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If you are in any doubt as to any aspect of this circular or as to the action to be taken, you should consult your stockbroker or other licensed securities dealer, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in Hang Seng Bank Limited, you should at once hand this circular to the purchaser or the transferee or to the bank, stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser or the transferee.

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恒生銀行
HANG SENG BANK

MAJOR TRANSACTION

DISPOSAL OF PART OF THE BANK'S SHAREHOLDING IN INDUSTRIAL BANK

恒生銀行有限公司
Hang Seng Bank Limited

(Incorporated in Hong Kong with limited liability)

(Stock Code: 11)

30 June 2015

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In this circular, unless the context requires otherwise, the following expressions have the following meanings:

"Alternate Chief Executives"	the Alternative Chief Executives of the Bank, being Christopher H N Ho, Donald Y S Lam and Andrew W L Leung
"Bank"	Hang Seng Bank Limited, a company incorporated in Hong Kong, the shares of which are listed on the main board of the Stock Exchange (Stock code: 11) and an indirect non wholly-owned subsidiary of HSBC and a direct non wholly-owned subsidiary of HBAP
"CET1 capital ratio"	Common Equity Tier 1 capital ratio
"Chief Executive"	the Chief Executive of the Bank, being Rose W M Lee
"Directors"	the Directors of the Bank
"February Placing Agreement"	the placing agreement entered into on 10 February 2015 between the Bank and GSGH (as placing agent) pursuant to which the Bank agreed to sell up to 5.00% of the ordinary shares of Industrial Bank
"GS"	Goldman Sachs Group, Inc., a leading global investment bank
"GSGH"	Goldman Sachs Gao Hua Securities Company Limited, a Sino-foreign securities joint venture established in December 2004 by GS and Beijing Gao Hua Securities Company Limited, headquartered in Beijing, mainland China
"Hang Seng Group"	the Bank and its subsidiaries
"HBAP"	The Hongkong and Shanghai Banking Corporation Limited, a wholly-owned subsidiary of HSBC and the immediate holding company of the Bank, holding 1,188,057,371 shares, representing approximately 62.14% of the number of shares in issue, of the Bank, as at the date of the May Placing Agreement
"HKMA"	the Hong Kong Monetary Authority
"HSBC"	HSBC Holdings plc which is incorporated in England with limited liability and the shares of which are listed on the Stock Exchange (Stock Code: 5)
"Industrial Bank"	Industrial Bank Co., Ltd., a company incorporated in mainland China, the shares of which are listed on the SSE (Stock code: 601166)
"Joint Placing Agents"	GSGH and UBSS
"Latest Practicable Date"	22 June 2015, being the latest date prior to the printing of this circular for the purpose of ascertaining certain information contained herein

"Listing Rules"	Rules Governing the Listing of Securities on the Stock Exchange
"May Placing Agreement"	the placing agreement entered into on 12 May 2015 between the Bank and the Joint Placing Agents pursuant to which the Bank agreed to sell up to 4.99% of the ordinary shares of Industrial Bank
"Placees"	institutional investors
"pp"	percentage points
"Previous Transaction"	the sale of up to 5.00% of the ordinary shares of Industrial Bank to Placees procured by GSGH (as placing agent) on a best efforts basis pursuant to the February Placing Agreement
"Previous Transaction Shares"	952,616,838 ordinary shares of Industrial Bank
"Shares"	950,700,000 ordinary shares of Industrial Bank
"SFO"	the Securities and Futures Ordinance, Chapter 571 of the Laws of Hong Kong, as amended from time to time
"SSE"	the Shanghai Stock Exchange
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Transaction"	the sale of up to 4.99% of the ordinary shares of Industrial Bank to Placees procured by the Joint Placing Agents on a best efforts basis pursuant to the May Placing Agreement
"UBSS"	UBS Securities Co. Limited, a foreign invested securities firm in mainland China

HANG SENG BANK LIMITED

(Incorporated in Hong Kong with limited liability)

Directors:
Dr Raymond K F Ch'ien GBS, CBE, JP, *Chairman**
Ms Rose W M Lee JP, *Vice-Chairman and Chief Executive*
Dr John C C Chan GBS, JP*
Mr Nixon L S Chan
Dr Henry K S Cheng GBS*
Ms L Y Chiang JP*
Mr Andrew H C Fung JP
Dr Fred Zuliu Hu*
Ms Irene Y L Lee*
Ms Sarah C Legg#
Dr Eric K C Li GBS, OBE, JP*
Dr Vincent H S Lo GBS, JP#
Mr Kenneth S Y Ng#
Mr Richard Y S Tang BBS, JP*
Mr Peter T S Wong JP#
Mr Michael W K Wu*

* *Independent Non-executive Directors*
\# *Non-executive Directors*

Registered Office:
83 Des Voeux Road Central
Hong Kong

30 June 2015

To the Shareholders

Dear Sir or Madam

MAJOR TRANSACTION

DISPOSAL OF PART OF THE BANK'S SHAREHOLDING IN INDUSTRIAL BANK

INTRODUCTION

Reference is made to the joint announcement of the Bank and HSBC dated 12 May 2015 in relation to the Transaction.

On 12 May 2015, the Bank entered into the May Placing Agreement with the Joint Placing Agents pursuant to which the Bank disposed of 4.99% of the ordinary shares of Industrial Bank through a market placement on the SSE block trade system to Placees procured by the Joint Placing Agents on a best efforts basis.

On 10 February 2015, the Bank entered into the February Placing Agreement with GSGH pursuant to which the Bank disposed of 5.00% of the ordinary shares of Industrial Bank through a market placement on the SSE block trade system to Placees procured by GSGH as placing agent using a structure similar to the Transaction.

As the Previous Transaction and the Transaction have been entered into within the same 12 month period, the Bank has aggregated them and treated them as if they were one transaction in accordance with Chapter 14 of the Listing Rules.

As one or more of the applicable percentage ratios (as defined in the Listing Rules) in respect of the Previous Transaction and the Transaction on an aggregated basis exceed 25%, but all such ratios are less than 75%, the Transaction, when aggregated with the Previous Transaction, constitutes a major transaction for the Bank under the Listing Rules.

THE TRANSACTION

The Transaction involved the sale of 950,700,000 ordinary shares of Industrial Bank. The Shares represent approximately 4.99% of the ordinary shares of Industrial Bank. The Shares were sold to the Placees for a purchase price of RMB17.68 per Share (approximately HK$22.08 per Share) in cash. The purchase price per Share represents a discount of approximately 5.96% to the closing price of Industrial Bank's shares on the SSE on 12 May 2015, being the date of entry into the May Placing Agreement.

The Transaction raised approximately RMB16.81 billion (approximately HK$20.99 billion) for the Bank, before expenses. The Transaction, together with the Previous Transaction, raised approximately RMB29.54 billion (approximately HK$36.78 billion) for the Bank, before expenses.

The Placees under the Transaction are institutional investors. To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, as at the date of the May Placing Agreement each of the Placees and their ultimate beneficial owners were third parties independent of the Bank and the connected persons of the Bank.

The Transaction was effected by way of block trades through the block trade mechanism of the SSE on 13 May 2015 being the day following the date of the May Placing Agreement. Settlement took place on 14 May 2015, being the day after the date on which the block trade was effected.

As announced by the Bank on 14 May 2015, the Transaction successfully completed, resulting in the sale of all the Shares by the Bank.

Following completion of the Transaction, the Bank's remaining shareholding in Industrial Bank represents approximately 0.88% of the ordinary shares of Industrial Bank.

LOCK-UP RESTRICTIONS

As part of the Transaction, the Bank agreed that it will not offer, sell, contract to sell, dispose of, grant any option over or otherwise create any encumbrance over, or enter into any transaction which transfers economic risk over, any remaining shares in Industrial Bank held by it after completion of the Transaction, or engage in other activities which have a similar effect, during the period ending 30 days after the date of the May Placing Agreement.

FINANCIAL EFFECTS OF THE TRANSACTION

The Bank initially acquired shares in Industrial Bank for RMB1.7 billion (approximately HK$1.6 billion) in 2004 and at that time the Bank held a 15.98% stake in Industrial Bank's enlarged capital which was then diluted upon Industrial Bank's listing on the SSE. The Bank subsequently acquired further shares in Industrial Bank for RMB2.3 billion (approximately HK$2.6 billion) in 2010 by subscribing to its rights issue. The Bank's holding was diluted as a result of a private placement by Industrial Bank in early 2013. Pursuant to the Previous Transaction, the Bank sold approximately 5.00% of the ordinary shares of Industrial Bank for approximately RMB12.73 billion (approximately HK$15.79 billion). Immediately prior to entering into the May Placing Agreement, the Bank held approximately 5.87% of the ordinary shares of Industrial Bank. The total gross cash dividends received from Industrial Bank since the Bank's initial investment in Industrial Bank amount to HK$4.4 billion.

Prior to completion of the Transaction, the Shares were recorded as available-for-sale financial assets in the financial statements of the Hang Seng Group. As at 31 December 2014, the fair value of the Shares was HK$19.62 billion and the fair value of the Shares together with the Previous Transaction Shares was HK$39.28 billion.

The net gain on the sale of the Shares was approximately HK$7.6 billion (US$1.0 billion) (and approximately HK$10.4 billion (US$1.3 billion) on the sale of the Shares together with the sale of the Previous Transaction Shares), representing the difference between the consideration and the carrying value of such shares as at 31 December 2014 in the Bank's and the Hang Seng Group's financial statements, together with the reclassification of the related cumulative foreign exchange and revaluation reserve less any tax effect and expenses of the transactions. The net gain will be recognised in the income statements of the Bank and the Hang Seng Group for the year ending 31 December 2015.

The Transaction, together with the Previous Transaction, increased the Hang Seng Group's CET1 capital ratio, Tier 1 capital ratio and the total capital ratio by approximately 2.4pp, 3.9pp and 7.4pp respectively, based on the Hang Seng Group's published financial statements for the year ended 31 December 2014. As at 31 December 2014, Hang Seng Group's CET1 and Tier 1 capital ratios were both 15.6% and the total capital ratio was 15.7%. The Transaction, together with the Previous Transaction, increased the Hang Seng Group's Basel III end point basis proforma CET1 capital ratio by 7.5pp. Hang Seng Group's proforma CET1 capital ratio on a Basel III end point basis** was 10.5% at 31 December 2014. ** *details of the basis of preparation of this estimate can be found on page 98 of the Hang Seng Group's 2014 Annual Report*

For the year ended 31 December 2013, the net profit before tax of Industrial Bank was RMB54,261 million and the net profit after tax was RMB41,211 million based on its published financial statements. For the year ended 31 December 2013, the dividend income received on the Bank's investment in Industrial Bank was HK$995 million; the amount attributable to the Shares (being 4.99% of the ordinary shares of Industrial Bank) was HK$457 million before tax and HK$411 million after tax; and the aggregated amount attributable to the Shares together with Previous Transaction Shares (being in aggregate 9.99% of the ordinary shares of Industrial Bank) was HK$915 million before tax and HK$823 million after tax. For the year ended 31 December 2014, the net profit before tax of Industrial Bank was RMB60,598 million and the net profit after tax was RMB47,138 million based on its published financial statements. For the year ended 31 December 2014, the dividend income received on the Bank's investment in Industrial Bank was HK$1,190 million; the amount attributable to the Shares (being 4.99% of the ordinary shares of Industrial Bank) was HK$546 million before tax and HK$492 million after tax; and the aggregated amount attributable to the Shares together with the Previous Transaction Shares (being in aggregate 9.99% of the ordinary shares of Industrial Bank) was HK$1,093 million before tax and HK$985 million after tax.

REASONS FOR THE TRANSACTION AND USE OF PROCEEDS

The Bank considers that the Transaction represents an opportunity to realise part of its investment in Industrial Bank, taking into account the current market conditions in the A share market and the Bank's long-term strategic objectives, and to strengthen the Bank's regulatory capital position and ability to meet future regulatory requirements.

The Bank expects to use the net sale proceeds of the Transaction principally to support future business expansion and for other purposes as deemed appropriate by the Bank's Board of Directors. As part of the Bank's investment strategy and capital management processes, the Bank will regularly review its remaining shareholding in Industrial Bank, taking into account the Bank's planned future business growth, regulatory requirements, market conditions and delivery of sustainable long-term value to shareholders.

The purchase price per Share was arrived at on an arm's length basis.

INFORMATION ABOUT INDUSTRIAL BANK, THE BANK, AND THE JOINT PLACING AGENTS

Information on Industrial Bank

Industrial Bank is principally engaged in commercial and retail banking business in mainland China and is regulated by the China Banking Regulatory Commission.

Information on the Bank

The Bank is principally engaged in commercial and retail banking business and offers a comprehensive range of financial products and services to its customers in Hong Kong, mainland China, Macau and Singapore.

Information on the Joint Placing Agents

GSGH is a Sino-foreign securities joint venture established in December 2004 by GS and Beijing Gao Hua Securities Company Limited, GS's strategic partner in China. Headquartered in Beijing, GSGH offers clients a wide range of investment banking services, including underwriting of various types of securities such as equity, bonds and convertible bonds, financial advisory services on mergers and acquisitions and other related services.

UBSS is a foreign invested securities firm in mainland China with licenses to conduct businesses including securities brokerage, securities investment consultancy, financial advisory related to securities trading and securities investment activities, securities underwriting and sponsoring, securities proprietary trading, securities asset management and distributing financial products. UBSS was officially registered in December 2006 with a registered capital of RMB1.49 billion. It was established through the restructuring of Beijing Securities. UBSS has five main business groups, being investment banking, equities, fixed income, wealth management, and asset management.

To the best of the Bank's Directors' knowledge, information and belief, having made all reasonable enquiries, as at the date of the May Placing Agreement each of GSGH and UBSS and their ultimate beneficial owners were third parties independent of the Bank and the connected persons of the Bank.

LISTING RULES IMPLICATIONS

As one or more of the applicable percentage ratios (as defined in the Listing Rules) in respect of the Bank for the Previous Transaction and the Transaction on an aggregated basis exceed 25%, but all such ratios are less than 75%, the Transaction constitutes a major transaction for the Bank under the Listing Rules, and is therefore subject to reporting, announcement and shareholders' approval requirements pursuant to Chapter 14 of the Listing Rules. Since no shareholder would be required to abstain from voting if the Bank were to convene a general meeting for approving the Transaction, and HBAP (the immediate holding company of the Bank, holding 1,188,057,371 shares, representing approximately 62.14% of the number of shares in issue, of the Bank, as at the date of the May Placing Agreement) has given its written approval to the Transaction on 12 May 2015 and such written approval has been accepted in lieu of holding a general meeting for the approval of the Transaction pursuant to Rule 14.44 of the Listing Rules, no general meeting of the Bank for the approval of the Transaction was or will be convened and held.

RECOMMENDATION

The Directors are of the opinion that the terms of the May Placing Agreement are fair and reasonable and are in the interests of the Bank and the shareholders of the Bank as a whole. If a general meeting were to be convened for the approval of the Transaction, the Directors would recommend the shareholders of the Bank to vote in favour of the resolution to approve the Transaction at such general meeting.

ADDITIONAL INFORMATION

Your attention is drawn to the additional information set out in the appendices to this circular.

Yours faithfully,

For and on behalf of
The Board of Directors of
Hang Seng Bank Limited

Raymond K F Ch'ien
Chairman

STATEMENT OF INDEBTEDNESS

As at the close of business on 30 April 2015, being the latest practicable date for the purpose of this statement of indebtedness prior to the printing of this circular, the Hang Seng Group had outstanding borrowings of approximately HK$25,274 million, comprising of:

(i) unsecured subordinated loans in issue with an outstanding carrying value of approximately HK$5,813 million; and

(ii) unsecured certificates of deposit and other debt securities in issue with an outstanding carrying value of approximately HK$19,461 million.

In addition, at the close of business on 30 April 2015, Hang Seng Group had deposits from customers, deposits from banks, direct credit substitutes, trade-related contingencies, undrawn formal standby facilities, credit lines and other commitments arising from the normal course of its banking business.

Save as aforesaid, and apart from intra-group liabilities, as at the close of business on 30 April 2015, Hang Seng Group did not have any issued and outstanding or agreed to be issued loan capital, other debt securities, bank overdrafts, loans or other similar indebtedness, liabilities under acceptances or acceptance credits, debentures, mortgages, charges, hire purchase commitments, guarantees or other material contingent liabilities.

FINANCIAL AND TRADING PROSPECTS OF THE GROUP

In an increasingly challenging operating environment, the Hang Seng Group made good progress with its customer-centred strategy for growth, achieving increases in income and profit across core business groups to return respectable results for the financial year 2014.

Throughout 2015, the Hang Seng Group expects that the normalisation of global monetary policy, along with the possibility of a structural slowdown, excess capacity in certain industries and continuing market reform in mainland China, will continue to create uncertainty and potentially challenging operating conditions. However, initiatives to further strengthen economic ties between Hong Kong and mainland China, including the launch and development of the Shanghai-Hong Kong Stock Connect scheme, the mutual recognition of funds between mainland China and Hong Kong and steps to further promote the internationalisation of the renminbi, will continue to create opportunities for sustainable business growth for the Hang Seng Group.

The Hang Seng Group will endeavour to respond promptly to market changes and new business opportunities. The Hang Seng Group will also continue to leverage its strong brand, extensive network, large customer base and diverse portfolio of products, with a view to continuing to further strengthen its platform for achieving balanced and sustainable growth in its core business.

WORKING CAPITAL

The Bank is a licensed bank and is principally engaged in the business of providing commercial and retail banking business. The concept of working capital is not regarded as a key indicator of the Bank's solvency as the banking business model does not involve having sufficient cash to purchase goods and converting them into revenue through sales. Accordingly, information relating to working capital is not regarded as useful for the shareholders of the Bank in assessing the Bank's financial position. Instead, certain other financial indicators such as the capital adequacy ratio and the liquidity ratio are considered more relevant to measuring the financial position of a licensed bank.

Accordingly, the Bank has applied to the Stock Exchange for, and the Stock Exchange has granted, a waiver from strict compliance with Rule 14.66(10) of the Listing Rules to the effect that no statement of working capital sufficiency needs to be disclosed in this circular. The Bank will however provide details of its capital adequacy and liquidity position as set out below.

CAPITAL ADEQUACY RATIOS AND LIQUIDITY RATIOS

As an authorised institution supervised by the HKMA, the Bank is subject to requirements by the HKMA to maintain minimum capital adequacy ratios and a minimum liquidity ratio.

(A) Capital adequacy ratios

The capital adequacy ratio of a bank is calculated as a ratio of the bank's capital base to its risk-weighted assets. In 2012, all authorised institutions were required to maintain at all times a capital adequacy ratio of not less than 8 per cent. For the implementation of the Basel III capital requirements, Banking (Capital) Rules were amended to revise the minimum capital ratio requirements and the definition of regulatory capital. Under the revised Banking (Capital) Rules which became effective from 1 January 2013, all authorised institutions were required to maintain at all times in 2013 and 2014, a CET1 capital ratio of not less than 3.5 per cent and 4 per cent, respectively, a Tier 1 capital ratio of not less than 4.5 per cent and 5.5 per cent, respectively and in each case a total capital ratio of not less than 8 per cent. As of 1 January 2015 all authorised institutions were required to maintain at all times a CET1 capital ratio of not less than 4.5 per cent, a Tier 1 capital ratio of not less than 6 per cent and a total capital ratio of not less than 8 per cent. The HKMA may vary any capital requirement rule applicable to a particular authorised institution.

The capital adequacy ratios of the Bank as at 31 December 2012, 2013 and 2014 are set out below:

	As at 31 December		
	2012	**2013**	**2014**
	%	%	%
Capital adequacy ratio *(Note 1)*	14.0	—	—
Total capital ratio *(Note 2)*	—	15.8	15.7
Tier 1 capital ratio *(Note 2)*	—	13.8	15.6
CET1 capital ratio *(Note 2)*	—	13.8	15.6

Notes:

1. *The capital adequacy ratios as at 31 December 2012 were compiled in accordance with the Banking (Capital) Rules (Chapter 155L of the Laws of Hong Kong) for the implementation of the "Basel II" capital accord.*

2. *The capital adequacy ratios as at 31 December 2013 and 2014 were compiled in accordance with the Banking (Capital) Rules (Chapter 155L of the Laws of Hong Kong) for the implementation of the "Basel III" capital accord.*

   Common Equity Tier 1 (CET1) capital ratio of an authorised institution is calculated with reference to its Common Equity Tier 1 capital (as defined in the Banking (Capital) Rules (Chapter 155L of the Laws of Hong Kong)). Common Equity Tier 1 capital of an authorised institution consists of its ordinary shares, its share premium resulting from the issue of ordinary shares, certain retained earnings and other disclosed reserves and minority interests arising from the ordinary shares issued by its consolidated bank subsidiaries and held by third parties and recognised as Common Equity Tier 1 capital pursuant to the Banking (Capital) Rules (Chapter 155L of the Laws of Hong Kong).

   Tier 1 capital ratio of an authorised institution is calculated with reference to the aggregate of its Common Equity Tier 1 capital and Additional Tier 1 capital (each as defined in the Banking (Capital) Rules (Chapter 155L of the Laws of Hong Kong)). Additional Tier 1 capital of an authorised institution consists of its capital instruments, its share premium resulting from the issue of its capital instruments and capital instruments issued by its consolidated bank subsidiaries and held by third parties, and recognised as Additional Tier 1 capital pursuant to the Banking (Capital) Rules (Chapter 155L of the Laws of Hong Kong).

   Total capital ratio of an authorised institution is calculated with reference to its Total capital (as defined in the Banking (Capital) Rules (Chapter 155L of the Laws of Hong Kong)).

(B) Liquidity ratio

Prior to 1 January 2015, the liquidity ratio of a bank is calculated as the ratio of its liquefiable assets to its qualifying liabilities. All authorised institutions are required to maintain a liquidity ratio of not less than 25 per cent in each calendar month, subject to the HKMA's power to vary the minimum liquidity ratio applicable to a particular authorised institution.

The average liquidity ratio of the Bank for each year of 2012, 2013 and 2014 are set out below:

	For the year ended 31 December		
	2012	**2013**	**2014**
	%	*%*	*%*
Average liquidity ratio *(Note 1)*	36.9	34.9	34.7

Under the Banking (Liquidity) Rules (Chapter 155Q of the Laws of Hong Kong) which became effective on 1 January 2015, during the year of 2015 a category 1 institution must at all times maintain a Liquidity Coverage Ratio (as defined in the Banking (Liquidity) Rules (Chapter 155Q of the Laws of Hong Kong)) of not less than 60 per cent rising to 100 per cent on or after 1 January 2019.

The HKMA may vary any liquidity requirement rule applicable to a particular authorised institution.

Note:

1. *The average liquidity ratio prior to 1 January 2015 was calculated as the ratio, expressed as a percentage, of the average of each calendar month's average ratio, as specified in the Fourth Schedule of the Banking Ordinance (Chapter 155 of the Laws of Hong Kong).*

RESPONSIBILITY STATEMENT

This document, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Bank. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this document is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this document misleading.

DIRECTORS' AND ALTERNATE CHIEF EXECUTIVES' INTERESTS

As at the Latest Practicable Date, 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 SFO) disclosed in accordance with the Listing Rules were detailed below.

Interests in shares

	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 shares in issue/issued share capital
Number of ordinary shares in the Bank						
Director:						
John C C Chan	1,000[1]	—	—	—	1,000	0.00
Number of ordinary shares of US$0.50 each in HSBC						
Directors:						
Raymond K F Ch'ien	57,814	—	—	—	57,814	0.00
Rose W M Lee	307,130	1,562	—	132,575[3]	441,267	0.00
John C C Chan	24,605[1]	—	—	—	24,605	0.00
Nixon L S Chan	77,582	—	—	25,324[3]	102,906	0.00
Andrew H C Fung	111,502	—	—	28,712[3]	140,214	0.00
Sarah C Legg	172,553	2,688	—	66,439[3]	241,680	0.00
Eric K C Li	—	48,762	—	—	48,762	0.00
Kenneth S Y Ng	355,983	—	—	37,581[3]	393,564	0.00
Peter T S Wong	1,309,705	20,653	—	1,181,341[3]	2,511,699	0.01
Alternate Chief Executives:						
Christopher H N Ho	113,234	52,655	—	9,277[3]	175,166	0.00
Donald Y S Lam	56,821	—	—	12,206[3]	69,027	0.00
Andrew W L Leung	11,357	—	—	10,933[3]	22,290	0.00
Number of perpetual non-cumulative preference shares of US$0.01 each in HSBC						
Director:						
Rose W M Lee	—	131,000[2]	—	75,075[2]	206,075	0.14

Interests in debentures of associated corporation of the Bank

Name of debenture	Name of Director	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
8.00% perpetual subordinated capital securities, series 2 issued by HSBC	Rose W M Lee	—	US$3,275,000(2)	—	US$1,876,875(2)	US$5,151,875

Notes:

(1) 1,000 shares in the Bank and 4,371 shares in HSBC were jointly held by John C C Chan and his wife.

(2) Rose W M Lee was a beneficiary of a trust, which had interests in the total principal amount of US$1,876,875 of the 8.00% perpetual subordinated capital securities, series 2. Her spouse also had interests in the total principal amount of US$3,275,000 of the 8.00% perpetual subordinated capital securities, series 2. These perpetual subordinated capital securities were exchangeable at the option of HSBC to 75,075 and 131,000 perpetual non-cumulative preference shares respectively of US$0.01 each in HSBC. Ms Lee's interests set out in the table under "Interests in shares" and the table under "Interests in debentures of associated corporation of the Bank" represented the same interests.

(3) These represented interests in conditional awards of ordinary shares of US$0.50 each in HSBC under the HSBC Share Plans made in favour of the respective Directors and Alternate Chief Executives.

Conditional awards of shares

As at the Latest Practicable Date, the interests of the Directors and Alternate Chief Executives in the conditional awards of ordinary shares of US$0.50 each in HSBC made in favour of them under the HSBC Share Plans were as follows:

	Awards held as at 1 January 2015	Awards made during the period from 1 January 2015 to the Latest Practicable Date	Awards released during the period from 1 January 2015 to the Latest Practicable Date	Awards held as at the Latest Practicable Date *(Note)*
Directors:				
Rose W M Lee	100,301	82,215	53,522	132,575
Nixon L S Chan	24,353	29,108	28,954	25,324
Andrew H C Fung	33,311	28,673	34,286	28,712
Sarah C Legg	71,373	48,054	55,176	66,439
Kenneth S Y Ng	49,558	33,470	46,870	37,581
Peter T S Wong	1,091,027	193,798	132,044	1,181,341
Alternate Chief Executives:				
Christopher H N Ho	6,450	5,489	2,935	9,277
Donald Y S Lam	10,189	17,153	15,527	12,206
Andrew W L Leung	6,760	6,849	2,988	10,933

Note: This includes additional shares arising from scrip dividends.

All the interests stated above represent long positions. As at the Latest Practicable Date, 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.

Raymond K F Ch'ien and Irene Y L Lee are Independent Non-executive Directors of HBAP. Rose W M Lee is a Group General Manager of HSBC and a Director of HBAP. Peter T S Wong is a Group Managing Director and a member of Group Management Board of HSBC, and the Deputy Chairman, Chief Executive and Executive Director of HBAP. Sarah C Legg is a Group General Manager and Group Financial Controller of HSBC, and an Alternate Chief Executive of HBAP. Kenneth S Y Ng is the General Counsel, Asia Pacific of HBAP. HSBC via HBAP has interests in the shares in issue of the Bank as disclosed under the provisions of Divisions 2 and 3 of Part XV of the SFO, which are disclosed under the heading "Substantial interests in share capital" of this Appendix.

Save as disclosed above, none of the Directors, Chief Executive or Alternate Chief Executives had, as at the Latest Practicable Date, any interests or short positions in the shares, underlying shares of equity derivatives and debentures of the Bank or any of its associated corporations (within the meaning of Part XV of the SFO) which would have to be notified to the Bank and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO), or which were recorded in the register required to be kept by the Bank under Section 352 of the SFO, or which were required to be notified to the Bank and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers of the Listing Rules.

SUBSTANTIAL INTERESTS IN SHARE CAPITAL

As at the Latest Practicable Date, the following parties (other than Directors, Chief Executive or Alternate Chief Executives) who had interests or short positions in the shares or underlying shares of equity derivatives of the Bank which would fall to be disclosed to the Bank under the provisions of Divisions 2 and 3 of Part XV of the SFO:

Name of corporation	Number of shares held	Percentage of shares
HBAP	1,188,057,371	62.14%
HSBC Asia Holdings BV	1,188,057,371	62.14%
HSBC Asia Holdings (UK) Limited	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	1,188,057,371	62.14%

Note: HBAP is a wholly-owned subsidiary of HSBC Asia Holdings BV, which is a wholly-owned subsidiary of HSBC Asia Holdings (UK) Limited, 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 a wholly-owned subsidiary of HSBC. Accordingly, the interests of HBAP are recorded as the interests of HSBC Asia Holdings BV, HSBC Asia Holdings (UK) Limited, HSBC Holdings BV, HSBC Finance (Netherlands) and HSBC.

Save as disclosed above, as at the Latest Practicable Date, the Bank had not been notified by any persons (other than the Directors, Chief Executive or Alternate Chief Executives) who had interests or short positions in the shares or underlying shares of the Bank which would fall to be disclosed to

the Bank under the provisions of Divisions 2 and 3 of Part XV of the SFO, or, who is, directly or indirectly, interested in 10% or more of the issued voting shares of any other member of the Hang Seng Group, or had any options in respect of such capital.

DIRECTORS' INTERESTS IN ASSETS

As at the Latest Practicable Date, none of the Directors had any direct or indirect interest in any assets which have been acquired by or disposed of or leased to any member of the Hang Seng Group or are proposed to be acquired by or disposed of or leased to any member of the Hang Seng Group since 31 December 2014, being the date to which the last published audited consolidated financial statements of the Hang Seng Group were made up.

DIRECTORS' INTERESTS IN CONTRACTS

As at the Latest Practicable Date, none of the Directors were materially interested, directly or indirectly, in any contract or arrangement entered into by any member of the Hang Seng Group which was subsisting as at the Latest Practicable Date and which was significant in relation to the business of the Hang Seng Group.

DIRECTORS' INTERESTS IN COMPETING BUSINESSES

Pursuant to Rule 8.10 of the Listing Rules, as at the Latest Practicable Date, the following Directors had declared interests in the following entities which compete or are likely to compete, either directly or indirectly, with the businesses of the Bank:

Andrew H C Fung is a Director, a member of the Strategic Committee and a member of the Remuneration and Evaluation Committee of Industrial Bank, in which the Bank holds a 0.88% stake. Industrial Bank conducts general banking business in mainland China.

Rose W M Lee is a Group General Manager of HSBC and a Director of HBAP.

Sarah C Legg is a Group General Manager and Group Financial Controller of HSBC, and an Alternate Chief Executive of HBAP.

Kenneth S Y Ng is the General Counsel, Asia Pacific of HBAP and a Director of HSBC Bank (China) Company Limited and certain HSBC Group subsidiaries.

Peter T S Wong is a Group Managing Director and a member of Group Management Board of HSBC. He is also the Deputy Chairman, Chief Executive and an Executive Director of HBAP; and the Chairman and a Non-executive Director of HSBC Bank Malaysia Berhad and HSBC Bank (China) Company Limited, which are wholly-owned subsidiaries of HBAP. He is a Non-executive Director of Bank of Communications Co., Ltd., which conducts general banking business.

HSBC, through its subsidiaries and associated undertakings, including HBAP, the immediate holding company of the Bank, is engaged in providing a comprehensive range of banking, insurance and related financial services.

The entities in which the Directors have declared interests are managed by separate Boards of Directors and management, which are accountable to their respective shareholders.

Further, Industrial Bank has an Audit and Related Party Transaction Control Committee which is responsible for considering all matters concerning audit as well as connected party transactions to be entered into by Industrial Bank as required by the laws of mainland China. The majority of members of Industrial Bank's Audit and Related Party Transaction Control Committee are independent Directors.

The Board of the Bank includes nine Independent Non-executive Directors whose views carry significant weight in the Board's decisions. The Audit Committee and Risk Committee of the Bank, which consist of four and three Independent Non-executive Directors respectively, meet regularly to assist the Board of Directors in reviewing the financial performance, internal control and compliance systems of the Bank and its subsidiaries. The Bank is, therefore, capable of carrying on its businesses in the best interests of all shareholders and has put in place adequate mechanisms to ensure that the Directors discharge their duties vis-a-vis all shareholders, including in respect of the Bank's dealings with the businesses in which Directors have declared interests.

DIRECTORS' SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors had any existing or proposed service contract with any member of the Hang Seng Group which does not expire or is not terminable by such member of the Hang Seng Group within one (1) year without payment of compensation (other than statutory compensation).

MATERIAL CONTRACTS

Save and except for the transactions disclosed below, there were no material contracts (not being contracts entered into in the ordinary course of business carried on by the Hang Seng Group) being entered into by any member of the Hang Seng Group within the two (2) years immediately preceding the issue of this circular:

(i) the February Placing Agreement, pursuant to which the Bank disposed of the Previous Transaction Shares, representing 5.00% of the ordinary shares of Industrial Bank, to Placees procured by GSGH (as placing agent) on a best efforts basis, for a purchase price of RMB13.36 per share. Further details were disclosed in the announcement of the Bank dated 10 February 2015; and

(ii) the May Placing Agreement, the terms of which are set out in this circular.

LITIGATION

So far as the Directors are aware, as at the Latest Practical Date, the Hang Seng Group was not engaged in any litigation or arbitration of material importance and no litigation or claim of material importance was pending or threatened against the Hang Seng Group immediately preceding the issue of this circular.

GENERAL

(i) The registered office of the Bank is located at 83 Des Voeux Road Central, Hong Kong.

(ii) The share registrar and transfer office of the Bank is Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong.

(iii) The secretary of the Bank is C C Li. Mr Li holds a degree of Bachelor of Laws and Postgraduate Certificate in Laws conferred by The University of Hong Kong in 1986 and 1987 respectively. He was admitted as a solicitor of the Supreme Court of Hong Kong in 1990.

(iv) In the event of any inconsistency, the English text of this circular shall prevail over the Chinese text.

DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection during normal business hours at the Bank's office on Level 10, 83 Des Voeux Road Central, Hong Kong from the date of this circular, up to and including 14 July 2015:

(i) the Articles of Association of the Bank;

(ii) the material contracts referred to in the section headed "Material Contracts" of this appendix;

(iii) the audited, consolidated accounts of the Hang Seng Group for the two years ended 31 December 2013 and 31 December 2014 together with all notes, certificates or information required by the Companies Ordinance (Cap. 622 of the Laws of Hong Kong); and

(iv) this circular.