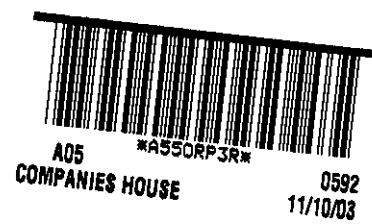


HSBC Insurance Holdings Limited

DIRECTORS' REPORT AND FINANCIAL STATEMENTS

31 DECEMBER 2002

REGISTERED NO. 956325



HSBC Insurance Holdings Limited

REPORT OF THE DIRECTORS' FOR YEAR ENDED 31 DECEMBER 2002

Principal activities

The principal activity to the Company is act as a holding company. No change in the Company's activities is anticipated.

Results and dividends

The Company's results for the year under review are as detailed in the statement of profit and loss shown in these accounts. The Directors recommend the payment of an interim dividend of £12,000,000 on 31 December 2003 in respect of the year ended 31 December 2002 (2001: nil).

Directors

The directors who served during the year were as follows:

Name	Appointed
A P Hope (Chairman)	
A J Ashford	8 October 2002
C J Burr (Alternate: A P Hope and A M M Dixon)	7 May 2002
C F Choy	8 May 2002
A M M Dixon	
D L Fried	8 October 2002

Directors' Interests

All the directors' interests in the share and loan capital of HSBC Holdings plc, the ultimate parent undertaking, required to be disclosed under the Companies Act 1985, are set out below:

	HSBC Holdings plc	
	Ordinary shares of US\$0.50 each	
	31 December 2002	1 January 2002 (or appointment date)
A P Hope (Chairman)	153,137	108,013
A J Ashford	18,682	18,355
C J Burr	3,813	-
C F Choy	47,956	44,941
A M M Dixon	24,917	15,334

During the year options over HSBC Holdings plc ordinary shares of US\$0.50 each were granted/exercised as follows:

	Granted	Exercised
C J Burr	5,502	3,813
A M M Dixon	1,570	2,289

HSBC Insurance Holdings Limited

REPORT OF THE DIRECTORS' FOR YEAR ENDED 31 DECEMBER 2002

Supplier payment policy

The Company subscribes to the Better Payment Practice Code, the four principles of which are: to agree payment terms at the outset and stick to them; to explain payment procedures to suppliers; to pay bills in accordance with any contract agreed with the supplier or as required by law; and to tell suppliers without delay when an invoice is contested and settle disputes quickly. Copies of, and information about, the Code is available from: The Department of Trade and Industry, No. 1 Victoria Street, London SW1H 0ET.

The amount due to the Company's trade creditors at 31 December 2002 represented 30 days' average daily purchases of goods and services received from those creditors, calculated in accordance with the Companies Act 1985, as amended by Statutory Instrument 1997/571.

Statement of directors' responsibilities in relation to financial statements

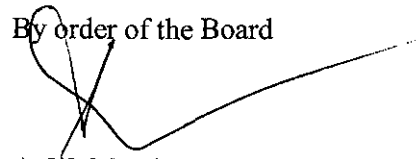
The directors are required by the Companies Act 1985 to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Company as at the end of the financial year and of the profit or loss for the financial year. The directors are required to prepare these financial statements on the going concern basis unless it is not appropriate. Since the directors are satisfied that the Company has the resources to continue in business for the foreseeable future, the financial statements continue to be prepared on the going concern basis.

The directors consider that in preparing the financial statements, the Company has used appropriate accounting policies, consistently applied and supported by reasonable and prudent judgements and estimates and that all accounting standards which they consider to be applicable have been followed.

The directors have responsibility for ensuring that the Company keeps accounting records which disclose with reasonable accuracy at any time the financial position of the Company and which enable them to ensure that the financial statements comply with the Companies Act 1985.

The directors have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Company and to prevent and detect fraud and other irregularities.

By order of the Board



A. M. M. Dixon
Director

21 February 2003

Registered Office:
8 Canada Square
London
E14 5HQ
Registered No. 956325

HSBC Insurance Holdings Limited

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF HSBC INSURANCE HOLDINGS LIMITED

We have audited the financial statements on pages 4 to 18.

This report is made solely to the company's members, as a body, in accordance with section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

The directors are responsible for preparing the directors' report and, as described on page 2, the financial statements in accordance with applicable United Kingdom law and accounting standards. Our responsibilities, as independent auditors, are established in the United Kingdom by statute, the Auditing Practices Board and by our profession's ethical guidance.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the directors' report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions with the company is not disclosed.

Basis of audit opinion

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion the financial statements give a true and fair view of the state of the company's affairs as at 31 December 2002 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

KPMG Audit Plc
Chartered Accountants
Registered Auditor

27 February 2003

KPMG Audit Plc

8 Salisbury Square
London
EC4Y 8BB

HSBC Insurance Holdings Limited

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 DECEMBER 2002

	Note	2002 £000	2001 £000
Turnover	2	1,142	601
Administrative expenses		(4,223)	(2,652)
Operating loss		(3,081)	(2,051)
Interest receivable from Group undertakings		2,576	3,276
Interest payable and similar charges	5	(1,819)	(1,423)
Income from shares in Group undertakings		29,286	18,884
Profit on ordinary activities before taxation	6	26,962	18,686
Tax on profit on ordinary activities	7	693	21
Profit on ordinary activities after taxation		27,655	18,707
Dividend		(12,000)	-
Retained profit for the year	15	15,655	18,707

All gains and losses have been dealt with in the profit and loss account. All income and expenditure relates to continuing operations.

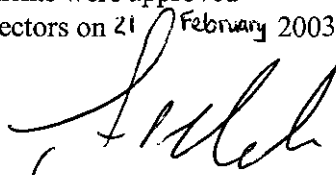
The notes on pages 6 to 18 form part of these financial statements.

HSBC Insurance Holdings Limited

BALANCE SHEET AT 31 DECEMBER 2002

	Note	2002 £000	2001 £000
Fixed assets			
Tangible assets	8(a)	379	-
Investments	8(b)	448,977	70,517
		449,356	70,517
Debtors due within one year	9	44,013	27,460
Debtors due after one year	9	50,909	46,960
		94,922	74,420
Cash at bank and in hand	10	15,266	7,704
		110,188	82,124
Creditors: Amounts falling due within one year	11	(34,871)	(18,688)
Total net current assets		75,317	63,436
Total assets less current liabilities		524,673	133,953
Creditors: Amounts falling due after more than one year	12	390,802	16,737
Provisions for liabilities and charges	13	6,562	5,562
		397,364	22,299
Capital and reserves			
Called up share capital	14	14,687	14,687
Share premium	15	24,453	24,453
Reserves	15	88,169	72,514
Shareholders' funds	16	127,309	111,654
		524,673	133,953

The financial statements were approved
by the Board of Directors on 21 February 2003



A. P. HOPE

Director

The notes on pages 6 to 18 form part of these financial statements.

HSBC Insurance Holdings Limited

NOTES TO THE FINANCIAL STATEMENTS

1. ACCOUNTING POLICIES

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the Company's financial statements:

(a) **Basis of Accounting**

The financial statements have been prepared under the historical cost accounting rules and in accordance with applicable accounting standards.

(b) **Consolidation**

Consolidated accounts have not been prepared as the Company is a wholly owned subsidiary of a UK incorporated company. These financial statements therefore present information about the Company as an individual undertaking and not about its Group.

(c) **Cash Flow Statement**

Under Financial Reporting Standard 1, the Company is exempt from the requirement to prepare a cash flow statement on the grounds that it is a wholly owned subsidiary undertaking.

(d) **Depreciation**

Tangible fixed assets are stated at cost less amounts provided for depreciation. Fixed assets are depreciated on a straight line basis by reference to their estimated useful lives of between 3 and 5 years.

(e) **Tangible fixed assets held under finance leases**

Assets held under finance leases are capitalised at cost and depreciated on a straight line basis over the period of the lease.

(f) **Investments**

Investments are stated at cost less amounts written off for any permanent diminution in value.

(g) **Goodwill**

Following the adoption of Financial Reporting Standard No 10 "Goodwill and Intangible Assets", goodwill arising on the acquisition of businesses or subsidiaries or associated undertakings after 1 January 1998 is capitalised and amortised to the profit and loss account over a period of 15 years. Goodwill previously written off to a separate goodwill write off reserve has been transferred to revenue reserves and has not been reinstated. Goodwill is calculated as being the excess of the cost of acquisition over the fair value of the separable net assets acquired.

HSBC Insurance Holdings Limited

NOTES TO THE FINANCIAL STATEMENTS

(h) Foreign currency

Foreign currency balances in respect of business settled in those currencies are translated at the approximate closing rates of exchange on the balance sheet date.

Differences arising from the translation and conversion of monetary assets and liabilities held in foreign currencies are dealt with in the profit and loss account unless hedged. Where the asset or liability is hedged any difference is taken to reserves.

(i) Pension costs

For UK defined benefit schemes annual contributions are made on the advice of qualified actuaries, for funding of retirement benefits in order to build up reserves for each scheme member during the employee's working life and used to pay a pension to the employee or dependant after retirement. The costs of providing these benefits are charged to the profit and loss account on a regular basis.

(j) Taxation

The charge for taxation is based on the profit for the year and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes.

The Company has adopted the provisions of the UK Financial Reporting Standard ('FRS') FRS 19 'Deferred Tax' with effect from 1 January 2002. This has required a change in the method of accounting for deferred tax. Deferred tax is now recognised in full, subject to recoverability of deferred tax assets. Previously, deferred tax assets and liabilities were recognised only to the extent they were expected to crystallise. As deferred tax liabilities have generally been fully provided, the main impact of the change in method would be the recognition of deferred tax assets previously not recognised. The change of accounting policy following the adoption FRS19 has not resulted in a prior year adjustment as the impact on opening reserves was not considered material.

2. TURNOVER

Turnover represents fees earned in respect of services to Group undertakings.

3. REMUNERATION OF DIRECTORS

Details of those directors employed and remunerated by HSBC Insurance Holdings Limited and subsidiaries are given below:

	2002 £000	2001 £000
Directors' emoluments	959	783
The emoluments of the highest paid director was:		
Salary and benefits	401	461

A. J. Ashford, C. F. Choy and D. L. Fried were employed and remunerated by other Group undertakings throughout the year.

HSBC Insurance Holdings Limited

NOTES TO THE FINANCIAL STATEMENTS

3. REMUNERATION OF DIRECTORS continued

The highest paid director is a member of a defined benefit scheme, under which his accrued pension at the year end was £101,270 (2001: £87,875).

	Number of Directors 2002	Number of Directors 2001
Retirement benefits are accruing to the following number of directors under defined benefit schemes	3	2

4. STAFF NUMBERS AND COSTS

The average number of persons employed by the Company during the year was 11 (2001: 11).

Aggregate direct payroll costs were as follows:

	2002 £000	2001 £000
Wages and salaries	724	702
Social security costs	81	85
Other pension cost	74	69
	879	856

Retirement benefits

Within the group, the HSBC Bank (UK) Pension Scheme, assets of which are held in a separate trust fund, covers 96 per cent of UK employees. The HSBC Bank (UK) Pension scheme comprises a funded defined benefits scheme ('the Principal Scheme') and a defined contribution scheme which was established on 1 July 1996 for new employees.

Because the company is unable to identify its share of the scheme assets and liabilities on a consistent and reasonable basis, as permitted by FRS 17 'Retirement benefits' the scheme has been accounted for in these financial statements as if the scheme was a defined contribution scheme.

Information about the existence of the surplus or deficit in the scheme can be found in the financial statements of HSBC Holdings plc.

HSBC Insurance Holdings Limited

NOTES TO THE FINANCIAL STATEMENTS

5. INTEREST PAYABLE AND SIMILAR CHARGES

	2002 £000	2001 £000
Third parties	55	87
Group companies	1,764	1,336
	1,819	1,423

6. PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION

The profit on ordinary activities before taxation is stated after charging the following:

	2002 £000	2001 £000
Auditors' remuneration - audit fees	38	19
Depreciation – owned assets	-	14
Depreciation – leased assets	-	30
Finance lease charges	-	10

Depreciation, finance lease rentals and interest on bank overdrafts are recharged to the subsidiaries which utilise the assets and borrowings.

HSBC Insurance Holdings Limited

NOTES TO THE FINANCIAL STATEMENTS

7. TAX ON PROFIT ON ORDINARY ACTIVITIES

	2002	2001
	£000	£000
UK Corporation tax at 30% (2001: 30%) on the profit for the year on ordinary activities		
Total current tax	(693)	(21)
Deferred tax Origination and reversal of timing differences	-	-
Tax on profit on ordinary activities for the year	(693)	(21)

Factors affecting the tax charge for the year

The tax assessed for the year is lower than the standard rate of corporation tax in the UK (30%). The differences are explained below:

Profit on ordinary activities before tax	26,962	18,686
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 30% (2001: 30%),	8,089	5,606
Effects of Permanent differences in respect of income not taxable	(8,786)	(5,665)
Permanent differences in respect of disallowed expenses	3	1
Adjustment to current tax in respect of prior periods	1	37
Current tax charge (as above)	(693)	(21)

The tax credit represents amounts receivable in respect of group relief £29,286 million (2001: £18,884 million) of the Company's income from shares in group undertakings is not taxable as it is receivable under a group income election.

HSBC Insurance Holdings Limited

NOTES TO THE FINANCIAL STATEMENTS

8(a) TANGIBLE FIXED ASSETS

	Fixtures, Fittings and Equipment £000	Computer Equipment £000	Payment on Account and Assets in the Course of Construction £000	Total £000
Cost:				
At 1 January 2002	4,095	12	-	4,107
Additions	-	-	379	379
Disposals	(4,095)	-	-	(4,095)
At 31 December 2002	-	12	379	391
Depreciation:				
At 1 January 2002	4,095	12	-	4,107
Charged in year	-	-	-	-
Released in year	(4,095)	-	-	(4,095)
At 31 December 2002	-	12	-	12
Net book value:				
At 31 December 2002	-	-	379	379
At 31 December 2001	-	-	-	-

HSBC Insurance Holdings Limited

NOTES TO THE FINANCIAL STATEMENTS

8(b) INVESTMENTS (HELD AS FIXED ASSETS)

	Shares in Group Undertakings £000	Total £000
Cost:		
At 1st January 2002	70,517	70,517
Additions during the period	378,460	378,460
Disposals during the period	-	-
At 31 December 2002	448,977	448,977
Provisions:		
At 1st January 2002	-	-
Charged during the period	-	-
Released in period	-	-
At 31 December 2002	-	-
Net book value:		
At 31 December 2002	448,977	448,977
At 1st January 2002	70,517	70,517

The Company acquired an interest in 10.0% of the ordinary share capital of Ping An Insurance Company of China Limited which is held at a cost of £378,460,108.

HSBC Insurance Holdings Limited

NOTES TO THE FINANCIAL STATEMENTS

8(c) SUBSIDIARY UNDERTAKINGS

The following companies, all of which are registered in England and Wales (except where stated), were the subsidiaries of the Company at 31st December 2001.

	Nature of Business	Proportion of Ordinary Share Capital Owned & Voting Rights Held %
HSBC Insurance Brokers Holdings Limited	Holding company	100.0
HSBC Insurance (International) Holdings Limited	Holding company	100.0
Corinthian Insurance Management Services Limited	Management services company	100.0
Gibbs Gulf Insurance Consultants Limited	Film completion guarantee management	100.0
Holmwoods Group Limited	Holding company	100.0

Held indirectly through HSBC Insurance Brokers Holdings Limited

HSBC Insurance Brokers Limited	Insurance broking	100.0
HSBC Actuaries and Consultants Limited	Employee benefit Consultants	100.0
HSBC Shipping Services Limited	Shipbroking	100.0
London & Leith Insurance Company Limited	Insurance company	100.0
HSBC Insurance Management (Guernsey) Limited	Captive management Company	100.0
Corinthian Insurance Company Limited	Insurance Company	100.0
Holmwoods Termtime Credit Limited	Investment holding and management company	100.0
Hartley Cooper & Warner Limited	Dormant	100.0
HSBC Insurance Brokers (Ireland) Limited	Dormant	100.0
HSBC Gibbs North America Limited	Dormant	100.0
HSBC Gibbs (HCA) Limited	Dormant	100.0

Held indirectly through Holmwoods Group Limited

Holmwoods Insurance Group Management Limited	Holding company	100.0
Holmwoods (HIB) Limited	Dormant	100.0
Holmwoods Insurance Services Limited	Dormant	100.0
Holmwoods Life & Pensions Limited	Dormant	100.0
Holmwoods Underwriting Agency Limited	Dormant	100.0

HSBC Insurance Holdings Limited

NOTES TO THE FINANCIAL STATEMENTS

8(c) SUBSIDIARY UNDERTAKINGS continued

	Nature of Business	Proportion of Ordinary Share Capital Owned & Voting Rights Held %
Held indirectly through HSBC Insurance Brokers Limited		
GHC Financial Institutions Insurance Services Limited	Insurance services	85.3
Frasin Limited	Dormant	85.3
Frasin B.V. (Netherlands)	Dormant	85.3
HSBC Insurance Solutions (Bermuda) Limited (Bermuda)	Insurance services	75.0
HSBC Gibbs International Property Limited	Dormant	100.0
HSBC Gibbs Treaty Limited	Reinsurance services	81.96
HSBC Insurance Brokers (Asia-Pacific) Ltd (Hong Kong)	Insurance services	100.0
HSBC Insurance Brokers (Singapore) Pte Ltd (Singapore)	Insurance services	100.0
HSBC Insurance Brokers (Korea) Limited (Korea)	Insurance services	100.0
HSBC Insurance Services (Cyprus) Limited	Insurance services	100.0
Lawinsure Limited	Insurance services	100.0
Held indirectly through HSBC Actuaries and Consultants Limited		
HSBC Gibbs Actuarial & Advisory Services Limited	Actuarial services	100.0
HSBC Gibbs Consulting Limited	Dormant	100.0
Antony Gibbs Trustees Limited	Trustee services	100.0
LGA Trustees Limited	Trustee services	100.0

HSBC Insurance Holdings Limited

NOTES TO THE FINANCIAL STATEMENTS

8(d) RELATED UNDERTAKINGS

		Proportion of Ordinary Share Capital Owned & Voting Rights Held %
Nature of Business		
Held indirectly through HSBC Insurance (International) Holdings Limited		
HSBC Insurance (Guernsey) Limited	Insurance underwriter	100.0
Held indirectly through HSBC Insurance Brokers Holdings Limited		
Vendcrown Limited	Premium finance	Ordinary 19.9
Banco Bamerindus do Brasil S.A.	Banking and Insurance	4.2

In the opinion of the Directors the value of the Company's investment in its subsidiaries and associates is not less than the amount at which it is stated in the balance sheet.

9. DEBTORS

	2002		2001	
	Due within One year £000	Due after one year £000	Due within One year £000	Due after one year £000
Amounts owed by subsidiary Undertakings	43,211	50,909	27,291	46,960
Other debtors	263	-	156	-
Corporation tax recoverable	533	-	7	-
Prepayments and accrued income	6	-	6	-
	44,013	50,909	27,460	46,960

10. CASH AT BANK AND IN HAND

The principal bankers to the Company are HSBC Bank plc, a fellow subsidiary of HSBC Holdings plc.

HSBC Insurance Holdings Limited

NOTES TO THE FINANCIAL STATEMENTS

11. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2002	2001
	£000	£000
Loan Stock	1,355	1,480
Bank loans and overdrafts	96	71
Amounts owed to other Group undertakings	11,137	6,807
Other creditors	370	410
Accruals and deferred income	113	120
Dividend payable	21,800	9,800
	34,871	18,688

The Loan Stock is unsecured and is repayable on demand. The loans from group companies are interest bearing at variable rates of interest.

12. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	2002	2001
	£000	£000
Bank loans and overdrafts with other Group undertakings	16,737	16,737
Amounts due to other Group undertakings	374,065	-
	390,802	16,737

The bank loans and overdrafts have been provided to the Company by HSBC Bank plc, a fellow Group undertaking. These loans, which are unsecured, are repayable between July and December 2003 and bear interest at varying margins over the London Inter Bank Offered Rate ("LIBOR").

The other loan is unsecured and bears interest at 0.59% over the London Inter-Bank Offered Rate ("LIBOR") and is repayable in December 2010.

HSBC Insurance Holdings Limited

NOTES TO THE FINANCIAL STATEMENTS

13. PROVISIONS FOR LIABILITIES AND CHARGES

	Property Provision £'000	Other Provisions £'000	Total £'000
At 1 January 2002	5,562	-	5,562
Charge to the profit and loss account	-	2,000	2,000
Released to the profit and loss account	(1,000)	-	(1,000)
At 31 December 2002	4,562	2,000	6,562

Provisions should be utilised over a period not exceeding 5 years

14. SHARE CAPITAL

	2002 £'000	2001 £'000
Authorised:		
15,000,000 Ordinary shares of £1 each	15,000	15,000
Issued:		
14,687,000 shares allotted, called up and fully paid:	14,687	14,687

15. RESERVES

	Profit and loss Account £000	Share Premium Account £000
Opening balance	72,514	24,453
Retained profit for the year	15,655	-
Closing balance	88,169	24,453

HSBC Insurance Holdings Limited

NOTES TO THE FINANCIAL STATEMENTS

16. RECONCILIATION OF MOVEMENT IN SHAREHOLDERS' FUNDS

	2002 £000	2001 £000
Profit for the financial year	27,655	18,707
Dividend	(12,000)	-
Net additions to shareholder's funds	15,655	18,707
Opening shareholders' funds	111,654	92,947
Closing shareholders' funds	127,309	111,654

17. RELATED PARTY TRANSACTION

Under Financial Reporting Standard No.8 the Company is exempt from disclosing transactions within the HSBC Group as the Company is a wholly owned subsidiary of that Group whose annual accounts are publicly available.

18. ULTIMATE HOLDING COMPANY

The Company's ultimate holding company is HSBC Holdings plc, which is incorporated in Great Britain and registered in England and Wales. The only group in which the results of the company are consolidated is that headed by HSBC Holdings plc. The consolidated financial statements of HSBC Holdings plc are available to the public and may be obtained from 8 Canada Square, London, E14 5HQ.