

# HSBC Asia Pacific Holdings (UK) Limited

**Registration No: 1113112**

**Annual Report and Financial Statements for the year  
ended 31 December 2019**



**Annual Report and Financial Statements for the year ended  
31 December 2019**

**Contents**

	<b>Page</b>
Strategic Report	<b>1</b>
Report of the Directors	<b>3</b>
Independent auditor's report to the members of HSBC Asia Pacific (UK) Holdings Limited	<b>5</b>
Income statement	<b>7</b>
Balance sheet	<b>8</b>
Statement of cash flows	<b>9</b>
Statement of changes in equity	<b>10</b>
Notes on the financial statements	<b>11</b>

## **Strategic Report**

### **Principal activities**

HSBC Asia Pacific Holdings (UK) Limited ('the Company') is a limited company incorporated in England and Wales. Its address is 8 Canada square, London E14 5HQ, United Kingdom.

The principal activity of the company is to operate as an investment holding company.

### **Review of the Company's business**

During the year ended 31 December 2019, the Company continued to operate as an investment holding company. Its subsidiaries are engaged in financial services, securities, insurance brokerage services, commercial banking and the provision of accounting and other services in the Asia-Pacific region.

The Company has no employees. Services required are provided by fellow HSBC group companies.

The Company's key stakeholders are its subsidiaries as listed in Note 17 and its parent company.

### **Section 172(1) statement**

Section 172 of the Companies Act 2006 requires a director of a company to act in the way he or she considers, in good faith, would be most likely to promote the success of the company for the benefit of its members as a whole. As part of the Company's deliberations and decision making process, the Board also takes into account the (i) likely consequences of any decision in the long term; (ii) the interests of the company's employees; (iii) the need to foster the company's business relationships with suppliers, customers and others; (iv) the impact of the company's operations on the community and the environment; and (v) the desirability of the company maintaining a reputation for high standards of business conduct.

The Board considers its stakeholders to be the people who work for us, invest with us, own us, regulate us and live in the societies we serve. During 2019, the directors gave careful consideration to the factors set out above in discharging their duties under section 172. The Board recognises that building strong relationships with our stakeholders will help deliver the HSBC Asia Pacific Holdings (UK) Limited ('HAPH')'s strategy in line with its long-term values, and operate the HAPH business in a sustainable way.

The Board is committed to effective engagement with all of its stakeholders. Depending on the nature of the issue in question, the relevance of each stakeholder group may differ and, as such, as part of the Company's engagement with stakeholders, the Board seeks to understand the relative interests and priorities of each group and to have regard to these, as appropriate, in its decision-making. The Board acknowledges however, that not every decision it makes will necessarily result in a positive outcome for all stakeholders. The Board also challenges management to ensure all stakeholder interests are considered in the day to day management and operations of the Company.

As an investment holding company, the company does not carry out any investment business on its own behalf, however, its principal activity is to provide seed capital investment. During the year, the Board has received management reports and presentations on issues concerning customers, the environment, communities, suppliers, employees, regulators, governments and investors. These are taken into account in the Board's discussions and decision-making process.

In addition to this, the Board seeks to understand the interests and views of the Group's stakeholders by engaging with them directly as appropriate.

The majority of decisions made by the Board during the year are deemed to be routine in nature and are taken on a cyclical basis. The Board keeps the HAPH strategy under regular review and being an investment holding subsidiary of the HSBC Holdings plc, takes into account the HSBC Group strategic priorities, as appropriate. The Board approved the payment of dividends to its shareholder during 2019, the timing of which required engagement with and consideration of shareholder interests and the longer term interests of the company. The decisions on dividends were taken after careful consideration of the financial position of the company, its obligations under Companies Act and the need to consider its longer term relationship with its ultimate shareholder, HSBC Holdings plc.

### **Performance**

The performance and position of the Company for the year ended 31 December 2019 and the state of the Company's financial affairs at that date are set out on pages 7 to 23.

The Company's results show a profit before tax of US\$628m for the year (2018: US\$209m). During the year, the Company earned dividend income from its subsidiaries and financial investments of US\$274m (2018: US\$194m).

The company has total equity of US\$3,642m as at 31 December 2019 (2018: US\$3,379m).

At 31 December 2019 HAPH performed an impairment review of its investments in subsidiaries in accordance with IAS 36. While performing this review, management compared the net asset value ('NAV') of each subsidiary at 31 December 2019 to the carrying value of the investment in HAPH's books.

At 31 December 2019, HAPH's investment in PT Bank HSBC Indonesia ("HBID") had a carrying value of USD1,000m (cost of USD1,449m less impairment provision of USD499m). HBID had a fair value less cost to sell of USD1,323m at 31 December 2019, which was USD323m above its carrying value. The fair value less cost to sell of HBID had increased from USD1,086m in 2018. As fair value less cost to sell is higher than carrying value it was determined to partially reverse the impairment provision of USD323m.

The business is funded principally by parent undertakings through borrowing, preference and equity shares.

As an investment holding company, the Company monitors the performance of its subsidiaries and other investments, from which the main source of income is dividends.

## HSBC Asia Pacific Holdings (UK) Limited

### Key performance indicators

As the Company is managed as part of the global bank, there are no key performance indicators that are specific to the Company. The key performance indicators are included in the annual report of HSBC Holdings plc. Ongoing review of the performance of the Company is carried out by monitoring the subsidiary performance, including cash flows from and to each subsidiary.

### Principal risks and uncertainties

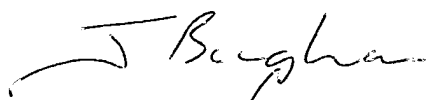
The principal financial risks and uncertainties facing the Company are credit risk, liquidity risk and market risk. These risks, the exposure to such risks and management of risk are set out in Note 25 of the financial statements.

As an investment holding entity, the Company is subject to the risks of the performance of its subsidiaries. The major subsidiaries which provide financial services all performed satisfactorily in 2019.

Following the referendum on 23 June 2016, the UK took the decision to leave the European Union ('EU') with the process of the UK leaving the EU commencing on 29 March 2017. The UK left the EU on 31 January 2020 and entered into a transition period until 31 December 2020, during which negotiations will take place on the future relationship between the UK and the EU. At this stage the ultimate economic effect of the UK leaving the EU is uncertain and will depend upon the outcome of negotiations between the UK government, the EU and non-EU countries. In the meantime, this uncertainty is expected to result in volatility in respect of principal risks affecting the Company. However this is not expected to have a material impact on the results or net assets of the Company given the nature of the Company's transactions and counterparties.

Since early January 2020, the COVID-19 outbreak has spread across the globe and has been classified by the World Health Organisation as a Pandemic. This is causing ongoing global disruption to business and economic activity, and is resulting in substantial and substantive government and central banks relief actions and support measures in many countries to protect their economies. Whilst it cannot be predicted how long the disruption will continue or the full extent of the impact on the Company and its subsidiaries, an assessment has been performed by the Management and it is considered that the COVID-19 outbreak is not expected to have a significant impact on the principal risks facing the Company.

On behalf of the Board



Jonathan Bingham  
Director

29 September 2020

8 Canada square  
London E14 5HQ  
United Kingdom

## **Report of the Directors**

### **Directors**

The Directors of the Company who were in office during the year and up to the date of signing the financial statements were as follows:

<b>Name</b>	<b>Appointed</b>	<b>Resigned</b>
Iain Francis Mackinnon	09/16/2011	
Richard John Hennity	07/31/2012	03/31/2020
Chieh Huey Gan	03/31/2015	08/19/2019
Daniel Gareth Hankinson	07/31/2017	08/19/2019
Ming Man Lau	09/27/2019	
Dale Millar	07/15/2020	
Jonathan Bingham	07/15/2020	
Richard Boyns	07/15/2020	

The Articles of Association of the Company provide that in certain circumstances the Directors are entitled to be indemnified out of the assets of the Company against claims from third parties in respect of certain liabilities arising in connection with the performance of their functions, in accordance with the provisions of the UK Companies Act 2006. Indemnity provisions of this nature have been in place during the financial year but have not been utilised by the Directors. All Directors have the benefit of Directors' and officers' liability insurance.

### **Dividends**

In 2019, the Company paid a dividend of US\$350m (2018: US\$200m) to its parent company, the Hongkong and Shanghai Banking Corporation Limited ('HBAP'). Details of dividend payments made during the year are included in Note 10 and payments are reflected in the financial statements in the period they are paid.

### **Significant events since the end of the financial year**

In May 2020, the Board of HSBC Securities Japan Ltd ("IBJP"), a subsidiary of HSBC Asia Pacific Holdings (UK) Limited ("HAPH"), approved a capital reduction of USD99m (JPY11bn equivalent) by cancelling its issued share capital and converting it into a distributable reserve. IBJP declared dividend out of distributable reserves of an equivalent amount to the Company's sole shareholder, HAPH, in the same month. This dividend received by HAPH in June 2020 represents a reduction in its cost of investment in IBJP which has reduced from USD180m to USD81m in FY2020.

The COVID-19 outbreak represents a non-adjusting post balance sheet event and therefore it remains appropriate that the measurement of the Company's assets and liabilities as at 31 December 2019 reflects only the conditions that existed at that date.

### **Future developments**

No change in the Company's activities is expected.

### **Going concern basis**

The financial statements are prepared on a going concern basis, as the Directors are satisfied that the Company has the resources to continue in business for the foreseeable future. In making this assessment, the Directors have considered a wide range of information relating to present and future conditions, including future projections of profitability, cash flows and capital resources.

Since early January 2020, the COVID-19 outbreak has spread across the globe and has been classified by the World Health Organisation as a Pandemic. This is causing ongoing disruption to business and economic activity, and is resulting in substantial and substantive government and central banks relief actions and support measures in many countries to protect the economy.

An assessment of the potential financial impact of COVID-19 on the Company has been carried out. It was concluded that the Company had sufficient cash resources to meet its obligations as they fall due for a period of at least 12 months from the date of this report considering cash received on investments post the balance sheet date. The Company's investments remain well capitalised and the carrying values are supported by expected cash flows. This will not be impacted by COVID-19 situation. There is no material adverse effect on the Company's financial condition or liquidity, presently, or within future projections based on currently available information. Management will continue to monitor the situation closely, including the potential impact on the Company's financial performance.

### **Financial risk management**

The financial risk management objectives and policies of the Company, together with an analysis of the exposure to such risks, as required under Part 1 of Schedule 7 of the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008, are set out in Note 25 of the Notes on the financial statements.

### **Capital management**

The Company defines capital as total shareholders' equity. It is the Company's objective to maintain a strong capital base to support the development of its business and to meet regulatory capital requirements at all times. There were no changes to the Company's approach to capital management during the year.

The Company is not subject to externally imposed capital requirements and is dependent on the HSBC Group to provide necessary capital resources which are therefore managed on a group basis.

## HSBC Asia Pacific Holdings (UK) Limited

### Independent auditors

PricewaterhouseCoopers LLP ('PwC') are external independent auditors to the Company. PwC has expressed its willingness to continue in office and the Board recommends that PwC be re-appointed as the Company's independent auditors.

### Statement of directors' responsibilities in respect of the financial statements

The following statement, which should be read in conjunction with the auditor's statement of their responsibilities set out in their report on the next page, is made with a view to distinguish the respective responsibilities of the Directors and of the auditors in relation to the financial statements.

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulation.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union. 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 the financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable IFRSs as adopted by the European Union have been followed, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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.

### Directors' confirmations

In the case of each director in office at the date the Directors' Report is approved:

- so far as the director is aware, there is no relevant audit information of which the company's auditors are unaware; and
- they have taken all the steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the company's auditors are aware of that information.

### Stakeholder engagement for Directors Report

The Board understands the importance of effective engagement with all of its stakeholders to the long-term success of the Company. The size and distribution of our stakeholders, particularly customers, means that stakeholder engagement often takes place at an operational level rather.

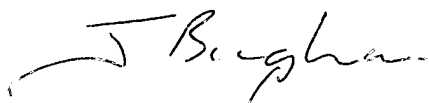
The Board believes it has demonstrated compliance with their legal duty under s. 172 of the Companies Act 2006.

### Corporate governance statement

The Company is, together with the wider HSBC Group, committed to high standards of corporate governance. The HSBC Group has a comprehensive range of principles, policies and procedures influenced by the UK Corporate Governance Code with requirements in respect of Board independence, composition and effectiveness to ensure that the Group is well managed, with appropriate oversight and control. These governance requirements surpass those of the alternative governance codes, as such the Company did not apply any specific corporate governance code during the financial year.

During the year, the Company complied with all of HSBC's corporate governance principles, policies and procedures.

On behalf of the Board



Jonathan Bingham  
Director  
29 September 2020

8 Canada square  
London E14 5HQ  
United Kingdom

# **Independent auditors' report to the members of HSBC Asia Pacific Holdings (UK) Limited**

## **Report on the audit of the financial statements**

### **Opinion**

In our opinion, HSBC Asia Pacific Holdings (UK) Limited's financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2019 and of its profit and cash flows for the year then ended;
- have been properly prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual Report and Financial Statements (the "Annual Report"), which comprise: Balance sheet as at 31 December 2019; the income statement, the statement of comprehensive income, the statement of cash flows, the statement of changes in equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

### **Basis for opinion**

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### **Independence**

We remained independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

### **Conclusions relating to going concern**

We have nothing to report in respect of the following matters in relation to which ISAs (UK) require us to report to you where:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the company's ability to continue as a going concern.

### **Reporting on other information**

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

With respect to the Strategic Report and Report of the Directors, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on the responsibilities described above and our work undertaken in the course of the audit, ISAs (UK) require us also to report certain opinions and matters as described below.

#### **Strategic Report and Report of the Directors**

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic Report and Report of the Directors for the year ended 31 December 2019 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic Report and Report of the Directors.

## **Responsibilities for the financial statements and the audit**

### **Responsibilities of the directors for the financial statements**

As explained more fully in the Statement of directors' responsibilities in respect of the financial statements set out on page 4, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also 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.

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

### **Auditors' responsibilities for the audit of the financial statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a 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 the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditors' report.

### **Use of this report**

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

## **Other required reporting**

### **Companies Act 2006 exception reporting**

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

- we have not received all the information and explanations we require for our audit; or
- adequate accounting records have not been kept by the company, or returns adequate for our audit have not been received from branches not visited by us; or
- certain disclosures of directors' remuneration specified by law are not made; or
- the financial statements are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.



Timothy Lawrence (Senior Statutory Auditor)  
for and on behalf of **PricewaterhouseCoopers LLP**  
Chartered Accountants and Statutory Auditors  
London  
29 September 2020



## Financial statements

### Income statement for the year ended 31 December 2019

	<i>Notes</i>	2019 US\$'000	2018 US\$'000
Interest income	2	5,497	5,007
Net (Loss)/income from financial instruments managed on a fair value basis		(1)	20
Net gain on disposal of subsidiaries	3	27,654	11,768
Dividend income	26	273,960	194,058
Other operating expense	4	(1,473)	(1,921)
<b>Net operating income before impairment charges and other provision</b>		<b>305,637</b>	<b>208,932</b>
Change in impairment charges		<b>322,537</b>	–
- Reversal of impairment loss	17	<b>322,537</b>	–
<b>Net operating income</b>		<b>628,174</b>	<b>208,932</b>
General and administrative expenses	5	(28)	(11)
Auditor remuneration	6	(20)	(37)
<b>Total operating expenses</b>		<b>(48)</b>	<b>(48)</b>
<b>Operating profit</b>		<b>628,126</b>	<b>208,884</b>
<b>Profit before tax</b>		<b>628,126</b>	<b>208,884</b>
Tax expense	9	(15,534)	(9,640)
<b>Profit for the year</b>		<b>612,592</b>	<b>199,244</b>

#### Statement of comprehensive income for the year ending 31 December 2019

All operations are continuing. There has been no comprehensive income or expense other than the profit for the year as shown above (2018: nil).

## HSBC Asia Pacific Holdings (UK) Limited

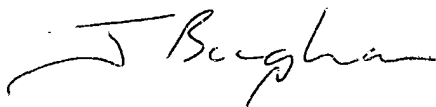
### Balance sheet at 31 December 2019

Registration No: 1113112

	Notes	2019 US\$'000	2018 US\$'000
<b>Assets</b>			
Cash and cash equivalents	11	192,339	236,241
Financial assets mandatorily measured at fair value through profit or loss	13	43	44
Loans and advances to other group undertakings	14	75,000	75,000
Accrued income	19	1,051	1,245
Current tax assets		1,147	1,660
Investments in subsidiaries	17	3,367,747	3,062,206
Interests in associates	18	4,263	4,263
<b>Total assets</b>		<b>3,641,590</b>	<b>3,380,659</b>
<b>Liabilities and equity</b>			
<b>Liabilities</b>			
Amounts due to other group undertakings	20	5	1,586
Other liabilities		75	38
Current tax liabilities		—	124
Deferred tax liabilities		7	—
<b>Total liabilities</b>		<b>87</b>	<b>1,748</b>
<b>Equity</b>			
Called up share capital	22	220	220
Share premium account		670,648	670,648
Capital contribution reserve		14,719	14,719
Other reserves		2,568,993	2,568,993
Retained earnings		386,923	124,331
<b>Total equity</b>		<b>3,641,503</b>	<b>3,378,911</b>
<b>Total liabilities and equity</b>		<b>3,641,590</b>	<b>3,380,659</b>

The accompanying notes on pages 11 to 23 form an integral part of these financial statements.

These financial statements were approved by the Board of Directors on 29 September 2020 and signed on its behalf by:



Jonathan Bingham  
Director

## HSBC Asia Pacific Holdings (UK) Limited

### Statement of cash flows for the year ended 31 December 2019

	Notes	2019 US\$'000	2018 US\$'000
<b>Cash flows from operating activities</b>			
<b>Profit before tax</b>		<b>628,126</b>	208,884
<b>Adjustments for:</b>			
Change in operating liabilities		37	1
Net income/(loss) from financial instruments managed on a fair value basis		1	(20)
Exchange differences		1,473	1,921
Interest income	2	(5,497)	(5,007)
Tax paid		(15,138)	(9,592)
Net gain on disposal of subsidiaries	17	(27,654)	(11,768)
Reversal of impairment loss	17	(322,537)	—
<b>Net cash generated from operating activities</b>		<b>258,811</b>	184,419
<b>Cash flows from investing activities</b>			
Proceeds from disposal of subsidiary	17	18,033	12,133
Other investment income (loss) incurred		(1,469)	(1,921)
Interest received from loan to other group undertaking	26	5,691	4,699
<b>Net cash generated from investing activities</b>		<b>22,255</b>	14,911
<b>Cash flows from financing activities</b>			
Changes in amounts due to other group undertakings		5	1,381
Changes in amounts due from other group undertakings		25,027	—
Dividends paid to parent company	10	(350,000)	(200,000)
<b>Net cash used in financing activities</b>		<b>(324,968)</b>	(198,619)
Net (decrease)/increase in cash and cash equivalents		(43,902)	711
Cash and cash equivalents brought forward	11	236,241	235,530
<b>Cash and cash equivalents carried forward</b>		<b>192,339</b>	236,241

**HSBC Asia Pacific Holdings (UK) Limited**

**Statement of changes in equity for the year ended 31 December 2019**

	Called up share capital US\$'000	Share Premium US\$'000	Retained earnings US\$'000	Other reserves		Total equity US\$'000
				Capital contribution reserve US\$'000	Other reserve US\$'000	
<b>At 1 Jan 2019</b>	<b>220</b>	<b>670,648</b>	<b>124,331</b>	<b>14,719</b>	<b>2,568,993</b>	<b>3,378,911</b>
Profit for the year	—	—	612,592	—	—	612,592
<b>Total comprehensive income for the year</b>	<b>—</b>	<b>—</b>	<b>612,592</b>	<b>—</b>	<b>—</b>	<b>612,592</b>
Dividends to shareholders	—	—	(350,000)	—	—	(350,000)
<b>At 31 Dec 2019</b>	<b>220</b>	<b>670,648</b>	<b>386,923</b>	<b>14,719</b>	<b>2,568,993</b>	<b>3,641,503</b>

	Called up share capital US\$'000	Share Premium US\$'000	Retained earnings US\$'000	Other reserves		Total equity US\$'000
				Capital contribution reserve US\$'000	Other reserve US\$'000	
<b>At 1 Jan 2018</b>	<b>220</b>	<b>670,648</b>	<b>125,087</b>	<b>14,719</b>	<b>2,568,993</b>	<b>3,379,667</b>
Profit for the year	—	—	199,244	—	—	199,244
<b>Total comprehensive income for the year</b>	<b>—</b>	<b>—</b>	<b>199,244</b>	<b>—</b>	<b>—</b>	<b>199,244</b>
Dividends to shareholders	—	—	(200,000)	—	—	(200,000)
<b>At 31 Dec 2018</b>	<b>220</b>	<b>670,648</b>	<b>124,331</b>	<b>14,719</b>	<b>2,568,993</b>	<b>3,378,911</b>

Equity is wholly attributable to equity shareholders of HSBC Asia Pacific Holdings (UK) Limited.

## Notes on the financial statements

### 1 Basis of preparation and significant accounting policies

The financial statements of the Company have been prepared in accordance with the Companies Act 2006 as applicable to companies using International Financial Reporting Standards ('IFRSs'). The principal accounting policies applied in the preparation of these financial statements have been consistently applied to all of the years presented, unless otherwise stated.

#### 1.1 Basis of preparation

##### (a) Compliance with International Financial Reporting Standards

The financial statements of the Company have been prepared in accordance with IFRSs as issued by the International Accounting Standards Board ('IASB'), including interpretations issued by the IFRS Interpretations Committee, and as endorsed by the European Union ('EU').

At 31 December 2019, there were no unendorsed standards effective for the year ended 31 December 2019 affecting these financial statements, and the Company's application of IFRSs results in no differences between IFRSs as issued by the IASB and IFRSs as endorsed by the EU.

##### Standards adopted during the year ended 31 December 2019

IFRS16 Leases became applicable from 1 January 2019. This standard has no significant impact on the Company's financial statements.

There are no other standards, amendments to standards except amendment to IAS 12 "Income taxes" described below that are effective for annual periods beginning on 1 January 2019 that have a material effect on the financial statements of the company.

##### *Amendment to IAS 12 'Income Taxes'*

An amendment to IAS 12 was issued in December 2017 as part of the annual improvement cycle. The amendment clarifies that a Company should recognise the tax consequences of dividends where the transactions or events that generated the distributable profits are recognised. This amendment was applied on 1 January 2019 and had no material impact. Comparatives have not been restated.

##### (b) Future accounting developments

###### Minor amendments to IFRSs

The IASB published a number of minor amendments to IFRSs which are effective from 1 January 2020, some of which have been endorsed for use in the EU. The Company expects they will have an insignificant effect, when adopted, on the financial statements of the Company.

###### Major new IFRSs

##### *IFRS 17 'Insurance Contracts'*

IFRS 17 'Insurance Contracts' was issued in May 2017, and sets out the requirements that an entity should apply in accounting for insurance contracts it issues and reinsurance contracts it holds. IFRS 17 is currently effective from 1 January 2021. However, the IASB is considering delaying the mandatory implementation date by one year and may make additional changes to the standard. The Company is in the process of implementing IFRS 17. Industry practice and interpretation of the standard is still developing and there may be changes to it, therefore the likely impact of its implementation remains uncertain.

The Company has assessed the impact of IFRS 17 and expects that the standard will have no significant impact, when applied, on the financial statements of the Company.

##### (c) Foreign currencies

The functional currency of the Company is US Dollars, which is also the presentational currency of the financial statements of the Company.

Transactions in foreign currencies are recorded at the rate of exchange on the date of the transaction. Assets and liabilities denominated in foreign currencies are translated at the rate of exchange at the balance sheet date except non-monetary assets and liabilities measured at historical cost, which are translated using the rate of exchange at the initial transaction date. Exchange differences are included in income statement depending on where the gain or loss on the underlying item is recognised. All amounts have been rounded to the nearest thousand unless otherwise stated.

##### (d) Presentation of information

The financial statements present information about the Company as an individual undertaking and not about its group. The Company is not required to prepare consolidated financial statements by virtue of the exemption conferred by section 400 of the Companies Act 2006. The financial statements have been prepared under the historical cost convention.

##### (e) Critical accounting estimates and judgements

The preparation of financial information requires the use of estimates and judgements about future conditions. In view of the inherent uncertainties and the high level of subjectivity involved in the recognition or measurement of items, highlighted as the 'critical accounting estimates and judgements' in section 1.2 to follow, it is possible that the outcomes in the next financial year could differ from those on which management's estimates are based. This could result in materially different conclusions from those reached by management for the purposes of these financial statements. Directors' selection of the Company's accounting policies which contain critical estimates and judgements reflects the materiality of the items to which the policies are applied and the high degree of judgement and estimation uncertainty involved.

## HSBC Asia Pacific Holdings (UK) Limited

### (f) Going concern

The financial statements are prepared on a going concern basis, as the Directors are satisfied that the Company has the resources to continue in business for the foreseeable future. In making this assessment, the Directors have considered a wide range of information relating to present and future conditions, including future projections of profitability, cash flows and capital resources.

Since early January 2020, the COVID-19 outbreak has spread across the globe and has been classified by the World Health Organisation as a Pandemic. This is causing ongoing disruption to business and economic activity, and is resulting in substantial and substantive government and central banks relief actions and support measures in many countries to protect the economy.

An assessment of the potential financial impact of COVID-19 on the Company has been carried out. It was concluded that the Company had sufficient cash resources to meet its obligations as they fall due for a period of at least 12 months from the date of this report considering cash received on investments post the balance sheet date. The Company's investments remain well capitalised and the carrying values are supported by expected cash flows. This will not be impacted by COVID-19 situation. There is no material adverse effect on the Company's financial condition or liquidity, presently, or within future projections based on currently available information. Management will continue to monitor the situation closely, including the potential impact on the Company's financial performance.

## 1.2 Summary of significant accounting policies

### (a) Income and expense

#### Interest income and expense

Interest income and expense for all financial instruments, excluding those classified as held for trading or designated at fair value are recognised in 'Interest income' and 'Interest expense' in the income statement using the effective interest method.

Interest on credit impaired financial assets is recognised using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss.

The effective interest rate is the rate that exactly discounts estimated future cash receipts or payments through the expected life of the financial instrument or, where 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 but excluding future credit losses. The calculation includes all amounts paid or received by the Company that are an integral part of the effective interest rate of a financial instrument, including transaction costs and all other premiums or discounts.

#### Non-interest income and expense

**Dividend income** is recognised when the right to receive a payment is established. This is usually the date when the shareholders approve the dividend for unlisted equity securities.

### (b) Investments in subsidiaries

The Company classifies investments in entities which it controls as subsidiaries. Where a Company is governed by voting rights, the Company consolidates when it holds, directly or indirectly, the necessary voting rights to pass resolutions by the governing body. In all other cases, the assessment of control is more complex and requires judgement of other factors, including having exposure to variability of returns, power to direct relevant activities and whether power is held as agent or principal.

The Company's investments in subsidiaries are stated at cost less impairment losses.

### (c) Interests in associates

The Company classifies investments in entities over which it has significant influence, and that are neither subsidiaries nor joint ventures, as associates.

Investments in an associate are assessed at each reporting date and tested for impairment when there is an indication that the investment may be impaired.

The Company carries its investments in associates at historical cost less provisions for any impairment.

### (d) Valuation of financial instruments

All financial instruments are initially recognised at fair value. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value of a financial instrument on initial recognition is generally its transaction price (that is, the fair value of the consideration given or received).

Subsequent to initial recognition, the fair values of financial instruments measured at fair value that are quoted in active markets are based on bid prices for assets held and offer prices for liabilities issued. When independent prices are not available, fair values are determined by using valuation techniques which refer to observable market data. These include comparison to similar instruments where market observable prices exist, discounted cash flow analysis and other valuation techniques commonly used by market participants.

Fair values are calculated by discounting future cash flows on financial instruments, using equivalent current interest rates.

### (e) Financial instruments measured at amortised cost

#### Loans and advances

Loans and advances to subsidiary companies with a reliable repayment date are initially recognised at fair value and are subsequently discounted using market interest rates to their amortised cost. Any adjustments are recognised as an increase in the investment in subsidiaries. The accretion of the adjustment is recognised as interest income over the duration of the loan.

## HSBC Asia Pacific Holdings (UK) Limited

### Financial assets and liabilities

The Company initially recognises other financial assets and liabilities on the date that they are originated at fair value and subsequently measured at amortised cost using the effective interest rate method which approximates fair value. These are derecognised when the right to receive cash flows from the assets has expired; or when the Company has transferred its contractual right to receive the cash flows of the financial assets, and substantially all the risks and rewards of ownership, or where control is not retained. Financial liabilities are derecognised when they are extinguished, i.e. when the obligation is discharged, cancelled or expired.

#### (f) Financial assets designated at fair value through profit and loss

Financial instruments, other than those held for trading, are classified in this category if they meet one or more of the criteria set out below, and are so designated irrevocably at inception:

- the use of the designation removes or significantly reduces an accounting mismatch;
- a group of financial assets and liabilities or a group of financial liabilities is managed and its performance is evaluated on a fair value basis, in accordance with a documented risk management or investment strategy; and
- the financial liability contain one or more non-closely related embedded derivatives.

Designated financial assets are recognised when the Company enters into contracts with counterparties, which is generally on trade date, and are normally derecognised when the rights to the cash flows expire or are transferred. Designated financial liabilities are recognised when the Company enters into contracts with counterparties, which is generally on settlement date, and are normally derecognised when extinguished. Subsequent changes in fair values are recognised in the Income statement in 'Net income from financial instruments managed on a fair value basis', including related derivatives, measured at fair value through profit or loss.

#### (g) Impairment of amortised cost of financial assets

Expected credit losses are recognised for loans and advances to other group undertakings and other financial assets held at amortised cost. At initial recognition, allowance (or provision in the case of some loan commitments and financial guarantees) is required for ECL resulting from default events that are possible within the next 12 months or less, where the remaining life is less than 12 months, ('12-month ECL'). In the event of a significant increase in credit risk, allowance (or provision) is required for ECL resulting from all possible default events over the expected life of the financial instrument ('lifetime ECL'). Financial assets where 12-month ECL is recognised are considered to be 'stage 1'; financial assets which are considered to have experienced a significant increase in credit risk are in 'stage 2'; and financial assets for which there is objective evidence of impairment so are considered to be in default or otherwise credit-impaired are in 'stage 3'.

#### (h) Impairment of investment in subsidiaries and investments in associates

Internal and external sources of information are reviewed at the end of each reporting period to identify indications that the investments in subsidiaries and investments in associates may be impaired or an impairment loss previously recognised no longer exists or may have decreased.

If any such indication exists, the asset's recoverable amount is estimated. The recoverable amount of an asset is the greater of its fair value less cost to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a discount rate that reflects current market assessments of time value of money and the risks specific to the asset. An impairment loss is recognised in the income statement whenever the carrying amount of an asset exceeds its recoverable amount.

An impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount. A reversal of an impairment loss is limited to the asset's carrying amount that would have been determined had no impairment loss been recognised in prior years. Reversals of impairment losses are credited to the income statement in the year in which the reversals are recognised.

### Critical accounting estimates and judgements

Investments in subsidiaries are tested for impairment when there is an indication that the investment may be impaired, which involves estimations of both value in use reflecting management's best estimate of the future cash flows and fair value less cost to sell of the investment, as appropriate, and the rates used to discount these cash flows, both of which are subject to uncertain factors as follows:

#### Judgements

- The accuracy of both forecast cash flows and fair value less cost to sell are subject to a high degree of uncertainty in volatile market conditions. This is also ensured that the assumptions on which the both cash flow forecasts and fair value less cost to sell are based continue to reflect current market conditions and management's best estimate of future business prospects

#### Estimates

- The future cash flows of each investment are sensitive to the cash flows projected for the periods for which detailed forecasts are available and to assumptions regarding the longterm pattern of sustainable cash flows thereafter. Forecasts are compared with actual performance and verifiable economic data, but they reflect management's view of future business prospects at the time of the assessment
- The rates used to discount future expected cash flows can have a significant effect on their valuation, and are based on the costs of capital assigned to the investment. The cost of capital percentage is generally derived from a capital asset pricing model, which incorporates inputs reflecting a number of financial and economic variables, including the risk-free interest rate in the country concerned and a premium for the risk of the business being evaluated. These variables are subject to fluctuations in external market rates and economic conditions beyond management's control.

## HSBC Asia Pacific Holdings (UK) Limited

### (i) Tax

Income tax comprises current tax and deferred tax. Income tax is recognised in the income statement except to the extent that it relates to items recognised in other comprehensive income or directly in equity, in which case the tax is recognised in the same statement in which the related item appears.

Current tax is the tax expected to be payable on the taxable profit for the year and on any adjustment to tax payable in respect of previous years. The Company provides for potential current tax liabilities that may arise on the basis of the amounts expected to be paid to the tax authorities.

Current tax is calculated based on tax rates and laws enacted, or substantively enacted, by the balance sheet date.

### (j) Called up share capital

Financial instruments issued are generally classified as equity when there is no contractual obligation to transfer cash or other financial assets. Incremental costs directly attributable to the issue of equity instruments are shown in equity as a deduction from the proceeds, net of tax.

The preference share capital is classified as equity if it is non-redeemable and any dividends are discretionary, or when it is redeemable but only at the Company's option. Dividends on preference share capital classified as equity are recognised as distributions within equity.

### (k) Cash and cash equivalents

Cash and cash equivalents include highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of change in value. Such investments are normally those with less than three months' maturity from the date of acquisition.

## 2 Interest income

		2019	2018
	Note	US\$'000	US\$'000
Interest income on amounts due from subsidiary companies	14	5,497	5,007

## 3 Gain on disposal of subsidiaries

		2019	2018
	Note	US\$'000	US\$'000
Gain on disposal of HSBC Insurance Brokers (Taiwan) Limited	17	—	11,768
Gain on disposal of HSBC Finance (Brunei) Limited	17	27,654	—

## 4 Other operating expense

		2019	2018
		US\$'000	US\$'000
Foreign exchange loss		(1,473)	(1,921)

The exchange loss recognised in the income statement in 2019 mainly relates to the dividend income received from HSBC Bank (Taiwan) Limited, HSBC Australia Holdings Pty Limited and HSBC Securities (Japan) Limited.

## 5 General and administrative expenses

		2019	2018
		US\$'000	US\$'000
Other administrative expenses		28	11
<b>Year ended 31 Dec</b>		<b>28</b>	<b>11</b>

## 6 Auditors' remuneration

		2019	2018
		US\$'000	US\$'000
Auditors remuneration		20	37
<b>Year ended 31 Dec</b>		<b>20</b>	<b>37</b>

Audit Remuneration incurred in respect of the audit of financial statements. There was no other tax or non-audit services provided where fee were incurred during the year.

## 7 Employee compensation and benefits

The Company has no employees and hence no staff costs (2018: nil).



## HSBC Asia Pacific Holdings (UK) Limited

### 8 Directors' emoluments

None of the Directors of the Company received any emoluments in respect of their services as Directors of the Company (2018: nil). The Directors are employed by other companies within the HSBC Group and consider that their services to the Company are incidental to their other responsibilities within the HSBC Group.

### 9 Tax

#### Tax expense

	2019	2018
	US\$'000	US\$'000
<b>Current tax</b>		
UK Corporation tax		
- For this year	1,051	441
- Adjustments in respect of prior years	19	(424)
<b>Overseas tax</b>		
- For this year	14,464	9,623
<b>Year ended 31 Dec</b>	<b>15,534</b>	<b>9,640</b>

The UK corporation tax rate applying to the Company was 19% (2018: 19%).

A reduction in the main rate of UK corporation tax to 17% with effect from 1 April 2020 was enacted in the Finance (No2) Act 2016 on 6 September 2016. However, in the UK budget on 11 March 2020, it was announced that the cut in the tax rate to 17% will not occur and the UK Corporation Tax Rate will instead remain at 19%. As this was not substantively enacted by the balance sheet date, deferred tax balances as at 31 December 2019 continue to reflect the planned rate reduction. If the deferred tax liability as at 31 December 2019 were re-measured at 19% it would increase by £866.

#### Tax reconciliation

	2019		2018	
	US\$'000	(%)	US\$'000	(%)
Profit before tax	628,126		208,884	
Tax at 19% (2018: 19.00%)	119,344	19.00	39,688	19.00
Permanent disallowables	280	0.04	365	0.17
Non-taxable income and gains	(118,589)	(18.88)	(39,612)	(18.96)
Local taxes and overseas withholding taxes	14,464	2.30	9,623	4.61
Other	35	0.01	(424)	(0.20)
<b>Year ended 31 Dec</b>	<b>15,534</b>	<b>2.47</b>	<b>9,640</b>	<b>4.62</b>

### 10 Dividends

An interim dividend of US\$350m (2018: US\$200m) was paid to the parent company, The Hongkong and Shanghai Banking Corporation Limited ('HBAP') in November 2019.

### 11 Cash and cash equivalents

	2019	2018
	US\$'000	US\$'000
Cash at bank with other group undertakings	220	221
Cash at bank with the parent company	192,119	236,020
<b>At 31 Dec</b>	<b>192,339</b>	<b>236,241</b>

### 12 Fair value of financial instruments carried at fair value

#### Control framework

Fair values are subject to a control framework designed to ensure that they are either determined, or validated, by a function independent of the risk taker.

For all financial instruments where fair values are determined by reference to externally quoted prices or observable pricing inputs to models, independent price determination or validation is utilised. In inactive markets, direct observation of a traded price may not be possible. In these circumstances, the Company will source alternative market information to validate the financial instrument's fair value, with greater weight given to information that is considered to be more relevant and reliable.

For fair values determined using a valuation model, the control framework may include, as applicable, development or validation by independent support functions of: (i) the logic within valuation models; (ii) the inputs to these models; (iii) any adjustments required outside the valuation models; and (iv) where possible, model outputs. Valuation models are subject to a process of due diligence and calibration before becoming operational and are calibrated against external market data on an ongoing basis.

## HSBC Asia Pacific Holdings (UK) Limited

### Fair value hierarchy

Fair values of financial assets and liabilities are determined according to the following hierarchy:

- (a) Level 1 - valuation technique using quoted market price: financial instruments with quoted prices for identical instruments in active markets that HSBC can access at the measurement date.
- (b) Level 2 - valuation technique using observable inputs: financial instruments with quoted prices for similar instruments in active markets or quoted prices for identical or similar instruments in inactive markets and financial instruments valued using models where all significant inputs are observable.
- (c) Level 3 - valuation technique with significant unobservable inputs: financial instruments valued using valuation techniques where one or more significant inputs are unobservable.

### Financial instruments carried at fair value and bases of valuation

	2019			
	Level 1 US\$'000	Level 2 US\$'000	Level 3 US\$'000	Total US\$'000
<b>Recurring fair value measurements at 31 Dec</b>				
<b>Assets</b>				
Financial assets designated and otherwise mandatorily measured at fair value through profit or loss	–	–	43	43
<b>2018</b>				
	Level 1 US\$'000	Level 2 US\$'000	Level 3 US\$'000	Total US\$'000
<b>Recurring fair value measurement at 31 Dec</b>				
<b>Assets</b>				
Financial assets designated and otherwise mandatorily measured at fair value through profit or loss	–	–	44	44

### Transfers between Level 1 and Level 2 fair values

There were no transfers between financial instruments classified as Level 1 and Level 2 in 2019 (2018: nil).

### Reconciliation of fair value measurements in Level 3 financial instruments

The following table provides a reconciliation of the movement between opening and closing balances of Level 3 financial instruments, measured at fair value based on unobservable inputs:

	Assets Financial investments US\$'000
<b>At 1 Jan 2019</b>	<b>44</b>
- changes in fair value of other financial instruments mandatorily measured at fair value through profit or loss	(1)
<b>At 31 Dec 2019</b>	<b>43</b>

The fair value of the financial investments is estimated as being the net asset value of the investment at 31 December 2019.

	Assets Financial investments US\$'000
At 1 Jan 2018	24
- changes in fair value of other financial instruments mandatorily measured at fair value through profit or loss	20
At 31 Dec 2018	44

## 13 Financial assets mandatorily measured at fair value through profit or loss

	2019 US\$'000	2018 US\$'000
<b>Equity instruments</b>		
At 1 January	44	–
Transfer in from available-for-sale investments	–	24
(Loss)/Gain on revaluation	(1)	20
<b>At 31 Dec</b>	<b>43</b>	<b>44</b>

## HSBC Asia Pacific Holdings (UK) Limited

### 14 Loans and advances to other group undertakings

	2019 US\$'000	2018 US\$'000
Loans and advances to other group undertakings	75,000	75,000
<b>At 31 Dec</b>	<b>75,000</b>	<b>75,000</b>

### 15 Amounts due from other group undertakings

	2019 US\$'000	2018 US\$'000
At 1 Jan	–	365
Liquidation proceeds from HSBC Insurance Brokers (Taiwan) Limited	–	(365)
<b>At 31 Dec</b>	<b>–</b>	<b>–</b>

In 2019 there is no amount due from any of the subsidiary undertaking.

### 16 Financial investments

	2019 US\$'000	2018 US\$'000
Available-for-sale securities at fair value - Equity securities		
At 1 Jan	–	24
- Transferred to Financial assets designated and otherwise mandatorily measured at fair value through profit or loss	–	(24)
<b>At 31 Dec</b>	<b>–</b>	<b>–</b>

### 17 Investments in subsidiaries

	2019 US\$'000	2018 US\$'000
Cost		
At 1 Jan	3,511,081	3,511,081
Disposals	(16,996)	–
<b>At 31 Dec</b>	<b>3,494,085</b>	<b>3,511,081</b>
Accumulated impairment		
At 1 Jan	(448,875)	(448,875)
Reversal of impairment loss on Impairment assessment	322,537	–
<b>At 31 Dec</b>	<b>(126,338)</b>	<b>(448,875)</b>
<b>Net book/carrying value at 31st Dec</b>	<b>3,367,747</b>	<b>3,062,206</b>

#### Explanation of disposal

The gain on disposal of subsidiary is related to liquidation of HSBC Finance Brunei Limited during the financial year. A portion of the investment amounting to US\$25,283k and US\$1,335k were already repatriated in 2017 and 2018 respectively.

	2019 US\$'000
Liquidation proceeds from HBFN	18,033
Profit on Liquidation HBFN	27,654

#### Explanation of reversal of impairment loss

At 31<sup>st</sup> Dec 2019 HAPH performed an impairment review of its investments in subsidiaries in accordance with IAS 36. In performing this review, HAPH's investment PT Bank HSBC Indonesia ("HBID") had a carrying value of US\$1,000m (cost of US \$1,449m less impairment provision of US\$499m) and fair value less cost to sell of US\$1,323m. As fair value less cost to sell was USD323m above its carrying value, it was determined to partially reverse the impairment provision of US\$323m.

## HSBC Asia Pacific Holdings (UK) Limited

### FV less costs to sell

#### PT Bank HSBC Indonesia (“HBID”)

Due to the highly uncertain business outlook introduced by COVID 19, fair value less costs to sell was performed in accordance with the accounting standard in determining recoverable amount at 31 December 2019. Fair value less costs to sell is calculated as USD1,323m, representing the aggregation of estimated fair values of all assets and liabilities held in HBID. This results in an impairment reversal of USD323m at year end.

The subsidiary undertakings of the Company at the end of the reporting period were:

	Share class	Principal activity	Ownership percentage (%)	
			2019	2018
HSBC Finance (Brunei) Berhad <sup>1</sup>	Ordinary shares	Financial services	—	99.94
HSBC Australia Holdings Pty Limited <sup>2</sup>	Ordinary shares	Financial services	100	100
HSBC Australia Holdings Pty Limited <sup>2</sup>	Preference shares	Financial services	100	100
HSBC Fund Services (Korea) Limited <sup>3</sup>	Ordinary shares	Provision of accounting and other services	92.96	92.96
HSBC Securities (Japan) Limited <sup>4</sup>	Ordinary shares	Securities company	100	100
HSBC Securities (Taiwan) Corporation Limited <sup>5</sup>	Ordinary shares	Securities company	100	100
PT Bank HSBC Indonesia <sup>6</sup>	Ordinary shares	Commercial Banking	98.94	98.94
HSBC Bank (Taiwan) Limited <sup>5</sup>	Ordinary shares	Commercial Banking	100	100

Details of all subsidiaries, as required under section 409 of Companies Act 2006, are set out below.

<sup>1</sup> Unit 04A-04B, 1F, Bangunan Gadong Properties Jalan Gadong Bandar Seri Begawan BE4119 Brunei Darussalam

<sup>2</sup> Level 36, Tower 1, International Towers Sydney, 100 Barangaroo Avenue, Sydney, NSW 2000, Australia

<sup>3</sup> Level 12, HSBC Building 37, Chilpaero Jung-gu Seoul, Republic of Korea

<sup>4</sup> 8 Canada Square, London E14 5HQ, United Kingdom

<sup>5</sup> 13F-14F, 333 Keelung Road, Sec.1 Taipei 110 Taiwan, Taiwan

<sup>6</sup> World Trade Center 1, Floor 8-9 Jalan Jenderal Sudirman Kavling 29-31 Jakarta 12920 Indonesia

The principal countries of operation are the same as the countries of incorporation except for HSBC Securities (Japan) Limited.

## 18 Interests in associates

	2019	2018
	US\$'000	US\$'000
Cost		
At 1 Jan	4,263	4,263
Additions	—	—
At 31 Dec	4,263	4,263

	Country of incorporation	Interest in equity capital (%)	Share class	Principal activity
HSBC (Malaysia) Trustee Berhad	Malaysia	20	Ordinary shares	Financial services

The country of incorporation is same as the principal place of business.

## 19 Accrued income

	2019	2018
	US\$'000	US\$'000
Accrued interest	1,051	1,245

Accrued Interest US\$1,051k is Interest receivable on Tier - 2 Subordinated loan for US\$75m to HBID for Q4 2019.

## 20 Amounts due to other group undertakings

	2019	2018
	US\$'000	US\$'000
Amounts due to parent undertaking	5	251
Amounts due to subsidiary undertaking	—	1,335
At 31 Dec	5	1,586

Amounts due to the immediate parent, The Hongkong Shanghai Banking Corporation Limited, is non-interest bearing and repayable on demand.

## HSBC Asia Pacific Holdings (UK) Limited

### 21 Maturity analysis of assets and liabilities

The following is an analysis of assets and liabilities by residual contractual maturities at the balance sheet date.

	On demand US\$'000	Due within 3 months US\$'000	Due between 3 - 12 months US\$'000	Due between 1 - 5 years US\$'000	Due after 5 years US\$'000	Undated US\$'000	Total US\$'000
<b>Assets</b>							
Loans and advances to other group undertakings	–	–	–	75,000	–	–	75,000
<b>At 31 Dec 2019</b>	–	–	–	75,000	–	–	75,000

	On demand US\$'000	Due within 3 months US\$'000	Due between 3 - 12 months US\$'000	Due between 1 - 5 years US\$'000	Due after 5 years US\$'000	Undated US\$'000	Total US\$'000
<b>Assets</b>							
Loans and advances to other group undertakings	–	–	–	75,000	–	–	75,000
<b>At 31 Dec 2018</b>	–	–	–	75,000	–	–	75,000

### 22 Called up share capital

#### Ordinary shares

	2019			2018		
	Number	£	US\$	Number	£	US\$
Issued, allotted and fully paid up						
Ordinary shares of £1 each	7	7	12	7	7	12
<b>As at 1 Jan and 31 Dec</b>	<b>7</b>	<b>7</b>	<b>12</b>	<b>7</b>	<b>7</b>	<b>12</b>

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

#### Redeemable preference shares

	2019		2018	
	Number	US\$'000	Number	US\$'000
Issued, allotted and fully paid up				
Redeemable preference shares of US\$100 each	2,200	220	2,200	220
<b>As at 31 Dec</b>	<b>2,200</b>	<b>220</b>	<b>2,200</b>	<b>220</b>

The holders of redeemable preference shares are entitled, in priority to the payment of any dividend to the holders of Ordinary Shares of the Company's share capital, to a non-cumulative, preferential dividend payable at such rate, on such dates and on such other terms and conditions as may be determined by the Company. There is no date fixed for redemption. As the Company has the sole discretion on the redemption of shares and the dividend payment, there is no contractual obligation to deliver cash or another financial asset to the holder of the shares.

#### Nature and purpose of reserves

##### Share premium

The application of the share premium is governed by Section 610 (2-3) of the Companies Act 2006.

##### Capital contribution reserve

The capital contribution reserve comprises the adjustment on non-interest bearing amounts due to the immediate parent company in prior years, which was recognised as an additional capital contribution from the immediate parent company.

##### Other reserve

The other reserves constitutes US\$2.5 billion transferred from share premium to other reserves in 2016. This was done to increase the distributable reserves of the Company.

#### Capital management

In line with HSBC Group's policy, the Company is to maintain a strong capital base to support the developments of its business. The Company recognises the impact on shareholder returns of the level of equity capital employed and seeks to maintain a prudent balance between the advantages and flexibility afforded by a strong capital position and the higher returns on equity.

An annual group capital plan is prepared and approved by the HSBC Group's Board. The Company manages its own capital within the context of the plan, which determines an appropriate amount and mix of capital required to support planned business growth. As part of HSBC's capital management policy, capital generated in excess of planned requirements is returned to shareholders, normally by way of dividends.

The principal forms of capital are included in the following balances on the Balance Sheet: called up share capital, share premium, capital contribution reserve, other reserves, and retained earnings. The Company is not subject to externally imposed capital requirements.

## 23 Capital commitments

	2019 US\$'000	2018 US\$'000
Expenditure contracted for	1,784	1,784

The capital commitments mainly relate to the commitment to increase the investment in a private equity fund.

## 24 Contingent liabilities, contractual commitments and guarantees

There were no contingent liabilities or financial guarantee contracts as at 31 December 2019 (2018: nil).

## 25 Management of financial risk

The Company has exposure to the following types of risk arising from its use of financial instruments: credit risk, liquidity risk, equity price risk and market risk. Market risk includes interest rate risk and foreign currency risk.

The management of all risks which are significant, together with the quantitative disclosures not already included elsewhere in the financial statements, is described in this note.

Exposure to credit risk, liquidity risk, equity price risk and market risk arises in the normal course of the Company's business. The Company's risk management policies are consistent with the HSBC Group's management policies.

### Credit risk management

Credit risk is the risk of financial loss if a customer or counterparty of the Company fails to meet a payment obligation under a contract. It arises principally from financial investments and loans and advances.

Credit risk of the Company rises mainly from balances due from subsidiaries or from other group companies. Management has a policy to monitor credit risks of these exposures on an ongoing basis. At the end of the reporting period, there was no significant credit risk. The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the balance sheet. No amounts were past due.

### Liquidity risk management

Liquidity risk is the risk that the Company does not have sufficient financial resources to meet obligations as they fall due or will have access to such resources only at an excessive cost. The risk arises from mismatches in the timing of cash flows.

The Company's policy is to regularly monitor its liquidity requirements and its compliance with lending covenants, including the terms of borrowings from other group entities, to ensure that it maintains sufficient reserves of cash, readily realisable marketable securities or committed lines of funding (from major financial institutions or other group companies) to satisfy its contractual and reasonably foreseeable obligations as they fall due.

The following is an analysis of undiscounted cash flows payable under various financial liabilities by remaining contractual maturities at the balance sheet date:

	Due between 3-12 months US\$'000	Undated US\$'000	Total US\$'000
Amounts due to immediate parent company	–	5	5
Other financial liabilities	75	–	75
<b>At 31 Dec 2019</b>	<b>75</b>	<b>5</b>	<b>80</b>
Amounts due to immediate parent company	–	251	251
Amounts due to subsidiary undertaking	–	1,335	1,335
Other financial liabilities	38	–	38
<b>At 31 Dec 2018</b>	<b>38</b>	<b>1,586</b>	<b>1,624</b>

### Market risk management

Market risk is the risk that movements in market factors including interest rates, foreign exchange rates or equity prices will impact the Company's income or the value of its portfolios.

The Company's objective is to manage and control market rate exposures while maintaining a market profile consistent with its risk appetite.

### Foreign exchange risk

The Company is exposed to foreign currency risk primarily through investments in Asia Pacific where the investment costs are denominated in foreign currencies other than the functional currency of the Company. The currencies giving rise to this risk are primarily Australian dollars, Korean Won, New Taiwan dollars, Indonesian Rupiah, Japanese Yen and Brunei dollars. The Company is exposed to changes in the fair value of its investments as a result of movement in exchange rates of the above currencies.

## HSBC Asia Pacific Holdings (UK) Limited

### Interest rate risk

	Profit or loss 100 bps increase US\$'000
<b>As at 31 Dec 2019</b>	
Profits after tax	750
Retained earnings	750
<b>As at 31 Dec 2018</b>	
Profits after tax	750
Retained earnings	750

The sensitivity analysis above has been determined assuming that the change in interest rates had occurred at the end of the reporting period and had been applied to the exposure to interest rate risk for financial instruments in existence at that date. The 100 basis points increase or decrease represents management's assessment of a reasonably possible change in interest rates over the period until the end of the next annual reporting period.

Cash and cash equivalents of the Company are subject to short term interest rate repricing and are not subject to significant interest rate risk. Other financial assets and liabilities are non-interest bearing.

### Equity price risk

The Company is exposed to equity price changes arising from the equity investment classified as an Financial assets mandatorily measured at fair value through profit or loss instrument (see Note 13). The investment is unquoted and is held for long term investment purposes. The performance of the investment is assessed quarterly based on the financial information on the equity instrument.

The following table indicates the approximate change in the Company's profit after tax (and retained profits) and other components of equity in response to reasonably possible changes in the net asset value of the equity instrument.

	2019		2018	
	Increase/(decrease) in the relevant risk variable	Effect on Profit or Loss	Increase/(decrease) in the relevant risk variable	Effect on Profit or Loss
	%	US\$'000	%	US\$'000
Net asset value in respect of unlisted investment	20	9	20	5
	(20)	(9)	(20)	(5)

The sensitivity analysis has been determined assuming that the reasonably possible changes in the net asset value had occurred at the end of the reporting period and had been applied to the exposure to equity price risk in existence at that date. It is also assumed that the fair value of the Company's equity investment would change in accordance with the net asset value. As a result a reasonably possible decrease in the net asset value with all other variables remaining constant, none of the Company's financial investment would be considered impaired. The stated changes represent management's assessment of reasonably possible changes in the net asset value over the period until the next annual reporting period. The analysis was performed on the same basis for 2018.

## 26 Related party transactions

### (a) Transactions with Directors and other Key Management Personnel

The Company's related parties include the parent, fellow subsidiaries, Key Management Personnel ("KMP"), close family members of KMP and entities which are controlled or jointly controlled by KMP or their close family members.

KMP are defined as those persons having authority and responsibility for planning, directing and controlling the activities of the Company. It includes members of the Board of Directors and senior management of the Company.

All members of KMP are directors of the Company. No remuneration was paid to KMP during the year ended 31 December 2019 for their role as directors of the Company as disclosed in Note 7 (2018: Nil).

Certain KMP of the Company received remuneration from group companies but no apportionment has been made to the Company (2018: Nil).

No Director of the Company has a material interest, directly or indirectly, in any significant transactions, arrangements and contracts in relation to the Company's business to which the Company was or is a party that subsisted at the end of the year or at any time during the year (2018: Nil)

There are no transactions which fail to be disclosed under IAS24 'Related party Disclosures' between the Company and the Key Management Personnel.

## HSBC Asia Pacific Holdings (UK) Limited

### (b) Transactions with other related parties

	Notes	2019 US\$'000	2018 US\$'000
<b>Assets</b>			
Cash and cash equivalents <sup>1</sup>	11	192,339	236,241
Loans and advances to other group undertakings <sup>3</sup>	14	75,000	75,000
Interest receivable <sup>3</sup>	19	1,051	1,245
Investments in subsidiaries <sup>4</sup>	17	3,494,085	3,511,081
Investments in associates <sup>5</sup>	18	4,263	4,263
<b>Total related party assets</b>		<b>3,766,738</b>	<b>3,827,830</b>
<b>Liabilities</b>			
Amounts due to other group undertakings <sup>2</sup>	20	5	1,586
<b>Total related party liabilities</b>		<b>5</b>	<b>1,586</b>

<sup>1</sup> These balances are with The Hongkong and Shanghai Banking Corporation Limited, the parent of the Company and other related parties comprising of other HSBC Group Companies which are neither a parent nor subsidiary of the Company.

<sup>2</sup> These balances are with The Hongkong and Shanghai Banking Corporation Limited, the parent company.

<sup>3</sup> These balances are with PT Bank Indonesia.

<sup>4</sup> This is investment in subsidiaries.

<sup>5</sup> This is investment in associate, HSBC Malaysia Trustee Berhad.

The above outstanding balances arose in the ordinary course of business and are on substantially the same terms, including interest rates and security, as for comparable transactions with third-party counter parties. Further explanations of material related party balances are below.

Investment in subsidiaries - Details of changes in investments in subsidiaries are set out in Note 17.

Investment in associates - Details of changes in investments in associates are set out in Note 18.

Amounts due from HSBC Undertakings - The Company received US\$0k (2018: US\$46,000) from the parent company during the year.

Amounts due to HSBC undertakings - The company paid US\$251k to the parent company during the year.

#### Other related party transactions

##### Share capital

During the year, no shares was allotted to the parent company (2018: 0). No amount was received from the share allotment (2018: £0).

##### Dividends received

The Company received dividends as follows

	2019 US\$'m	2018 US\$'m
HSBC Australia Holdings Pty Limited	115	94
HSBC Bank (Taiwan) Limited	142	78
HSBC Securities (Taiwan) Limited	2	2
HSBC Investment Services Korea Limited	–	3
HSBC Securities (Japan) Limited	14	18
HSBC (Malaysia) Trustee Berhad (KLT)	–	0.1
<b>Total Dividend</b>	<b>274</b>	<b>194</b>

##### Interest received

The Company received interest of US\$5.7mn (2018: US\$5mn) from PT Bank HSBC Indonesia (HBID) during the year.

## 27 Parent undertakings

The ultimate parent undertaking and ultimate controlling party is HSBC Holdings plc which is the parent undertaking of the largest group to consolidate these financial statements. Hongkong and Shanghai Banking Corporation Limited is the parent undertaking of the smallest group to consolidate these financial statements.

The immediate parent undertaking is Hongkong and Shanghai Banking Corporation Limited.

Copies of the financial statements of HSBC Holdings plc and Hongkong and Shanghai Banking Corporation Limited are available upon request from the following addresses:

HSBC Holdings plc  
8 Canada Square  
London E14 5HQ  
United Kingdom  
www.hsbc.com

Hongkong and Shanghai Banking Corporation Limited  
Level 32, HSBC Main Building  
1 Queen's Road Central  
Hong Kong  
www.hsbc.com.hk



## **28 Events after the balance sheet date**

In May 2020, the Board of HSBC Securities Japan Ltd ("IBJP"), a subsidiary of HSBC Asia Pacific Holdings (UK) Limited ("HAPH"), approved a capital reduction of USD99m (JPY11bn equivalent) by cancelling its issued share capital and converting it into a distributable reserve. IBJP declared dividend out of distributable reserves of an equivalent amount to the Company's sole shareholder, HAPH, in the same month. This dividend received by HAPH in June 2020 represents a reduction in its cost of investment in IBJP which has reduced from USD180m to USD81m in FY2020.

Since early January 2020, the COVID-19 outbreak has spread across the globe and has been classified by the World Health Organisation as a Pandemic. This is causing ongoing global disruption to business and economic activity, and is resulting in substantial and substantive government and central banks relief actions and support measures in many countries to protect their economies. Whilst it cannot be predicted how long the disruption will continue or the full extent of the impact on the Company and its customers, an assessment of the leasing arrangements and cash flows held by the Company has been performed by Management and it is considered that the COVID-19 outbreak is not expected to have a significant impact on the principal risks facing the Company.

The COVID-19 outbreak represents a non-adjusting post balance sheet event and therefore it remains appropriate that the measurement of the Company's assets and liabilities as at 31 December 2019 reflects only the conditions that existed at that date.

There are no other significant events after the balance sheet date.