

The Hongkong and Shanghai Banking Corporation Limited - Mauritius Branch

STATEMENT OF FINANCIAL POSITION AT 31 DECEMBER 2009

	2009 Rs'000	2008 Rs'000	2007 Rs'000		2009 Rs'000	2008 Rs'000	2007 Rs'000
ASSETS				LIABILITIES			
Cash and cash equivalents	11,270,900	29,049,497	51,896,161	Deposits from banks	8,440,084	56,531,580	66,685,550
Trading assets	57,086	750,808	1,247,052	Deposits from customers	21,287,457	18,044,614	17,993,084
Derivative assets held for risk management	76,205	-	9,880	Trading liabilities	61,022	472,555	744,160
Loans and advances to banks	50,000	645,492	1,762,728	Derivative liabilities held for risk management	35,224	2,267,432	241,456
Loans and advances to customers	19,121,836	66,018,296	44,263,817	Other borrowed funds	6,949,301	24,982,327	18,404,995
Investment securities	7,977,525	7,729,882	6,725,696	Current tax liabilities	106,271	146,824	219,114
Property, plant and equipment	297,628	306,928	219,330	Deferred tax liabilities	-	-	13,031
Intangible asset	19,357	-	-	Other liabilities	848,142	1,327,162	1,311,037
Deferred tax assets	10,420	1,762	-	Total liabilities	37,727,501	103,772,494	105,612,427
Other assets	1,414,980	1,767,258	1,774,952	Shareholders' funds			
Total assets	40,295,937	106,269,923	107,899,616	Assigned capital	239,265	239,265	239,265
				Retained earnings	1,790,307	1,484,234	1,608,175
				Other reserves	538,864	773,930	439,749
				Total shareholders' funds	2,568,436	2,497,429	2,287,189
				Total equity and liabilities	40,295,937	106,269,923	107,899,616

STATEMENT OF COMPREHENSIVE INCOME

for the year ended 31 December 2009

	2009 Rs'000	2008 Rs'000	2007 Rs'000
Interest income	2,351,267	4,399,722	5,491,637
Interest expense	(1,264,999)	(3,602,450)	(4,838,581)
Net interest income	1,086,268	797,272	653,056
Fee and commission income	326,570	250,067	219,042
Fee and commission expense	(154,800)	(38,034)	(14,369)
Net fee and commission income	171,770	212,033	204,673
Net trading income	279,998	372,666	306,612
Net income/(loss) from other financial instruments carried at fair value	134	(297)	9,912
Other operating income	155,044	322,360	226,967
Operating income	1,693,214	1,704,034	1,401,220
Net impairment loss on financial assets	9,999	(57,897)	196,725
Personnel expenses	(255,211)	(260,892)	(220,531)
Operating lease expenses	(41,805)	(26,996)	(19,746)
Depreciation and amortisation	(35,558)	(22,175)	(12,963)
Other expenses	(319,554)	(306,789)	(271,627)
Total expenses	(652,128)	(616,852)	(524,867)
Profit before income tax	1,051,085	1,029,285	1,073,078
Income tax expense	(132,405)	(3,015)	(167,502)
Profit for the year	918,680	1,026,270	905,576
Other comprehensive income, net of income tax			
Changes in revaluation surplus	1,929	55,516	47,101
Net gain on available-for-sale financial assets	116,883	17,232	80,209
Net change in fair value of securities transferred to profit and loss	(88,627)	-	-
Other comprehensive income for the year, net of income tax	30,185	72,748	127,310
Total comprehensive income for the year	948,865	1,099,018	1,032,886
Profit attributable to:			
Head Office	948,865	1,099,018	1,032,886
Transfer for the year to statutory reserve	-	-	-

STATEMENT OF CASH FLOWS

for the year ended 31 December 2009

	2009 Rs'000	2008 Rs'000	2007 Rs'000
Cash flows from operating activities			
Net profit before income tax	1,051,085	1,029,285	1,073,078
Income tax paid	(175,295)	(74,427)	(117,902)
Adjustments for:			
Depreciation	35,558	22,175	12,963
Loss/(profit) on sale of fixed assets	(632)	72	9
Provision and adjustments to income for credit losses	(19,686)	53,001	(205,123)
Difference on exchange	(47,600)	5,896	(83,491)
Derivative financial assets held for risk management	(76,205)	9,880	(9,880)
Derivative financial liabilities held for risk management	(2,232,208)	2,025,976	241,456
Other assets	352,278	7,694	614,542
Other liabilities	(463,328)	2,564	241,584
	(1,576,033)	3,082,116	1,767,236
Change in investment securities	(268,585)	(986,954)	(1,316,519)
Change in trading assets	742,920	496,244	(1,054,273)
Change in trading liabilities	(411,533)	(271,605)	681,938
Change in loans and advances to customers	46,916,146	(21,807,480)	(11,227,728)
Change in loans and advances to banks	595,492	1,117,236	(100,353)
Change in deposits from customers	3,242,844	51,530	(119,960)
Change in deposits from banks	(48,091,496)	(10,122,506)	10,270,078
Change in other borrowed funds	(15,816,524)	9,018,894	(956,669)
Net cash used in operating activities	(14,666,769)	(19,422,525)	(2,056,250)
Cash flows from investing activities			
Acquisition of property, plant and equipment	(29,033)	(77,008)	(19,724)
Acquisition of intangible asset	(23,703)	-	-
Proceeds from disposal of property, plant and equipment	9,682	7	-
Transfer of assets to group equity	-	-	-
Net cash (used in)/from investing activities	(43,054)	(77,001)	(19,724)
Cash flows used in financing activities			
Repatriation of profit	(852,495)	(905,576)	(1,199,194)
Net change in cash and cash equivalents	(15,562,318)	(20,405,102)	(3,275,168)
Cash and cash equivalents at 1 January	24,724,135	45,129,237	48,404,405
Cash and cash equivalents at 31 December	9,161,817	24,724,135	45,129,237

STATEMENT OF CHANGES IN EQUITY

for the year ended 31 December 2009

	Assigned capital Rs'000	Reserve for own shares Rs'000	Revaluation reserve Rs'000	Statutory reserve Rs'000	General banking reserve Rs'000	Retained earnings Rs'000	Other reserves Rs'000	Total Rs'000
Balance at 31 December 2006	246,250	10,869	88,832	246,250	351,268	1,661,233	(69,885)	2,534,817
Total comprehensive income	-	-	-	-	-	905,576	-	905,576
Change in fair value	-	(477)	-	-	-	-	102,386	101,909
Movement in the period	-	3,546	41,290	-	-	-	-	44,836
Deferred tax	-	63	-	-	-	(5,099)	(22,177)	(27,213)
Unrecognised actuarial loss	-	-	-	-	-	3,768	-	3,768
Transfer to/(from) reserves	-	-	(370)	-	(300,000)	300,370	-	-
Reversal of deferred tax on revaluation surplus	-	-	5,353	-	-	-	-	5,353
Revaluation of properties	-	-	828	-	-	-	-	828
Difference on exchange arising on translation	(6,985)	-	-	(3,065)	(14,962)	(58,479)	-	(83,491)
Profit remittance to Head office	-	-	-	-	-	(1,199,194)	-	(1,199,194)
Balance at 31 December 2007	239,265	14,001	135,933	243,185	36,306	1,608,175	10,324	2,287,189
Total comprehensive income	-	-	-	-	-	1,026,270	-	1,026,270
Change in fair value	-	(1,439)	-	-	-	-	17,232	15,793
Movement in the period	-	4,250	-	-	-	3,648	-	7,898
Deferred tax	-	-	-	-	-	(1,717)	-	(1,717)
Unrecognised actuarial loss	-	-	-	-	-	11,445	-	11,445
Transfer to/(from) reserves	-	-	-	-	258,622	(258,011)	-	611
Reversal of deferred tax on revaluation surplus	-	-	23,282	-	-	-	-	23,282
Revaluation of properties	-	-	32,845	-	-	-	-	32,845
Difference on exchange arising on translation	-	-	(611)	-	-	-	-	(611)
Profit remittance to Head office	-	-	-	-	-	(905,576)	-	(905,576)
Balance at 31 December 2008	239,265	16,812	191,449	243,185	294,928	1,484,234	27,556	2,497,429
Total comprehensive income	-	-	-	-	-	918,680	-	918,680
Change in fair value	-	304	-	-	-	-	116,883	117,187
Movement in the period	-	4,175	-	-	-	-	(88,627)	(84,452)
Unrecognised actuarial loss	-	-	-	-	-	11,443	-	11,443
Transfer to/(from) reserves	-	-	-	-	(269,730)	269,730	-	-
Revaluation of properties	-	-	1,929	-	-	-	-	1,929
Difference on exchange arising on translation	-	-	-	-	-	(41,285)	-	(41,285)
Profit remittance to Head office	-	-	-	-	-	(852,495)	-	(852,495)
Balance at 31 December 2009	239,265	21,291	193,378	243,185	25,198	1,790,307	55,812	2,568,436

Approved on 18 March 2010

Sandeep Lippal
Chief Executive Officer

John Botley
Chief Financial Officer

The above information, including the independent auditors' report, has been extracted from the audited financial statements for the year ended 31 December 2009. It should therefore be read in conjunction with the rest of the audited financial statements.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF THE HONGKONG AND SHANGHAI BANKING CORPORATION LIMITED - MAURITIUS BRANCH

We have audited the financial statements of The Hongkong and Shanghai Banking Corporation Limited - Mauritius Branch for the year ended 31 December 2009, from which the summarised financial statements were derived, in accordance with International Standards on Auditing. In our report dated 18 March 2010, we expressed an unqualified opinion on the financial statements from which the summarised financial statements were derived.

In our opinion, the accompanying summarised financial statements are consistent, in all material respects, with the financial statements from which they were derived.

For a better understanding of the Bank's financial position and the financial performance and cash flows for the year and of the scope of our audit, the summarised financial statements should be read in conjunction with the financial statements from which the summarised financial statements were derived and our audit report thereon.

KPMG
Public Accountants
Port Louis
Date: 18 March 2010

KPMG's report on the complete set of financial statements reads as follows:

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF THE HONGKONG AND SHANGHAI BANKING CORPORATION LIMITED - MAURITIUS BRANCH

REPORT ON THE FINANCIAL STATEMENTS
We have audited the financial statements of The Hongkong and Shanghai Banking Corporation Limited - Mauritius Branch (the "Bank") on pages 50 to 148 which comprise the statement of financial position at 31 December 2009 and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended and a summary of significant accounting policies and other explanatory notes.

Directors' Responsibility for the Financial Statements
The Bank's directors are responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards and in compliance with the requirements of the Mauritius Companies Act and Banking Act. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies and making accounting estimates that are reasonable in the circumstances.

Auditors' Responsibility
Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the Bank's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Bank's internal control. An audit also includes evaluating the appropriateness of

accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements on pages 50 to 148 give a true and fair view of the financial position of the Bank at 31 December 2009 and of its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards and comply with the Mauritius Companies Act.

Other matter

This report, including the opinion, has been prepared for and only for, the Bank's members, as a body, in accordance with Section 205 of the Mauritius Companies Act and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

Companies Act
We have no relationship with or interests in the Bank other than in our capacity as auditors.

We have obtained all the information and explanations we have required.
In our opinion, proper accounting records have been kept by the Bank as far as it appears from our examination of those records.

Banking Act

In our opinion, the financial statements have been prepared on a basis consistent with that of the preceding year and are complete, fair and properly drawn up and comply with the Banking Act and the regulations and guidelines of the Bank of Mauritius.
The explanations or information called for or given to us by the officers or agents of the Bank were satisfactory.

KPMG
Public Accountants
Port Louis
Date: 18 March 2010

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