

HSBC HOLDINGS PLC

Form 6-K

September 28, 2007

As filed with the Securities and Exchange Commission on September 28, 2007

**UNITED STATES**

**SECURITIES AND EXCHANGE COMMISSION**

**Washington, D.C. 20549**

**Form 6-K**

**REPORT OF FOREIGN PRIVATE ISSUER PURSUANT TO RULE 13a-16**

**OR 15d-16 UNDER THE SECURITIES EXCHANGE ACT OF 1934**

**HSBC Holdings plc**

(Translation of registrant's name into English)

**42<sup>nd</sup> Floor, 8 Canada Square,**

**London E14 5HQ, England**

(Address of principal executive office)

Indicate by check mark whether the registrant files or will file annual reports under cover Form 20-F or Form 40-F.

Form 20-F  Form 40-F

Indicate by check mark whether the registrant by furnishing the information contained in this Form is also thereby furnishing the information to the Commission pursuant to Rule 12g3-2(b) under the Securities Exchange Act of 1934.

Yes  No

If "Yes" is marked, indicate below the file number assigned to the registrant in connection with Rule 12g3-2(b):

.....N/A.....



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The following item is hereby incorporated by reference in the following HSBC Holdings plc Registration Statements (File Nos. 333-10474, 333-92024, 333-102027, 333-103887, 333-104203, 333-109288, 333-113427, 333-127327, 333-126531, 333-135007, 333-143639 and 333, 145859).

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**Cautionary Statement Regarding Forward-Looking Statements**

The following contains certain forward-looking statements with respect to the financial condition, results of operations and business of HSBC. These forward-looking statements represent HSBC's expectations or beliefs concerning future events and involve known and unknown risks and uncertainty that could cause actual results, performance or events to differ materially from those expressed or implied in such statements. For example, certain of the market risk disclosures, some of which are only estimates and, therefore, could be materially different from actual results, are dependent on key model characteristics and assumptions and are subject to various limitations. Certain statements, such as those that include the words potential, value at risk, estimated, expects, anticipates, objective, intends, plans, believes, estimates, and similar variations on such expressions may be considered forward-looking statements.

Written and/or oral forward-looking statements may also be made in the periodic reports to the US Securities and Exchange Commission (SEC) on Form 20-F, Form 6-K, summary financial statements to shareholders, proxy statements, offering circulars and prospectuses, press releases and other written materials and in oral statements made by HSBC's Directors, officers or employees to third parties, including financial analysts.

Forward-looking statements involve inherent risks and uncertainties. Readers should be cautioned that a number of factors could cause actual results to differ, in some instances materially, from those anticipated or implied in any forward-looking statement. Forward-looking statements speak only as of the date they are made, and it should not be assumed that they have been reviewed or updated in the light of new information or future events. Trends and factors that are expected to affect HSBC's results of operations are described in the Business Review, the Financial Review, and The Management of Risk. A more detailed cautionary statement is given on pages 4 and 5 of *Annual Report and Accounts 2006*.

**Certain Defined Terms**

Unless the context requires otherwise, HSBC Holdings means HSBC Holdings plc and HSBC means HSBC Holdings together with its subsidiaries. Within this document, the Hong Kong Special Administrative Region of the People's Republic of China is referred to as Hong Kong. When used in the terms shareholders equity and total shareholders equity, shareholders means holders of HSBC Holdings ordinary and preference shares classified as equity.

**Statutory Accounts**

The information in this document does not constitute statutory accounts within the meaning of Section 240 of the Companies Act 1985 (the Act). The statutory accounts for the year ended 31 December 2006 have been delivered to the Registrar of Companies in accordance with Section 242 of the Act. The auditor has reported on those accounts. Its report was unqualified and did not contain a statement under Section 237 (2) or (3) of the Act.



HSBC HOLDINGS PLC

**US GAAP information for the half-year to 30 June 2007****1 Amounts in accordance with US GAAP**

The consolidated financial statements of HSBC are prepared in accordance with International Financial Reporting Standards ( IFRSs ) as endorsed by the European Union ( EU ) which differ in certain significant respects from US Generally Accepted Accounting Principles (US GAAP). EU-endorsed IFRSs may differ from IFRSs as published by the International Accounting Standards Board ( IASB ), if a new or amended IFRSs has not been endorsed by the EU by the period end. There were no unendorsed standards affecting this interim statement. As at 30 June 2007, there was no difference between IFRSs as endorsed by the EU and IFRSs as issued by the IASB in terms of their application to HSBC. HSBC's Interim Report for the six months to 30 June 2007 ( *Interim Report 2007* ), prepared in accordance with IFRSs, was filed on Form 6-K on 3 August 2007. This document should be read in conjunction with the *Interim Report 2007*.

**Amounts in accordance with US GAAP**

	Half-year to <b>30 June</b>	30 June	31 December
	<b>2007</b>	2006	2006
	US\$m	US\$m	US\$m
<b>Income statement for the period</b>			
Net income available for ordinary shareholders	<b>7,832</b>	8,813	7,545
Total movement in accumulated other comprehensive income	<b>4,540</b>	2,178	955
Other comprehensive income	<b>4,540</b>	2,178	2,361
SFAS 158 transition adjustment, net of tax	-	-	(1,406)
Dividends	(6,192)	(5,270)	(3,499)
<b>Balance sheet data at period-end</b>			
Total assets	<b>1,947,734</b>	1,610,245	1,712,627
Shareholders' equity	<b>117,677</b>	101,643	108,540
	US\$	US\$	US\$
<b>Per ordinary share amounts</b>			
Basic earnings	<b>0.68</b>	0.79	0.66
Diluted earnings	<b>0.68</b>	0.78	0.66
Dividends	<b>0.53</b>	0.46	0.30
Net asset value at period end	<b>10.05</b>	8.85	9.38

**2 Differences between IFRSs and US GAAP**

The significant differences applicable to HSBC are consistent with those included in the *Annual Report and Accounts 2006* filed on Form 20-F on 9 March 2007, except as noted below.

## Gains from dilution of interests in associates

During the first half of 2007, three of HSBC's associates, Industrial Bank, Ping An Insurance and Bank of Communications, issued new shares. HSBC did not subscribe for any of the shares issued under these offers and, as a result, its interests in the associates' equity decreased from 15.98 per cent to 12.78 per cent, from 19.90 per cent to 16.78 per cent and from 19.90 per cent to 18.60 per cent, respectively.

The assets of each associate substantially increased as a result of the new share issues and, as a consequence, the transactions resulted in an increase of US\$1,076 million in HSBC's share of the associates' underlying net assets under IFRSs, notwithstanding the reduction in the Group's interests.

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The dilution of the interests does not affect the classification of the Group's investments as investments in associates .

### **IFRSs**

Under IFRSs, the increase represents gains from dilution of the Group's interests in the associates, and is presented in the income statement.

### **US GAAP**

Under Staff Accounting Bulletin Topic 5-H, HSBC's policy is to present any gains or losses from dilution through equity.

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**US GAAP information for the half-year to 30 June 2007**

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*Impact*

Under US GAAP, net income will be lower than IFRSs by an amount representing the total increase from dilution of the Group's interests in the associates.

*Sale and leaseback of property*

On 31 May 2007, HSBC entered into a contract for the sale and leaseback of the property and long leasehold land comprising 8 Canada Square, London to Metrovacesa, S.A. ( Metrovacesa ) for £1,090 million (US\$2,154 million). Under the terms of this arrangement, HSBC has leased the building back from Metrovacesa for a period of 20 years at an annual rent of £43.5 million (US\$86 million), with annual upward-only rent reviews linked to the Retail Price Index (all items) and subject to an annual maximum and minimum increase of 6 per cent and 2.5 per cent respectively. In the normal course of business, HSBC has provided finance to Metrovacesa in respect of the debt element of this transaction at arm's length market rates in the form of a 7-month bridging loan of £810 million (US\$1,601 million), secured by a charge on the property. The equity portion of £280 million (US\$553 million) was settled in cash by Metrovacesa on 31 May 2007.

**IFRSs**

Under IFRSs, the sale of 8 Canada Square has not been recognised in the financial statements because HSBC has retained a significant interest by virtue of the loan provided to part-finance the purchase of the building.

Accordingly, 8 Canada Square is presented within Other assets as a non-current asset held for sale. The equity portion received from Metrovacesa is presented on the balance sheet as deferred income, which is reduced by lease payments.

**US GAAP**

Under Statement of Financial Accounting Standards No. 66 Accounting for Sales of Real Estate ( SFAS 66 ), the deposit method of accounting is required to be used until permanent financing is in place and the other criteria for sale accounting have been met.

Under the deposit method, HSBC will continue to record the asset on the balance sheet within Property, plant and equipment and continue to record the depreciation on the income statement. In addition, the cash received from the buyer, net of lease payments, will be recorded as a deposit.

*Impact*

Under US GAAP, balance sheet reclassifications will be made to move the property from Other assets into Property, plant and equipment and to move the cash received, net of lease payments, from deferred income to deposits.

The US GAAP net income will be lower by the amount of depreciation charged since 1 March 2007, the date when the property was classified as a non-current asset held for sale under IFRS.

*United Kingdom corporation tax*

In the United Kingdom ( UK ), there is a proposal to reduce the rate of UK corporation tax from 30% to 28%, to be effective from 1 April 2008.

**IFRSs**

Under IFRSs, deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on the tax rates that have been enacted or substantively enacted by the balance sheet date. The proposed reduction is considered to be substantively enacted under IFRSs.

**US GAAP**

Under Statement of Financial Accounting Standards No. 109 Accounting for income taxes ( SFAS 109 ), deferred tax assets and liabilities are measured using the enacted tax rates expected to apply to taxable income in the periods in which the deferred tax asset or



liability is expected to be settled or realised.

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**US GAAP information for the half-year to 30 June 2007**

The proposed tax rate reduction was not enacted as of 30 June 2007.

*Impact*

Accordingly, as the triggering event has been met for IFRS but not for US GAAP, the IFRS deferred tax assets and liabilities to be realised after 1 April 2008 have been recognised using the proposed tax rate of 28% whereas the US GAAP deferred taxes to be realised after 1 April 2008 have been recognised using the enacted tax rate of 30%.

**3 Reconciliations from IFRSs to US GAAP**

The following tables summarise the significant adjustments to consolidated net income and shareholders' equity which would result from the application of US GAAP:

	<b>30 June</b>	Half-year to	
	<b>2007</b>	30 June	31 December
	<b>US\$m</b>	US\$m	US\$m
<b>Net income</b>			
Attributable profit of HSBC (IFRSs)	<b>10,895</b>	8,729	7,060
Shareholders' interest in long-term assurance fund	<b>(437)</b>	(340)	(192)
Pension costs	<b>(109)</b>	(80)	(129)
Stock based compensation	<b>33</b>	66	53
Intangible assets	<b>(89)</b>	(148)	(116)
Purchase accounting adjustments	<b>(178)</b>	(107)	(196)
Derivatives and hedge accounting	<b>(1,737)</b>	(444)	958
Foreign exchange gains on available-for-sale securities	<b>(373)</b>	661	542
Loan origination	<b>38</b>	78	78
Securitisations	<b>(44)</b>	(45)	(12)
Loan impairment	<b>114</b>	(24)	(12)
Interest recognition	<b>(20)</b>	97	(95)
Mortgage servicing rights	<b>35</b>	29	(15)
Unquoted equity securities	<b>(76)</b>		(45)
Unearned commission income	<b>3</b>		(291)
Gain from dilution on interest in associates	<b>(1,076)</b>		
Sale and leaseback of property	<b>(8)</b>		
Other	<b>(47)</b>	(4)	96
Change in rate of UK taxation	<b>(42)</b>		
Taxation, including on reconciling items	<b>727</b>	287	(206)
Minority interest in reconciling items	<b>223</b>	58	67
Net income (US GAAP)	<b>7,832</b>	8,813	7,545
	<b>US\$</b>	US\$	US\$
<b>Per share amounts (US GAAP)</b>			
Basic earnings per ordinary share	<b>0.68</b>	0.79	0.66
Diluted earnings per ordinary share	<b>0.68</b>	0.78	0.66



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	<b>At 30 June 2007</b>	<b>At 30 June 2006</b>	<b>At 31 December 2006</b>
	<b>US\$m</b>	<b>US\$m</b>	<b>US\$m</b>
<b>Shareholders equity</b>			
Total shareholders equity (IFRSs)	<b>119,780</b>	101,381	108,352
Shareholders interest in long-term assurance fund	<b>(2,140)</b>	(1,450)	(1,678)
Pension costs		89	
Unquoted equity shares	<b>(2,555)</b>	(748)	(1,311)
Goodwill	<b>1,194</b>	1,280	1,246
Revaluation of property	<b>(1,510)</b>	(1,373)	(1,490)
Purchase accounting adjustments	<b>22</b>	48	18
Intangible assets	<b>1,780</b>	1,994	1,845
Derivatives and hedge accounting	<b>(304)</b>	(180)	1,129
Loan origination	<b>965</b>	817	916
Securitisations	<b>52</b>	113	101
Loan impairment	<b>(261)</b>	(351)	(372)