee and commission expenses		-	(13)
		535	1,218
Finance costs paid to the immediate holding company		(988)	(803)
Other operating costs		(323)	(11)
Unrealised fair value loss of forward sale agreement		(65,706)	-
(Loss)/profit before taxation		(66,482)	404
Tax credit	6	307	161
(Loss)/profit after taxation		(66,175)	565
Other comprehensive income:			
Changes in fair value of investment in listed equity securities during the year		76,054	(2,829)
Total comprehensive income		9,879	(2,264)

The notes on pages 14 to 32 form part of these financial statements.

Statement of financial position at 31 December 2017

(Expressed in United States dollars)

	Note	*2017* $'000	*2016* $'000
Current assets			
Amount due from the immediate holding company	8	107,324	107,694
Amount due from a fellow subsidiary	8	14	14
Amounts due from group undertakings for UK tax losses		471	601
Investment in listed equity securities classified as "held for sale"	12, 14, 15	146,031	69,977
		253,840	178,286
Current liabilities			
Amount due to the immediate holding company	8	71,050	70,966
Amount due to the intermediate holding company	8	14,256	14,693
Loan from the immediate holding company	8	36,217	36,217
Fair value of forward sale agreement	14, 15	65,706	-
Other liabilities		336	14
		187,565	121,890
Net current assets		66,275	56,396
NET ASSETS		66,275	56,396

Statement of financial position at 31 December 2017 (continued)

(Expressed in United States dollars)

	Note	*2017* $'000	*2016* $'000
EQUITY			
Share capital	9	21,972	21,972
Reserves		44,303	34,424
TOTAL EQUITY		66,275	56,396

The notes on pages 14 to 32 form part of these financial statements.

These financial statements were approved by the Board of Directors on [28/09/18], and were signed on its behalf by:

Paul Stuart Chambers

Director

Statement of changes in equity for the year ended 31 December 2017

(Expressed in United States dollars)

	Share capital $'000	*Available-for-sale investment reserve* $'000	*Retained earnings* $'000	*Total equity* $'000
Balance at 1 January 2016	21,972	13,310	23,378	58,660
Change in equity for 2016:				
Total comprehensive income for the year	-	(2,829)	565	(2,264)
Balance at 31 December 2016 and 1 January 2017	21,972	10,481	23,943	56,396
Change in equity for 2017:				
Total comprehensive income for the year	-	76,054	(66,175)	9,879
Balance at 31 December 2017	21,972	86,535	(42,232)	66,275

The notes on pages 14 to 32 form part of these financial statements.

Cash flow statement
for the year ended 31 December 2017
(Expressed in United States dollars)

	Note	*2017* $'000	*2016* $'000
Cash flows from operating activities			
(Loss)/profit before tax		(66,482)	404
Adjustments for:			
Exchange gain		(248)	(918)
Finance costs		988	803
Fair value of stock dividend	14(a)	-	(312)
Unrealised fair value loss of forward sale agreement		65,706	-
Decrease in amount due to the intermediate holding company		-	(14)
Increase in other liabilities		322	-
Cash flow from/(used) in operations		286	(37)
Tax paid		-	-
Net cash from/(used) in operating activities		286	(37)

Cash flow statement
for the year ended 31 December 2017 (continued)
(Expressed in United States dollars)

	2017 $'000	*2016* $'000
Cash flows from financing activity		
Interest paid on loan from the immediate holding company	(1,042)	(994)
Net cash used in financing activity	(1,042)	(994)
Net decrease in cash and cash equivalents	(756)	(1,031)
Cash and cash equivalents at 1 January	36,888	37,001
Effect of foreign exchange rate changes	248	918
Cash and cash equivalents at 31 December	36,380	36,888
Cash and cash equivalents are shown in the balance sheet as:		
Amount due from the immediate holding company	107,324	107,694
Amount due to the immediate holding company	(71,050)	(70,966)
Exclude: Amount due to the immediate holding company with original maturity over 3 months	92	146
Amount due from a fellow subsidiary	14	14
Cash and cash equivalents in the cash flow statement	36,380	36,888

The notes on pages 14 to 32 form part of these financial statements.

Notes to the financial statements

(Expressed in United States dollars unless otherwise indicated)

1 Principal accounting policies

Statement of compliance

The Company's financial statements have been prepared and approved by the directors in accordance with the International Financial Reporting Standards ("IFRSs") as adopted by the European Union ("EU") (together "adopted IFRS").

(a) *Basis of preparation*

The Company has prepared its financial statements in accordance with IFRSs as endorsed by the EU.

The Company's management started to seek internal approvals for liquidation and intends to kick off the liquidation in 2019. Therefore, the Company's financial statements for the year ended 31 December 2017 have not been prepared on the basis of going concern. Assets, where carrying amounts are higher than their net realisable value, have been reduced to the net realisable value; and liabilities have also been measured at their estimated settlement amounts. The financial statements do not include any provision for the future costs of liquidating the Company except to the extent that such costs were committed at the end of the reporting period.

At 31 December 2017, the Company had adopted all IFRSs and interpretations that had been issued by the International Accounting Standards Board ("IASB") and International Financial Reporting Interpretations Committee ("IFRIC"), and endorsed by the EU. The accounting policies set out below have been applied consistently to all periods presented in these financial statements.

IFRSs comprise accounting standards issued by the IASB and its predecessor body as well as interpretations issued by the IFRIC and its predecessor body.

(b) *Reporting entity*

Standard Chartered APR Limited is a private limited liability company established in the United Kingdom. The address of the Company's registered office is 1 Basinghall Avenue, London EC2V 5DD. The principal activity of the Company is investment holding.

1 Principal accounting policies (continued)

(c) *Changes in accounting policies*

The IASB has issued the following amendments to IFRSs that are first effective for the current accounting period of the Company. Of these, the following amendments are relevant to the Company:

- *Amendments to IAS 7, Statements of cash flows*
- *Amendments to IAS 12, Income taxes*
- *Annual Improvements to IFRSs 2014-2016 Cycle - Amendments to IFRS 12, Disclosure of interest in other entities*

None of these developments have had a material effect on how the Company's results and financial position for the current or prior periods have been prepared or presented except for additional disclosure that has been included in note 7 to satisfy the new disclosure requirements introduced by the amendments to IAS 7, *Statements of cash flows: Disclosure initiative*, which require entities to provide disclosure that enable users of financial statements to evaluate changes in liabilities arising from financing activities including both changes arising from cash flows and non-cash changes. The Company has not applied any new standard or interpretation that is not yet effective for the current accounting period.

(d) *Recently issued accounting pronouncements*

At 31 December 2017, a number of accounting standards, interpretations and amendments had been issued by the IASB, which are not yet effective for the Company financial statements. Those that are relevant and applicable to the Company are included below. None of these are expected to result in any material adjustment to the financial statements, except for the impact of IFRS 9 which have been discussed in note 13.

The use of IFRS and IFRIC Interpretations that have yet to be endorsed by the EU is not permitted.

	Effective for accounting periods beginning on or after
IFRS 9, *Financial instruments*	1 January 2018
IFRS 15, *Revenue from contracts with customers*	1 January 2018
IFRS 16, *Leases*	1 January 2019
IFRIC 22, *Foreign currency translation and advance consideration*	1 January 2018

IFRIC 23, *Uncertainty over income tax treatments*	1 January 2019

1 Principal accounting policies (continued)

(e) Functional currency

The financial statements are presented in United States Dollars ("USD"), which is the Company's functional and presentation currency. All financial information presented in USD has been rounded to the nearest thousand, except when otherwise indicated.

(f) Foreign currency transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the transaction date. 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 income statement. Non-monetary assets and liabilities are translated at historical exchange rates if held at historical cost, or year-end exchange rates if held at fair value, and the resulting foreign exchange gains and losses are recognised in either the income statement or shareholders' equity depending on the treatment of the gain or loss on the asset or liability.

(g) Cash and cash equivalents

For the purposes of the cash flow statement, cash and cash equivalents comprise cash, on demand and balances with less than three months maturity from the date of acquisition, including amounts due from group companies.

(h) Financial assets and liabilities (excluding derivative financial instruments)

The Company classifies its financial assets into the following measurement categories: loans and receivables and available-for-sale. Financial liabilities are classified as either held at fair value through profit or loss, or at amortised cost. Management determines the classification of its financial assets and liabilities at initial recognition or, where appropriate, at the time of reclassification.

Available-for-sale

Available-for-sale assets ("AFS") are those non-derivative financial assets intended to be held for an indefinite period of time, which may be sold in response to liquidity requirements or changes in interest rates, exchange rates, commodity prices or equity prices.

Available-for-sale investments are stated at fair value, with any resultant gains and losses arising from changes in fair value taken to the available-for-sale reserve within equity until the asset is sold, or is impaired, when the cumulative gain or loss is transferred to the income statement.

1 Principal accounting policies (continued)

(i) Derivative financial instruments

Derivative are initially recognised at fair values on the date on which a derivative contract entered into and are subsequently re-measured at their fair values. Fair values are obtained from market prices in active markets, including recent market transactions, and valuation techniques, including discounted cash flow models and option pricing models, as appropriate. All derivatives are carried as assets when their fair values are positive and as liabilities when their fair values are negative.

Certain derivatives embedded in other financial instruments are treated as separate derivatives when their economic characteristics and risks are not closely related to those of the host contract and the host contract is not carried at fair value through profit or loss. These embedded derivatives are measured at fair value with changes in fair value recognised in the statement of profit or Joss.

Changes in the fair value of any derivative transaction that does not qualify for hedge accounting are recognised immediately in the statement of profit or loss.

(j) Impairment of available-for-sale investments

Where objective evidence of impairment exists for available-for-sale financial assets, the cumulative loss (measured as the difference between the amortised cost and the current fair value, less any impairment loss on that financial asset previously recognised in the income statement) is reclassified from equity and recognised in the income statement. A significant or prolonged decline in the fair value of an equity security below its cost is considered, among other factors, in assessing objective evidence of impairment for equity securities.

If, in a subsequent period, the fair value of a debt instrument classified as available-for-sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognised, the impairment loss is reversed through the income statement. Impairment losses recognised in the income statement on equity instruments are not reversed through the income statement.

Loans and receivables

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, loans and receivables are measured at amortised cost using the effective interest method, less any impairment losses.

1 Principal accounting policies (continued)

(k) Assets held for sale

Non-current assets and disposal groups (including both the assets and liabilities of the disposal groups) are classified as held for sale and measured at the lower of their carrying amount and fair value less cost to sell when: (i) their carrying amounts will be recovered principally through sale; (ii) they are available for sale in their present condition; and (iii) their sale is highly probable. Immediately before the initial classification as held for sale, the carrying amounts of the assets (or assets and liabilities in the disposal groups) are measured in accordance with the applicable accounting policies described above.

(l) 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 group 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).
- (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).
- (viii) The entity, or any member of a group of which it is a part, provides key management personnel services to the Company or to the Company's parent.

Close members 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 entity.

1 Principal accounting policies (continued)

(m) *Share capital*

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

Dividends on ordinary shares classified as equity are recognised in equity in the period in which they are declared.

(n) *Taxation*

Income tax payable on profits is based on the applicable tax law in each jurisdiction and is recognised as an expense in the period in which profits arise.

Deferred tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted as at the balance sheet date, and that are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

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

Current and deferred tax relating to items that are charged or credited directly to equity is credited or charged directly to equity and is subsequently recognised in the income statement together with the current or deferred gain or loss.

(o) *Interest income and expense*

Interest income and expense on available-for-sale investments, financial assets or liabilities held at amortised cost and financial assets designated at fair value through profit or loss excluding derivatives is recognised in the income statement using the effective interest method.

The effective interest method is a method of calculating the amortised cost of a financial asset or a financial liability and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period, to the net carrying amount of the financial asset or financial liability. When calculating the effective interest rate, the Company estimates cash flows considering all contractual terms of the financial instrument (for example, prepayment options) but does not consider future credit losses. The calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums or discounts. Once a financial asset or a group of similar financial assets has been written down as a result of an impairment loss, interest income is recognised using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss.

1 Principal accounting policies (continued)

(p) Dividend income

Dividends on the Company's investments are recognised in the income statement when the entity's right to receive payment is established.

2 New accounting standards adopted

The IASB has issued several amendments to IFRSs that are first effective for the current accounting period of the Company. None of these development has had a material impact to the Company's financial statements as they were not relevant to the Company's operations.

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

3 Auditor's remuneration

The auditor's remuneration for 2017 was $10,907 (2016: $14,172).

4 Directors' emoluments

None of the directors received any fees or emoluments for their services as directors of the Company during the year.

5 Revenue

	2017 $'000	*2016* $'000
Realised gain on partial disposal of available-for-sale equity securities	286	-
Fair value of incremental stock dividend from investment in listed equity securities classified as "asset held for sale" (note 13a)	-	312
Interest income from the immediate holding company	1	1
	287	313

6 Taxation

Taxation in the statement of profit or loss and other comprehension income

	2017 $'000	*2016* $'000
Analysis of taxation credit in the year:		
The credit for taxation based upon the profits for the year comprises:		
Current tax		
United Kingdom corporation tax at 19.25% (2016: 20%)		
– Current tax credit on income for the year	(252)	(165)
– Adjustments in respects of prior periods	(55)	4
	(307)	(161)
Explanation of the relationship between the (charge)/credit and accounting (loss)/profit		
(Loss)/profit on ordinary activities before taxation	(66,482)	404
Tax at 19.25% (2016: 20%)	(12,798)	81
Effects of:		
– Adjustment in respect of prior year	(55)	4
– Non-taxable exchange loss	(49)	(183)
– Non-taxable dividend income	-	(63)
– Non-taxable gain on disposal	(55)	-
– Non-deductible transaction costs	60	-
– Non-deductible unrealised fair value loss	12,648	-
– Other adjustments	(58)	-
Taxation	(307)	(161)

6 Taxation (continued)

On 8 July 2015, the UK Government announced a reduction in the UK corporation tax rate from 20 percent to 19 percent, effective from 1 April 2017. This tax rate has been enacted into law and results in a blended tax rate of 19.25% for the year ended 31 December 2017. On 16 March 2016, the UK Government announced a further reduction to the main rate of UK Corporation Tax to 17 percent, effective from 1 April 2020. This rate change has been substantively enacted at the balance sheet date and accordingly has been reflected in these Financial Statements.

7 Cash and cash equivalents

Reconciliation of liabilities arising from financing activities

The table below details changes in the Company's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are liabilities for which cash flows were, or future cash flows will be, classified in the Company's cash flow statement as cash flows from financing activities.

	Loan from immediate holding company US$'000
As 1 January 2017	36,363
Changes from financing cash flows:	
Interest paid on loan from the immediate holding company	(1,042)
Total changes from financing cash flows	(1,042)
Other changes:	
Finance costs	988
Total other changes	988
At 31 December 2017	36,309

8 Related parties

(a) *Directors and officers*

None of the directors or officers received any fees or emoluments for qualifying services provided to the Company during the year (2016: Nil).

(b) *Amount due from a fellow subsidiary*

Amounts due from a fellow subsidiary are unsecured, non-interest bearing and will be recoverable within the next three months.

(c) *Amount due from/to the immediate/intermediate holding company*

Amounts due from and to the immediate and intermediate holding company are unsecured, non-interest bearing and have no fixed terms of repayment.

(d) *Loan from the immediate holding company*

Loan from the immediate holding company is unsecured, interest-bearing at 3-month London Interbank Offered Rates and has no fixed terms of repayment.

9 Share capital

(a) *Authorised and issued share capital*

Following amendment to corporate law in the UK through the Companies Act 2006, the Company has amended its Articles of Association to remove the provision for authorised share capital.

	2017		*2016*	
	No. of shares ('000)	*Amount* $'000	*No. of shares* ('000)	*Amount* $'000
Allotted, called up and fully paid				
At 1 January	21,972	21,972	21,972	21,972
At 31 December	21,972	21,972	21,972	21,972

On incorporation, the Company issued share capital of $100 which comprised 100 ordinary shares of $1 each.

9 Share capital (continued)

(b) Capital management

As the Company is part of a larger group, the Company's sources of additional capital and policies for distribution of excess capital may also be affected by the group's capital management objectives.

The Company defines "capital" as including all components of equity. Trading balances that arise as a result of trading transactions with other group companies are not regarded by the Company as capital. On this basis the amount of capital employed at 31 December 2017 was $66,275,000 (2016: $56,396,000).

The Company's capital structure is regularly reviewed and managed with due regard to the capital management practices of the group to which the Company belongs. Adjustments are made to the capital structure in light of changes in economic conditions affecting the Company. The results of the directors' review of the Company's capital structure are used as a basis for the determination of the level of dividends, if any, that are declared.

The Company was not subject to externally imposed capital requirements in either the current or prior year.

10 Derivative financial instruments

Derivatives are financial instruments that derive their value in response to changes in interest rates, financial instrument prices, commodity prices, foreign exchange rates, credit risk and indices.

The notional amounts of these instruments indicate the volume of transactions outstanding and do not represent amounts at risk.

The table below analyse the notional principal amounts and the positive and negative fair values of the Company's derivatives which are held for trading purpose.

	2017			*2016*		
	Notional principal amounts $'000	*Assets* $'000	*Liabilities* $'000	*Notional principal amounts* $'000	*Assets* $'000	*Liabilities* $'000
Forward sale agreement	135,347	-	65,706	-	-	-

A forward sale derivative was recognised in respect of a forward sale of the listed equity securities at a fixed price. The listed equity securities have been classified as assets held for sale as of 31 December 2017 and the forward sale transaction has been completed on 9 January 2018. The details of the asset held for sale classification and the unwinding of the forward sale agreement are set out in note 14 and note 15 to the financial statements respectively.

10 Derivative financial instruments (continued)

The fair values analysis did not take into account any bilateral netting arrangements entered into during the year and accordingly these amounts are shown on a gross basis.

11 Financial risk management

(a) Credit risk

Credit risk arises from the possibility that the counterparty in a transaction may default. The Company's credit risk is primarily attributable to held for sale equity securities, amounts due from the immediate holding company and a fellow subsidiary, and group undertaking for UK tax losses. Since the Company trades only with recognised and creditworthy third parties, the exposure to credit risk is not considered significant.

(b) Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company's policy is to regularly monitor current and expected liquidity requirements to ensure that it maintains sufficient reserves of cash to meet its liquidity requirements in the short and longer term.

The following are the contractual maturities of financial liabilities, including estimated interest payments:

	2017				
	Repayable on demand $'000	*1 year or less* $'000	*Between 1 year and 5 years* $'000	*Over 5 years* $'000	*Total* $'000
Liabilities					
Amount due to the immediate holding company	71,050	-	-	-	71,050
Amount due to the intermediate holding company	14,256	-	-	-	14,256
Loan from the immediate holding company	-	36,217	-	-	36,217
Fair values of forward sale agreement	-	65,706	-	-	65,756
Other liabilities	336	-	-	-	336
	85,642	101,923	-	-	187,565

11 Financial risk management (continued)

	2016				
	Repayable on demand $'000	1 year or less $'000	Between 1 year and 5 years $'000	Over 5 years $'000	Total $'000
Liabilities					
Amount due to the immediate holding company	70,966	-	-	-	70,966
Amount due to the intermediate holding company	14,693	-	-	-	14,693
Loan from the immediate holding company	-	36,217	-	-	36,217
Other liabilities	14	-	-	-	14
	85,673	36,217	-	-	121,890

(c) *Market risk*

Market risk is the risk that fair value of a financial instrument will fluctuate because of changes in the market prices. The Company has established policies and procedures to identify and analyse these risks, to set appropriate risk controls, and to monitor the risks continually by means of reliable and up-to-date management and information systems. The Company continually modifies and enhances its risk management policies and systems to reflect changes in the market and best practice risk management processes.

(i) Interest rate risk

Interest rate risk is the risk that the value of an interest-bearing security will fluctuate due to changes in market interest rates.

Sensitivity analysis

At 31 December 2017, it is estimated that a general increase/decrease of 100 basis points in interest rates, with all other variables held constant would decrease/increase the Company's profit before tax by approximately $362,000 (2016: $362,000).

11 Financial risk management (continued)

The sensitivity analysis above has been determined assuming that the change in interest rates had occurred at the balance sheet date and had been applied to the exposure to interest rate risk for financial instruments in existence at that date.

The 100 basis point increase or decrease represents management's annual assessment of a reasonably possible change in interest rates over the period until the next annual balance sheet date. The analysis was performed on the same basis for 2016.

(ii) Foreign currency risk

The Company is exposed to foreign currency risk through certain transactions that are denominated in Vietnamese Dong ("VND") or Hong Kong Dollars ("HKD"). The Company uses hedging strategies in respect of the VND exposures. The net foreign currency exposures are kept to an acceptable level and the risk is not considered significant. As HKD is pegged to USD, the Company does not expect significant movements in the USD/HKD exchange rate.

Foreign exchange exposures

Foreign exchange exposures arising from trading and non-trading positions in all foreign currencies are shown as follows:

	2017		
	HKD	*VND*	*Total*
	$'000	$'000	$'000
Equivalent in US$'000			
Net short position	(25)	(70,944)	(70,969)

	2016		
	HKD	*VND*	*Total*
	$'000	$'000	$'000
Equivalent in US$'000			
Net short position	(14)	(805)	(819)

There were no structural positions as at 31 December 2017 and 31 December 2016.

11 Financial risk management (continued)

(iii) Other price risk

Other price risk is the risk that value of an equity security will fluctuate as a result of changes in market conditions (other than those arising from currency risk), whether caused by factors specific to an individual investment or factors affecting all similar investments held by the Company.

The following table demonstrates the sensitivity to a 5% increase/decrease in the fair values of equity securities, with all other variables held constant, based on their carrying amounts at the balance sheet date.

	Increase/ decrease in loss after tax $'000	*Increase/ decrease in equity* $'000
2017		
Investment in listed equity securities classified as "asset held for sale"	-	7,302
Fair values of forward sale agreement	3,285	-

	Increase/ decrease in profit after tax $'000	*Increase/ decrease in equity* $'000
2016		
Investment in listed equity securities classified as "asset held for sale"	-	3,499
Fair values of forward sale agreement	-	-

(d) Concentration of credit risk

Concentration of credit risk exists when changes in geographic, economic or industry factors similarly affect groups of counterparties whose aggregate credit exposure is material in relation to the Company's total exposures. The Company's portfolio of financial instruments is primarily attributable to amounts due from the immediate holding company and a fellow subsidiary, the exposure to credit risk is not considered to be significant.

11 Financial risk management (continued)

(e) *Valuation of financial instruments carried at fair values*

The following table presents the carrying value of financial instruments measured at fair value at the balance sheet date across the three levels of the fair value hierarchy defined in IFRS 7, *Financial instruments: Disclosures*, with the fair value of each financial instruments categorised in its entirety based on the lowest level of input that is significant to that fair value measurement. The levels are defined as follows:

- Level 1 (highest level): fair values measured using quoted prices (unadjusted) in active markets for identical financial instruments;
- Level 2: fair values measured using quoted prices in active markets for similar financial instruments, or using valuation techniques in which all significant inputs are directly or indirectly based on observable market data;
- Level 3 (lowest level): fair values measured using valuation techniques in which any significant input is not based on observable market data.

	2017			
	Level 1 $'000	*Level 2* $'000	*Level 3* $'000	*Total* $'000
Asset				
Investment in listed equity securities classified as "asset held for sale"				
- Listed	-	146,031	-	146,031
Liabilities				
Fair values of forward sales agreement	-	(65,706)	-	(65,706)

11 Financial risk management (continued)

	2016			
	Level 1	*Level 2*	*Level 3*	*Total*
	$'000	$'000	$'000	$'000
Assets				
Investment in listed equity securities classified as "asset held for sale"				
– Listed	-	69,977	-	69,977
Liabilities				
Fair values of forward sales agreement	-	-	-	-

During the year there were no transfers between instruments in Level 1 and Level 2.

(f) Valuation of financial instruments carried at amortised costs

All financial instruments are stated at fair value or amounts not materially different from their fair values as at 31 December 2017 and 2016.

(g) Estimates of fair values of financial instruments

The fair value of investment in listed equity securities is determined by reference to their quoted market price at the balance sheet date.

The fair value of forward sale agreement is determined by reference to the underlying quoted market price of a listed equity instrument at the balance sheet date.

12 Immediate and ultimate controlling party

The immediate parent is Standard Chartered Bank (Hong Kong) Limited, a company registered in Hong Kong. The smallest group in which the results of the Company are consolidated is that headed by Standard Chartered Bank (Hong Kong) Limited. The ultimate controlling party is Standard Chartered PLC, a company registered in England and Wales. The results of the Company are consolidated by Standard Chartered PLC. The consolidated financial statements of this Company are available to the public and may be obtained from the Company Secretary at 1 Basinghall Avenue London EC2V 5DD.

13 Potential impact of amendments, new standards and interpretation issued but not yet effective for the annual accounting period ended 31 December 2017

(a) *IFRS 9 Financial Instruments*

On 1 January 2018, the Company adopted IFRS 9 Financial Instruments. IFRS 9 replaces a number of elements of IAS 39 Financial Instruments: Recognition and Measurement and introduces new requirements for the classification and measurement of financial instruments; the recognition and measurement of credit impairment provisions; and providing for a simplified approach to hedge accounting.

Comparative information will not been restated, as it is not permitted to do so if it cannot be done without the use of hindsight.

The changes in measurements arising on the initial adoption of IFRS 9 will be incorporated through an adjustment to the opening reserves position as at 1 January 2018.

There are three measurement classifications under IFRS 9: amortised cost, fair value through profit or loss ('FVTPL') and, for financial assets, fair value through other comprehensive income ('FVOCI'). The existing IAS 39 financial asset categories are removed.

Financial assets are classified into these measurement classifications on the basis of the business model within which they are held, and their contractual cash flow characteristics. The business model reflects how groups of financial assets are managed to achieve a particular business objective. Financial assets can only be held at amortised cost if the instruments are held in order to collect the contractual cash flows ('hold to collect'), and where those contractual cash flows are solely payments of principal and interest ('SPPI'). Principal represents the fair value of the instrument at the time of initial recognition. Interest in this context represents compensation for the time value of money and associated credit risks together with compensation for other basic lending risks and costs and a profit margin. This requires an assessment at initial recognition of the contractual terms to determine whether it contains a term that could change the timing or amount of cash flows in a way that is inconsistent with the SPPI criteria.

Transition impact:

Upon adoption of IFRS 9, the Company's investment in listed equity securities has been de-designated from available-for-sale category, and recognised as fair value through profit or loss, as a result of business model assessment. Accordingly, the available-for-sale investment reserve will be transferred into retained earnings on 1 Jan 2018, amounting to US$86.5 million.

(b) *IFRS 15 Revenue from contracts with customers*

IFRS 15 is effective from 1 January 2018. The standard provides a more detailed principles-based approach for income recognition. IFRS 15 will not have a material impact on the Company's financial statements and there will not be an adjustment to retained earnings in respect of adoption.

14 Investment in listed equity shares classified as "held for sale"

The Company's investment in the listed equity securities has been presented as asset held for sale.

In accordance with IFRS 5, the carrying amount of the listed equity securities continues to be measured in accordance with IAS 39 for instrument classified as 'available-for-sale'.

Analysis of the result of asset held-for-sale is as follows:

		2017 $'000	*2016* $'000
(a)	Recognition in profit or loss of fair value of incremental stock dividend declared from the investment in listed equity securities (note)	-	312
(b)	Recognition in other comprehensive income of the changes in fair value in an investment in listed equity securities	76,054	(2,829)
(c)	Realised gain on partial disposal in the listed equity securities	286	-

Note: During 2016, the Company received a stock dividend declared by the investee company. In view of the fact that only certain but not all investors in the listed equity securities are granted with the stock dividend, this results in an incremental shareholding to the Company with no additional costs to the Company.

In between July to August 2017, the Company disposed 626,343 shares of its investment in equity securities for a cash consideration equivalent to US$699,472, recognising a loss on disposal of US$14,000. This is offset by recycling of AFS gain from other comprehensive income into profit or loss amounting to US$300,000. The investment balance has been reduced accordingly and the remaining 89,863,928 shares held continue to be classified as an asset held for sale.

15 Events after financial reporting period end date

On 9 January 2018, the Company disposed the remaining 89,863,928 shares for sale consideration of US$80.3 million, realising a loss of US$65.7 million.

On the same date, the forward sale agreement was unwound, which reduced financial liability by US$65.7 million, with a corresponding gain of the same amount recognised in profit or loss.