

HSBC HOLDINGS PLC  
Form 424B2  
September 16, 2005  
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Filing pursuant to Rule 424(b) (2)

Commission File No. 333-92024

**PROSPECTUS SUPPLEMENT**

(To Prospectus dated November 26, 2002)

**52,200,000 American Depositary Shares, Series A**

**HSBC HOLDINGS PLC**

**Each Representing One-Fortieth of a Share of**

**6.20% Non-Cumulative Dollar Preference Shares, Series A**

(liquidation preference \$1,000 per share)

As a holder of Series A American depositary shares, you are entitled to all proportional rights and preferences of the Series A preference shares (including dividend, voting, redemption and liquidation rights), subject to the terms of the Deposit Agreement (as defined herein). You must exercise such rights acting through the depositary. The proportional liquidation preference of each Series A American depositary share is \$25.

Dividends on the Series A preference shares will accrue from September 22, 2005 and will be payable when, as and if declared by our board of directors quarterly on the 15th calendar day of March, June, September and December of each year, commencing December 15, 2005. Dividends on the Series A preference shares will be payable at a rate of 6.20% per annum.

Dividends on the Series A preference shares will be non-cumulative. Accordingly, if for any reason our board of directors does not declare a dividend on the Series A preference shares for a dividend period, we will not pay a dividend for that dividend period on the dividend payment date for that dividend period or at any future time, whether or not our board of directors declares dividends on the Series A preference shares for any subsequent dividend period. However, we may not declare or pay dividends or distributions on any class of our shares ranking lower in the right to dividends than the Series A preference shares and we may not redeem or purchase in any manner any of our other shares ranking equal or lower than the Series A preference shares, unless we have paid in full, or set aside an amount to provide for payment in full, of the dividends on the Series A preference shares for the then-current dividend period.

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We may redeem the Series A preference shares on any date on or after December 16, 2010, in whole (but not in part only), at a redemption price equal to \$1,000 per Series A preference share (which is equal to \$25 per Series A American depositary share) plus accrued and unpaid dividends for the then-current dividend period to the date fixed for redemption, subject to the prior consent of the UK Financial Services Authority (the FSA ).

Application will be made to list the Series A American depositary shares representing the Series A preference shares on the New York Stock Exchange. Trading on the New York Stock Exchange is expected to begin within 30 days of the initial delivery of the Series A American depositary shares.

**Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved these securities, or determined if this prospectus supplement or the accompanying prospectus is truthful or complete. Any representation to the contrary is a criminal offense.**

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	<u>Per American Depositary Share</u>	<u>Total</u>
Public Offering Price <sup>1</sup>	\$25.00	\$1,305,000,000
Underwriting Discount <sup>2</sup>	\$ 0.7875	\$ 41,107,500
Proceeds to us (before expenses)	\$24.2125	\$1,263,892,500

- (1) The public offering price set forth above does not include accrued dividends, if any. Dividends on the Series A preference shares will accrue from September 22, 2005 and will be included in the purchase price paid by the purchasers if the Series A American depositary shares are delivered after September 22, 2005.
- (2) The underwriting discount will be \$0.50 per Series A American depositary share with respect to any Series A American depositary shares sold to certain institutions. Therefore, to the extent of any such sales to any such institutions, the actual total underwriting discount will be less than, and the actual total proceeds to us will be greater than, the amounts shown in the table above.

We expect that delivery of the Series A American depositary shares will be made in book-entry form through The Depository Trust Company on or about September 22, 2005.

To the extent that the underwriters sell more than 52,200,000 Series A American depositary shares, the underwriters have the option to purchase, during the 30-day period commencing with the date of this prospectus supplement, up to an additional 7,800,000 Series A American depositary shares from us at the public offering price less the applicable underwriting discount.

We may use this prospectus supplement and the accompanying prospectus in the initial sale of these Series A American depositary shares. In addition, HSBC Securities (USA) Inc. or our other affiliates may use this prospectus supplement and the accompanying prospectus in a market-making transaction in any of the Series A American depositary shares after their initial sale. Unless we or our agent informs you otherwise in the confirmation of sale, this prospectus supplement and the accompanying prospectus are being used in a market-making transaction.

*Joint Book-Running Managers*

**HSBC**

**Citigroup**

**Morgan Stanley**  
*Co-Managers*

**UBS Investment Bank**

**Banc of America Securities LLC**

**Credit Suisse First Boston**

**Deutsche Bank Securities**

**JPMorgan**

**RBC Dain Rauscher**

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The date of this prospectus supplement is September 15, 2005

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**You should only rely on the information contained or incorporated by reference in this prospectus supplement and the accompanying prospectus. We have not, and the underwriters have not, authorized any other person to provide you with different information. If anyone provides you with different or inconsistent information, you should not rely on it. We are not, and the underwriters are not, making an offer to sell these securities in any jurisdiction where the offer or sale is not permitted. You should assume that the information appearing in this prospectus supplement and the accompanying prospectus, as well as information we have previously filed with the Securities and Exchange Commission (the "SEC") and incorporated by reference, is accurate as of the date on the front cover of this prospectus supplement only. Our business, financial condition, results of operations and prospects may have changed since that date.**

The distribution of this prospectus supplement and the accompanying prospectus and the offering of the securities in certain jurisdictions may be restricted by law. This prospectus supplement and the accompanying prospectus do not constitute an offer, or an invitation on our behalf or on behalf of the underwriters or any of them, to subscribe to or purchase any of the securities, and may not be used for or in connection with an offer or solicitation by anyone, in any jurisdiction in which such an offer or solicitation is not authorized or to any person to whom it is unlawful to make such an offer or solicitation.



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There are certain restrictions on the distribution of this prospectus supplement and the accompanying prospectus, as set out in Underwriting.

**In connection with this issue of the securities, HSBC Securities (USA) Inc., or any person acting for it, may over-allot or effect transactions with a view to supporting the market price of the securities at a level higher than that which might otherwise prevail. However, there is no assurance that HSBC Securities (USA) Inc., or any agent of it, will undertake stabilization action. Any stabilization action may begin on or after the date of adequate public disclosure of the final price of the securities, and, if begun, may be ended at any time but must end no later than 30 days after that date.**

To the extent that the offer of Series A American depositary shares is made in a Member State of the European Economic Area that has implemented Directive 2003/71/EC (together with any applicable implementing measures in any Member State, the Prospectus Directive ) before publication of a prospectus in relation to the Series A American depositary shares which has been approved by the competent authority in that Member State in accordance with the Prospectus Directive (or, where appropriate, published in accordance with the Prospectus Directive and ratified to the competent authority in that Member States in accordance with the Prospectus Directive), the offer (including any offer pursuant to this prospectus supplement and the accompanying prospectus) is only addressed to qualified investors in that Member State within the meaning of the Prospectus Directive or has been or will be otherwise in circumstances that do not require us to publish a prospectus pursuant to the Prospectus Directive.

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**CERTAIN DEFINITIONS AND PRESENTATION OF FINANCIAL AND OTHER DATA**

**Definitions**

As used in this prospectus supplement and the accompanying prospectus, the terms **HSBC**, **we**, **us** and **our** refer to HSBC Holdings plc. **HSBC Group** and **Group** mean HSBC together with its subsidiary undertakings. In addition, the term **UK GAAP** means generally accepted accounting principles in the United Kingdom, the term **IFRS** means International Financial Reporting Standards and the term **US GAAP** means generally accepted accounting principles in the United States.

**Presentation of Financial Information**

Our financial statements and notes thereto, as incorporated by reference in this prospectus supplement and the accompanying prospectus, are prepared in accordance with UK GAAP up to December 31, 2004. From January 1, 2005, we have prepared consolidated financial statements in accordance with IFRS, which differs in certain respects from UK GAAP and US GAAP. We use the US dollar as our reporting currency because the US dollar and currencies linked to it form the major currency bloc in which we transact our business. As we are listed on the New York Stock Exchange, we also reconcile certain financial information to US GAAP, which differs in certain respects from UK GAAP as explained on page 322 of our 2004 Annual Report and Accounts on Form 20-F incorporated by reference herein and reconciled in Note 49 to our financial statements found therein. See **Where You Can Obtain More Information About Us**. For a discussion of the significant differences between our reporting on a UK GAAP and IFRS basis see Annex A to our 2004 Annual Report on Form 20-F.

**Currency**

In this prospectus supplement and the accompanying prospectus, all references to (i) US dollars, **US\$**, **dollars** or **\$** are to the lawful currency of the United States of America, (ii) **euro** or **€** are to the lawful currency of the participating Member States in the Third Stage of the European Economic and Monetary Union of the Treaty Establishing the European Community, as amended by the Treaty on European Union, (iii) **sterling**, **pounds sterling** or **£** are to the lawful currency of the United Kingdom and (iv) **Hong Kong dollars** or **HK\$** are to the lawful currency of the Hong Kong Special Administrative Region of the People's Republic of China ( **Hong Kong SAR** ).

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**LIMITATIONS ON ENFORCEMENT OF US LAWS AGAINST US,**

**OUR MANAGEMENT AND OTHERS**

We are an English public limited company. Most of our directors and executive officers (and certain experts named in this prospectus supplement and the accompanying prospectus or in documents incorporated herein by reference) are resident outside the United States, and a substantial portion of our assets and the assets of such persons are located outside the United States. As a result, it may not be possible for you to effect service of process within the United States upon these persons or to enforce against them or us in US courts judgments obtained in US courts predicated upon the civil liability provisions of the federal securities laws of the United States. We have been advised by our English

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solicitors, Cleary Gottlieb Steen & Hamilton LLP, that there is doubt as to enforceability in the English courts, in original actions or in actions for enforcement of judgments of US courts, of liabilities predicated solely upon the federal securities laws of the United States. In addition, awards of punitive damages in actions brought in the United States or elsewhere may not be enforceable in the United Kingdom. The enforceability of any judgment in the United Kingdom will depend of the particular facts of the case in effect at the time.

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**CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING STATEMENTS**

This prospectus supplement and the accompanying prospectus and the documents incorporated by reference herein contain both historical and forward-looking statements. All statements other than statements of historical fact are, or may be deemed to be, forward-looking statements. Forward-looking statements may be identified by the use of terms such as believes, expects, estimate, may, intends, plan, will, should or anticipates or the negative thereof or similar expressions, or by discussions of strategy. We have based the forward-looking statements on current expectations and projections about future events. These forward-looking statements are subject to risks, uncertainties and assumptions about us. We undertake no obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise. In light of these risks, uncertainties and assumptions, the forward-looking events discussed herein might not occur. You are cautioned not to place undue reliance on any forward-looking statements, which speak only as of their dates.

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**WHERE YOU CAN OBTAIN MORE INFORMATION ABOUT US**

We have filed with the SEC a registration statement (the Registration Statement ) on Form F-3 (No. 333-92024) under the Securities Act of 1933, as amended (the Securities Act ) with respect to the Series A American depositary shares and the Series A preference shares offered by this prospectus supplement. As permitted by the rules and regulations of the SEC, this prospectus supplement and the accompanying prospectus omit certain information, exhibits and undertakings contained in the Registration Statement. For further information with respect to us, the Series A American depositary shares and the Series A preference shares, please refer to the Registration Statement, including its exhibits and the financial statements, notes and schedules filed as a part thereof. Statements contained in this prospectus supplement and the accompanying prospectus as to the contents of any contract or other document are not necessarily complete, and in each instance reference is made to the copy of such contract or document filed as an exhibit to the Registration Statement, each such statement being qualified in all respects by such reference. In addition, we file with the SEC annual reports and special reports, proxy statements and other information. You may read and copy any document we file at the SEC's public reference room at 450 Fifth Street, N.W., Washington, D.C. 20549. Please call the SEC at (800) SEC-0330 for further information on the public reference room. Documents filed with the SEC are also available to the public on the SEC's internet site at <http://www.sec.gov>.

We are incorporating by reference in this prospectus supplement and the accompanying prospectus the information in the documents that we file with the SEC, which means we can disclose important information to you by referring you to those documents. The information incorporated by reference is considered to be a part of this prospectus supplement and the accompanying prospectus. We incorporate by reference in this prospectus supplement and the accompanying prospectus the following documents:

our Annual Report and Accounts on Form 20-F for the year ended December 31, 2004;

our Report on Form 6-K, with respect to the principal effects of our adoption of IFRS on the comparative financial information for 2004, furnished to the SEC on August 30, 2005; and

our Report on Form 6-K, with respect to our Interim Financial Statements and Notes thereon for the six-month period ended June 30, 2005, furnished to the SEC on August 30, 2005.

In addition, all documents filed by us with the SEC pursuant to Sections 13(a), 13(c) or 15(d) of the US Securities Exchange Act of 1934, as amended (the Exchange Act ) and, to the extent expressly stated therein, certain Reports on Form 6-K furnished by us after the date of this

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prospectus supplement shall also be deemed to be incorporated by reference in this prospectus supplement and the accompanying prospectus from the date of filing of such documents. Any statement contained herein or in a document incorporated or deemed to be incorporated by reference herein shall be deemed to be modified or superseded for purposes of this prospectus supplement and the accompanying prospectus to the extent that a statement contained herein or in any other

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subsequently filed document which also is or is deemed to be incorporated by reference herein modifies or supersedes such statement. Any such statement so modified or superseded shall not be deemed, except as so modified or superseded, to constitute a part of this prospectus supplement and the accompanying prospectus and to be a part hereof from the date of filing of such document.

You may request a copy of these documents at no cost to you by writing or telephoning us at either of the following addresses:

Group Company Secretary

HSBC Holdings plc

8 Canada Square

London E14 5HQ

England

Tel: +44-20-7991-8888

HSBC Holdings plc

c/o HSBC Bank USA, National Association

452 Fifth Avenue

New York, New York, 10018

Attn: Investor Affairs

Tel: +1-212-525-5000

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**SUMMARY OF THE OFFERING**

*The following summary highlights information contained elsewhere in this prospectus supplement and the accompanying prospectus. This summary is not complete and does not contain all of the information that may be important to you. You should read the entire prospectus supplement and the accompanying prospectus, including the financial statements and related notes incorporated by reference herein, before making an investment decision. Terms which are defined in "Description of the Series A American Depositary Shares" and "Terms of the Series A Preference Shares" included in this prospectus supplement have the same meaning when used in this summary.*

**Issuer** HSBC Holdings plc

**Securities Offered** 52,200,000 American depositary shares, Series A, each representing one-fortieth of a Share of 6.20% Non-Cumulative Dollar Preference Shares, Series A.

The holders of the Series A American depositary shares are entitled to all proportional rights and preferences of the Series A preference shares (including dividend, voting, redemption and liquidation rights), subject to the terms of the Deposit Agreement (defined below). See "Description of Series A American Depositary Shares" in this prospectus supplement and "Description of ADSs Voting of Deposited Securities" in the accompanying prospectus. The holders must exercise such rights acting through the depository. The proportional liquidation preference of each Series A American depositary share is \$25.

**Dividends** Dividends on the Series A preference shares will be payable at a rate of 6.20% per annum.

**Dividend Payment Dates** Dividends on the Series A preference shares will accrue from September 22, 2005 and will be payable when, as and if declared by our board of directors quarterly on the 15th calendar day of March, June, September and December of each year, commencing December 15, 2005 (each, a dividend payment date ).

**Conditions on Payment of Dividends** The declaration and payment of dividends on each dividend payment date will be subject to the sole and absolute discretion of our board of directors.

Our board of directors will not declare and pay dividends on any dividend payment date where (a) payment of the dividend would cause us not to meet applicable capital adequacy requirements of the FSA; or (b) the profits available to us to distribute as dividends are not sufficient to enable us to pay in full both dividends on the Series A preference shares and the dividends on any other of our shares that are scheduled to be paid on the same date as the dividends on the Series A preference shares and that have an equal right to dividends as the Series A preference shares.

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If the profits available to us to distribute as dividends are, in our board of directors' opinion, not sufficient to enable us to pay in full on the same date both dividends on the Series A preference shares and the dividends on any other shares that have an equal right to dividends as the Series A preference shares, we are required first, to pay in full, or to set aside an amount equal to, all dividends scheduled to be paid on or before that dividend payment date on any shares with a right to dividends ranking in priority to that of the Series A preference shares; and second, to pay dividends on the Series A preference shares and any other shares ranking equally with the Series A preference shares as to participation in profits *pro rata* to the amount of the cash dividends scheduled to be paid to them. The amount scheduled to be paid will include the amount of any dividend payable on that date and any arrears on past cumulative dividends on any shares ranking equal in the right to dividends with the Series A preference shares. In accordance with the Companies Act 1985, the profits available to us for distribution are, in general and with some adjustments, equal to our accumulated, realized profits less our accumulated, realized losses.

### **Dividends Non-cumulative**

Dividends on the Series A preference shares will be non-cumulative. Accordingly, if for any reason our board of directors does not declare a dividend on the Series A preference shares for a dividend period, we will not pay a dividend for that dividend period on the dividend payment date for that dividend period or at any future time, whether or not our board of directors declares dividends on the Series A preference shares for any subsequent dividend period. However, with certain exceptions, we may not declare or pay dividends on or redeem or purchase our ordinary shares or other series of preference shares at any time if we have not declared, paid or set aside for payment full dividends on the Series A preference shares for the then-current dividend period. See [Terms of the Series A Preference Shares](#) [Dividends](#) below.

### **Liquidation Rights**

In the event of a return of capital in respect of our winding up or otherwise (whether voluntary or involuntary) (but not on a redemption or purchase by us of any of our share capital), the holders of the Series A preference shares at the time outstanding will be entitled to receive, in US dollars out of our assets available for distribution to shareholders, together with the holders of any other of our shares ranking, as regards repayment of capital, *pari passu* with the Series A preference shares and before any distribution of assets is made to holders of any class of our shares ranking after the Series A preference shares as regards repayment of capital, liquidating distributions in an amount of \$1,000 per Series A preference share plus an amount equal to any dividends declared but unpaid in respect of the previous dividend period and any accrued and unpaid dividends for the then-current dividend period to (and including) the date of commencement of the our winding up or the date of any such other

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return of capital, as the case may be. If, upon any return of capital in our winding up, the amount payable with respect to the Series A preference shares and any other of our shares ranking as to any such distribution *pari passu* with the Series A preference shares are not paid in full, the holders of the Series A preference shares and of such other shares will share ratably in any such distribution of our assets in proportion to the full respective preferential amounts to which they are entitled. After payment of the full amount of the liquidating distribution to which they are entitled, the holders of the Series A preference shares will have no right or claim to any of our remaining assets and will not be entitled to any further participation or return of capital in a winding up.

**Redemption**

We may redeem the Series A preference shares on any date on or after December 16, 2010, in whole (but not in part only), at a redemption price equal to \$1,000 per share of Series A preference shares (which is equal to \$25 per Series A depositary share) plus accrued and unpaid dividends for the then-current dividend period to the date fixed for redemption, subject to the prior consent of the FSA.

**Voting Rights**

Except as set forth in Terms of the Series A Preference Shares Voting Rights in this prospectus supplement and Description of Dollar Preference Shares and Description of ADSs in the accompanying prospectus, holders of the Series A American depositary shares representing the Series A preference shares will not be entitled to attend or vote at our general meetings.

**Use of Proceeds**

We will use the net proceeds from the sale of the Series A American depositary shares to support our development and to strengthen further our capital base.

**Registrar and Paying Agent**

HSBC Holdings plc

**Depositary**

The Bank of New York

**Listing**

Application will be made to list the Series A American depositary shares representing the Series A preference shares on the New York Stock Exchange. Trading on the New York Stock Exchange is expected to begin within 30 days of the initial delivery of the Series A American depositary shares.

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**HSBC HOLDINGS PLC**

HSBC Holdings plc ( HSBC ) incorporated in England and Wales is one of the largest banking and financial services organizations in the world, with a market capitalization of US\$179 billion at June 30, 2005. As at June 30, 2005, we had total assets of US\$1,467 billion and shareholders equity of US\$87 billion. For the six months ended June 30, 2005, our operating profit was US\$10 billion on revenues of US\$30 billion. We are a strongly capitalized banking group with a total capital ratio of 12.8% and a tier 1 capital ratio of 8.7% as at June 30, 2005.

Headquartered in London, we operate through long-established businesses and have an international network of over 9,800 offices in 77 countries and territories in five geographical regions: Europe; Hong Kong SAR; the rest of Asia-Pacific, including the Middle East and Africa; North America; and South America. Within these regions, a comprehensive range of financial services is offered to personal, commercial, corporate, institutional, investment and private banking clients. We manage our business through the following customer groups: Personal Financial Services; Commercial Banking; Corporate, Investment Banking and Markets; and Private Banking. Services are delivered through businesses which usually operate as domestic banks, typically with large retail deposit bases and strong liquidity and capital ratios. In North America, HSBC Finance Corporation is one of the largest consumer finance companies in the United States, and is substantially funded in the wholesale market.

The establishment of HSBC and our hexagon symbol as a uniform, consumer brand name has ensured that it has become an increasingly familiar sight across the world.

Our largest and best-known subsidiaries and their primary areas of operation are:

The Hongkong and Shanghai Banking Corporation Limited	Hong Kong SAR, with an extensive network throughout Asia-Pacific
Hang Seng Bank Limited	Hong Kong SAR
HSBC Bank plc	United Kingdom
CCF S.A.	France
HSBC Bank USA, National Association	New York State in the United States
HSBC Finance Corporation	United States
HSBC Bank Brasil S.A.-Banco Múltiplo	Brazil
HSBC Private Banking Holdings (Suisse) S.A.	Switzerland, Hong Kong SAR, Monaco, Luxembourg, United Kingdom, Singapore and the Channel Islands
HSBC México, S.A. Institución de Banca Múltiple Grupo Financiero HSBC	Mexico
The Bank of Bermuda Limited	Bermuda, Luxembourg, Ireland, Jersey, Guernsey, Isle of Man

**Recent Developments**

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On May 17, 2005, we confirmed that we are in negotiations to take a majority stake in Dar Es Salaam Investment Bank of Iraq. Completion of the transaction is subject to regulatory and other approvals.

On July 5, 2005, we announced the establishment of a joint venture with His Royal Highness Alwaleed bin Talal Al Saud to respond to growing investment opportunities in sub-Saharan Africa. Each party will invest up to US\$200 million in promising companies across the region.

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On August 4, 2005, HSBC Finance Corporation entered into a definitive agreement to acquire Metris Companies Inc. ( Metris ) in an all-cash transaction which values Metris at US\$1.594 billion. Upon completion, expected in the fourth quarter of 2005, Metris will become a wholly-owned subsidiary of HSBC Finance Corporation.

On August 31, 2005, the HSBC Group acquired a further 9.91 per cent interest in Ping An Insurance (Group) Company of China, Ltd ( Ping An ), for the equivalent of US\$1.04 billion, from two private equity firms to take the group's aggregate stake in Ping An to 19.90 per cent.

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We will use the net proceeds from the sale of the Series A American depositary shares to support our development and to strengthen further our capital base.

**RATIOS OF EARNINGS TO COMBINED FIXED CHARGES AND  
PREFERENCE SHARE DIVIDENDS**

The ratios of earnings to combined fixed charges and preference share dividends for us for the periods indicated, using financial information calculated in accordance with UK GAAP and estimated financial information adjusted to reflect US GAAP, are:

	<b>Year ended 31 December,</b>				
	<b>2004</b>	<b>2003</b>	<b>2002</b>	<b>2001</b>	<b>2000</b>
<b>Ratios in accordance with UK GAAP</b>					
Excluding interest on deposits	8.07	7.41	6.57	4.90	5.83
Including interest on deposits	1.81	1.80	1.66	1.35	1.38
<b>Ratios in accordance with US GAAP</b>					
Excluding interest on deposits	8.49	6.33	5.42	4.90	5.67
Including interest on deposits	1.85	1.67	1.53	1.34	1.37

For the purpose of calculating the ratios of earnings to combined fixed charges and preference share dividends, earnings consist of income from continuing operations before taxation and minority interests, plus fixed charges and after deduction of the unremitted pre-tax income of associated undertakings. Fixed charges consist of total interest expense, including or excluding interest on deposits, as appropriate, preference share dividends, as applicable, and the proportion of rental expense deemed representative of the interest factor.

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The following table shows the consolidated unaudited capitalization, indebtedness and share capital position of HSBC Holdings plc and our subsidiary undertakings as at December 31, 2004:

		<u>Authorized</u>	<u>Issued and fully paid</u>
		US\$m	US\$m
<b>Ordinary Share Capital:</b>			
	Ordinary shares (of nominal value US\$0.50 each)	7,500	5,587
<b>Consolidated Loan Capital:</b>			
<b>Undated Subordinated Loan Capital of Subsidiary Undertakings</b>			
US\$	1,200m		1,200
US\$	750m		750
US\$	500m		500
US\$	300m		300
£	150m		290
£	150m		290
	Other undated subordinated liabilities less than US\$200m		356
			<u>3,686</u>
<b>Subordinated Loan Capital of HSBC Holdings plc</b>			
	2,000m		2,730
US\$	1,400m		1,394
	1,000m		1,360
£	650m		1,250
US\$	1,000m		999
US\$	488m		481
£	250m		478
	300m		409
US\$	350m		350
US\$	222m		218
			<u>9,669</u>
<b>Subordinated Loan Capital of Subsidiary Undertakings</b>			
US\$	1,000m		997
US\$	1,000m		993
£	500m		964
	600m		819
£	350m		677
£	350m		677

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£	350m	5.0% callable subordinated notes 2023	676
£	300m	6.5% subordinated notes 2023	577
US\$	500m	7.625% subordinated notes 2006	500
£	225m	6.25% subordinated notes 2041	432
£	200m	9% subordinated notes 2005	385
US\$	300m	10% trust preferred securities 2030	306
US\$	300m	6.95% subordinated notes 2011	300
US\$	300m	7.65% subordinated notes 2025	300

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			Amount outstanding
			US\$m
US\$	300m	7% fixed rate subordinated notes 2006	300
US\$	250m	5.875% subordinated notes 2008	237
US\$	250m	7.20% subordinated notes 2097	216
US\$	200m	8.25% trust preferred securities 2031	204
US\$	200m	7.50% trust preferred securities 2031	203
BRL	608m	Subordinated debentures 2008	229
US\$	200m	7.808% capital securities 2026	200
US\$	200m	8.38% capital securities 2027	200
US\$	200m	6.625% subordinated notes 2009	200
Other subordinated liabilities less than US\$200m			2,539
			<b>13,131</b>
<b>Non-equity Minority Interest:</b>			
	1,400m	5.3687% Non-cumulative Step-up Perpetual Preferred Securities	1,908
£	700m	5.844% Non-cumulative Step-up Perpetual Preferred Securities	1,354
US\$	1,350m	9.547% Non-cumulative Step-up Perpetual Preferred Securities, Series 1	1,338
US\$	1,250m	4.61% Non-cumulative Step-up Perpetual Preferred Securities	1,250
	750m	5.13% Non-cumulative Step-up Perpetual Preferred Securities	1,025
£	500m	8.208% Non-cumulative Step-up Perpetual Preferred Securities	958
US\$	900m	10.176% Non-cumulative Step-up Perpetual Preferred Securities, Series 2	889
	600m	8.03% Non-cumulative Step-up Perpetual Preferred Securities	812
£	300m	5.862% Non-cumulative Step-up Perpetual Preferred Securities	580
Other preference shares issued by subsidiary undertakings			604
			<b>10,718</b>

Notes:

- (1) The authorized ordinary share capital of HSBC Holdings plc as at December 31, 2004 was US\$7,500 million divided into 15,000 million ordinary shares of US\$0.50 each, and £301,500 divided into 301,500 non-voting deferred shares of £1 each. At December 31, 2004, the authorized and unissued preference share capital of HSBC Holdings plc was 10 million non-cumulative preference shares of US\$0.01 each, 10 million non-cumulative preference shares of £0.01 each and 10 million non-cumulative preference shares of 0.01 each.
- (2) The £700 million 5.844% Non-Cumulative Step-up Perpetual Preferred Securities and the £300m 5.862% Non-Cumulative Step-up Perpetual Preferred Securities each have the benefit of a subordinated guarantee of HSBC Bank plc. The other Non-Cumulative Step-up Perpetual Preferred Securities each have the benefit of a subordinated guarantee of HSBC Holdings plc. None of the other above Consolidated Loan Capital is secured or guaranteed. No account has been taken of liabilities or guarantees between undertakings within the group, comprising HSBC Holdings plc and its subsidiary undertakings.
- (3) HSBC Holdings plc has no convertible or exchangeable bonds in issue.
- (4) In addition to the issues included in the above consolidated capitalization table HSBC Finance Corporation has in issue 8.875% Adjustable Conversion-Rate Equity Security Units (the Units ) of US\$542 million. Each of the Units consists of an 8.875% senior note due February 15, 2008 and a purchase contract under which the purchaser agreed to purchase from HSBC Finance Corporation, for US\$25 each, shares of common stock of HSBC

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Finance Corporation on February 15, 2006, or earlier at the option of the purchaser. As a result of the acquisition of HSBC Finance Corporation by HSBC, the purchase contracts entitle holders to acquire ordinary shares issued by HSBC Holdings plc.

- (5) On January 20, 2005, HSBC Holdings plc paid its third interim dividend for 2004. Ordinary shares with a value of US\$254 million were issued to those existing shareholders who had elected to receive new shares at market value in lieu of cash.
- (6) On March 15, 2005, HSBC Holdings plc issued US\$750 million callable subordinated floating rate notes due 2015.
- (7) On April 6, 2005, HSBC USA Inc. issued US\$518 million floating rate non-cumulative preferred stock, Series F.

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- (8) On April 11, 2005, HSBC Holdings plc called and redeemed US\$350 million subordinated step-up coupon floating rate notes due 2010.
- (9) On April 19, 2005, HSBC Bank Canada issued CAD175 million non-cumulative redeemable Class 1 preferred shares Series C.
- (10) On May 3, 2005, HSBC Bank Canada issued CAD200 million of HSBC Canada Asset Trust Securities Series 2015.
- (11) On May 4, 2005, HSBC Holdings plc paid its fourth interim dividend for 2004. Ordinary shares with a value of US\$431 million were issued to those existing shareholders who had elected to receive new shares at market value in lieu of cash. As the full amount of the dividend was accrued as payable at December 31, 2004, shareholders' funds have increased by US\$431 million as a result of these elections.
- (12) On June 8, 2005, HSBC Finance Corporation called and redeemed US\$300 million of 10% trust preferred securities 2030.
- (13) On June 23, 2005, HSBC Finance Corporation issued US\$575 million of depositary shares each representing one-fortieth of a share of 6.36% non-cumulative preferred stock, Series B.
- (14) On June 23, 2005, Hang Seng Bank Limited issued Series A HK\$1,000 million 4.125% subordinated notes due 2015 and Series B HK\$1,500 million floating rate subordinated notes due 2015.
- (15) On June 28, 2005, HSBC Holdings plc issued 700 million of 3.625% callable subordinated notes 2020.
- (16) On July 6, 2005, HSBC Holdings plc paid its first interim dividend for 2005. Ordinary shares with a value of US\$676 million were issued to those existing shareholders who had elected to receive new shares at market value in lieu of cash.
- (17) On August 17, 2005, HSBC Bank USA, N.A. issued US\$750 million 5.625% subordinated notes due 2035.
- (18) HSBC Bank Canada will redeem all its issued and outstanding CAD125 million Class 1 Preferred Shares Series A on September 30, 2005.
- (19) Since December 31, 2004, 42,382,784 ordinary shares of US\$0.50 each have been allotted and issued as a result of the exercise of employee share options and 324,726 ordinary shares of US\$0.50 each have been allotted and issued following the exercise of purchase contracts by holders of the Units.
- (20) As at December 31, 2004, HSBC Holdings plc and its subsidiary undertakings had other indebtedness of US\$1,150,475 million (including deposits by banks of US\$83,539 million, customer accounts of US\$693,751 million, debt securities in issue of US\$208,593 million and other liabilities of US\$164,592 million) and contingent liabilities of US\$72,192 million, comprising acceptances and endorsements of US\$7,214 million and guarantees, assets pledged as collateral security and other items of US\$64,978 million. In addition as at 31 December 2004, HSBC had pledged assets of US\$93,419 million as security for liabilities of US\$39,463 million.

Save as disclosed in the above notes, there has been no material change in the authorized and issued share capital of HSBC Holdings plc or the loan capital, other indebtedness, contingent liabilities or third party guarantees of HSBC Holdings plc and its subsidiary undertakings since December 31, 2004.

The following exchange rates as at December 31, 2004 have been used in the table above: US\$1.00 = Hong Kong dollars 7.77325; 1.00 = US\$1.36475; US\$1.00 = Brazilian real 2.6555; £1.00 = US\$1.934.



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**DESCRIPTION OF SERIES A AMERICAN DEPOSITARY SHARES**

The following summary description of the Series A American depositary shares supplements the description of the terms of the Series A American depositary shares set forth under the heading "Description of ADSs" in the accompanying prospectus, to which description you should refer. To the extent that terms in this prospectus supplement are inconsistent with or supersede the terms in the accompanying prospectus, the terms of the Series A American depositary shares and the Series A preference shares are as they appear in this prospectus supplement. The summary description of the Series A American depositary shares set forth below is not complete and is subject to and qualified in its entirety by reference to the Deposit Agreement referred to below, the form of which has been filed with the SEC.

Each Series A American depositary share represents ownership of one-fortieth of a share of the 6.20% Non-Cumulative Dollar Preference Shares, Series A described below under "Terms of the Series A Preference Shares." The Series A preference shares represented by the Series A American depositary shares will be deposited with The Bank of New York, as Depositary (the "Depositary"), under a Deposit Agreement (the "Deposit Agreement") among the Company, the Depositary and the holders and beneficial owners from time to time of the depositary receipts issued by the Depositary (the "Depositary Receipts"). The Depositary Receipts will evidence the Series A American depositary shares. Subject to the terms of the Deposit Agreement, each owner of a Series A American depositary share will be entitled, in proportion to the one-fortieth of a share of the Series A preference shares represented by the Series A American depositary share, to all the rights and preferences of the Series A preference shares represented by the Series A American depositary share (including dividend, voting, redemption and liquidation rights), subject to the terms of the Deposit Agreement. See "Description of ADSs" "Voting of Deposited Securities" in the accompanying prospectus. Since each share of the Series A preference shares is entitled to one vote on matters on which the Series A preference shares are entitled to vote, each Series A American depositary share will, in effect, be entitled to one-fortieth of a vote, rather than one full vote, per Series A American depositary share. See "Description of Dollar Preference Shares" and "Description of ADSs" in the accompanying prospectus. Holders of the Series A American depositary shares may withdraw Series A preference shares and turn in their American Depositary Receipts, or ADRs, representing the Series A American depositary shares in accordance with the terms of the Deposit Agreement. See "Description of ADSs" "Deposit, Withdrawal and Cancellation" in the accompanying prospectus. Holders may only withdraw a whole unit of a Series A preference share, or whole multiples thereof, and are not entitled to receive a fraction of a Series A preference share.

**TERMS OF THE SERIES A PREFERENCE SHARES**

The following description of the terms of the Series A preference shares supplements the description of the general terms and provisions of the preference shares of the Company set forth under the heading "Description of Dollar Preference Shares" in the accompanying prospectus, to which description you should refer.

**General**

The Series A preference shares will rank equal with other dollar preference shares, any pounds sterling-denominated preference shares and any euro-denominated preference shares in our capital and with all other shares that rank equal to the sterling, euro or Series A preference shares. Currently, we do not have outstanding any series of dollar, sterling or euro preference shares. HSBC guarantees on a subordinated basis seven issues by HSBC Group entities of non-cumulative step-up perpetual preferred securities, see "Consolidated Capitalization and Indebtedness of HSBC Holdings plc." In certain circumstances, US dollar, euro or sterling preference shares of HSBC, ranking *pari passu* with the Series A preference shares, may be issued to holders of these preferred securities.

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The Series A preference shares will initially be issued in bearer form and deposited with the Depositary, against the issuance of Series A American depositary shares evidenced by American Depositary Receipts

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( ADRs ), upon receipt of payment for the Series A preference shares. Series A preference shares withdrawn from deposit under the Deposit Agreement will be represented by share certificates in registered form without dividend coupons. These share certificates will be delivered at the time of withdrawal.

The holder can transfer title to Series A preference shares in registered form only by transfer and registration on the register for the Series A preference shares. Series A preference shares in registered form cannot be exchanged, in whole or in part, for Series A preference shares in bearer form. The registration of transfer of Series A preference shares can be made only on the register for the Series A preference shares kept by the registrar at its office in the United Kingdom. See Registrar and Paying Agent below. The registrar will not charge the person requesting the registration a fee. However, the person requesting registration will be liable for any taxes, stamp duties or other governmental charges that must be paid in connection with the registration. See Taxation Taxation of Dollar Preference Shares, ADSs and Undated Debt Securities UK Stamp Taxes in the accompanying prospectus and Taxation United Kingdom Taxation Stamp Duty and Stamp Duty reserve Tax ( SDRT ) below. Neither the Articles of Association nor English law currently limit the right of non-resident or foreign owners to acquire freely Series A preference shares or, when entitled to vote Series A preference shares, to vote freely the Series A preference shares. There are currently no English laws or regulations that would restrict the remittance of dividends or other payments to non-resident holders of Series A preference shares.

## **Dividends**

Dividends on the stated value per share of the Series A preference shares will be payable at an annual rate of 6.20% and will be payable quarterly on the 15th day of March, June, September and December in each year, commencing December 15, 2005 (each, a dividend payment date ).

The declaration and payment of dividends on each dividend payment date will be subject to the sole and absolute discretion of our board of directors.

Our board of directors will not declare and pay dividends on any dividend payment date where (a) payment of the dividend would cause us not to meet applicable capital adequacy requirements of the FSA; or (b) the profits available to us to distribute as dividends are not sufficient to enable us to pay in full both dividends on the Series A preference shares and the dividends on any other of our shares that are scheduled to be paid on the same date as the dividends on the Series A preference shares and that have an equal right to dividends as the Series A preference shares.

If the profits available to us to distribute as dividends are, in our board of directors' opinion, not sufficient to enable us to pay in full on the same date both dividends on the Series A preference shares and the dividends on any other shares that have an equal right to dividends as the Series A preference shares, we are required first, to pay in full, or to set aside an amount equal to, all dividends scheduled to be paid on or before that dividend payment date on any shares with a right to dividends ranking in priority to that of the Series A preference shares; and second, to pay dividends on the Series A preference shares and any other shares ranking equally with the Series A preference shares as to participation in profits *pro rata* to the amount of the cash dividends scheduled to be paid to them. The amount scheduled to be paid will include the amount of any dividend payable on that date and any arrears on past cumulative dividends on any shares ranking equal in the right to dividends with the Series A preference shares. In accordance with the Companies Act 1985, the profits available to us for distribution are, in general and with some adjustments, equal to our accumulated, realised profits less our accumulated, realized losses.

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The dividends to be paid on the Series A preference shares for each dividend period will be computed based upon the amount paid up or credited as paid up on each of the Series A preference shares. The dividend will be calculated by annualizing the applicable dividend amount or rate and dividing by the number of dividend periods

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in a year. The dividends to be paid will be computed on the basis of a 360-day year of twelve 30-day months for any dividend period that is shorter or longer than a full dividend period and on the basis of the actual number of days elapsed for any partial month.

Subject to the conditions set out above, we will pay dividends on the Series A preference shares in registered form on each dividend payment date to the record holders who are listed on the register as the holders of the Series A preference shares on the relevant record date, including The Bank of New York as holder of the shares underlying the Series A American depositary shares. The relevant record date will be between 15 and 60 days prior to the relevant dividend payment date. Unless the law requires otherwise, we will pay the dividend in the form of a US dollar check drawn on a bank in London or in New York City and mailed to the holder at the address that appears on the register for the Series A preference shares. If the date we have scheduled to pay dividends on the Series A preference shares is not a day on which banks in London and in New York City are open for business and on which foreign exchange dealings can be conducted in London and in New York City, then the dividend will be paid on the following business day, and we will not be required to pay any interest or other payment because of the delay. Dividends declared but not yet paid do not bear interest. For a description of how dividends will be distributed to holders of ADSs, see Description of ADSs Share Dividends and Other Distributions in the accompanying prospectus.

Dividends on the Series A preference shares will be non-cumulative. If the dividend, or a portion of it, on the Series A preference shares is not required to be paid and is not paid on the relevant date scheduled for payment, then the holders of Series A preference shares will lose the right they had to the dividend and will not earn any interest on the unpaid amount, regardless of whether dividends on the Series A preference shares are paid for any future dividend period.

If we have not paid the dividend on the Series A preference shares in full on the most recent date scheduled for dividend payment in respect of a dividend period, we will not be permitted thereafter to declare or pay dividends or distributions on any class of our shares ranking lower in the right to dividends than the Series A preference shares, unless we pay in full, or set aside an amount to provide for payment in full of, the dividends on the Series A preference shares for the then-current dividend period.

If we have not paid in full a dividend payable on the Series A preference shares on the most recent dividend payment date, we will not be permitted thereafter to redeem or purchase in any manner any of our other shares ranking equal with or lower than the relevant Series A preference shares, and we will not be permitted to contribute money to a sinking fund to redeem or purchase the other shares in any manner, unless we pay in full, or set aside an amount to provide for payment in full of, the dividends on the Series A preference shares for the then-current dividend period. Except as herein provided, the holders of the Series A preference shares do not have the right to share in our profits.

## **Liquidation Rights**

In the event of a return of capital in respect of our winding up or otherwise (whether voluntary or involuntary) (but not on a redemption or purchase by us of any of our share capital), the holders of the Series A preference shares at the time outstanding will be entitled to receive, in US dollars out of our assets available for distribution to shareholders, together with the holders of any other of our shares ranking, as regards repayment of capital, *pari passu* with the Series A preference shares and before any distribution of assets is made to holders of any class of our shares ranking after the Series A preference shares as regards repayment of capital, liquidating distributions in an amount of \$1,000 per Series A preference share plus an amount equal to any dividends declared but unpaid in respect of the previous dividend period and any accrued and unpaid dividends for the then-current dividend period to (and including) the date of commencement of the winding up or the date of any such other return of capital, as the case may be. If, upon any return of capital in our winding up, the amount payable with respect to the Series A preference shares and any other of our shares ranking as to any such



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distribution *pari passu* with the Series A preference shares are not paid in full, the holders of the Series A preference shares and of such other shares will share ratably in any such distribution of our assets in proportion to the full respective preferential amounts to which they are entitled. After payment of the full amount of the liquidating distribution to which they are entitled, the holders of the Series A preference shares will have no right or claim to any of our remaining assets and will not be entitled to any further participation or return of capital in a winding up.

## **Redemption and Purchase**

Subject to the Companies Act 1985, we have the right to redeem in whole (but not in part only) the Series A preference shares at a redemption price equal to \$1,000 per share of Series A preference shares (which is equal to \$25 per Series A American depositary shares) plus accrued and unpaid dividends for the then-current dividend period to the date fixed for redemption, subject to the prior consent of the FSA.

If we wish to redeem Series A preference shares, we must provide notice to the depositary and each record holder of the Series A preference shares to be redeemed, between 30 and 60 days prior to the date fixed for redemption (the Notice of Redemption ). The Notice of Redemption must state:

(a) the redemption date;

(b) the Series A preference shares to be redeemed;

(c) the redemption price; and

(d) the place or places where documents of title relating to the Series A preference shares are to be presented for redemption and payment for them will be made.

The redemption process will not be considered invalid due to a defect in the notice of redemption or in the mailing. The dividend on the Series A preference shares due for redemption will stop accruing starting on the relevant redemption date, except in the case where the payment to be made on any Series A preference share is improperly withheld or refused upon redemption. In that case, the dividend will continue to accrue from the relevant redemption date to the date of payment. In this case, a Series A preference share will not be treated as having been redeemed until the relevant redemption payment and an accrued dividend on those amounts has been paid. Subject to any applicable fiscal or other laws and regulations, we will make the redemption payment by a US dollar check drawn on, or, if the holder requests, by transfer to a dollar account maintained by the person to be paid with, a bank in London or in New York City. The holder of the Series A preference shares to be redeemed must deliver to us the relevant share certificates at the place specified in the Notice of Redemption. In the event that any date on which any payment relating to the redemption of Series A preference shares is to be made is not a business day, then payment of the redemption price payable on that date will be made on the following business day, with no interest or other additional payment due because of the delay.

We may at any time purchase outstanding Series A preference shares in the open market, by tender to all holders of Series A preference shares alike or by private agreement. These purchases will be made in accordance with the Articles of Association, applicable law (including, the

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Companies Act 1985 and US federal securities laws) and applicable regulations of the FSA in its capacity as the United Kingdom Listing Authority. Any Series A preference shares purchased or redeemed by us for our own account (other than in the ordinary course of the business of dealing in securities) will be canceled by us and will no longer be issued and outstanding. Under existing FSA requirements, we can redeem or purchase the Series A preference shares only with the prior consent of the FSA.

### **Voting Rights**

The holders of the Series A preference shares having a registered address within the United Kingdom are entitled to receive notice of our general meetings but will not be entitled to attend or vote at those meetings, except as set forth below.

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The holders of Series A preference shares of such series will be entitled to receive notice of, attend and vote at our general meetings if we have failed to pay in full the dividend payable on the Series A preference shares for four consecutive dividend payment dates. In such circumstances, the holders of Series A preference shares will be entitled to vote on all matters put before all our general meetings until such time as we shall have paid in full a dividend on the Series A preference shares.

Whenever entitled to vote at our general meetings, on a show of hands, each holder of Series A preference shares present in person shall have one vote and on a poll each holder of Series A preference shares present in person or by proxy shall have one vote per share.

In addition, holders of the Series A preference shares may have the right to vote separately as a class in certain circumstances as described below under the heading Variation of Rights.

## **Variation of Rights**

The rights, preferences or restrictions attached to our dollar preference shares may be varied by the consent in writing of the holders of three-quarters of our dollar preference shares of all series in issue, including the Series A preference shares, or by the sanction of an extraordinary resolution passed at a separate general meeting of the holders of our dollar preference shares as a single class regardless of series.

The rights, preferences or restrictions of the Series A preference shares may be varied adversely on a different basis to other series of our dollar preference shares by the consent in writing of the holders of three-quarters of the Series A preference shares or by the sanction of an extraordinary resolution passed at a separate general meeting of the holders of the Series A preference shares.

An extraordinary resolution requires the approval of three-quarters of the holders voting in person or by proxy at the meeting. Two persons holding or representing by proxy at least one-third of the outstanding Series A preference shares must be present for the meeting to be valid. An adjourned meeting will be valid when any one holder is present in person or by proxy.

We may create or issue any shares of any class, or any securities convertible into shares of any class, that rank equally with the Series A preference shares in the right to share in our profits or assets, whether the rights attaching to such shares are identical to or differ in any respect from the Series A preference shares, without the rights of the Series A preference shares being deemed to be varied or abrogated.

The rights attached to the Series A preference shares will not be deemed to be varied or abrogated by a reduction of any share capital or purchase by us or redemption of any of our share capital in each case ranking as regards participation in the profits and assets of the company in priority to or equally with or after such Series A preference share.

## **Additional Shares**

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We may from time to time, without notice to or the consent of the holders of the Series A American depositary shares, authorize and issue additional Series A American depositary shares.

### **Registrar and Paying Agent**

HSBC Holdings plc, located at 8 Canada Square, London E14 5HQ, England, will act as the registrar for the Series A preference shares. The Secretary's Office of HSBC Holdings plc, also located at 8 Canada Square, London E14 5HQ, England, will act as paying agent for the Series A preference shares.

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**TAXATION**

**United Kingdom Taxation**

The following is a summary of the material UK taxation consequences for a US holder of the acquisition, ownership and disposal of Series A American depositary shares or Series A preference shares. The comments below are of a general nature and are not intended to be an exhaustive description of the UK taxation consequences of the acquisition, ownership and disposal of Series A American depositary shares or Series A preference shares. They are based on our understanding of current UK tax law and published H.M. Revenue & Customs practice, both of which are subject to change, possibly with retroactive effect. They relate only to the position of US holders who are the absolute beneficial owners of Series A American depositary shares or Series A preference shares and who hold such Series A American depositary shares or Series A preference shares as investments. They may not apply to certain classes of owners, such as dealers or insurance companies. They assume that the owners of Series A American depositary shares or Series A preference shares are not (and have not been) resident or (in the case of individuals) ordinarily resident in the United Kingdom for UK tax purposes or carrying on a trade, profession or vocation in the United Kingdom through a branch or agency or a permanent establishment to which the Series A American depositary shares or Series A preference shares are attributable. They assume that owners of American Depositary Shares ( ADSs ) (evidenced by ADRs) will be treated for the purposes of UK tax as the beneficial owners of the Series A preference shares represented by them.

The comments below do not attempt to describe all possible UK tax considerations that may be relevant to holders. Holders who are in any doubt as to any aspect of their UK tax position should consult their professional advisers.

For the purposes of this section, a person is a US holder at any time if, at that time, he is regarded as a resident of the US for US tax purposes.

***Taxation of Dividends***

We will not be required to withhold UK tax at source from any dividends that we pay on the Series A preference shares, and US holders will not otherwise be liable to UK taxation on income in respect of any dividends paid on the Series A preference shares.

***Disposal (Including Redemption)***

US holders will not be liable to UK taxation on capital gains in respect of any gains arising on a sale or other disposal of the Series A American depositary shares or the Series A preference shares.

***Inheritance Tax***

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A US holder who is an individual domiciled in the US for the purposes of the UK/US Estate and Gift Tax Treaty and who is not a national of the United Kingdom for the purposes of the UK/US Estate and Gift Tax Treaty will not be subject to UK inheritance tax in respect of the Series A American depositary shares or the Series A preference shares on the individual's death or on a gift of such Series A American depositary shares or the Series A preference shares made during the individual's lifetime unless, inter alia, they are part of the business property of the individual's permanent establishment situated in the United Kingdom or pertain to the individual's UK fixed base used for the performance of independent personal services. In the exceptional case where Series A American depositary shares or the Series A preference shares are subject to both UK inheritance tax and US federal estate or gift tax, the UK/US Estate and Gift Tax Treaty generally provides for tax paid in the United Kingdom to be credited against tax payable in the United States, based on priority rules set out in that treaty.

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### *Stamp Duty and Stamp Duty Reserve Tax ( SDRT )*

#### *Series A American depositary shares*

No UK stamp duty or SDRT will be payable by holders on the first issue by us to the Depository of Series A preference shares in bearer form or on the issue by the Depository of the Series A American depositary shares representing those Series A preference shares.

No UK stamp duty will be payable on the transfer of a Series A American depositary share, provided that the ADR and any separate instrument of transfer is executed and remains at all times outside the United Kingdom. An agreement to transfer a Series A American depositary share will not give rise to UK stamp duty or SDRT provided that, in the case of stamp duty, any written agreement to transfer is executed and remains at all times outside the United Kingdom.

#### *Series A preference shares (not being ADSs)*

A conveyance or transfer on sale of Series A preference shares in registered form (other than to a depository or clearance service or the nominee or agent of a depository or clearance service) will usually be subject to *ad valorem* UK stamp duty, generally at the rate of 0.5 per cent. (rounded up to the nearest £5) of the amount or value of the consideration for the transfer. An unconditional agreement for such transfer, or a conditional agreement which subsequently becomes unconditional, will be liable to UK SDRT, generally at the rate of 0.5 per cent. of the consideration for the transfer; but such liability will be cancelled if the agreement is completed by a duly stamped instrument of transfer within six years of the date of the agreement or, if the agreement was conditional, the date the agreement became unconditional. Where the UK stamp duty is paid, any UK SDRT previously paid will be repaid on the making of an appropriate claim within that six year period. UK stamp duty and SDRT are normally paid by the purchaser.

Subject to certain exemptions, a charge to UK SDRT (or in the case of transfer, UK stamp duty) will arise on the issue or transfer of Series A preference shares in registered form to particular persons providing a clearance service, or to their nominees or agents, or to an issuer of depository receipts, or to its nominee or agent. The rate of UK stamp duty or SDRT, as the case may be, will generally be 1.5 per cent. of either (i) in the case of an issue of Series A preference shares in registered form, the issue price of the Series A preference shares concerned, or (ii) in the case of a transfer of Series A preference shares in registered form, the amount or value of the consideration for the transfer or, in some circumstances, the value of the Series A preference shares concerned, in the case of UK stamp duty rounded up to the nearest £5.

No UK stamp duty will be payable on the acquisition or transfer of Series A preference shares held within a clearance service, provided that any instrument of transfer is executed and remains at all times outside the United Kingdom. An agreement to transfer Series A preference shares held within a clearance service will not give rise to a liability to UK stamp duty or SDRT provided that, in the case of stamp duty, any contract of sale is executed and remains at all times outside the United Kingdom, and in the case of SDRT, at the time the agreement is made, the clearance service satisfies various conditions laid down in the relevant UK legislation.

A transfer of Series A preference shares in registered form by the Depository or its nominee to the relevant holder on a cancellation of ADRs (when there is no transfer of beneficial ownership of the Series A preference shares) will give rise to fixed UK stamp duty at the rate of £5.00 per transfer.

If you acquire or intend to acquire Series A preference shares in registered form you are accordingly advised to consult your own professional adviser in relation to UK stamp duty and SDRT.

### **United States Federal Income Taxation**

The following discussion is a summary of the material US federal income tax consequences for US holders of the acquisition, ownership, and disposition of the Series A American depositary shares or the Series A preference shares (the "shares"). You will be a US holder if you are:

an individual who is a citizen or resident of the United States;

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a US domestic corporation; or

any other person that is subject to US federal income tax on a net basis in respect of income from the shares.

This summary deals only with US holders that hold shares as capital assets. It does not address considerations that may be relevant to you if you are an investor that is subject to special tax rules, such as a bank, thrift, real estate investment trust, regulated investment company, insurance company, dealer in securities or currencies, trader in securities or commodities that elects mark-to-market treatment, person that will hold securities as a hedge against currency risk or as a position in a straddle or conversion transaction, tax-exempt organization, or person whose functional currency is not the US dollar.

This summary is based on laws, treaties, regulations, rulings and decisions now in effect, all of which are subject to change, possibly on a retroactive basis. Investors should consult their own tax advisers regarding the tax consequences of the acquisition, ownership, and disposition of the shares, including the application to their particular circumstances of the tax considerations discussed below, as well as the application of state, local, and other national tax laws.

Beneficial owners of the Series A American depository shares will be treated as owners of the underlying Series A preference shares for US federal income tax purposes. Deposits and withdrawals of Series A preference shares in exchange for Series A American depository shares will not result in the realization of gain or loss for US federal income tax purposes.

### ***Dividends***

For US federal income tax purposes, the Series A preference shares will be treated as equity.

Payments of dividends generally will be includible in your income on the date of receipt without regard to your method of tax accounting. Dividend payments on the shares generally will constitute foreign source income, subject to various foreign tax credit classifications and other limitations, and will not be eligible for the dividends-received deduction available for dividends paid by US corporations.

Subject to certain exceptions for short-term and hedged positions, the US dollar amount of dividends received by an individual before January 1, 2009 will be subject to taxation at a maximum rate of 15% if the dividends are qualified dividends. Dividends received with respect to the shares will be qualified dividends if we are a qualified foreign corporation. We will be a qualified foreign corporation if: (i) we are eligible for the benefits of a comprehensive income tax treaty with the United States which the US Treasury Department determines is satisfactory and which includes an exchange of information program and (ii) we were not, in the year prior to the year in which the dividend was paid, and are not, in the year in which the dividend is paid, a passive foreign investment company ( PFIC ).

We are eligible for the benefits of the UK-US income tax treaty, which satisfies the treaty requirement described above. Based on our audited financial statements and relevant market data, we believe that we were not treated as a PFIC for US federal income tax purposes with respect to our 2004 taxable year. In addition, based on our audited financial statements and our current expectations regarding the value and nature of our assets, the sources and nature of our income, and relevant market data, we do not anticipate becoming a PFIC and therefore we anticipate that we will be a qualified foreign corporation or so treated. Accordingly, we anticipate that dividends paid with respect to the shares will be eligible for

taxation as qualified dividends.

The US Treasury has announced its intention to promulgate rules pursuant to which holders of ADSs or shares and intermediaries through whom such shares are held will be permitted to rely on certifications from issuers to establish that dividends are eligible to be treated as qualified dividends. Because such procedures have not yet been issued, it is not clear whether we will be able to comply with the procedures. We will use reasonable

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efforts to facilitate appropriate tax reporting by providing these certifications or other similar certifications pursuant to any subsequent rules the US Internal Revenue Service or US Treasury may promulgate to the extent we are reasonably able to do so without undue cost.

***Sale, Exchange, or Retirement***

Upon the sale, exchange, or retirement of shares, you generally will recognize gain or loss equal to the difference between the amount realized on the sale, exchange, or retirement and your tax basis in such shares. Gain on the sale, exchange, or retirement of shares held for more than one year will be treated as long-term capital gain. The net amount of long-term capital gain realized by a non-corporate holder before January 1, 2009 generally is subject to taxation at a maximum rate of 15%. Any gain or loss recognized will generally be treated as United States source gain or loss. Your ability to offset capital losses against ordinary income is subject to limitations.

***Information Reporting and Backup Withholding Rules***

Payments in respect of the shares (including proceeds from the sale of shares) that are paid within the United States or through certain US-related financial intermediaries are subject to information reporting and may be subject to backup withholding unless you (i) are a corporation or other exempt recipient, or (ii) provide a taxpayer identification number and certify that no loss of exemption from backup withholding has occurred. Holders that are not US persons generally are not subject to information reporting or backup withholding. However, such a holder may be required to provide a certification to establish its non-US status in connection with payments received within the United States or from certain US-related payors.

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Subject to the terms and conditions set forth in an underwriting agreement (the "underwriting agreement") between us and the underwriters named below (the "underwriters"), we have agreed to sell to the underwriters, and the underwriters have agreed severally to purchase from us, the number of Series A American depositary shares listed opposite their names below.

<b><u>Underwriter</u></b>	<b><u>Number of Series A American depositary shares</u></b>
HSBC Securities (USA) Inc.	9,400,000
Citigroup Global Markets Inc.	9,350,000
Morgan Stanley & Co. Incorporated	9,350,000
UBS Securities LLC	9,350,000
Banc of America Securities LLC	2,000,000
Credit Suisse First Boston LLC	2,000,000
Deutsche Bank Securities Inc.	2,000,000
J.P. Morgan Securities Inc.	2,000,000
RBC Dain Rauscher Inc.	2,000,000
ABN AMRO Incorporated	300,000
Bear, Stearns & Co. Inc.	300,000
BNP Paribas Securities Corp.	300,000
BNY Capital Markets, Inc.	300,000
Comerica Securities, Inc.	300,000
Fifth Third Securities, Inc.	300,000
Wells Fargo Securities, LLC	300,000
A.G. Edwards & Sons, Inc.	150,000
Advest, Inc.	150,000
Charles Schwab & Co., Inc.	150,000
H&R Block Financial Advisors, Inc.	150,000
Key Banc Capital Markets, A Division of McDonald Investments Inc.	150,000
Lehman Brothers Inc.	150,000
Oppenheimer & Co. Inc.	150,000
Piper Jaffray & Co.	150,000
FTN Midwest Securities Corp.	150,000
SunTrust Capital Markets, Inc.	150,000
TD Waterhouse Investor Services, Inc.	150,000
BB&T Capital Markets, A Division of Scott & Strongfellow, Inc.	50,000
C.L. King & Associates, Inc.	50,000
Crowell, Weedon & Co.	50,000
D.A. Davidson & Co.	50,000
Davenport & Company LLC	50,000
Ferris, Baker Watts Incorporated	50,000
J.J.B. Hilliard, W.L. Lyons, Inc.	50,000
Janney Montgomery Scott Inc.	50,000
Jeffries & Company, Inc.	50,000
Legg Mason Wood Walker, Incorporated	50,000
Loop Capital Markets, LLC	50,000
Mesirow Financial, Inc.	50,000

Raymond James & Associates, Inc.	50,000
Robert W. Baird & Co. Incorporated	50,000

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<u>Underwriter</u>	<u>Number of Series A American depository shares</u>
Ryan Beck & Co. LLC	50,000
Southwest Securities, Inc.	50,000
Stifel Nicolaus & Company, Incorporated	50,000
Utendahl Capital Group, LLC.	50,000
William Blair & Company L.L.C.	50,000
The Williams Capital Group, L.P.	50,000
<b>Total</b>	<b>52,200,000</b>

If the underwriters sell more Series A American depository shares than the total number being offered, the underwriters have an option to buy up to an additional 7,800,000 Series A American depository shares from us to cover such sales. The underwriters may purchase these shares pursuant to this option during the 30-day period commencing with the date of this prospectus supplement. If the underwriters exercise this option, each of the underwriters will, subject to certain conditions, purchase a number of additional Series A American depository shares proportionate to their commitment shown in the table above. The following table shows the public offering price, underwriting discounts and proceeds, before expenses, to us assuming both no exercise and full exercise of the underwriters' option to purchase 7,800,000 additional Series A American depository shares.

	<u>Per Depository Share</u>	<u>Total</u>	
		<u>Without Over- Allotment</u>	<u>With Over- Allotment</u>
Public offering price	\$25.00	\$1,305,000,000	\$1,500,000,000
Underwriting Discount	\$ 0.7875	\$ 41,107,500	\$ 47,250,000
Proceeds, before expenses	\$24.2125	\$1,263,892,500	\$1,452,750,000

The underwriting agreement provides that the obligations of the underwriters to purchase the Series A American depository shares included in this offering are subject to approval of legal matters by counsel and to other conditions. The underwriters have agreed to purchase all of the Series A American depository shares sold pursuant to the underwriting agreement if any of the Series A American depository shares are sold. If an underwriter defaults, the underwriting agreement provides that the purchase commitments of the nondefaulting underwriters may be increased or the underwriting agreement may be terminated.

The underwriters have advised us that they propose initially to offer the Series A American depository shares to the public at the public offering price set forth on the cover page of this prospectus supplement, and to certain dealers at that price less a concession not in excess of \$0.50 per Series A American depository share. The underwriters may allow, and such dealers may allow, a discount not in excess of \$0.25 per Series A American depository share to certain other dealers. After the initial public offering, the public offering price, concession and discount may be changed.

The underwriting agreement provides that we will indemnify the underwriters against certain liabilities, including civil liabilities under the Securities Act, or contribute to payments the underwriters may be required to make in respect thereof.

**Selling Restrictions**

The Series A American depositary shares are offered for sale only in jurisdictions where it is legal to make such offers. The offer and sale of the Series A American depositary shares are subject to the following limitations. Neither the underwriters nor we have taken any action in any jurisdiction that would constitute a public offering of the Series A American depositary shares, other than in the United States.

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### ***United Kingdom***

Each underwriter has represented and agreed that:

(1) it has complied and will comply with all applicable provisions of the Financial Services and Markets Act 2000 (the FSMA) with respect to anything done by it in relation to the securities in, from or otherwise involving the United Kingdom; and

(2) it has only communicated or caused to be communicated and will only communicate or cause to be communicated any invitation or inducement to engage in investment activity (within the meaning of Section 21 of the FSMA) received by it in connection with the issue or sale of any securities in circumstances in which Section 21(1) of the FSMA does not apply to us.

The underwriters are not acting for anyone other than HSBC Holdings plc in connection with the offering of Series A American depositary shares and will not be responsible to anyone other than HSBC Holdings plc for providing the protections afforded to their clients nor for providing advice in relation to the offering.

This document is for distribution only to persons who (i) have professional experience in matters relating to investments falling within Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (as amended, the Financial Promotion Order), (ii) are persons falling within Article 49(2)(a) to (d) (high net worth companies, unincorporated associations etc) of the Financial Promotion Order, (iii) are outside the United Kingdom, or (iv) are persons to whom an invitation or inducement to engage in investment activity (within the meaning of section 21 of the FSMA) in connection with the issue or sale of Series A American depositary shares may otherwise lawfully be communicated or caused to be communicated (all such persons together being referred to as relevant persons). This document is directed only at relevant persons and must not be acted on or relied on by persons who are not relevant persons. Any investment or investment activity to which this document relates is available only to relevant persons and will be engaged in only with relevant persons.

### ***France***

This prospectus supplement and the accompanying prospectus are not being distributed in the context of a public offer in France within the meaning of Article L. 411-1 of the French Monetary and Financial Code (*Code monétaire et financier*), and thus this prospectus supplement and the accompanying prospectus have not been and will not be submitted to the *Autorité des Marchés Financiers* for approval in France and accordingly may not and will not be distributed to the public in France.

The Series A American depositary shares have not been and will not be offered to the public in France except to (i) qualified investors (*investisseurs qualifiés*) and/or a restricted group of investors (*cercle restreint d'investisseurs*), in each case, acting for their own account, all as defined in, and in accordance with, Articles L. 411-1 and L. 411-2 of the French Monetary and Financial Code and Decree no. 98-880 dated 1st October, 1998 and/or (ii) persons providing portfolio management investment services acting for third parties.

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This prospectus supplement and the accompanying prospectus are not to be further distributed or reproduced (in whole or in part) in France by the recipients of this prospectus supplement and the accompanying prospectus. This prospectus supplement and the accompanying prospectus have been distributed on the understanding that such recipients will only participate in the issue or sale of the Series A American depositary shares for their own account and undertake not to transfer, directly or indirectly, the Series A American depositary shares to the public in France, other than in compliance with all applicable laws and regulations and in particular with Articles L. 411-1 and L. 411-2 of the French Monetary and Financial Code.

### *Germany*

This prospectus supplement and the accompanying prospectus have not been filed with or approved by the Federal Financial Supervisory Authority (*Bundesanstalt für Finanzdienstleistungsaufsicht*) in relation to the

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Series A American depositary shares. Accordingly, the Series A American depositary shares may be sold in the Federal Republic of Germany only in accordance with any of the exemptions provided in the Securities Prospectus Act (*Wertpapierprospektgesetz*). Therefore, this prospectus supplement and the accompanying prospectus and any other offering material in relation to the Series A American depositary shares is directed only at persons who qualify as qualified investors in the meaning of Section 2 no. 6 of the Securities Prospectus Act (*Wertpapierprospektgesetz*).

### ***Italy***

The offering of the Series A American depositary shares has not been cleared by CONSOB (the Italian Securities Exchange Commission) pursuant to Italian securities legislation and, accordingly, no Series A American depositary shares may be offered, sold or delivered, nor may copies of this prospectus supplement and the accompanying prospectus or of any other document relating to the Series A American depositary shares be distributed in the Republic of Italy, except (i) to qualified investors (*operatori qualificati*), as defined in Article 31, second paragraph, of CONSOB Regulation No. 11522 of July 1, 1998, as amended, provided that such professional investors will act in their capacity and not as depositaries or nominees for other shareholders, or (ii) in circumstances which are exempted from the rules on solicitation of investments pursuant to Article 100 of Legislative Decree No. 58 of February 24, 1998, as amended (the Italian Financial Services Act), its implementing CONSOB regulations, including Article 22, first paragraph, of CONSOB Regulation No. 11971 of May 14, 1999, as amended. Any offer, sale or delivery of the Series A American depositary shares or distribution of copies of this prospectus supplement and the accompanying prospectus or any other document relating to the Series A American depositary shares in the Republic of Italy under (i) or (ii) above must be made by an investment firm, bank or financial intermediary permitted to conduct such activities in the Republic of Italy in accordance with the Italian Financial Services Act and Legislative Decree No. 385 of September 1, 1993 (the Banking Act), as amended, and the implementing guidelines of the Bank of Italy.

### ***European Economic Area***

In relation to each Member State of the European Economic Area which has implemented the Prospectus Directive (each, a Relevant Member State), each underwriter has represented and agreed that with effect from and including the date on which the Prospectus Directive is implemented in that Relevant Member State (the Relevant Implementation Date) it has not made and will not make an offer of Series A American depositary shares to the public in that Relevant Member State prior to the publication of a prospectus in relation to the Series A American depositary shares which has been approved by the competent authority in the Relevant Member State or, where appropriate, approved in another Relevant Member State and ratified to the competent authority in that Relevant Member State, all in accordance with the Prospectus Directive, except that it may, with effect from and including the Relevant Implementation Date, make an offer of Series A American depositary shares to the public in that Relevant Member State at any time:

(a) to legal entities which are authorized or regulated to operate in the financial markets or, if not so authorized or regulated, whose corporate purpose is solely to invest in securities;

(b) to any legal entity which has two or more of (1) an average of at least 250 employees during the last financial year; (2) a total balance sheet of more than 43,000,000 and (3) an annual net turnover of more than 50,000,000, as shown in its last annual or consolidated accounts; or

(c) in any other circumstances which do not require the publication by HSBC Holdings plc of a prospectus pursuant to Article 3 of the Prospectus Directive.

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The Series A American depositary shares are and will be offered in Relevant Member States only in the circumstances described in (a) to (c) above.

For the purposes of this section, the expression an offer of Series A American depositary shares to the public in relation to any Series A American depositary shares in any Relevant Member State means the

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communication in any form and by any means of sufficient information on the terms of the offer and the Series A American depositary shares to be offered so as to enable an investor to decide to purchase or subscribe the Series A American depositary shares, as the same may be varied in that Member State by any measure implementing the Prospectus Directive in that Member State and the expression "Prospectus Directive" means Directive 2003/71/EC and includes any relevant implementing measure in each Relevant Member State.

### ***Hong Kong SAR***

The Series A American depositary shares have not been offered or sold, and will not be offered or sold in the Hong Kong Special Administrative Region of the People's Republic of China ( "Hong Kong SAR" ), by means of any document, other than to persons whose ordinary business is to buy or sell shares or debentures, whether as principal or agent, or in circumstances which do not constitute an offer to the public within the meaning of the Companies Ordinance (Cap. 32) of Hong Kong SAR. No advertisement, invitation or document relating to the Series A American depositary shares, whether in Hong Kong SAR or elsewhere, has been or will be issued, which is directed at, or the contents of which are likely to be accessed or read by, the public in Hong Kong SAR (except if permitted to do so under the securities laws of Hong Kong SAR) other than with respect to Series A American depositary shares which are or are intended to be disposed of only to persons outside Hong Kong SAR or only to "professional investors" within the meaning of the Securities and Futures Ordinance (Cap. 571) of Hong Kong SAR and any rules made thereunder.

### ***Japan***

The offering of Series A American depositary shares has not been and will not be registered under the Securities and Exchange Law of Japan ( "SEL" ); and such Series A American depositary shares may not be offered or sold, directly or indirectly, in Japan or to, or for the benefit of, any resident thereof (including a Japanese corporation) or to others for reoffering or resale, directly or indirectly, in Japan or to any resident of Japan, except that the offer and sale of the Series A American depositary shares in Japan may be made only through private placement sales in Japan in accordance with an exemption available under the SEL and in accordance with applicable laws and regulations of Japan. For purposes of this paragraph, "resident of Japan" shall have the meaning as defined under the Foreign Exchange and Foreign Trade Law of Japan.

A Japanese person who acquired or purchased Series A American depositary shares may not transfer such Series A American depositary shares unless otherwise such person transfers the Series A American depositary shares acquired or purchased as a whole to any third party.

[Legend in Japanese omitted. The translation of omitted paragraph provided in the paragraph immediately above.]

### ***Singapore***

This prospectus supplement and the accompanying prospectus have not been registered as a prospectus with the Monetary Authority of Singapore. Accordingly, the Series A American depositary shares may not be offered or sold, nor will this prospectus supplement and the accompanying prospectus, nor any document or other material in connection with the Series A American depositary shares, be distributed or circulated, either directly or indirectly, to the public or any member of the public in Singapore other than (i) to an institutional investor or other person specified in Section 274 of the Securities and Futures Act, Chapter 289 of Singapore (the "SFA" ); (ii) to a sophisticated investor, and in accordance with the conditions, specified in Section 275 of the SFA; or (iii) otherwise pursuant to, and in accordance with the conditions of, any other applicable provisions of the SFA, in each case subject to compliance with conditions set forth in the SFA.

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Each underwriter has agreed to comply, to the best of its knowledge and belief, with all applicable laws and regulations and directives in each jurisdiction in which it purchases, offers, sells or delivers Series A American

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depository shares or has in its possession or distributes this prospectus supplement and the accompanying prospectus or any such other material relating to the Series A American depository shares, in all cases at its own expense.

**Expenses**

The expenses of the offering, not including underwriting commissions, are estimated as set forth below.

Legal fees and expenses	US\$ 210,000
Accounting fees and expenses	53,000
Printing and engraving expenses	25,000
Other	430,000
	<hr/>
Total	US\$ 718,000
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**Listing**

Application will be made to list the Series A American depository shares representing the Series A preference shares on the New York Stock Exchange. The underwriters have adv