

A satellite-style map of Southeast Asia and Oceania, showing the Malay Peninsula, the Indonesian archipelago, and parts of Australia and New Guinea. The map uses a color palette of greens, yellows, and oranges for land, and dark blues for water. The text and logo are overlaid on the right side of the map.

HSBC Holdings plc
Annual Report and Accounts 1991

HSBC 

Illustrative Theme

The illustrations in this Annual Report are satellite images of some of the HSBC Group's principal centres of operation. Satellites orbiting at an altitude of some 700-900 Kilometres record multi-spectral data from the Earth's surface in digital rather than photographic form. The computerised data are beamed to receiving stations on Earth and are then combined and colour coded to create detailed images.

The capturing of such detail is made possible by a system of cataloguing satellite pictures that divides the globe into a grid of over 200 roughly vertical paths and more than 100 horizontal rows (*inside frame and back covers*). The intersection of a path and row (denoted by a circle) corresponds to the centre of the geographical area shown in an image.

Cover. The Asia Pacific region includes some of the world's fastest growing economies and accounts for about 25 per cent of the world's total GDP and 58 per cent of its population. More than half of the Group's assets are in the region and over 600 of its world wide network of offices.

HSBC Holdings plc

*Incorporated in England with limited liability
Registered number 017987*

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James Capel House
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Financial Highlights

1990		1991	1991	1991
HK\$m	For the year	HK\$m	£m	US\$m
3,961	Group profit	6,770	465	870
3,096	Profit attributable to the shareholders	5,664	389	728
2,518	Dividends	3,013	207	387
At year-end				
53,502	Shareholders' funds	56,286	3,867	7,234
79,847	Capital resources	82,215	5,648	10,566
1,041,964	Current, deposit and other accounts	1,124,252	77,230	144,497
1,158,256	Assets	1,248,796	85,786	160,503
Per share				
HK\$		HK\$	£	US\$
1.93*	Earnings	3.49	0.24	0.45
1.56*	Dividends	1.85	0.13	0.24
33.11*	Net asset value	34.53	2.37	4.44
Total number of shares in issue at year-end				
1,616,069,504*		1,630,148,782		

* Comparative figures for 1990 have been amended to conform with the current year's presentation following the restructuring of the Group during 1991.

The HSBC Group

In April 1991, The Hongkong and Shanghai Banking Corporation Limited, also known as HongkongBank, and its subsidiary and associated companies were reorganised under a new holding company, HSBC Holdings plc, which is incorporated in England but is non-resident in the United Kingdom for tax purposes. Shares in HSBC Holdings plc are listed on the stock exchanges in Hong Kong and London, and are held by some 130,000 shareholders in more than 80 countries.

One of the largest and most strongly capitalised banking organisations in the world, the HSBC Group provides a comprehensive range of financial services — commercial banking, merchant banking and capital markets, consumer finance, securities, investment and insurance — through an international network of some 1,400 offices in more than 50 countries.

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Board of Directors

W Purves, CBE, DSO Chairman
Group Chief Executive Officer. Joined HongkongBank in 1954; an executive Director since 1982 and Chairman since 1986. Chairman of The British Bank of the Middle East and a Director of Marine Midland Banks, Inc. and Midland Bank plc.

***Li Ka-shing, CBE Deputy Chairman**
Chairman and Managing Director, Cheung Kong (Holdings) Limited and Chairman, Hutchison Whampoa Limited. A non-executive Director of HongkongBank since 1980 and Deputy Chairman since 1985.

J M Gray Deputy Chairman
Joined HongkongBank in 1952; Executive Director Finance since 1986, Deputy Chairman since 1990 and Chief Executive Officer since 1992. Chairman of Wardley Limited and a Director of The British Bank of the Middle East, Hang Seng Bank Limited, Marine Midland Banks, Inc. and Swire Pacific Limited. Chairman of the Hong Kong Port Development Board and a member of the Provisional Airport Authority.

B H Asher
Executive Director Capital Markets. Executive Chairman of James Capel & Co. Limited and Chairman of Wardley Holdings Limited. A Director of HongkongBank since 1989.

J R H Bond
Executive Director Americas. Joined HongkongBank in 1961; an executive Director since 1988. President and Chief Executive Officer of Marine Midland Banks, Inc., Chairman of Hongkong Bank of Canada and a Director of Hang Seng Bank Limited and The Thomas Cook Group Limited.

***D E Connolly, OBE**
Chartered Accountant. Director, Kowloon-Canton Railway Corporation. A non-executive Director of HongkongBank since 1985.

***Baroness Dunn, DBE**
Director, John Swire & Sons (H.K.) Limited, Cathay Pacific Airways Limited and Swire Pacific Limited. A non-executive Director of HongkongBank since 1981.

F R Frame
Adviser to the Board. Joined HongkongBank as Group Legal Adviser in 1977; an executive Director since 1985 and Deputy Chairman from 1986 to 1990.

***D A Gledhill**
Chairman, John Swire & Sons (H.K.) Limited, Cathay Pacific Airways Limited and Swire Pacific Limited. A Director of Hysan Development Company Limited, Lee Gardens Hotel Company Limited and Mass Transit Railway Corporation. A member of the Provisional Airport Authority, Securities and Futures Commission and IBM World Trade Asia Pacific Board. A non-executive Director of HongkongBank since 1988.

***B L Goldthorpe**
Director and Deputy Group Chief Executive, Midland Bank plc. Appointed a non-executive Director of the Company and HongkongBank in 1991.

***J E Hotung**
A Director of Cavendish International Holdings Limited, China & Eastern Investment Company Limited and Hongkong Electric Holdings Limited. Appointed a non-executive Director of the Company and HongkongBank in 1991.

** Independent non-executive Directors*

N R Knox
Chairman, Marine Midland Banks, Inc. A Director of Hongkong Bank of Canada and Niagara Share Corporation. A non-executive Director of HongkongBank since 1988.

***H C Lee**
Chairman and Managing Director, Hysan Development Company Limited. A Director of Cathay Pacific Airways Limited, Hang Seng Bank Limited, Hsin Chong International Holdings Limited, Sime Darby Hong Kong Limited and The Hong Kong and China Gas Company Limited. A non-executive Director of HongkongBank since 1989.

***D P H Liao, CBE**
Architect. Former Chairman of the Hong Kong Housing Authority, Secretary for District Administration, and Secretary for Home Affairs. A Director of China Paint Holdings Limited, Kumagai Gumi (H.K.) Limited, The Morgan Crucible Company plc, Provincial Insurance Hong Kong Limited and Shun Hing Electronic Trading Co., Limited. A member of the Council of The Stock Exchange of Hong Kong Limited. A non-executive Director of HongkongBank since 1990.

***C D Mackay**
Chief Executive, Inchcape plc. A non-executive Director of HongkongBank since 1986.

***C W Newton, CBE**
Chairman, London Regional Transport and London Underground Limited. A non-executive Director of Sketchley plc and Metropower Limited. Former Chairman of Mass Transit Railway Corporation. A non-executive Director of HongkongBank since 1986.

***N M S Rich**
Managing Director, Jardine Matheson Holdings Limited, Hongkong Land Holdings Limited, Dairy Farm International Holdings Limited, Mandarin Oriental International Limited and Jardine Strategic Holdings Limited. A non-executive Director of HongkongBank since 1989.

***H Sohmen, OBE**
Chairman, World-Wide Shipping Agency Limited, World-Wide Shipping Group Limited, World Maritime Limited, World Shipping and Investment Company Limited, World Finance International Limited; Deputy Chairman, The Wharf (Holdings) Limited, World International (Holdings) Limited; and a Director of Harbour Centre Development Limited. A non-executive Director of HongkongBank since 1984.

J E Strickland
Executive Director Services. Joined HongkongBank in 1971 (previous service 1966-69); an executive Director since 1989. Chairman, Wayfoong Property Limited and a Director of Marine Midland Banks, Inc. and Mass Transit Railway Corporation.

***J J Swaine, CBE, QC**
Queen's Counsel. A non-executive Director of HongkongBank since 1986.

Consultant to the Board

Sir Quo-Wei Lee, CBE
Chairman, Hang Seng Bank Limited and Deputy Chairman, Hysan Development Company Limited. A Director of Furama Hotel Enterprises Limited, Miramar Hotel and Investment

Company Limited, New World Development Company Limited and Shaw Brothers (Hong Kong) Limited. A non-executive Director of HongkongBank from 1978 to 1984.

Secretary

R G Barber

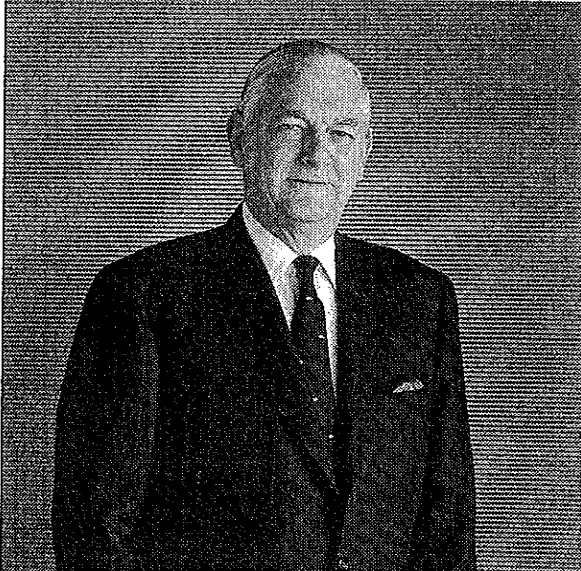
Chairman's Statement

The Group's profits made a strong recovery in 1991. Profit attributable to shareholders of HSBC Holdings plc was HK\$5,664 million, an increase of 82.9 per cent over the consolidated profit reported by HongkongBank in 1990. The profit was arrived at after providing for taxation and after transfers to inner reserves by those banking subsidiaries of HSBC Holdings plc which maintain such reserves.

The Board has recommended the payment of a final dividend of HK\$1.31 per share to shareholders on the register on 1 May 1992. With the interim distribution of HK\$0.54 per share totalling HK\$878 million already paid, the total distribution for 1991 will amount to HK\$3,013 million, an increase of 19.7 per cent over 1990.

The recovery in profits in 1991 was against the background of a stagnating economy in most parts of the world other than East Asia.

Most of the Group's Asian banking operations reported improved results, particularly in Hong Kong, where both HongkongBank and Hang Seng Bank achieved strong profit growth. HongkongBank reported consolidated profits, after taxation and transfers to inner reserves, of HK\$5,869 million. This figure includes HongkongBank's 61.48 per cent share of Hang Seng Bank's profit of HK\$2,811.4 million.



HongkongBank's operations in the United Kingdom returned to a satisfactory profit, after the loss experienced in 1990, despite the severe recession. This performance was largely due to the continuing success of the Group's treasury operations in London.

Marine Midland Bank reported a net loss of us\$189.9 million for 1991, a significant improvement over the net loss of us\$295.6 million for 1990. This reflects a substantial effort by Marine's management team under the leadership of Mr J R H Bond, who became President and Chief Executive Officer in June 1991, to cut back Marine's cost base and balance sheet, and to improve performance. During the year, the Group contributed us\$150 million of new equity and converted a us\$50 million subordinated note to equity; Marine's capital ratios are now at a comfortable level. The rate of further improvement in Marine will inevitably depend to a great extent on the pace of recovery in the economy of the north-eastern United States.

HongkongBank of Australia reported a net loss of A\$37.8 million for 1991. This was a substantial recovery from the loss of A\$273.2 million for 1990. The bank's costs have been cut back and it is concentrating on businesses in which it has a comparative advantage: trade finance, treasury and services to Asian investors.

Hongkong Bank of Canada had a satisfactory year in difficult economic conditions and reported net income of c\$51.8 million, an increase of 6 per cent over the previous year.

The British Bank of the Middle East had a record year, despite the Gulf War at the beginning of 1991, and reported a profit of £37.4 million compared with £31.1 million for 1990. These results include the bank's 40 per cent share in the profit of The Saudi British Bank, which achieved a strong performance.

The Group's capital markets businesses had a good year, with overall after-tax profits of HK\$725.6 million. The Wardley Group made a record net profit of HK\$567 million in 1991. The James Capel Group returned to profit, with net earnings of £6.1 million in 1991 after a loss of £30.4 million in the previous year. With effect from the beginning of 1992, most of the Far Eastern broking operations of Wardley and James Capel were merged into Wardley James Capel.

During the year, the Group sold 6.58 per cent of Cathay Pacific Airways Limited, bringing its shareholding down to 10 per cent at the year-end. This disposal of part of a non-

core business was in line with the Group's long-standing policy of slowly reducing non-financial investments when it is possible to do so at a satisfactory profit; it should not be seen as a reluctance to hold Hong Kong assets. The Group's assets in Hong Kong have grown faster than in other parts of the world during the last few years, and the Group retains valuable investments in container terminals in the territory.

The Group remains a long-term and supportive shareholder in Midland Bank. Business co-operation continues at the working level. Midland announced a pre-tax profit of £36 million for 1991, compared with £11 million in 1990. We received £5.2 million in dividends during 1991.

During the year, the restructuring of the Group announced on 17 December 1990 was accomplished. The Scheme of Arrangement whereby HSBC Holdings plc became the ultimate holding company of the Group was approved at a Court Meeting of shareholders on 26 February 1991 by an overwhelming majority and took effect on 2 April 1991. The Hongkong and Shanghai Banking Corporation Limited remains the most important operating subsidiary of HSBC Holdings plc, while Group companies outside the Asia-Pacific region are now separately held by HSBC Holdings plc.

Our Group now has a more modern structure, which will permit us to take advantage of commercial opportunities more flexibly than was possible under the previous structure. In particular, the Group's long-held ambition to expand in Europe will be more easily achieved. Such expansion could take the form of acquisitions or strategic alliances along the lines of our very successful alliance with Wells Fargo Bank.

The creation of a large and wealthy single market as a result of the agreements being negotiated by the European Community and the European Free Trade Association is likely to lead to increased trade between Europe and Asia. Financing such trade is one of the Group's most important core activities. The new European market is therefore a commercial opportunity we cannot ignore.

The Group restructuring was followed by a reorganisation of the Group's senior management structure. Under the old structure, the Group Chief Executive was also Chief Executive of HongkongBank; under the new structure, I continue as Group Chief Executive while Mr J M Gray becomes Chief Executive of HongkongBank. Mr B H Asher has assumed responsibility for the Group's capital markets activities, and reports directly to myself. Other lines of responsibility in Group Head Office have been changed in order to enable Head Office to monitor all the main operating companies more effectively: the main changes are described on page 7 of this Annual Report.

The restructuring of the Group has in no sense diminished our commitment to Hong Kong and I am confident that the territory's outstanding economic performance will continue, both before and after 1997. The agreement between Britain and the People's Republic of China on a new airport for Hong Kong helped to strengthen confidence in the economy, and in the long term will make the territory even more prosperous. Economic growth in 1992 is expected to be faster than last year; Hong Kong's main problem is inflation which remains high at about 10 per cent.

The Group continues to contribute as fully as possible to the community of Hong Kong, with the involvement of many of its officers in a wide range of organisations, as well as by donations of funds. A District Community Programme has been set up, with a budget of HK\$7 million for the first two years, in order to make funds available to committees of local community leaders to spend on small-scale projects in each district of the territory. The HongkongBank Language Development Fund has already disbursed HK\$11.1 million out of the HK\$20 million which it was given in 1990.

Protection of the environment has received greater emphasis in the Group's activities. Lending officers are increasingly aware of the risks associated with environmental liability and the need for borrowers to comply with all appropriate environmental regulations. The Group continues to support the work of the Private Sector Committee on the Environment,

which seeks to take a private sector approach to solving some of Hong Kong's environmental problems.

During 1991 the Hongkong Bank Foundation donated HK\$14.9 million to a wide variety of causes. In addition, the Group made charitable donations of HK\$34.3 million during the year.

The total number of staff employed by the Group and its subsidiaries at the end of 1991 was 53,770. The Group's improved performance during the year was in large part the result of the efforts of our staff, and I am grateful to them for their dedication. I am particularly grateful to our staff in the Middle East, who stayed at their posts without wavering throughout the Gulf War.

During 1991, Sir Kit McMahon, Mr J C C Tang and Mr G A Thompson resigned as non-executive Directors. I am grateful to them for their contributions to the Board. Mr P J Wrangham retired as an executive Director in November 1991. I am grateful to him for his 38 years of service to the Bank.

Following the 1991 Annual General Meeting, Mr B L Goldthorpe and Mr J E Hotung were appointed as non-executive Directors.

At the 1992 Annual General Meeting, Mr D A Gledhill, Mr F R Frame and Mr K S Li will retire from the Board. I am grateful to all of them for their contributions over the years. Mr Frame was executive Deputy Chairman for four years and Mr K S Li has been non-executive Deputy Chairman for seven years, and in those capacities both have contributed much. Mr Frame has agreed to continue to serve as an Adviser to the Board.

The course of the world economy during 1992 is uncertain. The economies of the United States, Canada and the United Kingdom are likely to recover only slowly, while the rate of economic growth in Japan and Germany is likely to fall. However, East Asia as a whole is expected to grow faster than the rest of the world, with Hong Kong helped by the exceptionally rapid development of south China. In the absence of unforeseen circumstances, your Directors expect to recommend dividends for 1992 of not less than HK\$2 per share, an increase of 8.1 per cent over the dividends for 1991.



W Purves, *Chairman*
10 March 1992

In 1991 the Group's profits recovered strongly. Net interest income increased despite a world-wide decline in interest rates, and non-funds income increased in all major categories. Operating expenses rose less than operating income. Provisions for doubtful debts dropped only slightly compared to 1990, however, and in the light of the uncertain world economic outlook, several subsidiaries made further general provisions. Group profit included the proceeds from the sale of part of the long-held investment in Cathay Pacific Airways Limited. As a result of carrying forward tax losses from previous years, the effective tax rate for 1991 was lower than the high rate applicable to 1990. Reflecting Marine Midland Bank's reduction in the size of its balance sheet and slow asset growth in most areas except Hong Kong, Group assets grew by 8 per cent during the year, compared to growth of 12 per cent in 1990. Group capital resources in the 12 months ending 31 December 1991 grew by 3 per cent.

GROUP FUNCTIONS

Following the restructuring of the Group which took place during 1991, management responsibility for some Group Head Office functions has been reorganised. Previously, responsibility for commercial banking outside Hong Kong and China was divided geographically. However, from early 1992, a Group General Manager, Mr F J French, has assumed Group-wide responsibility for wholesale lending, credit policy and control, and treasury. Mr A Mehta, also a Group General Manager, has responsibility for monitoring all commercial banking and leasing companies in the Group other than HongkongBank, Hang Seng Bank and HongkongBank of Australia, and is also responsible for the Global Banking Services and Private Banking departments in Group Head Office. Under Mr J M Gray as Chief Executive of HongkongBank, Mr P E Selway-Swift is responsible for HongkongBank in Hong Kong and China, while Mr A K D Townsend is responsible for HongkongBank's international operations.

Treasury

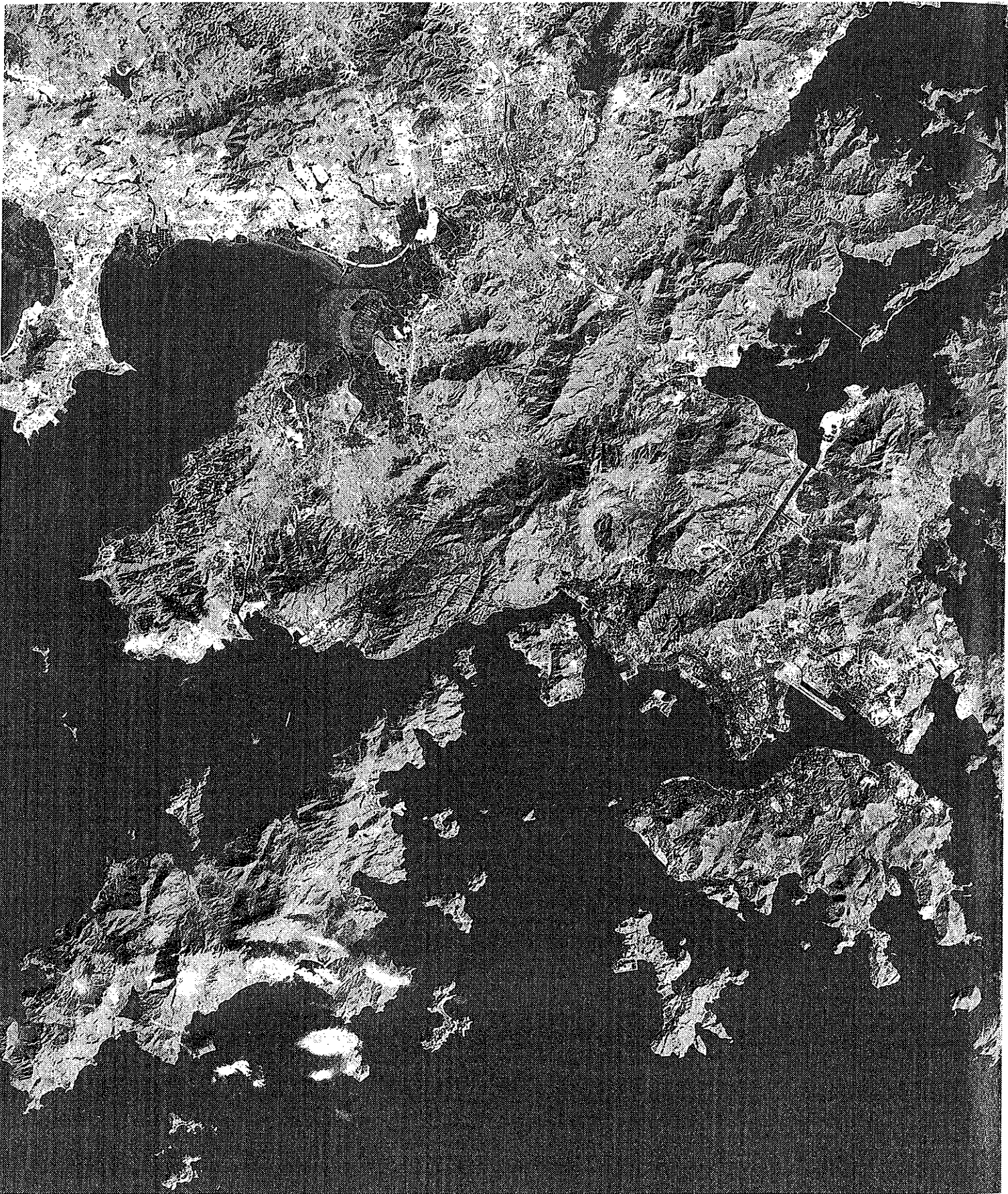
Building on strong growth in the previous year, the Group's treasury operations continued to expand substantially in 1991. Profitability rose significantly as treasury units earned strong returns from increased activity in global interest rate markets and from higher currency trading volumes. The profits were generated across the Group's world-wide treasury operations, with particularly strong performances in Hong Kong, London, New York and Sydney. Trading operations expanded in Tokyo, Sydney and New York with the recruitment of key executives. In London, the Group continued to rationalise its dealing operations with the integration of James Capel Gilts.

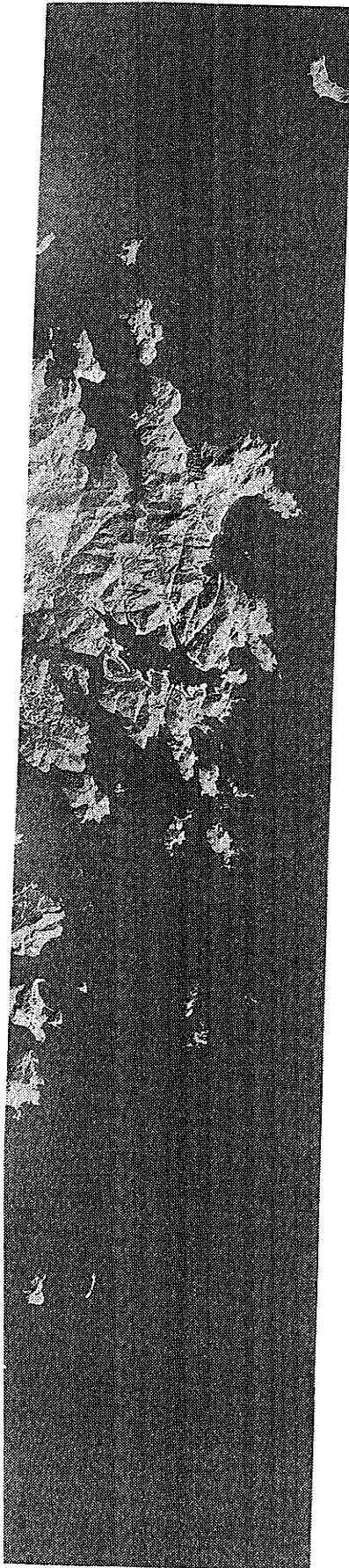
Throughout the year the Group expanded and upgraded TREATS, its computerised treasury trading system. By the end of 1991, after installing the system at several new sites, the Group had 12 dealing rooms operating on, and linked by, TREATS. Meanwhile, the system itself was upgraded to handle the analysis and trading of additional instruments. By automating various accounting procedures, TREATS strengthens back-office controls. As a result, it has raised operating efficiency by allowing the Group to increase dealing room staff without concomitant increases in the number of back-office support personnel. In conjunction with regular internal audits by a specialist treasury team, TREATS also provides tighter risk management for Group treasury operations world-wide.

Financial Institutions Group

Established two years ago to co-ordinate the sale of Group products and services to financial institutions world-wide, the Financial Institutions Group (FIG) ended 1991 with dedicated sales units in 18 countries and continued growth in its four key product categories: account, trade, securities and treasury services. The number of financial institutions using the Group's securities custody services rose sharply during the year as a result of FIG's successful efforts to increase market share. FIG also succeeded in generating continued growth, particularly from Europe, in the Group's volume of trade business in the Asia-Pacific region. The customer base of financial institutions subscribing to Hexagon, the Group's global electronic financial service, was broadly expanded in 1991. FIG plans to continue its emphasis on marketing Hexagon as a way of facilitating the sale and use of other Group products and

Hong Kong. Site of the headquarters of the HSBC Group, the territory has enjoyed average annual real economic growth of nearly 8 per cent for the last two decades. Today Hong Kong benefits from its increasing economic interdependence with neighbouring Guangdong Province. The rapidly expanding city of Shenzhen is clearly visible to the north.





services. FIG's 1992 targets also include working closely with individual HongkongBank branches and other Group members in order to pinpoint markets where sales prospects for FIG products are strongest.

FIG also manages the Group's successful alliance with Wells Fargo Bank. The alliance generated significant incremental business for both partners during the year. The Group plans to establish similar alliances with other suitable partners in the future.

Private Banking

Private banking emerged as a new priority and distinct business line within the Group during 1991. The Group created a new global private banking division and appointed a senior Group executive to be responsible for all aspects of the business and its development.

The objective of the new division is to harness, for the benefit of private banking customers, the full range of Group services. These include the Group's fund management and trustee companies, as well as private banking activities currently conducted by specialist units in Hong Kong, Singapore, Dubai, London and New York. Additional business is generated and served by the Geneva Office of The British Bank of the Middle East, by HSBC Bank (Luxembourg) S.A., and by the Group's Channel Islands operations. As part of its 1992 plan to strengthen private banking, the Group intends to improve service, particularly in Europe, and to introduce a more structured approach to managing customer relationships. New and enhanced support systems are being developed for the business, and personnel policies are being revised to recognise the long-term commitment and special training required for a career in private banking.

Global Banking Services

Global Banking Services (GBS), which develops financial products and services for sale and delivery by Group companies world-wide, made strong progress during 1991 in three major product categories.

In securities custody, GBS continued to focus its marketing efforts on the Asia-Pacific region where the prospects appeared brightest for capturing a significant portion of the business. Those efforts resulted in HongkongBank's emergence in 1991 as the premier regional custodian. Group Securities Services opened new custody centres in Australia, New Zealand, Korea, India and Taiwan. The creation in 1991 of a special interface between Hexagon and SWIFT, the international bank communications network, now permits Group securities customers to oversee their South-East Asian portfolios far more quickly and accurately through Hexagon. In trade finance, GBS established a new Group Trade Services unit to assist local Group managers in attracting higher trade finance volume and in managing the increasingly electronic nature of trade finance information. In the retail product category, the Group's global automated teller machine (ATM) network was extended to cover Canada, Malaysia, Singapore, the Philippines, Macau and New York City. Group credit and debit cardholders can now withdraw local currency at more than 100,000 ATMs in over 30 countries around the world.

Technical Services

The Group improved its already strong capabilities in information technology in 1991 with the installation of new systems and the extension of its proprietary telecommunications network. The Group's operations in Mauritius, Sri Lanka and the Cayman Islands were added to the network which now — through satellite, microwave, fibre optic cable and telephone lines — connects almost 100 Group locations in 33 countries. It also plays an increasingly important role in the high-speed delivery of Group products and services around the world. The network, for example, is key to the Group's world-wide ATM business whose expansion during the year was overseen by Technical Services (TSV). TSV, which continues to develop all major Group systems internally, installed the HongkongBank Universal Banking system in four more locations in 1991: Singapore, Panama, Australia and Egypt. TSV also oversaw the installation of TREATS in Taiwan, Thailand, the Bahamas and Canada, and in Hong Kong at Hang Seng Bank.

Group Human Resources

Throughout 1991 Group Human Resources continued to develop its methods of recruiting, training and remunerating staff to meet the diverse needs of the Group's local and international businesses. Initiatives undertaken during the year included the introduction of a Group succession planning process to assist the development of key executives, and the implementation of new performance appraisal and pay systems in many parts of the Group. Against a background of changing legislation and employee expectations, developing and managing retirement benefit schemes world-wide demanded increasing attention in 1991. Cost-effective training remains essential to developing knowledgeable, efficient staff. In 1991, more than 47,000 of the HSBC Group's almost 54,000 employees underwent training of some sort, including training by new systems-based computer teaching methods.

Commercial Banks

The Hongkong and Shanghai Banking Corporation Limited



HongkongBank and its subsidiary companies reported a 1991 profit of HK\$5,869 million compared with HK\$3,096 million in 1990. However, the results are not truly comparable because of the restructuring of the Group during 1991 and the transfer from HongkongBank to HSBC Holdings plc of a number of Group companies operating outside the Asia-Pacific region. The 19 per cent decline in assets recorded for 1991 also reflects the restructuring.

HONG KONG

At 3.9 per cent, Hong Kong's real rate of economic growth in 1991 was higher than in the previous year, despite weaker economic growth world-wide. In line with recent years, re-exports provided the main impetus for growth, registering a rise of 26.3 per cent, while the level of domestic exports remained virtually unchanged. Economic growth was constrained by the tight labour market, which pushed up wages, thus contributing to a higher inflation rate of 12 per cent compared with 9.8 per cent in 1990.

The Bank again achieved increased profits from its domestic operations. In the corporate sector, the demand for credit remained generally firm throughout the year, with requirements spread evenly among the various sectors of local industry. Although the Bank retained its conservative and selective lending policies, its corporate lending portfolio increased. Sales of Hexagon were encouraging, and customer transaction volume grew by 18 per cent over 1990. In its traditional core business of trade finance and related services, the Bank again performed well, with significant growth in both transaction volume and bills turnover. An internal reorganisation of the Bank's trade-related operations, undertaken to provide a more personalised service to customers, was completed in June. The Bank has established trade services centres conveniently located throughout Hong Kong; at year-end, 15 such centres were in operation. In September, the Bank established a China Trade Division with the aim of capturing a larger share of the business related to the growing triangular trade between China, Hong Kong and other Asian countries. In the second half of the year, various members of the HSBC Group held preliminary discussions with a number of local and overseas companies interested in the business opportunities created by Hong Kong's major new Port and Airport Development Strategy. Agreement to proceed with the project was reached by Britain and China in July.

The securities business continued to perform well. The Bank was awarded the mandate to establish and operate a central depository for the Hong Kong Securities Clearing Company. The depository will be an integral part of Hong Kong's new central clearing and settlement system, which is scheduled to begin operations in mid-1992.

Foreign exchange and treasury profits comfortably exceeded 1990 levels. Corporate business continued to grow, and good progress was made in the management of the Bank's interest rate positions, particularly through increased use of various derivative, off balance sheet products. The domestic money market continued to develop, with active trading of government Exchange Fund bills and the successful issue of two-year government bonds.

The Bank's retail business again performed well, with strong growth in both deposits and residential mortgages. Towards the end of the year, the Bank tightened its mortgage lending

policy to address the problem of overheating in the residential property market. Retail product promotion focused on two accounts launched in 1990. AssetVantage, a fee-based superior service account targeted at more affluent customers, proved to be both popular and profitable. It enhanced existing customer relationships and attracted a considerable volume of high-quality deposits. The other product, Super Ease — with its convenient international ATM access and debit card feature — also performed strongly. Both products were promoted by means of a campaign launched throughout the branch network that was also aimed at motivating and recognising sales performance by staff. Credit cards made another significant contribution to the retail business, despite strong competition in Hong Kong, the serious downturn in the travel and entertainment industries caused by the Gulf War, and the industry-wide problems of fraud and counterfeiting.

At the end of the year, the Bank had 247 branches throughout Hong Kong and Hang Seng Bank had 124. Both banks continued to invest in self-service banking technology to provide greater convenience to customers. By year-end, the two banks together operated more than 800 ATMs, almost 400 customer-operated passbook update terminals and 81 instant balance terminals, thus providing an unmatched service in the territory. To enhance the provision of out-of-hours banking services, HongkongBank opened seven 'Autobank' lobbies for its customers during the year; more such lobbies will be opened in 1992. The transfer of back-office functions from the branch network to the Network Services Centre in Cheung Sha Wan was completed in October on time and within budget. The restructuring has resulted in significant economies of scale and has given branch staff more time to focus on the Bank's key strategic priorities — customer service and product sales. It has also provided the means for developing new customer service initiatives, such as telephone banking, which is now offered through the Centre.

The Bank has invested heavily in improving all aspects of customer service standards. Market research conducted during the year gave a clear indication that the investment is yielding results. Further initiatives are planned for 1992 and will be introduced progressively throughout the branch network. The year also saw a major internal review of strategy and the establishment of a new organisational structure to take advantage of the commercial opportunities expected in the 1990s.

The improvement in Hong Kong's economic performance in 1991 is likely to continue, due to both the gradual recovery that is expected in the world's major economies and expenditure on the new port and airport projects. The economy is forecast to grow by 5 per cent in real terms in 1992. Although inflation remains a major problem for the territory, there are signs that it will fall, albeit gradually.

ASIA-PACIFIC

The East Asian economies showed exceptional resilience during 1991 in marked contrast to the slow-growth economies of Western Europe and the continuing recession in North America. Strong regional and domestic demand in Asia helped overcome sluggish consumer spending in traditional export markets as well as rising labour costs and a weak US dollar.

In **Japan**, lower inflationary pressure resulting from a deceleration in the economy enabled the Bank of Japan to relax monetary policy in 1991. As a consequence of this slow-down, Japan's trade surplus expanded. The results of HongkongBank, however, were adversely affected by provisions associated with a voluntary early retirement scheme intended to bring staff numbers more in line with the increasing emphasis on corporate, rather than retail, banking.

In **Korea**, where rapid economic growth led to a surge in the current account deficit, the Bank's profit was marginally lower than in 1990. The Bank's sustained operating performance was eroded by unexpected provisioning requirements.

The industrial and agricultural sectors in the **People's Republic of China** performed much better than planned despite serious flooding in the late spring along the Yangtze River. The country's gross national product increased by 6.5 per cent and the harvest was the second largest on record. International trade was also buoyant and expanded by 17.5 per cent to



Shanghai. *Situated on the south bank at the mouth of the Chang Jiang (Yangtze River), Shanghai is China's leading industrial and commercial centre, with a population of 13 million. Hongkong Bank opened a branch in Shanghai in 1865 — the same year that it opened for business in Hong Kong. Today the Bank's Shanghai branch is the largest of the HSBC Group's 13 offices in China, providing project and trade finance to its customers.*

us\$135.7 billion, with a healthy trade surplus of us\$8 billion. Reflecting China's economic growth and the inflow of foreign investment, particularly from Hong Kong, Hongkong Bank's China-related business continued to expand. Near the end of the year the Bank was granted permission to open a representative office in Qingdao, Shandong Province, bringing the number of Bank offices in China to nine, and the total number of Group offices to 13.

In **Taiwan**, which enjoyed an increase of more than 7 per cent in gross domestic product during 1991, the liberalisation of financial markets continued. Regulatory authorities issued 15 new banking licences, reformed the bond market and launched a forward currency market. The Bank made recoveries of previous doubtful debts and achieved an appreciable contribution to income from its credit card business. However, unexpected overheads and limited opportunities in a flat but competitive foreign exchange market resulted in an operating performance only slightly above that in 1990.

Helped by a buoyant economy and an active property development sector, the Bank's operation in **Macau** produced a commendable result in 1991 substantially ahead of its performance in the previous year.

The **Philippines** suffered a sharp contraction in investments and its economy was weakened by high inflation, rising interest rates and growing political uncertainty. Although the Bank's performance was assisted by favourable exchange rate movements, the net result was below that achieved in 1990.

Investment from overseas slowed and economic activity in **Thailand** was somewhat reduced, but inflation receded only marginally. Although demand for commercial finance remained strong, the Bank's operating income reflected the significant reductions in turnover on the stock exchange and a profit slightly below that in 1990 was recorded.

In **Malaysia**, after four years of rapid economic growth, signs of overheating were evident with labour shortages, high wage increases, rising inflation and a growing current account deficit. The introduction of a formula to determine base lending rates put severe pressure on interest margins. In addition, reserve requirements adversely affected net results. The Bank's overheads were above forecast and foreign exchange profit was depressed in an increasingly competitive market. As a consequence, its branches produced a smaller profit than in 1990.

The Bank produced a good result well ahead of expectations in **Singapore**. Although doubtful debt provisions were larger than forecast, partly due to statutory general provisioning requirements, and operating costs continued to rise, strong demand for commercial advances and attractive money market opportunities produced earnings significantly above the 1990 result.

Indonesia restrained foreign borrowings and introduced a series of stringent fiscal and monetary measures in an effort to dampen exceptional domestic demand. Whilst GDP growth slowed to under 6 per cent, inflation rose above 9 per cent and the current account deficit nearly doubled to us\$4.6 billion. For the Bank, however, a lower operating profit was offset by reduced taxable income, and the net result was an improvement over 1990.

In **Brunei**, adverse interest rate movements and prudential provisioning for doubtful debt resulted in a profit below that recorded in 1990.

The Bank also produced a disappointing result in **New Zealand**, where a net loss was recorded with income reduced both by difficult market conditions in a recessionary economy and by doubtful debt provisioning levels substantially above forecast.

The Bank's office in **Guam** followed its strong performance in 1990 with another good year. Net profit was significantly improved despite a slow-down in tourism.

Net profits of the Bank in **Mauritius**, although bolstered by an encouraging contribution from a new offshore banking unit, were below 1990's strong performance.

Although **India** suffered from political unrest in the first half of the year, the business environment improved markedly. Despite a substantially higher profit in local currency

Bombay. With a population of over 12 million, Bombay is India's largest metropolitan area and its leading commercial centre. The HSBC Group's strong links with the city date back to 1853 when Mercantile Bank — subsequently acquired by HongkongBank — opened its first branch here. Currently the Group has 22 offices in India, providing a full range of banking services and assisting India's export drive.

terms, the final profit was lower than in 1990 following a 30 per cent decline in the value of the Indian rupee.

In **Sri Lanka**, despite persistent civil strife and the detrimental impact of the Gulf War on the tea and tourism industries, the Bank reported a result well ahead of the good profit achieved in 1990.

In a year that was generally difficult for the banking industry, and despite unexpectedly low foreign exchange earnings, the Bank in **Pakistan** recorded a net profit ahead of 1990.

Although the country experienced numerous problems in connection with the Gulf crisis in 1991, the Bank's offshore unit in **Bahrain** achieved a net profit ahead of that in the previous year.

EUROPE

At the start of 1991, the uncertain situation created by the Gulf War, combined with a continuing economic recession, had a detrimental effect on trading and corporate activity. Despite this difficult economic environment, including continuing credit problems faced by the UK banking sector, the Bank in the **United Kingdom** recorded a good profit for 1991, in contrast to the loss in 1990. The improved performance was due mainly to higher treasury income aided by lower interest rates.

The expansion of the Bank's treasury operations during the year resulted in both increased trading volumes and profits. At the same time, the Bank's foreign exchange business was diversified to include new currencies and products related to interest rate risk management. The Treasury's efforts to market its products to corporate and interbank customers were complemented by the activities of the Corporate Division, which was involved in some major transactions during the year. The range of trade finance services offered by the London and Manchester offices was increased and promoted actively in continental European markets. Although the UK economy remained in recession at year-end, the underlying trend in the Bank's income stream was encouraging.

THE AMERICAS

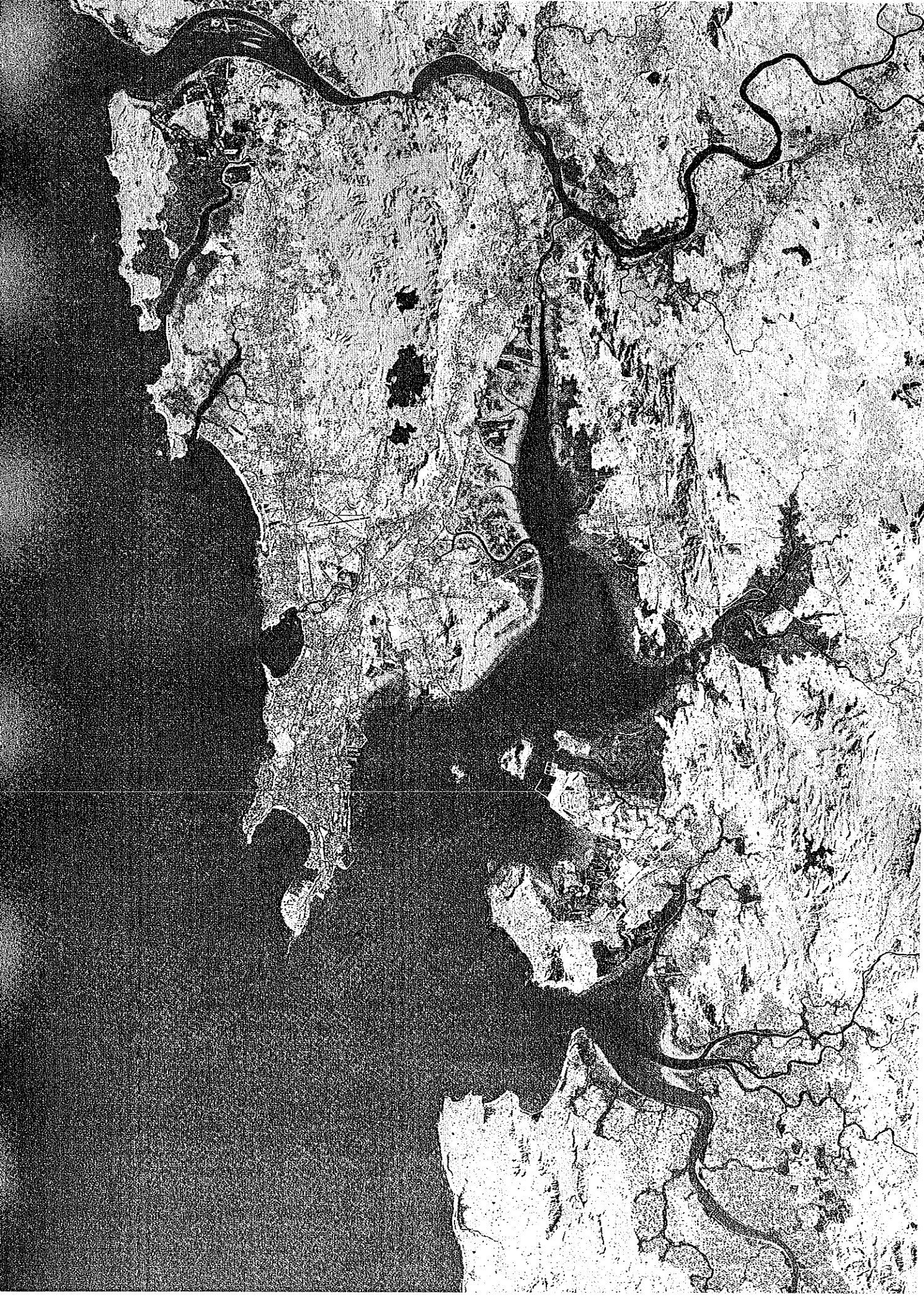
In the **United States**, the Federal Reserve Board's policy of lower interest rates failed to stimulate the economic activity needed to spur the country out of its prolonged recession. Nevertheless, HongkongBank earned higher working profits, primarily from increased treasury income. Provisions for doubtful loans, coupled with higher taxes and tax adjustments for previous years, however, resulted in a greater loss for the year than in 1990. The Group regional treasury centre again expanded both its professional staff and product line, while the Bank itself opened a new representative office in Alhambra, California.

The Bank's branches in **Panama** continued to focus chiefly on trade finance, which grew in line with the country's strong economic recovery. Although working profit was well above the previous year's level, net results were slightly less than the record profit earned in 1990. Higher taxes and carrying costs associated with the purchase of Panamanian sovereign loans from other Group companies cut into net margins.

The Bank's operations in the **Bahamas** had another profitable year, benefiting from the sale of some less developed country loans.

HongkongBank's business in **Brazil** — which is handled by an associate company, Banco HKB SA — made a small net profit despite difficult economic conditions.

In **Chile**, the Bank's two branches recorded a higher profit than in 1990, but this was below forecast owing to fiscal and regulatory changes during the year.



Hang Seng Bank Limited



Hong Kong's economy experienced a slightly higher rate of real growth in 1991 than in the previous two years. With stronger demand for Hong Kong's products, total exports recorded a healthy rate of growth. Consumer spending rose further while high inflation remained a cause for concern. Against this background, Hang Seng (Group interest 61.48 per cent) had another satisfactory year, with an increase of 28.5 per cent in post-tax profits.

DEPOSITS AND OTHER ACCOUNTS

At year-end, current, deposit and other accounts totalled HK\$228,223.3 million, an increase of HK\$28,372.4 million or 14.2 per cent over 1990. In line with the industry trend, total deposits grew at a slower pace, mainly due to a marked slow-down in non-US dollar foreign currency deposits.

Financial highlights	1991	1990
Share capital and reserves	16,069.4	14,143.7
Profit attributable to shareholders	2,811.4	2,187.8
Dividends paid and proposed	1,485.7	1,188.6
Total assets	245,970.2	215,382.0

Expressed in Hong Kong dollars millions

LOANS AND ADVANCES

As a result of the improved performance of the local economy, loan demand expanded steadily throughout the year, fuelled mainly by the buoyant property market. Speculative demand for residential flats eased in the latter part of the year, following collective action by banks — led by HongkongBank and Hang Seng — to restrict the mortgage ceiling to 70 per cent of a bank's valuation of a property. At year-end, advances to customers and other accounts totalled HK\$78,067.3 million, a rise of

HK\$12,020.4 million or 18.2 per cent over 1990. The loan to deposit ratio was 34.2 per cent, and liquidity remained high, with 66.5 per cent of customers' deposits and other accounts being held in the form of cash or deposits with other banks.

SHAREHOLDERS' FUNDS

After a one-for-five capitalisation issue in April 1991 and the transfer from the inner reserve to the general reserve, published consolidated shareholders' funds totalled HK\$16,069.4 million at year-end, an increase of 13.6 per cent over 1990.

NEW HEADQUARTERS

Hang Seng's new headquarters building was officially opened in March 1991. Constructed to meet Hang Seng's requirements until well into the next century, the spacious building incorporates many high-technology features, greatly enhancing customer service.

LOCAL BRANCH NETWORK

During the year, two new branches were opened in Hong Kong, bringing the total number of local branches and offices to 124.

NEW YORK AND SAN FRANCISCO BRANCHES

As the US economy remained sluggish, the two New York branches and the limited service branch in San Francisco concentrated mainly on consolidating their operations. They reported steady increases in customers' deposits.

REPRESENTATIVE OFFICES IN CHINA

In August, Hang Seng's third representative office in China was opened in Shanghai, complementing its two other representative offices in the Shenzhen and Xiamen Special Economic Zones. The three offices played an important role in providing liaison and business enquiry services to customers who have established or who intend to set up a business in China.

SUBSIDIARIES

The two wholly owned subsidiaries, Hang Seng Finance Limited (a restricted licence bank) and Hang Seng Credit Limited (a deposit-taking company), had another successful year, making important contributions to Hang Seng's operating results. Despite strong competition, Associated Bankers Insurance Company Limited, a 68.8 per cent owned subsidiary, enjoyed steady growth, with increases in both premium income and profits. The Wing On Bank Limited, a 50.3 per cent owned subsidiary, also made satisfactory progress. In view of its greatly improved profitability and financial position, Wing On Bank announced payment

of both the preferential share dividends which had accumulated since its restructuring in 1986 and ordinary share dividends for the first time in seven years.

ENHANCED SERVICES

To promote wider ATM usage, Hang Seng launched an Instant Card Issuance Programme and held a promotional campaign jointly with HongkongBank. An express service, in the form of counters equipped with note-dispensing machines, was introduced at most branches. A one-year marketing programme to promote automated services was also launched. To meet market demand, Hang Seng's insurance agency business has been strengthened by the introduction of three personal insurance products — HospitalCare, LifeCare and Travelsure — which have been well received by customers.

COMMUNITY SERVICES

Hang Seng continued its tradition of supporting community services, including the sponsorship of a three-year programme to promote table tennis in Hong Kong. To ensure that it continues to reflect current expenditure patterns, the rebased Hang Seng Consumer Price Index was released during the year. To answer the increasing number of enquiries about the Hang Seng Share Index, additional computerised telephone hot lines were installed.

In 1991, the Hang Seng School of Commerce, a non-profit-making coeducational institution, successfully completed its 11th year of operation. The School has adopted a new course structure which offers a matriculation course in commercial subjects and a one-year course for a diploma in business studies that will gradually replace the current two-year diploma course. At present, the School awards up to eight scholarships a year to outstanding graduates to study business-related degree courses at tertiary institutions overseas. It plans to award additional scholarships in the near future.

The British Bank of the Middle East



Despite the Gulf War at the beginning of the year, The British Bank of the Middle East (BBME) achieved record profits in 1991 assisted by the very strong performance of its associate The Saudi British Bank.

The early disturbance of the region's economies, exacerbated by deepening recessions in Europe and the United States, resulted in budget deficits in a number of Gulf countries. A softening of the price of oil in the last quarter also forestalled efforts in some countries in the region to restore previous levels of economic activity. The prospect of oversupply and the possibility of resumed Iraqi oil exports are likely to keep oil prices, and thus oil revenues, depressed in the medium term.

Financial highlights	1991	1990
Share capital and reserves	198,977	190,900
Profit attributable to shareholders	37,432	31,090
Dividends paid and proposed	28,000	23,000
Total assets	2,400,525	2,146,387

Expressed in pounds sterling '000s

BBME's strong performance reflected the economic resurgence in the region immediately following the end of the Gulf crisis and its business, particularly its retail banking operations, continued to grow throughout 1991. In the latter half of the year steps were taken to expand the bank's card business in the region; a Visa debit card was launched in the United Arab Emirates and introduced at the end of the year in Oman and Qatar. The bank also assumed MasterCard's® merchant business in Jordan and Oman. At the end of the year agreement was reached in principle for BBME to manage the merchant business of JCB, Japan's largest card issuer, throughout the region.

The **United Arab Emirates** saw a rapid return of business confidence after the crisis. A net inflow of funds and a significant increase in trade underpinned BBME's operating results for the year. Net results, however, were slightly below those in 1990. The bank's subsidiary, Middle East Finance Company Limited, had a disappointing year, but internal restructuring of the company should assist it to achieve better results in 1992.

Following the cessation of hostilities in the Gulf, the bank's operation in **Bahrain** was well placed to take advantage of the improvement in local trading conditions, producing a better result than in the previous year.

Dubai. With a long history as a major Middle East entrepôt and today the leading port in the United Arab Emirates, Dubai (top right) is strategically located at the eastern end of the Gulf. The second largest emirate in the UAE after Abu Dhabi (bottom left), Dubai is an increasingly important commercial centre and a key location for The British Bank of the Middle East.



BBME's branches in **Jordan** reported increased profits based on higher foreign exchange earnings and reduced loan provisioning. However, Jordan's economy continues to be heavily dependent on foreign aid and overseas workers' remittances, and its economic outlook remains uncertain.

The Bank's operation in **Oman** achieved a satisfactory result in line with that reported in 1990. Funds repatriated following the end of the Gulf crisis resulted in higher than expected customer deposit levels. To support its 1991-95 economic plan, the Government borrowed from the private sector by way of government development bonds denominated in local currency.

In **Qatar**, the first phase of the North Field gas project was successfully brought on stream, providing the Government with a valuable new source of revenue. BBME's operation produced better than anticipated working profits, but these were offset by provisions for doubtful debts, and the final result was lower than in 1990.

Lebanon's economic prospects continued to improve slowly and BBME's branches in Lebanon experienced a significant increase in deposits and trade-related earnings. Net profit was ahead of 1990.

An excellent result was achieved by BBME's Bombay Branch, surpassing that recorded in 1990. Recent economic developments in **India** are expected to benefit the bank in 1992.

In **Switzerland**, BBME's Geneva Branch reported operating income in line with the previous year, supported by an appreciation of the US dollar in which most of its business is denominated.

The London (Curzon Street) Branch in the **United Kingdom** produced a better than expected operating income, but the final result was reduced by provisions for doubtful debts, giving a net profit below that of 1990.

Marine Midland Bank



As the economic recession in the United States persisted and the commercial real estate market in the north-east region remained depressed, Marine Midland Bank reported a net loss of us\$189.9 million for the year. However, the result was a substantial improvement on the loss of us\$295.6 million recorded for 1990 and reflected the significant steps Marine has taken to improve its performance.

In June, HongkongBank's Executive Director Banking, Mr J R H Bond, was appointed President and Chief Executive Officer of Marine Midland Bank. His appointment was preceded earlier in the year by that of several other senior HongkongBank executives to strengthen Marine Midland's management and, in particular, to oversee its credit policy, internal audit and human resource functions.

Financial highlights	1991	1990
Share capital and reserves	1,100,534	1,097,468
Loss attributable to shareholders	(189,940)	(295,631)
Total assets	16,946,784	20,106,902

Expressed in US dollars '000s

Expense reduction was a major priority during the year. Credit-related expenses were cut from us\$676.5 million in 1990 to us\$389.8 million in 1991, a 42 per cent reduction. Operating expenses — excluding credit-related and non-recurring expenses — were brought down from us\$833.1 million in 1990 to us\$760.4 million. Staffing levels were also reduced to 10,450, a cut of 7.8 per cent. To match its smaller balance sheet, Marine has

reduced its staff by over 3,000 employees since year-end 1989.

Throughout 1991, Marine continued to strengthen, as well as trim, its balance sheet. The Group contributed us\$150 million of new equity and converted a us\$50 million subordinated note to equity. As a result, Marine's Tier I capital ratio at the end of 1991 was 7.66 per cent compared with 5.84 per cent in 1990, and its liquidity was increased substantially. By reducing its exposure to wholesale liabilities and selling certain assets, such as highly leveraged transactions and auto leases, Marine reduced its balance sheet during 1991 to us\$16.9 billion. The us\$3.2 billion reduction resulted in 1991 net revenues of us\$1 billion, us\$300 million less than in 1990.

Buffalo. Situated near the United States' border with Canada, with Lake Ontario to the north and Lake Erie to the south, Buffalo is New York State's second largest metropolitan area and the home of Marine Midland, the Group's principal entity in the USA. Marine is refocusing its business on its traditional franchise throughout New York State, where it is a leading community bank.

As a north-east regional and New York State bank funded principally by core deposits raised from its network of 317 branches, Marine Midland retains a customer base of one million households and more than 125,000 businesses within the State. Nationally Marine also manages several important consumer businesses such as mortgage servicing, affinity credit cards and student loans. Marine's mortgage servicing portfolio of over us\$15 billion is a significant source of fee income. The latest additions to Marine's affinity credit card programme are Jack Nicklaus' organisation, Golden Bear International, and Alamo Car Rental. Under the bank's student loan programme, loans are sold to a quasi-government agency when students graduate; in 1991 loans amounting to some us\$400 million were sold.

In 1992 Marine intends to focus on its regional banking, consumer and commercial finance businesses. Through its participation in the Group's cost-effective technology and international networks, Marine will also continue to offer its customers access to the services and products which that technology makes available world-wide.

Hongkong Bank of Canada



Hongkong Bank of Canada had a satisfactory year in 1991. Consolidated net income for the year ended 31 October 1991 rose to c\$51.8 million, an increase of 6 per cent over 1990. Total revenue for the year ended 31 October 1991 was c\$1,124.5 million, compared with c\$1,035.1 million a year earlier. Total assets at the end of the 1991 reporting year stood at c\$10.27 billion, about the same as at 31 October 1990. Share capital and reserves declined as a result of capital restructuring activity associated with the acquisition of Lloyds Bank Canada.

Financial highlights	1991 31 October	1990 31 October
Share capital and reserves	478,657	551,344
Profit attributable to shareholders	51,828	48,688
Total assets	10,268,060	10,231,212

Expressed in Canadian dollars '000s

In a year of difficult economic conditions, Hongkong Bank of Canada attributed its satisfactory results to two factors: a loan loss position markedly better than that of the industry as a whole, and tight control of costs. While the economy in general moved towards recovery from recession, the downturn continued to affect several sectors: the prairie grain industry suffered because of the developed nations' impasse on agricultural subsidies; the forest industry in all regions faced low demand for its products and substantial debt-servicing costs; and the industrial heartland of Ontario and Québec went through major structural readjustments because of the impact of the Canada-US Free Trade Agreement, which came into effect in 1989.

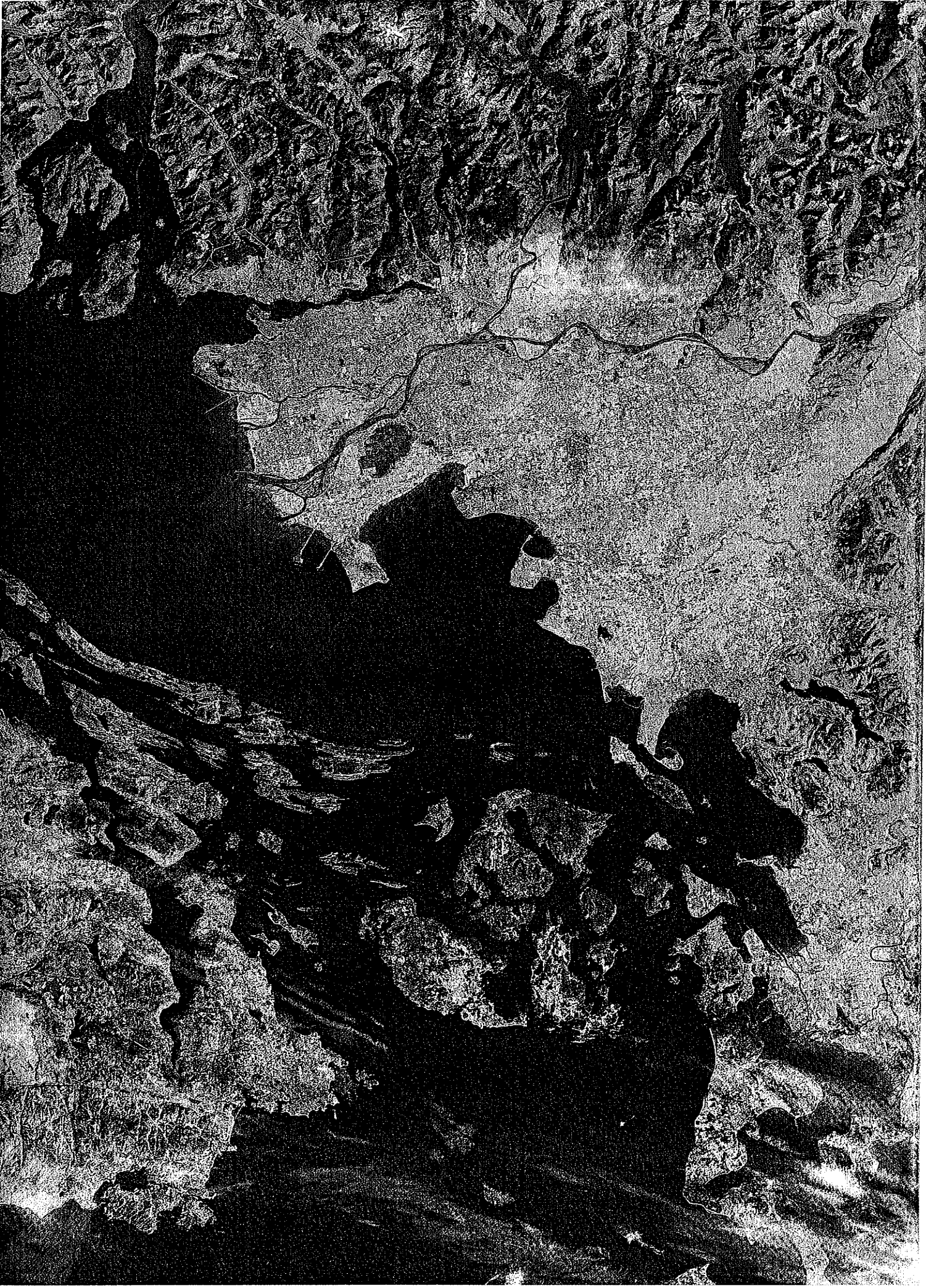
Canada has been successful in achieving a considerable measure of price stability. The rate of inflation in 1991 is estimated to be 5.9 per cent, a sizeable portion of which is attributed to the introduction of a new federal sales tax. The rate would be close to 2 per cent without the tax. A substantial fall in interest rates has made new investment in business more attractive and housing more affordable, as seen in the more than 15 per cent increase in the number of new residential mortgages in Hongkong Bank of Canada's portfolio during the year.

On 31 July, Hongkong Bank of Canada marked the 10th anniversary of the granting of its charter to operate as a bank in Canada. Since commencing operations, the bank has expanded by a process of mergers and acquisitions to reach its present position as Canada's largest foreign bank and seventh largest bank overall.

Activities during the year centred on integrating branches of Lloyds Bank Canada — purchased in 1990 — into Hongkong Bank of Canada's branch network, and on strengthening the bank's reputation for superior service. The network — which stretches some 4,530 miles from Victoria, British Columbia, in the west of the country to St John's, Newfoundland, in the east — numbered 108 offices at the end of 1991. Several branches that duplicated services were amalgamated during the year and two unprofitable ones were closed. Renovations and refurbishment were carried out at 12 branches across the country. In October, a new branch catering for the commercial market was opened in St Laurent in Québec.

During the year, Hongkong Bank of Canada's Regional Office and main branch in Toronto relocated to new premises, with the aim of enhancing its service capability in eastern





Vancouver. A cosmopolitan city of one and a half million people, Vancouver has one of the world's finest natural harbours and has emerged rapidly as a major North American centre for trans-Pacific trade. The city is the headquarters of Hongkong Bank of Canada, the leading international bank in the country.

Canada. The Hongkong Bank of Canada Building at 70 York Street in the heart of Toronto's city centre was officially opened in June.

The bank's service for foreign exchange and money-market customers was further enhanced by the installation of TREATS, the Group's state-of-the-art treasury trading system. After careful customer evaluation and testing, a new range of retail and commercial deposit accounts was introduced. In November, Hongkong Bank of Canada was linked to the HSBC Group's global ATM network that gives customers access to local currency from more than 100,000 machines around the world. In 1991, the bank's MasterCard® customer base expanded by 23 per cent over 1990, and revenue rose by 38 per cent. A programme to strengthen trade finance products was also initiated. New Unisys banking terminals were installed in all branches, permitting faster retrieval of customer accounts at the counter.

Heavy investment in staff training in the form of internal and external courses continued throughout the year. Hongkong Bank of Canada has the highest participation rate of all chartered banks in the country in the continuing education courses organised by the Institute of Canadian Bankers.

Opportunities for expansion into other finance-related areas have been deferred due to delays in the enactment of reforms of federal laws and regulations governing financial institutions proposed by the Canadian Government late in 1990.

During the year, Hongkong Bank of Canada continued its policy of supporting cultural and educational activities in the communities in which it operates.

HongkongBank of Australia



The Australian economy remained in recession throughout 1991. The profitability of the corporate sector was adversely affected as a result and the significant reduction in interest rates has so far failed to stimulate a recovery.

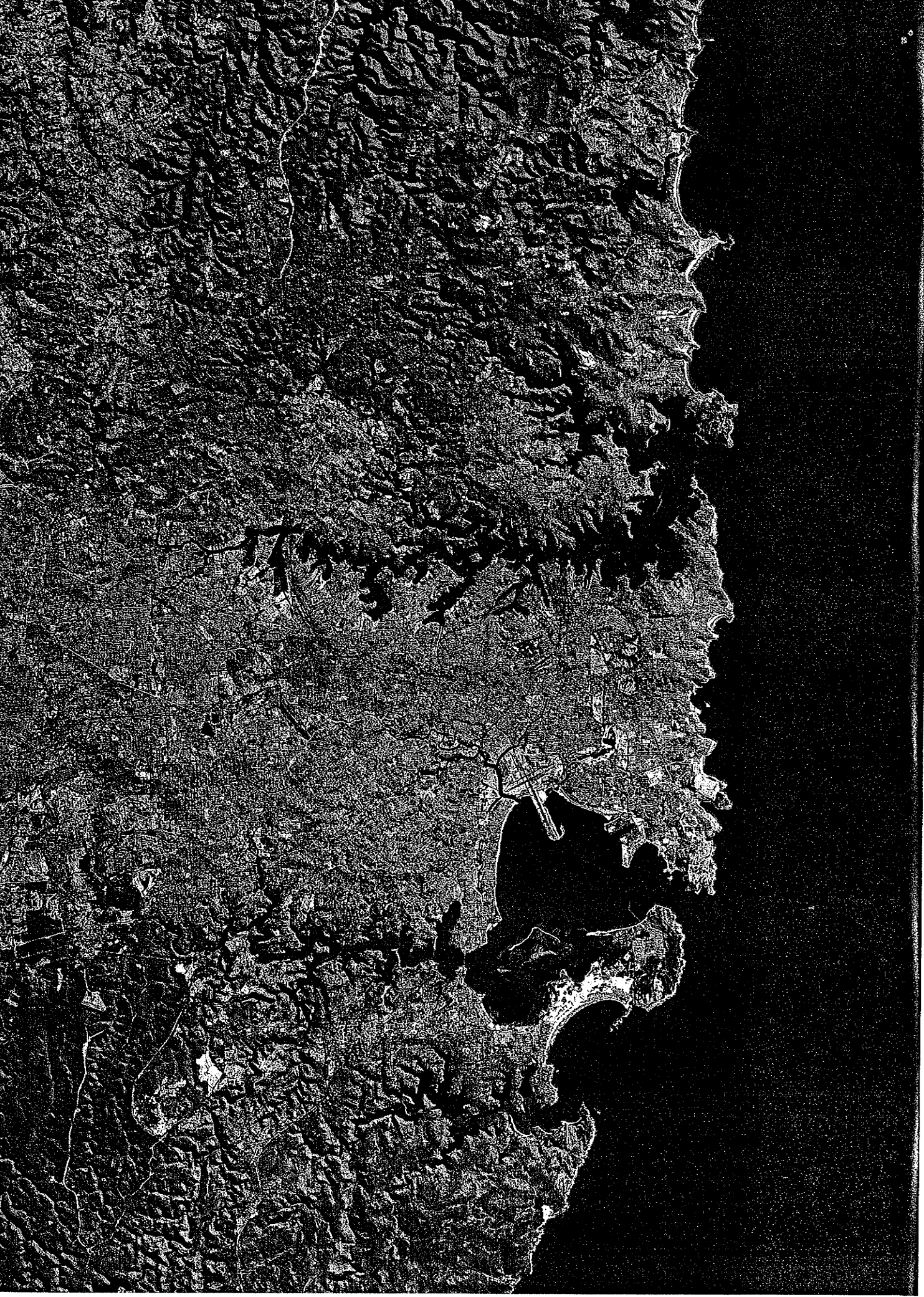
HongkongBank of Australia recorded a much reduced loss for the year despite making further provisions for its non-performing commercial loan portfolio. The performing loan book achieved satisfactory growth, particularly in business with Asian investors. The treasury division again performed strongly, further enhancing its position and reputation in the Australian market. It also benefited from the services provided by its strategic trading unit, which was established in 1990, and by the more recently formed overnight dealing desk.

James Capel Australia Limited had a disappointing year; it suffered substantial losses in its derivative trading business, which was closed at year-end. The company has reduced overheads and refocused its business on broking. Wardley James Capel Corporate Finance Limited and Wardley Investment Services (Australia) Limited both reported reduced losses for the year.

The total assets of the HongkongBank of Australia Group have increased as a result of a renewed focus on quality corporate and Asian business. During the last quarter of 1991, the Group relocated its Sydney headquarters to one of the city's prime business locations.

Financial highlights	1991	1990
Share capital and reserves	109,726	149,775
Loss attributable to shareholders	(37,799)	(273,198)
Total assets	2,718,546	2,411,521

Expressed in Australian dollars '000s



Sydney. Australia's major commercial and financial centre, Sydney is the headquarters of the HongkongBank of Australia Group. As trade and other ties develop rapidly between Australia and the rest of the Asia-Pacific region, HongkongBank of Australia is well placed to assist its customers with a range of corporate, treasury, trade finance and personal banking services.

Associated Commercial Banks

The Saudi British Bank



The economy of Saudi Arabia proved remarkably robust in 1991. Despite exceptional financial commitments resulting from the Gulf crisis, the country enjoyed buoyant oil revenues and a resurgence of domestic growth. Even so, the Government was obliged to raise international loans to meet its budgetary shortfall.

The Saudi British Bank (Group interest 40 per cent) again produced excellent results, in spite of falling interest rates. Strong underlying growth was achieved in all the bank's main activities and an enhanced product range was introduced. Both Visa and MasterCard® were launched by The Saudi British Bank during the year. Six new branches were opened and one was closed, giving a total network at year-end of 50 branches. The quality of both the loan book and non-funds income was improved.

Financial highlights	1991	1990
Share capital and reserves	1,003,392	839,177
Profit attributable to shareholders	250,511	192,110
Dividends paid and proposed	86,296	68,788
Total assets	16,247,191	14,577,936

Expressed in Saudi riyals '000s

The prospects for the economy in 1992 are encouraging, with industrial diversification as well as expansion of the vital oil industry being principal features of the Government's economic policy. The Saudi British Bank looks forward to a continuing expansion of its overall business and income.

The Cyprus Popular Bank



The Gulf crisis severely affected the Cypriot economy, particularly the tourist and export-oriented industries. Unemployment remained at 2.3 per cent, but inflation rose to 5 per cent despite the Government's restrictive monetary policy. The economy registered a real growth rate of 1 per cent, the lowest in 15 years. Despite the economic slow-down, The Cyprus Popular Bank Limited (Group interest 21.42 per cent) recorded higher profits than in 1990. Its branch network was increased by five new branches to 127, and a new subsidiary was established to provide factoring services. The bank also announced plans to expand into Greece under the name of European Popular Bank Limited, in which HongkongBank will be a minority shareholder.

Hongkong Egyptian Bank



Egypt's economic prospects improved in 1991 as a result of the write-off of its military debt by the United States and Gulf states, and an International Monetary Fund reform programme that aimed to reduce the country's foreign debt. The programme included a loan package and the rescheduling of outstanding debt repayments. During the year, the Government liberalised foreign exchange controls and import regulations, relaxed restrictions on interest rates, and tightened market liquidity. Hongkong Egyptian Bank S.A.E. (Group interest 40 per cent) had a disappointing year, with net profits falling to ££2.2 million, due mainly to the increased provisions required by new banking regulations. In addition, higher interest rates caused a substantial contraction of the lending portfolios of private sector banks.

Capital Markets Businesses

Wardley Group



The Wardley Group's 1991 profit increased by 77 per cent over 1990 to reach a record HK\$567 million. For comparison with previous years' results, the Group's 1991 profit figure includes the earnings of Wardley Investment Services Limited. That company, however, was transferred from the Wardley Group during the year as part of a restructuring of the HSBC Group's asset management business.

WARDLEY LIMITED

Wardley Limited, the HSBC Group's merchant and investment bank in South-East Asia, had an excellent year with all core businesses performing well. Based in Hong Kong, with offices or affiliates in Taiwan, Thailand, Singapore, Malaysia and Indonesia, the company's consolidated net profit was 51 per cent higher than in 1990.

Private Banking and Treasury

Private banking and treasury income increased substantially over the previous year. Contributing to the strong performance were four key factors: declining interest rates,

Financial highlights	1991	1990
Share capital and reserves	2,154,591	1,944,714
Profit attributable to shareholders	567,129	321,133
Dividends paid and proposed	350,000	210,000
Total assets	58,997,295	55,294,599*

Expressed in Hong Kong dollars '000s
** Restated to include the assets of Wardley Swire Holdings Limited*

increased foreign exchange volatility, expanded discretionary management of client portfolio services, and diversified swap activities.

Reflecting the restructuring of the HSBC Group in 1991, Wardley Bank (Luxembourg) S.A. was renamed HSBC Bank (Luxembourg) S.A. The bank also reported better than expected results.

Debt Origination and Advisory Services

Wardley Capital Limited, an acknowledged leader in project finance and advisory services, produced good profits in 1991. Activities during the year included acting as the Hong Kong lead manager for the Asian Development Bank's pioneering 'dragon' bond issue, and completing the project financing for the Guangdong Superhighway in southern China. The company also

acts as financial adviser to the Hong Kong Government for the new airport now under construction in Hong Kong. Other work involved advising on infrastructural projects in Thailand, Taiwan and Malaysia, as well as profitable activities in aviation and property finance, export credits, and financial risk management.

Corporate Finance

In a year of numerous initial public offerings, Wardley Corporate Finance Limited sponsored and underwrote 11 flotations on the Hong Kong stock exchange. Participating in a wide range of activities, the company also acted as financial adviser to, and lead underwriter of, the two largest rights issues in Hong Kong during the year.

Wardley's branch in Singapore had a slow year in difficult market conditions.

Broking and Securities Services

Wardley-Thomson Limited's broking and securities business recorded significant profit increases in 1991. Contributing to the strong performance was higher turnover on the world's major exchanges, combined with strengthened trading and expanded arbitrage activity in futures, options, equities, bullion and precious metals. At the beginning of 1992, Wardley-Thomson merged with James Capel (Far East) Limited to form Wardley James Capel Limited. The new company expects to achieve good operational efficiency as a result of higher combined trading volume and broader market reach.

Wardley's association with Cathay Trust in Thailand produced results considerably better than anticipated earlier in 1991. PT Wardley James Capel Indonesia, however, performed poorly and is expected to improve only with an upturn in the world economy and rising oil and commodity prices.

Improved turnover on the Hong Kong stock exchange enabled Central Registration Hong Kong Limited to earn higher profits in 1991. Owned 50 per cent by Wardley, the company provides a computerised registration service for Hong Kong-listed company shareholders.

Wardley Shipping Services Limited produced satisfactory profits. It opened a London office in May.

INVESTMENT MANAGEMENT

Wardley Investment Services Limited achieved excellent results during 1991. Both profitability and assets under management increased.

In Hong Kong, which remains the company's largest fund management centre, assets under management increased by one-third, reflecting an expanded client base and highly competitive investment returns. Carlingford Swire Assurance Limited, engaged primarily in the provision of group retirement benefits, is well positioned to meet the rapid growth in demand for retirement and pension products anticipated as a result of Hong Kong legislative changes proposed for 1992.

In Singapore, operations were affected by the sharp volatility of the region's smaller markets in 1991. In Australia, after very creditable investment results in recent years, Wardley Investment Services (Australia) Limited is well positioned for growth during 1992,

though it reported a loss for 1991. In North America, Marinvest, Inc. is also set for substantial growth in 1992.

To provide more focused marketing and management, the asset management business of the HSBC Group was restructured along geographic lines in 1991. Wardley Investment Services Limited retains responsibility for the Asia-Pacific region, Marinvest, Inc. concentrates on the North American market, and James Capel Asset Management Limited covers the European market. All three companies now report to a chief executive responsible for asset management throughout the HSBC Group.

OTHER OVERSEAS OPERATIONS

In disposing of its non-strategic loan portfolio booked a decade ago, Equator Holdings Limited incurred a loss similar to that in 1990. The Equator Group has now been restructured with adequate capital, however, and is expected to return to profit in 1992. Current business in 1991 produced good profits and Equator has established an effective role assisting in trade finance and acting as a financial intermediary between aid agencies and African customers.

In North America, Wardley Incorporated was merged with James Capel Incorporated in New York under James Capel's ownership. The resultant economies benefited both companies. Wardley Canada Inc, a subsidiary of Hongkong Bank of Canada, reported improved results.

Wardley Cyprus Limited made a satisfactory profit despite the effects of the Gulf War on the economy of Cyprus.

In Malaysia, Wardley Limited's interest in Utama Wardley Berhad was reduced to just below 20 per cent following a rights issue. Utama Wardley's profit again increased significantly.

James Capel Group



The James Capel Group returned to profit in 1991, despite varying levels of activity on the world's stock-markets. Market volumes were generally buoyant during the first four months of the year, but became considerably weaker later. The strong recovery from the loss recorded in 1990 was due to the exceptional performance of a number of areas, the introduction of new products, increases in market share, and tight control of costs. As a result, the company was able to repay £34.5 million of capital loans to its shareholder.

In the United Kingdom, James Capel remained London's leading agency broker, and its research work was again highly rated by a number of independent polls. The company's institutional sales and dealing activities made a reasonable profit. Its derivatives teams were reorganised to take account of the proposed merger of the UK derivatives markets — the London International Financial Futures Exchange and the London Traded Options Market. At the same time, James Capel purchased the 50 per cent of James Capel-CM&M (UK) Limited it did not already own. In corporate finance, James Capel acted as lead broker to the UK Government in the offers for sale of two electricity-generating companies. The investment management division, which serves both domestic and offshore private clients, had an excellent year, partly reflecting the

Financial highlights	1991	1990
Share capital and reserves	81,012	71,550
Profit/(loss) for the year after taxation	6,055	(30,350)
Dividends paid	—	11,688
Total assets	2,173,467	3,047,411

Expressed in pounds sterling '000s

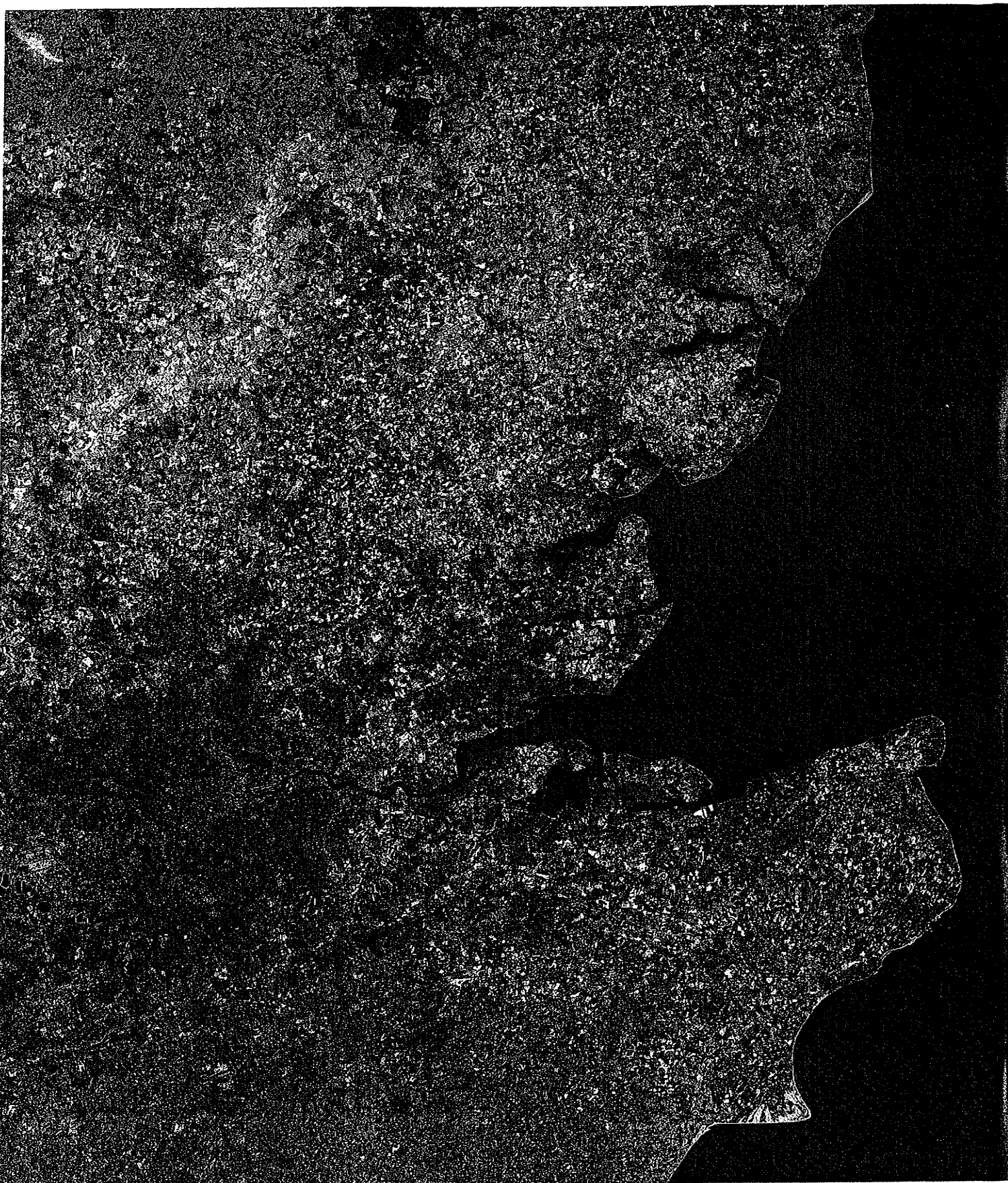
acquisition in 1990 of a major part of the Stock Group (London) Limited.

In the reorganisation of the global fund management operations of the HSBC Group, Wardley Investment Services Limited in the United Kingdom was merged with James Capel's profitable fund management and unit trust divisions. James Capel Moneybroking, which did not provide an adequate return on capital, was closed.

Against a background of difficult market conditions, results in continental Europe were mixed. In Paris, James Capel S.A. had a disappointing year. Derivatives trading was adversely affected by the collapse of premiums following the end of the Gulf War in February, while sales volumes, particularly in the international sector, were very weak. During the year, the business was refocused substantially, including the sale of the private client operation and a sizeable reduction in staff numbers. James Capel's Amsterdam and

London. One of the world's major financial centres, the British capital is the centre of Group activities in Europe. HongkongBank first opened an office in London in 1865; today it provides a wide range of banking services from its offices in the city, with strong treasury, corporate banking and trade finance capabilities.

James Capel, the leading international securities house, also has a major presence in its domestic market, while HongkongBank International Trade Finance is the Group's specialist trade finance arm serving importers and exporters throughout the world.



Frankfurt offices suffered from low volumes of activity. In Madrid, however, the joint venture James Capel-Midland Agencia de Valores S.A. showed a good return on investment.

In the Americas, James Capel Incorporated had an outstanding year, during which it became a member of the New York Stock Exchange. As Latin American markets began to offer attractive returns on investment, James Capel was in the forefront of regional broking and corporate finance activities, which were co-ordinated by its New York office but involved its world-wide distribution capabilities. James Capel was one of three brokers initially permitted access to the Brazilian Stock Exchange on behalf of foreign investors, and was the first European securities house to lead manage a Mexican initial public offering. It also successfully launched a Latin American fund that gives access to regional markets other than Mexico. In Canada, BBN James Capel Inc. opened new equity sales offices in Calgary, Montréal and Vancouver, and made good progress in its corporate finance operation.

The Tokyo market saw extremely low volumes of activity throughout the year, but James Capel Pacific Limited made a good profit and was among the leading international securities firms in terms of market share. The company also obtained membership of the Osaka Securities Exchange to trade the Nikkei 225 futures and related options. James Capel Australia Limited produced poor results, and its operation was scaled down.

The Hong Kong office had another good year, despite the regional slow-down in corporate activity. Although the results of Kay Hian James Capel Pte. Ltd., the publicly listed joint venture in Singapore, reflected a lower level of market activity, they were nevertheless respectable. James Capel's comprehensive regional network was strengthened by the opening of a research office in Kuala Lumpur. In October, a merger was announced between James Capel (Far East) Limited and Wardley-Thomson Limited. The new company, Wardley James Capel Limited, is now the region's strongest integrated securities business.

CM&M Group



Carroll McEntee & McGinley, the HSBC Group's primary dealer in US government securities, recorded a profit of us\$9.3 million for 1991. The company's total revenues increased by almost one-third as declining interest rates prompted sharp increases in customer volume, especially for government securities. Each of CM&M's wholesale, futures and broker-dealer activities contributed higher revenues, while the company's continued emphasis on cost containment helped to reduce overall fixed operating costs.

New strategies implemented by the wholesale trading desk resulted in better service for round-lot customers, generated substantial growth in revenue, and created opportunities to generate higher risk trading revenues on a more consistent and measured basis. Plans for 1992 call for integrating CM&M's risk trading activities more closely with HSBC Group treasury operations in New York and London.

The company's broker-dealer business ended its second year in operation generating strong new customer revenues from non-US treasury fixed-income products. Mortgage-backed securities, broadly traded around the world, were added to the product line during the year. As a result of lower interest rates, CM&M's retail business became more competitive. The company undertook new technology initiatives to counter this trend.

Financial highlights	1991	1990
Share capital and reserves	84,432*	95,117
Profit attributable to shareholders	9,315	407
Total assets	2,912,446	2,335,095

Expressed in US dollars '000s

* On 31 December 1991, CM&M Group redeemed Group stock valued at US\$20 million

In CM&M's futures operations in Chicago and Singapore, growth in client business and Group volume led to increases in commission income and net earnings. In Europe, changes in the derivative products market led CM&M to transfer its share of a jointly owned London futures floor brokerage to James Capel & Co. Limited.

The highly publicised incidence of fraud by a primary dealer in the US government securities market during 1991 had only a marginal impact on CM&M. The company backed the investigation of auction and trading practices, and supports efforts to ensure the fairness, and improve the operating efficiency, of the markets for US government securities.

Tokyo. Capital of the Asia-Pacific region's leading economy and its largest financial centre, Tokyo is an important location for HSBC Group activities. Having opened a branch in Yokohama — the port lying immediately to the south of Tokyo — in 1866, HongkongBank celebrated its 125th anniversary in Japan in 1991. Other Group companies with a presence in Tokyo are CM&M, Wardley, James Capel and Hongkong International Trade Finance.

Finance Companies

Wayfoong Finance Limited

Financial highlights	1991	1990
Share capital and reserves	585,331	512,478
Profit attributable to shareholders	272,853	223,329
Dividends paid and proposed	200,000	200,000
Total assets	9,716,851	12,587,943

Expressed in Hong Kong dollars '000s

Buoyant demand for residential mortgages, together with steady growth in Wayfoong Finance Limited's hire-purchase business and a reduction in overheads, led to a significant increase in profitability in 1991. The return on resources improved as a result of a lower than expected cost of funds, but the decline in interest rates in the latter part of the year caused a marked reduction in the company's deposit base. Nevertheless, to strengthen the company's capital base, the dividend was maintained at the 1990 level.

HSBC Finance (Malaysia) Berhad

Financial highlights	1991	1990
Share capital and reserves	73,380*	73,589
Profit attributable to shareholders	5,791*	9,858
Dividends paid and proposed	6,000*	9,800
Total assets	879,806*	763,524

Expressed in Malaysian ringgit '000s

**Subject to approval*

Operating conditions for HSBC Finance (Malaysia) Berhad were difficult in 1991 despite Malaysia's generally buoyant economy. In a strongly competitive environment, the company succeeded in increasing customer advances but a substantial rise in the cost of funds resulted in narrower interest margins. Concerned about rising inflation, Bank Negara Malaysia instituted various measures to curb consumer spending including both higher down payments and faster repayments for cars financed by hire-purchase. Lower commodity prices also adversely affected the company's equipment financing business, particularly in East Malaysia. As a consequence, the company reported a lower profit for 1991 than for 1990.

Wayfoong Mortgage And Finance (Singapore) Limited

Financial highlights	1991	1990
Share capital and reserves	25,384*	23,872
Profit attributable to shareholders	2,478*	4,673
Dividends paid and proposed	966*	2,505
Total assets	305,502*	217,741

Expressed in Singapore dollars '000s

**Subject to approval*

Wayfoong Mortgage And Finance (Singapore) Limited made good progress and good working profits in 1991. The company completed the installation of its new computer system, which, in an increasingly competitive market, permitted strong growth in receivables and deposits without the need to increase staff numbers. Although the company slowed its property financing, it enjoyed a highly successful year with hire-purchase financing. A reduction in the cost of funds, together with a rise in yields on customer advances, produced a significant increase in working profit. General provisions were increased, as encouraged by the Monetary Authority of Singapore, thus reducing reported profits.

Mortgage And Finance Berhad

Financial highlights	1991	1990
Share capital and reserves	6,331	6,025
Profit attributable to shareholders	4,156	5,292
Dividends paid and proposed	3,850	5,300
Total assets	127,680	111,691

Expressed in Brunei dollars '000s

Despite asset growth, tight control of operating expenses and continuing low levels of delinquencies, Mortgage And Finance's 1991 profit was 21 per cent below the high level achieved in 1990. Two factors cut into profits for the company, whose main business is the hire-purchase of private vehicles. First, although the company was able to sustain satisfactory deposit growth, declining interest rates on surplus funds caused net margins to narrow. Second, banks providing personal instalment loans proved to be highly competitive. Whilst the company maintained market share in 1991, growth prospects have narrowed so abruptly that it is reviewing expansion into other lines of business.



HongkongBank International Trade Finance Limited

Financial highlights	1991	1990
Share capital and reserves	5,188	5,327
Profit attributable to shareholders	2,868	3,662
Dividends paid and proposed	2,868	3,662
Total assets	132,488	108,792

Expressed in pounds sterling '000s

During the year, Western Europe's business and industrial sectors continued to suffer, albeit in varying degrees, from the effects of the recession. Although HongkongBank International Trade Finance Limited's traditional customer base is almost entirely in Western Europe, the spread of its customers enabled the company to weather the recession and maintain a steady income. However, overheads were adversely affected by non-recurrent costs and, as a result, the company's profit for 1991 was lower than that for 1990. To improve its performance, the company — whose core business remains cross-border trade finance involving automotive distribution, raw materials, chemicals and semi-capital equipment — took steps to lower its cost base.

Concord Leasing, Inc.

Financial highlights	1991	1990
Share capital and reserves	124,873	103,994
Profit attributable to shareholders	20,879	19,607
Total assets	2,170,392	1,946,597

Expressed in US dollars '000s

Concord Leasing, Inc., the Group's primary secured equipment leasing operation in the United States, again produced strong earnings. Despite the nation's depressed economy, the company achieved record profitability with 1991 net income of us\$20.9 million. Concord's sustained profitability is partly attributable to its strategy of diversifying its markets and products. In 1991, for example, its health care and computer portfolios achieved excellent results, whilst graphic arts and construction industries were down. Reflecting Concord's ability to manage its mix of assets and liabilities by syndicating or securitising selected transactions, assets rose by 11.5 per cent based on us\$1.1 billion in new business bookings.

Insurance Companies

Carlingford and Gibbs Insurance Groups



Despite the downturn in the world's insurance markets, caused by substantial underwriting losses and minimal growth in broking activity, the results of the Carlingford and Gibbs Insurance Groups exceeded expectations. Post-tax profit increased to HK\$122.4 million.

The year saw a number of developments in the Group's insurance business, including the successful launch of a personal insurance joint venture and two acquisitions, all of which took place in the United Kingdom. A 50 per cent owned venture was established by Gibbs Hartley Cooper Limited jointly with the Norwich Union Group, with the objective of increasing the Insurance Group's household and motor insurance business in the United Kingdom. A pension consultancy was acquired by Antony Gibbs Benefit Consultants Limited and a retail insurance broking portfolio by Gibbs Hartley Cooper. Helped by strong internal growth, these acquisitions enabled the Group's intermediary insurance businesses to achieve record profits.

Financial highlights	1991	1990
Share capital and reserves	633,177	562,225
Profit for the year after taxation	122,401	119,358
Dividends paid and proposed	44,557	40,000
Total assets	2,771,923	2,802,182

Expressed in Hong Kong dollars '000s

Although the general insurance market in South-East Asia was also affected by the difficulties experienced by the industry in other parts of the world, and despite lower interest rates and continuing downward pressure on premiums, the Group's underwriting subsidiaries in the region were able to report profits that were in line with those for 1990. The insurance broking units — which operate principally from the United Kingdom, the Middle East, Bermuda, Cyprus, Singapore and Hong Kong — achieved

a very strong profit growth of 70 per cent. The agency business in the Asia-Pacific region continued to expand; it was strengthened by the establishment in July of HongkongBank Insurance Services to develop business for the insurance subsidiaries with corporate and retail banking customers of other members of the HSBC Group.

Trustee Companies

HKBG Holdings Limited



The Trustee Group had a disappointing year. Although the income of Group companies continued to grow, rising rents and other costs resulted in a decline in overall profits compared with 1990. The increased costs were mainly due to Hong Kong's high inflation rate, and the Group's investment in human resources and technology.

Asian markets were buoyant during 1991. However, the growth in the Group's corporate business was slower than expected, primarily because of the postponement of proposed legislation regulating provident funds in Hong Kong. The enactment of the new legislation is now expected to take place in the first half of 1992. During 1991, the Trustee Group companies in both Hong Kong and Malaysia positioned themselves to take advantage of the business opportunities expected to arise from employers' increased awareness of the need to provide improved benefits for their staff, including retirement plans. The HongkongBank Pooled Provident Plan — launched in Hong Kong in early 1992 by HongkongBank International Trustee Limited in association with various fund management companies — is designed to capture a share of a growing market for retirement benefits.

Increased competition in the personal trust business in Asia resulted in lower margins despite relatively good economic conditions.

The Trustee Group's strong commitment to the development of new business and new markets, combined with tight control of overheads, should produce positive results. The investment in technology during the year will enable the companies to enhance client servicing and will lead to greater operational efficiency. Thus, while the outlook for 1992 is uncertain, the Trustee Group is well positioned for long-term growth.

Investments

Midland Bank plc

The Group's investment in Midland Bank plc, which is held through a UK subsidiary, stood at 14.6 per cent at the end of 1991. The investment produced dividend income of £5.2 million in 1991 compared with £27.5 million in 1990.

Grenville Transportation Holdings Limited

Financial highlights	1991	1990
Share capital and reserves	424,353	487,318
Profit attributable to shareholders	1,850,459	1,052,891
Dividends paid and proposed	1,912,688	1,060,077
Total assets	1,595,821	1,711,972

Expressed in Hong Kong dollars '000s

During 1991 Grenville Transportation Holdings Limited, through its subsidiary Fort Hall Limited, sold 188 million shares in Cathay Pacific Airways Limited.

The exceptional gains on the sales resulted in a significant increase in Grenville Transportation's profit for the year and in the dividends paid and proposed. Underlying profits increased in spite of lower dividend income and a reduced contribution from associated companies.

Five-year comparison (HK\$m)						Compound rate of growth (%)
At year-end	1987	1988	1989	1990	1991	1987-91
Share capital	11,818	13,102	14,540	16,161	16,301	8.4
Shareholders' funds	33,299	35,930	52,669	53,502	56,286	14.0
Capital resources	54,692	59,927	79,062	79,847	82,215	10.7
Assets	823,653	883,711	1,037,774	1,158,256	1,248,796	11.0
For the year						
Profit attributable to the shareholders	3,593	4,300	4,774	3,096	5,664	12.1
Dividends	1,795	2,094	2,440	2,518	3,013	13.8
Earnings per share (adjusted)	HK\$ 2.39	2.72	3.00	1.93	3.49	9.9
Dividends per share (adjusted)	HK\$ 1.14	1.32	1.53	1.56	1.85	12.9

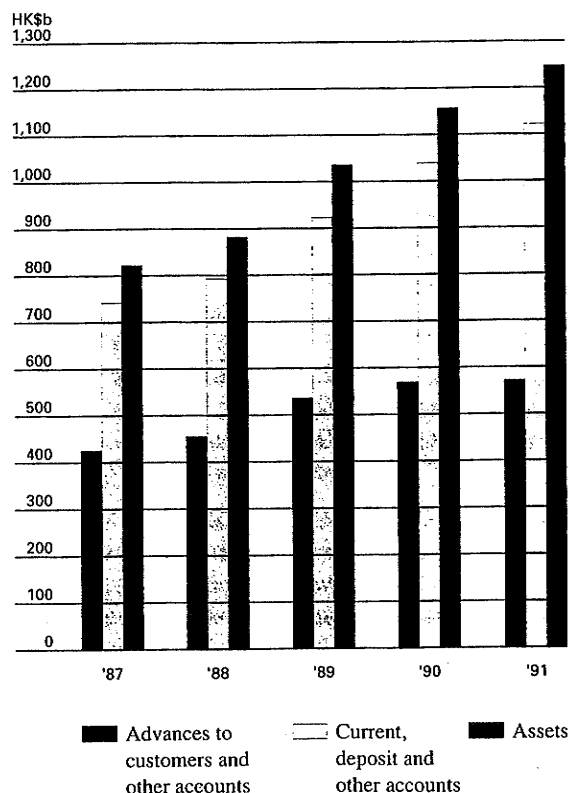
Assets, deposits and advances

At the end of 1991 total assets stood at HK\$1,248,796 million, an increase of HK\$90,540 million or 7.8% compared with an increase of 11.6% in 1990.

Advances to customers and other accounts increased by only 0.5%, compared with 6.0% in 1990, to a total of HK\$573,332 million (1990: HK\$570,549 million), representing 45.9% (1990: 49.3%) of total assets.

Current, deposit and other accounts stood at HK\$1,124,252 million, an increase of HK\$82,288 million or 7.9% compared with 12.5% in 1990.

The increase in deposits resulted in the advances to deposits ratio declining to 51%, the lowest level for a number of years.

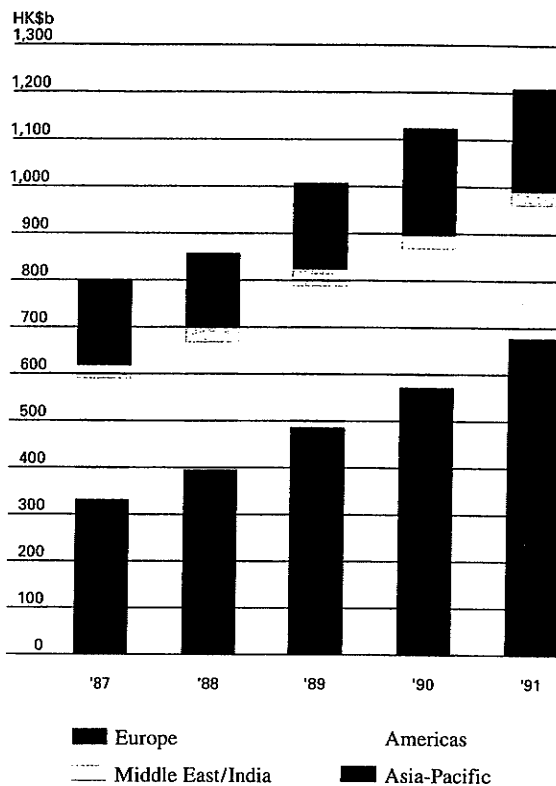


Assets: geographical distribution (excluding Hong Kong Government certificates of indebtedness)

The distribution of assets in 1991 compared with 1990 was as follows:

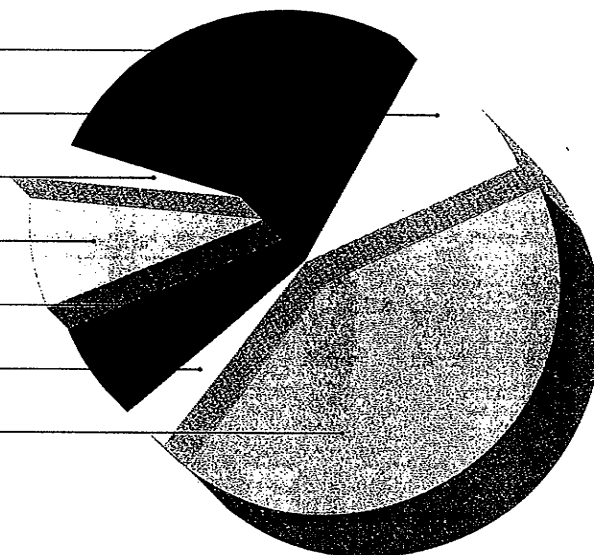
1990		1991
50.8%	Asia-Pacific	56.0%
26.3%	Americas	23.4%
2.7%	Middle East/India	2.5%
20.2%	Europe	18.1%

The proportion of assets in the Asia-Pacific region grew by HK\$106 billion during 1991, primarily due to increases in assets net of intra-group balances in Hong Kong by HongkongBank branch operations and Hang Seng Bank of 40% and 10% respectively. The proportion of assets in the Americas fell by HK\$13 billion, mainly as a result of a 16% contraction in the assets of Marine Midland Bank. The main reason for the HK\$9 billion fall in the proportion of assets in Europe was a decrease of 29% in the assets of the James Capel Group. The proportion of assets in the Middle East/India in 1991 was similar to that in 1990. Advances are classified by the location of the subsidiary or, in the case of HongkongBank operations, of the lending branch, which is not necessarily the same as the country of the borrower.



Assets 1991 (excluding Hong Kong Government certificates of indebtedness)

1990		1991
25.8%	Cash and short-term funds	28.0%
10.3%	Placings with banks maturing between one and twelve months	10.1%
3.9%	Trade bills and certificates of deposit	3.3%
5.6%	Investments	7.8%
6.4%	Other accounts	5.2%
3.4%	Fixed assets	3.2%
44.6%	Advances	42.4%
14.6%	Commercial, industrial and international trade	12.6%
6.9%	Individuals	5.6%
2.7%	Financial institutions	2.4%
13.6%	Property	14.9%
0.3%	Shipping	0.4%
6.5%	Other	6.5%



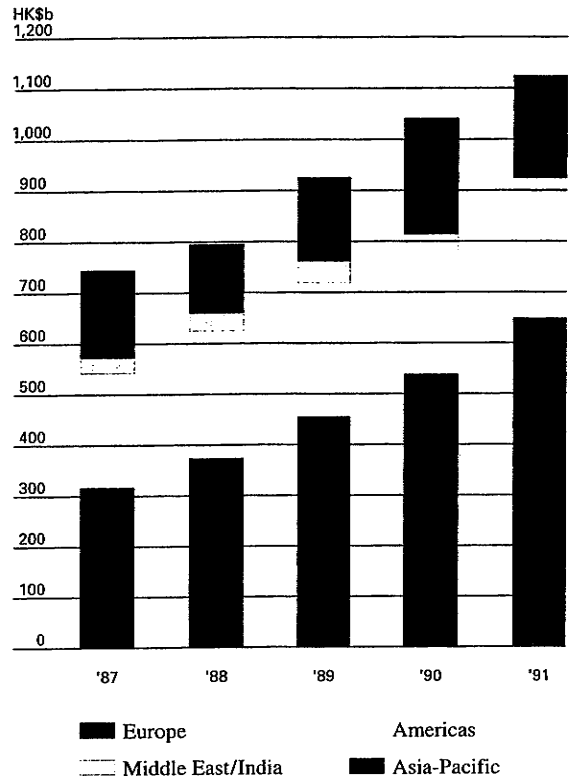
**Current, deposit and other accounts:
geographical distribution**

The geographical distribution of current, deposit and other accounts in 1991 compared with 1990 was as follows:

1990		1991
51.7%	Asia-Pacific	57.7%
23.2%	Americas	21.7%
3.2%	Middle East/India	2.8%
21.9%	Europe	17.8%

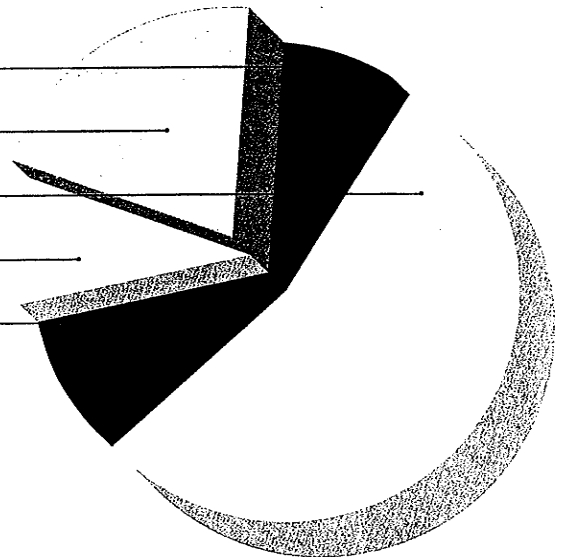
The distribution closely follows that for assets.

Deposits are classified by the subsidiary or, in the case of HongkongBank operations, by the branch holding the deposit, which is not necessarily the same as the country of the depositor.



**Current, deposit and other accounts 1991
(excluding inner reserves)**

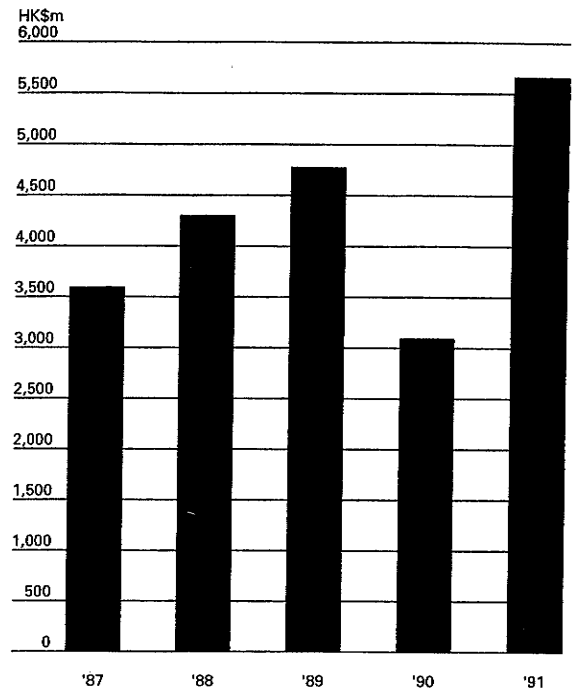
1990		1991
6.5%	Current accounts	7.6%
16.7%	Savings accounts	20.8%
57.3%	Deposit accounts	54.4%
11.4%	Deposits from banks	8.8%
8.1%	Other accounts	8.4%



Profit

For 1991 profit attributable to shareholders, after taxation and transfers to inner reserves, was HK\$5,664 million, an increase of 82.9% compared with 1990. The profit of HK\$3,096 million for 1990 was a decrease of 35.1% compared with 1989.

The main increases in profit were achieved by HongkongBank, Hang Seng Bank, the Wardley Group and Grenville Transportation in Hong Kong, by HongkongBank's operations in Singapore, by Hongkong Bank of Canada, and by The British Bank of the Middle East. Both HongkongBank of Australia and Marine Midland Bank reduced the level of their losses in 1991 compared with 1990. In the United Kingdom, both HongkongBank and the James Capel Group reported profits in 1991 after their losses in 1990.

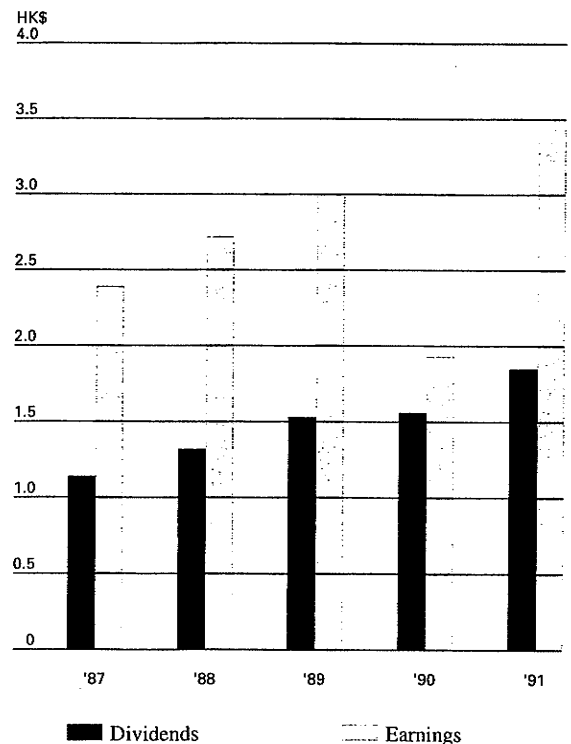


Earnings and dividends per share

Earnings per share for 1991, calculated by dividing the Group profit of HK\$5,664 million by the weighted average number of ordinary shares in issue during 1991 of 1,625 million, amounted to HK\$3.49. This compares with HK\$1.93 for 1990, an increase of 80.8%.

Dividends per share for 1991 amounted to HK\$1.85 compared with HK\$1.56 for 1990 after adjustment, an increase of 18.6%. The dividend for 1991 represented 53.2% of published earnings compared with 81.3% in 1990.

The comparative dividend and earnings per share figures for the years 1987 to 1990 are those of HongkongBank adjusted for the reduction in the number of shares in issue following the Scheme of Arrangement which came into effect in April 1991.

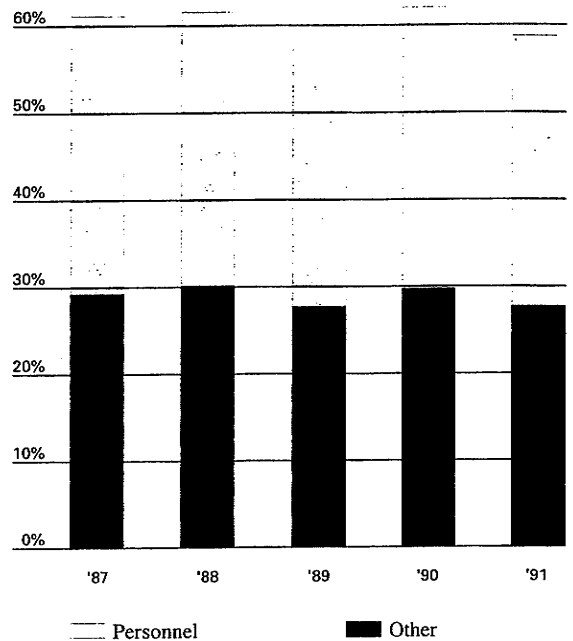


Group cost : income ratio

The Group's operating costs, divided into personnel and other costs, are shown as percentages of total net income (comprising net interest income, other operating income, and income from investments).

In 1991, total operating costs were 58.8% of operating income, an improvement on 1990's figure of 62.1%. Personnel costs decreased from 32.3% of operating income in 1990 to 31.0% in 1991.

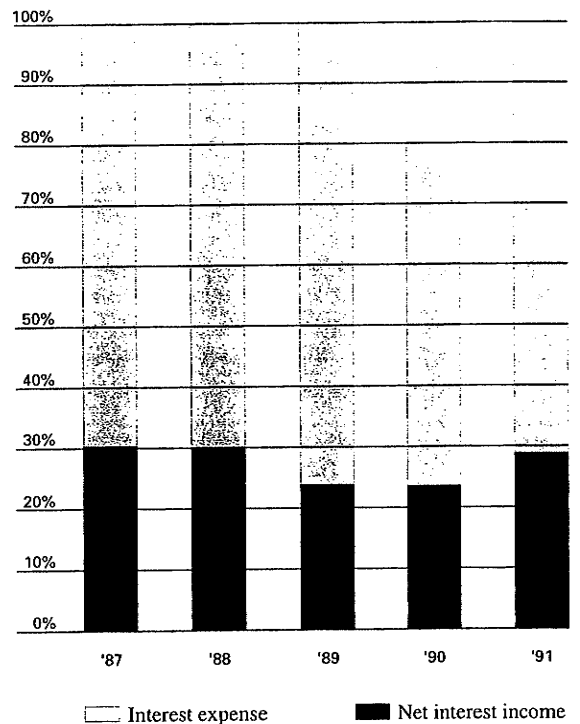
Operating costs
Total net income
70%



Group net interest income

In 1991, Group net interest income grew by 10.7% and was 28.9% of gross interest income, compared with 23.6% in 1990.

Although gross interest income declined by 9.6%, interest expense also fell, by 15.8%. Thus, an increased proportion of gross interest income was reflected in net interest income.

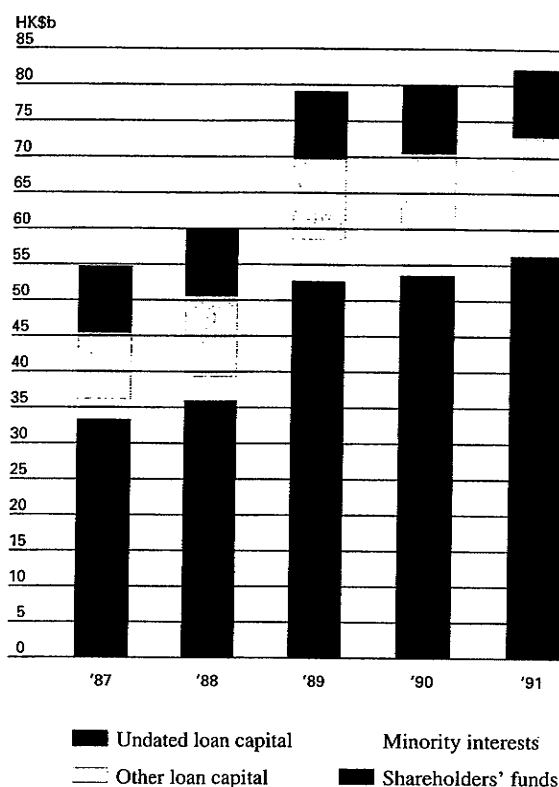


Capital resources

The Group's capital resources rose by HK\$2,368 million in 1991, an increase of 3.0% compared with 1.0% in 1990, mainly as a result of the retained profit for the year.

The Group's risk-weighted assets grew by HK\$31.4 billion to HK\$750.6 billion, an increase of 4%, and the Tier I ratio, which stood at 6.47% at the end of 1990, improved to 7.43% by year-end 1991.

The Group's total ratio is not published but was well in excess of the minimum.



Group staff numbers (as at 31 December)

	1990	1991
The Hongkong and Shanghai Banking Corporation Limited	23,690	23,352
Hang Seng Bank	7,041	7,472
The British Bank of the Middle East	2,111	2,086
Marine Midland Bank	11,345	10,450
Hongkong Bank of Canada	3,200	2,873
Hongkong Bank of Australia	633	590
Wardley Group	1,215	1,384
James Capel Group	2,111	1,877
CM&M Group	344	330
Insurance Group	988	1,139
Others	1,939	2,217
Total	54,617	53,770

Results for the Year

The Group profit for the year, after taxation and transfers to inner reserves by subsidiary undertakings, attributable to shareholders of the Company was HK\$5,664 million.

The Directors recommend the payment of a final dividend of HK\$1.31 per Ordinary Share on 26 May 1992 to shareholders who are registered as at the close of business on 1 May 1992. With the interim dividend of HK\$0.54 per Ordinary Share already paid, the total distribution for the year will amount to HK\$3,013 million. The dividend will be payable in cash with a scrip alternative.

Further information about the results is given in the accompanying profit and loss account.

Principal Activities and Business Review

Under a Scheme of Arrangement pursuant to section 166 of the Companies Ordinance of Hong Kong, which became effective on 2 April 1991, the Company became the Group holding company. Through its subsidiary and associated undertakings the Group provides a comprehensive range of financial services — commercial banking, merchant banking and capital markets, consumer finance, securities, investment and insurance — through an international network of some 1,400 offices in more than 50 countries throughout Asia-Pacific, Australasia, the Middle East, Europe and the Americas. Before the Scheme of Arrangement became effective the principal activity of the Company was the leasing of property in Thailand.

A review of the development of the business of Group undertakings during the year, particulars of important events since the end of the year and an indication of likely future developments are given in the Review of the Group on pages 7 to 33.

A geographical analysis of Group assets is set out on page 35. A further analysis of categories of assets (including advances) is also set out on page 35.

Share Capital and Reserves

The following events occurred during the year:

- (1) consequent upon the Scheme of Arrangement becoming effective on 2 April, the existing Ordinary Shares of 1p each and Deferred Shares of 12½p each were consolidated and converted into 301,500 Non-voting Deferred Shares of £1 each, the authorised capital was increased by the creation of 2,000,000,000 Ordinary Shares of HK\$10 each, and 1,625,396,824 of those shares were issued in exchange for 6,501,587,294 shares of HK\$2.50 each in the capital of The Hongkong and Shanghai Banking Corporation Limited under the terms of the Scheme of Arrangement; and
- (2) 4,751,958 Ordinary Shares of HK\$10 were issued at par in lieu of the interim dividend for 1991 to shareholders who had elected to receive new shares instead of cash dividends. The average market price per share used to calculate shareholders' entitlements to new shares in lieu of the cash dividend was HK\$30.75.

At the Annual General Meeting, the Directors will seek a renewal of the general authority given to them at the last Annual General Meeting to allot and issue additional Ordinary Shares of the Company. The general purpose of such an authority is to enable the Directors to issue shares up to a specified number without having first to obtain the consent of shareholders in general meeting. The need for such an issue of shares could, for example, arise in the context of a transaction (such as the acquisition of a company) which had to be completed speedily. The granting of such an authority is now commonplace and the Directors take the view that it would be in the interests of the Company if the authority were granted to them.

The Directors have undertaken that no capital will be issued which would effectively change the control of the Company or the nature of its business without the prior approval of shareholders in general meeting. They have at this time no plans to issue additional shares under this authority other than in accordance with the scrip dividend scheme.

Fixed Assets

The market value of the Group's properties has been reassessed by the Group's professional valuation staff and it is estimated that overall there was a surplus of approximately HK\$2 billion over the value at which it is included in the consolidated balance sheet. The Group's properties are subject to a comprehensive valuation on a triennial basis for the purpose of updating the balance sheet value. The next such valuation will be made at 31 December 1992.

Directors

The names of the Directors serving at the date of this Report are set out on page 3.

During the year B L Goldthorpe and J E Hotung were appointed Directors and Sir Kit McMahon, J C C Tang, G A Thompson and P J Wrangham resigned.

Having been appointed since the last Annual General Meeting, B L Goldthorpe and J E Hotung will retire at the forthcoming Annual General Meeting and, being eligible, offer themselves for re-election. D A Gledhill, F R Frame and K S Li have each intimated their intention to retire at that Meeting. Mr Frame has agreed to continue to serve as an Adviser to the Board.

Neither of the Directors proposed for re-election at the Annual General Meeting has a service contract with the Company or a subsidiary undertaking which is not determinable within one year without payment of compensation.

Directors' Interests

According to the register of Directors' interests kept by the Company under section 325 of the Companies Act 1985, Directors of the Company had the following interests in the shares of the Company at 31 December 1991 and those who were Directors at the beginning of the year had the following beneficial interests in the shares of The Hongkong and Shanghai Banking Corporation Limited at 1 January 1991:

	<i>HongkongBank at 1 January 1991</i>	<i>HSBC Holdings plc at 31 December 1991</i>				<i>Total</i>
		<i>Personal</i>	<i>Family</i>	<i>Corporate</i>	<i>Other</i>	
B H Asher	nil	—	—	—	—	nil
J R H Bond	61,239	15,309	—	—	—	15,309
D E Connolly	641,531	170,616	—	—	—	170,616
Baroness Dunn	nil	—	—	—	—	nil
F R Frame	86,137	22,908	—	—	—	22,908
D A Gledhill	nil	—	—	—	—	nil
B L Goldthorpe	not applicable	1,500	—	—	—	1,500
J M Gray	58,380	3,402	11,947	—	—	15,349
J E Hotung	not applicable	229	—	110,000*	—	110,229
N R Knox	30,250	7,562	—	—	—	7,562
H C Lee	66,140	17,589	—	—	—	17,589
K S Li	2,038,505	509,626	—	—	—	509,626
D P H Liao	61,505	16,357	—	—	—	16,357
C D Mackay	nil	—	—	—	—	nil
C W Newton	8,091	2,151	—	—	—	2,151
W Purves	114,388	30,421	—	—	—	30,421
N M S Rich	14,520	3,630	—	—	—	3,630
H Sohmen	1,671,563	—	161,292	190,379*	—	351,671
J E Strickland	78,270	24,041	840	—	—	24,881
J J Swaine	951	—	—	—	—	nil

* *Interests held by private investment companies*

At the date of their appointment as Directors, B L Goldthorpe had no interests in any shares of any Group company and J E Hotung had an interest in 10,229 Ordinary Shares of the Company.

H C Lee had a personal interest in 13,500 ordinary shares of Hang Seng Bank Limited at 1 January and 16,200 ordinary shares at 31 December.

As Directors of Marine Midland Bank, N.A., J R H Bond, J M Gray, N R Knox, and W Purves each had a personal interest in 10 shares of common stock of that Company at the beginning and at the end of the year.

Save as stated above, none of the Directors had an interest in any shares or debentures of any Group company at 1 January 1991, or at the date of their appointment as Directors if later, or at 31 December 1991, and none of the Directors, or members of their immediate families, was granted or exercised any right to subscribe for any shares or debentures during the year. There has been no change in these interests since the year-end.

None of the Directors had during or at the end of the year a material interest, directly or indirectly, in any contract of significance with the Company or any of its subsidiary undertakings.

Directors' and Officers' Liability Insurance

Directors' and Officers' liability insurance was purchased during the year.

Employees

At 31 December 1991 there were 53,770 persons employed by the Group.

The average number of persons employed by the Group during the year was 54,353. Of these, 2,898 were employed in the United Kingdom and their aggregate remuneration in respect of the year was HK\$2,005 million.

Substantial Interests in Share Capital

No substantial interests in the equity share capital are recorded in the registers maintained by the Company under section 16(1) of the Securities (Disclosure of Interests) Ordinance of Hong Kong and section 211 of the Companies Act 1985 of Great Britain. To the best of the knowledge of the Directors, no person has a beneficial interest in more than one per cent of the equity share capital of the Company.

Political and Charitable Donations

During the year, subsidiary undertakings made charitable donations totalling HK\$34,291,000. Of this amount HK\$1,106,000 was given for charitable purposes in the United Kingdom. A donation of £5,000 (HK\$73,000) was made to the Conservative and Unionist Party by James Capel & Co. Limited, a subsidiary undertaking.

Finance Review Committee

A Finance Review Committee meets regularly with the Group's senior financial, internal audit and compliance management and the external auditors to consider the nature and scope of audit reviews and the effectiveness of the systems of internal control and compliance. The members of the Finance Review Committee are D E Connolly (Chairman), C W Newton, both non-executive Directors, and F R Frame, Director and Adviser to the Board.

Auditors

The Accounts have been audited by KPMG Peat Marwick (Certified Public Accountants).

Consequent upon the commencement of Part II of the Companies Act 1989, the auditors of the Company to be appointed at the Annual General Meeting are required to be a member of a recognised supervisory body in the United Kingdom. Accordingly, KPMG Peat Marwick (Certified Public Accountants) who will retire at the forthcoming Annual General Meeting will not seek reappointment. KPMG Peat Marwick (Chartered Accountants), which is an associated firm of the retiring Auditors and which is also resident in Hong Kong, has been authorised by the Institute of Chartered Accountants in England and Wales as a Registered Auditor and is accordingly eligible for appointment. Special Notice to propose the appointment of KPMG Peat Marwick (Chartered Accountants) as Auditors of the Company has been received.

On behalf of the Board
R G Barber, *Secretary*
Hong Kong, 10 March 1992

Consolidated Profit and Loss Account
for the Year Ended 31 December 1991

1990 HK\$m		Note	1991 HK\$m	1991 £m	1991 US\$m
3,659	Profit of the Company and its subsidiary undertakings	3	6,402	440	823
302	Share of profits less losses of associated undertakings		368	25	47
3,961			6,770	465	870
(865)	Profit attributable to minority interests		(1,106)	(76)	(142)
3,096	Profit attributable to the shareholders		5,664	389	728
(2,518)	Dividends	5	(3,013)	(207)	(387)
578	Retained profit for the year	17	2,651	182	341
HK\$			HK\$	£	US\$
1.93	Earnings per share	6	3.49	0.24	0.45
1.56	Dividends per share	5	1.85	0.13	0.24

1990 HK\$m		Note	1991 HK\$m	1991 £m	1991 US\$m
ASSETS					
289,868	Cash and short-term funds	7	338,029	23,221	43,446
116,233	Placings with banks maturing between one and twelve months		121,745	8,363	15,647
43,773	Trade bills and certificates of deposit		40,249	2,765	5,173
34,704	Hong Kong Government certificates of indebtedness	8	40,134	2,757	5,158
62,680	Investments	9	94,228	6,473	12,111
570,549	Advances to customers and other accounts	10	573,332	39,385	73,688
<u>1,117,807</u>			<u>1,207,717</u>	<u>82,964</u>	<u>155,223</u>
2,029	Investments in associated undertakings	12	2,149	148	276
38,420	Premises and equipment	13	38,930	2,674	5,004
<u>1,158,256</u>			<u>1,248,796</u>	<u>85,786</u>	<u>160,503</u>
LIABILITIES					
34,764	Hong Kong currency notes in circulation	8	40,194	2,761	5,166
1,041,964	Current, deposit and other accounts	14	1,124,252	77,230	144,497
1,681	Proposed dividend	5	2,135	147	274
<u>1,078,409</u>			<u>1,166,581</u>	<u>80,138</u>	<u>149,937</u>
CAPITAL RESOURCES					
20,027	Loan capital and preference shares	15	18,551	1,274	2,384
6,318	Minority interests		7,378	507	948
16,161	Share capital		16,301	1,120	2,095
37,341	Reserves	17	39,985	2,747	5,139
53,502	Shareholders' funds		56,286	3,867	7,234
<u>79,847</u>			<u>82,215</u>	<u>5,648</u>	<u>10,566</u>
<u>1,158,256</u>			<u>1,248,796</u>	<u>85,786</u>	<u>160,503</u>

W Purves, *Chairman*

1990 HK\$m		Note	1991 HK\$m	1991 £m	1991 US\$m
	FIXED ASSETS				
	Tangible assets:				
63	Premises and equipment	13	63	4	8
	Investments:				
—	Subsidiary undertakings	11	21,551	1,481	2,770
63			21,614	1,485	2,778
	CURRENT ASSETS				
	Debtors:				
3	Amounts owed by subsidiary undertakings		38,303	2,631	4,923
3			38,303	2,631	4,923
	CREDITORS: amounts falling due within one year				
—	Proposed dividend	5	2,135	147	274
1	Other creditors		71	5	9
	Amounts owed to subsidiary undertakings				
4			1,421	97	183
5			3,627	249	466
(2)	NET CURRENT ASSETS		34,676	2,382	4,457
61	TOTAL ASSETS LESS CURRENT LIABILITIES		56,290	3,867	7,235
	CAPITAL AND RESERVES				
4	Called up share capital	16	16,305	1,120	2,096
54	Revaluation reserve		11,144	766	1,432
3	Profit and loss account	4	28,841	1,981	3,707
57	Reserves	17	39,985	2,747	5,139
61	Shareholders' funds		56,290	3,867	7,235

W Purves, *Chairman*

1 Reorganisation and basis of consolidation

- a** The accounts have been prepared under the historical cost convention, as modified by the revaluation of certain investments and premises, and in accordance with applicable accounting standards, subject only as stated in Note 1d.

The consolidated accounts are prepared in accordance with the special provisions of Part VII Chapter II of the Companies Act 1985 relating to banking groups. The consolidated accounts comply with Schedule 9 and the accounts of the Company with Schedule 4 to that Act. As permitted by that Act no profit and loss account is presented for the Company itself.

Information relating to banking subsidiaries is consolidated in the manner authorised for banking companies and includes profit after transfers to inner reserves in respect of certain banking subsidiary undertakings.

- b** Pursuant to the Scheme of Arrangement which was sanctioned by the Supreme Court of Hong Kong on 26 March 1991, The Hongkong and Shanghai Banking Corporation Limited (HongkongBank), the former holding company of the Group, became a wholly owned subsidiary undertaking of HSBC Holdings plc, which is now the holding company of the Group.

The consolidated financial results have been prepared using the basis of merger accounting as if the existing Group structure had been in existence on 1 January 1991, and for comparative amount purposes from 1 January 1990. Under this basis the Company has been treated as the holding company of its subsidiary undertakings for both years presented rather than from the date of acquisition. Accordingly, the consolidated results of the Group for the years ended 31 December 1991 and 31 December 1990 include the results of the Company and its subsidiary undertakings with effect from 1 January 1990. The consolidated balance sheet at 31 December 1990 is that of the HongkongBank group.

The Company's accounts have also been prepared using the basis of merger accounting. The comparative figures in the balance sheet of the Company for 1990 have been restated from sterling to Hong Kong dollars.

- c** The consolidated accounts comprise the accounts of HSBC Holdings plc and all its subsidiary undertakings made up to 31 December, except in the case of Hongkong Bank of Canada, whose accounts are made up to 31 October annually to comply with local regulations, and the stockbroking subsidiary undertakings in the United Kingdom and the Channel Islands, whose accounts are made up to the last Stock Exchange account day prior to 31 December.

Wardley Swire Holdings Limited, a life assurance company, was included in the 1990 accounts of HongkongBank under the equity method of accounting. In accordance with the relevant provisions of the Companies Act 1985 Wardley Swire Holdings Limited is fully consolidated in these accounts; prior year comparative figures have not been restated as the amounts are immaterial.

All significant intra-group transactions have been eliminated on consolidation.

- d** No statement of source and application of funds has been presented as required by Statement of Standard Accounting Practice No. 10 as, in the opinion of the Directors, such a statement would involve the disclosure of information which the Group is not required to disclose under the provisions of the Companies Act 1985.

- e** Goodwill arising on the acquisition of subsidiary undertakings, being the excess of the cost over the fair value of the Group's share of separable net assets acquired, has been charged against the inner reserves of HongkongBank in the year of acquisition.

- f** The Group's profit includes the attributable share of the results of associated undertakings based on accounts made up to dates not earlier than six months prior to 31 December.

2 Principal accounting policies

- a** *Inner reserves*

The Group maintains inner reserves in addition to published Reserves (Note 17). Inner reserves are included in the consolidated balance sheet in 'Current, deposit and other accounts'.

- b** *Doubtful debts*

Provision is made for doubtful debts as and when they are so considered and in addition amounts have been set aside as general provisions for doubtful debts. These provisions are deducted from 'Advances to customers and other accounts'.

2 Principal accounting policies (continued)

c Foreign currencies

- i Assets and liabilities denominated in foreign currencies and the results of overseas branches, subsidiary and associated undertakings are translated into Hong Kong dollars at the rates of exchange ruling at the year-end.
- ii Exchange differences arising from the retranslation of opening foreign currency net investments and the related cost of hedging are accounted for in Reserves.

d Premises and equipment

- i Premises are stated at valuation or cost less depreciation calculated to write off the assets over their estimated useful lives as follows:
 - Freehold land and land held on leases with more than 50 years to expiry is not depreciated.
 - Land held on leases with 50 years or less to expiry is depreciated over the unexpired terms of the leases.
 - Buildings and improvements thereto are depreciated on cost at the greater of 2% per annum on the straight line basis or over the unexpired terms of the leases.
- ii The cost of premises includes interest capitalised during the period of construction.
- iii Equipment, comprising furniture, plant and other equipment, is stated at cost less depreciation calculated on the straight line basis to write off the assets over their estimated useful lives, which are generally between 5 years and 20 years.

e Investments in subsidiary and associated undertakings

- i The Company's investments in subsidiary undertakings are stated at attributable net asset values. Changes in net tangible assets of subsidiary undertakings are accounted for as movements in Reserves.
- ii Investments in associated undertakings are stated at the Group's attributable share of the net tangible assets of the relevant companies.

f Investments

- i Long-term strategic equity investments are stated at cost less provisions where there has been a permanent diminution in value.
- ii Other listed equity investments are stated at the lower of cost and market value.
- iii Other unlisted equity investments are stated at cost less provisions where there has been a permanent diminution in value.
- iv Dated securities which are intended to be held to maturity are stated at cost adjusted for the amortisation of premiums and discounts on purchase over the periods to redemption.
- v Undated securities are stated at the lower of cost and market value.
- vi Investments held for trading purposes are stated at market value.

g Deferred taxation

Deferred taxation is provided on timing differences, using the liability method, between the accounting and taxation treatment of income and expenditure. Provision is made for deferred tax only to the extent that it is probable that an actual liability will crystallise.

h Finance and operating leases

- i Assets leased to customers under agreements which transfer substantially all the risks and rewards associated with ownership, other than legal title, are classified as finance leases. Where the Group is a lessor under finance leases the amounts due under the leases are included in 'Advances to customers and other accounts'. Finance charges receivable are recognised over the periods of the leases in proportion to the funds invested.
- ii Where the Group is a lessee under finance leases the leased assets are capitalised and included in 'Equipment' and the corresponding liability to the lessor is included in 'Current, deposit and other accounts'. Finance charges payable are recognised over the periods of the leases based on the interest rates implicit in the leases.
- iii All other leases are classified as operating leases. Rentals payable and receivable under operating leases are accounted for on the straight line basis over the periods of the leases.

2 Principal accounting policies (continued)

i Retirement benefits

The Group operates a number of pension schemes throughout the world. Arrangements for staff retirement benefits vary from country to country and are made in accordance with local regulations and custom. The major schemes, which cover the majority of scheme members, are of the defined benefit type, the pension cost of which is assessed in accordance with the advice of qualified actuaries so as to recognise the cost of pensions on a systematic basis.

3 Profit

The profit for the year is shown after:

a Transfers to the credit of inner reserves.

b Current and deferred taxation.

c Retirement benefits

The Group operates some 70 pension schemes throughout the world, with a total pension cost of HK\$961 million (1990: HK\$951 million), of which HK\$856 million (1990: HK\$784 million) relates to overseas schemes. Of the overseas schemes HK\$201 million (1990: HK\$173 million) has been determined in accordance with best practice and regulations in the United States and Canada.

The majority of the schemes, which cover 81% of the Group's employees, are defined benefit schemes which are fully funded, with assets in the case of the larger schemes held in trust funds separate from the Group. The pension cost relating to these schemes was HK\$879 million (1990: HK\$866 million) which was assessed in accordance with the advice of professional actuaries; the schemes are reviewed at least on a triennial basis or in accordance with local practice and regulations. The actuarial assumptions used to calculate the projected benefit obligations of the Group's pension plans vary according to the economic conditions of the country in which they are situated. In the case of one scheme there is a deficiency on a current funding basis of HK\$250 million, which is being supplemented on an ongoing basis in accordance with the advice of the actuary.

The pension cost for defined contribution schemes, which cover 19% of the Group's employees, was HK\$82 million (1990: HK\$85 million).

d Directors' emoluments

The aggregate emoluments of the Directors of HSBC Holdings plc, computed in accordance with Part I of Schedule 6 to the Companies Act 1985, are:

	1991 HK\$m	1990 HK\$m
Fees	3	3
Other emoluments, including pension contributions	53	40
	<u>56</u>	<u>43</u>

In addition, two Directors waived the right to receive emoluments, for their services in 1991, and for future years; in 1991 the aggregate amount of such emoluments waived was HK\$100,000 (1990: HK\$200,000).

None of the Directors performed their duties, as such, wholly or mainly within the United Kingdom.

Compensation for loss of office to a Director of the Company in his capacity as a Director of a subsidiary undertaking, amounting in aggregate to HK\$27 million, was paid by or is receivable from the subsidiary undertaking concerned.

e Auditors' remuneration amounting to HK\$79 million (1990: HK\$88 million), of which HK\$2 million (1990: HK\$0.06 million) relates to the Company.

4 Profit of the Company

Profit of the Company for the year is HK\$31,543 million (1990: HK\$1 million) from which dividends have been paid and proposed. Following completion of the Scheme of Arrangement, dividends amounting to HK\$30,500 million were paid by HongkongBank to the Company during the year.

5 Dividends

	1991	1990	1991	1990
	HK\$ per share		HK\$m	HK\$m
Interim	0.54	0.52	878	837
Second interim	—	1.04	—	1,681
Proposed final	1.31	—	2,135	—
	<u>1.85</u>	<u>1.56</u>	<u>3,013</u>	<u>2,518</u>

The comparative dividend figures for 1990 are those of HongkongBank as shareholders received dividends for 1990 from HongkongBank. No dividends were paid by the Company in 1990.

Of the interim dividend for 1991, HK\$146 million (1990: HK\$135 million) was settled by the issue of shares. Of the second interim dividend for 1990, HK\$213 million was settled by the issue of shares in 1991 (1990: HK\$251 million).

The dividends per share for 1990 have been adjusted for the number of shares in issue following the Scheme of Arrangement, under which shareholders exchanged 4 ordinary shares in HongkongBank for 1 share in the Company.

6 Earnings per share

Earnings per share is calculated by dividing disclosed earnings of HK\$5,664 million (1990: HK\$3,096 million) by the weighted average number of ordinary shares in issue in 1991 of 1,625 million (1990: 1,608 million).

The weighted average number of shares in issue in 1990 has been adjusted for the reduction in the number of shares in issue following the Scheme of Arrangement.

7 Cash and short-term funds

	Group	
	1991	1990
	HK\$m	HK\$m
Cash in hand and balances with other banks	31,518	35,584
Money at call and short notice	265,119	236,169
Treasury bills	41,392	18,115
	<u>338,029</u>	<u>289,868</u>

Deposits required by overseas government regulations are included in the above figures as follows:

	Group	
	1991	1990
	HK\$m	HK\$m
Cash in hand and balances with other banks	3,165	2,262
Treasury bills	320	251
	<u>3,485</u>	<u>2,513</u>

8 Hong Kong currency notes in circulation

	Group	
	1991	1990
	HK\$m	HK\$m
Authorised note issue	60	60
Excess note issue	40,134	34,704
	<u>40,194</u>	<u>34,764</u>

The authorised note issue is secured by the deposit of investments having a market value of HK\$62 million (1990: HK\$62 million). The excess note issue is secured by the deposit of funds in respect of which the Hong Kong Government certificates of indebtedness are held.

9 Investments

<i>Group</i>	<i>Book value</i>		<i>Valuation</i>	
	1991 HK\$m	1990 HK\$m	1991 HK\$m	1990 HK\$m
Listed				
— In Hong Kong	4,834	2,914	12,203	8,220
— In Great Britain	9,206	6,150	7,182	3,537
— Outside Hong Kong and Great Britain	69,141	43,637	70,387	43,512
	83,181	52,701	89,772	55,269
Unlisted	11,047	9,979	11,146	9,703
	94,228	62,680	100,918	64,972
Trading	50,043	26,641		
Long-term	44,185	36,039		
	94,228	62,680		

Included in the above are 2,520,883 (1990: 9,663,457) shares in the Company (1990: *HongkongBank*) held by subsidiary undertakings, as part of their insurance and retirement funds for the benefit of the policyholders, as well as the Group's 10.0% investment in Cathay Pacific Airways Limited and 14.6% investment in Midland Bank plc.

10 Advances to customers and other accounts

- a Included under this heading is equipment leased to customers under finance leases and hire purchase contracts having the characteristics of finance leases:

	<i>Group</i>	
	1991 HK\$m	1990 HK\$m
Finance leases	13,035	16,959
Hire purchase contracts	8,437	5,997
	21,472	22,956

- b The cost of assets acquired during 1991 for letting to customers under finance leases and hire purchase contracts by the Group amounted to HK\$9,285 million (1990: HK\$11,154 million).

11 Investments in subsidiary undertakings

- a Movements during the year:

	HK\$m
At 1 January 1991	—
Additions at cost following the Scheme of Arrangement	10,461
Write-up of subsidiary undertakings to net asset value	11,090
At 31 December 1991	21,551

11 Investments in subsidiary undertakings (continued)

b The principal subsidiary undertakings of the Company are:

	<i>Country of incorporation or registration</i>	<i>Principal activity</i>	<i>Issued equity capital</i>
The British Bank of the Middle East*	England	Banking	£100m
Carlingford Insurance Company Limited*	Hong Kong	Insurance	HK\$25m
Carlingford Swire International Assurance Limited* (74.5%)	Bermuda	Life assurance	HK\$25m
Carroll McEntee & McGinley Inc.*	United States	Primary dealer in US government securities	—
Fort Hall Limited*	Hong Kong	Investment holding	HK\$200m
Gibbs Hartley Cooper Limited*	England	Insurance	£3m
Hang Seng Bank Limited* (61.48%)	Hong Kong	Banking	HK\$4,953m
The Hongkong and Shanghai Banking Corporation Limited	Hong Kong	Banking	HK\$16,254m
HongkongBank London Limited*	England	Banking	£40m
HongkongBank of Australia Limited*	Australia	Banking	A\$500m
Hongkong Bank of Canada*	Canada	Banking	c\$165m
HSBC Finance (Malaysia) Berhad*	Malaysia	Finance	M\$22m
James Capel & Co. Limited*	England	Stockbroking	£125m
James Capel (Far East) Limited*	Hong Kong	Stockbroking	HK\$5m
Marine Midland Bank, N.A.*	United States	Banking	US\$185m
Marine Midland Banks, Inc.*	United States	Bank holding	—
Wardley Limited*	Hong Kong	Merchant banking	HK\$770m
Wayfoong Finance Limited*	Hong Kong	Finance	HK\$300m
Wayfoong Mortgage And Finance (Singapore) Limited*	Singapore	Finance	s\$8m

*Held indirectly

Except where indicated otherwise, the above undertakings are wholly owned subsidiaries. The principal countries of operation are the same as the countries of incorporation except for The British Bank of the Middle East which operates mainly in the Middle East and Carlingford Swire International Assurance Limited which operates in Hong Kong.

c The subsidiary undertakings listed above have no loan capital except for the following:

The British Bank of the Middle East	US\$100m
The Hongkong and Shanghai Banking Corporation Limited	HK\$11,458m
HongkongBank of Australia Limited	A\$60m
Hongkong Bank of Canada	c\$234m
Marine Midland Bank, N.A.	US\$230m
Marine Midland Banks, Inc.	US\$681m

Issued loan capital includes both that held by fellow Group subsidiary undertakings and that held by third parties. All loan capital held by third parties is listed in Note 15.

12 Investments in associated undertakings

	<i>Group</i>	
	1991	1990
	HK\$m	HK\$m
a Shares listed outside Hong Kong and Great Britain	1,173	1,032
Unlisted shares	976	997
	<u>2,149</u>	<u>2,029</u>

Loans to associated undertakings, other than normal trading balances, amount to HK\$1,475 million (1990: HK\$1,372 million).

12 Investments in associated undertakings (continued)

b The principal associated undertakings of the Group are:

	<i>Accounts made up to</i>	<i>Country of incorporation</i>	<i>Principal activity</i>	<i>Group's interest in equity capital</i>	<i>Issued equity capital</i>
The Cyprus Popular Bank Limited*	31.12.91	Cyprus	Banking	21.4%	£43m
Hongkong Egyptian Bank SAE*	31.12.91	Egypt	Banking	40.0%	£17m
The Saudi British Bank*	31.12.91	Saudi Arabia	Banking	40.0%	SR400m
World Finance International Limited*	30.06.91	Bermuda	Shipping	37.5%	us\$58m

*Held indirectly

The principal countries of operation are the same as the countries of incorporation except for World Finance International Limited which operates world-wide.

c The associated undertakings listed above have no loan capital except for The Cyprus Popular Bank Limited which has issued c£8 million, in which the Group has no interest.

13 Premises and equipment

	<i>Group</i>		<i>Company</i>	
	<i>Premises HK\$m</i>	<i>Equipment HK\$m</i>	<i>Premises HK\$m</i>	<i>Equipment HK\$m</i>
Cost or valuation at 1 January 1991	37,754	9,675	68	5
Exchange adjustments	330	(61)	—	—
Additions	748	1,433	—	—
Disposals	(306)	(1,019)	—	—
At 31 December 1991	38,526	10,028	68	5
Accumulated depreciation	(4,005)	(5,619)	(5)	(5)
Net book value at 31 December 1991	<u>34,521</u>	<u>4,409</u>	<u>63</u>	<u>0</u>
Total at 31 December 1991	<u>38,930</u>		<u>63</u>	
Net book value at 31 December 1990	<u>34,059</u>	<u>4,361</u>	<u>63</u>	—
Total at 31 December 1990	<u>38,420</u>		<u>63</u>	
The net book value of premises comprises:	<i>Group</i>		<i>Company</i>	
	1991	1990	1991	1990
	HK\$m	HK\$m	HK\$m	HK\$m
Freeholds	7,682	7,310	63	63
Leaseholds 50 years and over unexpired	23,192	22,902	—	—
Leaseholds less than 50 years unexpired	3,647	3,847	—	—
	<u>34,521</u>	<u>34,059</u>	<u>63</u>	<u>63</u>

In November 1989, the properties of the Group were revalued by independent professionally qualified valuers at open market value for existing use or, in the case of the few specialised properties, at depreciated replacement cost.

14 Current, deposit and other accounts

Included under this heading are inner reserves and provisions for taxation.

Liabilities of the Group amounting to HK\$27,126 million (1990: HK\$24,816 million) and of the Company amounting to HK\$ nil (1990: HK\$ nil) included under this heading and under guarantees (Note 21) are secured by the deposit of assets.

15 Loan capital and preference shares

Loan capital consists of undated primary capital notes, and other loan capital and preference shares, having an original term to maturity of five years or more, raised by the subsidiary undertakings listed below, or their subsidiaries, for the development and expansion of the Group's business.

	1991	1990
	HK\$m	HK\$m
The Hongkong and Shanghai Banking Corporation Limited:		
us\$1,200m Primary capital subordinated undated floating rate notes	9,337	9,360
¥27,000m Fixed rate subordinated loans 1998 The proceeds have been swapped into sterling for the full life of the loans. Under the exchange agreements the effective interest cost is based on sterling LIBOR.	1,677	1,555
£30m Floating rate subordinated loan 1998	444	457
	<u>11,458</u>	<u>11,372</u>
Marine Midland Banks, Inc.:		
us\$154m Floating rate subordinated notes 2000	1,198	1,373
us\$125m Fixed rate subordinated capital notes 1997	973	975
us\$121m Floating rate subordinated notes 2009	944	998
us\$116m Floating rate subordinated notes 1994	906	909
us\$113m Floating rate subordinated capital notes 1996	879	944
us\$98m Perpetual preference shares	763	765
us\$87m Floating rate subordinated capital notes 1999	677	764
us\$9m Medium term notes 1992	72	72
us\$0.3m Loan notes 1992/2000	3	3
us\$79m Secured floating rate notes 1995	—	616
us\$66m Secured floating rate notes 1998	—	515
	<u>6,415</u>	<u>7,934</u>
Hongkong Bank of Canada:		
c\$40m Floating rate subordinated debentures 2083	266	—
c\$39m Floating rate guaranteed subordinated debentures 1999	265	266
c\$15m Fixed rate subordinated debentures 1994	101	101
c\$7m Guaranteed fixed rate notes 1999	44	84
c\$0.3m Fixed rate subordinated debentures 1991	2	2
c\$40m Floating rate guaranteed notes 2083	—	268
	<u>678</u>	<u>721</u>
	<u>18,551</u>	<u>20,027</u>

16 Share capital

Authorised:

The authorised share capital of the Company is HK\$20,000 million divided into 2,000 million ordinary shares of HK\$10 each, and 301,500 non-voting deferred shares of £1 each (1990: 150,000 ordinary shares of £0.01 each, and 2,400,000 deferred shares of £0.125 each).

	1991	1990
	HK\$m	HK\$m
Issued:		
At 1 January	4	4
Shares issued	16,254	—
Shares issued in lieu of dividends	47	—
At 31 December	<u>16,305</u>	<u>4</u>

The issued share capital existing at 2 April 1991, £301,500 (HK\$4 million) was converted into 301,500 non-voting deferred shares of £1 each on that date, and is held by a subsidiary undertaking of the Company. On 2 April 1991 the Company became the holding company of HongkongBank pursuant to a Scheme of Arrangement under which it issued to the shareholders of that company 1,625,396,824 Ordinary Shares of HK\$10 each at par in exchange for their shareholdings in that company.

17 Reserves

	<i>Group</i>	<i>Company</i>	<i>Associated undertakings</i>
	HK\$m	HK\$m	HK\$m
At 1 January 1991	37,341	57	631
Increase in attributable net assets of subsidiary undertakings	—	11,090	—
Transfers from inner reserves	369	—	—
Retained profit for the year	2,651	28,530*	95
Arising on shares issued in lieu of dividends	219	99	—
Exchange adjustments	(600)	209	(16)
Other items	5	—	—
At 31 December 1991	<u>39,985</u>	<u>39,985</u>	<u>710</u>

*See Note 4

The Reserves of the Group include a reserve arising on the revaluation of premises of HK\$13,545 million (1990: HK\$13,293 million).

The Reserves of the Company include a revaluation reserve of HK\$11,090 million (1990: HK\$ nil) arising from the attributable net assets of subsidiary undertakings and a surplus over cost on revaluation of premises of HK\$54 million (1990: HK\$54 million).

18 Taxation

- a The Company and its subsidiary undertakings in Hong Kong provide for Hong Kong profits tax at the rate of 16.5% (1990: 16.5%) on the profits for the year assessable in Hong Kong. Subsidiary undertakings in the UK provide for UK Corporation Tax at 33.25% (1990: 35%), other subsidiary undertakings and overseas branches similarly provide for taxation in the countries in which they operate at the appropriate rates of taxation ruling in 1991. Deferred taxation is provided for in accordance with the Group's accounting policy in Note 2g.
- b There is no significant deferred taxation liability not provided for.
- c The distribution of the reserves of certain subsidiary and associated undertakings would give rise to additional tax liabilities. No provision is made for deferred taxation as no distribution from these reserves is anticipated.
- d No provision is made for deferred taxation on revalued premises. The Directors are of the opinion that, in view of the substantial number of properties involved, and having regard to the fact that they are occupied for the purposes of the Group's business, the likelihood of a material taxation liability arising is remote and no useful purpose would be served by attempting to quantify it.

19 Capital commitments

	<i>Group</i>	
	1991	1990
	HK\$m	HK\$m
Expenditure contracted for	194	952
Expenditure authorised by the Directors but not contracted for	81	142
	<u>275</u>	<u>1,094</u>

20 Lease commitments

At the year-end annual commitments under non-cancellable operating leases were:

	<i>Group</i>	
	1991 HK\$m	1990 HK\$m
Premises		
Operating leases which expire:		
— within one year	251	243
— between one and five years	942	988
— after five years	461	469
	<u>1,654</u>	<u>1,700</u>
	<i>Group</i>	
	1991 HK\$m	1990 HK\$m
Equipment		
Operating leases which expire:		
— within one year	100	119
— between one and five years	41	40
— after five years	14	2
	<u>155</u>	<u>161</u>

21 Contingent liabilities

	<i>Group</i>	
	1991 HK\$m	1990 HK\$m
Acceptances	11,640	13,843
Guarantees and other obligations	122,852	134,530
	<u>134,492</u>	<u>148,373</u>

There are also contingent liabilities entered into in the ordinary course of business in respect of forward foreign exchange contracts, financial futures contracts, option contracts and various other off balance sheet instruments. It is not anticipated that any material loss will arise from these contracts.

22 Transactions, arrangements and agreements involving Directors and others

At 31 December 1991, transactions, arrangements and agreements entered into by subsidiary undertakings of the Company with Directors and connected persons and with officers of the Company comprised:

	<i>Number of persons</i>	<i>Total HK\$m</i>
Directors and connected persons:		
Loans and credit card transactions	18	49
Guarantees	2	207
Officers:		
Loans and credit card transactions	11	28

Particulars of Directors' and officers' transactions are recorded in a register held at the Registered Office of the Company which is available for inspection by members.

23 Segmental analysis: analysis of total assets**a Geographic region**

	<i>Group</i>	
	1991	1990
	HK\$m	HK\$m
Asia-Pacific	717,043	605,458
Americas	282,700	295,414
Middle East/India	30,523	29,975
Europe	218,530	227,409
	1,248,796	1,158,256

b Class of business

The Group operates no significant classes of business other than banking.

24 Foreign currency amounts

The sterling and United States dollar figures shown in the consolidated profit and loss account and the balance sheets are for information only. They are converted from Hong Kong dollars at the rates of exchange ruling at 31 December 1991, which were as follows:

£1.00 = HK\$14.56

US\$1.00 = HK\$7.78

25 Comparative figures

Certain comparative figures for 1990 have been amended to conform with the current year's presentation.

26 Hong Kong and UK accounting standards

There are no material differences between Hong Kong and UK Statements of Standard Accounting Practice ('SSAPs'). In prior years the Group accounts were produced in accordance with HK SSAPs.

27 Approval of accounts

These accounts were approved by the Board of Directors on 10 March 1992.

**Report of the Auditors, KPMG Peat Marwick,
to the Members of HSBC Holdings plc**

We have audited the financial statements on pages 43 to 56 in accordance with Auditing Standards.

In our opinion, the consolidated financial statements have been properly prepared in accordance with the provisions of the Companies Act 1985 in the manner authorised for a banking group and the balance sheet of the Company gives a true and fair view of its state of affairs at 31 December 1991 and has been properly prepared in accordance with the Companies Act 1985.

KPMG Peat Marwick
Hong Kong
10 March 1992

Annual General Meeting

Notice is hereby given that the Annual General Meeting of the Company will be held on Level 18, 1 Queen's Road Central, Hong Kong, on Tuesday 26 May 1992 at 3.00 p.m. to transact the following ordinary business:

- 1 to receive and consider the Annual Accounts and the Reports of the Directors and of the Auditors for the year ended 31 December 1991 and to declare a final dividend;
- 2 to re-elect Directors;
- 3 to fix the remuneration of Directors;

and by way of special business to consider and (if thought fit) pass the following resolutions which will be proposed as Ordinary Resolutions:

- 4 'THAT KPMG Peat Marwick (Chartered Accountants) be and are hereby appointed Auditors of the Company from the conclusion of this Meeting until the conclusion of the next General Meeting of the Company at which accounts are laid, at remuneration to be fixed by the Directors.'
- 5 'THAT the Directors be and they are hereby generally and unconditionally authorised pursuant to and for the purposes of section 80 of the Companies Act 1985 ("the Act") to exercise all the powers of the Company to allot relevant securities (within the meaning of that section) up to an aggregate nominal amount of HK\$3,698,512,180 provided that this authority shall be limited so that, otherwise than pursuant to (i) a rights issue where relevant securities are offered to shareholders on a fixed record date in proportion to their then holdings of shares (subject to such exclusions or other arrangements as the Directors may deem necessary or expedient in relation to fractional entitlements or having regard to any restrictions or obligations under the laws of or the requirements of any recognised regulatory body or stock exchange in any territory outside Hong Kong or otherwise howsoever), or (ii) any scrip dividend scheme or similar arrangements implemented in accordance with the Articles of Association of the Company, the nominal amount of the relevant securities to be allotted by the Directors pursuant to this authority shall not in aggregate exceed HK\$815,074,391 (equal to 5 per cent of the nominal amount of the issued Ordinary share capital of the Company as at the date of this Meeting) and such authority shall expire at the conclusion of the Annual General Meeting of the Company to be held in 1993 save that this authority shall allow the Company before the expiry of this authority to make offers or agreements which would or might require relevant securities to be allotted after such expiry and the Directors may allot relevant securities in pursuance of such offers or agreements as if the authority conferred hereby had not expired.'

and the following resolution which will be proposed as a Special Resolution:

- 6 'THAT, subject to the passing of Resolution No. 5 set out in the Notice convening this Meeting, the Directors be and they are hereby empowered, pursuant to section 95 of the Companies Act 1985 ("the Act"), to allot equity securities (as defined in section 94 of the Act) pursuant to the authority conferred by the aforesaid Resolution No. 5 as if section 89(1) of the Act did not apply to any such allotment, provided that this power shall expire at the conclusion of the Annual General Meeting of the Company to be held in 1993 save that this power shall enable the Company prior to the expiry of this power to make offers or agreements which would or might require equity securities to be allotted after the expiry of this power and the Directors may allot equity securities in pursuance of such offers or agreements as if the power conferred hereby had not expired.'

By Order of the Board
R G Barber
Secretary

Hong Kong, 10 March 1992

Notes

- (1) *A member entitled to attend and vote at the Meeting is entitled to appoint one or more proxies to attend and, on a poll, vote instead of him. A proxy need not be a member. Completion and return of an instrument appointing a proxy will not preclude a member from attending and voting in person at the Meeting.*
- (2) *In order to be valid, the instrument appointing a proxy and the power of attorney or other authority (if any) under which it is signed, or a copy of such authority certified notarially or in some other way approved by the Board, must be deposited at the offices of the Registrars, National Westminster Bank PLC, Registrar's Department, PO Box 82, Caxton House, Redcliffe Way, Bristol BS99 7NH, United Kingdom, or at the offices of the Registrars in Hong Kong, Central Registration Hong Kong Limited, Hopewell Centre, 19th Floor, 183 Queen's Road East, Hong Kong, not less than 48 hours before the time of the holding of the Meeting (or any adjourned meeting).*
- (3) *In the case of joint registered holders of any share, the vote of the senior who tenders a vote, whether in person or by proxy, shall be accepted to the exclusion of the votes of the other joint holders. For this purpose seniority shall be determined by the order in which the names of the holders stand in the Principal Register or the Hong Kong Overseas Branch Register as appropriate.*
- (4) *Consequent upon the commencement of Part II of the Companies Act 1989 the auditors of the Company to be appointed at this Meeting are required to be a member of a recognised supervisory body in the United Kingdom. Accordingly, KPMG Peat Marwick (Certified Public Accountants) retire as Auditors at this Meeting and do not seek reappointment. KPMG Peat Marwick (Chartered Accountants), which is an associated firm of the retiring Auditors and which is also resident in Hong Kong, has been authorised by the Institute of Chartered Accountants in England and Wales as a Registered Auditor and is accordingly eligible for appointment. Special Notice to propose Resolution No. 4 has been received.*
- (5) *The general purpose of the authority to be conferred on the Directors by Resolutions Nos. 5 and 6 above is to enable the Directors to issue shares up to a specified number without having first to obtain the consent of shareholders in general meeting. The need for such an issue of shares could, for example, arise in the context of a transaction (such as the acquisition of a company) which had to be completed speedily. The granting of such an authority is now commonplace and the Directors take the view that it would be in the interests of the Company if the authority were granted to them.*

The Directors have undertaken that no capital will be issued which would effectively change the control of the Company or the nature of its business without the prior approval of shareholders in general meeting. They have at this time no plans to issue additional shares under this authority other than in accordance with the scrip dividend scheme.

- (6) *None of the Directors proposed for re-election at the Meeting has a service contract with the Company or a subsidiary undertaking which is not determinable within one year without payment of compensation.*

(as at 10 March 1992)

	Offices		Offices
Angola		Egypt	
Equator Bank Limited	1	Hongkong Egyptian Bank S.A.E.	2
Equator Trade Services Limited	1		
Australia		France	
HongkongBank of Australia Limited	6	James Capel S.A.	1
Wardley James Capel Corporate Finance Limited	3		
James Capel Australia Limited	3	Germany	
Wardley Investment Services (Australia) Limited	1	HongkongBank	1
<i>Nevitts Limited</i>	8	James Capel (Deutschland) GmbH	1
<i>The Cyprus Popular Bank Limited</i>	3		
<i>Shadforth's Limited</i>	3	Gibraltar	
<i>Phillips Henderson Ward Limited</i>	1	HongkongBank International (Cayman) Limited	1
		HongkongBank International Trustee Limited	1
Bahamas			
The British Bank of the Middle East	1	Guam	
Equator Advisory Services Limited	1	HongkongBank	1
Equator Bank Limited	1		
Equator Holdings Limited	1	Hong Kong	
Equator Trade Services Limited	1	HongkongBank	245
Hang Seng Bank Limited	1	Hang Seng Bank Limited	124
HongkongBank	1	Carlingford Insurance Company Limited	3
Wardley International Bank Limited	1	The British Bank of the Middle East	1
Wardley Investment Services Limited	1	Carlingford Medical Insurance Limited	1
Wardley Limited	1	Carlingford Swire Assurance Limited	1
		Carroll McEntee & McGinley Incorporated	1
Bahrain		Gibbs Insurance Consultants Limited	1
The British Bank of the Middle East	4	Hongkong Bank Trustee Limited	1
HongkongBank	1	HongkongBank Insurance Services	1
		HSBC Holdings plc	1
Bermuda		Wardley Capital Limited	1
Gibbs Harnett & Richardson International Limited	1	Wardley Corporate Finance Limited	1
		Wardley Data Services Limited	1
Brazil		Wardley Direct Investment Management Limited	1
HongkongBank	1	Wardley Investment Services (Hong Kong) Limited	1
<i>Banco HKB SA</i>	1	Wardley Investment Services Limited	1
		Wardley James Capel Limited	1
Brunei Darussalam		Wardley James Capel (Far East) Limited	1
HongkongBank	9	Wardley Limited	1
Mortgage And Finance Berhad	1	Wardley Shipping Services Limited	1
		Wayfoong Credit Limited	1
Canada		Wayfoong Finance Limited	1
Hongkong Bank of Canada	108	Wayfoong Property Limited	1
Wardley Canada Inc.	3	Wayfoong Shipping Services Limited	1
Wardley James Capel Inc.	2	<i>Arabian Gulf Investments (Far East) Limited</i>	1
<i>BBN James Capel Inc.</i>	4	<i>Central Registration Hong Kong Limited</i>	1
		<i>Hongkong and Shanghai Thomas Cook Limited</i>	1
Cayman Islands		<i>HongkongBank International Trustee Limited</i>	1
Hongkong Bank Trustee Limited	1	<i>Wardley Nikko Management Limited</i>	1
<i>HongkongBank International (Cayman) Limited</i>	1		
<i>HongkongBank International Trustee Limited</i>	1	Hungary	
		James Capel & Co. Limited	1
Channel Islands			
Hongkong and Shanghai Bank Trustee (Jersey) Limited	1	India	
Hongkong and Shanghai Trustee (Guernsey) Limited	1	HongkongBank	21
James Capel (Channel Islands) Limited	1	The British Bank of the Middle East	1
<i>HongkongBank International Trustee Limited</i>	1		
		Indonesia	
Chile		HongkongBank	3
HongkongBank	2	PT Wardley James Capel Indonesia	1
China, People's Republic of		Japan	
HongkongBank	9	HongkongBank	3
Hang Seng Bank Limited	3	Carroll McEntee & McGinley Incorporated	1
Wardley Shipping Services Limited	1	Hongkong International Trade Finance (Japan) KK	1
		Wardley Investment Services (Japan) KK	1
Cyprus		Wardley Limited	1
Gibbs Hartley Cooper Limited	1	<i>James Capel Pacific Limited</i>	1
Wardley Cyprus Limited	1		
<i>The Cyprus Popular Bank Limited</i>	127	Jordan	
		The British Bank of the Middle East	5

Kenya		Sri Lanka	
Equator Advisory Services Limited	1	HongkongBank	1
Korea, Republic of		Sweden	
HongkongBank	2	HongkongBank	1
James Capel & Co. Limited	1	Switzerland	
MidAval Asia Pte Ltd	1	The British Bank of the Middle East	1
Lebanon		James Capel & Co. Limited	1
The British Bank of the Middle East	3	Taiwan	
Luxembourg		HongkongBank	2
HSBC Bank (Luxembourg) S.A.	1	Wardley James Capel Taiwan Limited	1
Wardley Investment Services (Luxembourg) S.A.	1	Wardley Taiwan Limited	1
Macau		Thailand	
HongkongBank	4	HongkongBank	1
Carlingford Insurance Company Limited	1	MidAval Asia Pte Limited	1
Malaysia		Wardley James Capel (Far East) Limited	1
HongkongBank	36	Wardley Thailand Limited	1
HSBC Finance (Malaysia) Berhad	4	United Arab Emirates	
HSBC (Malaysia) Trustee Berhad	1	The British Bank of the Middle East	8
James Capel & Co. Limited	1	Middle East Finance Company Limited	4
Mauritius		Gibbs Gulf Insurance Consultants Limited	1
HongkongBank	10	United Kingdom	
Netherlands		Gibbs Hartley Cooper Limited	20
Van Meer James Capel N.V.	1	Antony Gibbs Benefit Consultants Limited	4
New Zealand		HongkongBank	3
HongkongBank	3	James Capel & Co. Limited	2
Oman		The British Bank of the Middle East	1
The British Bank of the Middle East	4	Carroll McEntee & McGinley Incorporated	1
Pakistan		Equator Bank Limited	1
HongkongBank	2	Equator Trade Services Limited	1
Panama		Hongkong and Shanghai Trustee (Isle of Man) Limited	1
HongkongBank	2	HongkongBank International Trade Finance Limited	1
Philippines		James Capel Asset Management Limited	1
HongkongBank	2	James Capel Fund Managers Limited	1
James Capel (Philippines) Inc.	1	James Capel Investment Services Limited	1
Qatar		James Capel Unit Trust Management Limited	1
The British Bank of the Middle East	2	Wardley Capital Limited	1
Saudi Arabia		Wardley Shipping Services Limited	1
<i>The Saudi British Bank</i>	50	<i>The Cyprus Popular Bank Limited</i>	5
Singapore		<i>HongkongBank International Trustee Limited</i>	1
HongkongBank	11	<i>The Saudi British Bank</i>	1
Carlingford Insurance Brokers Singapore Pte Limited	1	United States of America	
CM&M Futures (Singapore) Pte Ltd	1	Marine Midland Bank	317
Concord Leasing (Asia) Pte Limited	1	HongkongBank	18
HKIT (Singapore) Limited	1	Concord Leasing, Inc.	8
HSBC Trustee (Singapore) Limited	1	Carroll McEntee & McGinley Incorporated	6
MidAval Asia Pte Ltd	1	Hang Seng Bank Limited	3
Wardley Limited	1	Equator Advisory Services Limited	2
Wardley Management Limited	1	Equator Bank Limited	1
Wardley-Thomson Singapore Pte Limited	1	Equator Holdings Limited	1
Wayfoong Mortgage And Finance (Singapore) Limited	1	Equator Limited	1
<i>Kay Hian James Capel Pte. Ltd.</i>	1	James Capel Incorporated	1
Spain		Marinvest, Inc.	1
<i>James Capel-Midland Agencia de Valores S.A.</i>	1	Vanuatu	
		Wardley International Bank (Vila) Limited	1
		Zambia	
		Equator Advisory Services Limited	1

The international network of the HSBC Group comprises some 1,400 offices world-wide. Associated companies appear in italics.

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Facsimile: 810 1112

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Banking Corporation Limited**

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Offshore Banking Unit
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Corner Shirley and Charlotte Streets
Nassau
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Facsimile: (809) 322-5622

BAHRAIN

Offshore Banking Unit
Mezzanine Floor, The British Bank of
the Middle East Building
Muharraq
Telephone: 336992, 336995
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Pemancha, Bandar Seri Begawan
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