

ADDITIONAL INFORMATION

The code for securities transactions by Directors

The Bank has adopted a Code for Securities Transactions by Directors on terms no less exacting than the required standards set out in the Model Code for Securities Transactions by Directors of Listed Issuers (set out in Appendix 10 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("Listing Rules")). Specific enquiries have been made with all Directors (including those who have ceased to be Directors during the first six months of 2006) who have confirmed that they complied with the Bank's Code for Securities Transactions by Directors at all the applicable times for the period from 1 January 2006 to 30 June 2006 (both dates inclusive).

Directors' and Alternate Chief Executives' interests

As at 30 June 2006, the interests of the Directors and Alternate Chief Executives in the shares, underlying shares of equity derivatives and debentures of the Bank and its associated corporations (all within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")) disclosed in accordance with the Listing Rules were detailed below.

	Personal Interests (held as beneficial owner)	Family Interests (Interests of spouse or child under 18)	Corporate Interests (Interests of controlled corporation)	Other Interests	Total Interests	Total Interests as % of the relevant issued share capital
Number of Ordinary Shares of HK\$5 each in the Bank						
Directors:						
Mr Raymond C F Or	50,000	–	–	–	50,000	0.00
Mr John C C Chan	–	–	–	1,000 ⁽¹⁾	1,000	0.00
Mr Patrick K W Chan	–	1,000	–	–	1,000	0.00
Mr Joseph C Y Poon	5,000	–	–	–	5,000	0.00
Number of Ordinary Shares of US\$0.50 each in HSBC Holdings plc						
Directors:						
Mr Michael R P Smith	151,239 ⁽²⁾	–	–	300,685 ⁽⁷⁾	451,924	0.00
Mr Raymond C F Or	149,586	36,260	–	243,963 ⁽⁷⁾	429,809	0.00
Mr John C C Chan	14,283	–	–	3,000 ⁽¹⁾	17,283	0.00
Mr Patrick K W Chan	1,301	4,935	–	50,238 ⁽⁷⁾	56,474	0.00
Mr Jenkin Hui	10,424	24,342	1,155,072 ⁽³⁾	–	1,189,838	0.01
Dr Eric K C Li	–	18,132	79,622 ⁽⁴⁾	–	97,754	0.00
Mr Joseph C Y Poon	23,718 ⁽⁵⁾	58,822	–	64,175 ⁽⁷⁾	146,715	0.00
Mr Peter T S Wong	85,339	20,548	–	86,033 ⁽⁷⁾	191,920	0.00
Alternate Chief Executives:						
Mr William W Leung	9,487	–	–	53,712 ⁽⁷⁾	63,199	0.00
Mrs Dorothy K Y P Sit	7,400 ⁽⁶⁾	1,000	–	52,216 ⁽⁷⁾	60,616	0.00

Notes:

- (1) 1,000 shares in the Bank and 3,000 shares in HSBC Holdings plc were held by a trust of which Mr and Mrs John C C Chan were beneficiaries.
- (2) These shares were jointly held by Mr and Mrs Michael R P Smith.
- (3) Mr Jenkin Hui was entitled to fully control the voting power at general meetings of Parc Palais Incorporated, a private company, which beneficially held all of those shares referred to above as his corporate interests.

- (4) Dr Eric K C Li was entitled to control no less than one-third of the voting power at general meetings of a private company which beneficially held all of those shares referred to above as his corporate interests.
- (5) 22,599 shares were jointly held by Mr and Mrs Joseph C Y Poon.
- (6) These shares were jointly held by Mrs Dorothy K Y P Sit and her husband.
- (7) These represent interests in (i) options granted to Directors and Alternate Chief Executives under the HSBC share plans to acquire ordinary shares of US\$0.50 each in HSBC Holdings plc; and (ii) conditional awards of shares under the HSBC Holdings plc Restricted Share Plan/HSBC Share Plans made in favour of Directors and Alternate Chief Executives and held by various trusts for ordinary shares of US\$0.50 each in HSBC Holdings plc, as set against their respective names below:

	Options (please refer to the options table below for details)	Conditional awards of shares under the HSBC Holdings plc Restricted Share Plan/HSBC Share Plans (please refer to the awards table below for further information)	Total
Directors:			
Mr Michael R P Smith	–	300,685	300,685
Mr Raymond C F Or	2,504	241,459	243,963
Mr Patrick K W Chan	27,059	23,179	50,238
Mr Joseph C Y Poon	32,204	31,971	64,175
Mr Peter T S Wong	–	86,033	86,033
Alternate Chief Executives:			
Mr William W Leung	28,381	25,331	53,712
Mrs Dorothy K Y P Sit	5,435	46,781	52,216

Options

At 30 June 2006, the undermentioned Directors and Alternate Chief Executives held unlisted physically settled options to acquire the number of ordinary shares of US\$0.50 each in HSBC Holdings plc set against their respective names. These options were granted for nil consideration by HSBC Holdings plc.

	Options held at 30 June 2006	Options exercised during the first half of the year (ordinary shares of US\$0.50 each)	Exercise price per share	Date granted	Exercisable from	Exercisable until
Directors:						
Mr Michael R P Smith	–	22,500 ⁽¹⁾	£3.3334	1 Apr 1996	1 Apr 1999	1 Apr 2006
	–	24,000 ⁽¹⁾	£5.0160	24 Mar 1997	24 Mar 2000	24 Mar 2007
	–	24,000 ⁽¹⁾	£6.2767	16 Mar 1998	16 Mar 2001	16 Mar 2008
		<u>70,500</u>				
Mr Raymond C F Or	1,515	–	£6.4720	10 May 2004	1 Aug 2009	31 Jan 2010
	989	–	£6.6792	24 May 2005	1 Aug 2010	31 Jan 2011
	<u>2,504</u>					
Mr Patrick K W Chan	6,500	–	£7.4600	3 Apr 2000	3 Apr 2003	2 Apr 2010
	6,000	–	£8.7120	23 Apr 2001	23 Apr 2004	22 Apr 2011
	6,500	–	£8.4050	7 May 2002	7 May 2005	6 May 2012
	7,000	–	£6.9100	2 May 2003	2 May 2006	1 May 2013
	1,059	–	£5.3496	8 May 2003	1 Aug 2006	31 Jan 2007
	<u>27,059</u>					

	Options held at 30 June 2006	Options exercised during the first half of the year (ordinary shares of US\$0.50 each)	Exercise price per share	Date granted	Exercisable from	Exercisable until
Mr Joseph C Y Poon	3,750	–	£5.0160	24 Mar 1997	24 Mar 2000	24 Mar 2007
	9,000	–	£6.3754	29 Mar 1999	29 Mar 2002	29 Mar 2009
	4,750	–	£7.4600	3 Apr 2000	3 Apr 2003	3 Apr 2010
	2,750	–	£8.7120	23 Apr 2001	23 Apr 2004	23 Apr 2011
	4,400	–	£8.4050	7 May 2002	7 May 2005	7 May 2012
	5,050	–	£6.9100	2 May 2003	2 May 2006	2 May 2013
	1,515	–	£6.4720	10 May 2004	1 Aug 2009	31 Jan 2010
	989	–	£6.6792	24 May 2005	1 Aug 2010	31 Jan 2011
	<u>32,204</u>					
Alternate Chief Executives:						
Mr William W Leung	7,000	–	£7.4600	3 Apr 2000	3 Apr 2003	2 Apr 2010
	7,000	–	£8.4050	7 May 2002	7 May 2005	6 May 2012
	6,000	–	£6.9100	2 May 2003	2 May 2006	1 May 2013
	6,500	–	£8.2830	30 Apr 2004	30 Apr 2007	29 Apr 2014
	1,059	–	£5.3496	8 May 2003	1 Aug 2006	31 Jan 2007
	582	–	£6.4720	10 May 2004	1 Aug 2007	31 Jan 2008
	240 ⁽²⁾	–	HK\$103.4401	26 Apr 2006	1 Aug 2007	31 Oct 2007
	<u>28,381</u>					
Mrs Dorothy K Y P Sit	3,000	–	£8.7120	23 Apr 2001	23 Apr 2004	22 Apr 2011
	2,435	–	£6.6792	24 May 2005	1 Aug 2010	31 Jan 2011
	<u>5,435</u>					

Notes:

(1) At the date of exercise, 7 March 2006, the market value per share was £9.8950.

(2) Notification that he held these unlisted physically settled options to acquire ordinary shares of US\$0.50 each in HSBC Holdings plc was given by Mr William W Leung in July 2006 on his becoming aware of the same.

Conditional awards of shares

At 30 June 2006, the interests of the Directors and Alternate Chief Executives in the conditional awards of shares made in favour of them under the HSBC Holdings plc Restricted Share Plan/HSBC Share Plans and held by various trusts for ordinary shares of US\$0.50 each in HSBC Holdings plc were as follows:

	Awards held at 1 January 2006	Awards made during the first half of the year	Shares awarded released during the first half of the year	Awards held at 30 June 2006 ⁽¹⁾
Directors:				
Mr Michael R P Smith	278,038	75,684	60,879	300,685
Mr Raymond C F Or	210,576	53,483	28,789	241,459
Mr Patrick K W Chan	9,980	12,927	–	23,179
Mr Joseph C Y Poon	18,539	12,927	–	31,971
Mr Peter T S Wong	113,805	53,483	83,794	86,033
Alternate Chief Executives:				
Mr William W Leung	20,002	12,927	7,995	25,331
Mrs Dorothy K Y P Sit	35,472	10,342	–	46,781

Note:

(1) This includes additional shares arising from scrip dividends.

All the interests stated above represent long positions. As at 30 June 2006, no short positions were recorded in the Register of Directors' and Alternate Chief Executives' Interests and Short Positions required to be kept under section 352 of the SFO.

Other than those disclosed above, no right to subscribe for equity or debt securities of the Bank has been granted by the Bank to, nor have any such rights been exercised by, any person during the half year ended 30 June 2006.

Substantial interests in share capital

The register maintained by the Bank pursuant to the SFO recorded that, as at 30 June 2006, the following corporations had interests (as defined in that Ordinance) in the Bank set opposite their respective names:

Name of Corporation	Number of Ordinary Shares of HK\$5 each in the Bank (Percentage of total)
The Hongkong and Shanghai Banking Corporation Limited	1,188,057,371 (62.14%)
HSBC Asia Holdings BV	1,188,057,371 (62.14%)
HSBC Asia Holdings (UK)	1,188,057,371 (62.14%)
HSBC Holdings BV	1,188,057,371 (62.14%)
HSBC Finance (Netherlands)	1,188,057,371 (62.14%)
HSBC Holdings plc	1,188,057,371 (62.14%)

The Hongkong and Shanghai Banking Corporation Limited is a subsidiary of HSBC Asia Holdings BV, which is a wholly-owned subsidiary of HSBC Asia Holdings (UK), which in turn is a wholly-owned subsidiary of HSBC Holdings BV. HSBC Holdings BV is a wholly-owned subsidiary of HSBC Finance (Netherlands), which in turn is wholly-owned by HSBC Holdings plc. Accordingly, The Hongkong and Shanghai Banking Corporation Limited's interests are recorded as the interests of HSBC Asia Holdings BV, HSBC Asia Holdings (UK), HSBC Holdings BV, HSBC Finance (Netherlands) and HSBC Holdings plc.

The Directors regard HSBC Holdings plc to be the beneficial owner of 1,188,057,371 ordinary shares in the Bank (62.14%).

All the interests stated above represent long positions. As at 30 June 2006, no short positions were recorded in the Register of Interests in Shares and Short Positions required to be kept under section 336 of the SFO.

Capital issue

In June 2006, the Bank contracted to issue floating-rate subordinated notes amounting to US\$450 million that mature in July 2016 with a one-time call option exercisable by the Bank in July 2011. The notes were issued to strengthen the Bank's capital base and support business growth in both Hong Kong and mainland China as part of the Bank's strategy for continuing to increase shareholder value.

Purchase, sale or redemption of the Bank's listed securities

Save for the contracted issuance of subordinated notes of US\$450 million, during the six months ended 30 June 2006, there was no purchase, sale or redemption by the Bank, or any of its subsidiaries, of the Bank's listed securities.

Remuneration and staff development

There have been no material changes to the information disclosed in the Annual Report 2005 in respect of the remuneration of employees, remuneration policies and staff development.

Code on Corporate Governance Practices

The Bank is committed to high standards of corporate governance and follows the module on "Corporate Governance of Locally Incorporated Authorised Institutions" under the Supervisory Policy Manual issued by the Hong Kong Monetary Authority in September 2001. The Bank also follows all the code provisions set out in the Code on Corporate Governance Practices contained in Appendix 14 of the Listing Rules since 30 June 2005.

The Audit Committee of the Bank has reviewed the results for the half year ended 30 June 2006.

Supervisory Policy Manual on Interim Financial Disclosure by Locally Incorporated Authorised Institutions

The information in the interim report for the half year ended 30 June 2006 fully complies with the module on "Interim Financial Disclosure by Locally Incorporated Authorised Institutions" under the Supervisory Policy Manual issued by the Hong Kong Monetary Authority.

Hong Kong Accounting Standard 34 "Interim Financial Reporting" ("HKAS 34")

The information in the interim report for the half year ended 30 June 2006 complies with HKAS 34.

Register of shareholders

The Register of Shareholders of the Bank will be closed on Wednesday, 23 August 2006, during which no transfer of shares can be registered. In order to qualify for the second interim dividend, all transfers, accompanied by the relevant share certificates, must be lodged with the Bank's Registrars, Computershare Hong Kong Investor Services Limited, Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, for registration not later than 4:00 pm on Tuesday, 22 August 2006. The second interim dividend will be payable on Thursday, 31 August 2006 to shareholders on the Register of Shareholders of the Bank on Wednesday, 23 August 2006.

Proposed timetables for the remaining quarterly dividends for 2006

Third interim dividend for 2006

Announcement date	6 November 2006
Book close and record date	20 December 2006
Payment date	3 January 2007

Fourth interim dividend for 2006

Announcement date	5 March 2007
Book close and record date	20 March 2007
Payment date	30 March 2007

Board of Directors

As at 31 July 2006, the Board of Directors of the Bank comprises Mr Michael R P Smith[#] (Chairman), Mr Raymond C F Or (Vice-Chairman and Chief Executive), Mr John C C Chan^{*}, Mr Patrick K W Chan, Dr Y T Cheng^{*}, Dr Marvin K T Cheung^{*}, Mr Jenkin Hui^{*}, Mr Peter T C Lee^{*}, Dr Eric K C Li^{*}, Dr Vincent H S Lo[#], Mr Joseph C Y Poon, Dr David W K Sin^{*}, Mr Richard Y S Tang^{*} and Mr Peter T S Wong[#].

* *Independent non-executive Directors*

Non-executive Directors

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Stock Code

The Stock Exchange of Hong Kong Limited: 11

Registrars

Computershare Hong Kong Investor Services Limited
46th Floor, Hopewell Centre
183 Queen's Road East, Wanchai, Hong Kong

Depository*

The Bank of New York
American Depositary Receipts
Investor Services
P.O. Box 11258
Church Street Station
New York, NY 10286-1258, USA
Telephone: 1-212-815-3700
Toll free (domestic): 1-888-269-2377
Website: <http://www.stockbny.com>
Email: shareowners@bankofny.com

* The Bank offers investors in the United States a Sponsored Level-1 American Depositary Receipts Programme through The Bank of New York.

Interim Report 2006

The Interim Report 2006 in both English and Chinese is now available in printed form and on the Bank's website:
<http://www.hangseng.com>.

Shareholders who:

- A) received this Interim Report 2006 by electronic means and wish to receive a printed copy; or
- B) received this Interim Report 2006 in either English or Chinese and wish to receive a printed copy of the other language version,

may send a notice in writing to the Bank's Registrars:

Computershare Hong Kong Investor Services Limited
46th Floor, Hopewell Centre
183 Queen's Road East
Wanchai, Hong Kong
Facsimile: (852) 2865 0990
Email: hkinfo@computershare.com.hk

Shareholders who have chosen to receive this Interim Report 2006 by electronic means through the Bank's website and who, for any reason, have difficulty in receiving or gaining access to this Interim Report 2006, may submit a written request to the Bank's Registrars, Computershare Hong Kong Investor Services Limited, and be sent this Interim Report 2006 in printed form free of charge.

Shareholders may change their choice of language or means of receipt of the Bank's future corporate communications at any time, free of charge, by completing and sending to the Bank's Registrars, Computershare Hong Kong Investor Services Limited, a change request form which can be obtained from the Bank's Registrars.

Principal Photography: Bobby Lee

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