

**THIS DOCUMENT AND ANY ACCOMPANYING DOCUMENTS ARE IMPORTANT AND REQUIRE YOUR IMMEDIATE ATTENTION.**

If you are in any doubt as to any aspect of the proposals referred to in this document or as to the action you should take, you are recommended to seek your own financial advice immediately from your stockbroker, bank manager, solicitor, accountant, fund manager or other appropriate independent financial adviser, duly authorised under FSMA if you are resident in the United Kingdom, or, if you are not, from another appropriately authorised independent financial adviser.

Subject to the restrictions set out below, if you have sold or otherwise transferred all of your Ordinary Shares (other than ex-rights) held in certificated form before 20 March 2009 in the case of Ordinary Shares held on the UK principal register (the "UK Ex-Rights Date") or before 12 March 2009 in the case of Ordinary Shares held on the Hong Kong branch register (the "HK Ex-Rights Date") or before 11 March 2009 in the case of Ordinary Shares held on the Bermuda branch register (the "Bermuda Ex-Rights Date"), please send this document, together with any Provisional Allotment Letter (if and when received), as soon as possible to the purchaser or transferee, or to the stockbroker, bank or other agent through whom the sale or transfer was effected, for onward delivery to the purchaser or transferee. This document and/or the Provisional Allotment Letter should not, however, be distributed, forwarded to or transmitted in, into or from any jurisdiction where to do so might constitute a violation of local securities laws or regulations, including, but not limited to (subject to certain exceptions as agreed with the Company and the Joint Global Coordinators), the Excluded Territories. Please refer to paragraphs 8 and 9 of Part VIII of this document if you propose to send this document and/or the Provisional Allotment Letter outside the United Kingdom, Hong Kong or Bermuda. If you have sold or otherwise transferred all or some of your Ordinary Shares (other than ex-rights) held in uncertificated form through CREST before the UK Ex-Rights Date, a claim transaction will automatically be generated by Euroclear UK which, on settlement, will transfer the appropriate number of Nil Paid Rights to the purchaser or transferee. If you have sold or otherwise transferred only part of your holding of Ordinary Shares (other than ex-rights) held in certificated form before the UK Ex-Rights Date, the HK Ex-Rights Date or the Bermuda Ex-Rights Date (as appropriate), please contact the stockbroker, bank or other agent through whom the sale or transfer was effected immediately. Instructions regarding split applications are set out in Part VIII of this document and in the Provisional Allotment Letter.

This document comprises a prospectus relating to HSBC and the Rights Issue, prepared in accordance with the Prospectus Rules. This document has been approved by the FSA in accordance with section 85 of FSMA. A copy of this document has been filed with the FSA in accordance with paragraph 3.2 of the Prospectus Rules. This document will be made available to the public in accordance with paragraph 3.2 of the Prospectus Rules by the same being made available at [www.hsbc.com/prospectus](http://www.hsbc.com/prospectus). This document can also be obtained on request from the Company's Receiving Agent, Computershare Investor Services PLC, from Computershare Hong Kong Investor Services Limited or from Corporate Shareholder Services, The Bank of Bermuda Limited. The Company has requested the FSA to provide a certificate of approval and a copy of this document to the relevant competent authority in France, Germany, Greece, Ireland, Malta, the Netherlands and Spain together, in the case of France, Germany, Greece and Spain, with a translation into the appropriate language of the summary contained in Part I of this document.



## **HSBC Holdings plc**

*(Incorporated as a public limited company in England with registered number 617987)*

### **5 for 12 Rights Issue of 5,060,239,065 New Ordinary Shares at 254 pence each**

#### **HSBC Bank plc**

Corporate Broker,  
Joint Global Coordinator  
and Joint Bookrunner

#### **Goldman Sachs International**

Sponsor and Corporate Broker,  
Joint Global Coordinator  
and Joint Bookrunner

#### **J.P. Morgan Cazenove**

Joint Global Coordinator  
and Joint Bookrunner

#### **Co-Bookrunners**

**BNP PARIBAS**

**Credit Suisse**

**RBS Hoare Govett**

#### **Senior Co-Lead Managers**

**Banca IMI**

**Citi**

**ING  
Wholesale Banking**

**Nomura  
International**

**Societe Generale  
Corporate & Investment  
Banking**

#### **Co-Lead Managers**

**BBVA**

**CALYON**

**CITIC Securities  
International  
Company Limited**

**Fox-Pitt Kelton**

**MEDIOBANCA**

**Morgan Stanley**

**NATIXIS**

**RBC**

**Scotia Capital**

**UBS Investment Bank**

**United Overseas Bank**

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**The Bermuda Stock Exchange takes no responsibility for the contents of this document, makes no representations as to its accuracy or completeness and expressly disclaims any liability whatsoever for any loss howsoever arising from or in reliance upon any part of the contents of this document.**

The Ordinary Shares have been admitted to the Official List, to trading on the London Stock Exchange's main market for listed securities and to listing on the Main Board of the Hong Kong Stock Exchange, Euronext Paris and the Bermuda Stock Exchange. The Ordinary Shares are also listed, and the ADSs are listed and traded, on the New York Stock Exchange. Applications have been made to the UK Listing Authority and to the London Stock Exchange for the New Ordinary Shares (nil and fully paid) to be admitted to the Official List and to trading on the London Stock Exchange's main market for listed securities respectively, to the Hong Kong Stock Exchange for listing of, and permission to deal in, the New Ordinary Shares (nil and fully paid) on the Main Board of the Hong Kong Stock Exchange, and to the New York Stock Exchange, Euronext Paris and the Bermuda Stock Exchange for listing of the New Ordinary Shares (fully paid). Application has also been made for the ADSs representing New Ordinary Shares to be listed and traded on the New York Stock Exchange.

It is expected that UK Admission will become effective and that dealings in the New Ordinary Shares, nil paid, will commence on the London Stock Exchange on 20 March 2009 and that HK Admission will become effective on 20 March 2009 and that dealings in the New Ordinary Shares, nil paid, will commence on the Main Board of the Hong Kong Stock Exchange on 23 March 2009.

**The distribution of this document and/or the Provisional Allotment Letter and/or the transfer of Nil Paid Rights, Fully Paid Rights and/or New Ordinary Shares into a jurisdiction other than the United Kingdom, Hong Kong or Bermuda may be restricted by law and therefore persons into whose possession this document and/or any related documents comes should inform themselves about and observe any such restrictions. Any failure to comply with any such restrictions may constitute a violation of the securities laws of any such jurisdictions. In particular, subject to certain exceptions as agreed with the Company and the Joint Global Coordinators, this document and the Provisional Allotment Letter should not be distributed, forwarded to or transmitted in, into or from any of the Excluded Territories.**

This document is intended only for use in connection with the Rights Issue outside the United States and is not to be given or sent, in whole or in part, to any person within the United States.

In the United States, the Rights Issue is being made pursuant to the US Prospectus. The US Prospectus is available on the SEC's website at <http://www.sec.gov>. If you have received this document and you are a US holder of Ordinary Shares or ADSs, you should have received a notice informing you of how to access the US Prospectus electronically; alternatively, you may contact the bank, broker or financial intermediary through which you hold your Ordinary Shares or ADSs to request a copy of the US Prospectus, or you may obtain a copy of the US Prospectus by calling BNY Mellon Shareowner Services on +1 866 208 3310.

**Your attention is drawn to the letter from the Chairman of HSBC which is set out in Part VI of this document. You should read the whole of this document and any documents incorporated herein by reference. Please refer to Part II of this document for a description of certain important factors, risks and uncertainties that may affect the HSBC Group's business, the Rights Issue and the New Ordinary Shares and which should be taken into account when considering whether to take up rights under the Rights Issue.**

**The latest time for acceptance and payment in full of entitlements under the Rights Issue in the UK is 11.00 a.m. (UK time), in Hong Kong is 4.00 p.m. (Hong Kong time) and in Bermuda is 11.00 a.m. (Bermuda time) on 3 April 2009. The procedure for acceptance and payment is set out in Part VIII of this document and, for Qualifying Non-CREST Shareholders, Qualifying Non-CCASS Shareholders and Qualifying Bermuda Shareholders, in each case other than (subject to certain exceptions as agreed with the Company and the Joint Global Coordinators) those with registered addresses in any of the Excluded Territories only, will also be set out in the Provisional Allotment Letter. Qualifying CREST Shareholders should refer to paragraph 3.2, and Qualifying CCASS Shareholders should refer to paragraph 4.2, of Part VIII of this document.**

The Rights Issue is conditional upon, amongst other things, the passing, without material amendment, of the Resolutions at the General Meeting and UK Admission having become effective by not later than 8.00 a.m. on 20 March 2009 (or such later time and date (being not later than 27 March 2009) as certain of the parties to the Underwriting Agreement may agree). If the conditions to the Rights Issue are not fulfilled or the Underwriting Agreement is terminated prior to UK Admission, the Rights Issue will not proceed. Shareholders and prospective investors should note that any persons who deal in the Ordinary Shares in Bermuda from the Bermuda Ex-Rights Date and in Hong Kong from the HK Ex-Rights Date up until the time that UK Admission occurs bear the risk that the Rights Issue may not proceed. Shareholders and prospective investors should also note that the prices for those Ordinary Shares which are traded on an "ex-rights" basis may not be directly comparable with the prices for those Ordinary Shares which are still traded "cum-rights".

Subject to the passing of the Resolutions, it is expected that Qualifying Non-CREST Shareholders, Qualifying Non-CCASS Shareholders and Qualifying Bermuda Shareholders, other than (subject to certain exceptions as agreed with the Company and the Joint Global Coordinators) those with registered addresses in any of the Excluded Territories, will be sent a Provisional Allotment Letter on 19 March 2009, and that Qualifying CREST Shareholders and Qualifying CCASS Shareholders will receive a credit to their appropriate stock accounts in CREST and CCASS in respect of the Nil Paid Rights to which they are entitled on 20 March 2009 and 23 March 2009, respectively. The Nil Paid Rights credited to stock accounts in CREST are expected to be enabled for settlement by Euroclear UK as soon as practicable after UK Admission.

In making an investment decision, each investor must rely on their own examination, analysis and enquiry of the Company and the terms of the Rights Issue, including the merits and risks involved. None of the Company, the other Banks or United Overseas Bank Limited, or any of their respective representatives, is making any representation to any offeree or acquirer of the Nil Paid Rights, Fully Paid Rights or New Ordinary Shares regarding the legality of an investment in the Nil Paid Rights, Fully Paid Rights or New Ordinary Shares by such offeree or acquirer under the laws applicable to such offeree or acquirer. Each investor should consult with his or her own advisers as to the legal, tax, business, financial and related aspects of an acquisition of the Nil Paid Rights, Fully Paid Rights or New Ordinary Shares.

Apart from the responsibilities and liabilities, if any, which may be imposed on Goldman Sachs International, J.P. Morgan Cazenove, J.P. Morgan, HSBC Bank plc, any of the other Banks or United Overseas Bank Limited by FSMA or the regulatory regime established thereunder, none of Goldman Sachs International, J.P. Morgan Cazenove, J.P. Morgan, HSBC Bank plc, any of the other Banks or United Overseas Bank Limited, or any person

affiliated with them, accept any responsibility whatsoever and make no representation or warranty, express or implied, in respect of the contents of this document including its accuracy or completeness or for any other statement made or purported to be made by any of them, or on behalf of them, in connection with the Company, the Nil Paid Rights, the Fully Paid Rights, the New Ordinary Shares or the Rights Issue and nothing in this document is or shall be relied upon as a promise or representation in this respect, whether as to the past or future. Goldman Sachs International, J.P. Morgan Cazenove, J.P. Morgan, HSBC Bank plc, the other Banks and United Overseas Bank Limited accordingly disclaim all and any liability whatsoever, whether arising in tort, contract or otherwise (save as referred to above) which any of them might otherwise have in respect of this document.

Goldman Sachs International, J.P. Morgan Cazenove, J.P. Morgan, HSBC Bank plc, the other Banks and United Overseas Bank Limited are acting for HSBC and are acting for no one else in connection with the Rights Issue and will not regard any other person (whether or not a recipient of this document) as a client in relation to the Rights Issue and will not be responsible to anyone other than HSBC for providing the protections afforded to their respective clients, nor for providing advice in connection with the Rights Issue or any other matter, transaction or arrangement referred to herein.

The Underwriters and any of their respective affiliates may, in accordance with applicable legal and regulatory provisions and subject to the Underwriting Agreement, engage in transactions in relation to the Nil Paid Rights, the Fully Paid Rights, the New Ordinary Shares, the Ordinary Shares and/or related instruments for their own account for the purpose of hedging their underwriting exposure or otherwise. Except as required by applicable law or regulation, the Underwriters do not propose to make any public disclosure in relation to such transactions.

**EXCEPT AS OTHERWISE SET OUT HEREIN, THE RIGHTS ISSUE DESCRIBED IN THIS DOCUMENT IS NOT BEING MADE TO SHAREHOLDERS OR INVESTORS IN THE EXCLUDED TERRITORIES.** This document does not constitute or form part of any offer or invitation to sell or issue, or any solicitation of any offer to acquire, Nil Paid Rights, Fully Paid Rights or New Ordinary Shares or to take up any entitlements to Nil Paid Rights in any jurisdiction in which such an offer or solicitation is unlawful. None of the Nil Paid Rights, the Fully Paid Rights, the Provisional Allotment Letter or the New Ordinary Shares will be registered under the securities laws of any of the Excluded Territories and none of the Nil Paid Rights, the Fully Paid Rights, the New Ordinary Shares or the Provisional Allotment Letter will qualify for distribution under any of the relevant securities laws of any of the Excluded Territories (other than pursuant to any applicable exceptions as agreed with the Company and the Joint Global Coordinators). Accordingly, the Nil Paid Rights, the Fully Paid Rights and the New Ordinary Shares may not be offered, sold, pledged, taken up, exercised, resold, renounced, transferred or delivered, directly or indirectly, into or within any of the Excluded Territories (other than pursuant to any applicable exceptions as agreed with the Company and the Joint Global Coordinators).

Shareholders with registered addresses in any of the Excluded Territories are referred to paragraph 8 of Part VIII of this document.

None of the Nil Paid Rights, the Fully Paid Rights and the New Ordinary Shares have been approved or disapproved by the SEC, any state securities commission in the United States or any other US regulatory authority, nor have any of the foregoing authorities passed upon or endorsed the merits of the offering of the Nil Paid Rights, the Fully Paid Rights or the New Ordinary Shares or the accuracy or adequacy of this document. Any representation to the contrary is a criminal offence in the United States.

Any reproduction or distribution of this document, in whole or in part, and any disclosure of its contents or use of any information for any purposes other than in considering an acquisition of Nil Paid Rights, Fully Paid Rights or New Ordinary Shares is prohibited, except to the extent such information is otherwise publicly available. By accepting delivery of this document, each offeree of the Nil Paid Rights, the Fully Paid Rights and/or the New Ordinary Shares agrees to the foregoing.

The contents of this document are not to be construed as legal, business or tax advice. Each Shareholder and/or prospective investor should consult his/her own legal adviser, financial adviser or tax adviser for legal, financial or tax advice.

This document has been prepared in accordance with the Prospectus Rules, the Hong Kong Listing Rules, the Companies Ordinance and the Listing Rules of the Bermuda Stock Exchange.

A copy of each of this document and the Provisional Allotment Letter, having attached thereto the documents specified in Part XIX of this document, have been registered with the Registrar of Companies in Hong Kong as required by section 342C of the Companies Ordinance. The Registrar of Companies in Hong Kong and the Securities and Futures Commission of Hong Kong take no responsibility for the contents of any of these documents.

This document will not be posted to Qualifying Shareholders but is available on the Company's website at [www.hsbc.com/prospectus](http://www.hsbc.com/prospectus), except that Qualifying Shareholders on the Hong Kong branch register (other than those who have agreed or are taken to have agreed to receive corporate communications by electronic means) will

receive a printed copy of the Prospectus and Qualifying Shareholders and ADS Holders in the United States will receive a notice informing them how to access the US Prospectus electronically. Certain information in relation to the Company is incorporated by reference into this document; see Part XVII of this document.

Capitalised terms in this document have the meanings ascribed to them in Part XVIII of this document.

References to times in this document are to UK times, unless otherwise specified.

Shareholders may at any time choose to receive corporate communications in printed form or to receive a notification of their availability on HSBC's website. To receive future notifications of a corporate communication's availability on HSBC's website by email, or revoke or amend an instruction to receive such notifications by email, go to [www.hsbc.com/ecomms](http://www.hsbc.com/ecomms). If you would like to receive a printed copy of this document or would like to receive future corporate communications in printed form, please write to or email (quoting your Shareholder Reference Number) the appropriate Registrars at the address given below. Printed copies will be provided without charge. Further copies of this document and a Chinese translation of this and future documents may be obtained from the Registrars: Computershare Investor Services PLC, PO Box 1064, The Pavilions, Bridgwater Road, Bristol, BS99 3FA, United Kingdom ([web.queries@computershare.co.uk](mailto:web.queries@computershare.co.uk)); Computershare Hong Kong Investor Services Limited, Hopewell Centre, Rooms 1712-1716, 17th Floor, 183 Queen's Road East, Hong Kong ([hsbc.ecom@computershare.com.hk](mailto:hsbc.ecom@computershare.com.hk)); or Corporate Shareholder Services, The Bank of Bermuda Limited, 6 Front Street, Hamilton HM 11, Bermuda ([bob.bda.shareholder.services@bob.hsbc.com](mailto:bob.bda.shareholder.services@bob.hsbc.com)).

股東可隨時選擇收取公司通訊的印刷本，或收取有關公司通訊已上載於滙豐網站的電郵通知。倘閣下希望日後收取上述電郵通知，或擬撤銷或修改收取該等電郵通知的指示，請登入 [www.hsbc.com/ecomms](http://www.hsbc.com/ecomms)。倘閣下希望收到本文件的印刷本，或希望日後收取公司通訊的印刷本，請按下文所示的地址致函或電郵((註明閣下的股東參考編號)有關股份登記處，免費索取有關印刷本。如需索取本文件及日後本公司文件的印刷本及中文譯本，可聯絡有關股份登記處：Computershare Investor Services PLC，地址為 PO Box 1064, The Pavilions, Bridgwater Road, Bristol, BS99 3FA, United Kingdom ([web.queries@computershare.co.uk](mailto:web.queries@computershare.co.uk))；或香港中央證券登記有限公司，地址為香港皇后大道東183號合和中心17樓1712-1716室 ([hsbc.ecom@computershare.com.hk](mailto:hsbc.ecom@computershare.com.hk))；或 Corporate Shareholder Services, The Bank of Bermuda Limited，地址為 6 Front Street, Hamilton HM 11, Bermuda ([bob.bda.shareholder.services@bob.hsbc.com](mailto:bob.bda.shareholder.services@bob.hsbc.com))。

### **Notice to investors in Argentina**

No application has been made, or will be made, to obtain an authorisation from the Comisión Nacional de Valores (“CNV”) for the public offering of any of the securities relating to the Rights Issue in Argentina. The CNV has not approved the issuance of any securities relating thereto, their offering nor any document relating to such issuance, offering or proxy solicitation. The Banks have agreed that they have not offered or sold, and will not offer or sell, any of such securities in Argentina, except in transactions that will not constitute a public offering of securities within the meaning of section 16 of the Argentine Public Offering Law N° 17,811 (as amended).

### **Notice to investors in Australia**

This document does not constitute a disclosure document under Part 6D.2 of the Corporations Act 2001 of the Commonwealth of Australia (the “Corporations Act 2001 (Cth)”). Accordingly, this document does not necessarily contain all of the information a prospective investor would expect to be contained in an offering document or which he/she may require to make an investment decision. The offer to which this document relates is being made in Australia in reliance on Class Order 00/183 issued by the Australian Securities and Investments Commission in July 2007. This document only constitutes an offer in Australia for sale of the Nil Paid Rights, Fully Paid Rights and New Ordinary Shares to persons who are recorded as holders of Ordinary Shares on the relevant Record Date.

As any offer for the issue of the Nil Paid Rights, Fully Paid Rights and New Ordinary Shares under this document will be made without disclosure in Australia under Part 6D.2, the offer of those Nil Paid Rights, Fully Paid Rights and New Ordinary Shares for resale in Australia within 12 months of their sale may, under section 707(3) of the Corporations Act 2001 (Cth), require disclosure to investors under Part 6D.2 if none of the exemptions in section 708 of the Corporations Act 2001 (Cth) apply to that resale.

This document is intended to provide general information only and has been prepared by the Company without taking into account any particular person's objectives, financial situation or needs. Recipients should, before acting on this information, consider the appropriateness of this information having regard to their personal objectives, financial situation or needs. Recipients should review and consider the contents of this document and obtain financial advice (or other appropriate professional advice) specific to their situation before making any decision to accept the offer of the Nil Paid Rights, Fully Paid Rights and/or New Ordinary Shares.

## **Notice to investors in Brazil**

The Rights Issue does not constitute a public offer in Brazil. This document has not been filed or registered with the Brazilian Securities Commission, or *Comissão de Valores Mobiliários*. The New Ordinary Shares (either nil paid or fully paid) will not be publicly traded in Brazil.

## **Notice to investors in the European Economic Area**

In relation to each member state of the European Economic Area which has implemented the Prospectus Directive (each, a “relevant member state”) (except for the UK), with effect from and including the date on which the Prospectus Directive was implemented in that relevant member state (the “relevant implementation date”) no Nil Paid Rights, Fully Paid Rights or New Ordinary Shares have been offered or will be offered pursuant to the Rights Issue to the public in that relevant member state prior to the publication of a prospectus in relation to the Nil Paid Rights, Fully Paid Rights and New Ordinary Shares which has been approved by the competent authority in that relevant member state or, where appropriate, approved in another relevant member state and notified to the competent authority in the relevant member state, all in accordance with the Prospectus Directive, except that with effect from and including the relevant implementation date, offers of Nil Paid Rights, Fully Paid Rights or New Ordinary Shares may be made to the public in that relevant member state at any time:

- (a) to legal entities which are authorised or regulated to operate in the financial markets or, if not so authorised or regulated, whose corporate purpose is solely to invest in securities;
- (b) to any legal entity which has two or more of: (i) an average of at least 250 employees during the last financial year; (ii) a total balance sheet of more than €43 million; and (iii) an annual net turnover of more than €50 million, as shown in its last annual or consolidated accounts; or
- (c) in any other circumstances falling within Article 3(2) of the Prospectus Directive, provided that no such offer of Nil Paid Rights, Fully Paid Rights or New Ordinary Shares shall result in a requirement for the publication by the Company or any Bank of a prospectus pursuant to Article 3 of the Prospectus Directive.

For this purpose, the expression “an offer of any Nil Paid Rights, Fully Paid Rights or New Ordinary Shares to the public” in relation to any Nil Paid Rights, Fully Paid Rights or New Ordinary Shares in any relevant member state means the communication in any form and by any means of sufficient information on the terms of the Rights Issue and any Nil Paid Rights, Fully Paid Rights or New Ordinary Shares to be offered so as to enable an investor to decide to acquire any Nil Paid Rights, Fully Paid Rights or New Ordinary Shares, as the same may be varied in that relevant member state by any measure implementing the Prospectus Directive in that relevant member state.

In the case of any Nil Paid Rights, Fully Paid Rights or New Ordinary Shares being offered to a financial intermediary as that term is used in Article 3(2) of the Prospectus Directive, such financial intermediary will also be deemed to have represented, acknowledged and agreed that the Nil Paid Rights, Fully Paid Rights and New Ordinary Shares acquired by it in the Rights Issue have not been acquired on a non-discretionary basis on behalf of, nor have they been acquired with a view to their offer or resale to, persons in circumstances which may give rise to an offer of any Nil Paid Rights, Fully Paid Rights or New Ordinary Shares to the public other than their offer or resale in a relevant member state to qualified investors as defined in the Prospectus Directive or in circumstances in which the prior consent of the Company and the Joint Global Coordinators has been obtained to each such proposed offer or resale.

For the purposes of this provision, the expression “Prospectus Directive” means Directive 2003/71/EC and includes any relevant implementing measure in each relevant member state.

## **Notice to investors in India**

The New Ordinary Shares are being offered or sold in India to existing Shareholders who are resident in India (“Existing Indian Resident Shareholders”) on a rights basis in proportion to the Ordinary Shares held by them in the Company (“Rights Entitlement”). Investment in, or the transfer of, the Nil Paid Rights, Fully Paid Rights or New Ordinary Shares by the Existing Indian Resident Shareholders will be subject to compliance with the Foreign Exchange Management (Transfer or Issue of any Foreign Security) Regulations, 2004 and the Master Circular on Direct Investment by Residents in Joint Venture / Wholly Owned Subsidiary Abroad dated 1 July 2008 (RBI/2008-09/14 Master Circular No. 01/2008-09) issued by the Reserve Bank of India. Where the Existing Indian Resident Shareholders decline to acquire New Ordinary Shares or renounce their Rights Entitlement, the Company will not allot the unacquired New Ordinary Shares to persons resident in India. A copy of this document has been delivered to the Registrar of Companies for registration pursuant to section 605 of the Indian Companies Act, 1956.

### **Notice to investors in Malaysia**

This document has not been and will not be registered as a prospectus with the Malaysian Securities Commission (“SC”) under the Capital Markets and Services Act 2007 (“CMSA”). However, this document will be deposited as an information memorandum with the SC within 7 days after the issue of this document. Accordingly, this document and any other document or material in connection with the issue or offer for sale, or invitation for acquisition of the Nil Paid Rights, Fully Paid Rights and New Ordinary Shares shall not be circulated nor distributed, nor may the Nil Paid Rights, Fully Paid Rights and New Ordinary Shares be issued, offered or sold, or be made subject of an invitation for acquisition, whether directly or indirectly, to any person in Malaysia, other than to the persons specified in sections 229(l)(b) or 230(l)(b) or schedules 6 or 7 of the CMSA.

The approval of the SC has not been sought and, consequently, the Nil Paid Rights, Fully Paid Rights and New Ordinary Shares may not be made available, or offered for acquisition, nor may any invitation to acquire the Nil Paid Rights, Fully Paid Rights and New Ordinary Shares, whether directly or indirectly, be issued to any person in Malaysia unless such issue, offer or invitation is exempted from the requirement for the approval of the SC by virtue of schedule 5 to the CMSA.

### **Notice to investors in New Zealand**

This document is not a New Zealand prospectus nor an investment statement and has not been registered, filed with or approved by any New Zealand regulatory authority under or in accordance with the Securities Act 1978 (or any other relevant New Zealand law). This document may not contain all the information that an investment statement or prospectus prepared under New Zealand law is required to contain. The Nil Paid Rights, Fully Paid Rights and New Ordinary Shares are offered to the public of New Zealand under this document in reliance on the Securities Act (Overseas Companies) Exemption Notice 2002 (New Zealand).

### **Notice to investors in the PRC**

In order to comply with PRC law, Provisional Allotment Letters sent to Qualifying Shareholders with registered addresses in the PRC will not be renounceable. If a Shareholder resident in the PRC and/or any other PRC resident (including both individuals and companies) wishes to invest in any Nil Paid Rights, Fully Paid Rights or New Ordinary Shares, it shall be responsible for complying with relevant laws of the PRC. The Company will not be responsible for verifying the PRC legal qualification of such Shareholder and/or resident, thus, should the Company suffer any losses and damages due to non-compliance with the relevant laws of the PRC by any such Shareholder and/or resident, the Shareholder and/or other resident shall be responsible to compensate the Company for the same. The Company shall not be obliged to issue the Nil Paid Rights, Fully Paid Rights or New Ordinary Shares to any such Shareholder and/or other resident, if in the Company’s absolute discretion issuing the Nil Paid Rights, Fully Paid Rights or New Ordinary Shares to them does not comply with the relevant laws of the PRC.

### **Notice to investors in Singapore**

This document has not been registered as a prospectus with the Monetary Authority of Singapore. Accordingly, this document and any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of (A) the Nil Paid Rights, Fully Paid Rights or New Ordinary Shares may not be circulated or distributed, nor may the Nil Paid Rights, Fully Paid Rights or New Ordinary Shares be offered or sold, or be made the subject of an invitation for subscription or purchase, whether directly or indirectly, to persons in Singapore other than existing holders of Ordinary Shares pursuant to Section 273(1)(cd) of the Securities and Futures Act, Chapter 289 of Singapore (the “SFA”) and (B) New Ordinary Shares may not be circulated or distributed, nor may New Ordinary Shares be offered or sold, or be made the subject of an invitation for subscription or purchase, whether directly or indirectly, to persons in Singapore other than to an institutional investor pursuant to Section 274 of the SFA or to a relevant person pursuant to Section 275(1) or any person pursuant to Section 275(1A), and in accordance with the conditions specified in Section 275 of the SFA.

In addition, (A) the Nil Paid Rights, Fully Paid Rights or New Ordinary Shares that are subscribed or purchased by an existing shareholder of Ordinary Shares pursuant to Section 273(1)(cd) of the SFA and (B) New Ordinary Shares that are subscribed or purchased by an institutional investor pursuant to Section 274 of the SFA or a relevant person pursuant to Section 275(1) of the SFA or any person pursuant to Section 275(1A) of the SFA, may only be offered or sold (i) to an institutional investor under Section 274 of the SFA, (ii) to a relevant person pursuant to Section 275(1) of the SFA or any person pursuant to Section 275(1A) of the SFA, and in accordance with the conditions specified in Section 275 of the SFA, or (iii) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA.

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

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

shares, debentures and units of shares and debentures of that corporation or the beneficiaries' rights and interest (howsoever described) in that trust shall not be transferred within 6 months after that corporation or that trust has acquired New Ordinary Shares pursuant to an offer made under Section 275 of the SFA except:

- (1) to an institutional investor (for corporations, under Section 274 of the SFA) or to a relevant person defined in Section 275(2) of the SFA, or to any person pursuant to an offer that is made on terms that such shares, debentures and units of shares and debentures of that corporation or such rights and interest in that trust are acquired at a consideration of not less than S\$200,000 (or its equivalent in a foreign currency) for each transaction, whether such amount is to be paid for in cash or by exchange of securities or other assets, and further for corporations, in accordance with the conditions specified in Section 275 of the SFA;
- (2) where no consideration is or will be given for the transfer; or
- (3) where the transfer is by operation of law.

#### **Notice to investors in South Africa**

In order to comply with South African law, Provisional Allotment Letters sent to Qualifying Shareholders with registered addresses in South Africa will not be renounceable. Qualifying Shareholders with registered addresses in South Africa should note that they may require the approval of the South African exchange control authorities if they wish to take up their entitlements. Such persons should consult their professional advisers as to whether they require any governmental or other consents or need to observe any other formalities to enable them to take up their rights.

#### **Notice to investors in Taiwan**

In order to comply with Taiwanese law, Provisional Allotment Letters sent to Qualifying Shareholders with registered addresses in Taiwan will not be renounceable. The Nil Paid Rights, Fully Paid Rights and New Ordinary Shares have not been and will not be registered with the Financial Supervisory Commission ("FSC") of Taiwan pursuant to relevant securities laws and regulations of Taiwan and may not be offered or sold in Taiwan in the event that any such offer or sale would constitute an offer as defined under the Securities and Exchange Act of Taiwan and require the registration thereof or report thereon with or to the FSC. No individual or entity in Taiwan has been authorised to offer, sell or otherwise advise on the offer or sale of the Nil Paid Rights, Fully Paid Rights and New Ordinary Shares in Taiwan.

**Dated 17 March 2009**

## WHERE TO FIND HELP

If you have questions in relation to the Rights Issue, please telephone the relevant Shareholder Helpline on the number set out below. The UK helpline is available from 8.30 a.m. to 5.30 p.m. (UK time) Monday to Friday (other than public holidays) and will remain open until 28 April 2009, the Hong Kong helpline is available from 9.00 a.m. to 6.00 p.m. (Hong Kong time) on any HK Business Day and will remain open until 28 April 2009 and the Bermuda helpline is available from 9.00 a.m. to 5.00 p.m. (Bermuda time) Monday to Friday (other than public holidays) and will remain open until 28 April 2009.

### **Shareholder Helpline telephone numbers:**

**0870 702 0137 (from within the UK) or +44 870 702 0137 (from outside the UK)**  
**or 2862 8699 (from within Hong Kong) or +852 2862 8699 (from outside Hong Kong)**  
**or 299 6737 (from within Bermuda) or +1 441 299 6737 (from outside Bermuda)**

*Please note that, for legal reasons, the Shareholder Helpline will only be able to provide information contained in the Circular to Shareholders, this document and information relating to HSBC's register of members and will be unable to give advice on the merits of the Rights Issue or to provide financial, legal, tax or investment advice.*

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## PART I

### SUMMARY

THE FOLLOWING SUMMARY INFORMATION SHOULD BE READ AS AN INTRODUCTION TO, AND IN CONJUNCTION WITH, THE FULL TEXT OF THIS DOCUMENT.

*Any investment decision relating to the Rights Issue should be based on a consideration of this document as a whole, including the documents incorporated by reference, and not solely this summarised information. Investors should therefore read this entire document and not rely solely on this summary. Civil liability attaches to those persons who are responsible for this summary (including any translation of this summary), but only if this summary is misleading, inaccurate or inconsistent when read together with other parts of this document (including information incorporated by reference herein). Where a claim relating to the information contained in, or incorporated by reference into, this document is brought before a court in a member state of the European Economic Area, the claimant may, under the national legislation of the member state where the claim is brought, be required to bear the costs of translating this document before the legal proceedings are initiated.*

#### 1 Background to and reasons for the Rights Issue

HSBC proposes to raise approximately £12.5 billion (US\$17.7 billion) (net of expenses) by way of a fully underwritten Rights Issue of 5,060,239,065 New Ordinary Shares at 254 pence per share on the basis of 5 New Ordinary Shares for every 12 Existing Ordinary Shares.

HSBC has long maintained a culture of responsibility and conservative risk management which have combined to produce a strong financial position which has enabled it to create valued long-term relationships with customers. These fundamental beliefs are deeply rooted in HSBC's character. The key elements of financial strength are a strong capital base coupled with sustainable and stable funding sources, and in particular a strong and growing deposit base. Those strengths have served HSBC well over the years.

HSBC however today faces unprecedented turmoil in the economic and financial environment, with major uncertainties ahead. The current global economic downturn, combined with extreme volatility in financial markets, means that the financial system remains under stress. Over the past 12 months, many of HSBC's competitors have received significant government capital injections or have raised capital from shareholders and other investors. Higher regulatory capital requirements, in part from the effect of the economic downturn on capital requirements under the Basel II regime, as well as changing market sentiment on appropriate levels of leverage, have also raised expectations regarding capital levels. While HSBC has maintained strong capital ratios, it is now raising the top of its target range for the tier 1 ratio so that the range will be from 7.5 per cent to 10 per cent. The Rights Issue will add 150 basis points to HSBC's capital ratios, strengthening the core equity tier 1 ratio to 8.5 per cent and the tier 1 ratio to 9.8 per cent, in each case on a pro forma basis as at 31 December 2008. The Board is determined that HSBC should maintain its signature financial strength.

Planned internal capital generation remains strong and this capital raising will enhance HSBC's ability to deal with the impact of an uncertain economic environment and to respond to unforeseen events. Importantly, it will also give HSBC options regarding opportunities which the Board believes will present themselves to those with superior financial strength. These may involve organic investment in the continued taking of market share from more capital constrained competitors. There may also be opportunities to grow through targeted acquisitions, by taking advantage of attractive valuations where the opportunities in question align with HSBC's strategy and the risks are understood.

During a period of global financial turmoil, HSBC's business model, the broad base of its earnings, its distinctive character and its brand mean that HSBC remains one of the strongest international banks.

The Board believes that the Rights Issue is in the best interests of Shareholders, helping HSBC strengthen its competitive positioning so that HSBC can better deliver sustained value over time.

The Rights Issue is fully underwritten by Goldman Sachs International, J.P. Morgan and the other Underwriters, subject to the terms and conditions of the Underwriting Agreement.

#### 2 Principal terms and conditions of the Rights Issue

The Company is proposing to offer 5,060,239,065 New Ordinary Shares by way of rights to all Qualifying Shareholders (other than, subject to certain exceptions as agreed with the Company and the Joint Global Coordinators, Qualifying Shareholders with registered addresses in, or who are otherwise known to be residents of, any of the Excluded Territories) on the following basis and otherwise on the terms and conditions set out in this document:

#### 5 New Ordinary Shares for every 12 Existing Ordinary Shares

held and registered in their name on the Record Date. Entitlements to New Ordinary Shares will be rounded down to the nearest whole number. Fractions of New Ordinary Shares will not be allotted to any Qualifying Shareholders but will be aggregated and sold in the market and an equivalent amount will accrue for the ultimate benefit of the Company. The New Ordinary Shares, when issued and fully paid, will rank for all dividends declared, made or paid after the date of allotment and issue of the New Ordinary Shares (except in respect of the fourth interim dividend of US\$0.10 per Ordinary Share for the financial year ended 31 December 2008 declared by the Company on 2 March 2009 as the New Ordinary Shares are being issued after the record date for this dividend) and otherwise *pari passu* with the Existing Ordinary Shares.

The Issue Price for Shareholders on the UK principal register is 254 pence per New Ordinary Share. The Issue Price for Shareholders on the Hong Kong branch register is HK\$28.00 per New Ordinary Share and for Shareholders on the Bermuda branch register is US\$3.61 per New Ordinary Share, calculated by reference to the £ : HK\$ exchange rate of £1 : HK\$11.0236 and the £ : US\$ exchange rate of £1 : US\$1.42145 respectively, in each case at approximately 3.00 p.m. (UK time) on 27 February 2009, as published by Bloomberg.

The Issue Price for Shareholders on the UK principal register of 254 pence per New Ordinary Share represents a discount of approximately 47.5 per cent to the Closing Price of an Ordinary Share of 484.21 pence on 27 February 2009 (being the last Business Day prior to the announcement of the Rights Issue) and a 39.0 per cent discount to the theoretical ex-rights price based on that Closing Price, in each case adjusted for the fact that the New Ordinary Shares will not rank for the fourth interim dividend in respect of the financial year ended 31 December 2008 of US\$0.10 per Ordinary Share. The unadjusted Closing Price of an Ordinary Share on 27 February 2009 was 491.25 pence.

The Issue Price for Shareholders on the Hong Kong branch register of HK\$28.00 per New Ordinary Share represents a discount of approximately 50.2 per cent to the closing price on the Hong Kong Stock Exchange of an Ordinary Share of HK\$56.17 on 27 February 2009 (being the last Business Day prior to the announcement of the Rights Issue), adjusted for the fact that the New Ordinary Shares will not rank for the fourth interim dividend in respect of the financial year ended 31 December 2008 of US\$0.10 per Ordinary Share. The unadjusted closing price on the Hong Kong Stock Exchange of an Ordinary Share on 27 February 2009 was HK\$56.95.

The completion of the Rights Issue will result in 5,060,239,065 New Ordinary Shares being issued (representing approximately 41.7 per cent of the existing issued ordinary share capital of the Company as at 27 February 2009 (being the latest practicable date prior to the publication of the Circular to Shareholders) and 29.4 per cent of the Enlarged Share Capital immediately following completion of the Rights Issue). Qualifying Shareholders who take up their *pro rata* entitlement in full will suffer no dilution to their interests in the Company. If a Qualifying Shareholder does not take up any of his/her entitlement under the Rights Issue, his/her proportionate shareholding will be diluted by 29.4 per cent.

Applications have been made to the UK Listing Authority and to the London Stock Exchange for the New Ordinary Shares (nil and fully paid) to be admitted to the Official List and to trading on the London Stock Exchange's main market for listed securities respectively, to the Hong Kong Stock Exchange for listing of, and permission to deal in, the New Ordinary Shares (nil and fully paid) on the Main Board of the Hong Kong Stock Exchange, and to the New York Stock Exchange, Euronext Paris and the Bermuda Stock Exchange for listing of the New Ordinary Shares (fully paid). Application has also been made for the ADSs representing New Ordinary Shares to be listed and traded on the New York Stock Exchange. It is expected that UK Admission will become effective and that dealings in the New Ordinary Shares, nil paid, will commence on the London Stock Exchange at 8.00 a.m. on 20 March 2009. It is also expected that HK Admission will become effective at 9.30 a.m. (Hong Kong time) on 20 March 2009 and that dealings in the New Ordinary Shares, nil paid, will commence on the Main Board of the Hong Kong Stock Exchange at 9.30 a.m. (Hong Kong time) on 23 March 2009.

The Rights Issue is conditional, amongst other things, upon:

- the Underwriting Agreement having become unconditional in all respects save for the condition relating to UK Admission and not having been terminated in accordance with its terms;
- UK Admission becoming effective by not later than 8.00 a.m. on 20 March 2009 (or such later time and date (being not later than 27 March 2009) as certain of the parties to the Underwriting Agreement may agree); and
- the passing, without material amendment, of the Resolutions.

**The latest time and date for acceptance and payment in full under the Rights Issue is expected to be 11.00 a.m. (UK time) in the UK, 4.00 p.m. (Hong Kong time) in Hong Kong and 11.00 a.m. (Bermuda time) in Bermuda on 3 April 2009.**

### **3 Dividends**

The Board intends to continue to pay quarterly interim dividends on the Ordinary Shares, with a pattern of three equal interim dividends with a variable fourth interim dividend. The level of dividends per Ordinary Share in future while reflecting the long-term growth of HSBC's business will depend upon, among other things, expected future earnings, prevailing business conditions and capital requirements. It is envisaged that the first interim dividend in respect of 2009 will be US\$0.08 per Ordinary Share. The Board has rebased the envisaged dividend per share for the first three interim dividends in respect of 2009 to reflect the impact of the foregoing factors and the impact of the enlarged ordinary share capital resulting from the Rights Issue.

### **4 Current trading and prospects**

On 2 March 2009, HSBC published its 2008 Annual Report and Accounts. Business performance in January was strong and ahead of HSBC's expectations; and in February was in line with HSBC's expectations.

### **5 Working capital**

The Company is, and the Directors are, of the opinion that the HSBC Group has sufficient working capital for its present requirements, that is for at least the next 12 months from the date of publication of this document.

### **6 Summary of risk factors**

Investors should carefully consider the following key risks:

#### **Risks relating to the Company and its business**

- Current economic and market conditions may adversely affect HSBC's results
- Risks associated with liquidity and funding, which are inherent in HSBC's business, have been greatly increased by the current global market conditions
- HSBC has significant exposure to counterparty risk
- HSBC operates in a highly competitive environment, and competition could intensify as a result of current global market conditions
- HSBC is subject to political and economic risks in the countries in which it operates
- Operational risks are inherent in HSBC's business
- HSBC is subject to legal risks, which may have an adverse effect on the HSBC Group
- Increased regulation of the financial services industry could have an adverse effect on HSBC's operations
- HSBC is subject to tax-related risks in the countries in which it operates, which could have an adverse effect on its operating results

#### **Risks relating to the Rights Issue and the New Ordinary Shares**

- HSBC's share price may fluctuate and may fall below the Issue Price of the New Ordinary Shares issued upon the exercise of Nil Paid Rights
- Shareholders who do not acquire New Ordinary Shares in the Rights Issue will experience dilution in their ownership of HSBC
- An active trading market in the Nil Paid Rights might not develop
- HSBC's ability to continue to pay dividends will depend on the level of profits and cash flows generated by the HSBC Group

### **7 Selected financial information on the HSBC Group**

The data for the three financial years ended 31 December 2006, 2007 and 2008 set out below has been extracted without material adjustment from HSBC's audited consolidated financial statements, which were prepared in accordance with IFRSs as adopted by the EU and IFRSs as issued by the IASB, included in its 2008 Annual Report and Accounts and its 2007 Annual Report and Accounts. The data should be read together with the 2008 Annual Report and Accounts and the 2007 Annual Report and Accounts. A Chinese translation of HSBC's Annual Report

and Accounts for the financial year ended 31 December 2008 will be available on HSBC's website ([www.hsbc.com](http://www.hsbc.com)) by no later than 19 March 2009.

	As of and for the year ended 31 December		
	2008	2007	2006
<b>Key income statement data</b>			
Total operating income .....	88,571	87,601	70,070
Loan impairment charges and other credit risk provisions .....	(24,937)	(17,242)	(10,573)
Total operating expenses .....	(49,099)	(39,042)	(33,553)
Profit before tax .....	9,307	24,212	22,086
Profit for the year .....	6,498	20,455	16,871
Profit attributable to ordinary shareholders .....	5,728	19,133	15,789
<b>Key balance sheet data at the year-end</b>			
Total assets .....	2,527,465	2,354,266	1,860,758
Total shareholders' equity .....	93,591	128,160	108,352
<b>Other key financial data</b>			
<b>Per ordinary share</b>			
Basic earnings per Ordinary Share .....	0.47	1.65	1.40
Diluted earnings per Ordinary Share .....	0.47	1.63	1.39
Dividends per Ordinary Share declared .....	0.93	0.87	0.76
<b>Financial ratios</b>			
Dividend payout ratio <sup>(1)</sup> .....	197.9	52.7	54.3
Tier 1 capital ratio <sup>(2)</sup> .....	8.3	9.3	9.4
Total capital ratio <sup>(2)</sup> .....	11.4	13.6	13.5

Notes:

(1) Dividends per Ordinary Share expressed as a percentage of basic earnings per Ordinary Share.

(2) The calculation of capital ratios for 31 December 2008 is on a Basel II basis. The calculation of capital ratios for 31 December 2006 and 31 December 2007 are on a Basel I basis.

## PART II

### RISK FACTORS

This section describes, amongst other things, the existing and future material risks to the HSBC Group's business. Shareholders should consider carefully the risks described below, together with all other information contained in this document and the information incorporated by reference herein, before deciding whether or not to take up rights in the Rights Issue.

These risks represent all of those known to the Directors, as at the date of this document, which the Directors consider to be material. However, they are not the only ones facing the HSBC Group; additional risks not presently known to the Directors, or that the Directors currently consider to be immaterial, could also impair the business of the HSBC Group. If any or a combination of these risks actually occurs, the reputation, business, financial condition and operating results of the HSBC Group could be adversely affected. In such case, the market price of the New Ordinary Shares could decline and Shareholders could lose all or part of their investment.

#### **RISKS RELATED TO THE COMPANY AND ITS BUSINESS**

##### ***Current economic and market conditions may adversely affect HSBC's results***

The global economy has entered the most severe downturn for 80 years, with the financial services industry facing extraordinary turbulence. A shortage of liquidity, lack of funding, pressure on capital and extreme price volatility across a wide range of asset classes are putting financial institutions under considerable pressure. This is leading governments and central banks to undertake unprecedented intervention designed to stabilise the global and domestic financial systems, to stimulate new lending and to support systemically important institutions at risk of failing. Many developed economies have entered recession and growth has slowed in many emerging countries, with serious adverse consequences for asset values, employment, consumer confidence and levels of economic activity. Commodity prices have significantly retrenched, in many cases from recent historical highs, interest rate yield curves have flattened, interest rates have fallen in absolute terms and trade flows have contracted. Global equity markets have experienced severe declines and various currencies, including sterling, have depreciated significantly against the US dollar. Emerging markets have suffered as portfolio investments have been repatriated and cross-border inter-bank funding has been withdrawn. Numerous governments and central banks have responded by proposing programmes to make substantial funds and guarantees available to boost liquidity and confidence in their financial systems, as well as cutting taxes and lowering interest rates. It is not known whether these responses will be effective in addressing the severe economic and market conditions or whether recently proposed measures will be implemented as initially proposed.

HSBC's earnings are affected by global and local economic and market conditions. Dramatic declines in 2007 and 2008 in the housing markets in the US, the UK and elsewhere have combined with increasing unemployment to affect negatively the credit performance of real estate-related exposures, resulting in significant write-downs of asset values by financial institutions, including HSBC. These write-downs, initially of asset-backed securities but spreading to other securities and loans, have caused many financial institutions to seek additional capital, to reduce or eliminate dividends, to merge with larger and stronger competitors or, in some cases, to fail.

A worsening of these conditions may exacerbate the impact of these difficult market conditions on HSBC and other financial institutions and could have an adverse effect on HSBC's operating results. In particular, the HSBC Group may face the following challenges in connection with these events:

- HSBC's ability to assess the creditworthiness of its customers or to estimate the values of its assets may be impaired if the models and techniques it uses become less accurate in their predictions of future behaviour, valuations or estimates. The process HSBC uses to estimate losses inherent in its credit exposure or assess the value of certain assets requires difficult, subjective and complex judgements. These include forecasts of economic conditions and how predicted economic scenarios might impair the ability of HSBC's borrowers to repay their loans or might affect the value of assets. As a consequence, this process may be less capable of making accurate estimates which, in turn, may undermine the reliability of the process.
- The demand for borrowing from creditworthy customers may diminish as economic activity slows.
- Lower interest rates will reduce net interest income earned by HSBC on its excess deposits.
- HSBC's ability to borrow from other financial institutions or to engage in funding transactions on favourable terms, or at all, could be adversely affected by further disruption in the capital markets or deteriorating investor sentiment.

- Market developments may affect consumer confidence and may cause declines in credit card usage and adverse changes in payment patterns, leading to increases in delinquencies and default rates, write-offs and loan impairment charges beyond HSBC's expectations.
- Loan impairment allowances and write-offs are likely to rise as a result of a deterioration in payment patterns and increased delinquencies and default rates caused by weakening consumer confidence and increased business failures. A worsening of these economic factors may exacerbate the adverse effects of these difficult market conditions on HSBC and others in the financial services industry.
- HSBC expects to face increased regulation and supervision of the financial services industry following new or proposed regulatory measures in countries in which it operates.
- Trade and capital flows may further contract as a result of protectionist measures being introduced in certain markets.
- Increased government ownership and control over financial institutions and further consolidation in the financial industry could significantly alter the competitive landscape.

As a worldwide financial institution, HSBC is exposed to these developments across all its businesses, both directly and through their impact on its customers and clients.

***Risks associated with liquidity and funding, which are inherent in HSBC's business, have been greatly increased by the current global market conditions***

HSBC's business model depends upon its ability to access financial resources whenever required to meet its obligations. To this end, HSBC seeks to maintain a diversified and stable funding base comprising core retail and corporate customer deposits and institutional balances and to augment this with wholesale funding and portfolios of highly liquid assets diversified by currency and maturity which are held to enable HSBC to respond to unforeseen liquidity requirements. HSBC's earnings are affected by its ability to properly value financial instruments. In certain illiquid markets, determining the value at which financial instruments can be realised is highly subjective, and processes to ascertain value and estimates of value, both of which require substantial elements of judgement, assumptions and estimates (which may change over time), are required. Increased illiquidity adds to uncertainty over the accessibility of financial resources and may reduce capital resources as valuations decline. Rating agencies, which determine HSBC's own credit ratings and thereby influence the HSBC Group's cost of funds, take into consideration management effectiveness and the success with which HSBC's liquidity risk factors are managed. Actions by third parties and independent market participants, such as rating agency downgrades of instruments to which HSBC has exposure, can result in reduced liquidity and valuations of those instruments. While HSBC's liquidity and capital position remains strong, the financial results of the HSBC Group could also be adversely affected in any given period by increased costs of or restrictions on access to the debt capital markets due to a variety of unforeseen market dislocations or interruptions.

The extreme market conditions facing the financial services industry have been reflected in shortages of liquidity, lack of funding, pressure on capital and extreme price volatility across a wide range of asset classes. Illiquidity of these assets has prevented the realisation of existing asset positions and has constrained risk distribution in ongoing banking activities. The extreme market conditions have also highlighted the importance of a strong diversified core deposit base leading to increased competition for such deposits and the risk of deposit migration. HSBC's Global Banking and Markets business operates in the markets affected by illiquidity and extreme price volatility, either directly or indirectly, through exposures to securities, loans, derivatives and other commitments, and HSBC has made substantial write-downs and impairments on illiquid legacy credit and structured credit positions. While it is difficult to predict how long the conditions described above will exist and which of HSBC's markets, products and other businesses will be affected, continuation of these factors could have an adverse effect on the HSBC Group's results.

***HSBC has significant exposure to counterparty risk***

HSBC's ability to engage in routine transactions to fund its operations and manage its risks could be adversely affected by the actions and commercial soundness of other financial services institutions. Financial institutions are extremely interdependent because of trading, clearing, counterparty or other relationships. As a consequence, a default by, or decline in market confidence in, individual institutions, or anxiety about the financial services industry generally, can lead to further individual and/or systemic difficulties, defaults and losses. HSBC has exposure to virtually all major industries and counterparties, and it routinely executes transactions with counterparties in financial services, including brokers and dealers, commercial banks, investment banks, mutual and hedge funds, and other institutional clients. Many of these transactions expose HSBC to credit risk in the event

of default by its counterparty or client. Where counterparty risk has been mitigated by taking collateral, HSBC's credit risk may be exacerbated if the collateral it holds cannot be realised or has to be liquidated at prices which are insufficient to recover the full amount of its loan or derivative exposure. The failure of one of HSBC's counterparties could have an adverse effect on its results.

***HSBC operates in a highly competitive environment, and competition could intensify as a result of current global market conditions***

Consolidation in the financial services industry is increasingly concentrating activity in companies that are capable of offering a wide array of financial products at competitive prices, with globalisation exposing HSBC to competition in capital markets and financial services at global and local levels alike. In addition, technological advances, the growth of e-commerce, regulatory developments and public sector participation or guarantees have made it possible for non-deposit taking institutions to offer products and services that traditionally were the preserve of banks. The prominence in recent years of sovereign wealth funds, private equity and hedge funds as alternative sources of funding, which has increased competition for traditional financial institutions, may ease as investors seek safer, more traditional alternatives. Competition may further intensify or the competitive landscape may change as the consolidation of financial services companies continues and others are brought into part or full public ownership in response to the current market conditions. HSBC's ability to grow its businesses, and therefore its earnings, is affected by these competitive pressures and is dependent on HSBC's ability to attract and retain talented and dedicated employees.

***HSBC is subject to political and economic risks in the countries in which it operates***

HSBC operates through an international network of subsidiaries and affiliates in 86 countries and territories around the world. Its results are therefore subject to the risk of loss from unfavourable political developments, currency fluctuations, social instability and change in government policies on such matters as expropriation, authorisations, international ownership, interest-rate caps, limits on dividend flows and tax in the jurisdictions in which it operates. These factors may also negatively affect revenues from the trading of securities and investment in securities, the effect being accentuated through certain international trading markets, particularly those in emerging market countries, being typically smaller, less liquid and more volatile than developed trading markets. HSBC's subsidiaries and affiliates' ability to pay dividends could be restricted by changes to official banking measures, exchange controls and other requirements. Because HSBC prepares its accounts in US dollars, while a substantial part of its assets, liabilities, assets under management, revenues and expenses are denominated in other currencies, changes in foreign exchange rates have an effect on its reported income and shareholders' equity.

***Operational risks are inherent in HSBC's business***

HSBC is exposed to many types of operational risk, including fraudulent and other criminal activities (both internal and external), breakdowns in processes or procedures and systems failure or non-availability. HSBC is also subject to the risk of disruption of its business arising from events that are wholly or partially beyond its control (for example natural disasters, acts of terrorism, epidemics and transport or utility failures) which may give rise to losses in service to customers and/or economic loss to HSBC. All of these risks are also applicable where HSBC relies on outside suppliers or vendors to provide services to it and its customers.

***HSBC is subject to legal risks, which may have an adverse effect on the HSBC Group***

Legal risks arise from a variety of sources with the potential to cause harm to the HSBC Group and its ability to operate. These issues require the HSBC Group to deal appropriately with potential conflicts of interest; legal and regulatory requirements; ethical issues; anti-money laundering laws or regulations; privacy laws; information security policies; sales and trading practices; and conduct by companies with which it is associated. Failure to address these issues appropriately may give rise to additional legal and compliance risk to HSBC, with an increase in the number of litigation claims and the amount of damages asserted against HSBC, or subject HSBC to regulatory enforcement actions, fines, or penalties or reputational damage.

***Increased regulation of the financial services industry could have an adverse effect on HSBC's operations***

HSBC, its subsidiaries and its affiliates are subject to extensive and increasing legislation, regulation, accounting standards and changing interpretations thereof in the various countries in which the HSBC Group operates. From time to time, new laws are introduced, including tax, consumer protection, privacy and other legislation, which affect the environment in which the HSBC Group operates. As a corollary of the recent interventions by governments in response to global economic conditions, it is widely expected that there will be a substantial

increase in government regulation and supervision of the financial services industry, including the imposition of higher capital requirements, heightened disclosure standards and restrictions on certain types of transaction structures. If enacted, such new regulations could require additional capital to be injected into HSBC's subsidiaries and affiliates, require HSBC to enter into business transactions that are not otherwise part of its current Group strategy, prevent HSBC from continuing current lines of operations, restrict the type or volume of transactions HSBC may enter into, limit HSBC's subsidiaries' and affiliates' ability to declare dividends to HSBC, or set limits on or require the modification of rates or fees that HSBC charges on certain loan or other products. HSBC may also face increased compliance costs and limitations on its ability to pursue business opportunities.

In the UK for example, the Banking Act 2009 includes a "Special Resolutions Regime" which gives wide powers in respect of UK banks and their parent companies to the UK Treasury, the FSA and the Bank of England in circumstances where any such UK bank has encountered, or is likely to encounter, financial difficulties.

The Basel II Accord's requirement for financial institutions to increase their capital in response to deteriorating market conditions may have secondary effects on lending, which could exacerbate the current market downturn.

The foregoing regulatory measures, alone or in combination, could have an adverse effect on HSBC.

***HSBC is subject to tax-related risks in the countries in which it operates, which could have an adverse effect on its operating results***

HSBC is subject to the substance and interpretation of tax laws in all countries in which it operates. A number of double taxation agreements entered into between countries also affect the taxation of the HSBC Group. Tax risk is the risk associated with changes in tax law or in the interpretation of tax law. It also includes the risk of changes in tax rates and the risk of consequences arising from failure to comply with procedures required by tax authorities. Failure to manage tax risks could lead to increased tax charges, including financial or operating penalties, for not complying as required with tax laws.

**RISKS RELATING TO THE RIGHTS ISSUE AND THE NEW ORDINARY SHARES**

***HSBC's share price may fluctuate and may fall below the Issue Price of the New Ordinary Shares issued upon the exercise of Nil Paid Rights***

The market price of the New Ordinary Shares (including the Nil Paid Rights and the Fully Paid Rights) and/or the Ordinary Shares could be subject to significant fluctuations due to a change in sentiment in the market regarding the New Ordinary Shares (including the Nil Paid Rights and the Fully Paid Rights) and/or the Ordinary Shares. Such risks depend on the market's perception of the likelihood of completion of the Rights Issue, on sales of Ordinary Shares in the market during the offer period or the impression that such sales will take place and/or in response to various facts and events, including any regulatory changes affecting the HSBC Group's operations, variations in the HSBC Group's operating results and business developments of the HSBC Group and/or its competitors. Stock markets have, from time to time, experienced significant price and volume fluctuations that have affected the market prices for securities and which may be unrelated to the HSBC Group's financial condition, operating performance or prospects. Furthermore, the HSBC Group's financial condition, operating results and prospects from time to time may be below the expectations of market analysts and investors. Any of these events could result in a decline in the market price of the New Ordinary Shares (including the Nil Paid Rights and the Fully Paid Rights) and/or the Ordinary Shares.

HSBC cannot give any assurance that the public trading market prices of its Ordinary Shares will not decline below the Issue Price of the New Ordinary Shares issued pursuant to the Rights Issue. Should that occur after the Nil Paid Rights are exercised by their holders, such holders would suffer an immediate unrealised loss as a result. Moreover, there can be no assurance that, following the exercise of rights, a holder will be able to sell New Ordinary Shares at a price equal to or greater than the Issue Price.

***Shareholders who do not acquire New Ordinary Shares in the Rights Issue will experience dilution in their ownership of HSBC***

If existing Shareholders do not take up the offer of New Ordinary Shares under the Rights Issue their proportionate ownership and voting interests in HSBC will be reduced and the percentage that their shares will represent of the Company's increased share capital after completion of the Rights Issue will be disproportionately reduced. Even if an existing Shareholder elects to sell his/her unexercised Nil Paid Rights, or such Nil Paid Rights are sold on his/her behalf, the consideration he/she receives for them may not be sufficient to compensate him/her fully for the dilution of his/her percentage ownership of the Company's share capital that may be caused as a result of the Rights Issue.

***An active trading market in the Nil Paid Rights might not develop***

An active trading market in the Nil Paid Rights might not develop on the London Stock Exchange and/or the Hong Kong Stock Exchange during the trading period. In addition, because the trading price of the Nil Paid Rights depends on the trading price of the Ordinary Shares, the Nil Paid Rights price may be volatile and subject to the same risks as noted elsewhere in this document.

***HSBC's ability to continue to pay dividends will depend on the level of profits and cash flows generated by the HSBC Group***

Under UK company law, a company can only pay cash dividends to the extent that it has distributable reserves and cash available for this purpose. As a holding company, HSBC's ability to pay dividends in the future is affected by a number of factors, principally its ability to receive sufficient dividends from subsidiaries. The ability of these subsidiaries to pay dividends or advance moneys to HSBC depends on, among other things, their respective regulatory and capital requirements, statutory reserves and financial and operating performance. These laws and restrictions could limit the payment of dividends and distributions to HSBC by its subsidiaries, which could in future restrict HSBC's ability to fund other operations or to pay a dividend to Shareholders.

## PART III

### IMPORTANT INFORMATION

#### **Restriction on transfers between the Hong Kong and Bermuda branch registers and the UK principal register**

Since the UK Ex-Rights Date, the HK Ex-Rights Date and the Bermuda Ex-Rights Date are each fixed for different dates to cater for different regulations and market practices for rights issues in the UK, Hong Kong and Bermuda and because the Issue Price in Hong Kong dollars and United States dollars has been fixed by reference to the relevant exchange rate on 27 February 2009 (being the last Business Day prior to the announcement of the Rights Issue), the Company has instructed the Registrars not to process removals of Ordinary Shares: (i) from the UK principal register to either the Hong Kong branch register or the Bermuda branch register from 8.00 a.m. (UK time) on 2 March 2009 until 8.00 a.m. (UK time) on 20 March 2009; (ii) from the Hong Kong branch register to either the UK principal register or the Bermuda branch register from 9.30 a.m. (Hong Kong time) on 2 March 2009 until 4.30 p.m. (Hong Kong time) on 20 March 2009; and (iii) from the Bermuda branch register to either the UK principal register or the Hong Kong branch register from 9.00 a.m. (Bermuda time) on 2 March 2009 until 9.00 a.m. (Bermuda time) on 20 March 2009. Accordingly, Shareholders will not be able to transfer their Ordinary Shares between the registers during these times.

As the Issue Price for UK Shareholders is in pounds sterling, the Issue Price for HK Shareholders is in Hong Kong dollars and the Issue Price for Bermuda Shareholders is in United States dollars, it will not be possible to transfer Nil Paid Rights from either the Hong Kong branch register or the Bermuda branch register to the UK principal register or vice versa or from the Hong Kong branch register to the Bermuda branch register or vice versa.

#### **Presentation of financial information**

The consolidated financial statements of the HSBC Group and the separate financial statements of HSBC have been prepared in accordance with IFRSs as issued by the IASB and as endorsed by the EU. EU-endorsed IFRSs may differ from IFRSs as issued by the IASB, if, at any point in time, new or amended IFRSs have not been endorsed by the EU. At 31 December 2008, there were no unendorsed standards effective for the year ended 31 December 2008 affecting these consolidated and separate financial statements, and there was no difference between IFRSs endorsed by the EU and IFRSs issued by the IASB in terms of their application to HSBC. Accordingly, HSBC's financial statements for the year ended 31 December 2008 are prepared in accordance with IFRSs as issued by the IASB.

Unless otherwise stated, the information presented in this document has been prepared in accordance with IFRSs. HSBC uses the US dollar as its presentation currency because the US dollar and currencies linked to it form the major currency bloc in which HSBC transacts its business.

Certain pro forma information in Part XV of this document is unaudited and may be subject to adjustment. Although HSBC's management does not anticipate any material adjustments, there can be no assurance that any such adjustments will not be material.

#### **Currency**

In this document, all references to: (i) "US dollars" or "US\$" are to the lawful currency of the United States of America; (ii) "euro" or "€" are to the lawful currency of the participating member states in the Third Stage of the European Economic and Monetary Union of the Treaty Establishing the European Community, as amended by the Treaty on European Union; (iii) "sterling", "pounds sterling", "£" or "pence" are to the lawful currency of the United Kingdom; and (iv) "Hong Kong dollars" or "HK\$" are to the lawful currency of Hong Kong.

#### **CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING STATEMENTS**

This document and the documents incorporated by reference herein contain certain forward-looking statements with respect to the financial condition, results of operations and business of HSBC.

Statements that are not historical facts, including statements about HSBC's beliefs and expectations, are forward-looking statements. Words such as 'expects', 'anticipates', 'intends', 'plans', 'believes', 'seeks', 'estimates', 'potential' and 'reasonably possible', variations of these words and similar expressions are intended to identify forward-looking statements. These statements are based on current plans, estimates and projections, and therefore undue reliance should not be placed on them. Forward-looking statements speak only as of the date they are made, and it should not be assumed that they have been revised or updated in the light of new information or future events.

Forward-looking statements involve inherent risks and uncertainties. You are cautioned that a number of factors could cause actual results to differ, in some instances materially, from those anticipated or implied in any forward-looking statement. These factors include, among others:

**Changes in general economic conditions in the markets in which HSBC operates, such as:**

- continuing or deepening recessions and fluctuations in employment;
- changes in foreign exchange rates, in both market exchange rates (for example, between the US dollar and sterling) and government-established exchange rates (for example, between the Hong Kong dollar and US dollar);
- volatility in interest rates;
- volatility in equity markets, including in the smaller and less liquid trading markets in Asia and Latin America;
- lack of liquidity in wholesale funding markets;
- illiquidity and downward price pressure in national real estate markets, particularly consumer-owned real estate markets;
- the length and severity of current market turmoil;
- the impact of lower than expected investment returns on the funding of private and public sector defined benefit pensions;
- the effect of unexpected changes in actuarial assumptions on longevity which would influence the funding of private and public sector defined benefit pensions; and
- consumer perception as to the continuing availability of credit, and price competition in the market segments served by HSBC.

**Changes in government policy and regulation, including:**

- the monetary, interest rate and other policies of central banks and other regulatory authorities, including the Financial Services Authority, the Bank of England, the Hong Kong Monetary Authority, the US Federal Reserve, the SEC, the US Office of the Comptroller of the Currency, the European Central Bank, the People's Bank of China and the central banks of other leading economies and markets where HSBC operates;
- expropriation, nationalisation, confiscation of assets and changes in legislation relating to foreign ownership;
- initiatives by local, state and national regulatory agencies or legislative bodies to revise the practices, pricing or responsibilities of financial institutions serving their consumer markets;
- changes in bankruptcy legislation in the principal markets in which HSBC operates and the consequences thereof;
- general changes in government policy that may significantly influence investor decisions in particular markets in which HSBC operates;
- extraordinary governmental actions as a result of current market turmoil;
- other unfavourable political or diplomatic developments producing social instability or legal uncertainty which in turn may affect demand for HSBC's products and services;
- the costs, effects and outcomes of regulatory reviews, actions or litigation, including any additional compliance requirements; and
- the effects of competition in the markets where HSBC operates including increased competition from non-bank financial services companies, including securities firms and financial institutions newly taken into state ownership on a full or partial basis.

**Factors specific to HSBC:**

- the success of HSBC in adequately identifying the risks it faces, such as the incidence of loan losses or delinquency, and managing those risks (through account management, hedging and other techniques). Effective risk management depends on, among other things, HSBC's ability through stress testing and other techniques to prepare for events that cannot be captured by the statistical models it uses; and
- the success of HSBC in addressing operational, legal and regulatory and litigation challenges.

In light of these risks, uncertainties and assumptions, the forward-looking events discussed herein might not occur. You are cautioned not to place undue reliance on any forward-looking statements, which speak only as of their dates. Subject to any applicable legal and/or regulatory requirements, HSBC undertakes no obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

**Information not contained in this document**

Each offeree of the Nil Paid Rights, Fully Paid Rights and the New Ordinary Shares also acknowledges that: (i) he/she has not relied on the Banks, United Overseas Bank Limited or any person affiliated with the Banks or United Overseas Bank Limited in connection with any investigation of the accuracy of any information contained in this document or their investment decision; and (ii) he/she has relied only on the information contained in this document, and that no person has been authorised to give any information or make any representations other than those contained in this document and, if given or made, such information or representations must not be relied upon as having been authorised by HSBC, the Banks or United Overseas Bank Limited. Subject to FSMA, the Listing Rules, the Disclosure and Transparency Rules, the Prospectus Rules, the Hong Kong Listing Rules and any other applicable laws and/or regulations, neither the delivery of this document nor any acquisition or sale made pursuant to this document shall, in any circumstances, create any implication that there has been no change in the affairs of HSBC since the date of this document or that the information in this document is correct as at any time after such date.

**No incorporation of website information**

The contents of the HSBC Group's website do not form part of this document.

## PART IV

### EXPECTED TIMETABLE OF PRINCIPAL EVENTS IN THE UK

**2009**

Suspension of removals of Ordinary Shares from the UK principal register to a branch register begins .....	8.00 a.m. on 2 March
UK Record Date for entitlements under the Rights Issue .....	5.00 p.m. on 13 March
Latest time and date for receipt of forms of proxy for the General Meeting .....	10.00 a.m. on 17 March
“Ex” date for Ordinary Shares in respect of the fourth interim dividend .....	8.00 a.m. on 18 March
General Meeting .....	10.00 a.m. on 19 March
Despatch of Provisional Allotment Letters (to Qualifying Non-CREST Shareholders only) .....	19 March
<b>UK Admission and start of offer period in the UK .....</b>	<b>8.00 a.m. on 20 March</b>
Ordinary Shares marked “ex-rights” by the London Stock Exchange .....	8.00 a.m. on 20 March
Nil Paid Rights credited to stock accounts in CREST (Qualifying CREST Shareholders only) .....	8.00 a.m. on 20 March
Nil Paid Rights and Fully Paid Rights enabled in CREST .....	8.00 a.m. on 20 March
<b>Dealings in New Ordinary Shares, nil paid, commence on the London Stock Exchange .....</b>	<b>8.00 a.m. on 20 March</b>
Suspension of removals of Ordinary Shares from the UK principal register to a branch register ends .....	8.00 a.m. on 20 March
Record date in respect of the fourth interim dividend .....	5.00 p.m. on 20 March
Latest time and date for Cashless Take Up or sale of rights using the Computershare Dealing Facility .....	3.00 p.m. on 27 March
Recommended latest time and date for requesting withdrawal of Nil Paid Rights or Fully Paid Rights from CREST (that is, if your Nil Paid Rights or Fully Paid Rights are in CREST and you wish to convert them into certificated form) .....	4.30 p.m. on 27 March
Recommended latest time and date for depositing renounced Provisional Allotment Letters, nil paid or fully paid, into CREST or for dematerialising Nil Paid Rights or Fully Paid Rights into a CREST stock account (that is, if your Nil Paid Rights or Fully Paid Rights are represented by a Provisional Allotment Letter and you wish to convert them into uncertificated form) .....	3.00 p.m. on 30 March
Latest time and date for splitting Provisional Allotment Letters, nil paid or fully paid, for rights traded on the London Stock Exchange .....	3.00 p.m. on 1 April
<b>Latest time and date in the UK for acceptance, payment in full and registration of renounced Provisional Allotment Letters .....</b>	<b>11.00 a.m. on 3 April</b>
New Ordinary Shares credited to stock accounts in CREST (uncertificated holders only) .....	8.00 a.m. on 6 April
<b>Dealings in New Ordinary Shares, fully paid, commence on the London Stock Exchange .....</b>	<b>8.00 a.m. on 6 April</b>
Announcement of results of the Rights Issue .....	by 8 April
Expected date of despatch of definitive share certificates for New Ordinary Shares in certificated form (certificated holders only) .....	by 14 April

## EXPECTED TIMETABLE OF PRINCIPAL EVENTS IN HONG KONG

All references below are  
to Hong Kong time  
2009

Suspension of removals of Ordinary Shares from the Hong Kong branch register to the UK principal register or the Bermuda branch register begins .....	9.30 a.m. on 2 March
Ordinary Shares marked "ex-rights" by the Hong Kong Stock Exchange .....	9.30 a.m. on 12 March
HK Record Date for entitlements under the Rights Issue .....	4.30 p.m. on 13 March
Latest time and date for which transfers of Ordinary Shares are accepted for registration on the Hong Kong branch register for participation in the Rights Issue .....	4.30 p.m. on 13 March
Latest time and date for receipt of forms of proxy for the General Meeting .....	6.00 p.m. on 17 March
"Ex" date for Ordinary Shares in respect of the fourth interim dividend .....	9.30 a.m. on 18 March
General Meeting (held in the UK) .....	6.00 p.m. on 19 March
Despatch of Provisional Allotment Letters (to Qualifying Non-CCASS Shareholders only) .....	19 March
<b>HK Admission and start of offer period in Hong Kong</b> .....	<b>9.30 a.m. on 20 March</b>
Record date in respect of the fourth interim dividend ( <i>see note (5) below</i> ) .....	4.30 p.m. on 20 March
Suspension of removals of Ordinary Shares from the Hong Kong branch register to the UK principal register or the Bermuda branch register ends .....	4.30 p.m. on 20 March
Nil Paid Rights credited to stock accounts in CCASS (Qualifying CCASS Shareholders only) .....	by 9.30 a.m. on 23 March
<b>Dealings in New Ordinary Shares, nil paid, commence on the Hong Kong Stock Exchange</b> .....	<b>9.30 a.m. on 23 March</b>
Latest time and date for splitting Provisional Allotment Letters, for rights traded on the Hong Kong Stock Exchange .....	4.30 p.m. on 26 March
Last day of dealings in New Ordinary Shares, nil paid, on the Hong Kong Stock Exchange .....	31 March
<b>Latest time and date in Hong Kong for acceptance, payment in full and registration of Provisional Allotment Letters</b> .....	<b>4.00 p.m. on 3 April</b>
Announcement of results of the Rights Issue .....	by 8 April
Expected date of despatch of definitive share certificates for New Ordinary Shares in certificated form (certificated holders only) .....	by 8 April
New Ordinary Shares credited to stock accounts in CCASS (uncertificated holders only) .....	by 9.30 a.m. on 9 April
<b>Dealings in New Ordinary Shares, fully paid, expected to commence on the Hong Kong Stock Exchange</b> .....	<b>9.30 a.m. on 9 April</b>

## EXPECTED TIMETABLE OF PRINCIPAL EVENTS IN BERMUDA

	All references below are to Bermuda time 2009
Suspension of removals of Ordinary Shares from the Bermuda branch register to the UK principal register or the Hong Kong branch register begins. . . . .	9.00 a.m. on 2 March
Ordinary Shares marked “ex-rights” by the Bermuda Stock Exchange . . . . .	9.00 a.m. on 11 March
Bermuda Record Date for entitlements under the Rights Issue . . . . .	5.00 p.m. on 13 March
Latest time and date for receipt of forms of proxy for the General Meeting . . . . .	7.00 a.m. on 17 March
“Ex” date for Ordinary Shares in respect of the fourth interim dividend . . . . .	9.00 a.m. on 18 March
General Meeting (held in the UK). . . . .	7.00 a.m. on 19 March
Despatch of Provisional Allotment Letters to Qualifying Bermuda Shareholders . . . . .	19 March
<b>Start of offer period in Bermuda . . . . .</b>	<b>9.00 a.m. on 20 March</b>
Suspension of removals of Ordinary Shares from the Bermuda branch register to the UK principal register or the Hong Kong branch register ends . . . . .	9.00 a.m. on 20 March
Record date in respect of the fourth interim dividend. . . . .	5.00 p.m. on 20 March
Latest time and date for splitting Provisional Allotment Letters . . . . .	3.00 p.m. on 1 April
<b>Latest time and date in Bermuda for acceptance, payment in full and registration of Provisional Allotment Letters . . . . .</b>	<b>11.00 a.m. on 3 April</b>
<b>Dealings in New Ordinary Shares, fully paid, commence on the Bermuda Stock Exchange. . . . .</b>	<b>9.00 a.m. on 6 April</b>
Announcement of results of the Rights Issue . . . . .	by 8 April

Notes to the preceding timetables:

- (1) Each of the times and dates set out in the above timetables and mentioned in this document, the Provisional Allotment Letter and in any other document issued in connection with the Rights Issue is subject to change by the Company (with the agreement of certain of the Banks), in which event details of the new times and dates will be notified to the UK Listing Authority, the Hong Kong Stock Exchange, the Bermuda Stock Exchange, the New York Stock Exchange and Euronext Paris and, where appropriate, to Shareholders.
- (2) If there is a tropical cyclone warning signal number 8 or above or a “black” rainstorm warning signal in force in Hong Kong at any time:
  - (a) before 12.00 noon (Hong Kong time) but no longer in force after 12.00 noon (Hong Kong time) on the latest date for acceptance and payment in Hong Kong, the latest time for acceptance of and payment for the New Ordinary Shares will be extended to 5.00 p.m. (Hong Kong time) on the same date; or
  - (b) between 12.00 noon and 4.00 p.m. (Hong Kong time) on the latest date for acceptance and payment in Hong Kong, the latest time for acceptance of and payment for the New Ordinary Shares will be postponed to 4.00 p.m. (Hong Kong time) on the following HK Business Day.
- (3) If the latest time for acceptance of and payment for the New Ordinary Shares does not take place on 3 April 2009, the dates mentioned in the preceding timetables may be affected. The Company will notify Shareholders by way of announcement of any change to the expected timetables as soon as practicable.
- (4) If you hold your Ordinary Shares through a nominee, depending on the arrangements made on your behalf by that nominee, the latest time and date for giving instructions to that nominee may be set earlier. If you hold your Ordinary Shares through an Admitted Institution of Euroclear France, your Admitted Institution may set an earlier deadline for subscription in order to permit the Admitted Institution to communicate acceptances to the French Subscription Agent in a timely manner.
- (5) As the record date for the fourth interim dividend for the financial year ended 31 December 2008 is on 20 March 2009, the Hong Kong branch register will be closed on 20 March 2009.
- (6) Subject to the granting of listing of, and permission to deal in, the New Ordinary Shares in their nil paid and fully paid forms on the Main Board of the Hong Kong Stock Exchange as well as compliance with the stock admission requirements of HKSCC, the New Ordinary Shares in their nil paid and fully paid forms will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the respective commencement dates of dealings in the New Ordinary Shares in their nil paid and fully paid forms or such other dates as determined by HKSCC. Settlement of transactions between participants of the Hong Kong Stock Exchange on any trading day is required to take place in CCASS on the second trading day thereafter. All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

## PART V

### DIRECTORS, COMPANY SECRETARY AND ADVISERS

#### Directors

S K Green .....	<i>(Group Chairman)</i>
M F Geoghegan .....	<i>(Group Chief Executive)</i>
V H C Cheng .....	<i>(Executive Director, Chairman of The Hongkong and Shanghai Banking Corporation Limited)</i>
D J Flint .....	<i>(Group Finance Director)</i>
A A Flockhart .....	<i>(Executive Director, Chief Executive Officer of The Hongkong and Shanghai Banking Corporation Limited and Global Head of Commercial Banking)</i>
S T Gulliver .....	<i>(Executive Director, Chief Executive of Global Banking and Markets and HSBC Global Asset Management)</i>
S A Catz .....	<i>(Independent non-executive Director)</i>
M K T Cheung .....	<i>(Independent non-executive Director)</i>
J D Coombe .....	<i>(Independent non-executive Director)</i>
J L Durán .....	<i>(Independent non-executive Director)</i>
R A Fairhead .....	<i>(Independent non-executive Director)</i>
W K L Fung .....	<i>(Non-executive Director)</i>
J W J Hughes-Hallett .....	<i>(Independent non-executive Director)</i>
W S H Laidlaw .....	<i>(Independent non-executive Director)</i>
J R Lomax .....	<i>(Independent non-executive Director)</i>
Sir Mark Moody-Stuart .....	<i>(Independent non-executive Director)</i>
G Morgan .....	<i>(Independent non-executive Director)</i>
N R N Murthy .....	<i>(Independent non-executive Director)</i>
S M Robertson .....	<i>(Senior independent non-executive Director)</i>
J L Thornton .....	<i>(Independent non-executive Director)</i>
Sir Brian Williamson .....	<i>(Independent non-executive Director)</i>

The Directors' business address is the Company's registered office at 8 Canada Square, London E14 5HQ, United Kingdom.

#### Group Company Secretary

R G Barber

#### Registered office

8 Canada Square, London E14 5HQ, United Kingdom.

Telephone: 0207 991 8888, or, when dialling from outside the United Kingdom, +44 207 991 8888.

Registered in England: number 617987.

#### Website

[www.hsbc.com](http://www.hsbc.com)

#### Hong Kong authorised representatives

Vincent H C Cheng and Michael W Scales  
HSBC Main Building  
1 Queen's Road Central  
Hong Kong

**Sponsor and Corporate Broker, Joint Global Coordinator and Joint Bookrunner**

Goldman Sachs International  
Peterborough Court  
133 Fleet Street  
London  
EC4A 2BB  
United Kingdom

**Corporate Broker, Joint Global Coordinator and Joint Bookrunner**

HSBC Bank plc  
8 Canada Square  
London  
E14 5HQ  
United Kingdom

**Legal advisers to HSBC as to English law**

Norton Rose LLP  
3 More London Riverside  
London  
SE1 2AQ  
United Kingdom

**Legal advisers to HSBC as to US law**

Cleary Gottlieb Steen & Hamilton LLP  
City Place House  
55 Basinghall Street  
London  
EC2V 5EH  
United Kingdom

**Legal advisers to HSBC as to Bermuda law**

Conyers Dill & Pearman  
2 Church Street  
Hamilton HM 11  
Bermuda

**Legal advisers to the Sponsor and Corporate Brokers, Joint Global Coordinators and Underwriters as to Hong Kong law**

Linklaters  
10th Floor, Alexandra House  
18 Chater Road  
Central  
Hong Kong

**UK share registrar and Receiving Agent**

Computershare Investor Services PLC  
Corporate Actions 3  
Bristol  
BS99 6AR  
United Kingdom

**Joint Global Coordinator and Joint Bookrunner**

J.P. Morgan Cazenove Limited  
20 Moorgate  
London  
EC2R 6DA  
United Kingdom

**Auditor and Reporting Accountant**

KPMG Audit Plc  
8 Salisbury Square  
London  
EC4Y 8BB  
United Kingdom

**Legal advisers to HSBC as to Hong Kong law**

Norton Rose Hong Kong  
38/F Jardine House  
1 Connaught Place  
Central  
Hong Kong

**Legal advisers to HSBC as to French law**

Norton Rose LLP  
Washington Plaza  
42, rue Washington  
75408 Paris Cedex 08  
France

**Legal advisers to the Sponsor and Corporate Brokers, Joint Global Coordinators and Underwriters as to English law**

Linklaters LLP  
One Silk Street  
London  
EC2Y 8HQ  
United Kingdom

**Legal advisers to the Sponsor and Corporate Brokers, Joint Global Coordinators and Underwriters as to US law**

Shearman & Sterling (London) LLP  
Broadgate West  
9 Appold Street  
London  
EC2A 2AP  
United Kingdom

**Hong Kong share registrar and transfer office and Receiving Agent**

Computershare Hong Kong Investor Services Limited  
Rooms 1712-1716  
17th Floor, Hopewell Centre  
183 Queen's Road East  
Hong Kong

**Bermuda share registrar and transfer office**

Corporate Shareholder Services  
The Bank of Bermuda Limited  
6 Front Street  
Hamilton  
HM 11  
Bermuda

**ADS Depository**

The Bank of New York Mellon  
101 Barclay Street, 22 West  
New York  
NY 10286  
United States

## PART VI

### LETTER FROM THE CHAIRMAN OF HSBC



17 March 2009

Dear Shareholder

#### **Proposed 5 for 12 Rights Issue of 5,060,239,065 New Ordinary Shares at 254 pence each**

##### **1 Introduction**

On 2 March 2009, HSBC announced that it proposes to raise approximately £12.5 billion (US\$17.7 billion) (net of expenses) by way of a fully underwritten Rights Issue of 5,060,239,065 New Ordinary Shares at 254 pence per share on the basis of 5 New Ordinary Shares for every 12 Existing Ordinary Shares.

Further to the circular sent to Shareholders dated 3 March 2009 convening a general meeting in connection with the Rights Issue, the purpose of this document is to provide Shareholders with further details of the Rights Issue.

##### **2 Background to and reasons for the Rights Issue**

HSBC has long maintained a culture of responsibility and conservative risk management which have combined to produce a strong financial position which has enabled it to create valued long-term relationships with customers. These fundamental beliefs are deeply rooted in our character. The key elements of financial strength are a strong capital base coupled with sustainable and stable funding sources, and in particular a strong and growing deposit base. Those strengths have served us well over the years. Today HSBC is well capitalised, liquid and profitable. Our capital strength is supported by a conservative balance sheet characterised by an advances to deposits ratio of 83.6 per cent as at 31 December 2008 and a core funding base that continues to grow.

We are however today facing unprecedented turmoil in the economic and financial environment, with major uncertainties ahead. The current global economic downturn, combined with extreme volatility in financial markets, means that the financial system remains under stress. Over the past 12 months, many of our competitors have received significant government capital injections or have raised capital from shareholders and other investors. Higher regulatory capital requirements, in part from the effect of the economic downturn on capital requirements under the Basel II regime, as well as changing market sentiment on appropriate levels of leverage, have also raised expectations regarding capital levels. While we have maintained strong capital ratios, we are now raising the top of our target range for the tier 1 ratio so that the range will be from 7.5 per cent to 10 per cent. The Rights Issue will add 150 basis points to our capital ratios, strengthening the core equity tier 1 ratio to 8.5 per cent and the tier 1 ratio to 9.8 per cent, in each case on a pro forma basis as at 31 December 2008. We are determined that HSBC should maintain its signature financial strength.

We are continuing to manage the capital allocation within the HSBC Group to concentrate on our core emerging markets and faster growing businesses. In light of continuing losses from our US consumer finance business, we announced on 2 March 2009 further actions in the US to restructure our operations and to put into run off all of our branch-based consumer lending operations, which are branded "HFC" and "Beneficial". We have also closed down most of our structured credit and mortgage-backed securities distribution operations. Outside the US, during 2008 we have sold certain businesses that are not core to our strategy, such as our French regional banks.

We remain confident that HSBC is well-placed in today's environment and that our strength leads to opportunity. Our strategy has served HSBC well and positions it for long-term growth with attractive returns. We continue to combine our position as the world's leading emerging markets bank with an extensive international network across both developed and faster growing markets. At the same time, as the financial system exhibits stress, our competitive position is improving as the capacity and capabilities of financial institutions are constrained by lack of capital and funding, many of them are also focusing more on their respective domestic markets.

**HSBC Holdings plc**

*Incorporated in England with limited liability. Registered in England: number 617987*

*Registered Office and Group Management Office:*

*8 Canada Square, London E14 5HQ, United Kingdom*

Planned internal capital generation remains strong and this capital raising will enhance our ability to deal with the impact of an uncertain economic environment and to respond to unforeseen events. Importantly, it will also give us options regarding opportunities which we believe will present themselves to those with superior financial strength. These may involve organic investment in the continued taking of market share from more capital constrained competitors. There may also be opportunities to grow through targeted acquisitions, by taking advantage of attractive valuations where the opportunities in question align with our strategy and the risks are understood.

As explained below, the Directors have rebased the envisaged dividend per share, for the first three interim dividends in respect of 2009, to reflect the impact of the enlarged ordinary share capital resulting from the Rights Issue, prevailing business conditions and capital requirements. Until the end of 2007, HSBC had grown its dividend per share by 10 per cent or more every year for 15 years, reflecting the strong growth and shareholder returns that the Company has delivered. For 2009, the Directors have carefully considered HSBC's dividend payments in view of the Company's desire to retain its absolute and relative position of capital strength. The current challenges that have left much of the wider financial services sector unable to support cash returns to shareholders have also been factored into this consideration.

The dividend payments envisaged remain substantial and reflect management's long-term confidence in the business. However, they also move the Company to a more conservative position to reflect the uncertain current environment and to retain more capital within the business. HSBC will continue to aim to pay progressive dividends in line with the long-term growth of the business.

During a period of global financial turmoil, our business model, the broad base of our earnings, our distinctive character and our brand mean that we remain one of the strongest international banks.

Your Board believes that the Rights Issue is in the best interests of Shareholders, helping us strengthen our competitive positioning so that we can better deliver sustained value over time.

### **3 Summary of the principal terms of the Rights Issue**

Pursuant to the Rights Issue, the Company is proposing to offer New Ordinary Shares by way of rights to all Qualifying Shareholders (other than, subject to certain exceptions as agreed with the Company and the Joint Global Coordinators, Qualifying Shareholders with registered addresses in any of the Excluded Territories) on the following basis:

#### **5 New Ordinary Shares for every 12 Existing Ordinary Shares**

held and registered in their name on the Record Date. Entitlements to New Ordinary Shares will be rounded down to the nearest whole number. Fractions of New Ordinary Shares will not be allotted to Qualifying Shareholders but will be aggregated and sold in the market and an equivalent amount will accrue for the ultimate benefit of the Company.

The Issue Price for Shareholders on the UK principal register is 254 pence per New Ordinary Share. The Issue Price for Shareholders on the Hong Kong branch register is HK\$28.00 per New Ordinary Share, which was calculated by reference to the £ : HK\$ exchange rate of £1 : HK\$11.0236 at approximately 3.00 p.m. (UK time) on 27 February 2009 as published by Bloomberg. The Issue Price for Shareholders on the Bermuda branch register is US\$3.61 per New Ordinary Share, which was calculated by reference to the £ : US\$ exchange rate of £1: US\$1.42145 at approximately 3.00 p.m. (UK time) on 27 February 2009 as published by Bloomberg.

The Issue Price for Shareholders on the UK principal register of 254 pence per New Ordinary Share represents a discount of approximately 47.5 per cent to the Closing Price of an Ordinary Share of 484.21 pence on 27 February 2009 (being the last Business Day prior to the announcement of the Rights Issue) and a 39.0 per cent discount to the theoretical ex-rights price based on that Closing Price, in each case adjusted for the fact that the New Ordinary Shares will not rank for the fourth interim dividend in respect of the financial year ended 31 December 2008 of US\$0.10 per Ordinary Share. The unadjusted Closing Price of an Ordinary Share on 27 February 2009 was 491.25 pence.

The Issue Price for Shareholders on the Hong Kong branch register of HK\$28.00 per New Ordinary Share represents a discount of approximately 50.2 per cent to the closing price on the Hong Kong Stock Exchange of an Ordinary Share of HK\$56.17 on 27 February 2009 (being the last Business Day prior to the announcement of the Rights Issue), adjusted for the fact that the New Ordinary Shares will not rank for the fourth interim dividend in respect of the financial year ended 31 December 2008 of US\$0.10 per Ordinary Share. The unadjusted closing price on the Hong Kong Stock Exchange of an Ordinary Share on 27 February 2009 was HK\$56.95.

The completion of the Rights Issue will result in 5,060,239,065 New Ordinary Shares being issued (representing approximately 41.7 per cent of the existing issued ordinary share capital of the Company as at 27 February 2009 (being the latest practicable date prior to the publication of the Circular to Shareholders) and 29.4 per cent of the Enlarged Share Capital immediately following completion of the Rights Issue). Qualifying Shareholders who take up their *pro rata* entitlement in full will suffer no dilution to their interests in the Company. If a Qualifying Shareholder does not take up any of his/her entitlement under the Rights Issue, his/her proportionate shareholding will be diluted by 29.4 per cent.

The Rights Issue is conditional upon, amongst other things:

- (i) the Underwriting Agreement having become unconditional in all respects save for the condition relating to UK Admission and not having been terminated in accordance with its terms;
- (ii) UK Admission becoming effective by not later than 8.00 a.m. on 20 March 2009 (or such later time and date (being not later than 27 March 2009) as certain of the parties to the Underwriting Agreement may agree); and
- (iii) the passing, without material amendment, of the Resolutions.

The New Ordinary Shares (nil paid) will be provisionally allotted to all Qualifying Shareholders on 19 March 2009. The provisional allotment is expected to be confirmed on 6 April 2009 and those Qualifying Shareholders entitled to New Ordinary Shares are expected to be entered on the Company's register of members on 6 April 2009.

Holdings of Existing Ordinary Shares in certificated and uncertificated form or on different registers of members will be treated as separate holdings to calculate entitlements under the Rights Issue.

The New Ordinary Shares, when issued and fully paid, will rank for all dividends declared, made or paid after the date of allotment and issue of the New Ordinary Shares (except in respect of the fourth interim dividend of US\$0.10 per Ordinary Share for the financial year ended 31 December 2008 declared by the Company on 2 March 2009, as the New Ordinary Shares are being issued after the record date for this dividend) and otherwise *pari passu* with the Existing Ordinary Shares. The New Ordinary Shares, when issued, will be in registered form and will be capable of being held in certificated form and in uncertificated form through CREST or CCASS.

The Rights Issue is fully underwritten by the Underwriters pursuant to the Underwriting Agreement. The Underwriting Agreement will not be subject to any right of termination after UK Admission (including in respect of any statutory withdrawal rights). The principal terms of the Underwriting Agreement are summarised in paragraph 9.1 of Part XVI of this document.

Applications have been made to the UK Listing Authority and to the London Stock Exchange for the New Ordinary Shares (nil and fully paid) to be admitted to the Official List and to trading on the London Stock Exchange's main market for listed securities respectively, to the Hong Kong Stock Exchange for listing of, and permission to deal in, the New Ordinary Shares (nil and fully paid) on the Main Board of the Hong Kong Stock Exchange, and to the New York Stock Exchange, Euronext Paris and the Bermuda Stock Exchange for listing of the New Ordinary Shares (fully paid). Application has also been made for the ADSs representing New Ordinary Shares to be listed and traded on the New York Stock Exchange. It is expected that UK Admission will become effective and that dealings in the New Ordinary Shares, nil paid, will commence on the London Stock Exchange at 8.00 a.m. on 20 March 2009. It is also expected that HK Admission will become effective at 9.30 a.m. (Hong Kong time) on 20 March 2009 and that dealings in the New Ordinary Shares, nil paid, will commence on the Main Board of the Hong Kong Stock Exchange at 9.30 a.m. (Hong Kong time) on 23 March 2009.

The full terms of the Rights Issue, including the procedure for acceptance and payment and the procedure in respect of rights not taken up, are set out in Part VIII of this document and, in the case of Qualifying Non-CREST Shareholders, Qualifying Non-CCASS Shareholders and Qualifying Bermuda Shareholders, in the Provisional Allotment Letter.

Qualifying Shareholders resident outside the United Kingdom, Hong Kong and Bermuda should refer to paragraph 8 of Part VIII of this document for further information on their ability to participate in the Rights Issue.

#### **4 Intentions of the Directors**

The Directors who are entitled to acquire New Ordinary Shares under the Rights Issue intend to take up in full, directly or indirectly, their rights to acquire New Ordinary Shares, other than the rights arising in connection with any Ordinary Shares the executive Directors hold through the Share Ownership Plan. In accordance with the basis on which the Share Ownership Plan operates, the trustees of the plan will sell such number of those rights during the nil paid dealing period as will meet the cost of taking up the balance of such rights.

## **5 Financial impact of the Rights Issue**

As at 31 December 2008, HSBC's core equity tier 1 ratio was 7.0 per cent and its tier 1 ratio was 8.3 per cent. Adjusting for the proceeds of the Rights Issue, the core equity tier 1 ratio and tier 1 ratio would have been approximately 8.5 per cent and 9.8 per cent, respectively, on a pro forma basis as at 31 December 2008. HSBC is now raising the top of its target range for the tier 1 ratio so that the range will be from 7.5 per cent to 10 per cent.

A pro forma statement of net assets illustrating the effect of the Rights Issue on the HSBC Group's net assets as at 31 December 2008 as if the Rights Issue had occurred on this date is set out in Part XV of this document. This information is unaudited and has been prepared for illustrative purposes only. It shows that net proceeds from the Rights Issue of approximately US\$17.7 billion would have led to a pro forma movement in net assets from approximately US\$93.6 billion to US\$111.3 billion as at 31 December 2008.

Under IFRSs, the Rights Issue results in the recognition of a derivative because the Issue Price is principally denominated in pounds sterling, while the Company's functional currency is in US dollars. As a result, the movements in fair values on the derivative up to the allotment date, which are non-cash items, will be recognised in the income statement, with an equal and offsetting movement in equity on allotment of the New Ordinary Shares. This is therefore expected to affect the HSBC Group's net income, which will be recognised in capital in the normal way, and there will be no overall effect on the HSBC Group's capital, distributable reserves or net assets.

## **6 Dividends**

The Directors have declared a fourth interim dividend for 2008 of US\$0.10 per Ordinary Share (in lieu of a final dividend) which, together with the first three interim dividends for 2008 of US\$0.18 per Ordinary Share already paid, will make a total distribution in respect of the year of US\$0.64 per Ordinary Share. The aggregate dividend payments per Ordinary Share for 2008 represent a decrease of 29 per cent in US\$ terms and 15 per cent in sterling terms from the aggregate dividend payments in respect of 2007. The fourth interim dividend for 2008 will be payable on 6 May 2009, with a scrip dividend alternative, to Shareholders on the register on 20 March 2009. As the record date for this dividend is 20 March 2009, the New Ordinary Shares, when issued on 6 April 2009, will not rank for this dividend.

The Board intends to continue to pay quarterly interim dividends on the Ordinary Shares, with a pattern of three equal interim dividends with a variable fourth interim dividend. The level of dividends per Ordinary Share in future while reflecting the long-term growth of HSBC's business will depend upon, among other things, expected future earnings, prevailing business conditions and capital requirements. It is envisaged that the first interim dividend in respect of 2009 will be US\$0.08 per Ordinary Share. The Board has rebased the envisaged dividend per share for the first three interim dividends in respect of 2009 to reflect the impact of the foregoing factors and the impact of the enlarged ordinary share capital resulting from the Rights Issue.

## **7 Current trading and prospects**

On 2 March 2009, HSBC published its 2008 Annual Report and Accounts. Business performance in January was strong and ahead of HSBC's expectations; and in February was in line with HSBC's expectations.

## **8 HSBC Share Plans**

The options and awards granted under the HSBC Share Plans (other than the Share Ownership Plan), as described in paragraph 6 of Part XVI of this document, may be adjusted by the Company as a result of the Rights Issue in accordance with the rules of the relevant plan. Any such adjustments will be subject, where appropriate, to approval from HM Revenue & Customs or the Irish Revenue Commissioners and a report from the Company's auditor that such proposed adjustments are fair and reasonable. Participants will be contacted separately with further information on how their options and/or awards may be affected by the Rights Issue.

Participants in the Share Ownership Plan will be contacted separately about their rights under the Rights Issue.

## **9 Restricted Shareholders**

The attention of Qualifying Shareholders who have registered addresses outside the United Kingdom, Hong Kong or Bermuda, or who are citizens or residents of countries other than the United Kingdom, Hong Kong or Bermuda, or who are holding Ordinary Shares for the benefit of such persons (including, without limitation, custodians, nominees, trustees and agents) or who have a contractual or other legal obligation to forward this document, a Provisional Allotment Letter and any other document in relation to the Rights Issue to such persons, is drawn to the information which appears in paragraph 8 of Part VIII of this document.

In particular, Qualifying Shareholders who have registered addresses in or who are resident in, or who are citizens of, countries other than the United Kingdom, Hong Kong or Bermuda, should consult their professional advisers as to whether they require any governmental or other consents or need to observe any other formalities to enable them to take up their entitlements to the Rights Issue.

New Ordinary Shares will be provisionally allotted (nil paid) to all Qualifying Shareholders, including Restricted Shareholders. However, subject to certain exceptions as agreed with the Company and the Joint Global Coordinators, Provisional Allotment Letters will not be sent to Qualifying Non-CREST Shareholders, Qualifying Non-CCASS Shareholders or Qualifying Bermuda Shareholders with registered addresses in, or who are otherwise known to the Company to be residents of, any of the Excluded Territories, nor will the CREST stock accounts of Qualifying CREST Shareholders with registered addresses in, or the CCASS stock accounts of Qualifying CCASS Shareholders with registered addresses in, or who are otherwise known to the Company to be residents of, any of the Excluded Territories be credited with Nil Paid Rights.

## **10 Structure of the Rights Issue**

The Rights Issue has been structured in a way that is expected to have the effect of creating distributable reserves approximately equal to the net proceeds of the Rights Issue less the par value of the New Ordinary Shares issued by the Company. Provided that certain conditions are met, the proceeds of the Rights Issue (after the deduction of certain agreed fees, costs and expenses) will be applied by the Receiving Agent on behalf of the Bank Subscriber to subscribe for redeemable preference shares in Newco, which is a Jersey incorporated company owned by the Company and the Bank Subscriber.

The Company will allot and issue the New Ordinary Shares to those persons entitled thereto in consideration of the Bank Subscriber transferring its holdings of ordinary shares and redeemable preference shares in Newco to the Company. Accordingly, instead of receiving cash as consideration for the issue of the New Ordinary Shares, the Company will own the entire issued share capital of Newco whose only asset will be cash reserves, equal to the net proceeds of the Rights Issue. The Company will be able to redeem the redeemable preference shares in Newco in order to access these cash reserves and, during any interim period prior to redemption, by procuring that Newco lends those cash reserves to the Company.

The Company may elect to implement the Rights Issue without using the structure described above if it deems it to be in the Company's interests to do so.

## **11 Taxation**

Your attention is drawn to paragraphs 10.1 and 10.2 of Part XVI of this document. If you are in any doubt as to your tax position, you should consult your own professional adviser without delay.

## **12 Further information**

Your attention is drawn to the further information set out in Parts II to V and VII to XIX of this document. Shareholders should read the whole of this document and not rely solely on the information set out in this letter. In particular, you should consider carefully the risk factors set out in Part II of this document.

## **13 General Meeting**

On 3 March 2009, Shareholders were sent a circular containing a notice of the General Meeting, which will be held at 10.00 a.m. on 19 March 2009 in the Platinum Suite, ExCel London, One Western Gateway, Royal Victoria Dock, London E16 1XL, United Kingdom. The General Meeting is being held for the purpose of considering and, if thought fit, passing three resolutions. The first resolution is to increase the Company's authorised share capital. The second resolution is to grant the Directors the authority to allot the New Ordinary Shares in connection with the Rights Issue pursuant to section 80 of the UK Companies Act 1985. The third resolution, which is a special resolution, will give the Directors authority to allot on a non-pre-emptive basis, where necessary, the New Ordinary Shares for the purposes of the Rights Issue, including subject to such exclusions or other arrangements as the Directors may deem necessary or expedient in relation to fractional entitlements or securities represented by depositary receipts or having regard to any restrictions, obligations or legal problems under the laws or the requirements of any territory.

## **14 Action to be taken in respect of the Rights Issue**

If the Resolutions are passed, it is intended that:

- (i) if you are a Qualifying Non-CREST Shareholder, Qualifying Non-CCASS Shareholder or Qualifying Bermuda Shareholder (other than, subject to certain exceptions as agreed with the Company and the Joint Global Coordinators, a Shareholder with a registered address in, or who is otherwise known to the Company to

be a resident of, any of the Excluded Territories), you will be sent a Provisional Allotment Letter giving you details of your Nil Paid Rights by post on or about 19 March 2009;

- (ii) if you are a Qualifying CREST Shareholder, you will not be sent a Provisional Allotment Letter. Instead, you will receive a credit to your appropriate stock account in CREST in respect of the Nil Paid Rights with effect from 8.00 a.m. on 20 March 2009;
- (iii) if you are a Qualifying CCASS Shareholder, you will not be sent a Provisional Allotment Letter. Instead you will receive a credit to your appropriate stock account in CCASS in respect of the Nil Paid Rights with effect from 9.30 a.m. (Hong Kong time) on 23 March 2009. Please contact your broker for further details; and
- (iv) if you are a person holding an interest in Existing Ordinary Shares on the UK principal register through Euroclear France you will not be sent a Provisional Allotment Letter but you should refer to your respective Admitted Institution in connection with the procedure for acquisition of and payment for New Ordinary Shares. You will be issued Euroclear Subscription Rights by Euroclear France. Euroclear Subscription Rights will not be admitted to listing or trading on Euronext Paris. Your attention is also drawn to paragraph 9(c) of Part VIII of this document.

If you sell or have sold or otherwise transferred all of your Ordinary Shares held (other than ex-rights) in certificated form before 20 March 2009 in the case of Ordinary Shares held on the UK principal register, before 12 March 2009 in the case of Ordinary Shares held on the Hong Kong branch register or before 11 March 2009 in the case of Ordinary Shares held on the Bermuda branch register, please forward this document and any Provisional Allotment Letter, if and when received, at once to the purchaser or for delivery to the purchaser or transferee, except that such documents should not be sent to any jurisdiction where to do so might constitute a violation of local securities laws or regulations, including, but not limited to, the Excluded Territories.

If you sell or have sold or otherwise transferred all or some of your Ordinary Shares (other than ex-rights) held in uncertificated form through CREST before the UK Ex-Rights Date, a claim transaction will automatically be generated by Euroclear UK which, on settlement, will transfer the appropriate number of Nil Paid Rights to the purchaser or transferee.

If you sell or have sold or otherwise transferred only part of your holding of Ordinary Shares (other than ex-rights) held in certificated form before the UK Ex-Rights Date, the HK Ex-Rights Date or the Bermuda Ex-Rights Date, as appropriate, you should refer to the instruction regarding split applications in Part VIII of this document and in the Provisional Allotment Letter.

**The latest time and date for acceptance and payment in full by Qualifying Shareholders under the Rights Issue is 11.00 a.m. (UK time) in the UK, 4.00 p.m. (Hong Kong time) in Hong Kong and 11.00 a.m. (Bermuda time) in Bermuda on 3 April 2009, unless otherwise announced by the Company.** The procedure for acceptance and payment is set out in Part VIII of this document. Further details also appear on the Provisional Allotment Letter which has been sent to all Qualifying Non-CREST Shareholders, all Qualifying Non-CCASS Shareholders and all Qualifying Bermuda Shareholders (other than, subject to certain exceptions as agreed with the Company and the Joint Global Coordinators, those Qualifying Non-CREST Shareholders, Qualifying Non-CCASS Shareholders and Qualifying Bermuda Shareholders with registered addresses in, or who are otherwise known to the Company to be residents of, any of the Excluded Territories).

If you are in any doubt as to any aspect of the proposals referred to in this document or as to the action you should take, you are recommended to seek your own financial advice immediately from your stockbroker, bank manager, solicitor, accountant, fund manager or other appropriate independent financial adviser, duly authorised under FSMA if you are resident in the United Kingdom, or, if you are not, from another appropriately authorised independent financial adviser.

Yours sincerely



S K Green  
Group Chairman

## PART VII

### RIGHTS ISSUE STATISTICS

Number of Existing Ordinary Shares .....	12,144,573,757
Number of New Ordinary Shares available under the Rights Issue.....	5,060,239,065
Number of Ordinary Shares in the Enlarged Share Capital <sup>(1)</sup> .....	17,204,812,822
Issue Price per New Ordinary Share .....	254 pence <sup>(2)</sup>
New Ordinary Shares as a percentage of the Enlarged Share Capital .....	29.4 per cent
Gross proceeds of the Rights Issue (approximately) .....	£12.9 billion
Net proceeds of the Rights Issue (approximately) .....	£12.5 billion
Estimated expenses of the Rights Issue (exclusive of value added tax).....	£0.4 billion

Notes:

(1) Assuming that no Ordinary Shares are issued pursuant to the exercise of options granted under HSBC Share Plans between the date of this document and completion of the Rights Issue.

(2) The Issue Price for HK Shareholders is HK\$28.00 per New Ordinary Share (calculated using an exchange rate of £1 : HK\$11.0236) and the Issue Price for Bermuda Shareholders is US\$3.61 per New Ordinary Shares (calculated using an exchange rate of £1 : US\$1.42145).

## PART VIII

### TERMS OF THE RIGHTS ISSUE

*If you are a holder of ADSs, please see the US Prospectus for the terms of the ADS Rights Issue. Please note that during the period for which the Rights Issue is open for acceptance, Ordinary Shares cannot be deposited into the depository receipt facility for ADSs.*

#### 1 Summary of the Rights Issue

The Company is proposing to raise approximately £12.5 billion (US\$17.7 billion) (net of expenses) by way of a 5 for 12 Rights Issue of New Ordinary Shares.

The Issue Price for Shareholders on the UK principal register is 254 pence per New Ordinary Share. The Issue Price for Shareholders on the Hong Kong branch register is HK\$28.00 per New Ordinary Share, which was calculated by reference to the £ : HK\$ exchange rate of £1 : HK\$11.0236 at approximately 3.00 p.m. (UK time) on 27 February 2009 (being the last Business Day prior to the announcement of the Rights Issue) as published by Bloomberg, and the Issue Price for Shareholders on the Bermuda branch register is US\$3.61 per New Ordinary Share, which was calculated by reference to the £ : US\$ exchange rate of £1 : US\$1.42145 at approximately 3.00 p.m. (UK time) on 27 February 2009 (being the last Business Day prior to the announcement of the Rights Issue) as published by Bloomberg.

The Issue Price for Shareholders on the UK principal register of 254 pence per New Ordinary Share represents a discount of approximately 47.5 per cent to the Closing Price of an Ordinary Share of 484.21 pence on 27 February 2009 (being the last Business Day prior to the announcement of the Rights Issue) and a 39.0 per cent discount to the theoretical ex-rights price based on that Closing Price, in each case adjusted for the fact that the New Ordinary Shares will not rank for the fourth interim dividend in respect of the financial year ended 31 December 2008 of US\$0.10 per Ordinary Share. The unadjusted Closing Price of an Ordinary Share on 27 February 2009 was 491.25 pence.

The Issue Price for Shareholders on the Hong Kong branch register of HK\$28.00 per New Ordinary Share represents a discount of approximately 50.2 per cent to the closing price on the Hong Kong Stock Exchange of an Ordinary Share of HK\$56.17 on 27 February 2009 (being the last Business Day prior to the announcement of the Rights Issue), adjusted for the fact that the New Ordinary Shares will not rank for the fourth interim dividend in respect of the financial year ended 31 December 2008 of US\$0.10 per Ordinary Share. The unadjusted closing price on the Hong Kong Stock Exchange of an Ordinary Share on 27 February 2009 was HK\$56.95.

#### 2 Terms and conditions of the Rights Issue

Subject to the fulfilment of the conditions of the Underwriting Agreement, the New Ordinary Shares will be offered by way of rights to Qualifying Shareholders (other than, subject to certain exceptions as agreed with the Company and the Joint Global Coordinators, Qualifying Shareholders with registered addresses in, or who are otherwise known to the Company to be residents of, any of the Excluded Territories) on the following basis and otherwise on the terms and conditions set out in this document (and, in the case of Qualifying Non-CREST Shareholders, Qualifying Non-CCASS Shareholders and Qualifying Bermuda Shareholders, the Provisional Allotment Letter):

#### 5 New Ordinary Shares for every 12 Existing Ordinary Shares

held and registered in their name on the Record Date and so in proportion for any other number of Existing Ordinary Shares then held.

Holdings of Existing Ordinary Shares in certificated and uncertificated form and holdings on different registers of members will be treated as separate holdings to calculate entitlements under the Rights Issue.

Fractions of New Ordinary Shares will not be allotted to Qualifying Shareholders and fractional entitlements will be rounded down to the nearest whole number of New Ordinary Shares. Such fractional entitlements will be aggregated and, if possible, sold in the market. The net proceeds of such sales (after deduction of expenses) will be aggregated and an equivalent amount will accrue for the ultimate benefit of the Company.

**The attention of Restricted Shareholders and any person (including, without limitation, custodians, nominees and trustees) who has a contractual or other legal obligation to forward this document or a Provisional Allotment Letter into a jurisdiction other than the United Kingdom, Hong Kong or Bermuda is drawn to paragraphs 8 and 9 of this Part VIII. In particular, subject to the provisions of paragraphs 8 of this Part VIII, Qualifying Shareholders with registered addresses in, or who are otherwise known to the Company to be residents of, any of the Excluded Territories will not be sent Provisional Allotment Letters**

**and will not have their CREST stock accounts or CCASS stock accounts (as the case may be) credited with Nil Paid Rights.**

Applications have been made to the UK Listing Authority and to the London Stock Exchange for the New Ordinary Shares (nil and fully paid) to be admitted to the Official List and to trading on the London Stock Exchange's main market for listed securities respectively, to the Hong Kong Stock Exchange for listing of, and permission to deal in, the New Ordinary Shares (nil and fully paid) on the Main Board of the Hong Kong Stock Exchange, and to the New York Stock Exchange, Euronext Paris and the Bermuda Stock Exchange for listing of the New Ordinary Shares (fully paid). Application has also been made for the ADSs representing New Ordinary Shares to be listed and traded on the New York Stock Exchange. It is expected that UK Admission will become effective and that dealings in the New Ordinary Shares, nil paid, will commence on the London Stock Exchange at 8.00 a.m. (UK time) on 20 March 2009. It is expected that HK Admission will become effective at 9.30 a.m. (Hong Kong time) on 20 March 2009 and that dealings in the New Ordinary Shares, nil paid, will commence on the Main Board of the Hong Kong Stock Exchange at 9.30 a.m. (Hong Kong time) on 23 March 2009. The Nil Paid Rights, will not be admitted to trading on any other exchange.

The Ordinary Shares are already admitted to CREST and CCASS. Accordingly, no further application for admission to CREST and CCASS is required for the New Ordinary Shares and the New Ordinary Shares, when issued and fully paid, may be held and transferred by means of CREST or CCASS. Applications have been made for the Nil Paid Rights and the Fully Paid Rights to be admitted to CREST. Applications have also been made for the Nil Paid Rights to be admitted to CCASS. Euroclear UK requires the Company to confirm to it that certain conditions (imposed by the CREST Manual) are satisfied before Euroclear UK will admit any security to CREST. It is expected that these conditions will be satisfied, in respect of the Nil Paid Rights and the Fully Paid Rights, on UK Admission. As soon as practicable after satisfaction of the conditions, the Company will confirm this to Euroclear UK.

The ISIN for the New Ordinary Shares will be the same as that of the Existing Ordinary Shares being GB0005405286.

The ISIN for the Nil Paid Rights is GB00B60DRL02 and for the Fully Paid Rights is GB00B60FPP65.

None of the New Ordinary Shares are being made available to the public other than pursuant to the Rights Issue.

The Rights Issue has been fully underwritten by the Underwriters and is conditional upon, amongst other things:

- (i) the Underwriting Agreement having become unconditional in all respects (save for the condition relating to UK Admission) and not having been terminated in accordance with its terms;
- (ii) UK Admission becoming effective by not later than 8.00 a.m. on 20 March 2009 (or such later time and date (being not later than 27 March 2009) as certain of the parties to the Underwriting Agreement may agree); and
- (iii) the passing, without material amendment, of the Resolutions.

The Underwriting Agreement is conditional upon certain conditions being satisfied or not breached prior to UK Admission and may be terminated by Goldman Sachs International, J.P. Morgan Cazenove or J.P. Morgan on behalf of the Banks prior to UK Admission upon the occurrence of certain specified events, in which case the Rights Issue will not proceed. The Underwriting Agreement is not capable of termination following UK Admission. The Underwriters may arrange sub-underwriting for some, all or none of the New Ordinary Shares. A summary of certain terms and conditions of the Underwriting Agreement is contained in paragraph 9.1 of Part XVI of this document.

The Underwriters and any of their respective affiliates may, in accordance with applicable legal and regulatory provisions and subject to the Underwriting Agreement, engage in transactions in relation to the Nil Paid Rights, the Fully Paid Rights, the New Ordinary Shares, the Ordinary Shares and/or related instruments for their own account for the purpose of hedging their underwriting exposure or otherwise. Except as required by applicable law or regulation, the Underwriters do not propose to make any public disclosure in relation to such transactions.

If the conditions of the Rights Issue are not fulfilled or the Underwriting Agreement is terminated prior to UK Admission, the Rights Issue will not proceed and the provisional allotments will lapse. Any Shareholders or other persons who deal in the Ordinary Shares on an ex-rights basis in Bermuda from the Bermuda Ex-Rights Date and in Hong Kong from the HK Ex-Rights Date up until the time that UK Admission occurs bear the risk that the Rights Issue may not proceed. If in any doubt, Shareholders or other persons contemplating dealing in Ordinary Shares in Bermuda or Hong Kong during this period are advised to consult their appropriately authorised independent financial advisers.

Subject to, amongst other things, the passing of the Resolutions (without material amendment) and save as provided in paragraph 8 below, it is intended that:

- (i) Provisional Allotment Letters in respect of Nil Paid Rights will be despatched to Qualifying Non-CREST Shareholders, Qualifying Non-CCASS Shareholders and Qualifying Bermuda Shareholders (other than, subject to certain exceptions as agreed with the Company and the Joint Global Coordinators, to those Qualifying Non-CREST Shareholders, Qualifying Non-CCASS Shareholders and Qualifying Bermuda Shareholders with registered addresses in, or who are otherwise known to the Company to be residents of, any of the Excluded Territories) on 19 March 2009;
- (ii) Computershare Investor Services PLC will instruct Euroclear UK to credit the appropriate stock accounts of Qualifying CREST Shareholders (other than, subject to certain exceptions as agreed with the Company and the Joint Global Coordinators, such Qualifying CREST Shareholders with registered addresses in, or who are otherwise known to the Company to be residents of, any of the Excluded Territories) with such Shareholders' entitlements to Nil Paid Rights, with effect from 8.00 a.m. on 20 March 2009;
- (iii) Nil Paid Rights and Fully Paid Rights will be enabled for settlement by Euroclear UK on 20 March 2009, as soon as practicable after the Company has confirmed to Euroclear UK that all the conditions for admission of such rights to CREST have been satisfied;
- (iv) HKSCC will credit the appropriate stock accounts of Qualifying CCASS Shareholders (other than, subject to certain exceptions as agreed with the Company and the Joint Global Coordinators, such Qualifying CCASS Shareholders with registered addresses in, or who are otherwise known to the Company to be residents of, any of the Excluded Territories) with their entitlements to Nil Paid Rights, by 9.30 a.m. (Hong Kong time) on 23 March 2009;
- (v) Nil Paid Rights will be enabled for settlement by HKSCC on 23 March 2009;
- (vi) New Ordinary Shares will be credited by 8.00 a.m. on 6 April 2009 to the appropriate stock accounts of relevant Qualifying CREST Shareholders (or their renouncees) who validly take up their rights;
- (vii) New Ordinary Shares will be credited by 6 April 2009 to the appropriate stock accounts of relevant Qualifying Bermuda Shareholders (or their renouncees) who validly take up their rights;
- (viii) share certificates for New Ordinary Shares will be despatched by 8 April 2009 to relevant Qualifying Non-CCASS Shareholders (or their renouncees) who validly take up their rights at their own risk;
- (ix) New Ordinary Shares will be credited by 9.30 a.m. (Hong Kong time) on 9 April 2009 to the appropriate stock accounts of relevant Qualifying CCASS Shareholders (or their renouncees) who validly take up their rights; and
- (x) share certificates for New Ordinary Shares will be despatched by 14 April 2009 to relevant Qualifying Non-CREST Shareholders (or their renouncees) who validly take up their rights at their own risk.

Shareholders taking up their rights by completing a Provisional Allotment Letter or by sending a MTM instruction to Euroclear UK will be deemed to have given the representations and warranties set out in paragraph 9 of this Part VIII, unless such requirement is waived by the Company.

The New Ordinary Shares will, when issued and fully paid, rank *pari passu* in all respects with the Existing Ordinary Shares, including the right to receive all dividends or other distributions made, paid or declared after the date of allotment and issue of New Ordinary Shares, except in respect of the fourth interim dividend of US\$0.10 per Ordinary Share for the financial year ended 31 December 2008 announced by the Company on 2 March 2009.

All documents, cheques, banker's drafts or cashier's orders posted to or by Qualifying Shareholders and/or their transferees or renouncees (or their agents, as appropriate) will be posted at their own risk.

### **3 Action to be taken by Shareholders registered on the UK principal register (UK Shareholders)**

**The action to be taken by UK Shareholders in respect of New Ordinary Shares depends on whether, at the relevant time, the Nil Paid Rights or Fully Paid Rights in respect of which action is to be taken are in certificated form (that is, are represented by Provisional Allotment Letters) or are in uncertificated form (that is, are in CREST).**

The action to be taken by HK Shareholders, Bermuda Shareholders and Qualifying Euroclear France Shareholders is set out in paragraphs 4, 5 and 6 of this Part VIII, respectively.

If you are a Qualifying Non-CREST Shareholder and do not have a registered address in any of the Excluded Territories (subject to certain limited exceptions as agreed with the Company and the Joint Global Coordinators), please refer to paragraph 3.1 of this Part VIII.

If you hold your Ordinary Shares in CREST and do not have a registered address in any of the Excluded Territories (subject to certain limited exceptions as agreed with the Company and the Joint Global Coordinators), please refer to paragraph 3.2 of this Part VIII and to the CREST Manual for further information on the CREST procedures referred to below.

**CREST sponsored members should refer to their CREST sponsors, as only their CREST sponsors will be able to take the necessary actions specified below to take up the entitlements or otherwise to deal with the Nil Paid Rights or Fully Paid Rights of CREST sponsored members.**

### **3.1 Action to be taken by Qualifying Non-CREST Shareholders in relation to Nil Paid Rights and Fully Paid Rights represented by Provisional Allotment Letters**

#### **(a) General**

Subject to Shareholders approving the Resolutions (without material amendment) at the General Meeting and subject to paragraph 8 of this Part VIII in relation to certain Restricted Shareholders, Provisional Allotment Letters are expected to be despatched to Qualifying Non-CREST Shareholders on 19 March 2009. The Provisional Allotment Letter will set out:

- (i) the holding on the UK Record Date of Ordinary Shares in certificated form on which a Qualifying Non-CREST Shareholder's entitlement to New Ordinary Shares has been based;
- (ii) the aggregate number of New Ordinary Shares provisionally allotted to such Qualifying Non-CREST Shareholder;
- (iii) the amount payable on acceptance in full by such Qualifying Non-CREST Shareholder;
- (iv) the procedures to be followed if a Qualifying Non-CREST Shareholder wishes to dispose of all or part of his/her entitlement or to convert all or part of his/her entitlement into uncertificated form;
- (v) instructions regarding acceptance and payment, withdrawal rights, consolidation, splitting and registration of renunciation; and
- (vi) the procedure to be followed if a Qualifying Non-CREST Shareholder wishes to effect a Cashless Take Up or dispose of his/her Nil Paid Rights through the Computershare Dealing Facility.

The latest time and date for requesting a Cashless Take Up or a disposal of all Nil Paid Rights through the Computershare Dealing Facility will be 3.00 p.m. on 27 March 2009.

**The latest time and date for acceptance and payment in full will be 11.00 a.m. on 3 April 2009.**

If the Rights Issue is delayed so that Provisional Allotment Letters cannot be despatched on 19 March 2009, the expected timetable, as set out in Part IV of this document, will be adjusted accordingly and the revised dates will be set out in the Provisional Allotment Letters and announced through a Regulatory Information Service. All references in this Part VIII should be read as being subject to such adjustment.

#### **(b) Procedure for acceptance and payment**

##### **(i) Qualifying Non-CREST Shareholders who wish to accept in full**

Holders of Provisional Allotment Letters who wish to take up all of their entitlements must complete the Provisional Allotment Letter and return it, together with a cheque or banker's draft in pounds sterling, in either case made payable to "HSBC Holdings plc Rights Issue" and crossed "Account Payee Only" for the full amount payable on acceptance, in accordance with the instructions printed on the Provisional Allotment Letter by post to Corporate Actions 3, Computershare Investor Services, Project 1, Bridgwater Road, Bristol, BS99 6AR (from within the UK) or to Computershare Investor Services PLC, Corporate Actions Overseas, The Pavilions, Bridgwater Road, Bristol, BS99 6BF, United Kingdom (from outside the UK), or by hand (during normal business hours only) to Computershare Investor Services PLC, The Pavilions, Bridgwater Road, Bristol, BS13 8AE, so as to be received as soon as possible and, in any event, by not later than 11.00 a.m. on 3 April 2009. A reply-paid envelope is enclosed with the Provisional Allotment Letter for the purpose of returning the Provisional Allotment Letter by post. Qualifying Non-CREST Shareholders who post their Provisional Allotment Letter within the United Kingdom by first-class post, are recommended to allow at least four working days for delivery. Accepting Qualifying Non-CREST Shareholders agree that the Trustees will hold such moneys on trust as provided in paragraph 11 of this Part VIII.

***(ii) Qualifying Non-CREST Shareholders who wish to accept in part***

Holders of Provisional Allotment Letters who wish to take up some, but not all, of their Nil Paid Rights should refer to paragraph 3.1(f) of this Part VIII.

***(iii) Qualifying Non-CREST Shareholders who wish to effect a Cashless Take Up through the Computershare Dealing Facility***

Qualifying Non-CREST Shareholders who wish to effect a Cashless Take Up through the Computershare Dealing Facility should tick the box under Option 2 "Cashless Take Up" on page 1 of the Provisional Allotment Letter, sign and date the bottom of page 1 of the Provisional Allotment Letter, and return their Provisional Allotment Letter by post to Corporate Actions 3, Computershare Investor Services, Project 1, Bridgwater Road, Bristol, BS99 6AR (from within the UK) or to Computershare Investor Services PLC, Corporate Actions Overseas, The Pavilions, Bridgwater Road, Bristol, BS99 6BF, United Kingdom (from outside the UK), or by hand (during normal business hours only) to Computershare Investor Services PLC, The Pavilions, Bridgwater Road, Bristol, BS13 8AE, so as to be received as soon as possible and, in any event, by not later than 3.00 p.m. on 27 March 2009, the latest time and date for requesting a Cashless Take Up. A reply-paid envelope is enclosed with the Provisional Allotment Letter for the purpose of returning the Provisional Allotment Letters by post. Qualifying Non-CREST Shareholders who post their Provisional Allotment Letter within the United Kingdom by first-class post, are recommended to allow at least four working days for delivery. Please note that Computershare Investor Services PLC will charge £5.00 (five pounds) to dispose of the Nil Paid Rights through the Computershare Dealing Facility. The terms and conditions of the Computershare Dealing Facility are set out in a rights issue guide accompanying the Provisional Allotment Letter or are available on request. Shareholders using such service should note that they will be clients of Computershare Investor Services PLC and not of HSBC or any of the Banks when using this service. Computershare Investor Services PLC rather than HSBC or any of the Banks will therefore be responsible for providing the protections afforded by the UK regulatory regime to clients for whom such services are provided. Neither HSBC nor any of the Banks is providing advice to Shareholders on dealing in Ordinary Shares.

***(iv) Qualifying Non-CREST Shareholders who wish to dispose of all of their Nil Paid Rights through the Computershare Dealing Facility***

Qualifying Non-CREST Shareholders who wish to dispose of all of their Nil Paid Rights through the Computershare Dealing Facility should tick the box under Option 3 "Sell all your rights" on page 1 of the Provisional Allotment Letter, sign and date the bottom of page 1 of the Provisional Allotment Letter, and return their Provisional Allotment Letter by post to Corporate Actions 3, Computershare Investor Services, Project 1, Bridgwater Road, Bristol, BS99 6AR (from within the UK) or to Computershare Investor Services PLC, Corporate Actions Overseas, The Pavilions, Bridgwater Road, Bristol, BS99 6BF, United Kingdom (from outside the UK), or by hand (during normal business hours only) to Computershare Investor Services PLC, The Pavilions, Bridgwater Road, Bristol, BS13 8AE, so as to be received as soon as possible and, in any event, by not later than 3.00 p.m. on 27 March 2009, the latest time and date for requesting disposals of Nil Paid Rights through the Computershare Dealing Facility. A reply-paid envelope is enclosed with the Provisional Allotment Letter for the purpose of returning the Provisional Allotment Letter by post. Qualifying Non-CREST Shareholders who post their Provisional Allotment Letter within the United Kingdom by first class post, are recommended to allow at least four working days for delivery. Please note that Computershare Investor Services PLC will charge £5.00 (five pounds) to dispose of the Nil Paid Rights through the Computershare Dealing Facility. The terms and conditions of the Computershare Dealing Facility are set out in a rights issue guide accompanying the Provisional Allotment Letter. Shareholders using such service should note that they will be clients of Computershare Investor Services PLC and not of HSBC or any of the Banks when using this service. Computershare Investor Services PLC rather than HSBC or any of the Banks will therefore be responsible for providing the protections afforded by the UK regulatory regime to clients for whom such services are provided. Neither HSBC nor any of the Banks is providing advice to Shareholders on dealing in Ordinary Shares.

***(v) Discretion as to validity of acceptances***

If payment is not received in full by 11.00 a.m. on 3 April 2009, the provisional allotment will be deemed to have been declined and will lapse. However, the Company and the Joint Global Coordinators may elect, but shall not be obliged, to treat as valid: (i) Provisional Allotment Letters and accompanying remittances which are received by post not later than 5.00 p.m. on 3 April 2009 (the cover bearing a legible postmark not later than 11.00 a.m. on 3 April 2009); and (ii) applications in respect of which remittances for the full amount due are received prior to 11.00 a.m. on 3 April 2009 from an authorised person (as defined in section 31(2) of FSMA) specifying the number of

New Ordinary Shares to be acquired and an undertaking by that person to lodge the relevant Provisional Allotment Letter, duly completed, in due course.

The Company and the Joint Global Coordinators may also (in their absolute discretion) treat a Provisional Allotment Letter as valid and binding on the person(s) by whom or on whose behalf it is lodged even if it is not completed in accordance with the relevant instructions or is not accompanied by a valid power of attorney (where required).

The Company and the Joint Global Coordinators reserve the right to treat as invalid any acceptance or purported acceptance of the New Ordinary Shares that appears to the Company or the Joint Global Coordinators to have been executed in, despatched from, or that provides an address for delivery of definitive share certificates for New Ordinary Shares in, any of the Excluded Territories.

A Qualifying Non-CREST Shareholder who makes a valid acceptance and payment in accordance with this paragraph 3.1(b) is deemed to request that the New Ordinary Shares to which they will become entitled be issued to them on the terms set out in this document and the Provisional Allotment Letter, and subject to the Memorandum of Association of the Company and the Articles.

#### ***(vi) Payments***

All payments made by Qualifying Non-CREST Shareholders must be in pounds sterling and made by cheque or banker's draft, in either case made payable to "HSBC Holdings plc Rights Issue" and crossed "Account Payee Only". Qualifying Non-CREST Shareholders should write their Shareholder Reference Number (indicated at the top of page 1 of the Provisional Allotment Letter) on the reverse of the cheque or banker's draft. Post-dated cheques and third party cheques (with the exception of building society cheques or banker's drafts where the building society or bank has confirmed the name of the account holder by stamping or endorsing the cheque or draft to such effect) will not be accepted. The account name should be the same as that shown on the application. Cheques or banker's drafts must be drawn on an account at a branch (which must be in the United Kingdom, the Channel Islands or the Isle of Man) of a bank or building society which is either a settlement member of the Cheque and Credit Clearing Company Limited or the CHAPS Clearing Company Limited or which has arranged for its cheques and banker's drafts to be cleared through facilities provided by either of those companies. Such cheques and banker's drafts must bear the appropriate sorting code in the top right-hand corner. Cheques and banker's drafts will be presented for payment on receipt. The Company reserves the right to instruct the Receiving Agent to seek special clearance of cheques and banker's drafts to allow the Company to obtain value for remittances at the earliest opportunity. No interest will accrue on payments made before they are due. Payments via CHAPS, BACS or electronic transfer will not be accepted. Cash will not be accepted. Persons making payment agree that the Trustees will hold such moneys on trust as provided in paragraph 11 of this Part VIII.

It is a term of the Rights Issue that cheques and banker's drafts shall be honoured on first presentation, and the Company and the Joint Global Coordinators may elect to treat as invalid any acceptances in respect of which cheques or banker's drafts are not so honoured. If New Ordinary Shares have already been allotted to Qualifying Non-CREST Shareholders prior to any cheque or banker's draft not being so honoured or such Qualifying Non-CREST Shareholders' acceptances being treated as invalid, the Joint Global Coordinators may, in their absolute discretion as to manner, timing and terms, make arrangements for the sale of such shares on behalf of those Qualifying Non-CREST Shareholders and hold the proceeds of sale (net of the Company's reasonable estimate of any loss that it has suffered as a result of the acceptance being treated as invalid and of the expenses of sale including, without limitation, any stamp duty or SDRT payable on the transfer of such shares, and of all amounts payable by such Qualifying Non-CREST Shareholders pursuant to the terms of the Rights Issue in respect of the acquisition of such shares) on behalf of such Qualifying Non-CREST Shareholders. None of the Company, the Banks nor any other person shall be responsible for, or have any liability for, any loss, expenses or damage suffered by Qualifying Non-CREST Shareholders as a result.

#### ***(c) Money Laundering Regulations***

To ensure compliance with the Money Laundering Regulations, the Receiving Agent may require, in its absolute discretion, verification of the identity of the person by whom or on whose behalf a Provisional Allotment Letter is lodged with payment (which requirements are referred to below as the "verification of identity requirements"). If an application is made by a UK regulated broker or intermediary acting as agent and which is itself subject to the Money Laundering Regulations, any verification of identity requirements are the responsibility of such broker or intermediary and not of the Receiving Agent. In such case, the lodging agent's stamp should be inserted on the Provisional Allotment Letter. The person lodging a Provisional Allotment Letter with payment (the "applicant"), including any person who appears to the Receiving Agent to be acting on behalf of some other person, shall thereby

be deemed to agree to provide the Receiving Agent and/or the Company with such information and other evidence as they or either of them may require to satisfy the verification of identity requirements. **Submission of a Provisional Allotment Letter will constitute a warranty that the Money Laundering Regulations will not be breached by the acceptance of the remittance and an undertaking by the applicant to provide promptly to the Receiving Agent and/or the Company such information as may be specified by the Receiving Agent and/or the Company as being required for the purpose of the Money Laundering Regulations.**

If the Receiving Agent determines that the verification of identity requirements apply to any applicant or application, the relevant New Ordinary Shares (notwithstanding any other term of the Rights Issue) will not be issued to the relevant applicant unless and until the verification of identity requirements have been satisfied in respect of that applicant or application. The Receiving Agent is entitled, in its absolute discretion, to determine whether the verification of identity requirements apply to any applicant or application and whether such requirements have been satisfied, and none of the Receiving Agent, the Banks nor the Company will be liable to any person for any loss or damage suffered or incurred (or alleged), directly or indirectly, as a result of the exercise of such discretion.

If the verification of identity requirements apply, failure to provide the necessary evidence of identity within a reasonable time may result in delays and potential rejection of an application. If, within a reasonable period of time following a request for verification of identity, the Receiving Agent has not received evidence satisfactory to it as aforesaid, the Company may, in its absolute discretion and without prejudice to the right of the Company to take proceedings to recover any loss suffered by it as a result of failure to provide such evidence, treat the relevant application as invalid, in which event the application moneys will be returned (at the applicant's risk) without interest to the account of the bank or building society on which the relevant cheque or banker's draft was drawn.

The verification of identity requirements will not usually apply if:

- (i) the applicant is an organisation required to comply with the EU Money Laundering Directive 2005/60/EC of the European Parliament and of the EC Council of 26 October 2005 on the prevention of the use of the financial system for the purpose of money laundering and terrorist financing; or
- (ii) the applicant is a regulated United Kingdom broker or intermediary acting as agent and is itself subject to the Money Laundering Regulations; or
- (iii) the applicant (not being an applicant who delivers his/her application in person) makes payment by way of a cheque drawn on an account in the name of such applicant; or
- (iv) the aggregate price for taking up the relevant New Ordinary Shares is less than €15,000 (approximately £14,000).

Where the verification of identity requirements apply, satisfaction of these requirements may be facilitated in the following ways:

- (i) if payment is made by building society cheque (not being a cheque drawn on an account of the applicant) or banker's draft, by the building society or bank endorsing on the cheque or banker's draft the applicant's name and the number of an account held in the applicant's name at such building society or bank, such endorsement being validated by a stamp and an authorised signature; or
- (ii) if the Provisional Allotment Letter is lodged with payment by an agent which is an organisation of the kind referred to in paragraph 3.1(c)(i) above or which is subject to anti-money laundering regulations in a country which is a member of the Financial Action Task Force (the non-European Union members of which are Argentina, Australia, Brazil, Canada, Hong Kong, Iceland, Japan, Mexico, New Zealand, Norway, the Russian Federation, Singapore, South Africa, Switzerland, Turkey and the United States), the agent should provide with the Provisional Allotment Letter(s) written confirmation that it has that status and written assurance that it has obtained and recorded evidence of the identity of the person for whom it acts and that it will on demand make such evidence available to the Receiving Agent, the Company and/or any relevant regulatory or investigatory authority; or
- (iii) if a Provisional Allotment Letter is lodged by hand by the applicant in person, he/she should ensure that he/she has with him/her evidence of identity bearing his/her photograph (for example, his/her passport) and evidence of his/her address (for example, a utility bill).

To confirm the acceptability of any written assurance referred to in paragraph (ii) above, or in any other case, the applicant should contact the Receiving Agent. The telephone number of the Receiving Agent is 0870 702 0137 (if calling from within the UK), +44 870 702 0137 (if calling from outside the UK), 2862 8699 (if calling from within

Hong Kong), +852 2862 8699 (if calling from outside Hong Kong), 299 6737 (if calling from within Bermuda) or +1 441 299 6737 (if calling from outside Bermuda).

**(d) Dealings in Nil Paid Rights**

Assuming the Rights Issue becomes unconditional, dealings on the London Stock Exchange in the Nil Paid Rights are expected to commence at 8.00 a.m. on 20 March 2009. A transfer of Nil Paid Rights can be made by renunciation of the Provisional Allotment Letter in accordance with the instructions printed on it and delivery of the Provisional Allotment Letter to the transferee or to a stockbroker, bank or other appropriate financial adviser. The latest time and date for registration of renunciation of Provisional Allotment Letters, nil paid, is 11.00 a.m. on 3 April 2009.

**(e) Dealings in Fully Paid Rights**

After acceptance of the provisional allotment and payment in full in accordance with the provisions set out in this document and the Provisional Allotment Letter, the Fully Paid Rights may be transferred by renunciation of the relevant fully paid Provisional Allotment Letter and sending the same by post to Corporate Actions 3, Computershare Investor Services, Project 1, Bridgwater Road, Bristol, BS99 6AR (from within the UK) or to Computershare Investor Services PLC, Corporate Actions Overseas, The Pavilions, Bridgwater Road, Bristol, BS99 6BF, United Kingdom (from outside the UK), or delivering by hand (during normal business hours only) to Computershare Investor Services PLC, The Pavilions, Bridgwater Road, Bristol, BS13 8AE, so as to be received as soon as possible and in any event by not later than 11.00 a.m. on 3 April 2009. To do this, Qualifying Non-CREST Shareholders will need to have their fully paid Provisional Allotment Letters returned to them after the acceptance has been effected by the Receiving Agent. However, fully paid Provisional Allotment Letters will not be returned to Qualifying Non-CREST Shareholders unless their return is requested by ticking Box 4 in Form X on page 2 of the Provisional Allotment Letter.

After 3 April 2009, the New Ordinary Shares will be in registered form and transferable in the usual way (see paragraph 3.1(k) of this Part VIII).

**(f) Renunciation and splitting of Provisional Allotment Letters**

Qualifying Non-CREST Shareholders who wish to transfer all of their Nil Paid Rights or, after acceptance of the provisional allotment and payment in full, Fully Paid Rights, comprised in a Provisional Allotment Letter may (save as required by the laws of certain overseas jurisdictions) renounce such allotment by completing and signing Form X on page 2 of the Provisional Allotment Letter (if it is not already marked "Original Duly Renounced") and passing the entire Provisional Allotment Letter to their stockbroker, bank or other appropriate financial adviser or to the transferee. Once a Provisional Allotment Letter has been renounced, it will become a negotiable instrument in bearer form and the Nil Paid Rights or Fully Paid Rights (as appropriate) comprised in the Provisional Allotment Letter may be transferred by delivery of it to the transferee. The transferee may then register the transfer by completing Form Y on page 2 of the Provisional Allotment Letter and delivering the Provisional Allotment Letter together, in the case of a transferee of Nil Paid Rights, with a cheque or banker's draft for the full amount payable on acceptance by post to Corporate Actions 3, Computershare Investor Services, Project 1, Bridgwater Road, Bristol, BS99 6AR (from within the UK) or to Computershare Investor Services PLC, Corporate Actions Overseas, The Pavilions, Bridgwater Road, Bristol, BS99 6BF, United Kingdom (from outside the UK), or by hand (during normal business hours only) to Computershare Investor Services PLC, The Pavilions, Bridgwater Road, Bristol, BS13 8AE. The latest time and date for registration of renunciation of Provisional Allotment Letters, nil paid or fully paid, is 11.00 a.m. on 3 April 2009.

If a holder of a Provisional Allotment Letter wishes to have only some of the New Ordinary Shares registered in his/her name and to transfer his/her entitlement in respect of the remainder, or wishes to transfer all the Nil Paid Rights, or (if appropriate) Fully Paid Rights but to different persons, he/she may have the Provisional Allotment Letter split, for which purpose he/she or his/her agent must complete and sign Form X on page 2 of the Provisional Allotment Letter. The Provisional Allotment Letter must then be delivered by post to Corporate Actions 3, Computershare Investor Services, Project 1, Bridgwater Road, Bristol, BS99 6AR (from within the UK) or to Computershare Investor Services PLC, Corporate Actions Overseas, The Pavilions, Bridgwater Road, Bristol, BS99 6BF, United Kingdom (from outside the UK), or by hand (during normal business hours only) to Computershare Investor Services PLC, The Pavilions, Bridgwater Road, Bristol, BS13 8AE, so as to be received as soon as possible and in any event by not later than 3.00 p.m. on 1 April 2009, to be cancelled and exchanged for the split Provisional Allotment Letters required. The number of split Provisional Allotment Letters required and the number of Nil Paid Rights or (as appropriate) Fully Paid Rights to be comprised in each split Provisional Allotment Letter should be

stated in an accompanying letter. The aggregate of the Nil Paid Rights or (if appropriate) Fully Paid Rights stated in the letter must be equal to the number of New Ordinary Shares provisionally allotted to such holder as stated in Box B on page 1 of the Provisional Allotment Letter. Form X on page 2 of each split Provisional Allotment Letter will be marked "Original Duly Renounced" before issue. Any split Provisional Allotment Letters representing the New Ordinary Shares which a holder wishes to accept should be delivered together with the cheque or banker's draft in pounds sterling for the appropriate amount, in either case made payable to "HSBC Holdings plc Rights Issue" and crossed "Account Payee Only" so as to be received by 11.00 a.m. on 3 April 2009, the latest time and date for acceptance. Any split Provisional Allotment Letters representing New Ordinary Shares which a holder does not wish to take up should be delivered to the renouncee(s) or the stockbrokers, bank or other agent through whom the sale or transfer was effected for delivery to the renouncee. Persons making payment agree that the Trustees will hold such moneys on trust as provided in paragraph 11 of this Part VIII.

The Company and the Joint Global Coordinators reserve the right to refuse to register any renunciation in favour of any person in respect of which the Company or the Joint Global Coordinators believe such renunciation may violate applicable legal or regulatory requirements, including (without limitation) any renunciation in the name of any person with an address outside the United Kingdom, Hong Kong or Bermuda.

Qualifying Non-CREST Shareholders who wish to take up some of their Nil Paid Rights, without selling or transferring the remainder, should complete and sign Form X on page 2 of the original Provisional Allotment Letter and deliver the Provisional Allotment Letter by post to Corporate Actions 3, Computershare Investor Services, Project 1, Bridgwater Road, Bristol, BS99 6AR (from within the UK) or to Computershare Investor Services PLC, Corporate Actions Overseas, The Pavilions, Bridgwater Road, Bristol, BS99 6BF, United Kingdom (from outside the UK), or by hand (during normal business hours only) to Computershare Investor Services PLC, The Pavilions, Bridgwater Road, Bristol, BS13 8AE, together with a covering letter confirming the number of Nil Paid Rights to be taken up and a cheque or banker's draft in pounds sterling for the appropriate amount (which shall reflect the number of Nil Paid Rights they wish to take up), in either case made payable to "HSBC Holdings plc Rights Issue" and crossed "Account Payee Only" and with the Shareholder Reference Number, which appears on page 1 of the Provisional Allotment Letter, written on the reverse. In this case, the Provisional Allotment Letter and cheque or banker's draft must be received by the Receiving Agent by 11.00 a.m. on 3 April 2009. Accepting Qualifying Non-CREST Shareholders agree that the Trustees will hold such moneys on trust as provided in paragraph 11 of this Part VIII.

#### **(g) Registration in names of Qualifying Non-CREST Shareholders**

A Qualifying Non-CREST Shareholder who wishes to have all the New Ordinary Shares to which he/she is entitled registered in his/her name must accept and make payment for such allotment in accordance with the provisions set out in this document and the Provisional Allotment Letter.

#### **(h) Registration in names of persons other than Qualifying Non-CREST Shareholders originally entitled**

To register Fully Paid Rights in certificated form in the name of someone other than the Qualifying Non-CREST Shareholder(s) originally entitled, the renouncee or his/her agent(s) must complete Form Y on page 2 of the Provisional Allotment Letter and deliver the entire Provisional Allotment Letter by post to Corporate Actions 3, Computershare Investor Services, Project 1, Bridgwater Road, Bristol, BS99 6AR (from within the UK) or the Computershare Investor Services PLC, Corporate Actions Overseas, The Pavilions, Bridgwater Road, Bristol, BS99 6BF, United Kingdom (from outside the UK), or by hand (during normal business hours only) to Computershare Investor Services PLC, The Pavilions, Bridgwater Road, Bristol, BS13 8AE, so as to be received by not later than the latest time and date for registration of renunciations, which is 11.00 a.m. on 3 April 2009. Registration of renunciation cannot be effected unless and until the New Ordinary Shares comprised in a Provisional Allotment Letter are fully paid. If the renouncee is a CREST member who wishes to hold his/her New Ordinary Shares in uncertificated form, his/her Form X and CREST Deposit Form (on the bottom of page 2 of the Provisional Allotment Letter) must be completed and the Provisional Allotment Letter deposited with the CCSS (as this term is defined in the CREST Manual) (see paragraph 3.1(j) below).

#### **(i) Consolidation of Provisional Allotment Letters**

The New Ordinary Shares comprised in several Provisional Allotment Letters (duly renounced where applicable) may be registered in the name of one holder (or joint holders) if Form Y on page 2 of the Provisional Allotment Letter is completed on one Provisional Allotment Letter (the "Principal Letter") and all the Provisional Allotment Letters are delivered together in one batch. Details of each Provisional Allotment Letter (including the Principal Letter) should be listed in the Consolidated Listing Form adjacent to Forms X and Y on page 2 of the Provisional

Allotment Letter and the provisional allotment number of the Principal Letter should be entered in the space provided in each of the other Provisional Allotment Letters.

**(j) Deposit of Nil Paid Rights or Fully Paid Rights into CREST**

The Nil Paid Rights or Fully Paid Rights represented by a Provisional Allotment Letter may be converted into uncertificated form, that is, deposited into CREST (whether such conversion arises as a result of a renunciation of those rights or otherwise). Similarly, Nil Paid Rights or Fully Paid Rights held in CREST may be converted into certificated form, that is, withdrawn from CREST. Subject as provided in the following paragraph or in the Provisional Allotment Letter, normal CREST procedures and timings apply in relation to any such conversion. Please refer to the CREST Manual for details of such procedures.

The procedure for depositing the Nil Paid Rights or Fully Paid Rights represented by a Provisional Allotment Letter into CREST, whether such rights are to be converted into uncertificated form in the name(s) of the person(s) whose name(s) and address(es) appear on page 1 of the Provisional Allotment Letter or in the name(s) of a person or persons to whom the Provisional Allotment Letter has been renounced, is as follows: Form X and the CREST Deposit Form (both on page 2 of the Provisional Allotment Letter) will need to be completed and the Provisional Allotment Letter deposited with the CCSS. In addition, the normal CREST Stock Deposit procedures will need to be carried out, except that: (a) it will not be necessary to complete and lodge a separate CREST Transfer Form (prescribed under the Stock Transfer Act 1963) with the CCSS; and (b) only the whole of the Nil Paid Rights or Fully Paid Rights represented by the Provisional Allotment Letter may be deposited into CREST. Qualifying Non-CREST Shareholders who wish to deposit only some of their Nil Paid Rights or Fully Paid Rights represented by the Provisional Allotment Letter into CREST, must first apply for split Provisional Allotment Letters by following the instructions in paragraph 3.1(f) above. If the rights represented by more than one Provisional Allotment Letter are to be deposited, the CREST Deposit Form on each Provisional Allotment Letter must be completed and deposited. A Consolidation Listing Form (as this term is defined in the Regulations) must not be used.

A holder of the Nil Paid Rights (or, if appropriate, the Fully Paid Rights) represented by a Provisional Allotment Letter who is proposing to convert those rights into uncertificated form (whether following a renunciation of such rights or otherwise) is recommended to ensure that the conversion procedures are implemented in sufficient time to enable the person holding or acquiring the Nil Paid Rights (or, if appropriate, the Fully Paid Rights) in CREST following the conversion to take all necessary steps in connection with taking up the entitlement prior to 11.00 a.m. on 3 April 2009. In particular, having regard to processing times in CREST and on the part of the Receiving Agent, the latest recommended time for depositing a renounced Provisional Allotment Letter (with Form X and the CREST Deposit Form on page 2 of the Provisional Allotment Letter duly completed) with the CCSS (to enable the person holding or acquiring (as appropriate) the Nil Paid Rights (or, if appropriate, the Fully Paid Rights) in CREST as a result of the conversion to take all necessary steps in connection with taking up the entitlement prior to 11.00 a.m. on 3 April 2009) is 3.00 p.m. on 30 March 2009.

When Form X and the CREST Deposit Form (both on page 2 of the Provisional Allotment Letter) have been completed, the title to the Nil Paid Rights or the Fully Paid Rights represented by the Provisional Allotment Letter will cease forthwith to be renounceable or transferable by delivery and, for the avoidance of doubt, any entries in Form Y on page 2 of the Provisional Allotment Letter will not be recognised or acted upon by the Receiving Agent. All renunciations or transfers of the Nil Paid Rights or Fully Paid Rights must be effected through the means of the CREST system once such rights have been deposited into CREST.

CREST sponsored members should contact their CREST sponsors as only their CREST sponsors will be able to take the necessary actions to take up the entitlements or otherwise to deal with the Nil Paid Rights or Fully Paid Rights of CREST sponsored members.

**(k) Issue of share certificates in respect of New Ordinary Shares**

Definitive share certificates in respect of the New Ordinary Shares to be held in certificated form are expected to be despatched by post by 14 April 2009, at the risk of persons entitled thereto, to Qualifying Non-CREST Shareholders, or their transferees who hold Fully Paid Rights in certificated form, or in the case of joint holdings, to the first-named Shareholders, at their registered address (unless lodging agent details have been completed on page 2 of the Provisional Allotment Letter). After despatch of definitive share certificates, Provisional Allotment Letters will cease to be valid for any purpose whatsoever. Pending despatch of definitive share certificates, instruments of transfer of the New Ordinary Shares will be certified by Computershare Investor Services PLC against the register.

### **3.2 Action to be taken by Qualifying CREST Shareholders in relation to Nil Paid Rights or Fully Paid Rights in CREST**

#### **(a) General**

Subject to Shareholders approving the Resolutions (without material amendment) at the General Meeting and subject to paragraph 8 of this Part VIII in relation to certain Restricted Shareholders, each Qualifying CREST Shareholder is expected to receive a credit to his/her CREST stock account of his/her entitlement to Nil Paid Rights on 20 March 2009. The CREST stock account to be credited will be an account under the participant ID and member account ID that apply to the Ordinary Shares held on the Record Date by the Qualifying CREST Shareholder in respect of which the Nil Paid Rights are provisionally allotted.

The maximum number of New Ordinary Shares that a Qualifying CREST Shareholder may take up is that which has been provisionally allotted to that Qualifying CREST Shareholder and for which he/she receives a credit of entitlement into his/her stock account in CREST. The minimum number of New Ordinary Shares a Qualifying CREST Shareholder may take up is one.

The Nil Paid Rights constitute a separate security for the purposes of CREST and can accordingly be transferred, in whole or in part, by means of CREST in the same manner as any other security that is admitted to CREST.

If, for any reason, it is impracticable to credit the stock accounts of Qualifying CREST Shareholders or to enable the Nil Paid Rights by 8.00 a.m. on 20 March 2009, Provisional Allotment Letters shall, unless the Company determines otherwise, be sent out in substitution for the Nil Paid Rights which have not been so credited or enabled and the expected timetable as set out in this document may be adjusted as appropriate. References to dates and times in this document should be read as subject to any such adjustment. The Company will make an appropriate announcement to a Regulatory Information Service giving details of the revised dates but Qualifying CREST Shareholders may not receive any further written communication.

CREST members who wish to take up all or part of their entitlements in respect of, or otherwise to transfer all or part of, their Nil Paid Rights or Fully Paid Rights held by them in CREST should refer to the CREST Manual for further information on the CREST procedures referred to below.

CREST sponsored members should consult their CREST sponsor if they wish to take up their entitlement as only their CREST sponsor will be able to take the necessary action to take up their entitlement or otherwise to deal with their Nil Paid Rights or Fully Paid Rights.

#### **(b) Procedure for acceptance and payment**

##### **(i) MTM instructions**

CREST members who wish to take up all or part of their entitlement in respect of Nil Paid Rights in CREST must send (or, if they are a CREST sponsored member, procure that their CREST sponsor sends) an MTM instruction to Euroclear UK which, on its settlement, will have the following effect:

- (a) the crediting of a stock account of the Receiving Agent, under the participant ID and member account ID specified below, with the number of Nil Paid Rights to be taken up;
- (b) the creation of a settlement bank payment obligation (as this term is defined in the CREST Manual), in accordance with the RTGS payment mechanism (as this term is defined in the CREST Manual), in favour of the RTGS settlement bank of the Receiving Agent in pounds sterling in respect of the full amount payable on acceptance in respect of the Nil Paid Rights referred to in paragraph 3.2(b)(i)(a) above; and
- (c) the crediting of a stock account of the accepting CREST member (being an account under the same participant ID and member account ID as the account from which the Nil Paid Rights are to be debited on settlement of the MTM instruction) of the corresponding number of Fully Paid Rights to which the CREST member is entitled on taking up his/her Nil Paid Rights referred to in paragraph 3.2(b)(i)(a) above.

##### **(ii) Contents of MTM instructions**

The MTM instruction must be properly authenticated in accordance with Euroclear UK's specifications and must contain, in addition to the other information that is required for settlement in CREST, the following details:

- the number of Nil Paid Rights to which the acceptance relates;
- the participant ID of the accepting CREST member;
- the member account ID of the accepting CREST member from which the Nil Paid Rights are to be debited;

- the participant ID of the Receiving Agent, in its capacity as a CREST receiving agent. This is 3RA29;
- the member account ID of the Receiving Agent, in its capacity as a CREST receiving agent. This is HSBC;
- the number of Fully Paid Rights that the CREST member is expecting to receive on settlement of the MTM instruction. This must be the same as the number of Nil Paid Rights to which the acceptance relates;
- the amount payable by means of the CREST assured payment arrangements on settlement of the MTM instruction. This must be the full amount payable on acceptance in respect of the number of Nil Paid Rights to which the acceptance relates;
- the intended settlement date (which must be on or before 11.00 a.m. on 3 April 2009);
- the ISIN number for the Fully Paid Rights, which is GB00B60FPP65;
- the ISIN number for the Nil Paid Rights, which is GB00B60DRL02;
- the corporate action number for the Rights Issue. This will be available by viewing the relevant corporate action details in CREST;
- a contact name and telephone number (in the free format shared note field); and
- a priority of at least 80.

***(iii) Valid acceptance***

An MTM instruction complying with each of the requirements as to authentication and contents set out in paragraph 3.2(b)(ii) above will constitute a valid acceptance where either:

- (a) the MTM instruction settles by not later than 11.00 a.m. on 3 April 2009; or
- (b) at the discretion of the Company and the Joint Global Coordinators: (i) the MTM instruction is received by Euroclear UK by not later than 11.00 a.m. on 3 April 2009; (ii) a number of Nil Paid Rights at least equal to the number of Nil Paid Rights inserted in the MTM instruction is credited to the CREST stock member account of the accepting CREST member specified in the MTM instruction at 11.00 a.m. on 3 April 2009; and (iii) the relevant MTM instruction settles by 2.00 p.m. on 3 April 2009 (or such later time and date as the Company and certain of the Banks may determine).

An MTM instruction will be treated as having been received by Euroclear UK for these purposes at the time at which the instruction is processed by the Network Providers' Communications Host (as this term is defined in the CREST Manual) at Euroclear UK of the network provider used by the CREST member (or by the CREST sponsored member's CREST sponsor). This will be conclusively determined by the input time stamp applied to the MTM instruction by the Network Providers' Communications Host.

***(iv) Representations, warranties and undertakings of CREST members***

A CREST member or CREST sponsored member who makes a valid acceptance in accordance with this paragraph 3.2 represents, warrants and undertakes to the Company and the Banks that he/she has taken (or procured to be taken), and will take (or will procure to be taken), whatever action is required to be taken by him/her or by his/her CREST sponsor (as appropriate) to ensure that the MTM instruction concerned is capable of settlement at 11.00 a.m. on 3 April 2009 and remains capable of settlement at all times after that until 2.00 p.m. on 3 April 2009 (or until such later time and date as the Company and certain of the Banks may determine). In particular, the CREST member or CREST sponsored member represents, warrants and undertakes that at 11.00 a.m. on 3 April 2009 and at all times thereafter that time until 2.00 p.m. on 3 April 2009 (or until such later time and date as the Company and certain of the Banks may determine) there will be sufficient Headroom within the Cap (as those terms are defined in the CREST Manual) in respect of the cash memorandum account to be debited with the amount payable on acceptance to permit the MTM instruction to settle. CREST sponsored members should contact their CREST sponsor if they are in any doubt.

If there is insufficient Headroom within the Cap in respect of the cash memorandum account of a CREST member or CREST sponsored member for such amount to be debited or the CREST member's or CREST sponsored member's acceptance is otherwise treated as invalid and New Ordinary Shares have already been allotted to such CREST member or CREST sponsored member, the Joint Global Coordinators may (in their absolute discretion as to manner, timing and terms) make arrangements for the sale of such New Ordinary Shares on behalf of that CREST member or CREST sponsored member and hold the proceeds of sale (net of the Company's reasonable estimate of any loss that it has suffered as a result of the acceptance being treated as invalid and of the expenses of sale

including, without limitation, any stamp duty or SDRT payable on the transfer of such New Ordinary Shares, and of all amounts payable by the CREST member or CREST sponsored member pursuant to the terms of the Rights Issue in respect of the acquisition of such shares) on behalf of such CREST member or CREST sponsored member. None of the Company, the Banks nor any other person shall be responsible for, or have any liability for, any loss, expenses or damage suffered by such CREST member or CREST sponsored member as a result.

***(v) CREST procedures and timings***

CREST members and CREST sponsors (on behalf of CREST sponsored members) should note that Euroclear UK does not make available special procedures in CREST for any particular corporate action.

Normal system timings and limitations will therefore apply in relation to the input of an MTM instruction and its settlement in connection with the Rights Issue. It is the responsibility of the CREST member concerned to take (or, if the CREST member is a CREST sponsored member, to procure that his/her CREST sponsor takes) the action necessary to ensure that a valid acceptance is received as stated above by 11.00 a.m. on 3 April 2009. In this connection, CREST members and (where applicable) CREST sponsors are referred in particular to those paragraphs of the CREST Manual concerning practical limitations of the CREST system and timings.

***(vi) CREST member's undertaking to pay***

A CREST member or CREST sponsored member who makes a valid acceptance in accordance with the procedures set out in this paragraph 3.2: (a) undertakes to pay to the Receiving Agent, or procure the payment to the Receiving Agent of, the amount payable in pounds sterling on acceptance in accordance with the above procedures or in such other manner as the Receiving Agent may require (it being acknowledged that, where payment is made by means of the RTGS payment mechanism (as this term is defined in the CREST Manual), the creation of a RTGS settlement bank payment obligation in pounds sterling in favour of the Receiving Agent's RTGS settlement bank (as this term is defined in the CREST Manual) in accordance with the RTGS payment mechanism shall, to the extent of the obligation so created, discharge in full the obligation of the CREST member (or CREST sponsored member) to pay to the Receiving Agent the amount payable on acceptance); and (b) requests that the Fully Paid Rights and/or New Ordinary Shares to which he/she will become entitled be issued to him/her on the terms set out in this document and subject to the Memorandum of Association of the Company and the Articles. Persons making payment agree that the Trustees will hold such moneys on trust as provided in paragraph 11 of this Part VIII.

If the payment obligations of the relevant CREST member or CREST sponsored member in relation to such New Ordinary Shares are not discharged in full and such New Ordinary Shares have already been allotted to the CREST member or CREST sponsored member, the Joint Global Coordinators may, in their absolute discretion as to the manner, timing and terms, make arrangements for the sale of such New Ordinary Shares on behalf of that CREST member or CREST sponsored member and hold the proceeds of sale (net of the Company's reasonable estimate of any loss it has suffered as a result of the same and of the expenses of sale including, without limitation, any stamp duty or SDRT payable on the transfer of such New Ordinary Shares, and all amounts payable by such CREST member or CREST sponsored member pursuant to the terms of the Rights Issue in respect of the acquisition of such New Ordinary Shares) or an amount equal to the original payment of the CREST member or CREST sponsored member (whichever is lower) on trust for such CREST member or CREST sponsored member. In these circumstances, none of the Company, the Banks nor any other person shall be responsible for, or have any liability for, any loss, expenses or damage suffered by the CREST member or CREST sponsored member arising as a result.

***(vii) Discretion as to rejection and validity of acceptances***

The Company may, in its absolute discretion:

- (a) reject any acceptance constituted by an MTM instruction, which is otherwise valid, in the event of breach of any of the representations, warranties and undertakings set out or referred to in this paragraph 3.2. Where an acceptance is made as described in this paragraph 3.2 which is otherwise valid, and the MTM instruction concerned fails to settle by 11.00 a.m. on 3 April 2009 (or by such later time and date as the Company and certain of the Banks may determine), the Company shall be entitled to assume, for the purposes of its right to reject an acceptance as described in this paragraph 3.2, that there has been a breach of the representations, warranties and undertakings set out or referred to in this paragraph 3.2 unless the Company is aware of any reason outside the control of the CREST member or the CREST sponsor (as appropriate) concerned for the failure to settle;

- (b) treat as valid (and binding on the CREST member or CREST sponsored member concerned) an acceptance which does not comply in all respects with the requirements as to validity set out or referred to in this paragraph 3.2;
- (c) accept an alternative properly authenticated dematerialised instruction from a CREST member or (where applicable) a CREST sponsor as constituting a valid acceptance in substitution for, or in addition to, an MTM instruction and subject to such further terms and conditions as the Company and the Joint Global Coordinators may determine;
- (d) treat a properly authenticated dematerialised instruction (in this sub-paragraph the “first instruction”) as not constituting a valid acceptance if, at the time at which the Receiving Agent receives a properly authenticated dematerialised instruction giving details of the first instruction, either the Company or the Receiving Agent has received actual notice from Euroclear UK of any of the matters specified in Regulation 35(5)(a) of the Uncertificated Securities Regulations 2001 in relation to the first instruction. These matters include notice that any information contained in the first instruction was incorrect or notice of lack of authority to send the first instruction; and/or
- (e) accept an alternative instruction or notification from a CREST member or CREST sponsored member or (where applicable) a CREST sponsor, or extend the time for acceptance and/or settlement of an MTM instruction (to such time as the Company and certain of the Banks may determine) or any alternative instruction or notification if, for reasons or due to circumstances outside the control of any CREST member or CREST sponsored member or (where applicable) CREST sponsor, the CREST member or CREST sponsored member is unable validly to take up all of part of his/her Nil Paid Rights by means of the above procedures. In normal circumstances, this discretion is only likely to be exercised in the event of any interruption, failure or breakdown of CREST (or of any part of CREST) or on the part of facilities and/or systems operated by the Receiving Agent in connection with CREST.

**(c) Money Laundering Regulations**

Qualifying CREST Shareholders who hold their Nil Paid Rights in CREST and apply to take up all or part of their entitlement as agent for one or more persons and who are not a UK or EU regulated person or institution (for example, a UK financial institution), then, irrespective of the value of the application, the Receiving Agent is entitled to take reasonable measures to establish the identity of the person or persons (or the ultimate controller of such person or persons) on whose behalf they are making the application. Such holders must therefore contact the Receiving Agent before sending any MTM instruction or other instruction so that appropriate measures may be taken.

Submission of an MTM instruction which constitutes, or which may on its settlement constitute, a valid acceptance as described above constitutes a representation, warranty and undertaking by the applicant to provide promptly to the Receiving Agent any information the Receiving Agent may specify as being required for the purposes of the Money Laundering Regulations or FSMA. Pending the provision of such information and other evidence as the Receiving Agent may require to satisfy the verification or identity requirements, the Receiving Agent, having consulted with the Company and the Joint Global Coordinators, may take, or omit to take, such action as it may determine to prevent or delay settlement of the MTM instruction. If such information and other evidence of identity has not been provided within a reasonable time, then the Receiving Agent will not permit the MTM instruction concerned to proceed to settlement but without prejudice to the right of the Company and/or the Banks to take proceedings to recover any loss suffered by it or them as a result of failure by the applicant to provide such information and other evidence.

**(d) Dealings in Nil Paid Rights in CREST**

Assuming the Rights Issue becomes unconditional, dealings in the Nil Paid Rights on the London Stock Exchange are expected to commence at 8.00 a.m. on 20 March 2009. A transfer (in whole or in part) of Nil Paid Rights can be made by means of CREST in the same manner as any other security that is admitted to CREST. The Nil Paid Rights are expected to be disabled in CREST after the close of CREST business on 3 April 2009.

**(e) Dealings in Fully Paid Rights in CREST**

After acceptance of the provisional allotment and payment in full in accordance with the provisions set out in this document, the Fully Paid Rights may be transferred by means of CREST in the same manner as any other security that is admitted to CREST. The last time for settlement of any transfer of Fully Paid Rights in CREST is 11.00 a.m.

on 3 April 2009. The Fully Paid Rights are expected to be disabled in CREST after the close of CREST business on 3 April 2009.

After 3 April 2009, the New Ordinary Shares will be registered in the name(s) of the person(s) entitled to them in the Company's register of members and will be transferable in the usual way.

**(f) Withdrawal of Nil Paid Rights or Fully Paid Rights from CREST**

Nil Paid Rights or Fully Paid Rights held in CREST may be converted into certificated form, that is, withdrawn from CREST. Normal CREST procedures (including timings) apply in relation to any such conversion.

The recommended latest time for receipt by Euroclear UK of a properly authenticated dematerialised instruction requesting withdrawal of Nil Paid Rights or, if appropriate, Fully Paid Rights, from CREST is 4.30 p.m. on 27 March 2009, so as to enable the person acquiring or (as appropriate) holding the Nil Paid Rights or, if appropriate, Fully Paid Rights, following the conversion to take all necessary steps in connection with taking up the entitlement prior to 11.00 a.m. on 3 April 2009. It is recommended that you refer to the CREST Manual for details of such procedures.

**(g) Issue of New Ordinary Shares in CREST**

Fully Paid Rights in CREST are expected to be disabled in CREST after the close of CREST business on 3 April 2009 (the latest date for settlement of transfers of Fully Paid Rights in CREST). New Ordinary Shares will be issued in uncertificated form to those persons registered as holding Fully Paid Rights in CREST at the close of business on the date on which the Fully Paid Rights are disabled. The Receiving Agent will instruct Euroclear UK to credit the appropriate stock accounts of those persons (under the same participant ID and member account ID that applied to the Fully Paid Rights held by those persons) with their entitlements to New Ordinary Shares with effect from the next Business Day (expected to be 6 April 2009).

**(h) Right to allot/issue in certificated form**

Notwithstanding any other provision of this document, the Company reserves the right to allot and to issue any Nil Paid Rights, Fully Paid Rights or New Ordinary Shares in certificated form. In normal circumstances, this right is only likely to be exercised in the event of an interruption, failure or breakdown of CREST (or of any part of CREST) or of a part of the facilities and/or systems operated by the Receiving Agent in connection with CREST if it has first received the Joint Global Coordinators' written consent.

**4 Action to be taken by Shareholders registered on the Hong Kong branch register (HK Shareholders)**

The action to be taken by UK Shareholders, Bermuda Shareholders and Qualifying Euroclear France Shareholders is set out in paragraphs 3, 5 and 6, of this Part VIII, respectively.

**4.1 Action to be taken by Qualifying Non-CCASS Shareholders**

**(a) General**

Subject to Shareholders approving the Resolutions (without material amendment) at the General Meeting and subject to paragraph 8 of this Part VIII in relation to certain Restricted Shareholders, Provisional Allotment Letters are expected to be despatched to Qualifying Non-CCASS Shareholders on 19 March 2009, which entitle Qualifying Non-CCASS Shareholders to whom they are addressed to take up the number of New Ordinary Shares shown therein.

**The latest time and date for acceptance and payment in full is 4.00 p.m. (Hong Kong time) on 3 April 2009.**

**(b) Procedure for acceptance and payment**

**(i) Qualifying Non-CCASS Shareholders who wish to accept in full**

If a Qualifying Non-CCASS Shareholder wishes to accept all Nil Paid Rights provisionally allotted to him/her as specified in the Provisional Allotment Letter, he/she must lodge the Provisional Allotment Letter, together with a cheque or cashier's order in Hong Kong dollars and in either case made payable to "HSBC Holdings plc Rights Issue" and crossed "Account Payee Only" for the full amount payable on acceptance, in accordance with the instructions printed on the Provisional Allotment Letter by post or hand to Computershare Hong Kong Investor Services Limited at Rooms 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong, so as to be received as soon as possible and in any event by no later than 4.00 p.m. (Hong Kong time) on 3 April 2009. A

reply-paid envelope is enclosed with the Provisional Allotment Letter for the purpose of returning the Provisional Allotment Letter by post and is for use within Hong Kong only. Qualifying Non-CCASS Shareholders who lodge their Provisional Allotment Letter within Hong Kong by post are recommended to allow at least four working days for delivery. Accepting Qualifying Non-CCASS Shareholders agree that the Trustees will hold such moneys on trust as provided in paragraph 11 of this Part VIII.

It should be noted that unless the Provisional Allotment Letter, together with the appropriate remittance, has been lodged with Computershare Hong Kong Investor Services Limited at Rooms 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong by 4.00 p.m. (Hong Kong time) on 3 April 2009, whether by the original allottee or any person in whose favour the rights have been validly transferred, that provisional allotment and all rights thereunder will be deemed to have been declined and will lapse.

***(ii) Qualifying Non-CCASS Shareholders who wish to accept in part***

Qualifying Non-CCASS Shareholders who wish to take up some but not all of their Nil Paid Rights should refer to paragraph 4.1(d) of this Part VIII.

***(iii) Discretion as to validity of acceptances***

If payment is not received in full by 4.00 p.m. (Hong Kong time) on 3 April 2009, the provisional allotment will be deemed to have been declined and will lapse.

The Company and the Joint Global Coordinators may also (in their absolute discretion) treat a Provisional Allotment Letter as valid and binding on the person(s) by whom or on whose behalf it is lodged even if it is not completed in accordance with the relevant instructions or is not accompanied by a valid power of attorney (where required).

The Company and the Joint Global Coordinators reserve the right to treat as invalid any acceptance or purported acceptance of the New Ordinary Shares that appears to the Company or the Joint Global Coordinators to have been executed in, despatched from or that provides an address for delivery of definitive share certificates for New Ordinary Shares, in any of the Excluded Territories. New Ordinary Shares can only be registered on the Hong Kong branch register if the ultimate allottee has an address in Hong Kong.

A Qualifying Non-CCASS Shareholder who makes a valid acceptance and payment in accordance with this paragraph 4.1(b) is deemed to request that the New Ordinary Shares to which they will become entitled be issued to them on the terms set out in this document and the Provisional Allotment Letter, and subject to the Memorandum of Association of the Company and the Articles.

***(iv) Payments***

All payments made by Qualifying Non-CCASS Shareholders must be in Hong Kong dollars and made by cheque drawn on a bank account with, or by cashier's order issued by, a licensed bank in Hong Kong and in either case made payable to "HSBC Holdings plc Rights Issue" and crossed "Account Payee Only". Qualifying Non-CCASS Shareholders should write their name and Shareholder Reference Number (indicated at the top of page 1 of the Provisional Allotment Letter) on the back of the cheque or cashier's order. Persons making payment agree that the Trustees will hold such moneys on trust as provided in paragraph 11 of this Part VIII. All cheques and cashier's orders in Hong Kong dollars for the New Ordinary Shares will be presented for payment immediately upon receipt and no interest shall accrue thereon. The Company and the Joint Global Coordinators may elect to treat as invalid any acceptance in respect of which the cheque or cashier's order is dishonoured on first presentation and in such case all rights under the Provisional Allotment Letter will be deemed to have been declined and will lapse. If New Ordinary Shares have already been allotted to Qualifying Non-CCASS Shareholders prior to any payment not being so honoured or such Qualifying Non-CCASS Shareholders' acceptances being treated as invalid, the Joint Global Coordinators may, in their absolute discretion as to manner, timing and terms, make arrangements for the sale of such shares on behalf of those Qualifying Non-CCASS Shareholders and hold the proceeds of sale (net of the Company's reasonable estimate of any loss that it has suffered as a result of the acceptance being treated as invalid and of the expenses of sale including, without limitation, any stamp duty or SDRT payable on the transfer of such shares, and of all amounts payable by such Qualifying Non-CCASS Shareholders pursuant to the terms of the Rights Issue in respect of the acquisition of such shares) on behalf of such Qualifying Non-CCASS Shareholders. None of the Company, the Banks nor any other person shall be responsible for, or have any liability for, any loss, expenses or damage suffered by Qualifying Non-CCASS Shareholders as a result.

### **(c) Dealings in Nil Paid Rights**

Assuming the Rights Issue becomes unconditional, dealings on the Main Board of the Hong Kong Stock Exchange in the Nil Paid Rights are expected to commence at 9.30 a.m. (Hong Kong time) on 23 March 2009 and will cease at 4.00 p.m. (Hong Kong time) on 31 March 2009. A transfer of Nil Paid Rights can be made by a renunciation of the Provisional Allotment Letter in accordance with the instructions printed on it and delivery of the Provisional Allotment Letter to the transferee or broker. The latest time and date for registration of renunciation of Provisional Allotment Letters, nil paid, is 4.00 p.m. (Hong Kong time) on 3 April 2009.

### **(d) Transfer and splitting of Provisional Allotment Letters**

If a Qualifying Non-CCASS Shareholder wishes to take up only part of his/her Nil Paid Rights under the Provisional Allotment Letter or transfer a part of his/her rights to take up the New Ordinary Shares provisionally allotted to him/her under the Provisional Allotment Letter or to transfer all or part of his/her rights to more than one person, he/she should arrange for splitting of the Provisional Allotment Letter. In order to split the Provisional Allotment Letter, the original Provisional Allotment Letter must be surrendered and lodged in person for cancellation together with a covering letter stating clearly the number of split Provisional Allotment Letters required and the number of Nil Paid Rights to be comprised in each split Provisional Allotment Letter (which, in aggregate, should be equal to the number of New Ordinary Shares provisionally allotted to such holder as stated in Box B of Form A of the Provisional Allotment Letter) by no later than 4.30 p.m. (Hong Kong time) on 26 March 2009 with Computershare Hong Kong Investor Services Limited at Rooms 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong, who will cancel the original Provisional Allotment Letter and issue split Provisional Allotment Letters in the denominations required. The split Provisional Allotment Letters will be available for collection from Computershare Hong Kong Investor Services Limited at Rooms 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong from 9.00 a.m. (Hong Kong time) on the second HK Business Day after the surrender of the original Provisional Allotment Letter.

If a Qualifying Non-CCASS Shareholder wishes to transfer all of his/her Nil Paid Rights under the Provisional Allotment Letter (or the split Provisional Allotment Letter, as the case may be) to another person, he/she should complete and sign Form B on page 2 of the Provisional Allotment Letter and hand the Provisional Allotment Letter to the person to or through whom he/she is transferring his/her Nil Paid Rights. The transferee must then complete and sign Form C on page 2 of the Provisional Allotment Letter and lodge the Provisional Allotment Letter intact together with a remittance for the full amount payable on acceptance with Computershare Hong Kong Investor Services Limited to effect the transfer by not later than 4.00 p.m. (Hong Kong time) on 3 April 2009. Persons making payment agree that the Trustees will hold such moneys on trust as provided in paragraph 11 of Part VIII.

The Company and the Joint Global Coordinators reserve the right to refuse to register any transfer in favour of any person in respect of which the Company or the Joint Global Coordinators believe such transfer may violate applicable legal or regulatory requirements, including (without limitation) any transfer to any person who is resident outside the United Kingdom, Hong Kong or Bermuda. New Ordinary Shares can only be registered on the Hong Kong branch register if the ultimate allottee has an address in Hong Kong.

### **(e) Registration in names of Qualifying Non-CCASS Shareholders**

A Qualifying Non-CCASS Shareholder who wishes to have all the New Ordinary Shares to which he/she is entitled registered in his/her name must accept and make payment for such allotment in accordance with the provisions set out in this document and the Provisional Allotment Letter.

### **4.2 Action to be taken by Qualifying CCASS Shareholders**

Qualifying CCASS Shareholders should contact their broker for further details.

### **4.3 Application for listing on the Main Board of the Hong Kong Stock Exchange**

Application has been made to the Hong Kong Stock Exchange for the listing of, and permission to deal in, the New Ordinary Shares, in both nil paid and fully paid forms on the Main Board of the Hong Kong Stock Exchange. The New Ordinary Shares do not constitute a new class of securities to be listed on the Main Board of the Hong Kong Stock Exchange.

Subject to the granting of listing of, and permission to deal in, the New Ordinary Shares in their nil paid and fully paid forms on the Main Board of the Hong Kong Stock Exchange as well as compliance with the stock admission requirements of HKSCC, the New Ordinary Shares in their nil paid and fully paid forms will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the respective commencement date of dealings in the New Ordinary Shares in their nil paid and fully paid forms or such other dates as determined by HKSCC. Settlement of transactions between participants of the Hong Kong Stock Exchange

on any trading day is required to take place in CCASS on the second trading day thereafter. All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

Nil Paid Rights are expected to be traded in board lots of 400 (as the Ordinary Shares are currently traded on the Main Board of the Hong Kong Stock Exchange in board lots of 400). Dealings in the nil paid and fully paid New Ordinary Shares will be subject to the payment of stamp duty in Hong Kong.

## **5 Action to be taken by Shareholders registered on the Bermuda branch register (Bermuda Shareholders)**

The action to be taken by UK Shareholders, HK Shareholders and Qualifying Euroclear Shareholders is set out in paragraphs 3, 4 and 6 of this Part VIII, respectively.

### **(a) General**

Subject to Shareholders approving the Resolutions (without material amendment) at the General Meeting and subject to paragraph 8 of this Part VIII in relation to certain Restricted Shareholders, Provisional Allotment Letters are expected to be despatched to Qualifying Bermuda Shareholders on 19 March 2009 which entitle Qualifying Bermuda Shareholders to whom they are addressed to take up the number of New Ordinary Shares shown therein.

**The latest time and date for acceptance and payment in full is 11.00 a.m. (Bermuda time) on 3 April 2009.**

### **(b) Procedure for acceptance and payment**

#### *(i) Qualifying Bermuda Shareholders who wish to accept in full*

Holders of Provisional Allotment Letters who wish to take up all of their entitlements must complete the Provisional Allotment Letter and return it, together with a cheque or local banker's draft in US dollars drawn on a licensed bank in Bermuda and in either case made payable to "The Bank of Bermuda Limited re HSBC Holdings plc Rights Issue" for the full amount payable on acceptance, in accordance with the instructions printed on the Provisional Allotment Letter, by post to Corporate Shareholder Services, The Bank of Bermuda Limited, 6 Front Street, Hamilton HM 11, Bermuda, or by hand (during normal business hours only) by depositing the completed Provisional Allotment Letter in the designated "HSBC Rights Issue Drop Box" on the ground floor of The Bank of Bermuda Limited Head Office, 6 Front Street, Hamilton HM 11, Bermuda, in either case so as to be received as soon as possible and in any event by not later than 11.00 a.m. (Bermuda time) on 3 April 2009. A reply-paid envelope is enclosed with the Provisional Allotment Letter which should be used to post the Provisional Allotment Letter or to deposit it in the designated "HSBC Rights Issue Drop Box". Accepting Qualifying Bermuda Shareholders agree that the Trustees will hold such moneys on trust as provided in paragraph 11 of this Part VIII.

#### *(ii) Qualifying Bermuda Shareholders who wish to accept in part*

Holders of Provisional Allotment Letters who wish to take up some, but not all, of their Nil Paid Rights should refer to paragraph 5(d) of this Part VIII.

#### *(iii) Discretion as to validity of acceptances*

If payment is not received in full by 11.00 a.m. (Bermuda time) on 3 April 2009, the provisional allotment will be deemed to have been declined and will lapse.

The Company and the Joint Global Coordinators may also (in their absolute discretion) treat a Provisional Allotment Letter as valid and binding on the person(s) by whom or on whose behalf it is lodged even if it is not completed in accordance with the relevant instructions or is not accompanied by a valid power of attorney (where required).

The Company and the Joint Global Coordinators reserve the right to treat as invalid any acceptance or purported acceptance of the New Ordinary Shares that appears to the Company or the Joint Global Coordinators to have been executed in, despatched from or that provides an address, in any of the Excluded Territories. New Ordinary Shares can only be registered on the Bermuda branch register if the ultimate allottee has an address in Bermuda.

A Qualifying Bermuda Shareholder who makes a valid acceptance and payment in accordance with this paragraph 5(b) is deemed to request that the New Ordinary Shares to which they will become entitled be issued to them on the terms set out in this document and the Provisional Allotment Letter, and subject to the Memorandum of Association of the Company and the Articles.

**(iv) Payments**

All payments made by Qualifying Bermuda Shareholders must be in US dollars and made by cheque or local banker's draft drawn on a licensed bank in Bermuda, in either case made payable to "The Bank of Bermuda Limited re HSBC Holdings plc Rights Issue". Qualifying Bermuda Shareholders should write their name, Shareholder Reference Number (indicated at the top of page 1 of the Provisional Allotment Letter) and day-time telephone number on the back of the cheque or banker's draft. Post-dated and third party cheques and payments via electronic transfer will not be accepted. Cash will not be accepted. Cheques and banker's drafts will be presented for payment on receipt. The Company reserves the right to instruct Corporate Shareholder Services, The Bank of Bermuda Limited to seek special clearance of cheques or banker's drafts to allow the Company to obtain value for remittances at the earliest opportunity. No interest will accrue on payments made before they are due. Persons making payment agree that the Trustees will hold such moneys on trust as provided in paragraph 11 of this Part VIII.

It is a term of the Rights Issue that cheques and local banker's drafts shall be honoured on first presentation, and the Company and the Joint Global Coordinators may elect to treat as invalid any acceptances in respect of which cheques or local banker's drafts are not so honoured. If New Ordinary Shares have already been allotted to Qualifying Bermuda Shareholders prior to any cheque or local banker's draft not being so honoured or such Qualifying Bermuda Shareholders' acceptances being treated as invalid, the Joint Global Coordinators may, in their absolute discretion as to manner, timing and terms, make arrangements for the sale of such shares on behalf of those Qualifying Bermuda Shareholders and hold the proceeds of sale (net of the Company's reasonable estimate of any loss that it has suffered as a result of the acceptance being treated as invalid and of the expenses of sale including, without limitation, any stamp duty or SDRT payable on the transfer of such shares, and of all amounts payable by such Qualifying Bermuda Shareholders pursuant to the terms of the Rights Issue in respect of the acquisition of such shares) on behalf of such Qualifying Bermuda Shareholders. None of the Company, the Banks nor any other person shall be responsible for, or have any liability for, any loss, expenses or damage suffered by Qualifying Bermuda Shareholders as a result.

**(c) Dealings in Nil Paid Rights**

The Nil Paid Rights will not be listed on the Bermuda Stock Exchange. A transfer of Nil Paid Rights can be made in accordance with the instructions printed on the Provisional Allotment Letter and delivery of the Provisional Allotment Letter to the transferee or to a stockbroker, bank or other appropriate financial adviser. Qualifying Bermuda Shareholders who wish to transfer only part of their Nil Paid Rights must first split the Provisional Allotment Letter in accordance with the instructions printed on it (see paragraph 5(d) of this Part VIII. The latest time and date for registration of renunciation of Provisional Allotment Letters, nil paid, is 11.00 a.m. (Bermuda time) on 3 April 2009.

**(d) Transfer and splitting of Provisional Allotment Letters**

Qualifying Bermuda Shareholders who wish to transfer all of their Nil Paid Rights or, after acceptance of the provisional allotment and payment in full, Fully Paid Rights, comprised in a Provisional Allotment Letter may (save as required by the laws of certain overseas jurisdictions) transfer such allotment by completing and signing Form X on page 2 of the Provisional Allotment Letter which will involve a renunciation of their rights (if it is not already marked "Original Duly Renounced") and passing the entire Provisional Allotment Letter to their stockbroker, bank or other appropriate financial adviser or to the transferee. Once a Provisional Allotment Letter has been renounced, it will become a negotiable instrument in bearer form and the Nil Paid Rights or Fully Paid Rights (as appropriate) comprised in the Provisional Allotment Letter may be transferred by delivery of it to the transferee. The transferee may then register the transfer by completing Form Y on page 2 of the Provisional Allotment Letter and delivering the Provisional Allotment Letter together, in the case of a transferee of Nil Paid Rights, with a cheque or local banker's draft for the amount payable on acceptance by post to Corporate Shareholder Services, The Bank of Bermuda Limited, 6 Front Street, Hamilton HM 11, Bermuda or by hand (during normal business hours only) by depositing into the designated "HSBC Rights Issue Drop Box" on the ground floor of The Bank of Bermuda Limited Head Office, 6 Front Street, Hamilton HM 11, Bermuda. Persons making payment agree that the Trustees will hold such moneys on trust as provided in paragraph 11 of this Part VIII. The latest time and date for registration of renunciation of Provisional Allotment Letters, nil paid or fully paid, is 11.00 a.m. (Bermuda time) on 3 April 2009.

If a holder of a Provisional Allotment Letter wishes to have only some of the New Ordinary Shares registered in his/her name and to transfer his/her entitlement in respect of the remainder, or wishes to transfer all the Nil Paid Rights, or (if appropriate) Fully Paid Rights but to different persons, he/she may have the Provisional Allotment Letter split, for which purpose he/she or his/her agent must complete and sign Form X on page 2 of the Provisional Allotment Letter. The Provisional Allotment Letter must then be returned by post to Corporate Shareholder Services, The

Bank of Bermuda Limited, 6 Front Street, Hamilton HM 11, Bermuda or deposited by hand (during normal business hours only) into the designated "HSBC Rights Issue Drop Box" on the ground floor of The Bank of Bermuda Limited Head Office, 6 Front Street, Hamilton HM 11, Bermuda, in either case as soon as possible and in any event by no later than 3.00 p.m. (Bermuda time) on 1 April 2009 to be cancelled and exchanged for the split Provisional Allotment Letters required. The number of split Provisional Allotment Letters required and the number of Nil Paid Rights or (as appropriate) Fully Paid Rights to be comprised in each split Provisional Allotment Letter should be stated in an accompanying letter. The aggregate of the Nil Paid Rights or (if appropriate) Fully Paid Rights stated in the letter must be equal to the number of New Ordinary Shares provisionally allotted to such holder as stated in Box B on page 1 of the Provisional Allotment Letter. The split Provisional Allotment Letters will be available for collection from Corporate Shareholder Services, The Bank of Bermuda Limited from 10.00 a.m. (Bermuda time) on the business day after delivery of the original Provisional Allotment Letter. Form X on page 2 of the split Provisional Allotment Letters will be marked "Original Duly Renounced" before issue. Any split Provisional Allotment Letters representing the New Ordinary Shares which a holder wishes to accept should be delivered, together with the cheque or local banker's draft drawn on a licensed bank in Bermuda for the appropriate amount in United States dollars, in either case made payable to "The Bank of Bermuda Limited re HSBC Holdings plc Rights Issue", so as to be received by not later than 11.00 a.m. (Bermuda time) on 3 April 2009, the last date and time for acceptance. Any split Provisional Allotment Letters representing New Ordinary Shares which a holder does not wish to take up should be retained as these will be required in order to transfer those rights. Persons making payment agree that the Trustees will hold such moneys on trust as provided in paragraph 11 of this Part VIII.

The Company and the Joint Global Coordinators reserve the right to refuse to register any transfer in favour of any person in respect of which the Company or the Joint Global Coordinators believe such transfer may violate applicable legal or regulatory requirements, including (without limitation) any transfer to any person with an address outside the United Kingdom, Bermuda or Hong Kong. New Ordinary Shares can only be registered on the Bermuda branch register if the ultimate allottee has an address in Bermuda.

Qualifying Bermuda Shareholders who wish to take up some of their Nil Paid Rights, without selling or transferring the remainder, should complete and sign Form X on page 2 of the original Provisional Allotment Letter and deliver it by post to Corporate Shareholder Services, The Bank of Bermuda Limited, 6 Front Street, Hamilton HM 11, Bermuda or by hand (during normal business hours only) by depositing into the designated "HSBC Rights Issue Drop Box" on the ground floor of The Bank of Bermuda Limited Head Office, 6 Front Street, Hamilton HM 11, Bermuda, together with a covering letter confirming the number of Nil Paid Rights to be taken up and a cheque or local banker's draft drawn on a licensed bank in Bermuda in US dollars for the appropriate amount (which shall reflect the number of rights they wish to take up) and in either case made payable to "The Bank of Bermuda Limited re HSBC Holdings plc Rights Issue", so as to be received by 11.00 a.m. (Bermuda time) on 3 April 2009. A reply-paid envelope is enclosed with the Provisional Allotment Letter which should be used to post the completed Provisional Allotment Letter or to deposit it in the designated "HSBC Rights Issue Drop Box" on the ground floor of The Bank of Bermuda Limited Head Office, 6 Front Street, Hamilton HM 11, Bermuda. Accepting Qualifying Bermuda Shareholders agree that the Trustees will hold such moneys on trust as provided in paragraph 11 of this Part VIII.

#### **(e) Registration in names of Qualifying Bermuda Shareholders**

A Qualifying Bermuda Shareholder who wishes to have all the New Ordinary Shares to which he/she is entitled registered in his/her name must accept and make payment for such allotment in accordance with the provisions set out in this document and the Provisional Allotment Letter.

#### **(f) Registration in names of persons other than Qualifying Bermuda Shareholders originally entitled**

To register Fully Paid Rights in the name of someone other than the Qualifying Bermuda Shareholder(s) originally entitled, the transferee or his/her agent(s) must complete Form Y on page 2 of the Provisional Allotment Letter and deliver the entire Provisional Allotment Letter by post to Corporate Shareholder Services, The Bank of Bermuda Limited, 6 Front Street, Hamilton HM 11, Bermuda or by hand (during normal business hours only) by depositing into the designated "HSBC Rights Issue Drop Box" on the ground floor of The Bank of Bermuda Limited Head Office, 6 Front Street, Hamilton HM 11, Bermuda, so as to be received by not later than 11.00 a.m. (Bermuda time) on 3 April 2009. Registration of renunciation cannot be effected unless and until the New Ordinary Shares comprised in a Provisional Allotment Letter are fully paid.

### **(g) Consolidation of Provisional Allotment Letters**

The New Ordinary Shares comprised in several Provisional Allotment Letters (duly transferred where applicable) may be registered in the name of one holder (or joint holders) if Form Y on page 2 of the Provisional Allotment Letter is completed on one Provisional Allotment Letter (the “Principal Letter”) and all the Provisional Allotment Letters are delivered together in one batch. Details of each Provisional Allotment Letter (including the Principal Letter) should be listed in the Consolidated Listing Form adjacent to Forms X and Y on page 2 of the Provisional Allotment Letter and the provisional allotment number of the Principal Letter should be entered in the space provided in each of the other Provisional Allotment Letters.

### **(h) Application to the Bermuda Stock Exchange**

Application has been made to the Bermuda Stock Exchange for the listing of the New Ordinary Shares (but not the Nil Paid Rights). The New Ordinary Shares do not constitute a new class of securities to be listed on the Bermuda Stock Exchange.

## **6 Action to be taken by Qualifying Euroclear France Shareholders or holders of Euroclear Subscription Rights in relation to Euroclear Subscription Rights**

### **6.1 General**

For all enquiries in connection with the procedure for subscription and payment by Qualifying Euroclear France Shareholders or holders of Euroclear Subscription Rights, such persons should refer to their respective Admitted Institutions.

### **6.2 Procedure for acceptance and payment by Qualifying Euroclear France Shareholders**

Ordinary Shares traded on Euronext Paris are registered in the name of Euroclear Nominees Limited which is a CREST member. After the Nil Paid Rights have been credited to the account of Euroclear Nominees Limited in CREST, Euroclear France will credit the accounts of its Admitted Institutions with the relevant number of Euroclear Subscription Rights, reflecting the Nil Paid Rights, on 20 March 2009, and the Admitted Institutions will credit the appropriate securities accounts of the Qualifying Euroclear France Shareholders. Euroclear Nominees Limited, as a Qualifying CREST Shareholder, will be invited to take up its entitlement in respect of the Nil Paid Rights held to its order in CREST. In order to enable Euroclear Nominees Limited to take up such entitlement in accordance with the wishes of holders of Euroclear Subscription Rights, the following procedure for taking up entitlements will apply for holders of Euroclear Subscription Rights. The terms of the Rights Issue apply *mutatis mutandis* to this application process.

To establish the entitlements of Qualifying Euroclear France Shareholders to New Ordinary Shares, tradeable and transferable Euroclear Subscription Rights will be used within the system of Euroclear France, under which each Qualifying Euroclear France Shareholder will receive one Euroclear Subscription Right for each Euroclear Interest held on the UK Record Date, reflecting Nil Paid Rights.

Qualifying Euroclear France Shareholders should be informed by the Admitted Institution through which they hold their Euroclear Interests of the number of New Ordinary Shares for which they are entitled to acquire under the Rights Issue. Any such acquisition will be conditional on the Rights Issue becoming unconditional. Qualifying Euroclear France Shareholders should contact their Admitted Institution if they have received no information in relation to their entitlements. If a holder of Euroclear Subscription Rights wishes to acquire New Ordinary Shares under the Rights Issue, he/she must instruct his/her Admitted Institution with respect to acquisition and payment in accordance with the procedures of that Admitted Institution, which will be responsible for instructing the French Subscription Agent accordingly.

Applications for New Ordinary Shares must be received by the French Subscription Agent as soon as possible but in any event no later than 10.00 a.m. (Central European time) on 30 March 2009. An Admitted Institution may set an earlier deadline for application by holders of Euroclear Subscription Rights in order to permit the Admitted Institution to communicate this acceptance to the French Subscription Agent in a timely manner. Payment for New Ordinary Shares and delivery of the relevant Euroclear Subscription Rights must be received by the French Subscription Agent by no later than 3.00 p.m. (Central European time) on 31 March 2009.

The Admitted Institution through which application is made will be responsible for passing on the moneys (in pounds sterling) and the Euroclear Subscription Rights as received from holders of Euroclear Subscription Rights to the French Subscription Agent who will, in turn, be responsible for paying to the Trustees on behalf of Euroclear Nominees Limited the aggregate amount (in pounds sterling) as received equal to the product of the number of New

Ordinary Shares applied for and the Issue Price. It is agreed that the Trustees will hold such moneys on trust as provided in paragraph 11 of this Part VIII. Arrangements will be made to pay to HM Revenue & Customs the amount of 3.81 pence per New Ordinary Share (which will be rounded to the nearest penny) in respect of SDRT to discharge the liability of Euroclear France (or its nominee) to account for the same. This cost will be borne by the relevant Qualifying Euroclear France Shareholders and, accordingly, the Issue Price for such Qualifying Euroclear France Shareholders will be increased by the same amount per New Ordinary Share.

Delivery of the interests in the New Ordinary Shares to holders of Euroclear Subscription Rights who make an application for the New Ordinary Shares will take place through the book-entry facilities of Euroclear France in accordance with the provisions of French laws and regulations and the procedures determined by Euroclear France and its Admitted Institutions from time to time. The timing of the crediting of the interests in and corresponding to the New Ordinary Shares to the securities accounts of holders of Euroclear Subscription Rights may vary depending on the securities account systems of the relevant Admitted Institutions and, if applicable, other banks or financial institutions.

All questions concerning the timelines, validity and form of instruction and payment to the Admitted Institution of a holder of Euroclear Subscription Rights in relation to the subscription of New Ordinary Shares will be determined by such Admitted Institution in accordance with its usual terms of business or as it otherwise notifies such holder of Euroclear Subscription Rights. Any Qualifying Euroclear France Shareholder or holder of Euroclear Subscription Rights who does not wish to acquire any of the New Ordinary Shares to which he/she is entitled under the Rights Issue should not make an application.

### **6.3 Transfers of Euroclear Subscription Rights in Euroclear France**

Transfers of Euroclear Subscription Rights will take place through the book-entry facilities of Euroclear France in accordance with the provisions of French laws and regulations and the procedures determined by Euroclear France and its Admitted Institutions from time to time. The timing of the crediting of the Euroclear Subscription Rights to the securities accounts of any person acquiring Euroclear Subscription Rights may vary depending on the securities account systems of the respective Admitted Institutions and, if applicable, other banks or financial institutions. Euroclear Subscription Rights will not be admitted to listing or trading on Euronext Paris.

### **6.4 No allotment of Fully Paid Rights**

As a result of Admitted Institutions customarily communicating their applications and making their payments only by the end of the offer period there will be no allotment of Fully Paid Rights to holders of Euroclear Subscription Rights who make an application for the New Ordinary Shares.

It is expected that on 6 April 2009, after the Admitted Institutions have made their applications on behalf of the relevant holders of Euroclear Subscription Rights, the French Subscription Agent will allocate the relevant number of New Ordinary Shares to the appropriate Admitted Institutions. Subsequently, the Admitted Institutions will credit the securities accounts of the holders of Euroclear Subscription Rights who make an application for the New Ordinary Shares with the allocated number of New Ordinary Shares, which may then be traded on Euronext Paris.

## **7 Procedure in respect of New Ordinary Shares not taken up and withdrawal rights**

### **(a) Procedure in respect of New Ordinary Shares not taken up**

If an entitlement to New Ordinary Shares is not validly taken up in accordance with the procedure laid down for acceptance and payment in this Part VIII, then that provisional allotment will be deemed to have been declined and will lapse. The Joint Global Coordinators will use reasonable endeavours to procure, by not later than 4.30 p.m. on 8 April 2009, acquirers for all (or as many as possible) of those New Ordinary Shares not taken up if a premium over the aggregate of the Issue Price (in pounds sterling) and the expenses of procuring such acquirers (including any applicable brokerage, transaction levies, trading fees, commissions, currency conversion costs and amounts in respect of value added tax which are not recoverable) can be obtained.

Notwithstanding the above, the Joint Global Coordinators may cease to endeavour to procure any such acquirers if, in the opinion of the Joint Global Coordinators, it is unlikely that any such acquirers can be so procured at such a price and by such time. If and to the extent that acquirers cannot be procured on the basis outlined above, those New Ordinary Shares will be acquired by the Underwriters as principals pursuant to the Underwriting Agreement or by sub-underwriters procured by the Underwriters, in each case, at the Issue Price (in pounds sterling).

Any premium over the aggregate of the Issue Price (in pounds sterling) and the expenses of procuring acquirers (including any applicable brokerage, transaction levies, trading fees, commissions, currency conversion costs and amounts in respect of value added tax which are not recoverable) shall be paid (subject as provided in this Part VIII):

- (i) where the Nil Paid Rights were, at the time they lapsed, represented by a Provisional Allotment Letter, to the person whose name and address appeared on page 1 of the Provisional Allotment Letter;
- (ii) where the Nil Paid Rights were, at the time they lapsed, in uncertificated form, to the person having an interest in, or registered as the holder of, those Nil Paid Rights at the time of their disablement in CREST or CCASS; and
- (iii) where an entitlement to New Ordinary Shares was not taken up by a Qualifying Shareholder with an address in any Excluded Territory, to that Shareholder.

Any premium paid to Euroclear France as registered holder of lapsed Nil Paid Rights will be distributed by the French Subscription Agent to the relevant Admitted Institutions, who will credit the relevant premiums to the accounts of the holders of lapsed Euroclear Subscription Rights entitled thereto.

New Ordinary Shares for which acquirers are procured on this basis will be re-allotted to such acquirers and the aggregate of any premiums (being the amount paid by such acquirers after deducting the Issue Price (in pounds sterling) and the expenses of procuring such acquirers, including any applicable brokerage, transaction levies, trading fees, commissions, currency conversion costs and amounts in respect of value added tax which are not recoverable), if any, will be paid (without interest) to those persons entitled (as referred to above) *pro rata* to the relevant lapsed provisional allotments, save that amounts of less than £5.00 (five pounds) per holding, will not be so paid but will be aggregated and retained for the benefit of the Company.

Cheques for the amounts due in pounds sterling for UK Shareholders, in Hong Kong dollars for HK Shareholders and in United States dollars for Bermuda Shareholders will be sent by post, at the risk of the person(s) entitled, to their registered addresses (or in the case of joint holders, to the registered address of the first-named), provided that, where any entitlement concerned was held in CREST, the amount due will, unless the Company (in its absolute discretion) otherwise determines, be satisfied by the Company procuring the creation of an assured payment obligation in favour of the relevant CREST member's (or CREST sponsored member's) RTGS settlement bank in respect of the cash amount concerned in accordance with the RTGS payment mechanism.

Any transactions undertaken pursuant to this paragraph 7 shall be deemed to have been undertaken at the request of the persons entitled to the lapsed provisional allotments and none of the Company, the Banks or any other person procuring acquirers shall be responsible for any loss or damage (whether actual or alleged) arising from the terms or timing of any such acquisition, any decision not to endeavour to procure acquirers or the failure to procure acquirers on the basis described above.

The Joint Global Coordinators will be entitled to retain any brokerage fees, commissions or other benefits received in connection with these arrangements.

Shareholders will not be entitled to apply for New Ordinary Shares in excess of their entitlement.

#### **(b) Withdrawal rights**

Persons who have the right to withdraw their acceptances under section 87Q(4) of FSMA after a supplementary prospectus (if any) has been published by the Company, and who wish to exercise such right of withdrawal must do so by sending a written notice of withdrawal, which must include the full name and address of the person wishing to exercise such right of withdrawal and, if such person is a CREST member, the participant ID and the member account ID of such CREST member, to Computershare Investor Services PLC, Computershare Hong Kong Investor Services Limited and Corporate Shareholder Services, The Bank of Bermuda Limited, in each case no later than two UK business days after the date on which the supplementary prospectus is published. Notice of withdrawal can also be faxed to Computershare Investor Services PLC on 0870 703 6113 (from within the UK) or +44 870 703 6113 (from outside the UK), to Computershare Hong Kong Investor Services Limited on 3186 2965 (from within Hong Kong) or +852 3186 2965 (from outside Hong Kong) or to Corporate Shareholder Services, The Bank of Bermuda on 279 5808 (from within Bermuda) or +1 441 279 5808 (from outside Bermuda). Notice of withdrawal given by any other means or which is deposited with or received by the Receiving Agent after the expiry of such period will not constitute a valid withdrawal. Furthermore, the Company will not permit the exercise of withdrawal rights after payment by the relevant person in respect of their New Ordinary Shares in full and the allotment of the New Ordinary Shares to such person becoming unconditional. In such circumstances, Shareholders are advised to consult their professional advisers. Provisional allotments of entitlements to New Ordinary Shares which are the subject of a valid withdrawal notice will be deemed to be declined. Such entitlements to New Ordinary Shares will

be subject to the provisions of paragraph 7(a) of this Part VIII as if the entitlement had not been validly taken up. For further details, UK Shareholders should contact Computershare Investor Services PLC on 0870 702 0137 (from within the UK) or +44 870 702 0137 (from outside the UK), HK Shareholders should contact Computershare Hong Kong Investor Services Limited on 2862 8699 (from within Hong Kong) or +852 2862 8699 (from outside Hong Kong) and Bermuda Shareholders should contact Corporate Shareholder Services, The Bank of Bermuda Limited on 299 6737 (from within Bermuda) or +1 441 299 6737 (from outside Bermuda).

## **8 Restricted Shareholders**

The making of the proposed offer of Nil Paid Rights, Fully Paid Rights and/or New Ordinary Shares to persons located or resident in, or who are citizens of, or who have a registered address in countries other than the United Kingdom, Hong Kong or Bermuda may be affected by the laws or regulatory requirements of the relevant jurisdiction. Any Shareholder who is in any doubt as to his/her position should consult an appropriate professional adviser without delay.

This document has been approved by the FSA, being the competent authority in the United Kingdom. The Company has requested that the FSA provides a certificate of approval and a copy of this document to the relevant competent authorities in France, Germany, Greece, Ireland, Malta, the Netherlands and Spain, together, in the case of France, Germany, Greece and Spain with a translation into the appropriate language, of the summary contained in this document, pursuant to the passporting provisions of FSMA. In addition, filings will be made with the relevant regulatory bodies in Australia, India and Malaysia. In the United States, the proposed offer of New Ordinary Shares is being made pursuant to the US Prospectus.

### **(a) General**

**The offer of Nil Paid Rights, Fully Paid Rights and/or New Ordinary Shares to persons resident in, or who are citizens of, or who have a registered address in countries other than the United Kingdom, Hong Kong or Bermuda may be affected by the laws of the relevant jurisdiction. Those persons should consult their professional advisers with respect to whether they require any governmental or other consent or need to observe any other formalities to enable them to take up their rights.**

It is also the responsibility of any person (including, without limitation, custodians, nominees and trustees) outside the United Kingdom, Hong Kong and Bermuda wishing to take up rights under the Rights Issue to satisfy himself/herself as to the full observance of the laws of any relevant territory in connection therewith, including the obtaining of any governmental or other consents which may be required, the compliance with other necessary formalities and the payment of any issue, transfer or other taxes due in such territories. The comments set out in this paragraph 8 are intended as a general guide only and any Restricted Shareholder who is in doubt as to his/her position should consult his/her professional adviser without delay.

This paragraph 8 sets out the restrictions applicable to Qualifying Shareholders who have registered addresses outside the United Kingdom, Hong Kong or Bermuda, who are citizens or residents of countries other than the United Kingdom, Hong Kong or Bermuda, or who are persons (including, without limitation, custodians, nominees and trustees) who have a contractual or legal obligation to forward this document to a jurisdiction outside the United Kingdom, Hong Kong or Bermuda or who hold Ordinary Shares for the account or benefit of any such person.

New Ordinary Shares have been provisionally allotted to all Qualifying Shareholders, including Restricted Shareholders. However, Provisional Allotment Letters have not been, and will not be, sent to, and Nil Paid Rights will not be credited to CREST or CCASS accounts of, Restricted Shareholders with addresses in, or who are otherwise known to the Company to be residents of, any of the Excluded Territories or to their agent or intermediary except where the Company and the Joint Global Coordinators are satisfied that such action would not result in a contravention of any registration or other legal requirement in any such jurisdiction.

As required under Rule 13.36(2) of the Hong Kong Listing Rules, the Company has made enquiries regarding the legal restrictions under the applicable securities legislation of the relevant jurisdictions and the requirements of the relevant regulatory body or stock exchange with respect to making the Rights Issue in the Excluded Territories. The Company has obtained advice from legal advisers in each of the Excluded Territories that either (i) this document will be required to be registered or filed with or subject to approval by the relevant authorities in these jurisdictions; or (ii) the Company or Qualifying Shareholders would need to take additional steps to comply with the local legal and regulatory requirements if the Rights Issue were extended to the Shareholders in these jurisdictions.

Having considered the circumstances, the Directors have formed the view that, other than subject to certain limited exceptions as agreed with the Company and the Joint Global Coordinators, it is necessary or expedient to restrict the ability of Shareholders in the Excluded Territories to take up their rights under the Rights Issue due to the time and costs involved in the registration of the document and/or compliance with the relevant local legal or regulatory requirements in those jurisdictions.

Receipt of this document and/or a Provisional Allotment Letter or the crediting of Nil Paid Rights to a stock account in CREST or CCASS does not and will not constitute an offer in those jurisdictions in which it would be illegal to make an offer and, in those circumstances, this document and/or a Provisional Allotment Letter must be treated as sent for information only and should not be copied or redistributed. No person who receives a copy of this document and/or a Provisional Allotment Letter and/or who receives a credit of Nil Paid Rights to a stock account in CREST or CCASS in any territory other than the United Kingdom, Hong Kong or Bermuda may treat the same as constituting an invitation or offer to him/her, nor should he/she in any event use the Provisional Allotment Letter or deal with Nil Paid Rights or Fully Paid Rights in CREST or Nil Paid Rights in CCASS, in the relevant territory, unless such an invitation or offer could lawfully be made to him/her or the Provisional Allotment Letter or Nil Paid Rights or Fully Paid Rights in CREST or Nil Paid Rights in CCASS could lawfully be used or dealt with without contravention of any registration or other legal or regulatory requirements.

Accordingly, persons (including, without limitations, custodians, nominees and trustees) who receive a copy of this document and/or a Provisional Allotment Letter or whose stock account in CREST is credited with Nil Paid Rights or Fully Paid Rights should not, in connection with the Rights Issue, distribute or send the same in, into or from, or transfer Nil Paid Rights or Fully Paid Rights to any person in, into or from, any of the Excluded Territories. If a Provisional Allotment Letter or a credit of Nil Paid Rights or Fully Paid Rights in CREST is received by any person in any such territory, or by his/her agent or nominee, he/she must not seek to take up the rights referred to in the Provisional Allotment Letter or in this document or renounce the Provisional Allotment Letter or transfer the Nil Paid Rights or Fully Paid Rights in CREST unless the Company and the Joint Global Coordinators determine that such actions would not violate applicable legal or regulatory requirements.

Similarly, persons (including, without limitations, custodians, nominees and trustees) who receive a copy of this document and/or a Provisional Allotment Letter or whose stock account in CCASS is credited with Nil Paid Rights should not, in connection with the Rights Issue, distribute or send the same in, into or from, or transfer Nil Paid Rights to any person in, into or from, any of the Excluded Territories. If a Provisional Allotment Letter or a credit of Nil Paid Rights in CCASS is received by any person in any such territory, or by his/her agent or nominee, he/she must not seek to take up the rights referred to in the Provisional Allotment Letter or in this document or renounce the Provisional Allotment Letter or transfer the Nil Paid Rights in CCASS unless the Company and the Joint Global Coordinators determine that such actions would not violate applicable legal or regulatory requirements.

Any person (including, without limitations, custodians, nominees and trustees) who does forward this document or a Provisional Allotment Letter in, into or from any Excluded Territories (whether under a contractual or legal obligation or otherwise) should draw the recipient's attention to the contents of this paragraph 8.

Subject to sub-paragraph (b) of this paragraph 8, any person (including, without limitation, agents, nominees and trustees) outside the United Kingdom, Hong Kong and Bermuda wishing to take up their rights under the Rights Issue must satisfy himself/herself as to full observance of the applicable laws of any relevant territory including obtaining any requisite governmental or other consents, observing any other requisite formalities and paying any issue, transfer or other taxes due in such territories. **The comments set out in this paragraph 8 are intended as a general guide only and any Qualifying Shareholder who is in any doubt as to his/her position should consult his/her professional adviser without delay.**

The Company and the Joint Global Coordinators reserve the right to treat as invalid and will not be bound to allot or issue any New Ordinary Shares in respect of any acceptance or purported acceptance of the offer of Nil Paid Rights, Fully Paid Rights or New Ordinary Shares which:

- (i) appears to the Company or the Joint Global Coordinators or their agents to have been executed, effected or despatched in a manner which may involve a breach of the laws or regulations of any jurisdiction; or
- (ii) in the case of a Provisional Allotment Letter, provides for an address for delivery of the share certificates in, or, in the case of a credit of New Ordinary Shares in CREST, a CREST member or CREST sponsored member whose registered address is in or, in the case of a credit of New Ordinary Shares in CCASS, a CCASS participant whose address is in, or is otherwise a resident of, any of the Excluded Territories or any other jurisdiction in which it would be unlawful to deliver such share certificates or make such a credit or if the Company or the Joint Global Coordinators believe or their agents believe that the same may violate applicable legal or regulatory requirements.

The attention of Qualifying Shareholders with registered addresses in any of the Excluded Territories or holding Ordinary Shares on behalf of persons with such addresses is drawn to sub-paragraph (b) of this paragraph 8.

Notwithstanding any other provision of this document or the Provisional Allotment Letter, the Company and the Joint Global Coordinators reserve the right to permit any Qualifying Shareholder to take up his/her rights if the

Company and the Joint Global Coordinators, in their absolute discretion, are satisfied that the transaction in question is exempt from or not subject to the legislation or regulations giving rise to the restrictions in question. If the Company and the Joint Global Coordinators are so satisfied, the Company will arrange for the relevant Qualifying Shareholder to be sent a Provisional Allotment Letter if he/she is a Qualifying Non-CREST Shareholder, a Qualifying Non-CCASS Shareholder or a Qualifying Bermuda Shareholder or, if he/she is a Qualifying CREST Shareholder or a Qualifying CCASS Shareholder, arrange for Nil Paid Rights to be credited to the relevant CREST or CCASS stock account.

Those Shareholders who wish, and are permitted, to take up their entitlement should note that payments must be made as described in paragraphs 3.1(b), 3.2(b), 4.1(b) and 5(b) of this Part VIII.

The provisions of paragraph 7 of this Part VIII will apply to all Restricted Shareholders who do not or are unable to take up New Ordinary Shares provisionally allotted to them. Accordingly, such Restricted Shareholders will be treated as not having taken up their rights to New Ordinary Shares and the Joint Global Coordinators will use reasonable endeavours to procure, on behalf of such Restricted Shareholders, acquirers for the New Ordinary Shares.

Specific restrictions relating to certain jurisdictions are set out below.

#### **(b) Excluded Territories**

Provisional Allotment Letters have been and, where relevant, will be posted to Qualifying Non-CREST Shareholders, Qualifying Non-CCASS Shareholders and Qualifying Bermuda Shareholders other than (subject to certain limited exceptions as agreed with the Company and the Joint Global Coordinators) those Qualifying Non-CREST Shareholders, Qualifying Non-CCASS Shareholders and Qualifying Bermuda Shareholders who have addresses in, or who are otherwise residents of, any of the Excluded Territories. Nil Paid Rights have been and, where relevant, will be credited to the CREST stock accounts of Qualifying CREST Shareholders and the CCASS stock accounts of Qualifying CCASS Shareholders other than (subject to certain limited exceptions as agreed with the Company and the Joint Global Coordinators) those Qualifying CREST Shareholders and Qualifying CCASS Shareholders who have addresses in, or are otherwise residents of, any of the Excluded Territories. No offer of, or invitation to take up, New Ordinary Shares is being made by virtue of this document and/or the Provisional Allotment Letters into the Excluded Territories. Qualifying Shareholders in jurisdictions other than the Excluded Territories, subject to the laws of their relevant jurisdiction, accept their rights under the Rights Issue in accordance with the instructions set out in this document and, in the case of Qualifying Non-CREST Shareholders, Qualifying Non-CCASS Shareholders and Qualifying Bermuda Shareholders only, the Provisional Allotment Letter.

Qualifying Shareholders who have registered addresses in or who are resident in, or who are citizens of countries other than the United Kingdom, Hong Kong or Bermuda should consult their appropriate professional advisers whether they require any governmental or other consents or need to observe any other formalities to enable them to take up their Nil Paid Rights or to acquire Fully Paid Rights (UK Shareholders and Bermuda Shareholders only) or New Ordinary Shares.

**If you are in any doubt as to your eligibility to accept the offer of New Ordinary Shares or to deal with Nil Paid Rights or Fully Paid Rights, you should contact your appropriate professional adviser immediately.**

### **9 Representations and warranties relating to Restricted Shareholders**

#### **(a) Qualifying Non-CREST Shareholders, Qualifying Non-CCASS Shareholders and Qualifying Bermuda Shareholders**

Any person accepting and/or renouncing a Provisional Allotment Letter or requesting registration of the New Ordinary Shares comprised therein represents and warrants to the Company and the Banks that, except where proof has been provided to the Company's satisfaction that such person's use of the Provisional Allotment Letter will not result in the contravention of any applicable legal requirement in any jurisdiction: (i) such person is not accepting and/or renouncing the Provisional Allotment Letter, or requesting registration of the relevant Nil Paid Rights, Fully Paid Rights or New Ordinary Shares, from within any of the Excluded Territories; (ii) such person is not in any of the Excluded Territories or in any territory in which it is otherwise unlawful to make or accept an offer to acquire New Ordinary Shares or to use the Provisional Allotment Letter in any manner in which such person has used or will use it; (iii) such person is not acting on a non-discretionary basis for a person resident in any of the Excluded Territories at the time the instruction to accept or renounce was given; and (iv) such person is not acquiring New Ordinary Shares with a view to the offer, sale, resale, transfer, delivery or distribution, directly or indirectly, of any such New Ordinary Shares into any of the Excluded Territories.

The Company may treat as invalid any acceptance or purported acceptance of the allotment of New Ordinary Shares comprised in, or renunciation or purported renunciation of, a Provisional Allotment Letter if it: (a) appears to the Company to have been executed in, or despatched from, any of the Excluded Territories or the acceptance is otherwise in a manner which may involve a breach of the laws of any jurisdiction or if it or its agents believe the same may violate any applicable legal or regulatory requirement; (b) provides an address in any of the Excluded Territories for delivery of definitive share certificates for New Ordinary Shares or any jurisdiction outside the United Kingdom, Hong Kong or Bermuda in which it would be unlawful to deliver such certificates; or (c) purports to exclude the representation and/or warranty required by this paragraph.

**(b) Qualifying CREST Shareholders and Qualifying CCASS Shareholders**

A CREST member or CREST sponsored member and a CCASS participant who makes a valid acceptance in accordance with the procedures set out in this Part VIII represents and warrants to the Company and the Banks that, except where proof has been provided to the Company's satisfaction that such person's acceptance will not result in the contravention of any applicable legal requirement in any jurisdiction: (i) such person is not in any of the Excluded Territories or in any territory in which it is otherwise unlawful to make or accept an offer to acquire New Ordinary Shares; (ii) such person is not acting on a non-discretionary basis for a person located within any of the Excluded Territories at the time the instruction to accept was given; and (iii) such person is not acquiring New Ordinary Shares with a view to the offer, sale, resale, transfer, delivery or distribution, directly or indirectly, of any such New Ordinary Shares into any of the Excluded Territories.

The Company may treat as invalid any MTM instruction which appears to the Company to have been despatched from any of the Excluded Territories or otherwise in a manner which may involve a breach of the laws of any jurisdiction or if it or its agents believe the same may violate any applicable legal or regulatory requirement or purports to exclude the representation and/or warranty required by this paragraph.

**(c) Admitted Institutions**

An Admitted Institution who communicates to Euroclear France a valid acceptance on behalf of one of its clients in accordance with the procedures set out in this Part VIII represents and warrants to Euroclear France, the Company, the French Subscription Agent and each of the Banks that, except where proof has been provided to Euroclear France's and the Company's satisfaction that such client's acceptance will not result in the contravention of any applicable legal requirement in any jurisdiction: (i) such client is not within any of the Excluded Territories; (ii) such client is not accepting on a non-discretionary basis for a person located within any of the Excluded Territories at the time the instruction to accept was given; and (iii) such client is not acquiring New Ordinary Shares with a view to the offer, sale, resale, transfer, delivery or distribution, directly or indirectly, of any such New Ordinary Shares into any of the Excluded Territories.

**10 Taxation**

Information on taxation with regard to the Rights Issue is set out in paragraph 10 of Part XVI of this document. The information contained in paragraph 10 of Part XVI of this document is intended only as a general guide to the current tax position in the United Kingdom and in Hong Kong respectively. Information on taxation with regard to the Rights Issue in respect of United States federal income taxation is set out under the caption "Taxation" in the US Prospectus. Qualifying Shareholders in the United Kingdom and Hong Kong should consult their own tax advisers regarding the tax treatment of the Rights Issue in light of their own circumstances. **Shareholders who are in any doubt as to their tax position or who are subject to tax in any other jurisdiction should consult an appropriate professional adviser immediately.**

**11 Rights Issue structure**

The Rights Issue has been structured in a way that is expected to have the effect of realising distributable reserves approximately equal to the net proceeds of the Rights Issue less the par value of the New Ordinary Shares issued by the Company.

The Company and the Bank Subscriber have agreed to subscribe for ordinary shares in Newco. The Bank Subscriber has agreed (conditional upon the Underwriting Agreement having become unconditional in all respects and not having been terminated in accordance with its terms) to subscribe, as principal, for the A Preference Shares (at an aggregate price equal to the A Subscription Price) at a time notified to it by the Company in accordance with the Subscription and Transfer Deed provided always that such time may not be earlier than the last date and time for acceptance and payment in full under the terms of the Rights Issue or later than the time at which dealings in New Ordinary Shares fully paid commence on the London Stock Exchange. The Bank Subscriber has also agreed

(conditional upon the Underwriting Agreement having become unconditional in all respects and not having been terminated in accordance with its terms and on the transfer by the Bank Subscriber to the Company of the A Preference Shares and of the ordinary shares in Newco held by it at the time of transfer of the A Preference Shares having occurred) to subscribe, as principal, for the B Preference Shares (at an aggregate price equal to the B Subscription Price) at a time notified to it by the Company in accordance with the Subscription and Transfer Deed provided always that such time may not be earlier than the third Dealing Day following the last date for acceptance and payment in full under the terms of the Rights Issue.

The Company will allot and issue the New Ordinary Shares to those persons entitled thereto in consideration of the Bank Subscriber transferring its holding of A Preference Shares, B Preference Shares and ordinary shares in Newco to the Company. Accordingly, instead of receiving cash as consideration for the issue of the New Ordinary Shares, the Company will (following completion of the Rights Issue) own the entire issued share capital of Newco whose only asset will be its cash reserves which will represent an amount equivalent to the net proceeds of the Rights Issue. The Company will be able to utilise this amount by redeeming the A Preference Shares and the B Preference Shares and, during any interim period prior to redemption, by procuring that Newco lends those funds to the Company. The realisation of distributable reserves will facilitate any dividend payment or other return of capital to Shareholders in the future.

Shareholders should note that the Company has the ability to terminate the Subscription and Transfer Deed and to treat the issue of the New Ordinary Shares as an issue of shares for cash should it so elect.

Accordingly, by taking up New Ordinary Shares and submitting payment in respect thereof, Qualifying Shareholders and other persons acquiring New Ordinary Shares agree that:

- (i) subject to paragraph 11(ii) below, each Trustee will hold the funds from time to time standing to the credit of the Acceptance Accounts in its name (together with the benefit of any claims pursuant to cheques and other forms of remittance received by it but which have not yet been cleared, other than where notification that such cheque or remittance has been dishonoured has been made in accordance with the Underwriting Agreement) (the "Funds") on trust solely for the purpose of: (i) discharging (at the request of the Bank Subscriber) the obligation of the Bank Subscriber to pay the A Subscription Price immediately on subscription by it of the A Preference Shares; (ii) discharging (at the request of the Bank Subscriber) the obligation of the Bank Subscriber to pay the B Subscription Price immediately on subscription by it of the B Preference Shares; (iii) paying (at the request of the Company) the fees, commissions, costs and expenses of the Banks in relation to the Rights Issue in accordance with the Subscription and Transfer Deed, such fees to be paid partly on subscription of the A Preference Shares and partly on subscription of the B Preference Shares in accordance with the Subscription and Transfer Deed; (iv) paying (to such persons as are entitled thereto under the terms of the Rights Issue) any premium due in accordance with the provisions of paragraph 7(a) of this Part VIII of this document; and (v) where an acceptance received from a Qualifying Shareholder is validly withdrawn pursuant to an exercise of his/her rights under section 87Q of FSMA in accordance with the requirements set out in this document, repaying to such Qualifying Shareholder the amount received in cleared funds in respect of such withdrawn acceptance; or
- (ii) in the event that: (a) the Company terminates the Subscription and Transfer Deed in accordance with its terms; or (b) the A Preference Shares or B Preference Shares are not subscribed by the Bank Subscriber in accordance with the terms of the Subscription and Transfer Deed, each Trustee will hold the Funds on trust: (i) for the purpose of paying (to such persons as are entitled thereto under the terms of the Rights Issue) any premium due in accordance with the provisions of paragraph 7(a) of this Part VIII of this document; (ii) where an acceptance received from a Qualifying Shareholder is validly withdrawn pursuant to an exercise of their rights under section 87Q of FSMA in accordance with the requirements set out in this document, for the purpose of repaying to such Qualifying Shareholder the amount received in cleared funds in respect of such withdrawn acceptance; and (iii) otherwise for the benefit of the Company absolutely,

and that the above trust arrangements and any non-contractual obligations connected with them shall be governed by and construed in accordance with English law.

## **12 Times and dates**

The Company shall, in its discretion and after consultation with its financial and legal advisers (and with the agreement of certain of the Banks), be entitled to amend the date that Provisional Allotment Letters are despatched or dealings in Nil Paid Rights commence or extend the latest date for acceptance under the Rights Issue and all related dates set out in this document and in such circumstances shall notify the UK Listing Authority and the Hong Kong Stock Exchange, the Bermuda Stock Exchange, the New York Stock Exchange and Euronext Paris and make

an announcement via the Hong Kong Stock Exchange and on a Regulatory Information Service and, if appropriate, notify Shareholders, but Qualifying Shareholders may not receive any further written communication.

If a supplementary prospectus is issued by the Company two or fewer UK business days prior to the date specified in this document as the latest date for acceptance and payment in full under the Rights Issue (or such later date as may be agreed between the Company and certain of the Banks), the latest date of acceptance under the Rights Issue shall be extended to the date which is three UK business days after the date of issue of the supplementary prospectus (and the dates and times of principal events due to take place following such date shall be extended accordingly).

### **13 Governing law**

The terms and conditions of the Rights Issue as set out in this document and the Provisional Allotment Letter (where appropriate) and any non-contractual obligation related thereto shall be governed by, and construed in accordance with, English law.

### **14 Jurisdiction**

The courts of England and Wales are to have exclusive jurisdiction to settle any dispute which may arise out of or in connection with the Rights Issue, this document or the Provisional Allotment Letter (where appropriate). By accepting rights under the Rights Issue in accordance with the instructions set out in this document and, in the case of Qualifying Non-CREST Shareholders, Qualifying Non-CCASS Shareholders and Qualifying Bermuda Shareholders only, the Provisional Allotment Letter, Qualifying Shareholders irrevocably submit to the jurisdiction of the courts of England and Wales and waive any objection to proceedings in any such court on the ground of venue or on the ground that proceedings have been brought in an inconvenient forum.

## PART IX

### INFORMATION ON THE HSBC GROUP

#### **1 History and development**

##### **1.1 Company information**

The Company was incorporated in England under the name of Vernat Trading Co. Limited on 1 January 1959 under the UK Companies Act 1948 as a private limited company with registered number 617987. On 10 February 1959, the Company changed its name to Vernat Eastern Agencies Limited and on 13 August 1981 it changed its name to Silom Limited. On 12 December 1990, the Company changed its name from Silom Limited to HSBC Holdings Limited. The Company was re-registered on 24 December 1990 under the UK Companies Act 1985 as a public limited company and its name was changed to its present name, HSBC Holdings plc. The Company operates under the UK Companies Act 1985 and the UK Companies Act 2006 and its registered office is at 8 Canada Square, London E14 5HQ, United Kingdom.

The Company has listings on the London, Hong Kong, New York, Paris and Bermuda stock exchanges. The Company's primary listings are on the London Stock Exchange and the Main Board of the Hong Kong Stock Exchange. The Company's Ordinary Shares are traded on the London, Hong Kong, Paris and Bermuda stock exchanges and are traded in New York in the form of ADSs. Shares in HSBC are held by over 210,000 Shareholders in 120 countries and territories.

Headquartered in London, HSBC is one of the largest banking and financial services organisations in the world. Its international network comprises some 10,000 properties in 86 countries and territories in Europe, Hong Kong, Rest of Asia-Pacific (including the Middle East and Africa), North America and Latin America.

HSBC provides a comprehensive range of financial services to more than 100 million customers through four customer groups and global businesses: Personal Financial Services (including consumer finance); Commercial Banking; Global Banking and Markets; and Private Banking.

The HSBC Group had total assets of US\$2.5 trillion at 31 December 2008, and made a pre-tax profit of US\$9.3 billion during the year ended 31 December 2008.

##### **1.2 History**

A description of the HSBC Group's history and major events is contained in pages 457 to 458 of the 2008 Annual Report and Accounts, which are incorporated into this document by reference.

#### **2 Significant subsidiaries and principal associates**

HSBC is the holding company of the HSBC Group. A list of HSBC's significant subsidiaries and a list of its principal associates are contained on pages 416 to 418 and page 406 of the 2008 Annual Report and Accounts, respectively, which are incorporated into this document by reference.

#### **3 Business overview**

##### **3.1 Overview**

An overview of the business of HSBC for the financial years ended 31 December 2006, 2007 and 2008 is given on pages 12 to 26 and pages 106 to 109 of the 2006 Annual Report and Accounts, pages 16 to 35 and 126 to 130 of the 2007 Annual Report and Accounts and pages 67 to 86 and pages 138 to 140 of the 2008 Annual Report and Accounts, respectively, which are incorporated into this document by reference.

##### **3.2 Geographic markets**

A description of the principal markets in which the Group competes for the financial years ended 31 December 2006, 2007 and 2008 is given on pages 26 to 105 of the 2006 Annual Report and Accounts, on pages 36 to 125 of the 2007 Annual Report and Accounts and on pages 87 to 137 of the 2008 Annual Report and Accounts, respectively, which are incorporated into this document by reference.

##### **3.3 Breakdown of income**

A breakdown of income by customer group and geographic region for the financial years ended 31 December 2006, 2007 and 2008 is given on pages 340 to 346 of the 2006 Annual Report and Accounts, pages 387 to 393 of the 2007

Annual Report and Accounts and pages 385 to 392 of the 2008 Annual Report and Accounts, respectively, which are incorporated into this document by reference.

### **3.4 Intellectual property**

The Company has no intellectual property rights which are material to the HSBC Group, other than trademark registrations and applications. The Company has trademark registrations for (or applications for registrations relating to) the HSBC name and/or the HSBC logo (or variations thereof) in all the countries in which the HSBC Group has significant operations. In addition, the Company and other members of the HSBC Group have trademark registrations for (or applications for registrations relating to) other trademarks relevant to their products and/or business.

## **4 Principal investments and acquisitions**

- 4.1 A description of HSBC's principal investments and acquisitions for the financial years ended 31 December 2006, 2007 and 2008 is given on pages 369 to 371 of the 2006 Annual Report and Accounts, pages 415 to 416 of the 2007 Annual Report and Accounts and page 418 of the 2008 Annual Report and Accounts, respectively, which are incorporated into this document by reference.
- 4.2 In addition, on 20 October 2008, the HSBC Group, through its subsidiary HSBC Asia Pacific Holdings (UK) Limited, entered into agreements to acquire 88.89 per cent of PT Bank Ekonomi Raharja Tbk ("Bank Ekonomi") for a consideration of US\$607.5 million to be paid in cash from HSBC's own resources. The transaction is subject to obtaining the necessary regulatory approvals in Indonesia and elsewhere and the deal is expected to close in the first half of this year. Bank Ekonomi is listed on the Indonesian stock exchange.

## **5 Property, plant and equipment**

A description of the HSBC Group's investments in property, plant and equipment is given on pages 413 to 415 of the 2008 Annual Report and Accounts, which are incorporated into this document by reference.

## **6 Employees**

- 6.1 The number of employees of the HSBC Group at the end of each of the last three financial years is given on page 303 of the 2008 Annual Report and Accounts, which is incorporated into this document by reference.
- 6.2 The number of employees of the HSBC Group broken down by geographic location at the end of each of the last three financial years is given on page 36 of the 2008 Annual Report and Accounts, which is incorporated into this document by reference.

## PART X

### INFORMATION CONCERNING THE NEW ORDINARY SHARES

#### 1 Description of the type and class of securities admitted

The New Ordinary Shares will be ordinary shares with a nominal value of US\$0.50 each. The ISIN of the New Ordinary Shares will be GB0005405286. The New Ordinary Shares will be created under the UK Companies Act 1985, the Memorandum of Association of the Company and the Articles.

#### 2 Listing

Applications have been made to the UK Listing Authority and to the London Stock Exchange for the New Ordinary Shares (nil and fully paid) to be admitted to the Official List and to trading on the London Stock Exchange's main market for listed securities respectively, to the Hong Kong Stock Exchange for listing of, and permission to deal in, the New Ordinary Shares (nil and fully paid) on the Main Board of the Hong Kong Stock Exchange, and to the New York Stock Exchange, Euronext Paris and the Bermuda Stock Exchange for listing of the New Ordinary Shares (fully paid). Application has also been made for the ADSs representing New Ordinary Shares to be listed and traded on the New York Stock Exchange. UK Admission is expected to become effective and dealings in the New Ordinary Shares, nil paid, are expected to commence on 20 March 2009. HK Admission is also expected to become effective on 20 March 2009 and dealings in the New Ordinary Shares, nil paid, are expected to commence on the Main Board of the Hong Kong Stock Exchange on 23 March 2009. Listing of the New Ordinary Shares will not be sought on any stock exchange in connection with the Rights Issue other than the London Stock Exchange, the Main Board of the Hong Kong Stock Exchange, the New York Stock Exchange, Euronext Paris and the Bermuda Stock Exchange as well as the New York Stock Exchange in the form of ADSs representing New Ordinary Shares.

#### 3 Form and currency of the New Ordinary Shares

The New Ordinary Shares will, when issued, be in registered form and will be capable of being held in certificated and uncertificated form.

Title to the certificated New Ordinary Shares will be evidenced by entry in the register of members of the Company and title to uncertificated New Ordinary Shares will, in respect of UK Shareholders, be evidenced by entry in the operator register maintained by Euroclear UK (which forms part of the register of the Company). The registrars of the Company are Computershare Investor Services PLC, Computershare Hong Kong Investor Services Limited and Corporate Shareholder Services, The Bank of Bermuda Limited.

If any New Ordinary Shares are converted to be held in certificated form, share certificates will be issued in respect of those shares in accordance with the Articles and applicable legislation.

The New Ordinary Shares will be denominated in US dollars.

#### 4 Rights attached to the New Ordinary Shares

The New Ordinary Shares will be credited as fully paid and free from all liens, equities, charges, encumbrances and other interests, and when issued and fully paid, will rank *pari passu* in all respects with the Existing Ordinary Shares (except in respect of the fourth interim dividend for the financial year ended 31 December 2008 of US\$0.10 per Ordinary Share declared by the Company on 2 March 2009) and have the same rights (including voting and dividend rights and rights on a return of capital) and restrictions as the Existing Ordinary Shares, as set out in the Articles. These rights are set out in paragraph 4.2 of Part XVI of this document.

#### 5 Dividends

The Board intends to continue to pay quarterly interim dividends on the Ordinary Shares, with a pattern of three equal interim dividends with a variable fourth interim dividend. The level of dividends per Ordinary Share in future, while reflecting the long-term growth of HSBC's business will depend upon, among other things, expected future earnings, prevailing business conditions and capital requirements. It is envisaged that the first interim dividend in respect of 2009 will be US\$0.08 per Ordinary Share. The Board has rebased the envisaged dividend per share for the first three interim dividends in respect of 2009 to reflect the impact of the foregoing factors and the impact of the enlarged ordinary share capital resulting from the Rights Issue.

Subject to the provisions of the UK Companies Act 2006 and the Articles, the Company may pay dividends upon a recommendation by the Board and approval by a majority of the Shareholders, who have the right to decrease but

not to increase the amount of the dividend recommended by the Board. Such dividends are known as final dividends and become a debt payable to Shareholders when they are approved by the Shareholders. Subject to the provisions of the UK Companies Act 2006 and the Articles, the Board may declare and pay dividends without Shareholder approval. Such dividends are known as interim dividends and, unlike final dividends, become a debt payable to the Shareholders only upon actual payment. The Board may also pay any dividend payable at a fixed rate at intervals settled by the Board in accordance with the terms of issue of the shares to which such dividend attaches.

The Board normally declares an interim dividend on Ordinary Shares quarterly. Such quarterly interim dividends are usually paid in July, October, January and May.

Dividends are declared in US\$ but are paid in pounds sterling to Shareholders on the UK principal register, in HK\$ to Shareholders on the Hong Kong branch register and in US\$ to Shareholders on the Bermuda branch register unless such Shareholders have elected to receive payment in another of those currencies.

HSBC also operates a scrip dividend scheme (the “Scrip Dividend Scheme”). Under the Scrip Dividend Scheme, Shareholders (subject to certain exceptions) are able to elect to receive new Ordinary Shares in respect of all or part of their holdings as an alternative to receiving their dividend in cash. Ordinary Shares are issued under the Scrip Dividend Scheme subject to the Articles and rank *pari passu* with the existing issued Ordinary Shares in all respects. Authority for the Scrip Dividend Scheme was renewed at the Annual General Meeting held on 25 May 2007 for a further five-year period.

Information on the dividends paid on the Ordinary Shares in respect of the three financial years ended 31 December 2006, 2007 and 2008 is set out on page 384 of the 2008 Annual Report and Accounts, which is incorporated into this document by reference.

## **6 Resolutions, authorisation and approvals relating to the New Ordinary Shares**

At the General Meeting, if the Resolutions are passed, the authorised share capital of the Company will be increased from US\$7,500,100,000, £401,500 and €100,000 to US\$10,500,100,000, £401,500 and €100,000 by the creation of an additional 6,000,000,000 Ordinary Shares. Additionally, the Board will be authorised to allot relevant securities (as defined in the UK Companies Act 1985) up to a nominal amount of US\$2,530,200,000 (in the form of New Ordinary Shares), where necessary, on a non-pre-emptive basis, subject to certain exclusions and other arrangements as the Directors deem appropriate, for the purposes of the Rights Issue. Subject to the Rights Issue becoming unconditional, the New Ordinary Shares will be allotted under these authorities.

## **7 Date of issue and settlement**

Subject to the passing of the Resolutions, the New Ordinary Shares will be provisionally allotted on 19 March 2009. The provisional allotment is expected to be confirmed on 6 April 2009 and those persons entitled to New Ordinary Shares are expected to be entered on the Company’s register of members on 6 April 2009.

## **8 Description of restriction on free transferability**

Save as set out below, the New Ordinary Shares will be freely transferable.

The Company may, under the UK Companies Act 2006, send out statutory notices to those it knows or has reasonable cause to believe have an interest in its Ordinary Shares, asking for details of those who have an interest and the extent of their interest in a particular holding of Ordinary Shares. When a person receives a statutory notice and fails to provide any information required by the notice within the time specified in it, the Board can, if the Ordinary Shares to which the notice relates represent at least 0.25 per cent in nominal value of the issued shares of their class, refuse to register a transfer of the Ordinary Shares to which the notice relates (other than in specified circumstances). The Company can also apply to the court for an order directing, among other things, that any transfer of the Ordinary Shares which are the subject of the statutory notice is void.

The Directors may also refuse to register the transfer of any Ordinary Shares which are not fully paid (provided such refusal would not prevent dealing in such shares from taking place on an open and proper basis), or if the transfer is not duly stamped, is in favour of more than four joint transferees or not accompanied by the certificate of Ordinary Shares to which the transfer relates (if the shares are held in certificated form).

## **9 Mandatory bids, squeeze-out and sell-out rules in relation to the New Ordinary Shares**

### **9.1 Mandatory bids**

The City Code and the Hong Kong Code apply to the Company. Under the City Code and the Hong Kong Code, if an acquisition of interests in Ordinary Shares were to increase the aggregate holding of an acquirer and persons acting in concert with it to an interest in Ordinary Shares carrying 30 per cent or more of the voting rights in the Company, the acquirer and, depending upon the circumstances, persons acting in concert with it, would be required (except with the consent of the UK Panel on Takeovers and Mergers and/or a waiver granted by the HK Executive, as appropriate) to make a cash offer for the outstanding Ordinary Shares. A similar obligation to make such a mandatory offer would also arise on the acquisition of any interest in Ordinary Shares by a person holding (together with persons acting in concert with it) an interest in Ordinary Shares carrying between 30 and 50 per cent of the voting rights in the Company if the effect of such acquisition were to increase that person's percentage of the voting rights.

### **9.2 Squeeze-out**

Under the UK Companies Act 2006, if a “takeover offer” (as defined in section 974 of the UK Companies Act 2006) is made for Ordinary Shares and the offeror were to acquire, or unconditionally contract to acquire, not less than 90 per cent in value of the shares to which the offer relates (the “Offer Shares”) and not less than 90 per cent of the voting rights attached to the Offer Shares it could, within three months of the last day on which its offer can be accepted, acquire compulsorily the remaining 10 per cent. It would do so by sending a notice to outstanding Shareholders telling them that it will acquire compulsorily their Offer Shares and then, six weeks later, it would execute a transfer of the outstanding Offer Shares in its favour and pay the consideration to the Company, which would hold the consideration on trust for outstanding Shareholders. The consideration offered to the Shareholders whose Offer Shares are acquired compulsorily under the UK Companies Act 2006 must, in general, be the same as the consideration that was available under the takeover offer.

### **9.3 Sell-out**

The UK Companies Act 2006 also gives minority Shareholders a right to be bought out in certain circumstances by an offeror who has made a takeover offer. If a takeover offer related to all the Ordinary Shares and, at any time before the end of the period within which the offer could be accepted, the offeror held or had agreed to acquire not less than 90 per cent of the Ordinary Shares to which the offer related, any holder of Ordinary Shares to which the offer related who had not accepted the offer could, by a written communication to the offeror, require it to acquire those Ordinary Shares.

The offeror is required to give any Shareholder notice of his/her right to be bought out within one month of that right arising. The offeror may impose a time limit on the rights of the minority Shareholders to be bought out, but that period cannot end less than three months after the end of the acceptance period. If a Shareholder exercises his/her rights, the offeror is bound to acquire those Ordinary Shares on the terms of the offer or on such other terms as may be agreed.

## **10 Public takeover bids in the last and current financial years**

There have been no public takeover bids by third parties in respect of the share capital of the Company in the last or current financial year.

## **11 Taxation**

Please see paragraph 10.1 of Part XVI of this document for information relating to UK taxation (including a discussion of UK stamp duty and SDRT which is relevant to holders of New Ordinary Shares, irrespective of their tax residence). Please see paragraph 10.2 of Part XVI of this document for information relating to Hong Kong taxation. Information relating to United States federal income taxation is provided in the US Prospectus under the caption “Taxation”.

## PART XI

### INFORMATION CONCERNING THE DIRECTORS

#### 1 Directors

1.1 Biographical details of the Directors together with their functions and relevant management expertise, are set out on pages 281 to 285 of the 2008 Annual Report and Accounts, which are incorporated into this document by reference.

1.2 Except as disclosed below, no Director has been at any time during the five years preceding the date of this document a director (or otherwise a member of any administrative, management or supervisory body) or partner of any companies or partnerships other than the directorships or partnerships of any member of the HSBC Group from time to time:

Director	Company/partnership	Position still held
<b>Safra Ada CATZ</b>	Oracle Corporation Oracle Education Foundation	Yes Yes
<b>Vincent Hoi Chuen CHENG</b>	Business and Professionals Federation of Hong Kong Diocesan Girls' School Education Foundation Limited Great Eagle Holdings Limited Hang Seng Bullion Company Limited Hang Seng School of Commerce Haseba Investment Company Limited Hong Kong Institute for Monetary Research Kowloon-Canton Railway Corporation Swire Pacific Limited The Chi Tung Association Limited The Chinese General Chamber of Commerce The Community Chest The Hong Kong Ballet Limited The Hong Kong Institute of Bankers Limited	No Yes Yes No No No Yes No No Yes Yes Yes Yes No No
<b>Marvin Kin Tung CHEUNG</b>	Association of Former Council Members of The Stock Exchange of Hong Kong Limited HKR International Limited Hong Kong Exchanges and Clearing Limited Shui On Construction and Materials Limited Sun Hung Kai Properties Limited The Hong Kong International Film Festival Society Limited	Yes Yes Yes No Yes Yes Yes
<b>John David COOMBE</b>	Berkeley Square Pension Trustee Company Clarges Pharmaceuticals Trustees Limited Edinburgh Pharmaceutical Industries Limited Experian Finance plc (formerly GUS plc) Glaxo Finance Glaxo Group Limited Glaxo Investments (UK) Limited Glaxo Trustees Limited Glaxo Venture Limited Glaxo Wellcome Holdings Limited Glaxo Wellcome International B.V. Glaxo Wellcome Investments B.V. GlaxoSmithKline Export Limited GlaxoSmithKline Services Unlimited GlaxoSmithKline plc Hogg Robinson Group plc Home Retail Group plc Interleasing (UK4) Limited Siemens AG The Royal Academy of Arts Limited	No No No No No No No No No No No No No No Yes Yes No No Yes

<u>Director</u>	<u>Company/partnership</u>	<u>Position still held</u>
	The Wellcome Foundation Investment Company Limited	No
	The Wellcome Foundation Limited	No
	Wellcome Limited	No
<b>José Luis DURÁN</b>	Carrefour SA	No
	France Telecom	Yes
	Intercrossroads UK Limited	No
<b>Rona Alison FAIRHEAD</b>	Adelphi Finance Unlimited	No
	Chatelain Properties Limited	No
	Chemical Industries Association Limited	No
	Delovoi Standard Limited	Yes
	Dormant 01 Limited	No
	Economist Newspaper Limited (The)	Yes
	Embankment Finance Limited	No
	FTSE International Limited	Yes
	Financial Times Group Limited	Yes
	First Thames Land Holdings Limited	No
	Harvard Business School Publishing	No
	ICI Pensions Trustee Limited	No
	Interactive Data Corporation	Yes
	Lakeside Trading Estate Limited	No
	Mergermarket Limited	Yes
	Pearson Dollar Finance plc	No
	Pearson Group Pension Trustee Limited	Yes
	Pearson International Finance Limited	No
	Pearson Loan Finance Unlimited	No
	Pearson Luxembourg Holdings Limited	No
	Pearson Management Services Limited	No
	Pearson Overseas Holdings Limited	No
	Pearson Services Limited	No
	Pearson Shared Services Limited	No
	Pearson Sterling Two plc	No
	Pearson plc	Yes
	Pension Funds L.P. Limited	No
	Pension Funds Securities Limited	No
	Robincrest Limited	No
	Savoy Finance Unlimited	No
	Strand Finance Limited	No
	Technical Support Services (UNST) Limited	No
	Testchange Limited	No
	The Financial Times International Publishing Limited	Yes
	The Financial Times Limited	Yes
	Themescene Limited	No
	Whitehall Trust Limited	No
<b>Douglas Jardine FLINT</b>	BP plc	Yes
	The Accounting Standards Board Limited	No
<b>Alexander Andrew FLOCKHART</b>	Primer Banco del Istmo, SA	No
	The Shek O Development Company, Limited	Yes
<b>William Kwok Lun FUNG</b>	Albinina Hong Kong Limited	Yes
	Albinina Ltd.	No
	Amusement Centre Holdings Ltd.	No
	Appleton Holdings Ltd.	Yes
	Arsenio Group Ltd.	Yes
	Asset Choice Holdings Limited	Yes
	BYS Toys (Hong Kong) Ltd.	No
	Bank of Communications Co., Ltd.	No
	Barcarolle Limited	No

<u>Director</u>	<u>Company/partnership</u>	<u>Position still held</u>
	Basic & More Fashion Limited	No
	Beldan Management Ltd.	No
	Blue Work Trading Company Ltd.	Yes
	Bold Print Ltd.	Yes
	CDC Corporation (formerly Chinadotcom Corporation)	No
	CLP Holdings Ltd.	No
	CLP Power Hong Kong Limited	No
	CS International Limited	Yes
	Camberley Enterprises Limited	Yes
	Camberley Trading Service (Shenzhen) Limited	Yes
	Chavelt Holdings Ltd.	No
	Circle K Convenience Stores (HK) Ltd.	No
	Circle K Convenience Stores Ltd.	No
	Clear Lake Group Limited	No
	Colby Group Holdings Limited	Yes
	Colby International Limited	Yes
	Colby Property Holdings Ltd.	Yes
	Convenience Retail Asia Limited	Yes
	Crownwood International Development Ltd.	Yes
	Cuore Limited	No
	Cyrk Far East Inc.	No
	Cyrk International Inc.	No
	Dodwell (Korea) Ltd.	No
	Dodwell (Mauritius) Ltd.	No
	Dodwell (Singapore) Pte. Ltd.	No
	Dodwell (Taiwan) Ltd.	No
	Dodwell (Thailand) Ltd.	No
	Double Helix Ltd.	Yes
	Eclat Properties Inc.	No
	Elegain Ltd.	Yes
	Eleven Magazine Gap Ltd.	No
	ELF International Corp.	No
	Elington Developments Ltd.	Yes
	Ellinwood Limited	No
	Ellinwood Ltd.	No
	Espinoza Ltd.	No
	Exportacao Dodwell (Macau) Limitada	No
	FF Holdings (China) Ltd.	Yes
	Feasible Result Investments Limited	Yes
	First Island Developments Ltd.	Yes
	Forrestgrove Ltd.	No
	Fotamax (F.E.) Ltd.	No
	Fotamax Holdings Ltd.	No
	Fung Capital Europe Fund (I) Limited	No
	Fung Capital Limited (formerly King Lun Capital (I) Holdings Limited)	Yes
	Fung Holdings Limited	Yes
	Fung Hon Chu Foundation Limited	Yes
	Fung Investment Management Limited	Yes
	Fung Land (Development) Ltd.	No
	Fung Portfolio Limited (formerly King Lun (1937) Portfolio I Limited)	Yes
	Fung Properties China Limited (formerly LF Group (Properties) Limited)	No
	Fung Properties Limited	Yes
	Fung Sang Properties Ltd.	Yes
	Fung Sang Properties Ltd. (BVI)	No
	GSCM (HK) Ltd.	No
	Gold Sunbeam Limited (formerly Li & Fung Distribution (Management) Limited)	Yes
	Golden Horn Investments (Europe) Ltd.	No
	Golden Horn Investments Inc.	No

<u>Director</u>	<u>Company/partnership</u>	<u>Position still held</u>
	Golden Horn N.V.	Yes
	Golden Horn Venture Capital Ltd.	No
	Golden Step Ltd.	Yes
	Harbourway Holdings Limited	Yes
	Hasbro (Hong Kong) Ltd.	No
	Hasbro Singapore Pte. Ltd.	No
	Hasbro Toy (Malaysia) Sdn Bhd	No
	Hillbourne Ltd.	No
	Hilltop Investment (PTC) Corporation (formerly Hilltop Investment Corporation)	Yes
	Hillung Enterprises Ltd.	No
	Integrated Distribution Services Group Limited	Yes
	Janco Overseas Limited	Yes
	King Lun Asia Fund (I) Limited	Yes
	King Lun Holdings Ltd.	Yes
	Kingfort Ltd.	No
	Kwok Yue Ltd.	No
	L.F.Europe	No
	LF (1937) Management Limited (formerly Li & Fung JDH Healthcare Limited)	Yes
	LF Capital Ltd.	No
	LF Capital Management Ltd.	No
	LF DistriCenters Development Ltd.	No
	LF Distribution Centers Ltd.	No
	LF Europe Investment (I) Limited	Yes
	LF Europe Ltd.	No
	LF European Capital Ltd.	Yes
	LF Industrial Estates Ltd.	No
	LF International Inc.	No
	LF International Ltd.	No
	LFC Holdings Ltd.	No
	LFIE Management (BVI) Ltd.	No
	LFIE Management Ltd.	No
	Li & Fung (Taiwan) Ltd.	Yes
	Li & Fung (1906) Foundation Limited (formerly Li & Fung (1937) Foundation Limited)	Yes
	Li & Fung (1937) Ltd.	Yes
	Li & Fung (B.V.I.) Ltd.	Yes
	Li & Fung (Bangladesh) Ltd.	No
	Li & Fung (Distribution) Limited	Yes
	Li & Fung (Dominicana) S.A.	Yes
	Li & Fung (Exports) Ltd.	No
	Li & Fung (Fashion Accessories) Ltd.	No
	Li & Fung (Gemini) Ltd.	No
	Li & Fung (Guatemala) S.A.	Yes
	Li & Fung (Honduras) S.A.	Yes
	Li & Fung (Hong Kong) Ltd.	No
	Li & Fung (Korea) Ltd.	Yes
	Li & Fung (London) Ltd	No
	Li & Fung (Mauritius) Ltd.	No
	Li & Fung (Nicaragua) S.A.	Yes
	Li & Fung (Portugal) Ltd.	Yes
	Li & Fung (Properties) Ltd.	Yes
	Li & Fung (Retailing) Ltd.	Yes
	Li & Fung (Singapore) Pte. Ltd.	Yes
	Li & Fung (South Asia) Ltd.	Yes
	Li & Fung (Trading) Ltd.	Yes
	Li & Fung (Warehousing) Ltd.	No
	Li & Fung (Zhanjiang) Ltd.	Yes
	Li & Fung Agencia de Compras em Portugal, Limitada	Yes
	Li & Fung Apparel (North America) Ltd.	No
	Li & Fung Development (China) Limited	No

<u>Director</u>	<u>Company/partnership</u>	<u>Position still held</u>
	Li & Fung Development Ltd.	No
	Li & Fung Distribution (International) Limited	No
	Li & Fung Distribution (Singapore) Limited	Yes
	Li & Fung Enterprise Development (Shenzhen) Co. Ltd.	Yes
	Li & Fung Industrial Park Development (Panyu) Co. Ltd.	No
	Li & Fung Investments (B.V.I.) Ltd.	Yes
	Li & Fung Ltd.	No
	Li & Fung Packaging Ltd.	No
	Li & Fung Real Estate Development (Panyu) Co. Ltd.	No
	Li & Fung Retailing (Singapore) Pte Ltd.	No
	Li & Fung Taiwan Holdings Ltd.	Yes
	Li & Fung Taiwan Investments Ltd.	No
	Li & Fung Trading (Shanghai) Limited	Yes
	Li & Fung Trading Service (Shanghai) Company Limited (formerly Li & Fung Trading Consulting (Shanghai) Company Limited)	Yes
	Li & Fung Trading Service (Shenzhen) Limited	Yes
	LiFung Trinity Holdings Limited	No
	LiFung Trinity Limited	Yes
	Lifung County Seat Ltd.	No
	Lifung Express Ltd.	No
	Lifung Gap Stores Ltd.	No
	Lifung Structure Ltd.	No
	Lloyd Textile Trading Ltd.	Yes
	Lucien Ltd.	No
	Lush Plush Enterprises Limited	No
	Manley International Development Ltd.	Yes
	Maytell Holdings Ltd.	Yes
	Mercury (B V I) Holdings Ltd.	Yes
	Millwork Asia, Ltd.	No
	Millwork International Ltd.	No
	Millwork USA Inc.	No
	Mobilia Limited	No
	Monogram Holdings Ltd.	Yes
	New Magic Investments Limited	Yes
	Norman (Hong Kong) Insurance Co. Ltd.	No
	Orient Ocean Holdings Limited	No
	P.T. Lifung Indonesia	No
	Palmyra Enterprises (China) Ltd.	No
	Palmyra Holdings Pte. Ltd.	No
	Palson Toys (HK) Ltd. (dissolved 1996)	No
	Postillion Trading Ltd.	Yes
	Promising Development Ltd.	No
	Prosper Development Ltd.	No
	Ramapo River Textiles Inc.	No
	Ratners Enterprises Ltd.	No
	Robinson Investment Ltd.	Yes
	Samenfung Ltd.	No
	Shanghai Royal Foods Co. Ltd.	No
	Shiu Fung Fireworks Co. Ltd.	Yes
	Shiu Fung Fireworks Trading (Changsha) Limited	Yes
	Shui On Land Limited	Yes
	Sky Million International Limited	No
	Step Dragon Enterprise Limited	Yes
	Stylefair Ltd.	No
	Sun Fung Insurance Agency Ltd.	No
	Superb Up Investments Limited	Yes
	Swift Return (Hong Kong) Limited	No
	TH Success Limited	No
	TJF Limited	Yes
	Tantallon Enterprises Ltd.	No
	The Millwork Trading Co. Ltd.	No

<u>Director</u>	<u>Company/partnership</u>	<u>Position still held</u>
	Top House Properties Limited	Yes
	Toy Island Manufacturing Co. Ltd.	Yes
	Toys & Wonder (B.V.I.) Ltd.	No
	Toys & Wonder (Hong Kong) Ltd.	No
	Toys 'R' Us (Malaysia) Sdn Bhd	No
	Toys 'R' Us - Lifung (Taiwan) Ltd.	No
	Toys (Labuan) Holding Limited	Yes
	Toys (Labuan) Ltd.	Yes
	Toys LiFung (Asia) Limited	Yes
	Toys LiFung (Hong Kong) Limited	Yes
	Toys Lifung (Taiwan) Limited	No
	Trinity Limited	Yes
	Twins Foundation Limited	Yes
	VTech Holdings Ltd.	Yes
	Vibill Investments Ltd.	Yes
	Victor and William Fung Foundation Limited	Yes
	Vivarini Ltd. (commenced liquidation 01/03/2006)	No
	Wing Yue Ardmore Pte. Ltd	Yes
<b>Michael Francis GEOGHEGAN</b>	Argentina Private Development Trust Company Limited	No
	Banco Internacional, S.A., Institucion de Banca Multiple, GFB	No
	Banco O'Higgins	No
	British Arab Commercial Bank Limited	No
	CIP Services Limited	No
	Concord Leasing Inc	No
	Credival Participacoes Administracao e Assessoria Ltda	No
	Francinvest Investimentos e Participacoes Ltda	No
	Young Enterprise	No
<b>Stephen Keith GREEN</b>	British Museum	Yes
	China Festival 2008	Yes
	China Now Trading Limited	Yes
	Confucius Institute for Business, London	Yes
	Friends of the Archbishop of Canterbury's Anglican Communion Fund, Inc.	Yes
	The Hong Kong Association	Yes
	The Institute of International Finance, Inc	Yes
<b>James Wyndham John HUGHES-HALLETT</b>	Anscor Swire Ship Management Corporation	No
	C S Development Company Limited	Yes
	CROWN Beverage Cans Hong Kong Limited	No
	Camberley Enterprises Limited	No
	Cannon Trustees Limited	No
	Carlsberg Brewery Hong Kong Limited	No
	Carlsberg Hong Kong Limited	No
	Carlsbrew Brewery (Guangdong) Limited	No
	Carlsbrew Brewery (Shanghai) Limited	No
	Cathay Pacific Airways Limited	Yes
	China Festival 2008	Yes
	Emantic Limited	No
	Governing Board of the Courtauld Institute of Art	No
	HACTL Investments Limited	No
	Hong Kong Air Cargo Industry Services Limited	No
	Hong Kong Air Cargo Terminals Limited	No
	John Swire & Sons (China) Limited	Yes
	John Swire & Sons (H.K.) Limited	No
	John Swire & Sons (Jersey) Limited	No
	John Swire & Sons Limited	Yes
	John Swire & Sons Overseas Limited	Yes
	Modern Terminals Limited	No

<u>Director</u>	<u>Company/partnership</u>	<u>Position still held</u>
	New Guinea Australia Line Limited	No
	Orange Rederiet Aps	No
	P&O Swire Containers Limited	No
	Shrewsbury Holdings Limited	No
	Super Honour Management Services Limited	No
	Swire & Maclaine Limited	No
	Swire Aviation Limited	No
	Swire Beverages Holdings Limited	No
	Swire Beverages Limited	No
	Swire Finance Limited	Yes
	Swire Loxley Limited	No
	Swire Pacific Finance International Limited	No
	Swire Pacific Holdings Inc.	No
	Swire Pacific IB Limited	No
	Swire Pacific Limited	Yes
	Swire Pacific Offshore Holdings Limited	No
	Swire Pacific Offshore Maritime Limited	No
	Swire Pacific Ship Management Limited	No
	Swire Properties Limited	No
	Swire Resources Limited	No
	Swire SITA (Taiwan) Company Limited	No
	Swire SITA Waste Services Limited	No
	Tai-Koo Limited	No
	Taikoo Limited	Yes
	Taikoo Travel Agency Limited	No
	Taiwan Swire Express Travel Services Company Limited	No
	The China Navigation Company Limited	Yes
	The Eagle's Eye International Limited	No
	The Hong Kong Association	Yes
<b>William Samuel Hugh LAIDLAW</b>	Amerada Hess (Australia) Limited	No
	Amerada Hess (Brasil) Limited	No
	Amerada Hess (E & P) Limited	No
	Amerada Hess (Forbes) Limited	No
	Amerada Hess (Forties) Limited	No
	Amerada Hess (Hydrocarbons) Limited	No
	Amerada Hess (Khazar) Limited	No
	Amerada Hess (NAOC) Limited	No
	Amerada Hess (Offshore) Limited	No
	Amerada Hess (Petroleum) Limited	No
	Amerada Hess (U.K.) Operations Limited	No
	Amerada Hess Crude and Gas Company Limited	No
	Amerada Hess Finance Limited	No
	Amerada Hess Oil Company Limited	No
	Amerada Hess Property Services Limited	No
	Borand Limited	No
	Centrica Holdings Limited	No
	Centrica plc	Yes
	ChevronTexaco	No
	Enterprise (E&P) Limited	No
	Enterprise Oil Finance Limited	No
	Enterprise Oil Indonesia Limited	No
	Enterprise Oil Italy Limited	No
	Enterprise Oil Limited	No
	Enterprise Oil Middle East Limited	No
	Enterprise Oil Nominees Limited	No
	Enterprise Oil Norge Limited	No
	Enterprise Oil Operations Limited	No
	Enterprise Oil Overseas Holdings Limited	No
	Enterprise Oil Timor Gap (14) Limited	No
	Enterprise Oil Timor Gap (9) Limited	No
	Enterprise Oil U.K. Limited	No

<u>Director</u>	<u>Company/partnership</u>	<u>Position still held</u>
	Enterprise Petroleum Limited	No
	First Oil SNS Limited	No
	GB Gas Holdings Limited	No
	Hanson Building Materials Limited	No
	Hanson PLC	No
	Hess (Azerbaijan) Limited	No
	Hess (Martaban) Limited	No
	Hess Finance Limited	No
	Hess International LLC	No
	Hess Limited	No
	Hess NWE Holdings	No
	Hess Nominees Limited	No
	Hess Trading Limited	No
	Institute of Petroleum	No
	Midland Gas Limited	No
	Neptune Oil and Gas Limited	Yes
	North Sea Limited	No
	Powergen Retail Gas (Eastern) Limited	No
	Premier Oil Group Limited	No
	Raft Trustees Limited	Yes
	Saxon Oil Limited	No
	Saxon Oil Miller Limited	No
	Shell EP Offshore Ventures Limited	No
	Sponsorship Consulting Limited	No
	TXU Europe (AH Online) Limited	No
	TXU Europe (AHG) Limited	No
	TXU Europe (AHGD) Limited	No
	TXU Europe (AHST) Limited	No
	The Petroleum and Science Technology Institute	No
	Western Gas Limited	No
	Yes Television Public Limited Company	No
<b>Janis Rachel LOMAX</b>	Bank of England	No
	Houblon Nominees	No
	The Centre for Economic Policy Research	Yes
	The Institute for Fiscal Studies	Yes
	The Royal National Theatre	Yes
	The Scottish American Investment Company PLC	Yes
<b>Mark MOODY-STUART</b>	Accenture Limited	Yes
	Anglo American plc	Yes
	International Institute for Sustainable Development	Yes
	Saudi Aramco	Yes
	Shell Petroleum N.V.	No
	The 'Shell' Transport and Trading Company, Public Limited Company	No
	The Global Reporting Initiative	No
	The Shell Petroleum Company Limited	No
<b>Gwyn MORGAN</b>	Alcan Inc.	No
	Encana Corporation	No
	Lafarge North America Inc.	No
	SNC-Lavalin Group Inc.	Yes
<b>Nagavara Ramarao Narayana MURTHY</b>	Bangalore International Airport Ltd	No
	DBS Bank Ltd	No
	DBS Group Holdings Ltd	No
	Infosys Consulting, Inc	Yes
	Infosys Technologies (China) Co. Ltd	Yes
	Infosys Technologies Limited	Yes
	New Delhi Television Limited	Yes

<u>Director</u>	<u>Company/partnership</u>	<u>Position still held</u>
	Reserve Bank of India	No
	Unilever n.v.	Yes
	Unilever plc	Yes
	United Nations Foundation	Yes
<b>Simon Manwaring ROBERTSON</b>	Berry Bros. & Rudd Limited	Yes
	Economist Newspaper Limited (The)	Yes
	Goldman Sachs International	No
	Inchcape plc	No
	International Financial Services London	No
	Invensys International Holdings Limited	No
	Invensys plc	No
	Rolls-Royce Group plc	Yes
	Rolls-Royce plc	Yes
	Royal Opera House, Covent Garden Limited	Yes
	Ruddberry Limited	No
	Simon Robertson Associates LLP	Yes
	Simon Robertson Limited	Yes
	St Paul's Cathedral Foundation	No
	The Friends of Covent Garden	Yes
	The Royal Opera House Foundation	Yes
	Universal Specialists Limited	Yes
<b>John Lawson THORNTON</b>	British Sky Broadcasting Group plc	No
	China Netcom Group Corporation (Hong Kong) Limited (merged into China Unicom (Hong Kong) Limited)	No
	China Unicom (Hong Kong) Limited	Yes
	Ford Motor Company	Yes
	Goldman Sachs Foundation	No
	IMG Worldwide	Yes
	Industrial and Commercial Bank of China Limited	No
	Intel Corporation, Inc	Yes
	JL Thornton & Co., LLC	Yes
	JLTS LLC	Yes
	Laura Ashley Limited	No
	News Corporation, Inc	Yes
	Pacific Century Group, Inc	Yes
	San Shan Principals LP	No
	The DIRECTV Group, Inc. (formerly Hughes Electronics Corporation)	No
<b>Robert Brian WILLIAMSON</b>	Actionmarket Limited	No
	Barlows Holdings Limited	No
	Climate Exchange plc	Yes
	Electra General Partner 'B' Limited	No
	Electra General Partner Limited	No
	Electra Kingsway Holdings Limited	No
	Electra Private Equity plc	Yes
	Futurebid Limited	No
	Gerrard & National Employee Trustees Limited	No
	Gerrard Group plc	No
	HM Publishers Holdings Limited	No
	JPMorgan Fleming Worldwide Income Investment Trust plc	No
	King & Shaxson Holdings	No
	LIFFE Administration and Management	No
	LIFFE Holdings plc	No
	LIV-EX Limited	Yes
	MT Fund Management Limited	Yes
	MT Unit Trust Management Limited	No
	Medici Investments Limited	Yes

<u>Director</u>	<u>Company/partnership</u>	<u>Position still held</u>
	NYSE Euronext	Yes
	NYSE Liffe	Yes
	Open Europe Limited	No
	Ovenden Nominees Limited	Yes
	Politeia	Yes
	Resolution Life Limited	No
	Resolution plc	No
	St George's House Trust (Windsor Castle)	No
	St Paul's Cathedral Foundation	No
	Templeton Emerging Markets Investment Trust plc	No
	The Financial Services Authority	No
	The Governor & Company of the Bank of Ireland	No
	The London Commodity Exchange (1986) Limited	No
	Townleigh Farm Limited (In liquidation)	Yes
	Vote No Limited	No

1.3 None of the Directors as at the date of this document has, during the last five years, been:

- (a) convicted in relation to a fraudulent offence;
- (b) associated with any bankruptcy, receivership or liquidation while acting in the capacity of a member of the administrative, management or supervisory body or as a senior manager of any company;
- (c) subject to any official public incrimination and/or sanction by statutory or regulatory authorities (including designated professional bodies); or
- (d) disqualified by a court from acting as a member of the administrative, management or supervisory bodies of any issuer or from acting in the management or conduct of the affairs of any issuer.

## 2 Directors' interests and disclosure

2.1 As at 13 March 2009 (being the latest practicable date prior to the publication of this document) the interests and/or short positions of the Directors and chief executive of the Company in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO), which were required to be notified to the Company and the Hong Kong Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO); or were required pursuant to section 352 of the SFO to be entered in the register referred to therein; or which were required to be notified to the Company and the Hong Kong Stock Exchange pursuant to the Model Code and/or the Disclosure and Transparency Rules are set out below:

### (a) Ordinary Shares

<u>Director</u>	<u>Beneficial owner</u>	<u>Child under 18 or spouse</u>	<u>Controlled corporation</u>	<u>Jointly with another person</u>	<u>Trustee</u>	<u>Total interests</u>	<u>Percentage of Ordinary Shares in issue</u>
V H C Cheng.....	180,904	125,430	—	—	—	306,334	0.002 <sup>(1)</sup>
J D Coombe.....	13,495	—	—	—	—	13,495	0.000
D J Flint .....	90,152	—	—	—	31,571 <sup>(2)</sup>	121,723	0.001 <sup>(1)</sup>
A A Flockhart .....	175,763	—	—	—	—	175,763	0.001 <sup>(1)</sup>
W K L Fung .....	208,000	—	120,000	—	—	328,000	0.003
M F Geoghegan .....	481,844	—	—	—	—	481,844	0.004 <sup>(1)</sup>
S K Green .....	633,213	—	—	45,355	—	678,568	0.006 <sup>(1)</sup>
S T Gulliver.....	2,389,572	177,378	—	—	—	2,566,950	0.021 <sup>(1)</sup>
J W J Hughes-Hallett .....	—	—	—	—	273,479 <sup>(3)</sup>	273,479	0.002
W S H Laidlaw .....	20,693	—	—	—	1,000 <sup>(3)</sup>	21,693	0.000
Sir Mark Moody-Stuart ...	5,000	840	—	—	5,000 <sup>(3)</sup>	10,840	0.000
G Morgan .....	53,847	—	—	—	—	53,847	0.000
S M Robertson.....	5,723	—	—	—	93,000 <sup>(3)</sup>	98,723	0.000
Sir Brian Williamson .....	24,949	—	—	—	—	24,949	0.000

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Notes:

- (1) For details of the aggregate interests under the SFO of V H C Cheng, D J Flint, A A Flockhart, M F Geoghegan, S K Green and S T Gulliver, including interests arising through HSBC Share Plans, refer to paragraph 2.3 of this Part XI.
- (2) Non-beneficial interest in 10,524 Ordinary Shares.
- (3) Non-beneficial.

**(b) Interests in associated corporations and securities other than Ordinary Shares**

M F Geoghegan has an interest as beneficial owner in 280,000 ordinary shares of HK\$5.00 each in Hang Seng Bank Limited (representing less than 0.02 per cent of the shares in issue as at 13 March 2009, being the latest practicable date prior to the publication of this document).

S K Green has an interest as beneficial owner in €75,000 of HSBC Holdings plc 5½ per cent subordinated notes 2009.

As directors of HSBC France, S K Green and S T Gulliver each have an interest as beneficial owner in one share of €5 in that company (representing less than 0.01 per cent of the shares in issue). S K Green and S T Gulliver have each waived their rights to receive dividends on these shares and have undertaken to transfer these shares to HSBC on ceasing to be directors of HSBC France.

As directors of HSBC Private Banking Holdings (Suisse) S.A., S K Green and S T Gulliver each have an interest as beneficial owner in one share of Swiss francs 1,000 in that company (representing less than 0.01 per cent of the shares in issue) S K Green and S T Gulliver have each waived their rights to receive dividends on these shares and have undertaken to transfer these shares to HSBC on ceasing to be directors of HSBC Private Banking Holdings (Suisse) S.A..

2.2 As at 13 March 2009 (being the latest practicable date prior to the publication of this document), the Directors held options over awards in Ordinary Shares under the HSBC Share Plans as set out below:

**(a) HSBC Savings-Related Share Option Plan**

<b>Director</b>	<b>Date of award</b>	<b>Exercise Price per Ordinary Share (£)</b>	<b>Number of Ordinary Shares held under option</b>	<b>Exercisable from<sup>(1)</sup></b>	<b>Exercisable until</b>
D J Flint . . . . .	25 Apr 2007	7.0872	2,310	1 Aug 2012	31 Jan 2013
A A Flockhart . . . . .	25 Apr 2007	7.0872	1,332	1 Aug 2010	31 Jan 2011

Under the SFO the options are categorised as unlisted physically settled equity derivatives.

Note:

- (1) May be advanced to an earlier date in certain circumstances, e.g. retirement.

**(b) HSBC Share Plan (awards of performance shares)**

<u>Director</u>	<u>Date of award</u>	<u>Year in which awards may vest</u>	<u>Number of Ordinary Shares subject to award<sup>(1)</sup></u>
V H C Cheng . . . . .	6 Mar 2006	2009	94,398
	5 Mar 2007	2010	184,071
	3 Jun 2008	2011	133,264
D J Flint . . . . .	6 Mar 2006	2009	188,796
	5 Mar 2007	2010	275,747
	3 Jun 2008	2011	384,300
A A Flockhart . . . . .	6 Mar 2006	2009	70,799
	5 Mar 2007	2010	122,615
	3 Jun 2008	2011	131,047
M F Geoghegan . . . . .	6 Mar 2006	2009	235,996
	5 Mar 2007	2010	626,696
	3 Jun 2008	2011	903,104
S K Green . . . . .	6 Mar 2006	2009	294,994
	5 Mar 2007	2010	470,022
	3 Jun 2008	2011	1,056,823
S T Gulliver . . . . .	6 Mar 2006	2009	117,998
	5 Mar 2007	2010	136,190
	3 Jun 2008	2011	57,096

Vesting of these performance share awards is subject to the achievement of the corporate performance conditions. Under the SFO, interests held through the HSBC Share Plan are categorised as the interests of a beneficiary of a trust.

Note:

(1) Includes additional Ordinary Shares arising from scrip dividends.

**(c) HSBC Share Plan (awards of restricted shares)**

<u>Director</u>	<u>Date of award</u>	<u>Year in which awards may vest</u>	<u>Number of Ordinary Shares subject to award<sup>(1)</sup></u>
V H C Cheng . . . . .	3 Mar 2008	2011	87,746
	2 Mar 2009	2012	416,662
A A Flockhart . . . . .	31 Oct 2007	2010	54,556
	3 Mar 2008	2011	12,719
S T Gulliver . . . . .	2 Mar 2009	2012	420,528
	5 Mar 2007	2009-2010 <sup>(2)</sup>	161,959
	3 Mar 2008	2009-2011 <sup>(2)</sup>	327,692

Vesting of restricted share awards is normally subject to the Director remaining an employee on the vesting date. The vesting date may be advanced to an earlier date in certain circumstances, e.g. death or retirement. Under the SFO, interests held through the HSBC Share Plan are categorised as the interests of a beneficiary of a trust.

Notes:

(1) Includes additional Ordinary Shares arising from scrip dividends.

(2) 33 per cent of the award vests on each of the first and second anniversaries of the date of the award, with the balance vesting on the third anniversary of the date of the award.

2.3 As at 13 March 2009 (being the latest practicable date prior to the publication of this document), the aggregate interests under the SFO of V H C Cheng, D J Flint, A A Flockhart, M F Geoghegan, S K Green and S T Gulliver in the Ordinary Shares, including interests arising through HSBC Share Plans were: V H C Cheng - 1,222,475; D J Flint - 972,876; A A Flockhart - 989,359; M F Geoghegan - 2,247,640; S K Green - 2,500,407 and S T Gulliver - 3,367,885. Each of the total interests represents less than 0.03 per cent of the Ordinary Shares in issue.

2.4 Save as disclosed above, as at 13 March 2009 (being the latest practicable date prior to the publication of this document), none of the Directors or chief executive of the Company had an interest and/or short position in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO), which was required to be notified to the Company and the Hong Kong Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they

were taken or deemed to have under such provisions of the SFO); or was required pursuant to section 352 of the SFO to be entered in the register referred to therein; or which was required to be notified to the Company and the Hong Kong Stock Exchange pursuant to the Model Code and/or the Disclosure and Transparency Rules.

- 2.5 No Director has any potential conflicts of interest arising from their private interests and/or other duties that could conflict with their duties to HSBC.
- 2.6 No Director and no expert (as named in paragraph 14 of Part XVI) has any interest in any assets which have been, or which are proposed to be, acquired by, disposed of by or leased to any member of the HSBC Group since 31 December 2008.
- 2.7 There are no contracts or arrangements subsisting at the date of this document in which a Director is materially interested and which is significant in relation to the business of the HSBC Group.

### **3 Directors' remuneration, service contracts and letters of appointment**

- 3.1 The amount of remuneration paid and benefits in kind granted to the Directors by the HSBC Group for services to the HSBC Group for the financial year ended 31 December 2008 (being the last full financial year for the Company) is set out on pages 317 to 324 of the 2008 Annual Report and Accounts, which are incorporated into this document by reference.
- 3.2 The retirement benefits of the Directors, including the amount accrued by the HSBC Group to provide pension, retirement or similar benefits for the financial year ended 31 December 2008 (being the last full financial year for the Company) is set out on pages 324 to 325 of the 2008 Annual Report and Accounts, which are incorporated into this document by reference.
- 3.3 Information about the executive Directors' contracts of employment with the Company, including the terms of those contracts and benefits upon termination of employment, and the terms of appointment for non-executive Directors for the financial year ended 31 December 2008 (being the last completed financial year for the Company) are given on pages 322 to 323 of the 2008 Annual Report and Accounts, which are incorporated into this document by reference.
- 3.4 Save as mentioned above, there are no service agreements between any Director and any member of the HSBC Group other than agreements expiring or determinable by the employing company either on less than 12 months' notice or without payment of compensation (other than statutory compensation) and no such contracts are proposed.

### **4 Corporate governance and committees**

- 4.1 Information about the Company's board committees, including the HSBC Group Audit Committee and the Remuneration Committee, for the financial year ended 31 December 2008 (being the last completed financial year for the Company) can be found on pages 296 to 298 and pages 315 to 316 of the 2008 Annual Report and Accounts, which are incorporated into this document by reference.
- 4.2 The Board is committed to ensuring that the highest standards of corporate governance are maintained by HSBC and considers that throughout the financial year ended 31 December 2008 (being the last completed financial year for the Company) the Company complied and currently continues to comply with the applicable provisions of the Combined Code on Corporate Governance issued by the Financial Reporting Council and the Code on Corporate Governance Practices in Appendix 14 to the Hong Kong Listing Rules.

## **PART XII**

### **KEY INFORMATION**

#### **1 Selected financial information**

The selected historical financial information and other historical financial information in relation to HSBC in this Part XII has, unless otherwise stated, been extracted without material adjustment from the consolidated financial statements of the HSBC Group included in the 2006 Annual Report and Accounts, the 2007 Annual Report and Accounts and the 2008 Annual Report and Accounts, which are incorporated by reference into this document.

The consolidated annual financial statements have been audited by KPMG Audit Plc, independent auditor. KPMG Audit Plc is a firm of chartered accountants registered with the Institute of Chartered Accountants in England and Wales.

**(a) Summary consolidated income statement**

	<b>2008</b> <b>US\$m</b>	<b>2007</b> <b>US\$m</b>	<b>2006</b> <b>US\$m</b>
Interest income .....	91,301	92,359	75,879
Interest expense .....	(48,738)	(54,564)	(41,393)
<b>Net interest income</b> .....	<b>42,563</b>	<b>37,795</b>	<b>34,486</b>
Fee income .....	24,764	26,337	21,080
Fee expense .....	(4,740)	(4,335)	(3,898)
<b>Net fee income</b> .....	<b>20,024</b>	<b>22,002</b>	<b>17,182</b>
Trading income excluding net interest income .....	847	4,458	5,619
Net interest income on trading activities .....	5,713	5,376	2,603
<b>Net trading income</b> .....	<b>6,560</b>	<b>9,834</b>	<b>8,222</b>
Changes in fair value of long-term debt issued and related derivatives .....	6,679	2,812	(35)
Net income/(expense) from other financial instruments designated at fair value .....	(2,827)	1,271	692
Net income from financial instruments designated at fair value .....	3,852	4,083	657
Gains less losses from financial investments .....	197	1,956	969
Gains arising from dilution of interests in associates .....	—	1,092	—
Dividend income .....	272	324	340
Net earned insurance premiums .....	10,850	9,076	5,668
Gains on disposal of French regional banks .....	2,445	—	—
Other operating income .....	1,808	1,439	2,546
<b>Total operating income</b> .....	<b>88,571</b>	<b>87,601</b>	<b>70,070</b>
Net insurance claims incurred and movement in liabilities to policyholders .....	(6,889)	(8,608)	(4,704)
<b>Net operating income before loan impairment charges and other credit risk provisions</b> .....	<b>81,682</b>	<b>78,993</b>	<b>65,366</b>
Loan impairment charges and other credit risk provisions .....	(24,937)	(17,242)	(10,573)
<b>Net operating income</b> .....	<b>56,745</b>	<b>61,751</b>	<b>54,793</b>
Employee compensation and benefits .....	(20,792)	(21,334)	(18,500)
General and administrative expenses .....	(15,260)	(15,294)	(12,823)
Depreciation and impairment of property, plant and equipment .....	(1,750)	(1,714)	(1,514)
Goodwill impairment .....	(10,564)	—	—
Amortisation and impairment of intangible assets .....	(733)	(700)	(716)
<b>Total operating expenses</b> .....	<b>(49,099)</b>	<b>(39,042)</b>	<b>(33,553)</b>
<b>Operating profit</b> .....	<b>7,646</b>	<b>22,709</b>	<b>21,240</b>
<b>Share of profit in associates and joint ventures</b> .....	<b>1,661</b>	<b>1,503</b>	<b>846</b>
<b>Profit before tax</b> .....	<b>9,307</b>	<b>24,212</b>	<b>22,086</b>
<b>Tax expense</b> .....	<b>(2,809)</b>	<b>(3,757)</b>	<b>(5,215)</b>
<b>Profit for the year</b> .....	<b>6,498</b>	<b>20,455</b>	<b>16,871</b>
<b>Profit attributable to shareholders of the parent company</b> .....	<b>5,728</b>	<b>19,133</b>	<b>15,789</b>
<b>Profit attributable to minority interests</b> .....	<b>770</b>	<b>1,322</b>	<b>1,082</b>
<b>Profit for the year</b> .....	<b>6,498</b>	<b>20,455</b>	<b>16,871</b>
	US\$	US\$	US\$
<b>Basic earnings per Ordinary Share</b> .....	<b>0.47</b>	<b>1.65</b>	<b>1.40</b>
<b>Diluted earnings per Ordinary Share</b> .....	<b>0.47</b>	<b>1.63</b>	<b>1.39</b>

**(b) Summary consolidated balance sheet**

	<b>2008</b> <b>US\$m</b>	<b>2007</b> <b>US\$m</b>	<b>2006</b> <b>US\$m</b>
<b>ASSETS</b>			
Cash and balances at central banks . . . . .	52,396	21,765	12,732
Items in the course of collection from other banks . . . . .	6,003	9,777	14,144
Hong Kong Government certificates of indebtedness . . . . .	15,358	13,893	13,165
Trading assets . . . . .	427,329	445,968	328,147
Financial assets designated at fair value . . . . .	28,533	41,564	20,573
Derivatives . . . . .	494,876	187,854	103,702
Loans and advances to banks . . . . .	153,766	237,366	185,205
Loans and advances to customers . . . . .	932,868	981,548	868,133
Financial investments . . . . .	300,235	283,000	204,806
Interests in associates and joint ventures . . . . .	11,537	10,384	8,396
Goodwill and intangible assets . . . . .	27,357	39,689	37,335
Property, plant and equipment . . . . .	14,025	15,694	16,424
Other assets . . . . .	37,822	39,493	29,823
Current tax assets . . . . .	2,552	896	380
Deferred tax assets . . . . .	7,011	5,284	3,241
Prepayments and accrued income . . . . .	15,797	20,091	14,552
<b>Total assets . . . . .</b>	<b>2,527,465</b>	<b>2,354,266</b>	<b>1,860,758</b>
<b>LIABILITIES AND EQUITY</b>			
<b>Liabilities</b>			
Hong Kong currency notes in circulation . . . . .	15,358	13,893	13,165
Deposits by banks . . . . .	130,084	132,181	99,694
Customer accounts . . . . .	1,115,327	1,096,140	896,834
Items in the course of transmission to other banks . . . . .	7,232	8,672	12,625
Trading liabilities . . . . .	247,652	314,580	226,608
Financial liabilities designated at fair value . . . . .	74,587	89,939	70,211
Derivatives . . . . .	487,060	183,393	101,478
Debt securities in issue . . . . .	179,693	246,579	230,325
Retirement benefit liabilities . . . . .	3,888	2,893	5,555
Other liabilities . . . . .	72,384	35,013	28,019
Current tax liabilities . . . . .	1,822	2,559	1,805
Liabilities under insurance contracts . . . . .	43,683	42,606	17,670
Accruals and deferred income . . . . .	15,448	21,766	16,310
Provisions . . . . .	1,730	1,958	1,763
Deferred tax liabilities . . . . .	1,855	1,859	1,096
Subordinated liabilities . . . . .	29,433	24,819	22,672
<b>Total liabilities . . . . .</b>	<b>2,427,236</b>	<b>2,218,850</b>	<b>1,745,830</b>
<b>Equity</b>			
Called up share capital . . . . .	6,053	5,915	5,786
Share premium account . . . . .	8,463	8,134	7,789
Other equity instruments . . . . .	2,133	—	—
Other reserves . . . . .	(3,747)	33,014	29,380
Retained earnings . . . . .	80,689	81,097	65,397
<b>Total shareholders' equity . . . . .</b>	<b>93,591</b>	<b>128,160</b>	<b>108,352</b>
<b>Minority interests . . . . .</b>	<b>6,638</b>	<b>7,256</b>	<b>6,576</b>
<b>Total equity . . . . .</b>	<b>100,229</b>	<b>135,416</b>	<b>114,928</b>
<b>Total equity and liabilities . . . . .</b>	<b>2,527,465</b>	<b>2,354,266</b>	<b>1,860,758</b>

**(c) Summary consolidated cash flow statement**

	<b>2008</b> <b>US\$m</b>	<b>2007</b> <b>US\$m</b>	<b>2006</b> <b>US\$m</b>
<b>Cash flows from operating activities</b>			
Profit before tax . . . . .	9,307	24,212	22,086
<b>Adjustments for:</b>			
— non-cash items included in profit before tax . . . . .	41,305	21,701	14,956
— change in operating assets . . . . .	18,123	(176,538)	(175,317)
— change in operating liabilities . . . . .	(63,413)	250,095	237,378
— elimination of exchange differences . . . . .	36,132	(18,602)	(12,114)
— net gain from investing activities . . . . .	(4,195)	(2,209)	(2,014)
— share of profits in associates and joint ventures . . . . .	(1,661)	(1,503)	(846)
— dividends received from associates . . . . .	655	363	97
— contribution paid to defined benefit plans . . . . .	(719)	(1,393)	(547)
— tax paid . . . . .	<u>(5,114)</u>	<u>(5,088)</u>	<u>(4,946)</u>
<b>Net cash generated from operating activities . . . . .</b>	<b><u>30,420</u></b>	<b><u>91,038</u></b>	<b><u>78,733</u></b>
<b>Cash flows from investing activities</b>			
Purchase of financial investments . . . . .	(277,023)	(260,980)	(286,316)
Proceeds from the sale and maturity of financial investments . . . . .	223,138	238,647	273,774
Purchase of property, plant and equipment . . . . .	(2,985)	(2,720)	(2,400)
Proceeds from the sale of property, plant and equipment . . . . .	2,467	3,178	2,504
Proceeds from the sale of loan portfolios . . . . .	9,941	1,665	2,048
Net purchase of intangible assets . . . . .	(1,169)	(950)	(852)
Net cash inflow/(outflow) from acquisition of an increase in stake of subsidiaries . . . . .	1,313	(623)	(1,185)
Net cash inflow from disposal of subsidiaries . . . . .	2,979	187	62
Net cash outflow from acquisition of an increase in stake of associates . . . . .	(355)	(351)	(585)
Net cash inflow from the consolidation of funds . . . . .	16,500	1,600	—
Proceeds from disposal of associates . . . . .	<u>101</u>	<u>69</u>	<u>874</u>
<b>Net cash (used in) investing activities . . . . .</b>	<b><u>(25,093)</u></b>	<b><u>(20,278)</u></b>	<b><u>(12,076)</u></b>
<b>Cash flows from financing activities</b>			
Issue of ordinary share capital . . . . .	467	474	1,010
Issue of preference shares . . . . .	—	—	374
Issue of other equity instruments . . . . .	2,133	—	—
Net purchases and sales of own shares for market-making and investment purposes . . . . .	(194)	126	46
Purchases of own shares to meet share awards and share option awards . . . . .	(808)	(636)	(575)
On exercise of share options . . . . .	27	104	173
Subordinated loan capital issued . . . . .	7,094	5,705	5,948
Subordinated loan capital repaid . . . . .	(350)	(689)	(903)
Dividends paid to shareholders of the parent company . . . . .	(7,211)	(6,003)	(5,927)
Dividends paid to minority interests . . . . .	(714)	(718)	(710)
Dividends paid to holders of other equity instruments . . . . .	<u>(92)</u>	<u>—</u>	<u>—</u>
<b>Net cash generated from/(used in) in financing activities . . . . .</b>	<b><u>352</u></b>	<b><u>(1,637)</u></b>	<b><u>(564)</u></b>
<b>Net increase in cash and cash equivalents . . . . .</b>	<b><u>5,679</u></b>	<b><u>69,123</u></b>	<b><u>66,093</u></b>
<b>Cash and cash equivalents at 1 January . . . . .</b>	<b><u>297,009</u></b>	<b><u>215,486</u></b>	<b><u>141,307</u></b>
<b>Exchange differences in respect of cash and cash equivalents . . . . .</b>	<b><u>(23,816)</u></b>	<b><u>12,400</u></b>	<b><u>8,086</u></b>
<b>Cash and cash equivalents at 31 December . . . . .</b>	<b><u>278,872</u></b>	<b><u>297,009</u></b>	<b><u>215,486</u></b>

**(d) Capitalisation and indebtedness**

The following table shows the consolidated unaudited capitalisation, indebtedness and share capital position of the HSBC Group as at 31 December 2008:

	US\$m
<b>Authorised share capital<sup>(1)</sup></b>	
Ordinary shares (of nominal value US\$0.50 each) . . . . .	7,500
Non-voting deferred shares (of nominal value £1.00 each) . . . . .	—
Preference shares (of nominal value £0.01 each) . . . . .	—
Preference shares (of nominal value US\$0.01 each) . . . . .	—
Preference shares (of nominal value €0.01 each) . . . . .	—
<b>Total authorised share capital . . . . .</b>	<b>7,500</b>
<b>Shareholders' capital</b>	
<b>Allotted, called-up and fully paid share capital</b>	
Ordinary shares (of nominal value US\$0.50 each) . . . . .	6,053
Preference shares (of nominal value US\$0.01 each) <sup>(2)</sup> . . . . .	—
<b>Total Shareholders' capital . . . . .</b>	<b>6,053</b>
<b>Other equity instruments<sup>(3)</sup></b>	<b>2,133</b>
<b>Reserves<sup>(4)</sup></b> . . . . .	<b>85,405</b>
<b>Total Shareholders' equity . . . . .</b>	<b>93,591</b>
	Carrying amount US\$m
<b>Group indebtedness</b>	
<b>Subordinated loan capital of the Company</b>	
€ 2,000 m Callable subordinated floating rate notes 2014 . . . . .	2,805
US \$2,500 m 6.5% subordinated notes 2037 . . . . .	2,669
€ 1,600 m 6.25% subordinated notes 2018 . . . . .	2,231
US \$2,000 m 6.5% subordinated notes 2036 . . . . .	2,052
US \$1,500 m 6.8% subordinated notes 2038 . . . . .	1,484
US \$1,400 m 5.25% subordinated notes 2012 . . . . .	1,455
€ 1,000 m 5.375% subordinated notes 2012 . . . . .	1,403
£ 900 m 6.375% callable subordinated notes 2022 . . . . .	1,330
£ 750 m 7% subordinated notes 2038 . . . . .	1,140
US \$1,000 m 7.5% subordinated notes 2009 . . . . .	1,068
£ 650 m 6.75% subordinated notes 2028 . . . . .	938
£ 650 m 5.75% subordinated notes 2027 . . . . .	878
€ 700 m 3.625% callable subordinated notes 2020 . . . . .	840
US \$ 750 m Callable subordinated floating rate notes 2016 . . . . .	750
US \$ 750 m Callable subordinated floating rate notes 2015 . . . . .	750
US \$ 488 m 7.625% subordinated notes 2032 . . . . .	609
£ 250 m 9.875% subordinated bonds 2018 . . . . .	441
€ 300 m 5.5% subordinated notes 2009 . . . . .	432
US \$ 222 m 7.35% subordinated notes 2032 . . . . .	269
	<b>23,544</b>
<b>Undated subordinated loan capital of subsidiary undertakings</b>	
US \$1,200 m Primary capital undated floating rate notes . . . . .	1,214
US \$ 750 m Undated floating rate primary capital notes . . . . .	750
US \$ 500 m Undated floating rate primary capital notes . . . . .	500
US \$ 300 m Undated floating rate primary capital notes, Series 3 . . . . .	300
Other undated subordinated liabilities less than US\$200m . . . . .	79

				Carrying amount US\$m
<b>Subordinated loan capital of subsidiary undertakings</b>				
€	1,400	m	5.3687% non-cumulative step-up perpetual preferred securities*	1,532
US	\$1,350	m	9.547% non-cumulative step-up perpetual preferred securities, Series 1*	1,337
€	800	m	Callable subordinated floating rate notes 2016	1,116
£	700	m	5.844% non-cumulative step-up perpetual preferred securities	1,021
US	\$1,000	m	4.625% subordinated notes 2014	1,001
US	\$1,000	m	5.911% trust preferred securities 2035	992
US	\$1,000	m	5.875% subordinated notes 2034	953
US	\$ 900	m	10.176% non-cumulative step-up perpetual preferred securities, Series 2*	900
£	600	m	4.75% subordinated notes 2046	863
€	600	m	8.03% non-cumulative step-up perpetual preferred securities*	834
€	600	m	4.25% callable subordinated notes 2016	831
€	750	m	5.13% non-cumulative step-up perpetual preferred securities*	790
US	\$1,250	m	4.61% non-cumulative step-up perpetual preferred securities*	745
£	500	m	8.208% non-cumulative step-up perpetual preferred securities*	724
US	\$ 750	m	5.625% subordinated notes 2035	715
US	\$ 700	m	7% subordinated notes 2039	694
£	500	m	4.75% callable subordinated notes 2020	675
£	500	m	5.375% subordinated notes 2033	659
€	500	m	Callable subordinated floating rate notes 2020	567
£	350	m	Callable subordinated variable coupon notes 2017	518
US	\$ 500	m	6.00% subordinated notes 2017	498
£	350	m	5% callable subordinated notes 2023	481
£	350	m	5.375% callable subordinated step-up notes 2030	461
US	\$ 450	m	Callable subordinated floating rate notes 2016	449
£	300	m	6.5% subordinated notes 2023	436
US	\$ 300	m	7.65% subordinated notes 2025	384
£	300	m	5.862% non-cumulative step-up perpetual preferred securities	333
£	225	m	6.25% subordinated notes 2041	325
US	\$ 300	m	6.95% subordinated notes 2011	324
US	\$ 300	m	Callable subordinated floating rate notes 2017	299
CAD <sup>(14)</sup>	\$ 400	m	4.80% subordinated notes 2022	277
US	\$ 250	m	7.20% subordinated notes 2097	218
BRL <sup>(14)</sup>	500	m	Subordinated certificate of deposit 2016	215
US	\$ 200	m	7.75% subordinated notes 2009	203
US	\$ 200	m	7.808% capital securities 2026	200
US	\$ 200	m	8.38% capital securities 2027	200
US	\$ 200	m	6.625% subordinated notes 2009	198
			Other subordinated liabilities less than US\$200m	3,795
				<u>29,606</u>
				<u>53,150</u>

Notes:

- (1) The authorised ordinary share capital of the Company as at 31 December 2008 was US\$7,500 million divided into 15,000 million Ordinary Shares of US\$0.50 each and £301,500 divided into 301,500 non-voting deferred shares of £1 each. At 31 December 2008, the authorised preference share capital of the Company was 10 million non-cumulative preference shares of US\$0.01 each, 10 million non-cumulative preference shares of £0.01 each and 10 million non-cumulative preference shares of €0.01 each.
- (2) The aggregate redemption price of the US\$1,450 million 6.2% non-cumulative dollar preference shares is included within share premium.
- (3) The Company has no convertible bonds in issue. The US\$2,200 million 8.125% perpetual subordinated capital securities is the only exchangeable bond issued by the Company.
- (4) Reserves include share premium, retained earnings, available for sale reserve, cash flow hedging reserve, foreign exchange, share based payment and merger reserve.
- (5) On 14 January 2009, the Company paid its third interim dividend for 2008. Ordinary Shares with a value of US\$380 million were issued to those existing Shareholders who had elected to receive new Ordinary Shares at market value in lieu of cash.

- (6) Since 31 December 2008, 344,892 Ordinary Shares have been allotted and issued as a result of the exercise of employee share options.
- (7) The HSBC Group has prepared its consolidated financial statements in accordance with IFRSs. The HSBC Group has adopted the “Amendment to IAS 39: The Fair Value Option”. As a result, US\$23,717 million of the subordinated loan capital above is designated at fair value.
- (8) The £700 million 5.844% non-cumulative step-up perpetual preferred securities and the £300m 5.862% non-cumulative step-up perpetual preferred securities each have the benefit of a subordinated guarantee of HSBC Bank plc. The other non-cumulative step-up perpetual preferred securities (\* above) each have the benefit of a subordinated guarantee of the Company. None of the other above consolidated loan capital is secured or guaranteed. No account has been taken of liabilities or guarantees between undertakings within the HSBC Group.
- (9) Since 31 December 2008, HSBC Bank Brasil S.A. has issued a total of 402,106,000 Brazilian Reals of Subordinated Certificate of Deposits with various maturity dates in 2014 and 2015.
- (10) As at 31 December 2008, the HSBC Group had other indebtedness of US\$2,374,086 million (including deposits by banks of US\$130,084 million, customer accounts of US\$1,115,327 million, trading liabilities of US\$247,652 million, debt securities in issue of US\$179,693 million, derivatives of US\$487,060 million and other liabilities of US\$214,270 million). US\$101,281 million of the deposits by banks and US\$43,899 million of the customer accounts include liabilities under repurchase agreements (repos), which are collateralised with securities.
- (11) As at 31 December 2008, contingent liabilities and contractual commitments of US\$677,176 million (comprising contingent liabilities of US\$73,154 million, undrawn formal standby facilities, credit lines and other commitments to lend of US\$594,036 million, and other commitments of US\$9,986 million).
- (12) Save as disclosed in the above notes, there has been no material change in the authorised and issued share capital of the Company or the loan capital, other indebtedness, contingent liabilities or third party guarantees of the HSBC Group since 31 December 2008.
- (13) As at 31 December 2008, being the latest practicable date for the purpose of this indebtedness statement, no member of the HSBC Group has granted any material mortgages or charges over its assets.
- (14) Reference to “CAD” is to Canadian dollars, the lawful currency of Canada and reference to “BRL” is to Brazilian Reals, the lawful currency of the Federative Republic of Brazil.
- (15) The following exchange rates as at 31 December 2008 have been used in the table above:

US\$1.00 = Hong Kong dollars 7.75010; €1.00 = US\$1.3955; £1.00 = US\$1.4586; US\$1.00 = Canadian dollars 1.2237.

## PART XIII

### FINANCIAL INFORMATION RELATING TO THE HSBC GROUP

#### 1 Basis of financial information

The consolidated financial statements of the HSBC Group included in the 2006 Annual Report and Accounts and the 2007 Annual Report and Accounts, together with the auditor's reports thereon and the whole of the 2008 Annual Report and Accounts are incorporated by reference into this document.

#### 2 Cross-reference list

The following list is intended to enable investors to identify easily specific items of financial information which have been incorporated by reference into this document.

##### ***(a) Financial statements for the financial year ended 31 December 2006 and auditor's report thereon***

The page numbers below refer to the relevant pages of the 2006 Annual Report and Accounts:

- statement of directors' responsibilities in relation to financial statements — page 290;
- auditor's report — pages 291 to 292;
- consolidated income statement — page 294;
- consolidated balance sheet — page 295;
- consolidated statement of recognised income and expenses — page 296;
- consolidated cash flow statement — page 297;
- Company balance sheet — page 298;
- Company statement of changes in total equity — page 299;
- Company cash flow statement — page 300;
- notes to the accounts — pages 301 to 434; and
- disclosures marked "audited" within the critical accounting policies on pages 111 to 115, disclosures marked "audited" within the Report of the Directors: "The Management of Risk" section on pages 165 to 247, disclosures marked "audited" within the Directors' Remuneration Report on pages 286 to 289.

##### ***(b) Financial statements for the financial year ended 31 December 2007 and auditor's report thereon***

The page numbers below refer to the relevant pages of the 2007 Annual Report and Accounts:

- statement of Directors' Responsibilities in relation to the 2007 Annual Report and Accounts and the financial statements — page 333;
- auditor's report — pages 334 to 335;
- consolidated income statement — page 337;
- consolidated balance sheet — page 338;
- consolidated statement of recognised income and expenses — page 339;
- consolidated cash flow statement — page 340;
- Company balance sheet — page 341;
- Company statement of changes in total equity — page 342;
- Company cash flow statement — page 343;
- notes to the accounts — pages 344 to 452; and
- disclosures marked "audited" within the critical accounting policies on pages 132 to 134, the Report of Directors: "The Management of Risk" section on pages 192 to 287 of the "Off-balance sheet arrangements and special purpose entities" section on pages 183 to 191, disclosures marked "audited" within the Directors' Remuneration Report on pages 329 to 332.

***(c) Financial statements for the financial year ended 31 December 2008 and auditor's report thereon***

The page numbers below refer to the relevant pages of the 2008 Annual Report and Accounts:

- statement of Directors' Responsibilities in relation to the 2008 Annual Report and Accounts and the financial statements — page 329;
- auditor's report — pages 330 to 331;
- consolidated income statement — page 333;
- consolidated balance sheet — page 334;
- consolidated statement of recognised income and expenses — page 335;
- consolidated cash flow statement — page 336;
- Company balance sheet — page 337;
- Company statement of changes in total equity — page 338;
- Company cash flow statement — page 339;
- notes to the accounts — pages 340 to 447; and
- disclosures marked "audited" within the critical accounting policies on pages 61 to 66, the Report of the Directors: "Impact of Market Turmoil" section on pages 144 to 187 and "Risks" section on pages 188 to 280, disclosures marked "audited" within the Directors' Remuneration Report on pages 324 to 328.

**PART XIV**  
**OPERATING AND FINANCIAL REVIEW**

**1 Documents incorporated by reference**

The operating and financial reviews included in the following documents are incorporated by reference into this document:

- (i) the 2006 Annual Report and Accounts;
- (ii) the 2007 Annual Report and Accounts; and
- (iii) the 2008 Annual Report and Accounts.

**2 Cross-reference list**

The following list is intended to enable investors to identify easily specific items of information which have been incorporated by reference into this document.

**(a) 2006 Annual Report and Accounts**

The page numbers below refer to the relevant pages of the 2006 Annual Report and Accounts:

- Report of the Directors: Business Review — pages 6 to 109;
- Report of the Directors: Financial Review — pages 110 to 164; and
- Report of the Directors: The Management of Risk — pages 165 to 170, pages 213 to 215 and pages 243 to 247.

**(b) 2007 Annual Report and Accounts**

The page numbers below refer to the relevant pages of the 2007 Annual Report and Accounts:

- Report of the Directors: Business Review — pages 6 to 130;
- Report of the Directors: Financial Review — pages 131 to 191; and
- Report of the Directors: The Management of Risk — pages 192 to 197, pages 243 to 247 and pages 282 to 287.

**(c) 2008 Annual Report and Accounts**

The page numbers below refer to the relevant pages of the 2008 Annual Report and Accounts:

- Report of the Directors: Operating and Financial Review — pages 8 to 143; and
- Report of the Directors: Risk — pages 188 to 280.

**3 Liquidity and capital resources**

Information on the HSBC Group's management of liquidity and capital resources is set out on pages 235 to 240 and pages 275 to 280 of the 2008 Annual Report and Accounts, which are incorporated by reference into this document as part of the operating and financial review of the HSBC Group contained in this Part XIV. As at the date of this document, there has been no material change to the HSBC Group's management of liquidity and capital resources as described in the 2008 Annual Report and Accounts.

**PART XV**  
**UNAUDITED PRO FORMA FINANCIAL INFORMATION**

The unaudited pro forma financial information set out in this Part XV has been prepared to illustrate the effect of the Rights Issue as if it had occurred on 31 December 2008. The unaudited pro forma financial information has been prepared for illustrative purposes only and, because of its nature, the pro forma financial information addresses a hypothetical situation and does not, therefore, represent HSBC Group's actual financial position or results following the Rights Issue.

	As at 31 December 2008 <sup>(1)</sup> US\$m	Adjustments for Rights Issue <sup>(2)</sup> US\$m	Pro forma net assets and net tangible assets <sup>(3)</sup> US\$m
<b>Assets</b>			
Cash and balances at central banks .....	52,396		52,396
Items in the course of collection from other banks .....	6,003	—	6,003
Hong Kong Government certificates of indebtedness .....	15,358	—	15,358
Trading assets .....	427,329	—	427,329
Financial assets designated at fair value .....	28,533	—	28,533
Derivatives .....	494,876	—	494,876
Loans and advances to banks .....	153,766	17,740	171,506
Loans and advances to customers .....	932,868	—	932,868
Financial investments .....	300,235	—	300,235
Interests in associates and joint ventures .....	11,537	—	11,537
Goodwill and intangible assets .....	27,357	—	27,357
Property, plant and equipment .....	14,025	—	14,025
Other assets .....	37,822	—	37,822
Current tax assets .....	2,552	—	2,552
Deferred tax assets .....	7,011	—	7,011
Prepayments and accrued income .....	<u>15,797</u>	<u>—</u>	<u>15,797</u>
<b>Total assets .....</b>	<b><u>2,527,465</u></b>	<b><u>17,740</u></b>	<b><u>2,545,205</u></b>
<b>Liabilities</b>			
Hong Kong currency notes in circulation .....	15,358	—	15,358
Deposits by banks .....	130,084	—	130,084
Customer accounts .....	1,115,327	—	1,115,327
Items in the course of transmission to other banks .....	7,232	—	7,232
Trading liabilities .....	247,652	—	247,652
Financial liabilities designated at fair value .....	74,587	—	74,587
Derivatives .....	487,060	—	487,060
Debt securities in issue .....	179,693	—	179,693
Retirement benefit liabilities .....	3,888	—	3,888
Other liabilities .....	72,384	—	72,384
Current tax liabilities .....	1,822	—	1,822
Liabilities under insurance contracts .....	43,683	—	43,683
Accruals and deferred income .....	15,448	—	15,448
Provisions .....	1,730	—	1,730
Deferred tax liabilities .....	1,855	—	1,855
Subordinated liabilities .....	<u>29,433</u>	<u>—</u>	<u>29,433</u>
<b>Total liabilities .....</b>	<b><u>2,427,236</u></b>	<b><u>—</u></b>	<b><u>2,427,236</u></b>
Minority interests .....	<u>6,638</u>	<u>—</u>	<u>6,638</u>
<b>Net assets (note 4) .....</b>	<b><u>93,591</u></b>	<b><u>17,740</u></b>	<b><u>111,331</u></b>
<b>Net tangible assets (note 5) .....</b>	<b><u>66,234</u></b>	<b><u>17,740</u></b>	<b><u>83,974</u></b>
Shares in issue (Number in millions) .....	12,105	5,060	17,165
Net assets per share(\$) (note 6) .....	7.44		6.28
Net tangible assets per share(\$) (note 6) .....	5.18		4.69

	As at 31 December 2008*	Adjustments for Rights Issue**	Pro forma core equity tier 1 and tier 1 capital
<b>Key balance sheet measures</b>			
Total risk-weighted assets (US\$m) .....	<b>1,147,974</b>	<b>3,548</b>	<b>1,151,522</b>
Core equity tier 1 capital (US\$m) .....	<b>80,410</b>	<b>17,740</b>	<b>98,150</b>
Tier 1 capital (US\$m) .....	<b>95,336</b>	<b>17,740</b>	<b>113,076</b>
Core equity tier 1 ratio(%) .....	<b>7.0</b>		<b>8.5</b>
Tier 1 ratio(%) .....	<b>8.3</b>		<b>9.8</b>

\* Extracted without material adjustment from the "Capital Structure" table included in the Section entitled "Report of the Directors: Risk Management" of the 2008 Annual Report and Accounts as referred to in Part XIII of this document.

\*\* Net proceeds from the Rights Issue which results in an increase to equity share capital of US\$17.7 billion are invested in assets with an average risk weighting of 20 per cent.

Notes:

- (1) Information on the total assets and total liabilities of the HSBC Group as at 31 December 2008 has been extracted without material adjustment from the audited financial statements for the year ended 31 December 2008 as referred to in Part XIII of this document.
- (2) As set out in Part VI of this document the HSBC Group proposes to raise US\$17.7 billion, net of expenses by means of the Rights Issue. The proceeds of the Rights Issue have been included in loans and advances to banks in the unaudited pro forma statement of net assets and net tangible assets.
- (3) No account has been taken of the trading results of the HSBC Group since 31 December 2008.
- (4) Net assets are total shareholders' equity or total assets less total liabilities less minority interests at 31 December 2008.
- (5) Net tangible assets are net assets, excluding goodwill and intangible assets at 31 December 2008.
- (6) Net asset value per share and net tangible asset value per share is net assets or net tangible assets, less non-cumulative preference shares of US\$1.4 billion and capital securities of US\$2.1 billion, divided by the number of Ordinary Shares in issue.
- (7) No account has been taken of any Ordinary Shares which may fall to be issued on the exercise of options granted or which may be granted under the HSBC Share Plans after 31 December 2008.



**KPMG Audit Plc**  
8 Salisbury Square  
London E4Y 8BB  
United Kingdom

The Directors  
HSBC Holdings plc  
8 Canada Square  
London E14 5HQ

17 March 2009

Dear Sirs

**HSBC Holdings plc**

We refer to the unaudited pro forma statement of consolidated net assets and consolidated net tangible assets (the “unaudited pro forma statement of net assets and net tangible assets”) set out in Part XV of the prospectus dated 17 March 2009, which has been prepared on the basis described therein, for illustrative purposes only, to provide information about how the Rights Issue might have affected the net assets and net tangible assets presented on the basis of the accounting policies adopted by HSBC Holdings plc in preparing the consolidated financial statements for the period ended 31 December 2008.

**I. Opinion required by paragraph 7 of Annex II of the Prospectus Directive Regulation:**

The opinion set out in this part I is required by paragraph 20.2 of Annex I of the Prospectus Directive Regulation and is given for the purpose of complying with that paragraph and for no other purpose.

**Responsibilities**

It is the responsibility of the directors of HSBC Holdings plc to prepare the unaudited pro forma statement of net assets and net tangible assets in accordance with paragraph 20.2 of Annex I of the Prospectus Directive Regulation.

It is our responsibility to form an opinion, as required by paragraph 7 of Annex II of the Prospectus Directive Regulation, as to the proper compilation of the unaudited pro forma statement of net assets and net tangible assets and to report that opinion to you.

In providing this opinion we are not updating or refreshing any reports or opinions previously made by us on any financial information used in the compilation of the unaudited pro forma statement of net assets and net tangible assets, nor do we accept responsibility for such reports or opinions beyond that owed to those to whom those reports or opinions were addressed by us at the dates of their issue.

Save for any responsibility arising under Prospectus Rule 5.5.3R (2)(f) to any person as and to the extent there provided, to the fullest extent permitted by law we do not assume any responsibility and will not accept any liability to any other person for any loss suffered by any such other person as a result of, arising out of, or in connection with this report or our statement, required by and given solely for the purposes of complying with paragraph 23.1 of Annex I of the Prospectus Directive Regulation, consenting to its inclusion in the prospectus.

**Basis of Opinion**

We conducted our work in accordance with the Standards for Investment Reporting issued by the Auditing Practices Board in the United Kingdom. The work that we performed for the purpose of making this report, which involved no independent examination of any of the underlying financial information, consisted primarily of comparing the unadjusted financial information with the source documents, considering the evidence supporting the adjustments

and discussing the unaudited pro forma statement of net assets and net tangible assets with the directors of HSBC Holdings plc.

We planned and performed our work so as to obtain the information and explanations we considered necessary in order to provide us with reasonable assurance that the unaudited pro forma statement of net assets and net tangible assets has been properly compiled on the basis stated and that such basis is consistent with the accounting policies of HSBC Holdings plc.

Our work has not been carried out in accordance with auditing or other standards and practices generally accepted in the United States of America or other jurisdictions apart from the United Kingdom and accordingly should not be relied upon as if it had been carried out in accordance with those standards and practices.

## **Opinion**

In our opinion:

- the unaudited pro forma statement of net assets and net tangible assets has been properly compiled on the basis stated; and
- such basis is consistent with the accounting policies of HSBC Holdings plc.

## **II. Opinion required by paragraph 4.29 of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the “Hong Kong Listing Rules”):**

The opinion set out in this part II is required by paragraph 4.29 of the Hong Kong Listing Rules and with reference to Accounting Guideline 7 “Preparation of Pro forma Financial Information for inclusion in Investment Circulars” issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”) and is given for the purpose of complying with that paragraph and for no other purpose.

## **Responsibilities**

It is the responsibility solely of the directors of HSBC Holdings plc to prepare the unaudited pro forma statement of net assets and net tangible assets in accordance with Paragraph 4.29 of the Hong Kong Listing Rules and with reference to Accounting Guideline 7 “Preparation of Pro forma Financial Information for inclusion in Investment Circulars” issued by the HKICPA.

It is our responsibility to form an opinion, as required by paragraph 4.29 (7) of the Hong Kong Listing Rules, on the unaudited pro forma statement of net assets and net tangible assets and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the unaudited pro forma statement of net assets and net tangible assets beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

Save for any responsibility arising under paragraph 4.29 (7) of the Hong Kong Listing Rules to any person as and to the extent there provided, to the fullest extent permitted by law we do not assume any responsibility and will not accept any liability to any other person for any loss suffered by any such other person as a result of, arising out of, or in connection with this opinion or our statement, required by and given solely for the purposes of complying with paragraph 5(2) of Appendix 1, Part B of the Hong Kong Listing Rules, consenting to its inclusion in the Prospectus.

## **Basis of opinion**

We conducted our work in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 300 “Accountants’ Reports on Pro Forma Financial Information in Investment Circulars” issued by the HKICPA. Our work consisted primarily of comparing the unadjusted financial information with source documents, considering the evidence supporting the adjustments and discussing the unaudited pro forma statement of net assets and net tangible assets with the directors of HSBC Holdings plc. The engagement did not involve independent examination of any of the underlying financial information. Our work did not constitute an audit or review made in accordance with Hong Kong Standards on Auditing or Hong Kong Standards on Review Engagements issued by the HKICPA, and accordingly, we do not express any such audit or review assurance on the unaudited pro forma statement of net assets and net tangible assets.

We planned and performed our work so as to obtain the information and explanations we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the unaudited pro forma statement of net assets and net tangible assets has been properly compiled by the directors of HSBC Holdings plc on the basis stated, that such basis is consistent with the accounting policies of HSBC Holdings plc and that the adjustments are

appropriate for the purposes of the unaudited pro forma statement of net assets and net tangible assets as disclosed pursuant to paragraph 4.29(1) of the Hong Kong Listing Rules. The unaudited pro forma statement of net assets and net tangible assets is for illustrative purposes only, based on the judgements and assumptions of the directors of HSBC Holdings plc, and because of its hypothetical nature, it does not provide any assurance or indication that any event will take place in the future and may not be indicative of the financial position of HSBC Holdings plc as at 31 December 2008 or any future date.

Our work has not been carried out in accordance with auditing or other standards and practices generally accepted in the United States of America or other jurisdictions apart from Hong Kong and accordingly should not be relied upon as if it had been carried out in accordance with those standards and practices.

### **Opinion**

In our opinion:

- the unaudited pro forma statement of net assets and net tangible assets has been properly compiled by the directors of HSBC Holdings plc on the basis stated;
- such basis is consistent with the accounting policies of HSBC Holdings plc; and
- the adjustments are appropriate for the purposes of the unaudited pro forma statement of net assets and net tangible assets as disclosed pursuant to Paragraph 4.29(1) of the Hong Kong Listing Rules.

### **Declaration**

For the purposes of Prospectus Rule 5.5.3R (2)(f) we are responsible for this report as part of the prospectus and declare that we have taken all reasonable care to ensure that the information contained in this report is, to the best of our knowledge, in accordance with the facts and contains no omission likely to affect its import. This declaration is included in the prospectus in compliance with paragraph 1.2 of Annex I of the Prospectus Directive Regulation.

Yours faithfully

KPMG Audit Plc

## PART XVI

### ADDITIONAL INFORMATION

#### 1 Persons responsible

##### 1.1 UK compliant responsibility statement

The Company and the Directors, whose names and principal functions are set out in Part V of this document, accept responsibility for the information contained in this document. To the best of the knowledge of the Company and the Directors (each of whom has taken all reasonable care to ensure that such is the case), the information contained in this document is in accordance with the facts and does not omit anything likely to affect the import of such information.

##### 1.2 Hong Kong compliant responsibility statement

This document includes particulars given in compliance with the Hong Kong Listing Rules for the purpose of giving information with regard to the Company. The Directors collectively and individually accept full responsibility for the accuracy of the information contained in this document and confirm, having made all reasonable enquiries, that to the best of their knowledge and belief there are no other facts the omission of which would make any statement herein misleading.

##### 1.3 Bermuda compliant responsibility statement

This document includes particulars given in compliance with the Listing Regulations of the Bermuda Stock Exchange for the purpose of giving information with regard to the Company. The Directors collectively and individually accept full responsibility for the accuracy of the information contained in this document and confirm, having made all reasonable enquiries, that to the best of their knowledge and belief there are no other facts the omission of which would make any statement herein misleading.

##### 1.4 KPMG Audit Plc responsibility statement

KPMG Audit Plc accepts responsibility for the purposes of Prospectus Rule 5.5.3R (2)(f) for its auditor's reports on the consolidated financial statements of the HSBC Group included in the 2006 Annual Report and Accounts, the 2007 Annual Report and Accounts and the 2008 Annual Report and Accounts, respectively, which are incorporated by reference into this document as set out in Part XIII, and has taken all reasonable care to ensure that the information contained in these auditor's reports is, to the best of its knowledge, in accordance with the facts and contains no omission likely to affect its import.

#### 2 Share capital

2.1 The share capital of HSBC as at the close of business on 13 March 2009 (being the latest practicable date prior to the publication of this document), was as follows:

	Authorised		Issued and fully paid	
	Number	Nominal value	Number	Nominal value
Ordinary Shares . . . . .	15,000,000,000	US\$7,500,000,000	12,144,573,757	US\$6,072,286,878
Sterling preference shares of £0.01				
each . . . . .	10,000,000	£100,000	—	—
Dollar preference shares of US\$0.01				
each . . . . .	10,000,000	US\$100,000	1,450,000	US\$14,500
Euro preference shares of €0.01				
each . . . . .	10,000,000	€100,000	—	—
Non-voting deferred shares of £1				
each . . . . .	301,500	£301,500	301,500	£301,500

2.2 Details of the outstanding options over the Ordinary Shares are set out in paragraph 3 of this Part XVI.

2.3 The following changes in the issued share capital of the Company occurred during the financial years ended 31 December 2006, 2007 and 2008 and the period from 1 January 2009 to 13 March 2009 (being the latest practicable date prior to the publication of this document):

	<u>Ordinary Shares</u>	<u>Dollar preference shares of US\$0.01 each</u>	<u>Non-voting deferred shares of £1 each</u>	<u>Total US\$m</u>
<b>At 1 January 2006</b>	<b>11,333,603,942</b>	<b>1,450,000</b>	<b>301,500</b>	<b>5,667</b>
Shares issued in lieu of dividends	158,578,747	—	—	79
HSBC employee share plans	75,956,784	—	—	38
HSBC Finance share plans	643,520	—	—	—
HSBC Finance adjustable conversion-rate equity security units	3,424,742	—	—	2
<b>At 31 December 2006</b>	<b>11,572,207,735</b>	<b>1,450,000</b>	<b>301,500</b>	<b>5,786</b>
Shares issued in lieu of dividends	223,538,655	—	—	112
HSBC employee share plans	32,620,922	—	—	17
HSBC Finance share plans	685,005	—	—	—
<b>At 31 December 2007</b>	<b>11,829,052,317</b>	<b>1,450,000</b>	<b>301,500</b>	<b>5,915</b>
Shares issued in lieu of dividends	235,569,099	—	—	118
HSBC employee share plans	40,578,468	—	—	20
HSBC Finance share plans	65,198	—	—	—
<b>At 31 December 2008</b>	<b>12,105,265,082</b>	<b>1,450,000</b>	<b>301,500</b>	<b>6,053</b>
Shares issued in lieu of dividends	38,963,783	—	—	19
HSBC employee share plans	344,892	—	—	—
HSBC Finance share plans	—	—	—	—
<b>At 13 March 2009</b>	<b>12,144,573,757</b>	<b>1,450,000</b>	<b>301,500</b>	<b>6,072</b>

2.4 There has been no change in the authorised share capital of the Company since 1 January 2006. If Resolution 1 of the Resolutions is passed at the General Meeting, the authorised share capital of the Company will be increased from US\$7,500,100,000, £401,500 and €100,000 to US\$10,500,100,000, £401,500 and €100,000.

2.5 Immediately following completion of the Rights Issue, assuming no further Ordinary Shares are issued pursuant to the HSBC Share Plans after 13 March 2009 (being the latest practicable date prior to the publication of this document), the share capital of the Company is expected to be:

	<u>Authorised</u>		<u>Issued and fully paid</u>	
	<u>Number</u>	<u>Nominal value</u>	<u>Number</u>	<u>Nominal value</u>
Ordinary Shares	21,000,000,000	US\$10,500,000,000	17,204,812,822	US\$8,602,406,411
Sterling preference shares of £0.01 each	10,000,000	£100,000	—	—
Dollar preference shares of US\$0.01 each	10,000,000	US\$100,000	1,450,000	US\$14,500
Euro preference shares of €0.01 each	10,000,000	€100,000	—	—
Non-voting deferred shares of £1 each	301,500	£301,500	301,500	£301,500

2.6 Immediately following completion of the Rights Issue, assuming no further Ordinary Shares are issued pursuant to the HSBC Share Plans after 13 March 2009 (being the latest practicable date prior to the publication of this document), the Company will have 3,795,187,178 Ordinary Shares authorised but unissued.

### 3 Share options

3.1 Options over a total of 253,694,582 Ordinary Shares amounting to 2.07 per cent of the issued share capital as at 13 March 2009 (being the latest practicable date prior to the publication of this document), have been granted for nil consideration and are outstanding under the HSBC Share Plans (options under the HSBC France Option Plan and the HSBC Private Bank France Option Plan are set out in paragraphs 3.5 and 3.6 of this Part XVI):

<u>Name of plan</u>	<u>Date of grant</u>	<u>Exercise price per Ordinary Share</u>	<u>Number of Ordinary Shares under option</u>	<u>Exercisable from</u>	<u>Exercisable until</u>
HSBC Savings-Related Share Option Plan	23 Apr 2003 21 Apr 2004	£5.3496 £6.4720	59,357 4,425,222	1 Aug 2008 1 Aug 2009	31 Jan 2009 31 Jan 2010

<u>Name of plan</u>	<u>Date of grant</u>	<u>Exercise price per Ordinary Share</u>	<u>Number of Ordinary Shares under option</u>	<u>Exercisable from</u>	<u>Exercisable until</u>
	24 May 2005	£6.6792	31,612	1 Aug 2008	31 Jan 2009
	24 May 2005	£6.6792	4,279,709	1 Aug 2010	31 Jan 2011
	26 Apr 2006	£7.6736	2,925,045	1 Aug 2009	31 Jan 2010
	26 Apr 2006	£7.6736	2,484,840	1 Aug 2011	31 Jan 2012
	25 Apr 2007	£7.0872	4,200,057	1 Aug 2010	31 Jan 2011
	25 Apr 2007	£7.0872	3,285,463	1 Aug 2012	31 Jan 2013
	30 Apr 2008	£6.8160	6,058,766	1 Aug 2011	31 Jan 2012
	30 Apr 2008	£6.8160	5,505,390	1 Aug 2013	31 Jan 2014
HSBC Savings-Related Share Option Plan:					
International . . . . .	21 Apr 2004	£6.4720	7,456	1 Aug 2009	31 Jan 2010
	10 May 2004	£6.4720	1,952,943	1 Aug 2009	31 Jan 2010
	24 May 2005	£6.6792	2,253,464	1 Aug 2010	31 Jan 2011
	26 Apr 2006	£7.6736	1,441,233	1 Aug 2009	31 Jan 2010
	26 Apr 2006	£7.6736	306,788	1 Aug 2011	31 Jan 2012
	25 Apr 2007	£7.0872	2,632,874	1 Aug 2010	31 Jan 2011
	25 Apr 2007	£7.0872	721,451	1 Aug 2012	31 Jan 2013
	30 Apr 2008	£6.8160	1,635,735	1 Aug 2009	31 Oct 2009
	30 Apr 2008	£6.8160	3,022,404	1 Aug 2011	31 Jan 2012
	30 Apr 2008	£6.8160	1,117,788	1 Aug 2013	31 Jan 2014
	26 Apr 2006	US\$13.3290	1,066,550	1 Aug 2009	31 Jan 2010
	26 Apr 2006	US\$13.3290	287,719	1 Aug 2011	31 Jan 2012
	25 Apr 2007	US\$13.8803	1,910,048	1 Aug 2010	31 Jan 2011
	25 Apr 2007	US\$13.8803	543,941	1 Aug 2012	31 Jan 2013
	30 Apr 2008	US\$14.4876	492,616	1 Aug 2009	31 Oct 2009
	30 Apr 2008	US\$13.6354	381,551	1 Aug 2009	31 Oct 2009
	30 Apr 2008	US\$13.6354	1,754,052	1 Aug 2011	31 Jan 2012
	30 Apr 2008	US\$13.6354	486,544	1 Aug 2013	31 Jan 2014
	26 Apr 2006	€11.0062	118,371	1 Aug 2009	31 Jan 2010
	26 Apr 2006	€11.0062	20,978	1 Aug 2011	31 Jan 2012
	25 Apr 2007	€10.4217	241,301	1 Aug 2010	31 Jan 2011
	25 Apr 2007	€10.4217	73,102	1 Aug 2012	31 Jan 2013
	30 Apr 2008	€8.6720	130,642	1 Aug 2009	31 Oct 2009
	30 Apr 2008	€8.6720	455,124	1 Aug 2011	31 Jan 2012
	30 Apr 2008	€8.6720	181,630	1 Aug 2013	31 Jan 2014
	26 Apr 2006	HK\$103.4401	1,596,534	1 Aug 2009	31 Jan 2010
	26 Apr 2006	HK\$103.4401	328,545	1 Aug 2011	31 Jan 2012
	25 Apr 2007	HK\$108.4483	1,336,634	1 Aug 2010	31 Jan 2011
	25 Apr 2007	HK\$108.4483	389,629	1 Aug 2012	31 Jan 2013
	30 Apr 2008	HK\$106.2478	1,026,116	1 Aug 2009	31 Oct 2009
	30 Apr 2008	HK\$106.2478	1,489,203	1 Aug 2011	31 Jan 2012
	30 Apr 2008	HK\$106.2478	593,983	1 Aug 2013	31 Jan 2014
HSBC Executive Share Option Scheme . . . . .	29 Mar 1999	£6.3754	6,803,863	3 Apr 2002	29 Mar 2009
	10 Aug 1999	£7.4210	71,100	10 Aug 2002	10 Aug 2009
	31 Aug 1999	£7.8710	4,000	31 Aug 2002	31 Aug 2009
	3 Apr 2000	£7.4600	6,976,875	3 Apr 2003	3 Apr 2010
HSBC Group Share Option Plan . . . . .	4 Oct 2000	£9.6420	299,016	4 Oct 2003	4 Oct 2010
	23 Apr 2001	£8.7120	26,027,679	23 Apr 2004	23 Apr 2011
	30 Aug 2001	£8.2280	147,518	30 Aug 2004	30 Aug 2011
	7 May 2002	£8.4050	28,247,783	7 May 2005	7 May 2012
	30 Aug 2002	£7.4550	140,650	30 Aug 2005	30 Aug 2012
	2 May 2003	£6.9100	25,766,569	2 May 2006	2 May 2013
	29 Aug 2003	£8.1300	358,464	29 Aug 2006	29 Aug 2013
	3 Nov 2003	£9.1350	4,019,800	3 Nov 2006	3 Nov 2013
	30 Apr 2004	£8.2830	50,708,726	30 Apr 2007	30 Apr 2014
	27 Aug 2004	£8.6500	299,200	27 Aug 2007	27 Aug 2014

<u>Name of plan</u>	<u>Date of grant</u>	<u>Exercise price per Ordinary Share</u>	<u>Number of Ordinary Shares under option</u>	<u>Exercisable from</u>	<u>Exercisable until</u>
	20 Apr 2005	£8.3620	6,539,770	30 Apr 2008	20 Apr 2015
HSBC Share Plan . . . . .	21 Jun 2005	£8.794	224,727	21 Jun 2008	21 Jun 2009
	30 Sep 2005	£9.170	74,985	30 Sep 2008	30 Sep 2015
HSBC Finance: 1996 Long-Term Executive Incentive Compensation Plan . . . . .	17 May 1999	US\$16.99	334,375	17 May 2000	17 May 2009
	31 Aug 1999	US\$13.96	300,938	31 Aug 2000	31 Aug 2009
	8 Nov 1999	US\$16.96	4,250,577	8 Nov 2000	8 Nov 2009
	30 Jun 2000	US\$15.70	26,846	30 Jun 2001	30 Jun 2010
	8 Feb 2000	US\$13.26	66,875	8 Feb 2001	8 Feb 2010
	13 Nov 2000	US\$18.40	5,728,514	13 Nov 2001	13 Nov 2010
	12 Nov 2001	US\$21.37	7,571,322	12 Nov 2002	12 Nov 2011
	20 Nov 2002	US\$10.66	2,402,135	20 Nov 2003	20 Nov 2012
Bank of Bermuda: Executive Share Option Plan					
1997 . . . . .	3 Aug 1999	US\$7.10	7,634	3 Aug 2000	3 Aug 2009
	4 Feb 2000	US\$7.21	31,678	4 Feb 2001	4 Feb 2010
	1 Jun 2000	US\$7.04	61,649	1 Jun 2001	1 Jun 2010
	31 Jul 2000	US\$10.11	27,744	31 Jul 2001	31 Jul 2010
	11 Jan 2001	US\$14.27	53,943	11 Jan 2002	11 Jan 2011
Bank of Bermuda: Share Option Plan					
Plan 2000. . . . .	11 Jan 2001	US\$14.27	134,857	11 Jan 2002	11 Jan 2011
	6 Feb 2001	US\$16.41	556,353	6 Feb 2002	6 Feb 2011
	29 Mar 2001	US\$15.39	270	29 Mar 2002	29 Mar 2011
	16 Apr 2001	US\$15.57	539	16 Apr 2002	16 Apr 2011
	6 Jun 2001	US\$18.35	8,091	6 Jun 2002	6 Jun 2011
	16 Jul 2001	US\$16.87	14,930	16 Jul 2002	16 Jul 2011
	28 Aug 2001	US\$15.39	13,486	28 Aug 2002	28 Aug 2011
	26 Sep 2001	US\$12.79	350,196	26 Sep 2002	26 Sep 2011
	30 Jan 2002	US\$15.60	1,226	30 Jan 2003	30 Jan 2012
	5 Feb 2002	US\$16.09	739,939	5 Feb 2003	5 Feb 2012
	10 Jul 2002	US\$15.84	12,260	10 Jul 2003	10 Jul 2012
	4 Feb 2003	US\$10.69	125,297	4 Feb 2004	4 Feb 2013
	21 Apr 2003	US\$11.85	6,833	21 Apr 2004	21 Apr 2013
Bank of Bermuda: Directors' Share Option Plan . . . . .					
	22 Sep 1999	US\$8.02	3,082	22 Sep 2000	22 Sep 2009
	20 Sep 2000	US\$11.31	4,046	20 Sep 2001	20 Sep 2010
	28 Mar 2001	US\$15.76	12,811	28 Mar 2002	28 Mar 2011
	3 Apr 2002	US\$16.01	24,520	3 Apr 2003	3 Apr 2012
	30 Apr 2003	US\$12.23	4,904	30 Apr 2004	30 Apr 2013

3.2 The table above includes options which have been granted to Directors as set out in paragraph 2.2 of Part XI of this document.

3.3 The options and awards granted under the HSBC Share Plans (other than the Share Ownership Plan, as described in paragraph 6 of this Part XVI) may be adjusted by the Company as a result of the Rights Issue in accordance with the rules of the relevant plan. Any such adjustments will be subject, where appropriate, to approval by HM Revenue & Customs or the Irish Revenue Commissioners and a report from the Company's auditor that such proposed adjustments are fair and reasonable. Participants will be contacted separately with further information on how their options and/or awards may be affected by the Rights Issue.

3.4 In addition, options are currently outstanding under the HSBC France Option Plan and the HSBC Private Bank France Option Plan over shares in HSBC France and HSBC Private Bank France, respectively. Upon exercise, these shares are exchanged for Ordinary Shares according to the following ratios:

- 13 Ordinary Shares for each HSBC France share; and
- 1.83 Ordinary Shares for each HSBC Private Bank France share.

However, these ratios are adjustable as a result of the Rights Issue.

3.5 As at 13 March 2009 (being the latest practicable date prior to the publication of this document), the following options were outstanding over shares in HSBC France under the HSBC France Option Plan:

<u>Date of grant</u>	<u>Exercise price per HSBC France share</u>	<u>Number of HSBC France shares under option</u>	<u>Exercisable from</u>	<u>Exercisable until</u>
7 Apr 1999 .....	€ 81.71	183,627	7 Jun 2000	7 Apr 2009
12 Apr 2000 .....	€142.50	604,250	1 Jan 2002	12 Apr 2010

3.6 As at 13 March 2009 (being the latest practicable date prior to the publication of this document), the following options were outstanding over shares in HSBC Private Bank France under the HSBC Private Bank France Option Plan:

<u>Date of grant</u>	<u>Exercise price per HSBC Private Bank France share</u>	<u>Number of HSBC Private Bank France shares under option</u>	<u>Exercisable from</u>	<u>Exercisable until</u>
21 Dec 1999 .....	€10.84	26,250	21 Dec 2000	21 Dec 2009
9 Mar 2000 .....	€12.44	20,626	27 Jun 2004	31 Dec 2010
15 May 2001 .....	€20.80	141,525	15 May 2002	15 May 2011
1 Oct 2002 .....	€22.22	145,575	2 Oct 2005	1 Oct 2012

3.7 Save as disclosed above, no share or loan capital of HSBC or of any member of the HSBC Group is under option, or is agreed, conditionally or unconditionally, to be put under option.

## 4 Memorandum and Articles of Association

### 4.1 Memorandum of Association

The Memorandum of Association of the Company provides that the Company's principal objects are to carry on the business of banking of all kinds in any part of the world and to act as a holding and co-ordinating company of a group of companies of which the Company is for the time being the holding company. The objects of the Company are set out in full in clause 4 of the Company's Memorandum of Association which is available for inspection as provided in paragraph 16 of this Part XVI.

### 4.2 Articles of Association

The following is a summary of certain provisions of the Articles. The Articles are available for inspection as provided for in paragraph 16 of this Part XVI.

#### (a) Voting rights

Subject to the provisions of the UK Companies Act 2006 and to any special terms as to voting on which any shares may have been issued or may from time to time be held, on a show of hands every member present in person or by proxy (or, being a corporation, present by a duly appointed representative) shall have one vote only or, in the case of a poll, every member present in person or by proxy shall have one vote for every share held by him/her.

No member shall, unless the Board otherwise determines, be entitled to vote at a general meeting or at any separate meeting of the holders of any class of shares, either in person or by proxy, in respect of any share held by him/her or to exercise any right as a member if:

- (i) any calls or other sums presently payable by him/her in respect of that share in the Company have not been paid; or
- (ii) he/she or any other person appearing to be interested in shares held by that member, has been issued with a notice pursuant to section 793 of the UK Companies Act 2006 (requiring disclosure of interests in shares) and has failed in relation to any such shares to give the Company the information required by such notice within 14 days.

#### (b) Dividends

Subject to the provisions of the UK Companies Act 2006 and of the Articles, the Company may by ordinary resolution declare dividends to be paid to members according to their respective rights and interests in the profits of

the Company. However, no dividend shall exceed the amount recommended by the Board. If, whenever the shares on which any dividend is declared are denominated in different currencies, the dividend shall be declared in a single currency (which may, subject to the provisions of the UK Companies Act 2006, be any currency).

If, in the Directors' opinion, the profits of the Company justify such payment, the Board may declare and pay interim dividends (including any dividend payable at a fixed rate). The Board shall declare such dividend on all shares ranking *pari passu* in a single currency (which may be any currency) even if the shares are denominated in different currencies.

Except as otherwise provided by the rights attached to shares, all dividends shall be declared and paid according to the amounts paid up (otherwise than in advance of calls) on the shares on which the dividend is paid. All dividends unclaimed for a period of 12 years after having been declared or become due for payment shall (if the Board so resolves) be forfeited and shall cease to remain owing by the Company.

The Board may direct that payment of any dividend declared may be satisfied wholly or partly by the distribution of assets, and in particular of paid up shares or securities or debentures of any other company, or in any one or more of such ways. Where any difficulty arises in regard to such distribution, the Board may settle it as it thinks fit.

The Board may also, with the prior authority of an ordinary resolution of the Company and subject to such conditions as the Board may determine, offer to Shareholders the right to elect to receive Ordinary Shares of the same or a different currency, credited as fully paid, instead of cash in any currency in respect of the whole (or some part, to be determined by the Board) of any dividend specified by the ordinary resolution. The Board may exclude from any such offer any Shareholders or any Ordinary Shares held by a depositary where the Board considers that the making of the offer to them or in respect of such shares would or might involve the contravention of the laws of any territory or that for any other reason the offer should not be made to them or in respect of such shares.

The Board may deduct from any dividend or other money payable to any person on or in respect of a share all such sums as may be due from him/her to the Company on account of calls or otherwise in relation to the shares of the Company.

The Board may withhold any dividend payable on or in respect of a share on which the Company has a lien or (except in the circumstances specified in the Articles) if:

- (i) a notice has been duly served in respect of that share pursuant to section 793 of the UK Companies Act 2006;
- (ii) the share or shares which are the subject of that notice represent at least 0.25 per cent in nominal value of that class of shares; and
- (iii) the notice has not been complied with within the period stipulated in the notice (which must not be less than 14 days from the date of service of notice).

#### **(c) Distribution of assets on a winding-up**

If the Company is wound up, the liquidator may, with the sanction of a special resolution of the Company and any other sanction required by law, divide among the members *in specie* the whole or any part of the assets of the Company and may, for that purpose, value any assets and determine how the division shall be carried out as between the members or different classes of member. The liquidator may vest the whole or any part of the assets in trustees on such trusts for the benefit of the members as he/she shall determine, but no member shall be compelled to accept any assets on which there is a liability.

#### **(d) Transfer of shares**

Every member may transfer all or any of his/her shares by instrument of transfer in writing in any usual form or in any form approved by the Board. Such instrument shall be executed by or on behalf of the transferor and (in the case of a transfer of a share which is not fully paid up) by or on behalf of the transferee. The transferor is deemed to remain the holder until the transferee's name is entered in the register of members.

The Board may, in its absolute discretion, refuse to register any transfer of a share unless:

- (i) it is in respect of a share which is fully paid up;
- (ii) it is in respect of a share on which the Company has no lien;
- (iii) it is in respect of only one class of shares and in respect of shares denominated in the same currency;
- (iv) it is in favour of a single transferee or not more than four joint transferees;

- (v) it is duly stamped (if so required); and
- (vi) it is delivered for registration to the registered office for the time being of the Company or such other place as the Board may from time to time determine, accompanied (except in the case of a transfer by a recognised person (as defined in the Articles) where a certificate has not been issued) by the certificate for the shares to which it relates and such other evidence as the Board may reasonably require to prove the title of the transferor or person renouncing and the due execution of the transfer or, if the transfer is executed by some other person on his/her behalf, the authority of that person to do so,

provided that the Board shall not refuse to register any transfer of partly paid shares which are listed on the London Stock Exchange on the grounds that they are partly paid shares in circumstances where such refusal would prevent dealings in such shares from taking place on an open and proper basis.

A transfer of shares will not be registered where the transferor has been issued a notice pursuant to section 793 of the UK Companies Act 2006 in relation to such shares, and the transferee has failed to give the Company the information thereby required within the prescribed period from the date of the notice.

#### **(e) Variation of class rights**

Whenever the share capital of the Company is divided into shares of different classes, any of the rights or privileges for the time being attached to any class may be varied or abrogated in such manner (if any) as may be provided by such rights or, in the absence of any such provision, either with the consent in writing of the holders of not less than three-quarters in nominal value of the issued shares of the class or with the sanction of a special resolution passed at a separate general meeting of the holders of shares of the class. The quorum at any such meeting shall be two persons holding or representing by proxy at least one-third of the nominal amount paid up on the issued shares of the class in question. Every holder of shares of the class, present in person or by proxy, may demand a poll. Each such holder shall on a poll be entitled to one vote for every share of the class held by him/her. If at any adjourned meeting of such holders such quorum as aforesaid is not present, one person holding shares of the class who is present in person or by proxy shall be a quorum.

Subject to the terms of issue of or rights attached to any shares, the rights or privileges attached to any class of shares shall be deemed to be varied or abrogated by the reduction of the capital paid up on such shares, but shall not be deemed to be varied or abrogated by the creation or issue of any new shares ranking in priority to or *pari passu* in all respects (save as to the date from which such new shares shall rank for dividend) with or subsequent to those already issued or by the purchase or redemption by the Company of its own shares in accordance with the provisions of the UK Companies Act 2006 and the Articles.

#### **(f) General meetings**

The Company shall in each year hold a general meeting as its annual general meeting in addition to any other meetings in that year in accordance with the UK Companies Act 2006. All general meetings, other than annual general meetings, shall be called extraordinary meetings. An annual general meeting shall be convened by not less than 21 clear days' notice in writing. All other extraordinary meetings shall be convened by not less than 14 clear days' notice in writing or such longer period as may be required by law from time to time. Notice of a general meeting must be sent to every member, every Director and to the auditor. It must state the time, date and the place of the meeting, the general nature of the business to be dealt with at the meeting and, if convened to consider a special resolution, the intention to propose the resolution as such. A notice calling a general meeting must state whether the meeting is an annual general meeting or an extraordinary general meeting. For all purposes the quorum shall not be less than three persons entitled to attend and to vote on the business to be transacted, each being a member or a proxy for a member or a duly authorised representative of a corporation which is a member. Each Director shall be entitled to attend and speak at any general meeting.

At any general meeting a resolution put to a vote of the meeting shall be decided on a show of hands, unless (before or on the declaration of the result of the show of hands) a poll is duly demanded. Subject to the provisions of the UK Companies Act 2006, a poll may be demanded by:

- (i) the Chairman of the meeting; or
- (ii) by at least five members present in person or by proxy and entitled to vote on the resolution; or
- (iii) a member or members present in person or by proxy representing not less than one-tenth of the total voting rights of all the members having the right to vote on the resolution (excluding any voting rights attached to any shares in the Company held as treasury shares); or

(iv) a member or members present in person or by proxy holding shares conferring a right to vote on the resolution, being shares on which an aggregate sum has been paid up equal to not less than one-tenth of the total sum paid up on all the shares conferring that right (excluding shares in the Company conferring a right to vote on the resolution which are held as treasury shares).

On a poll votes may be given in person or by proxy.

**(g) Directors**

*(i) Number of Directors*

Unless and until otherwise determined by the Company by ordinary resolution, the number of Directors (other than any alternate Directors) shall be not less than five and not more than twenty five.

*(ii) Appointment of Directors*

The Company may by ordinary resolution appoint a person who is willing to act to be a Director, either to fill a vacancy or as an addition to the existing Board. Without prejudice to the power of the Company to appoint any person to be a Director at a general meeting, the Board shall have power at any time to appoint any person who is willing to act as a Director, either to fill a vacancy or as an addition to the existing Board. Any Director so appointed shall retire at the annual general meeting of the Company following such appointment and shall then be eligible for re-election but shall not be taken into account in determining the number of Directors who are to retire by rotation at such meeting.

*(iii) Share qualification*

A Director shall not be required to hold any shares of the Company.

*(iv) Proceedings of the Board*

Subject to the provisions of the Articles, the Board may meet for the despatch of business, adjourn and otherwise regulate its proceedings as it thinks fit.

The quorum necessary for the transaction of business may be determined by the Board and until otherwise so determined shall be three persons, each being a Director or an alternate Director. A duly convened meeting of the Board at which a quorum is present shall be competent to exercise all or any of the authorities, powers, and discretions for the time being vested in or exercisable by the Board.

The Board may appoint one of its body as chairman to preside at every Board meeting at which he is present and no more than two other members as deputy chairmen, may determine the period for which he is or they are to hold office and may at any time remove him or them from office.

Any Director or his alternate may validly participate in a meeting of the Board or a committee of the Board through the medium of conference telephone or similar form of communication equipment, provided that all persons participating in the meeting are able to hear and speak to each other throughout such meeting. A person so participating shall be deemed to be present in person at the meeting and shall accordingly be counted in a quorum and be entitled to vote.

*(v) Retirement of Directors*

At each annual general meeting of the Company, one-third of the Directors who are subject to retirement by rotation or, if their number is not three or a multiple of three, the number nearest to but not exceeding one-third shall retire from office. In addition to the Directors required to retire by rotation, there shall also be required to retire:

- (A) any Director who at an annual general meeting of the Company shall have been a Director at each of the preceding two annual general meetings of the Company and who was not elected or re-elected at either such annual general meeting and who has not otherwise ceased to be a Director (either by resignation, retirement, removal or otherwise) and been re-elected by general meeting of the Company at or since either such annual general meeting; and
- (B) any Director who has held office with the Company, other than employment or executive office, for a continuous period of nine years or more at the date of the annual general meeting.

Subject to the provisions of the UK Companies Act 2006 and of the Articles, the Directors to retire by rotation at each annual general meeting shall include, so far as necessary to obtain the number required, first, any Director who

wishes to retire and not offer himself for re-election and secondly, those Directors who have been longest in office since their last appointment or re-appointment. As between two or more Directors who have been in office an equal length of time, the Director to retire shall, in default of agreement between them, be determined by lot.

A Director who retires at an annual general meeting (whether by rotation or otherwise) may, if willing to act, be re-elected.

***(vi) Removal by ordinary resolution***

The Company may by ordinary resolution remove any Director before the expiration of his period of office in accordance with the UK Companies Act 2006, but without prejudice to any claim for damages which he may have for breach of any contract of service between him and the Company, and may (subject to the Articles) by ordinary resolution appoint another person who is willing to act to be a Director in his place.

***(vii) Vacation of office by a Director***

The office of a Director shall be vacated if:

- (A) he resigns by notice in writing delivered to the Company or tendered at a Board meeting;
- (B) he ceases to be a Director by virtue of any provision of the UK Companies Act 2006, is removed from office pursuant to the Articles or becomes prohibited by law from being a Director;
- (C) he becomes bankrupt or compounds with his creditors generally;
- (D) an order is made by any court of competent jurisdiction on the ground (howsoever formulated) of mental disorder for his detention or for the appointment of a guardian or receiver or other person to exercise powers with respect to his affairs or he is admitted to hospital in pursuance of an application for admission for treatment under the Mental Health Act 1983 or equivalent legislation in any jurisdiction and the Board resolves that his office be vacated;
- (E) both he and his alternate Director appointed pursuant to the provisions of the Articles (if any) are absent, without the permission of the Board, from Board meetings for six consecutive months and the Board resolves that his office be vacated; or
- (F) he is requested to resign by all his co-Directors.

***(viii) Alternate Director***

Each Director (other than an alternate Director) may, by notice to the Company, appoint any other Director or any person approved for that purpose by the Board and willing to act, to be his alternate.

***(ix) Remuneration of the Directors***

The Directors (other than alternate Directors) shall be entitled to receive by way of fees for their services as Directors such sums and on such terms as the Company in general meeting may from time to time determine. Any sum so determined may be an aggregate sum in respect of the fees for all Directors or a sum in respect of the fees for each individual Director provided that, in the case of an aggregate sum, such sum shall, subject to any special directions of the Company in general meeting, be divided among the Directors in such proportions and in such manner as the Board may from time to time decide. Each Director shall be entitled to be repaid all reasonable expenses properly incurred by him in or about the performance of his duties as Director. If by arrangement with the Board any Director shall perform or render any special duties or services outside his ordinary duties as a Director, he may be paid such reasonable additional remuneration as the Board may from time to time determine.

The salary or remuneration of any Director appointed to hold any employment or executive office may be either a fixed sum of money, or may altogether or in part be governed by business done or profits made or otherwise determined by the Board, and may be in addition to or in lieu of any fee payable to him for his services as Director.

***(x) Pensions***

The Board may exercise all the powers of the Company to provide pensions or other retirement or superannuation benefits and to provide death or disability benefits or other allowances or gratuities (whether by insurance or otherwise) for any person who is or has at any time been a Director of the Company or any company which is a subsidiary company of or allied to or associated with the Company or any such subsidiary or any predecessor in business of the Company or of any such subsidiary, and for any member of his family (including a spouse or former

spouse) and any person who is or was dependent on him. Any Director or former Director shall be entitled to receive and retain for his own benefit any pension or other benefit provided and shall not be obliged to account for it to the Company.

***(xi) Powers of the Board***

Subject to the provisions of the UK Companies Act 1985 and the UK Companies Act 2006, the Memorandum of Association of the Company and the Articles and to any directions given by special resolution of the Company, the business of the Company shall be managed by the Board, which may exercise all the powers of the Company, whether relating to the management of the business or not. The Board may delegate any of its powers, authorities and discretions (with power to sub-delegate) for such time on such terms and subject to such conditions as it thinks fit to any committee consisting of one or more Directors and (if thought fit) one or more other persons. The Board may establish any local or divisional boards or agencies for managing any of the affairs of the Company in any specified locality, either in the United Kingdom or Hong Kong or elsewhere, and may appoint any persons to be members of such local or divisional board, or any managers or agents, and may fix their remuneration.

***(xii) Directors' interests***

Subject to the provisions of the UK Companies Act 2006 and provided that the Articles are complied with, a Director, notwithstanding his office:

- (A) may enter into or otherwise be interested in any contract, arrangement, transaction or proposal with the Company or in which the Company is otherwise interested;
- (B) may hold any other office or place of profit under the Company (except that of auditor or auditor of a subsidiary of the Company) in conjunction with the office of Director and may act by himself or through his firm in a professional capacity for the Company, and in any such case on such terms as to remuneration and otherwise as the Board may arrange;
- (C) may be a director or other officer, or employed by, or a party to any transaction or arrangement with or otherwise interested in, any company promoted by the Company or in which the Company is otherwise interested or as regards which the Company has any powers of appointment; and
- (D) shall not be liable to account to the Company for any profit, remuneration or other benefit realised by any such office, employment, contract, arrangement, transaction or proposal or from any interest in any body corporate and no such contract, arrangement, transaction, proposal or interest shall be avoided on the grounds of any such interest or benefit nor shall the receipt of any such profit, remuneration or any other benefit constitute a breach of his duty under the UK Companies Act 2006 not to accept benefits from third parties.

The Board may authorise any matter proposed to it which would, if not so authorised, involve a breach by a Director of his duty to avoid conflicts of interest under the UK Companies Act 2006, including, without limitation, any matter which relates to a situation in which a Director has, or can have, an interest which conflicts, or possibly may conflict, with the interest of the Company (including the exploitation of any property, information or opportunity, whether or not the Company could take advantage of it, but excluding any situation which cannot reasonably be regarded as likely to give rise to a conflict of interest). Any such authorisation will be effective only if:

- (A) any requirement as to quorum at the meeting at which the matter is considered is met without counting the Director in question or any other interested Director; and
- (B) the matter was agreed to without their voting or would have been agreed to if their votes had not been counted.

The Board may (whether at the time of the giving of the authorisation or subsequently) make any such authorisation subject to any limits or conditions it expressly imposes but such authorisation is otherwise given to the fullest extent permitted. The Board may vary or terminate any such authorisation at any time.

A Director shall be under no duty to the Company with respect to any information which he obtains or has obtained otherwise than as a Director of the Company and in respect of which he has a duty of confidentiality to another person.

***(xiii) Voting***

Questions arising at any meeting shall be determined by a majority of votes. In the case of an equality of votes the Chairman shall have a second or casting vote.

A Director shall not vote on, or be counted in the quorum in relation to, any resolution of the Board or of a committee of the Board concerning any contract, arrangement, transaction or any proposal whatsoever to which the Company is or is to be a party and in which he or any of his associates has a material interest.

**(xiv) Borrowing powers**

The Board may exercise all the powers of the Company to borrow money and to mortgage or charge all or any part of the undertaking, property and assets (present or future) and uncalled capital of the Company and, subject to the provisions of the UK Companies Act 1985 and the UK Companies Act 2006, to issue debentures and other securities, whether outright or as collateral security for any debt, liability or obligation of the Company or of any third party.

**(xv) Indemnity**

Subject to the provisions of the UK Companies Act 2006, but without prejudice to any indemnity to which he may be otherwise entitled, every Director, alternate Director, Secretary or other officer of the Company shall be entitled to be indemnified out of the assets of the Company against all costs, charges, losses, damages and liabilities incurred by him in the actual or purported execution and/or discharge of his duties or exercise of his powers and/or otherwise in relation to or in connection with his duties, powers or office.

**(h) Financial statements to be sent to Shareholders**

The Company shall send, or make available on the Company's website, the Directors' and auditor's reports, together with copies of the balance sheet and every document required by the UK Companies Act 1985 or the UK Companies Act 2006 (as appropriate) annexed to the balance sheet and copies of the profit and loss account, not less than 21 clear days before the annual general meeting before which they are to be laid, to every member and holder of debentures of the Company and every other person entitled to receive them under the Articles. The Company is entitled, subject to complying with the relevant provisions of the UK Companies Act 1985 or the UK Companies Act 2006 (as appropriate), to send a summary financial statement to its Shareholders instead of the full report and accounts.

**(i) Changes in capital**

The Company may from time to time by ordinary resolution:

- (A) increase its share capital;
- (B) consolidate and divide all or any of its share capital into shares of larger nominal amount than its existing shares;
- (C) cancel any shares which at the date of the passing of the resolution have not been taken or agreed to be taken by any person and diminish the amount of its share capital by the amount of the shares so cancelled; and
- (D) subject to the provisions of the UK Companies Act 1985, sub-divide all or any of its shares into shares of smaller amount.

The Company may also, subject to the provisions of the UK Companies Act 1985 and to any rights for the time being attached to any shares, purchase its own shares and, by special resolution, reduce its share capital or any capital redemption reserve or any share premium account in any way.

**(j) Preference Shares**

The preference shares comprise Sterling Preference Shares, Dollar Preference Shares and Euro Preference Shares (together the "Preference Shares"). The Preference Shares shall rank *pari passu* with each other and with all other shares expressed to rank *pari passu* therewith. The rights attaching to each class of Preference Shares are almost identical and have been summarised below.

**(i) Voting**

Save as provided by its terms of issue, no Preference Share shall carry any right to attend or vote at general meetings of the Company.

**(ii) Dividends**

Each Preference Share confers the right to the payment of a non-cumulative dividend (payable in the relevant currency) in priority to the payment of any dividend to Shareholders and any other class of shares of the Company in

issue. If the profits of the Company are, in the opinion of the Board, insufficient to enable payment in full to be made of the relevant dividend, the Board shall use the profits available to pay dividends to the holders of the Preference Shares *pro rata*. If the payment of any dividend on any Preference Shares would breach or cause a breach of the capital adequacy requirements of the FSA, or relevant successor entity, then none of the dividend shall be payable.

***(iii) Distribution of assets on a winding-up***

If the Company is wound up (but not on a redemption, reduction or purchase by the Company unless otherwise provided by the terms of issue of that Preference Share), each Preference Share confers on the holder the right to receive a payment in the relevant currency out of the assets of the Company available for distribution to members in priority to any payment to Shareholders and any other class of shares of the Company in issue a sum equal to:

- (A) the amount of any dividend due for payment after the date of the commencement of the winding-up and payable for the period ending on or before such date; and
- (B) if the date of the commencement of the winding-up falls before the last day of a period in respect of which a dividend would have been payable and which began before that date, any further amount of dividend that would have been payable had the day before that date been the last day of that period; and

subject thereto, a sum equal to the amount paid up or credited as paid up on the relevant Preference Share together with any premium, if any, determined by the Board prior to allotment thereof.

***(iv) Redemption***

Unless otherwise determined by the Board, each class of Preference Shares shall be redeemable at the option of the Company. Different redemption dates apply in respect of each class of Preference Shares.

***(k) Non-voting deferred shares***

The holders of non-voting deferred shares are not entitled to receive notice of or to attend (either in person or by proxy) any general meeting of the Company or to vote (either in person or by proxy) on any resolution to be proposed thereat.

The holders of non-voting deferred shares shall not be entitled to receive any dividend out of the profits of the Company available for distribution and resolved to be distributed in respect of any financial year.

On a distribution of assets on a winding-up or other return of capital (otherwise than on conversion or redemption or purchase by the Company of any of its shares), the holders of the non-voting deferred shares shall be entitled to receive the amount paid up on their shares after there has been distributed to the Shareholders the amount of £10,000,000 in respect of each Ordinary Share held by them.

The rights attaching to the non-voting deferred shares shall not be deemed to be varied or abrogated by the creation or issue of any new shares ranking in priority to or *pari passu* with or subsequent to such shares.

**5 Shareholders**

5.1 In addition to the interests of the Directors disclosed in paragraphs 2.1 and 2.2 of Part XI of this document, in so far as is known to HSBC, the Directors and the chief executive as at 13 March 2009 (being the latest practicable date prior to publication of this document), the following persons are interested directly or indirectly in 3 per cent or more of the issued share capital of the Company (being the threshold of notification under the Disclosure and Transparency Rules) or hold interests or short positions in the shares and underlying shares of the Company which fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO:

<u>Name</u>	<u>Number and class of shares stated in latest notification received as at the latest practicable date prior to publication of this document</u>	<u>Percentage of issued ordinary share capital as at the latest practicable date prior to publication of this document</u>
ABN AMRO Holding N.V. <sup>(1)</sup> . . . . .	1,031,282,439 (long) 349,896,841 (short) 32,939,061 (lending pool)	5.99 2.03 0.19
Barclays PLC . . . . .	518,233,657	4.27

<u>Name</u>	<u>Number and class of shares stated in latest notification received as at the latest practicable date prior to publication of this document</u>	<u>Percentage of issued ordinary share capital as at the latest practicable date prior to publication of this document</u>
J.P. Morgan Chase & Co <sup>(1)</sup> . . . . .	1,313,955,944 (long) 302,973,490 (short) 10,202,530 (lending pool)	7.64 1.76 0.06
Legal & General Group Plc . . . . .	593,425,216	4.89
RFS Holdings B.V. <sup>(1)</sup> . . . . .	1,031,282,439 (long) 349,896,841 (short) 32,939,061 (lending pool)	5.99 2.03 0.19
The Goldman Sachs Group, Inc. <sup>(1)</sup> . . . . .	1,187,941,546 (long)	6.90
The Royal Bank of Scotland Group plc <sup>(1)</sup> . . . . .	1,192,947,585 (long) 510,052,508 (short) 33,839,061 (lending pool)	6.93 2.96 0.19

Note:

(1) These interests have arisen as a result of the entities identified above, or companies controlled by them, acquiring an interest requiring disclosure to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO as a result of signing the Underwriting Agreement. The percentage holdings for these entities are based on the Enlarged Share Capital.

5.2 Save as disclosed in paragraph 5.1 above and assuming all other Shareholders take up their rights in full under the Rights Issue, the Company is not aware of any person who is, or who will be, immediately following the Rights Issue, directly or indirectly interested, in 3 per cent or more of the issued share capital of the Company.

5.3 None of the Shareholders holding a notifiable interest as set out above has different voting rights to those of the other Shareholders.

5.4 Save as disclosed above, as at 13 March 2009 (being the lastest practicable date prior to the publication of this document) the Directors and chief executive of the Company are not aware of any other persons who have an interest or short position in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO.

5.5 So far as is known to any Director or the chief executive of the Company, as at 13 March 2009 (being the latest practicable date prior to the publication of this document), the following persons were, directly or indirectly interested in 10 per cent or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the HSBC Group or had any options in respect of such capital:

<u>Member of the HSBC Group</u>	<u>Shareholder</u>	<u>Percentage interest in share capital of group member</u>
GPIF Co-Investment, LLC . . . . .	HDG Mansur Capital Group, LLC	20.000
HSBC (Hellas) AEDAK. . . . .	Vezanis, J V	27.000
HSBC Bank Armenia cjsc . . . . .	Wings Establishment	30.000
HSBC Bank Georgia jsc . . . . .	Wings Establishment	30.000
HSBC Corporate Advisory (Malaysia) Sdn. Bhd. . .	Sujak, Dato' Sulaiman bin	30.000
HSBC Land Title Agency (USA) LLC . . . . .	Prime Land Services L.L.C.	45.000
HSBC Middle East Finance Company Limited . . . . .	H H The Late Ruler of Dubai	20.000
HSBC Rose Funding (UK) Limited . . . . .	Bank of America N.A.	19.925
HSBC Saudi Arabia Limited . . . . .	The Saudi British Bank	40.000
Kirk Management Ltd. . . . .	W. P. Stewart & Company Limited	40.000
Primer Grupo Energetico, S.A. . . . .	Banco General S.A.	25.000
PT HSBC Securities Indonesia . . . . .	P.T. Bogamulia Nagadi	15.000
SNC Les Oliviers d'Antibes . . . . .	Societe Cristolienne De Participations	40.000
SNC Nuku-Hiva Bail. . . . .	Caisse Federale Du Credit Mutuel De Maine Anjou Et Basse Normandie	20.000
Way Chong Finance Limited . . . . .	Dah Chong Hong, Limited	49.990

- 5.6 The Company is not aware of any person who will, or could, immediately following the Rights Issue, directly or indirectly, jointly or severally, exercise control over the Company.
- 5.7 The Company is not aware of any arrangements, the operation of which may at a subsequent date result in a change of control of the Company.

## **6 HSBC Share Plans**

A description of the HSBC Share Plans (other than the Share Ownership Plan and the HSBC Plan d'Epargne Enterprise) is given on pages 304 to 311 of the 2008 Annual Report and Accounts, which are incorporated into this document by reference.

Details of the Share Ownership Plan and the HSBC Plan d'Epargne Enterprise are set out below.

### **6.1 The Share Ownership Plan**

#### **(a) Introduction**

The Share Ownership Plan was adopted on 22 October 2001 and is approved by HM Revenue & Customs under Schedule 2 to the Income Tax (Earnings and Pensions) Act 2003.

The Share Ownership Plan is established under a UK resident trust. Under the Share Ownership Plan, employees may purchase up to £1,500 worth of Ordinary Shares ("Partnership Shares") each tax year. Dividends to which participants are entitled in respect of their Partnership Shares may be reinvested into further Ordinary Shares ("Dividend Shares").

#### **(b) Eligibility**

All employees and executive Directors of the HSBC Group who are UK resident and have been employed for a qualifying period of up to 18 months are eligible to participate in the Share Ownership Plan.

#### **(c) Types of award**

The Share Ownership Plan as currently drafted provides for awards of Partnership Shares, Dividend Shares, free shares and matching shares. However, until now the Share Ownership Plan has only been used to award Partnership Shares and Dividend Shares.

#### **(d) Partnership Shares**

Eligible employees are invited to use up to £1,500 per tax year of pre-tax salary (or, if less, 10 per cent of pre-tax salary) to purchase Partnership Shares. Partnership Shares are acquired on a monthly basis and the acquisition price will be the market value on the acquisition date. There is no minimum holding period for Partnership Shares.

#### **(e) Dividend Shares**

The Directors may require or permit eligible employees to reinvest dividends received on Ordinary Shares held under the Share Ownership Plan into further Ordinary Shares up to a limit of £1,500 per employee in any tax year. Dividend Shares must be retained in the Share Ownership Plan for at least three years.

#### **(f) Cessation of employment**

Whenever and for whatever reason a participant ceases to be an employee of the HSBC Group, his/her Partnership Shares and Dividend Shares will be transferred to him/her, subject to any required PAYE deductions in the case of Partnership Shares.

#### **(g) Reconstructions**

In the event of a reconstruction of the Company, any New Ordinary Shares received will be held in trust under the Share Ownership Plan on the same terms as the Partnership Shares or Dividend Shares in respect of which they are received.

### **6.2 The HSBC Plan d'Epargne Enterprise**

Under the HSBC Plan d'Epargne Enterprise, participants are given the opportunity to invest in different funds, only one of which invests in Ordinary Shares. The fund manager exercises all rights in relation to the Ordinary Shares

owned by the fund, including voting rights and the rights under the Rights Issue. Participants are not entitled to direct the fund manager as to how to exercise such rights.

## **7 Related party transactions**

Other than as disclosed on pages 399 to 402 of the 2006 Annual Report and Accounts, pages 449 to 452 of the 2007 Annual Report and Accounts and pages 444 to 447 of the 2008 Annual Report and Accounts respectively, which are incorporated into this document by reference, the Company has not entered into any related party transactions during the financial years ended 31 December 2006, 31 December 2007 and 31 December 2008 or during the period from 1 January 2009 to 13 March 2009 (being the latest practicable date prior to the publication of this document).

## **8 Litigation**

Save as disclosed below, no member of the HSBC Group is or has been involved in any governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which the Company is aware) which may have, or have had during the 12 months prior to the date hereof, a significant effect on the financial position or profitability of the Company or the HSBC Group.

Save as disclosed below, no litigation or claims of material importance are pending or threatened against any member of the HSBC Group.

### **8.1 OFT proceeding**

On 27 July 2007, the UK Office of Fair Trading (“OFT”) issued High Court legal proceedings against a number of UK financial institutions, including HSBC Bank plc (a wholly owned subsidiary of the Company), to determine the legal status and enforceability of certain of the charges applied to their personal customers in relation to unauthorised overdrafts (the “charges”). Pending the resolution of the proceedings, the Financial Services Authority has granted firms (including HSBC Bank plc) a waiver enabling them to place relevant complaints about the charges on hold and the County Courts have stayed all individual customer claims.

Certain preliminary issues in these proceedings have been heard in the Commercial Division of the High Court. This has confirmed that HSBC Bank plc’s current and historic charges are capable of being tested for fairness but are not capable of being penalties. On appeal, the Court of Appeal confirmed this decision on 26 February 2009. HSBC Bank plc is considering applying for leave to appeal to the House of Lords.

The proceedings remain at an early stage and may, allowing for further appeals on the issues, take some time to conclude. A wide range of outcomes is possible, depending upon the outcome of any appeal to the House of Lords and, to the extent applicable, upon the Court’s assessment of the fairness of each charge across the period under review. Since July 2001, there have been a variety of charges applied by HSBC Bank plc across different charging periods under the then existing contractual arrangements. HSBC Bank plc considers the charges to be and to have been valid and enforceable, and intends to defend its position strongly.

If, contrary to HSBC Bank plc’s current assessment, the Court should ultimately (after appeals) reach an adverse decision that results in a liability, a large number of different outcomes is possible, each of which would have a different financial impact. Given that there is limited authority on how an assessment of fairness should be conducted, HSBC Bank plc’s estimate of the potential financial impact is that it could be in the order of approximately £350 million, as previously published. To make an estimate of the potential financial impact at this stage with any precision is extremely difficult, owing to (among other things) the complexity of the issues, the number of permutations of possible outcomes, and the early stage of the proceedings. In addition, the assumptions made by HSBC Bank plc may prove to be incorrect.

### **8.2 Madoff related proceedings**

On 11 December 2008, Bernard L. Madoff (“Madoff”) was arrested and charged in the United States District Court for the Southern District of New York with one count of securities fraud. That same day, the SEC filed securities fraud charges against Madoff and his firm Bernard L. Madoff Investment Securities LLC (“Madoff Securities”), a broker dealer and investment adviser registered with the SEC. The criminal complaint and SEC complaint each alleged that Madoff had informed senior Madoff Securities employees, in substance, that his investment advisory business was a fraud. On 15 December 2008, on the application of the Securities Investor Protection Corporation, the United States District Court for the Southern District of New York appointed a trustee for the liquidation of the business of Madoff Securities, and removed the liquidation proceeding to the United States Bankruptcy Court for the Southern District of New York. On 9 February 2009, on Madoff’s consent, the United States District Court for the Southern District of New York entered a partial judgment in the SEC action, permanently enjoining Madoff

from violating certain antifraud provisions of the US securities laws, ordering Madoff to pay disgorgement, prejudgment interest and a civil penalty in amounts to be determined at a later time, and continuing certain other relief previously imposed, including a freeze on Madoff's assets. On 12 March 2009, Madoff pleaded guilty to numerous felony charges, including securities fraud, investment advisor fraud, mail fraud, wire fraud, money laundering, false statements, perjury, false filings with the SEC, and theft from an employee pension plan. His sentencing is scheduled for 16 June 2009. The relevant US authorities are continuing their investigations into the alleged fraud. There remains a significant uncertainty as to the facts of the alleged fraud and the extent of any assets of, and remaining within, Madoff Securities.

Various non-US members of the HSBC Group companies provide custodial, administration and similar services to a number of funds incorporated outside the United States whose assets were invested with Madoff Securities. Based on information provided by Madoff Securities, as at 30 November 2008, the aggregate net asset value of these funds (which would include principal amounts invested and unrealised gains) was approximately £5.6 billion (US\$8.4 billion).

Proceedings concerning Madoff and Madoff Securities have already been issued in various jurisdictions against numerous defendants and the HSBC Group expects further proceedings to be brought, including by the Madoff Securities trustee. Various members of the HSBC Group have been named as defendants in suits in the United States seeking class action status and cases in the Commercial List of the Irish courts. All of the cases where members of the HSBC Group are named as a defendant are at a very early stage. The HSBC Group considers that it has good defences to these claims and will continue to defend them vigorously. The HSBC Group is unable reliably to estimate the liability, if any, that might arise as a result of such claims.

Various members of the HSBC Group have also received requests for information from various regulatory authorities in connection with the alleged fraud by Madoff. The HSBC Group companies are co-operating with these requests for information.

## **9 Material contracts**

Other than the following contracts, there are no contracts (not being contracts entered into in the ordinary course of business) which are, or may be, material and which have been entered into by the HSBC Group during the two years immediately preceding the date of this document or which contain any provision under which any member of the HSBC Group has any obligation or entitlement which is material to the HSBC Group as at the date hereof:

### **9.1 Underwriting Agreement**

Pursuant to an underwriting agreement (the "Underwriting Agreement") dated 2 March 2009 among the Company and the Banks, the Joint Global Coordinators have severally agreed to procure acquirers for, or failing which the Underwriters have agreed to procure acquirers for or themselves to acquire, New Ordinary Shares not taken up under the Rights Issue, in each case in pounds sterling at the Issue Price.

In consideration of their services under the Underwriting Agreement, and subject to their obligations under the Underwriting Agreement having become unconditional and the Underwriting Agreement not having been terminated, the Banks will be paid an aggregate base fee of 2.75 per cent of the aggregate proceeds of the Rights Issue. In addition, the Company may, in its sole discretion, pay to the Banks a discretionary fee equal to 0.5 per cent of the aggregate proceeds of the Rights Issue. The Underwriters may arrange sub-underwriting for some, all or none of the New Ordinary Shares.

The Company shall pay (whether or not the Banks' obligations under the Underwriting Agreement become unconditional) all costs and expenses of, or in connection with, the Rights Issue, the General Meeting, the allotment and issue of the New Ordinary Shares and the Underwriting Agreement including (but not limited to) the UK Listing Authority, London Stock Exchange, Hong Kong Stock Exchange, New York Stock Exchange, Euronext Paris and Bermuda Stock Exchange listing and trading fees, other regulatory fees and expenses, print and advertising costs, postage, the Receiving Agent's charges, its own and certain of the Banks' legal and other out of pocket expenses, all accountancy and other professional fees, public relations fees and expenses and all stamp duty and SDRT (if any) and other similar duties and taxes (subject to certain exceptions).

The obligations of the Banks under the Underwriting Agreement are subject to certain conditions including, amongst others:

- (a) the passing, without material amendment, of the Resolutions;

- (b) UK Admission becoming effective by not later than 8.00 a.m. on 20 March 2009 (or such later time and date (being not later than 27 March 2009) as the Company, Goldman Sachs International, J.P. Morgan Cazenove and J.P. Morgan may agree);
- (c) each condition to enable (i) the Nil Paid Rights and the Fully Paid Rights to be admitted as a participating security in CREST (other than UK Admission) and (ii) the Nil Paid Rights as eligible securities for deposit, clearance and settlement in CCASS (other than HK Admission) being satisfied on or before 19 March 2009;
- (d) the fulfilment by the Company of its obligations under the Underwriting Agreement which fall to be performed or satisfied prior to UK Admission and which are material;
- (e) before UK Admission there being no material breach by the Company of the representations and warranties given in the Underwriting Agreement;
- (f) confirmation from the Hong Kong Stock Exchange, by the time of UK Admission, that the listing of, and permission to deal in, the New Ordinary Shares (nil and fully paid) on the Main Board of the Hong Kong Stock Exchange has been granted; and
- (g) there being no event referred to in section 87G(1) of the FSMA arising between the date of this document and UK Admission which is material and adverse.

Goldman Sachs International, J.P. Morgan Cazenove or J.P. Morgan may terminate the Underwriting Agreement prior to UK Admission in certain circumstances including for material adverse change and certain force majeure events. The Underwriting Agreement cannot be terminated after UK Admission.

The Company has given certain representations, warranties and indemnities to the Banks. The liabilities of the Company are unlimited as to time and amount.

The Company has agreed that, for a period from the date of the Underwriting Agreement to the expiration of 90 days from the Delivery Date (as defined in the Underwriting Agreement) or, if earlier, the date that the Banks' obligations under the Underwriting Agreement cease, it will not (subject to certain exceptions) directly or indirectly offer, sell or contract to sell or otherwise transfer or dispose of Ordinary Shares or any other securities convertible into or exercisable or exchangeable for Ordinary Shares or any interest therein or enter into any transaction with the same economic effect as the foregoing.

## 9.2 Subscription and Transfer Deeds

In connection with the Rights Issue, the Company, Newco, Goldman Sachs International and J.P. Morgan Cazenove have entered into agreements, each dated 2 March 2009, in relation to the subscription and transfer of ordinary shares and redeemable preference shares in Newco. Under the terms of these agreements:

- (a) the Company and Goldman Sachs International agreed to take up ordinary shares in Newco and enter into put and call options in respect of the ordinary shares in Newco subscribed for by Goldman Sachs International that are exercisable if the Rights Issue does not proceed;
- (b) Goldman Sachs International will subscribe for preference shares in Newco to an aggregate value equal to the proceeds of the Rights Issue (after deduction of the commission, fees and expenses referred to in paragraph 9.1 above), including amounts received from acquirers procured by the Joint Global Coordinators or the Underwriters and amounts received from the Underwriters; and
- (c) the Company will allot and issue the New Ordinary Shares to those persons entitled thereto in consideration of Goldman Sachs International transferring its holding of preference shares, and ordinary shares in Newco to the Company.

Accordingly, instead of receiving cash as consideration for the issue of the New Ordinary Shares, at the conclusion of the Rights Issue the Company will own the entire issued ordinary share capital and entire preference share capital of Newco whose only assets will be its cash reserves, which will represent an amount equal to the net proceeds of the Rights Issue. The Company will be able to use this amount by exercising its right of redemption over the preference shares it holds in Newco and, during any interim period prior to redemption, by procuring that Newco lends the amount to the Company (or one of the Company's subsidiaries).

Qualifying Shareholders are not party to these arrangements and so will not acquire any direct right against Goldman Sachs International pursuant to these arrangements. The Company will be responsible for enforcing the obligations of Goldman Sachs International thereunder.

The Company has the right to elect that J.P. Morgan Cazenove act as subscriber under the terms of these agreements or, subject to certain conditions, to elect a third party to act as subscriber instead of Goldman Sachs International.

## 10 Taxation

### 10.1 United Kingdom taxation

#### (a) General

The following statements are intended to apply only as a general guide to the position under current UK tax law and the published practice of HM Revenue & Customs as at the date of this document, either of which is subject to change at any time. They are (unless a contrary intention is expressly specified) intended to apply only to Qualifying Shareholders who are resident and, in the case of individuals only, ordinarily resident and domiciled in the UK for UK tax purposes, who hold their shares as investments, who are the beneficial owners of those shares and who have not (and are not deemed to have) acquired their Existing Ordinary Shares by reason of an office or employment and are not officers or employees of the Company. The statements may not apply to certain classes of Qualifying Shareholders such as, for example, dealers in securities, insurance companies and collective investment schemes or Qualifying Shareholders who are exempt from taxation.

**Any person who is in any doubt as to his/her tax position or who may be subject to tax in any jurisdiction other than the United Kingdom should consult an appropriate professional tax adviser.**

#### (b) Taxation of chargeable gains

##### (i) *Rights issue*

For the purposes of UK taxation of chargeable gains, the issue of the New Ordinary Shares by the Company should constitute a reorganisation of the Company's share capital. Accordingly, a Qualifying Shareholder should not be treated as making a disposal of all or part of his/her Existing Ordinary Shares by reason of taking up all or part of his/her rights to New Ordinary Shares. No liability to taxation on chargeable gains should arise in respect of the issue of New Ordinary Shares to the extent that a Qualifying Shareholder takes up his/her full entitlement to New Ordinary Shares.

For the purposes of UK taxation of chargeable gains, if a Qualifying Shareholder takes up all or any of his/her rights to the New Ordinary Shares, his/her holding of Existing Ordinary Shares and his/her New Ordinary Shares should be treated as the same asset, acquired at the time he/she acquired his/her Existing Ordinary Shares. The moneys paid to acquire New Ordinary Shares should be added to the base cost of his/her Existing Ordinary Shares.

If a Qualifying Shareholder sells or otherwise disposes of all or some of the New Ordinary Shares allotted to him/her, or his/her rights to acquire them, or if he/she allows, or is deemed to allow, all or any part of his/her rights to acquire New Ordinary Shares to lapse and receives a cash payment in respect of them, he/she may, depending on his/her circumstances, incur a liability to taxation on any chargeable gains realised.

However, if the proceeds resulting from a lapse or disposal of the rights to acquire New Ordinary Shares are "small" as compared with the market value (on the date of lapse or disposal) of the Existing Ordinary Shares in respect of which the rights arose, such a Qualifying Shareholder should not be treated as making a disposal for the purposes of UK taxation of chargeable gains. The proceeds will instead be deducted from the base cost of the holding of relevant Existing Ordinary Shares for the purposes of computing any chargeable gain or allowable loss on a subsequent disposal. The current practice of HM Revenue & Customs is to apply this treatment where either (i) the proceeds of the disposal or lapse of rights do not exceed 5 per cent of the market value (at the date of the disposal or lapse) of the Existing Ordinary Shares in respect of which the rights arose or (ii) the amount of the proceeds is £3,000 or less, regardless of whether the 5 per cent test is satisfied. This treatment will not apply where such proceeds are greater than the base cost of the Existing Ordinary Shares for the purposes of UK taxation of chargeable gains.

If a Qualifying Shareholder effects a Cashless Take Up, his/her holding of Existing Ordinary Shares and his/her New Ordinary Shares acquired pursuant to that Cashless Take Up should be treated as the same asset, acquired at the same time he/she acquired his/her Existing Ordinary Shares, and the moneys paid to acquire New Ordinary Shares raised through the disposal of Nil Paid Rights (effected pursuant to the Cashless Take Up) should be added to the base cost of his/her Existing Ordinary Shares. Such Qualifying Shareholder's base cost in his/her Existing Ordinary Shares may be reduced to the extent that the proceeds resulting from the disposal of Nil Paid Rights (effected pursuant to the Cashless Take Up) are "small" (determined in accordance with the test referred to in the paragraph above). If such proceeds are not "small", such Qualifying Shareholder may, depending on his/her circumstances, incur a liability to taxation on any chargeable gains realised.

## *(ii) Subsequent disposals of New Ordinary Shares*

A subsequent disposal of New Ordinary Shares by a Qualifying Shareholder within the charge to UK capital gains tax, such as an individual, trustee or personal representative, will, subject to the availability to the Qualifying Shareholder of any exemptions, reliefs and/or allowable losses, be subject to tax on any gain arising at the rate of 18 per cent with no taper relief or indexation allowance.

A subsequent disposal of New Ordinary Shares by a Qualifying Shareholder within the charge to UK corporation tax may, depending on individual circumstances, incur a liability to taxation on any chargeable gains realised. In calculating any chargeable gain or allowable loss arising on such disposal, indexation allowance will apply to the amount paid for the New Ordinary Shares only from, generally, the date on which the payment for the New Ordinary Shares was made.

A subsequent disposal of New Ordinary Shares by a Qualifying Shareholder who is not resident in the UK for tax purposes but who carries on a trade, profession or vocation in the UK through a branch, agency or permanent establishment and has used, held or acquired the New Ordinary Shares for the purposes of such trade, profession, or vocation or such branch, agency or permanent establishment may, depending on individual circumstances, give rise to a chargeable gain or allowable loss for the purposes of UK taxation of chargeable gains.

An individual Qualifying Shareholder who has ceased to be resident or ordinarily resident for tax purposes in the UK for a period of less than five years of assessment and who disposes of all or part of his/her New Ordinary Shares during that period of temporary non-residence may be liable, on his/her return to the UK, to UK taxation on chargeable gains arising during the period of absence, subject to any available exemption or relief.

## **(c) Taxation of dividends**

Under current UK tax law, the Company will not be required to withhold tax at source from dividend payments it makes.

### *(i) Individual Qualifying Shareholders tax resident in the UK*

A Qualifying Shareholder who is an individual resident in the UK for tax purposes and who receives a dividend from the Company will be entitled to a tax credit which may be set off against his/her total income tax liability on the dividend. The tax credit will be equal to 10 per cent of the aggregate of the dividend and the tax credit (the "gross dividend"), which is also equal to one-ninth of the amount of the cash dividend received.

The tax credit will be treated as discharging the individual's liability to income tax in respect of the gross dividend, unless and except to the extent that the gross dividend falls above the threshold for the higher rate of income tax, in which case the individual will, to that extent, pay tax on the gross dividend calculated as 32.5 per cent of the gross dividend less the related tax credit. So, for example, a dividend of £80 will carry a tax credit of £8.89 and the income tax payable on the dividend by an individual liable to income tax at the higher rate would be 32.5 per cent of £88.89, namely £28.89, less the tax credit of £8.89, leaving a net tax charge of £20.

The UK Government has announced proposals to introduce, with effect from 6 April 2011, a new tax rate of 45 per cent for taxable non-savings and savings income above £150,000. On and after the date on which the new rate takes effect, if and to the extent that the gross dividend received by a UK resident individual falls above the threshold for income tax at the 45 per cent rate, that individual will be subject to tax on the gross dividend at the rate of 37.5 per cent.

A UK resident individual Qualifying Shareholder who is not liable to income tax in respect of the gross dividend will not be entitled to any payment from HM Revenue & Customs in respect of any part of the tax credit.

### *(ii) Corporate Qualifying Shareholders tax resident in the UK*

A Qualifying Shareholder which is within the charge to corporation tax will not normally be subject to corporation tax on any dividend received from the Company. Such a corporate Qualifying Shareholder will not be entitled to any payment from HM Revenue & Customs in respect of the tax credit attaching to any dividend paid by the Company.

The Government has published draft legislation which would, if passed in its current form, change (potentially significantly) the tax treatment of dividends received by shareholders within the charge to corporation tax. The draft legislation would, amongst other things, replace the current general exemption from corporation tax for dividends paid by one UK resident company to another with a more detailed regime which provides for exemption in certain circumstances. However, it appears likely that dividends paid on the New Ordinary Shares to most UK resident corporate shareholders would generally continue to qualify for exemption from corporation tax. It should be noted

that the draft legislation is likely to change before being enacted and Qualifying Shareholders within the charge to corporation tax are advised to consult their professional tax advisers in relation to the implications of the proposals.

***(iii) Qualifying Shareholders not tax resident in the UK***

Qualifying Shareholders who are not resident in the UK for tax purposes will not generally be able to claim repayment from HM Revenue & Customs of any part of the tax credit attaching to dividends paid by the Company. A Qualifying Shareholder resident outside the UK may also be subject to foreign taxation on dividend income under local law.

Qualifying Shareholders who are not resident in the UK for tax purposes should consult their own tax advisers concerning their tax liabilities on dividends received from the Company.

**(d) Stamp duty and SDRT**

***(i) UK Shareholders***

No stamp duty or SDRT will generally be payable on the issue of Provisional Allotment Letters, on the crediting of Nil Paid Rights or Fully Paid Rights to stock accounts in CREST, or on the issue in uncertificated form of New Ordinary Shares. Where New Ordinary Shares represented by such documents or rights are registered in the name of the Qualifying Shareholder entitled to such shares, or where New Ordinary Shares are credited in uncertificated form to CREST, no liability to stamp duty or SDRT will generally arise.

Persons who purchase (or are treated as purchasing) rights to New Ordinary Shares represented by Provisional Allotment Letters (whether nil paid or fully paid), or Nil Paid Rights or Fully Paid Rights held in CREST, on or before the latest time for registration of renunciation will not generally be liable to pay stamp duty. However, such a purchaser will normally be liable to pay SDRT at the rate of 0.5 per cent of the actual consideration paid.

Where such a purchase is effected through a stockbroker or other financial intermediary, that person will normally account to HM Revenue & Customs for the SDRT and should indicate that this has been done in any contract note issued to the purchaser. In other cases, the purchaser of the rights to the New Ordinary Shares represented by the Provisional Allotment Letters is liable to pay the SDRT and must account for it to HM Revenue & Customs. Any SDRT arising on the transfer of Nil Paid Rights or Fully Paid Rights held in CREST should be collected and accounted for to HM Revenue & Customs by CREST.

No stamp duty or SDRT will be payable on the registration of renunciation of Provisional Allotment Letters, whether by the original holders or their renouncees.

Where New Ordinary Shares are issued or transferred (i) to, or to a nominee or (in the case of stamp duty) agent for, a person whose business is or includes the provision of clearance services or (ii) to, or to a nominee or agent for, a person whose business is or includes issuing depository receipts, stamp duty or SDRT will generally be payable at a higher rate of 1.5 per cent of the consideration payable or, in certain cases, the value of the New Ordinary Shares (rounded up in the case of stamp duty to the nearest £5). This liability for stamp duty or SDRT will strictly be accountable by the depository or clearance service operator or their nominee, as the case may be, but will, in practice, generally be reimbursed by participants in the clearance service or depository receipt scheme. Clearance services may opt, provided certain conditions are satisfied, for normal stamp duty or SDRT treatment to apply to issues or transfers of shares into, and transactions within, such services instead of the higher rate applying to an issue or transfer of the shares into the clearance service. Qualifying Shareholders who hold their Existing Ordinary Shares in Euroclear France should note that the issue of New Ordinary Shares to Euroclear France (or to a nominee of Euroclear France) will be subject to the higher rate of SDRT at 1.5 per cent of the consideration given for the New Ordinary Shares and this cost will be borne by the relevant Qualifying Shareholder. A holder of ADSs should refer to the US Prospectus for further information in relation to the ADS programme.

Subject to an exemption for certain low value transactions, the transfer on sale of New Ordinary Shares held outside CREST after the last date for registration of renunciation will generally give rise to a liability, usually met by the purchaser, to *ad valorem* stamp duty at the rate of 0.5 per cent (rounded up to the nearest multiple of £5) of the amount or value of consideration paid. An agreement to transfer such shares which is or becomes unconditional will generally give rise to SDRT at the rate of 0.5 per cent of the amount or value of the consideration paid, such SDRT generally being payable by the transferee or purchaser. The liability to SDRT will generally be cancelled or any SDRT paid refunded if the agreement is completed by a duly stamped transfer within six years of either the date of the agreement or, if the agreement was conditional, the date when the agreement became unconditional.

No stamp duty or SDRT will arise on a transfer of New Ordinary Shares into CREST provided that, in the case of SDRT, the transfer is not for money or money's worth. A transfer of New Ordinary Shares effected on a paperless

basis through CREST will generally be subject to SDRT at the rate of 0.5 per cent of the amount or value of the consideration payable, which will be collected and accounted for to HM Revenue & Customs by CREST (such SDRT generally being payable by the transferee or purchaser).

***(ii) HK Shareholders and Bermuda Shareholders***

Instruments of transfer of New Ordinary Shares which are registered on the Hong Kong branch register or Bermuda branch register will, unless they are executed in a part of the UK, be exempt from UK stamp duty.

An agreement to transfer New Ordinary shares registered on the Hong Kong or Bermuda branch register should not give rise to a charge to SDRT (other than an agreement to issue or transfer to a provider of clearance services or issuer of depositary receipts as described above). Any liability to SDRT at the rate of 0.5 per cent (although not necessarily any liability at the higher rate described above) will be cancelled and any SDRT already paid will be repaid, generally with interest, if an instrument of transfer is executed and (if executed in the UK) duly stamped within six years of the date on which the liability to SDRT arises.

It is understood that, in practice, neither UK stamp duty nor SDRT is charged on the entry into, or subsequent settlement or clearance in, CCASS of shares registered on a Hong Kong branch register.

The above statements are intended only as a general guide to the current stamp duty and SDRT position. Transfers to certain categories of person are not liable to stamp duty or SDRT and others may be liable at a higher rate or may, although not primarily liable for SDRT, be required to notify and account for it.

## **10.2 Hong Kong taxation**

**(a) General**

This section addresses the taxation of income and capital gains of holders of Nil Paid Rights and New Ordinary Shares under the laws and practices of Hong Kong. The following summary of the tax position in Hong Kong is based on current law and practice, is subject to changes therein and does not constitute legal or tax advice. This summary provides a general outline of the material tax considerations that may be relevant to a decision to subscribe for, purchase, own or dispose of the New Ordinary Shares and does not deal with all possible Hong Kong tax consequences applicable to all categories of investors.

**(b) Taxation on gains of sale**

No tax is imposed in Hong Kong in respect of capital gains. However, trading gains from the sale of an asset by persons carrying on a trade, profession or business in Hong Kong where the trading gains are derived from or arise in Hong Kong will be chargeable to Hong Kong profits tax. Hong Kong profits tax is currently charged at the rate of 16.5 per cent on corporations and at a maximum rate of 15 per cent on individuals. Certain categories of taxpayers whose business consists of buying and selling shares are likely to be regarded as deriving trading gains rather than capital gains (for example, financial institutions, insurance companies and securities dealers) unless these taxpayers could prove that the investment securities are held as capital assets.

Gains from the sale of the Nil Paid Rights or New Ordinary Shares effected on the Hong Kong Stock Exchange will be considered to be derived from or arise in Hong Kong. A liability for Hong Kong profits tax would thus arise in respect of trading gains from the sale of Nil Paid Rights or New Ordinary Shares effected on the Hong Kong Stock Exchange, where such gains arise from a business carried on in Hong Kong and are otherwise not of a capital nature.

**(c) Stamp duty**

Hong Kong stamp duty, currently charged at the ad valorem rate of 0.1 per cent on the higher of the consideration for or the market value of the Nil Paid Rights or the New Ordinary Shares, will be payable by the purchaser on every purchase and by the seller on every sale of Nil Paid Rights or New Ordinary Shares (that is, a total of 0.2 per cent is currently payable on a typical sale and purchase transaction involving Ordinary Shares). In addition, a fixed duty of HK\$5.00 is currently payable on any instrument of transfer of Ordinary Shares.

**(d) Estate duty**

The Revenue (Abolition of Estate Duty) Ordinance 2005 came into effect on 11 February 2006 in Hong Kong. No Hong Kong estate duty is payable and no estate duty clearance papers are needed for an application for a grant of representation in respect of holders of Ordinary Shares whose deaths occur on or after 11 February 2006.

## **11 Working capital**

The Company is, and the Directors are, of the opinion that the HSBC Group has sufficient working capital for its present requirements, that is for at least the next 12 months from the date of publication of this document.

## **12 No significant change**

There has been no significant change in the financial or trading position of the HSBC Group since 31 December 2008, the date to which HSBC's last audited consolidated annual financial statement (which is incorporated by reference into this document as set out in Part XIII of this document) was prepared.

## **13 No material adverse change**

There has been no material adverse change in the financial or trading position of the HSBC Group since 31 December 2008, the date to which HSBC's last audited consolidated annual financial statement (which is incorporated by reference into this document as set out in Part XIII of this document) was prepared.

## **14 Consents**

- 14.1 KPMG Audit Plc has given and not withdrawn its written consent to the inclusion in this document of its report relating to the unaudited pro forma statement of net assets and net tangible assets set out in Part XV of this document in the form and context in which it appears and has authorised the contents of that report for the purposes of Prospectus Rule 5.5.3R (2)(f).
- 14.2 KPMG Audit Plc has given and not withdrawn its written consent to the issue of this document with the inclusion of its name and its report dated 17 March 2009 relating to the unaudited pro forma statement of net assets and net tangible assets set out in Part XV of this document and its auditor's reports on the consolidated financial statements of the HSBC Group included in the 2006 Annual Report and Accounts, the 2007 Annual Report and Accounts and the 2008 Annual Report and Accounts, respectively, which are incorporated by reference into this document as set out in Part XIII of this document, in each case in the form and context in which they appear and has authorised the inclusion of its report relating to the unaudited pro forma statement of net assets and net tangible assets and its auditor's reports in this document for the purposes of paragraphs 5(2) and 5(3) of Appendix 1, Part B of the Hong Kong Listing Rules.

## **15 General**

- 15.1 The expenses of and incidental to the Rights Issue, including the commissions payable to the Banks, the London Stock Exchange fee, the Hong Kong Stock Exchange listing fee, the Bermuda Stock Exchange Listing Fee, the New York Stock Exchange Listing Fee, the Euronext Paris Listing Fee, professional fees and the costs of printing and distribution, are estimated to amount to approximately £0.4 billion (excluding value added tax), all of which is payable by the Company.
- 15.2 The auditor of the Company for each of the financial years ended 31 December 2006, 2007 and 2008 was KPMG Audit Plc, chartered accountants and registered auditor, of 8 Salisbury Square, London, EC4Y 8BB. As at 13 March 2009 (being the latest practicable date prior to the publication of this document), KPMG Audit Plc had no shareholding, directly or indirectly, in any member of the HSBC Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the HSBC Group.
- 15.3 The Issue Price is payable in full in cash on acceptance.
- 15.4 The Ordinary Shares are admitted to trading on the London Stock Exchange, the Main Board of the Hong Kong Stock Exchange, Euronext Paris and the Bermuda Stock Exchange and, in the form of ADSs, the New York Stock Exchange.
- 15.5 Save as described below, the Directors are not aware of any arrangement under which future dividends are to be waived or agreed to be waived. There are a number of employee benefit trusts which hold Ordinary Shares for the purpose of satisfying options and awards granted to employees under the HSBC Share Plans. Some of these trusts have waived their rights to dividends. The total number of Ordinary Shares subject to such waivers as at 13 March 2009 (the latest practicable date prior to the publication of this document) was 18,531,129.
- 15.6 Ralph Gordon Barber, a Fellow of the Institute of Chartered Secretaries and Administrators, is the Group Company Secretary.
- 15.7 The English version of this document prevails over the Chinese translation.

## **16 Documents on display**

Copies of the following documents may be inspected during normal business hours on each Business Day from 17 March 2009 up to and including 3 April 2009 at 8 Canada Square, London E14 5HQ, United Kingdom and at 1 Queen's Road Central, Hong Kong:

- (a) the Memorandum of Association of the Company and the Articles;
- (b) the service agreements and terms of appointment referred to in paragraph 3 of Part XI of this document;
- (c) the letters of consent referred to in paragraph 14 of this Part XVI;
- (d) the material contracts referred to in paragraph 9 of this Part XVI;
- (e) the rules of the HSBC Share Plans, the trust deed relating to the Share Ownership Plan and the notice and rules of Fonds H relating to the HSBC Plan d'Epargne Enterprise;
- (f) the audited consolidated accounts of the HSBC Group for each of the three financial years ended 31 December 2006, 2007 and 2008;
- (g) the report on the unaudited pro forma statement of net assets and net tangible assets by KPMG Audit Plc set out in Part XV of this document;
- (h) the Circular to Shareholders; and
- (i) this document.

## PART XVII

### DOCUMENTS INCORPORATED BY REFERENCE

This document should be read and construed in conjunction with the following documents which have been previously published and filed with the FSA and which shall be deemed to be incorporated in, and form part of, this document:

<b>Information incorporated by reference into this document</b>	<b>Location of incorporation in this document</b>
2006 Annual Report and Accounts .....	Paragraph 3.1 of Part IX of this document
	Paragraph 3.2 of Part IX of this document
	Paragraph 3.3 of Part IX of this document
	Paragraph 4.1 of Part IX of this document
	Part XIII of this document
	Part XIV of this document
	Paragraph 7 of Part XVI of this document
2007 Annual Report and Accounts .....	Paragraph 3.1 of Part IX of this document
	Paragraph 3.2 of Part IX of this document
	Paragraph 3.3 of Part IX of this document
	Paragraph 4.1 of Part IX of this document
	Part XIII of this document
	Part XIV of this document
	Paragraph 7 of Part XVI of this document
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Any statement contained in a document which is deemed to be incorporated by reference herein shall be deemed to be modified or superseded for the purpose of this document to the extent that a statement contained herein (or in a later document which is incorporated by reference herein) modifies or supersedes such earlier statement (whether expressly, by implication or otherwise). Any statement so modified or superseded shall not be deemed, except as so modified or superseded, to constitute a part of this document.

The Company will provide, without charge, to each person to whom a copy of this document has been delivered, upon the oral or written request of such person, a copy of any or all of the documents which are incorporated by reference herein. Written or oral requests for such documents should be directed to the Company at its registered office set out in paragraph 16 of Part XVI of this document.

#### **Hong Kong Stock Exchange waiver**

The Hong Kong Stock Exchange has granted a waiver to the Company to allow certain information that would otherwise need to be included in this document in accordance with Appendix 1, Part B of the Hong Kong Listing Rules to be incorporated by reference instead. The information relates to the requirement to disclose:

- paragraph 31(3)(a) — the latest published audited balance sheet together with the notes on the annual accounts for the last financial year;
- paragraph 34 — biographical details relating to the Directors; and
- paragraph 39 — details of Directors' service contracts (excluding those expiring or determinable within one year without payment of compensation (other than statutory compensation)).

The Hong Kong Stock Exchange has also granted the Company waivers from compliance with certain provisions of the Hong Kong Listing Rules, namely:

- Rule 2.07C(1)(b)(ii) - which requires a company to publish its prospectus on the same day as it is despatched to shareholders. The Hong Kong Stock Exchange has permitted the Company to publish the prospectus on 17 March 2009 and despatch it to Shareholders on 19 March 2009; and
- Rule 19.10(3) - which requires a prospectus to contain a summary of the relevant regulatory provisions (statutory or otherwise) to which the Company is subject in England where it is incorporated. In connection with the waiver under Rule 19.10(3) a waiver has also been granted from complying with the requirements of Rule 19.10(6) which would otherwise require the Company to offer for inspection the statutes or regulations referred to in the summary under Rule 19.10(3).

The waivers set out above have been granted on the basis that the detailed disclosure or strict compliance with the Hong Kong Listing Rules (as the case may be) outlined above is unnecessary, unduly burdensome and the exclusion of such information or non-compliance with such rules will not otherwise prejudice the interest of the investing public.

**PART XVIII**  
**DEFINITIONS AND INTERPRETATION**

The definitions set out below apply throughout this document, unless the context requires otherwise.

<b>“2006 Annual Report and Accounts”</b>	the Company’s annual report and accounts for the financial year ended 31 December 2006
<b>“2007 Annual Report and Accounts”</b>	the Company’s annual report and accounts for the financial year ended 31 December 2007
<b>“2008 Annual Report and Accounts”</b>	the Company’s annual report and accounts for the financial year ended 31 December 2008
<b>“A Preference Shares”</b>	the “A” redeemable preference shares in the share capital of Newco with a nominal value of 1 penny each to be subscribed by Bank Subscriber in accordance with the terms of the Subscription and Transfer Deed
<b>“A Subscription Price”</b>	the total amount (in cleared funds) standing to the credit of the Acceptance Accounts as at the time of subscription of the A Preference Shares, less the fees, commissions, costs and expenses of the Banks in relation to the Rights Issue permitted to be deducted in accordance with the Subscription and Transfer Deed
<b>“Acceptance Accounts”</b>	the accounts opened in the name of the Trustees for the receipt of funds from Qualifying Shareholders or other persons subscribing for New Ordinary Shares under the terms of the Rights Issue
<b>“Admission”</b>	UK Admission and HK Admission
<b>“Admitted Institution”</b>	an admitted institution of Euroclear France which holds Ordinary Shares on behalf of its clients or, as the context so requires, an institution which holds Ordinary Shares on behalf of its clients through such an admitted institution
<b>“ADS”</b>	an American Depository Share representing five Ordinary Shares
<b>“ADS Rights Issue”</b>	the proposed offer by way of rights to holders of ADSs to acquire New ADSs, on the terms and conditions set out in this document and in the US Prospectus
<b>“Articles”</b>	the articles of association of HSBC
<b>“B Preference Shares”</b>	the “B” redeemable preference shares in the share capital of Newco with a nominal value of 1 penny each to be subscribed by Bank Subscriber in accordance with the terms of the Subscription and Transfer Deed
<b>“B Subscription Price”</b>	the total amount (in cleared funds) standing to the credit of the Acceptance Accounts (except to the extent that it constitutes part of the A Subscription Price) as at the time of subscription of the B Preference Shares, plus the benefit of any claims pursuant to cheques and other forms of remittance received but which have not been cleared at such time (other than where notification that such cheque or remittance has been dishonoured has been made in accordance with the Underwriting Agreement), less the further fees, commissions, costs and expenses of the Banks in relation to the Rights Issue permitted to be deducted in accordance with the Subscription and Transfer Deed and less any premium due (to such persons as are entitled thereto under the terms of the Rights Issue) in accordance with the provisions of paragraph 7(a) of Part VIII of this document

<b>“Bank Subscriber”</b>	Goldman Sachs International, or such other person as the Company may validly elect pursuant to the terms of the Subscription and Transfer Deed
<b>“Banks”</b>	Goldman Sachs International, J.P. Morgan Cazenove, J.P. Morgan, HSBC Bank plc, BNP PARIBAS, Credit Suisse Securities (Europe) Limited, RBS Hoare Govett Limited, Citigroup Global Markets U.K. Equity Limited, ING Bank N.V., Societe Generale, Nomura International plc, Banca IMI S.p.A., CALYON, NATIXIS, MEDIOBANCA Banca di Credito Finanziario S.p.A., Morgan Stanley & Co International Plc, UBS Limited, Scotiabank Europe plc, CITIC Securities Corporate Finance (HK) Limited, RBC Dominion Securities Inc., Banco Bilbao Vizcaya Argentaria, S.A. and Fox-Pitt, Kelton Ltd
<b>“Basel Committee”</b>	Basel Committee on Banking Supervision
<b>“Basel I”</b>	International Convergence of Capital Measurements and Capital Standards published by the Basel Committee in July 1988
<b>“Basel II”</b>	International Convergence of Capital Measurement and Capital Standards published by the Basel Committee in June 2006
<b>“Bermuda branch register”</b>	the Bermuda overseas branch register of members of the Company
<b>“Bermuda Ex-Rights Date”</b>	9.00 a.m. (Bermuda time) on 11 March 2009
<b>“Bermuda Record Date”</b>	5.00 p.m. (Bermuda time) on 13 March 2009
<b>“Bermuda Shareholders”</b>	Shareholders whose Ordinary Shares are registered on the Bermuda branch register
<b>“Board”</b>	the board of Directors
<b>“Business Day”</b>	any day on which banks are generally open in London and Hong Kong for the transaction of business other than a Saturday or Sunday or public holiday
<b>“Cashless Take Up”</b>	the facility provided by the Receiving Agent enabling Qualifying Shareholders to sell a sufficient number of Nil Paid Rights to raise money to take up the remainder as more fully described in the rights issue guide accompanying the Provisional Allotment Letters dated on or around the date hereof
<b>“CCASS”</b>	The Central Clearing and Settlement System established and operated by HKSCC
<b>“certificated” or “in certificated form”</b>	a share or other security which is not held through CREST or CCASS
<b>“Circular to Shareholders”</b>	the circular to Shareholders dated 3 March 2009 issued by the Company in connection with the Rights Issue and including the notice of General Meeting
<b>“City Code”</b>	the UK City Code on Takeovers and Mergers
<b>“Closing Price”</b>	the closing, middle market quotation in pounds sterling of an Ordinary Share, as published in the Daily Official List
<b>“Combined Code”</b>	the UK Combined Code on Corporate Governance of the Financial Reporting Council 2006
<b>“Companies Ordinance”</b>	the Companies Ordinance (Cap. 32 of the Laws of Hong Kong), as such ordinance may be amended, modified or re-enacted from time to time
<b>“Company”</b>	HSBC Holdings plc
<b>“Computershare Dealing Facility”</b>	the share dealing service described in Part VIII of this document provided by the Receiving Agent

<b>“core equity tier 1 capital”</b>	tier 1 capital less innovative tier 1 securities and preference shares
<b>“core equity tier 1 ratio”</b>	the amount of core equity tier 1 capital as a proportion of risk-weighted assets
<b>“CREST”</b>	the system for the paperless settlement of trades in securities and the holding of uncertificated securities in accordance with the Euroclear UK Regulations operated by Euroclear UK
<b>“CREST Manual”</b>	the rules governing the operation of CREST, consisting of the CREST Reference Manual, CREST International Manual, CREST Central Counterparty Service Manual, CREST Rules, Registrars Service Standards, Settlement Discipline Rules, CCSS Operations Manual, Daily Timetable, CREST Application Procedure and CREST Glossary of Terms
<b>“CREST member”</b>	a person who has been admitted by Euroclear UK as a system-member (as defined in the Euroclear Regulations)
<b>“CREST Shareholders”</b>	Shareholders holding Ordinary Shares in CREST in uncertificated form
<b>“CREST sponsor”</b>	a CREST participant admitted to CREST as a CREST sponsor
<b>“CREST sponsored member”</b>	a CREST member admitted to CREST as a sponsored member
<b>“Daily Official List”</b>	the daily official list of the London Stock Exchange
<b>“Dealing Day”</b>	a day upon which dealings in domestic securities may take place on and with the authority of the London Stock Exchange
<b>“Director”</b>	a director of the Company
<b>“Disclosure and Transparency Rules”</b>	the disclosure and transparency rules made by the UK Listing Authority under Part VI of FSMA
<b>“EEA States”</b>	a state which is a contracting party to the agreement on the European Economic Area signed at Oporto on 2 May 1992, as it has effect for the time being
<b>“Enlarged Share Capital”</b>	the issued ordinary share capital of the Company following the issue of the New Ordinary Shares pursuant to the Rights Issue, assuming that no Ordinary Shares are issued pursuant to the exercise of options granted under the HSBC Share Plans between the date of this document and completion of the Rights Issue
<b>“EU”</b>	the European Union first established by the treaty made at Maastricht on 7 February 1992
<b>“Euroclear France”</b>	Euroclear France, société anonyme, or the successor for the time being to such business, the French depositary and settlement institute
<b>“Euroclear Interest”</b>	an interest in, and corresponding to, the Existing Ordinary Shares which are registered in the name of Euroclear France and which are traded on Euronext Paris
<b>“Euroclear Regulations”</b>	the Uncertificated Securities Regulations 2001 (SI 2001 No. 3755), as amended from time to time
<b>“Euroclear Subscription Rights”</b>	transferable and tradeable rights, created in Euroclear France, for use within the system of Euroclear France, reflecting Nil Paid Rights
<b>“Euroclear UK”</b>	Euroclear UK & Ireland Limited
<b>“Euronext Paris”</b>	Euronext Paris by Euronext, the French regulated market of NYSE Euronext Paris
<b>“Excluded Territories”</b>	Canada, Indonesia, Japan, Mexico, the Kingdom of Saudi Arabia, South Korea, Switzerland, Turkey, the United Arab Emirates and any

<b>“Existing Ordinary Shares”</b>	other jurisdiction where the extension or availability of the Rights Issue (and/or any other transaction contemplated thereby) would breach any applicable law
<b>“French Subscription Agent”</b>	the Ordinary Shares in issue as at the Record Date
<b>“FSA” or “Financial Services Authority”</b>	CACEIS Corporate Trust
	the Financial Services Authority of the United Kingdom
<b>“FSMA”</b>	the Financial Services and Markets Act 2000, as amended
<b>“Fully Paid Rights”</b>	rights to acquire New Ordinary Shares, fully paid
<b>“General Meeting”</b>	the extraordinary general meeting of the Company to be held at 10.00 a.m. on 19 March 2009 in the Platinum Suite, ExCel London, One Western Gateway, Royal Victoria Dock, London E16 1XL, United Kingdom, notice of which is set out in the Circular to Shareholders
<b>“HK Admission”</b>	admission of the New Ordinary Shares, nil paid, to trading on the Main Board of the Hong Kong Stock Exchange
<b>“HK Business Day”</b>	a day (other than a Saturday, Sunday or a day on which either a tropical cyclone signal warning number 8 or above or a “black” rainstorm warning signal is in force in Hong Kong) upon which the Hong Kong Stock Exchange is open for dealings
<b>“HK Executive”</b>	the Executive Director of the Corporate Finance Division of the Securities and Futures Commission in Hong Kong
<b>“HK Ex-Rights Date”</b>	9.30 a.m. (Hong Kong time) on 12 March 2009
<b>“HK Record Date”</b>	4.30 p.m. (Hong Kong time) on 13 March 2009
<b>“HK Shareholders”</b>	Shareholders whose Ordinary Shares are registered on the Hong Kong branch register
<b>“HKSCC”</b>	Hong Kong Securities Clearing Company Limited
<b>“Hong Kong”</b>	the Hong Kong Special Administrative Region of the PRC
<b>“Hong Kong branch register”</b>	the Hong Kong overseas branch register of members of the Company
<b>“Hong Kong Code”</b>	the Hong Kong Code on Takeovers and Mergers
<b>“Hong Kong Listing Rules”</b>	the Rules Governing the Listing of Securities on the Hong Kong Stock Exchange
<b>“Hong Kong Stock Exchange”</b>	The Stock Exchange of Hong Kong Limited
<b>“HSBC”</b>	the Company or, as the context so requires, the HSBC Group
<b>“HSBC France”</b>	HSBC France, S.A.
<b>“HSBC Group”</b>	the Company and each of its subsidiaries and subsidiary undertakings from time to time
<b>“HSBC Private Bank France”</b>	HSBC Private Bank France, S.A.
<b>“HSBC Share Plans”</b>	the HSBC Share Plan, the HSBC Holdings Group Share Option Plan, the HSBC Holdings Savings-Related Share Option Plan, the HSBC Holdings Savings-Related Share Option Plan: International, the Share Ownership Plan, the HSBC Holdings Executive Share Option Scheme, the HSBC France Option Plan, the HSBC Private Bank France Option Plan, the HSBC Plan d’Epargne Enterprise, the HSBC Finance 1996 Long-Term Executive Incentive Compensation Plan, The Bank of Bermuda: Executive Share Option Plan 1997, The Bank of Bermuda: Share Option Plan 2000 and The Bank of Bermuda: Directors’ Share Option Plan

<b>“IASB”</b>	International Accounting Standards Board
<b>“IFRSs”</b>	International Financial Reporting Standards
<b>“Issue Price”</b>	254 pence per New Ordinary Share or, for HK Shareholders, HK\$28.00 per New Ordinary Share (being the HK\$ equivalent of 254 pence by reference to the £ : HK\$ exchange rate at approximately 3.00 p.m. (UK time) on 27 February 2009 (being the last Business Day prior to the announcement of the Rights Issue) as published by Bloomberg) or, for Bermuda Shareholders, US\$3.61 per New Ordinary Share (being the US\$ equivalent of 254 pence by reference to the £ : US\$ exchange rate at approximately 3.00 p.m. (UK time) on 27 February 2009 (being the last Business Day prior to the announcement of the Rights Issue) as published by Bloomberg)
<b>“Joint Global Coordinators”</b>	HSBC Bank plc, Goldman Sachs International and J.P. Morgan Cazenove
<b>“J.P. Morgan Cazenove”</b>	J.P. Morgan Cazenove Limited
<b>“J.P. Morgan”</b>	J.P. Morgan Securities Ltd.
<b>“Listing Rules”</b>	the listing rules made under Part VI of FSMA (as set out in the FSA Handbook), as amended from time to time
<b>“London Stock Exchange”</b>	London Stock Exchange plc or its successor(s)
<b>“MiFID”</b>	means Directive 2004/39/EC of the European Parliament and of the Council of 21 April 2004 on markets in financial instruments
<b>“Money Laundering Regulations”</b>	the UK Money Laundering Regulations 2007, as amended
<b>“Model Code”</b>	The Code for Dealing in HSBC Securities, as amended from time to time
<b>“MTM”</b>	Many-to-Many
<b>“New ADSs”</b>	the ADSs to be issued by the Company pursuant to the ADS Rights Issue
<b>“Newco”</b>	Chinnery Limited, a company incorporated in Jersey
<b>“New Ordinary Shares”</b>	the Ordinary Shares to be issued by the Company pursuant to the Rights Issue
<b>“New York Stock Exchange”</b>	The New York Stock Exchange, Inc.
<b>“Nil Paid Rights”</b>	New Ordinary Shares in nil paid form provisionally allotted to Qualifying Shareholders pursuant to the Rights Issue
<b>“Official List”</b>	the official list of the UK Listing Authority
<b>“Ordinary Shares”</b>	ordinary shares of US\$0.50 each in the capital of the Company
<b>“PRC”</b>	The People’s Republic of China (excluding Hong Kong and the Special Administrative Region of Macau)
<b>“Prospectus Regulation”</b>	Regulation 809/2004 of the European Commission
<b>“Prospectus Rules”</b>	the prospectus rules made under Part VI of FSMA (as set out in the FSA Handbook), as amended
<b>“Provisional Allotment Letter”</b>	the provisional allotment letters issued to Qualifying Non-CREST Shareholders, Qualifying Non-CCASS Shareholders and Qualifying Bermuda Shareholders, as applicable
<b>“Qualifying Bermuda Shareholders”</b>	Qualifying Shareholders holding Ordinary Shares on the Bermuda branch register
<b>“Qualifying CCASS Shareholders”</b>	persons holding an interest in Ordinary Shares on the Hong Kong branch register through CCASS on the HK Record Date

<b>“Qualifying CREST Shareholders”</b>	Qualifying Shareholders holding Ordinary Shares on the UK principal register through CREST
<b>“Qualifying Euroclear France Shareholders”</b>	persons holding Euroclear Interests on the UK Record Date
<b>“Qualifying Non-CCASS Shareholders”</b>	Qualifying Shareholders holding Ordinary Shares on the Hong Kong branch register in certificated form (that is, not through CCASS)
<b>“Qualifying Non-CREST Shareholders”</b>	Qualifying Shareholders holding Ordinary Shares on the UK principal register in certificated form (that is, not through CREST)
<b>“Qualifying Shareholders”</b>	Shareholders on the relevant register of members of the Company on the Record Date
<b>“Receiving Agent”</b>	Computershare Investor Services PLC and, where appropriate, Computershare Hong Kong Investor Services Limited
<b>“Record Date”</b>	for UK Shareholders, the UK Record Date, for HK Shareholders, the HK Record Date or, for Bermuda Shareholders, the Bermuda Record Date
<b>“Registrars”</b>	Computershare Investor Services PLC, Computershare Hong Kong Investor Services Limited and Corporate Shareholder Services, The Bank of Bermuda Limited
<b>“Regulatory Information Service”</b>	one of the regulatory information services authorised by the UK Listing Authority to receive, process and disseminate regulatory information from listed companies
<b>“Resolutions”</b>	the resolutions to be proposed at the General Meeting in connection with the Rights Issue, notice of which is set out in the Circular to Shareholders
<b>“Restricted Shareholders”</b>	Shareholders with registered addresses in, or who are citizens, residents or nationals of, jurisdictions outside the United Kingdom, Hong Kong or Bermuda
<b>“Rights Issue”</b>	the proposed offer by way of rights to Qualifying Shareholders to acquire New Ordinary Shares, on the terms and conditions set out in this document and, in the case of Qualifying Non-CREST Shareholders, Qualifying Non-CCASS Shareholders and Qualifying Bermuda Shareholders only, the Provisional Allotment Letter
<b>“RTGS”</b>	real time gross settlement
<b>“SDRT”</b>	stamp duty reserve tax
<b>“SEC”</b>	United States Securities and Exchange Commission
<b>“SFO”</b>	the Securities and Futures Ordinance (Cap. 571 of the Laws of Hong Kong), as such ordinance may be amended, modified or re-enacted from time to time
<b>“Shareholders”</b>	holders of Ordinary Shares
<b>“Share Ownership Plan”</b>	the HSBC Holdings UK Share Ownership Plan
<b>“Sponsor”</b>	Goldman Sachs International
<b>“stock account”</b>	an account within a member account in CREST or CCASS to which a holding of a particular share or other security in CREST or CCASS is credited
<b>“Subscription and Transfer Deed”</b>	the subscription and transfer deed dated 2 March 2009 entered into between the Company, Newco, Goldman Sachs International and J.P. Morgan Cazenove, a summary of which is set out in paragraph 9.2 of Part XVI of this document

<b>“subsidiary”</b>	has the meaning given in section 1159 of the UK Companies Act 2006
<b>“subsidiary undertaking”</b>	has the meaning given in section 1162 of the UK Companies Act 2006
<b>“tier 1” and “tier 1 capital”</b>	have the meanings given to such terms in the General Prudential Sourcebook (as set out in the FSA’s Handbook) as at 31 December 2008
<b>“tier 1 ratio”</b>	the amount of tier 1 capital as a proportion of risk-weighted assets
<b>“Trustees”</b>	Computershare Investor Services (Channel Islands) Limited, Computershare Investor Services PLC, Computershare Hong Kong Investor Services Limited and The Bank of Bermuda Limited, each a “Trustee”
<b>“UK Admission”</b>	admission of the New Ordinary Shares, nil paid, to the Official List and to trading on the market for listed securities of the London Stock Exchange
<b>“UK Companies Act 1985”</b>	the UK Companies Act 1985, as amended from time to time
<b>“UK Companies Act 2006”</b>	the UK Companies Act 2006, as amended from time to time
<b>“UK Ex-Rights Date”</b>	8.00 a.m. on 20 March 2009
<b>“UK Listing Authority”</b>	the Financial Services Authority acting in its capacity as the competent authority for the purposes of FSMA
<b>“UK Record Date”</b>	5.00 p.m. on 13 March 2009
<b>“UK principal register”</b>	the UK principal register of members of the Company
<b>“UK Shareholders”</b>	Shareholders whose Ordinary Shares are registered on the UK principal register
<b>“uncertificated” or “in uncertificated form”</b>	a share or other security recorded on the relevant register of the share or security concerned as being, or interests in which are, held (i) in CREST and title to which by virtue of the Euroclear Regulations, may be transferred by means of CREST or (ii) in CCASS and title to or interests in which, by virtue of the General Rules of CCASS and CCASS Operational Procedures, may be transferred by means of CCASS
<b>“Underwriters”</b>	Goldman Sachs International, J.P. Morgan and those other Banks that are acting as underwriters under the terms of the Underwriting Agreement
<b>“Underwriting Agreement”</b>	the conditional underwriting agreement dated 2 March 2009 between, among others, the Company, Goldman Sachs International, J.P. Morgan, J.P. Morgan Cazenove and HSBC Bank plc described in paragraph 9.1 of Part XVI of this document
<b>“United Kingdom” or “UK”</b>	the United Kingdom of Great Britain and Northern Ireland
<b>“United States” or “US”</b>	the United States of America, its territories and possessions, any state of the United States of America and the District of Columbia
<b>“US Prospectus”</b>	the prospectus pursuant to which the Rights Issue and the ADS Rights Issue will be made to Qualifying Shareholders in the United States and holders of ADSs, and which will form part of a registration statement on Form F-3 filed with the SEC on or about 17 March 2009

## **PART XIX**

### **DOCUMENTS REGISTERED WITH THE REGISTRAR OF COMPANIES IN HONG KONG**

A copy of each of this document, the Provisional Allotment Letter and the written consent given by KPMG Audit Plc as referred to in paragraph 14.2 of Part XVI of this document, have been registered with the Registrar of Companies in Hong Kong.



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