

Hong Kong Exchanges and Clearing Limited (“**HKEX**”), The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) and Hong Kong Securities Clearing Company Limited take no responsibility for the contents of this document, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this document.

This document, for which we accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the “**Rules**”) for the purpose of giving information with regard to us. We, having made all reasonable enquiries, confirm that to the best of our 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.

This document is for information purposes only and does not constitute an invitation or offer to acquire, purchase or subscribe for the Inline Warrants.

**The Inline Warrants are complex products. Investors should exercise caution in relation to them. Investors are warned that the price of the Inline Warrants may fall in value as rapidly as it may rise and holders may sustain a loss of their investment. Prospective purchasers should therefore ensure that they understand the nature of the Inline Warrants and carefully study the risk factors set out in the Base Listing Document (as defined below) and this document and, where necessary, seek professional advice, before they invest in the Inline Warrants.**

The Inline Warrants constitute general unsecured contractual obligations of us as the Issuer and of no other person and will rank equally among themselves and with all our other unsecured obligations (save for those obligations preferred by law) upon liquidation. If you purchase the Inline Warrants, you are relying upon the creditworthiness of us, and have no rights under the Inline Warrants against the Index Compiler or any other person. If we become insolvent or default on our obligations under the Inline Warrants, you may not be able to recover all or even part of the amount due under the Inline Warrants (if any).

## **Non-collateralised Structured Products**

### **Launch Announcement**

**and**

### **Supplemental Listing Document for Inline Warrants over Index**



**The Hongkong and Shanghai Banking Corporation Limited**

*(incorporated in Hong Kong with limited liability under the Companies Ordinance of Hong Kong)*

## Key Terms

Inline Warrants Stock code	47788	47789	47790	47791	47792
Liquidity Provider Broker ID	9731	9731	9731	9731	9731
Issue size	26,000,000 Inline Warrants	25,000,000 Inline Warrants	24,000,000 Inline Warrants	20,000,000 Inline Warrants	20,000,000 Inline Warrants
Style	European style cash settled	European style cash settled	European style cash settled	European style cash settled	European style cash settled
Type <sup>1</sup>	Inline Warrants	Inline Warrants	Inline Warrants	Inline Warrants	Inline Warrants
Index	Hang Seng Index	Hang Seng Index	Hang Seng Index	Hang Seng Index	Hang Seng Index
Board Lot	10,000 Inline Warrants	10,000 Inline Warrants	10,000 Inline Warrants	10,000 Inline Warrants	10,000 Inline Warrants
Issue Price per Inline Warrant	HK\$0.39	HK\$0.40	HK\$0.42	HK\$0.52	HK\$0.51
Cash Settlement Amount per Board Lot payable at expiry <sup>2</sup>	(i) If the Closing Level is <b>at or below</b> the Upper Strike Level and <b>at or above</b> the Lower Strike Level, an amount equal to: <p style="text-align: center;">Maximum Payoff Amount per Inline Warrant x one Board Lot</p> OR (ii) If the Closing Level is <b>above</b> the Upper Strike Level or <b>below</b> the Lower Strike Level, an amount equal to: <p style="text-align: center;">Minimum Payoff Amount per Inline Warrant x one Board Lot</p>				
Maximum Payoff Amount per Inline Warrant	HK\$1	HK\$1	HK\$1	HK\$1	HK\$1
Minimum Payoff Amount per Inline Warrant	HK\$0.25	HK\$0.25	HK\$0.25	HK\$0.25	HK\$0.25
Upper Strike Level	38,000	22,000	25,000	25,000	33,000
Lower Strike Level	32,000	19,000	22,000	20,000	28,000
Closing Level (for all series)	The final settlement price for settling the Hang Seng Index Futures Contracts that are scheduled to expire during the month in which the Expiry Date of the relevant series of the Inline Warrants is scheduled to fall (the “ <b>Index Futures Contracts</b> ”) <sup>3</sup>				
Index Exchange (for all series)	The Stock Exchange of Hong Kong Limited				
Launch Date (for all series)	28 November 2019				
Issue Date (for all series)	4 December 2019				
Listing Date (for all series)	5 December 2019				
Valuation Date <sup>4</sup>	30 March 2021	27 February 2023	27 April 2023	29 September 2021	29 June 2021
Expiry Date <sup>4</sup>	30 March 2021	27 February 2023	27 April 2023	29 September 2021	29 June 2021
Settlement Date (for all series)	The third CCASS Settlement Day after the later of: (i) the Expiry Date; and (ii) the day on which the Closing Level is determined in accordance with the Conditions				
Settlement Currency	Hong Kong dollars	Hong Kong dollars	Hong Kong dollars	Hong Kong dollars	Hong Kong dollars
Implied Volatility <sup>5,6</sup>	17.91%	21.39%	20.13%	20.88%	18.03%
Effective Gearing <sup>6</sup>	2.40x	-0.91x	-0.47x	-1.47x	1.62x
Gearing <sup>6</sup>	2.56x	2.50x	2.38x	1.92x	1.96x
Premium <sup>6</sup>	18.72%	18.38%	7.25%	7.25%	3.88%

You must read the key terms together with our Base Listing Document, each addendum referred to in the section headed “Product Summary Statement” and the “Terms and Conditions of the Index Inline Warrants (Cash Settled)” (the “**Conditions**”) set out on pages 15 to 19 of this document. The Conditions will apply and be endorsed on the reverse of the global certificate representing each series of the Inline Warrants.

<sup>1</sup> Inline warrants have been newly introduced to the market since July 2019 and no similar products are listed on the Stock Exchange for comparison.

<sup>2</sup> Unlike standard derivative warrants, the term “divisor” is not specified in the payout formula because the divisor is always 1 throughout the term of the Inline Warrants.

<sup>3</sup> Determined pursuant to Regulation 012 of the Regulations for Trading Stock Index Futures Contracts and the Contract Specifications for Hang Seng Index Futures (as amended from time to time) of the Hong Kong Futures Exchange Limited (or its successor or assign), subject to our right to determine the Closing Level in good faith on the Valuation Date upon the occurrence of a Market Disruption Event as described further in Condition 4.

<sup>4</sup> If such day is not the day on which the relevant Index Futures Contracts expire on Hong Kong Futures Exchange Limited (or its successor or assign), the day on which the relevant Index Futures Contracts will expire on the Hong Kong Futures Exchange Limited (or its successor or assign).

<sup>5</sup> Unlike standard derivative warrants, this data is derived from the implied volatilities based on the Upper Strike Level and Lower Strike Level.

<sup>6</sup> This data may fluctuate during the life of the Inline Warrants and may not be comparable to similar information for standard derivative warrants or similar information for inline warrants provided by other issuers. Each issuer may use different pricing models.

## Key Terms

Inline Warrants Stock code	47793	47794	47795	47796	47797
Liquidity Provider Broker ID	9731	9731	9731	9731	9731
Issue size	28,000,000 Inline Warrants	24,000,000 Inline Warrants	20,000,000 Inline Warrants	22,000,000 Inline Warrants	21,000,000 Inline Warrants
Style	European style cash settled	European style cash settled	European style cash settled	European style cash settled	European style cash settled
Type <sup>1</sup>	Inline Warrants	Inline Warrants	Inline Warrants	Inline Warrants	Inline Warrants
Index	Hang Seng Index	Hang Seng Index	Hang Seng Index	Hang Seng Index	Hang Seng Index
Board Lot	10,000 Inline Warrants	10,000 Inline Warrants	10,000 Inline Warrants	10,000 Inline Warrants	10,000 Inline Warrants
Issue Price per Inline Warrant	HK\$0.36	HK\$0.43	HK\$0.50	HK\$0.46	HK\$0.48
Cash Settlement Amount per Board Lot payable at expiry <sup>2</sup>	(i) If the Closing Level is <b>at or below</b> the Upper Strike Level and <b>at or above</b> the Lower Strike Level, an amount equal to: $\text{Maximum Payoff Amount per Inline Warrant} \times \text{one Board Lot}$ OR (ii) If the Closing Level is <b>above</b> the Upper Strike Level or <b>below</b> the Lower Strike Level, an amount equal to: $\text{Minimum Payoff Amount per Inline Warrant} \times \text{one Board Lot}$				
Maximum Payoff Amount per Inline Warrant	HK\$1	HK\$1	HK\$1	HK\$1	HK\$1
Minimum Payoff Amount per Inline Warrant	HK\$0.25	HK\$0.25	HK\$0.25	HK\$0.25	HK\$0.25
Upper Strike Level	19,000	40,000	28,000	32,000	26,000
Lower Strike Level	16,000	30,000	24,000	28,000	22,000
Closing Level (for all series)	The final settlement price for settling the Hang Seng Index Futures Contracts that are scheduled to expire during the month in which the Expiry Date of the relevant series of the Inline Warrants is scheduled to fall (the “ <b>Index Futures Contracts</b> ”) <sup>3</sup>				
Index Exchange (for all series)	The Stock Exchange of Hong Kong Limited				
Launch Date (for all series)	28 November 2019				
Issue Date (for all series)	4 December 2019				
Listing Date (for all series)	5 December 2019				
Valuation Date <sup>4</sup>	30 January 2023	30 March 2023	30 March 2022	30 December 2021	29 June 2022
Expiry Date <sup>4</sup>	30 January 2023	30 March 2023	30 March 2022	30 December 2021	29 June 2022
Settlement Date (for all series)	The third CCASS Settlement Day after the later of: (i) the Expiry Date; and (ii) the day on which the Closing Level is determined in accordance with the Conditions				
Settlement Currency	Hong Kong dollars	Hong Kong dollars	Hong Kong dollars	Hong Kong dollars	Hong Kong dollars
Implied Volatility <sup>5,6</sup>	23.31%	19.21%	19.35%	18.54%	20.00%
Effective Gearing <sup>6</sup>	-1.02x	1.42x	-0.17x	1.10x	-0.61x
Gearing <sup>6</sup>	2.78x	2.33x	2.00x	2.17x	2.08x
Premium <sup>6</sup>	29.51%	11.30%	0.00%	3.88%	3.54%

You must read the key terms together with our Base Listing Document, each addendum referred to in the section headed “Product Summary Statement” and the Conditions set out on pages 15 to 19 of this document. The Conditions will apply and be endorsed on the reverse of the global certificate representing each series of the Inline Warrants.

<sup>1</sup> Inline warrants have been newly introduced to the market since July 2019 and no similar products are listed on the Stock Exchange for comparison.

<sup>2</sup> Unlike standard derivative warrants, the term “divisor” is not specified in the payout formula because the divisor is always 1 throughout the term of the Inline Warrants.

<sup>3</sup> Determined pursuant to Regulation 012 of the Regulations for Trading Stock Index Futures Contracts and the Contract Specifications for Hang Seng Index Futures (as amended from time to time) of the Hong Kong Futures Exchange Limited (or its successor or assign), subject to our right to determine the Closing Level in good faith on the Valuation Date upon the occurrence of a Market Disruption Event as described further in Condition 4.

<sup>4</sup> If such day is not the day on which the relevant Index Futures Contracts expire on Hong Kong Futures Exchange Limited (or its successor or assign), the day on which the relevant Index Futures Contracts will expire on the Hong Kong Futures Exchange Limited (or its successor or assign).

<sup>5</sup> Unlike standard derivative warrants, this data is derived from the implied volatilities based on the Upper Strike Level and Lower Strike Level.

<sup>6</sup> This data may fluctuate during the life of the Inline Warrants and may not be comparable to similar information for standard derivative warrants or similar information for inline warrants provided by other issuers. Each issuer may use different pricing models.

## IMPORTANT INFORMATION

**The Inline Warrants are listed structured products which involve derivatives. Do not invest in them unless you fully understand and are willing to assume the risks associated with them.**

### **What documents should you read before investing in the Inline Warrants?**

You must read this document together with our base listing document dated 4 April 2019 (the “**Base Listing Document**”) as supplemented by any addendum thereto (together, the “**Listing Documents**”). This document (as read in conjunction with our Base Listing Document and each addendum referred to in the section headed “Product Summary Statement”) is accurate as at the date of this document. You should carefully study the risk factors set out in the Listing Documents. You should also consider your financial position and investment objectives before deciding to invest in the Inline Warrants. We cannot give you investment advice. You must decide whether the Inline Warrants meet your investment needs before investing in the Inline Warrants.

You must read the key terms set out in the previous pages together with our Base Listing Document and the Conditions set out on pages 15 to 19 of this document.

### **Is there any guarantee or collateral for the Inline Warrants?**

No. Our obligations under the Inline Warrants are neither guaranteed by any third party, nor collateralised with any of our assets or other collaterals. When you purchase our Inline Warrants, you are relying on our creditworthiness only, and of no other person. If we become insolvent or default on our obligations under the Inline Warrants, you can only claim as an unsecured creditor of the Issuer. In such event, you may not be able to recover all or even part of the amount due under the Inline Warrants (if any).

### **What are the Issuer’s credit ratings?**

The Issuer’s long-term debt ratings are:

<i>Rating agency</i>	<i>Rating as of the date of this document</i>
Moody’s Investors Service, Inc.	Aa3 (stable outlook)
S&P Global Ratings	AA- (stable outlook)

Rating agencies usually receive a fee from the companies that they rate. When evaluating our creditworthiness, you should not solely rely on our credit ratings because:

- a credit rating is not a recommendation to buy, sell or hold the Inline Warrants;
- ratings of companies may involve difficult-to-quantify factors such as market competition, the success or failure of new products and markets and managerial competence;
- a high credit rating is not necessarily indicative of low risk. Our credit ratings as of the date of this document are for reference only. Any downgrading of our ratings could result in a reduction in the value of the Inline Warrants;
- a credit rating is not an indication of the liquidity or volatility of the Inline Warrants; and
- a credit rating may be downgraded if the credit quality of the Issuer declines.

**The Inline Warrants are not rated.** The Issuer’s credit ratings are subject to change or withdrawal at any time within each rating agency’s sole discretion. You should conduct your own research using publicly available sources to obtain the latest information with respect to the Issuer’s ratings from time to time.

### **Is the Issuer regulated by the Hong Kong Monetary Authority referred to in Rule 15A.13(2) or the Securities and Futures Commission referred to in Rule 15A.13(3)?**

We are a licensed bank regulated by the Hong Kong Monetary Authority, and a registered institution under the Securities and Futures Ordinance (Cap. 571) of Hong Kong to carry on type 1 (Dealing in Securities), type 2 (Dealing in Futures Contracts), type 4 (Advising on Securities), type 5 (Advising on Futures Contracts), type 6 (Advising on Corporate Finance) and type 9 (Asset Management) regulated activities.

### **Is the Issuer subject to any litigation?**

Except as set out in the Listing Documents, there are no legal or arbitration proceedings (including any such proceedings which are pending or threatened of which we are aware) which may have, or have had in the previous 12 months, a significant effect on us and our subsidiaries.

### **Has our financial position changed since last financial year-end?**

Except as set out in the Listing Documents, there has been no material adverse change in our financial or trading position or prospects or indebtedness since 31 December 2018.

## PRODUCT SUMMARY STATEMENT

*The Inline Warrants are listed structured products which involve derivatives. This statement provides you with key information about the Inline Warrants. You should not invest in the Inline Warrants based on the information contained in this statement alone. You should read and understand the remaining sections of this document, together with the other Listing Documents, before deciding whether to invest.*

### Overview of the Inline Warrants

- **What is a derivative warrant?**

Inline warrant is a type of derivative warrant. A derivative warrant linked to an index is an instrument which derives its value from the underlying index. Derivative warrants may provide a leveraged return to you. Conversely, such leverage could also magnify your losses.

- **How and when can you get back your investment?**

The Inline Warrants are European style cash settled derivative warrants linked to the Index. European style warrants can only be exercised on the expiry date. When the Inline Warrants are exercised, the holder is entitled to a cash amount called the “**Cash Settlement Amount**”, which is equal to either the Maximum Payoff Amount per Inline Warrant or the Minimum Payoff Amount per Inline Warrant depending on the Closing Level, net of any Exercise Expenses (as defined under the heading “Exercise Expenses” in the sub-section titled “What are the fees and charges?” below) according to the Conditions. As at the date of this document, no Exercise Expenses are payable for cash settled warrants (including the Inline Warrants).

- **How do the Inline Warrants work?**

The Inline Warrants carry exotic features and their terms and pricing may be more complicated than standard derivative warrants. The Inline Warrants provide a pre-fixed potential payoff at either a **capped amount** or a **floor amount** at expiry. You will either:

- (i) receive a fixed and capped amount equal to the Maximum Payoff Amount per Inline Warrant at expiry if the Closing Level is at or below the Upper Strike Level and at or above the Lower Strike Level; or
- (ii) receive a fixed and floor amount equal to the Minimum Payoff Amount per Inline Warrant (which may be substantially less than your initial investment) at expiry and may suffer loss in your investment if the Closing Level is above the Upper Strike Level or below the Lower Strike Level. You will still receive the Minimum Payoff Amount per Inline Warrant in this scenario because such amount is included in the price you pay for buying the Inline Warrants.

- **Can the Inline Warrants be traded above HK\$1?**

No. Any trades of Inline Warrants which are executed at the price above HK\$1 will be cancelled and will not be recognised by us or the Stock Exchange.

- **Can you sell the Inline Warrants before the Expiry Date?**

Yes. We have made an application for listing of, and permission to deal in, the Inline Warrants on the Stock Exchange. All necessary arrangements have been made to enable the Inline Warrants to be admitted into the Central Clearing and Settlement System (“CCASS”). Issue of the Inline Warrants is conditional upon listing approval being granted. From the Listing Date up to the last trading day of the Inline Warrants (both dates inclusive), you may sell or buy the Inline Warrants on the Stock Exchange. There shall be three CCASS Settlement Days between the last trading day of the Inline Warrants and the Expiry Date. No application has been made to list the Inline Warrants on any other stock exchange.

The Inline Warrants may only be transferred in a Board Lot (or integral multiples thereof). Where a transfer of Inline Warrants takes place on the Stock Exchange, currently settlement must be made not later than two CCASS Settlement Days after such transfer.

The Liquidity Provider will make a market in the Inline Warrants by providing bid and/or ask prices. See the section headed “Liquidity” below.

- **What is your maximum loss?**

If we become insolvent or default on our obligations under the Inline Warrants, the maximum loss in the Inline Warrants will be your entire investment amount plus any transaction costs.

Otherwise, if the Closing Level is above the Upper Strike Level or below the Lower Strike Level at expiry, the maximum loss in the Inline Warrants will be your entire investment amount less the Minimum Payoff Amount per Inline Warrant multiplied by the number of Inline Warrants purchased plus any transaction costs.

- **What is your maximum profit?**

The potential maximum profit in the Inline Warrants will be capped at the Maximum Payoff Amount per Inline Warrant multiplied by the number of Inline Warrants purchased less your entire investment amount and transaction costs.

You should note that your profit or loss in the Inline Warrants will be affected by the amount invested by you and transaction costs.

• **What are the factors determining the price of an Inline Warrant?**

The price of an Inline Warrant generally depends on the level of the underlying index (being the Index for the Inline Warrants). However, throughout the term of an Inline Warrant, its price will be influenced by a number of factors, including:

- the range between the Upper Strike Level and Lower Strike Level (both inclusive) of the Inline Warrants: generally, the wider the range between the Upper Strike Level and Lower Strike Level (both inclusive) of the Inline Warrants, the greater its value;
- the level of the underlying index: generally, the closer the level of the underlying index towards the mid-way of the Upper Strike Level and the Lower Strike Level, ignoring interim interest rates and expected dividend payments on any components comprising the underlying index and assuming all other factors remain constant, the greater the value of the Inline Warrants; conversely, the farther away the level of the underlying index from the mid-way of the Upper Strike Level and the Lower Strike Level, ignoring interim interest rates and expected dividend payments on any components comprising the underlying index and assuming all other factors remain constant, the lower the value of the Inline Warrants;
- the volatility of the underlying index (being a measure of the fluctuation in the level of the underlying index over time): generally, if an Inline Warrant is “out-of-the-range” (ie. the level of the underlying index falls outside the range between the Upper Strike Level and the Lower Strike Level (both inclusive)), the higher the volatility, the greater the value of the Inline Warrants; conversely, if an Inline Warrant is “in-the-range” (ie. the level of the underlying index falls within the range between the Upper Strike Level and the Lower Strike Level (both inclusive)), the higher the volatility, the lower the value of the Inline Warrants;
- the expected probability of the Closing Level falling within the range between the Upper Strike Level and the Lower Strike Level (both inclusive) at expiry;
- the time remaining to expiry: generally, if an Inline Warrant is out-of-the range, the longer the remaining life of the Inline Warrant, the greater its value; conversely, if an Inline Warrant is in-the-range, the shorter the remaining life of the Inline Warrant, the greater its value;
- the interim interest rates and expected dividend payments or other distributions on any components comprising the underlying index;
- the liquidity of the futures contracts relating to the underlying index;
- the supply and demand for the Inline Warrant;
- our related transaction cost; and
- the creditworthiness of the issuer of the Inline Warrant.

Ignoring interim interest rates and expected dividend payments on any components comprising the underlying index and assuming all other factors remain constant, the theoretical impact of changes in each of the following factors on an Inline Warrant is illustrated below for reference only\*:

Factors	Inline Warrant price
Underlying index level moving towards the mid-way of the Upper Strike Level and the Lower Strike Level	↑
Underlying index level moving away from mid-way of the Upper Strike Level and the Lower Strike Level	↓
Time to maturity ↓	In-the-range Inline Warrant ↑
	Out-of-the-range Inline Warrant ↓
Underlying volatility ↓	In-the-range Inline Warrant ↑
	Out-of-the-range Inline Warrant ↓
Underlying volatility ↑	In-the-range Inline Warrant ↓
	Out-of-the-range Inline Warrant ↑

\* In reality, there may be other factors affecting the price of an Inline Warrant and such theoretical impact may not be applicable in extreme cases.

As the price of an Inline Warrant is not only affected by the level of the underlying index, movements in the price of an Inline Warrant may not be proportionate or may even be opposite to the movement of the level of the underlying index. For example:

- if an Inline Warrant is out-of-the-range, the decrease in volatility of the level of the underlying index may offset any increase in the level of the underlying index towards the Lower Strike Level or any decrease in the level of the underlying index towards the Upper Strike Level;
- if an Inline Warrant is “deep-out-of-the-range” (i.e. the level of the underlying index is significantly above the Upper Strike Level or below the Lower Strike Level), the price of the Inline Warrant may be insensitive to any increase in the level of the underlying index towards the Lower Strike Level or any decrease in the level of the underlying index towards the Upper Strike Level;
- if the outstanding volume of a series of Inline Warrants in the market is high, the supply and demand of the Inline Warrant may have a greater impact on the Inline Warrant price than the level of the underlying index; and/or
- if an Inline Warrant is out-of-the-range, the decrease in time value may offset any increase in the level of the underlying index towards the Lower Strike Level or any decrease in the level of the underlying index towards the Upper Strike Level, especially when the Inline Warrant is close to its expiry where the time value decreases at a faster pace.

## Risks of investing in the Inline Warrants

You must read the section headed “Key Risk Factors” in this document together with the risk factors set out in our Base Listing Document. You should consider all these factors collectively when making your investment decision.

### Liquidity

- **How to contact the Liquidity Provider for quotes?**

Liquidity Provider: HSBC Securities Brokers (Asia) Limited  
Address: Levels 17 and 18, HSBC Main Building, 1 Queen’s Road Central, Hong Kong  
Telephone Number: (852) 2822 1849

The Liquidity Provider is regulated by the Stock Exchange and the Securities and Futures Commission. It is an affiliate of the Issuer and will act as our agent in providing quotes. You can request a quote by calling the Liquidity Provider at the telephone number above.

- **What is the Liquidity Provider’s maximum response time for a quote?** The Liquidity Provider will respond within 10 minutes and the quote will be displayed on the Stock Exchange’s designated stock page for the Inline Warrants.

- **Maximum spread between bid and ask prices:** HK\$0.08

- **Minimum quantity for which liquidity will be provided:** 20 Board Lots

- **What are the circumstances under which the Liquidity Provider is not obliged to provide liquidity?**

There will be circumstances under which the Liquidity Provider is not obliged to provide liquidity. Such circumstances include:

- (i) during the first 5 minutes of each morning trading session or the first 5 minutes after trading commences for the first time on a trading day;
- (ii) during a pre-opening session or a closing auction session (if applicable) or any other circumstances as may be prescribed by the Stock Exchange;
- (iii) when the Inline Warrants are suspended from trading for any reason;
- (iv) if there occurs or exists any suspension of or limitation imposed on trading of options or futures contracts relating to the Index or if the Index level is not calculated or published as scheduled for any reason;
- (v) when there are no Inline Warrants available for market making activities. In such event, the Liquidity Provider shall continue to provide bid prices. Inline Warrants held by us or any of our affiliates in a fiduciary or agency capacity are not Inline Warrants available for market making activities;
- (vi) when there are operational and technical problems beyond the control of the Liquidity Provider hindering the ability of the Liquidity Provider to provide liquidity;
- (vii) if the stock market experiences exceptional price movement and high volatility over a short period of time which materially affects the Liquidity Provider’s ability to source a hedge or unwind an existing hedge;
- (viii) if the theoretical value of the Inline Warrants is less than HK\$0.01. If the Liquidity Provider chooses to provide liquidity under this circumstance, both bid and ask prices will be made available; or
- (ix) if the theoretical value of the Inline Warrants is at HK\$1.00. In such event, the Liquidity Provider shall continue to provide bid prices.

You should read the sub-section entitled “Possible limited secondary market” under the “Key Risk Factors” section for further information on the key risks when the Liquidity Provider is not able to provide liquidity.

### How can you obtain further information?

- **Information about the Index**

You may obtain information on the Index by visiting the Index Compiler's website at [www.hsi.com.hk](http://www.hsi.com.hk).

- **Information about the Inline Warrants after issue**

You may visit the Stock Exchange's website at [https://www.hkex.com.hk/Products/Securities/Inline-Warrants?sc\\_lang=en](https://www.hkex.com.hk/Products/Securities/Inline-Warrants?sc_lang=en) or our website at <http://www.warrants.hsbc.com.hk/en/inline> to obtain information or educational materials on the Inline Warrants or any notice given by us or the Stock Exchange in relation to the Inline Warrants.

- **Information about us**

You should read the section "Updated Information about Us" in this document. You may visit [www.hsbc.com.hk](http://www.hsbc.com.hk) to obtain general corporate information about us.

*We have included references to websites in this document to indicate how further information may be obtained. Information appearing on those websites does not form part of the Listing Documents. We accept no responsibility for the accuracy or completeness of the information appearing on those websites. You should conduct your own due diligence (including without limitation web searches) to ensure that you are viewing the most up-to-date information.*

### What are the fees and charges?

- **Trading Fees and Levies**

The Stock Exchange charges a trading fee of 0.005 per cent. and the Securities and Futures Commission charges a transaction levy of 0.0027 per cent. for each transaction effected on the Stock Exchange payable by each of the seller and the buyer and calculated on the value of the consideration for the Inline Warrants. The levy for the investor compensation fund is currently suspended.

- **Exercise Expenses**

You are responsible for any Exercise Expenses. Exercise Expenses mean any charges or expenses including any taxes or duties which are incurred in respect of the exercise of the Inline Warrants. Any Exercise Expenses will be deducted from the Cash Settlement Amount. If the Cash Settlement Amount is equal to or less than the Exercise Expenses, no amount is payable. As at the date of this document, no Exercise Expenses are payable for cash settled warrants (including the Inline Warrants).

- **Stamp Duty**

No stamp duty is currently payable in Hong Kong on transfer of cash settled warrants (including the Inline Warrants).

You should note that any transaction cost will reduce your gain or increase your loss under your investment in the Inline Warrants.

### What is the legal form of the Inline Warrants?

Each series of the Inline Warrants will be represented by a global certificate in the name of HKSCC Nominees Limited who is the only legal owner of the Inline Warrants. We will not issue definitive certificates for the Inline Warrants. You may arrange for your broker to hold the Inline Warrants in a securities account on your behalf, or if you have a CCASS Investor Participant securities account, you may arrange for the Inline Warrants to be held in such account. You will have to rely on the records of CCASS and/or the statements you receive from your brokers as evidence of your beneficial interest in the Inline Warrants.

### Can we adjust the terms or early terminate the Inline Warrants?

The occurrence of certain events (including, without limitation, a succession of the Index or Index Compiler, modification or cessation of calculation of the Index) may entitle us to adjust the terms and conditions of the Inline Warrants. However, we are not obliged to adjust the terms and conditions of the Inline Warrants for every event that affects the Index.

We may early terminate the Inline Warrants if it becomes illegal or impracticable for us (i) to perform our obligations under the Inline Warrants as a result of a change in law event, or (ii) to maintain our hedging arrangement with respect to the Inline Warrants due to a change in law event. In such event, the amount payable by us (if any) will be the fair market value of the Inline Warrants less our cost of unwinding any related hedging arrangements and any charges or expenses including any taxes or duties which are incurred or withheld as determined by us, which may be substantially less than your initial investment and may be zero.

Please refer to Conditions 6 and 7 for details about adjustments or early termination events. Such events may negatively affect your investment and you may suffer a loss.



#### **Mode of settlement for the Inline Warrants**

The Inline Warrants will be automatically exercised on the Expiry Date in integral multiples of the Board Lot.

We will deliver a cash amount in the Settlement Currency equal to the Cash Settlement Amount net of any Exercise Expenses (if any) no later than the Settlement Date to HKSCC Nominees Limited (as the registered holder of the Inline Warrants), which will then distribute such amount to the securities account of your broker (and if applicable, its custodian) or to your CCASS Investor Participant securities account (as the case may be). You may have to rely on your broker (and if applicable, its custodian) to ensure that the Cash Settlement Amount is credited to your account maintained with your broker. Once we make the payment to HKSCC Nominees Limited, who operates CCASS, you will have no further right against us for that payment, even if CCASS or your broker (and if applicable, its custodian) does not transfer your share of payment to you, or is late in making such payment transfer.

Payment of the Cash Settlement Amount may be delayed if a Settlement Disruption Event occurs on the Settlement Date, as a result of which we are unable to deliver such amount through CCASS on such day. See Condition 4 for further information.

#### **Where can you inspect the relevant documents of the Inline Warrants?**

The following documents are available for inspection during usual business hours on any weekday (Saturdays, Sundays and holidays excepted) until the Expiry Date at HSBC Main Building, 1 Queen's Road Central, Hong Kong:

- each of the Listing Documents (in separate English and Chinese versions), including:
  - this document
  - our Base Listing Document
  - the addendum to our Base Listing Document dated 5 August 2019
- our latest audited consolidated financial statements and any interim or quarterly financial statements;
- a copy of the consent letter of our auditors referred to in our Base Listing Document.

The Listing Documents are also available on the website of the HKEX at [www.hkexnews.hk](http://www.hkexnews.hk) and our website at [www.warrants.hsbc.com.hk/en/inline/document](http://www.warrants.hsbc.com.hk/en/inline/document).

各上市文件亦可於香港交易所披露易網站([www.hkexnews.hk](http://www.hkexnews.hk))以及本公司網站 [www.warrants.hsbc.com.hk/en/inline/document](http://www.warrants.hsbc.com.hk/en/inline/document) 瀏覽。

#### **Are there any dealings in the Inline Warrants before the Listing Date?**

It is possible that there may have been dealings in the Inline Warrants before the Listing Date. If there are any dealings in the Inline Warrants by us or any of our subsidiaries or associated companies from the Launch Date prior to the Listing Date, we will report those dealings to the Stock Exchange by the Listing Date and such report will be released on the website of the Stock Exchange.

#### **Has the auditor consented to the inclusion of its report to the Listing Documents?**

Our auditor (“**Auditor**”) has given and has not since withdrawn its written consent to the inclusion of its report dated 19 February 2019 and/or the references to its name in our Base Listing Document, in the form and context in which they are included. Its report was not prepared exclusively for incorporation into our Base Listing Document. The Auditor does not own any of our shares or shares in any member of our group, nor does it have the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for our securities or securities of any member of our group.

#### **Authorisation of the Inline Warrants**

Our management, pursuant to the approval by our New Business Review Committee on 3 July 2019, authorised the issue of Inline Warrants.

#### **Selling restrictions**

The Inline Warrants have not been and will not be registered under the United States Securities Act of 1933, as amended (the “**Securities Act**”) and will not be offered, sold, delivered or traded, at any time, indirectly or directly, in the United States or to, or for the account or benefit of (a) a U.S. Person (as defined in the Securities Act) (for the purpose of this document, an “**SEC U.S. Person**”) or (b) a U.S. person for the purpose of *Interpretive Guidance and Policy Statement Regarding Compliance with Certain Swap Regulations*, published by the CFTC and available at 78 Fed. Reg. 45292 (July 26, 2013), or any subsequent guidance issued by the CFTC (for the purposes of this document a “**CFTC U.S. Person**”) or to others for offer or sale to or for the account or benefit of any such CFTC U.S. person.

The offer or transfer of the Inline Warrants is also subject to the selling restrictions specified in our Base Listing Document.

#### **Capitalised terms and inconsistency**

Unless otherwise specified, capitalised terms used in this document have the meanings set out in the Conditions. If this document is inconsistent with our Base Listing Document, this document shall prevail.

## INFORMATION ON THE INDEX

*The information on the Index set out below is extracted from or based on publicly available information and, in particular, information from the Index Compiler. We do not give any representation whatsoever as to the truth, accuracy, completeness, adequacy or reasonableness of any of the information contained therein whether as at the date of this document or any other time, save that we have taken reasonable care to correctly extract, summarise and/or reproduce such information.*

### **Who is the Index Compiler?**

Hang Seng Indexes Company Limited. The Index is managed and compiled by the Index Compiler, which is a wholly-owned subsidiary of Hang Seng Bank Limited.

### **How is the Index level disseminated?**

The Index level is disseminated through the website of the Index Compiler at <http://www.hsi.com.hk> and various information vendors. You should contact your stockbroker for further information.

### **Index disclaimer**

The Index is published and compiled by Hang Seng Indexes Company Limited pursuant to a licence from Hang Seng Data Services Limited. The mark and name Hang Seng Index are proprietary to Hang Seng Data Services Limited. Hang Seng Indexes Company Limited and Hang Seng Data Services Limited have agreed to the use of, and reference to, the Index by the Issuer in connection with the Inline Warrants (the “Product”), **BUT NEITHER HANG SENG INDEXES COMPANY LIMITED NOR HANG SENG DATA SERVICES LIMITED WARRANTS OR REPRESENTS OR GUARANTEES TO ANY BROKER OR HOLDER OF THE PRODUCT OR ANY OTHER PERSON (i) THE ACCURACY OR COMPLETENESS OF THE INDEX AND ITS COMPUTATION OR ANY INFORMATION RELATED THERETO; OR (ii) THE FITNESS OR SUITABILITY FOR ANY PURPOSE OF THE INDEX OR ANY COMPONENT OR DATA COMPRISED IN IT; OR (iii) THE RESULTS WHICH MAY BE OBTAINED BY ANY PERSON FROM THE USE OF THE INDEX OR ANY COMPONENT OR DATA COMPRISED IN IT FOR ANY PURPOSE, AND NO WARRANTY OR REPRESENTATION OR GUARANTEE OF ANY KIND WHATSOEVER RELATING TO THE INDEX IS GIVEN OR MAY BE IMPLIED.** The process and basis of computation and compilation of the Index and any of the related formula or formulae, constituent stocks and factors may at any time be changed or altered by Hang Seng Indexes Company Limited without notice. **TO THE EXTENT PERMITTED BY APPLICABLE LAW, NO RESPONSIBILITY OR LIABILITY IS ACCEPTED BY HANG SENG INDEXES COMPANY LIMITED OR HANG SENG DATA SERVICES LIMITED (i) IN RESPECT OF THE USE OF AND/OR REFERENCE TO THE INDEX BY THE ISSUER IN CONNECTION WITH THE PRODUCT; OR (ii) FOR ANY INACCURACIES, OMISSIONS, MISTAKES OR ERRORS OF HANG SENG INDEXES COMPANY LIMITED IN THE COMPUTATION OF THE INDEX; OR (iii) FOR ANY INACCURACIES, OMISSIONS, MISTAKES, ERRORS OR INCOMPLETENESS OF ANY INFORMATION USED IN CONNECTION WITH THE COMPUTATION OF THE INDEX WHICH IS SUPPLIED BY ANY OTHER PERSON; OR (iv) FOR ANY ECONOMIC OR OTHER LOSS WHICH MAY BE DIRECTLY OR INDIRECTLY SUSTAINED BY ANY BROKER OR HOLDER OF THE PRODUCT OR ANY OTHER PERSON DEALING WITH THE PRODUCT AS A RESULT OF ANY OF THE AFORESAID, AND NO CLAIMS, ACTIONS OR LEGAL PROCEEDINGS MAY BE BROUGHT AGAINST HANG SENG INDEXES COMPANY LIMITED AND/OR HANG SENG DATA SERVICES LIMITED** in connection with the Product in any manner whatsoever by any broker, holder or other person dealing with the Product. Any broker, holder or other person dealing with the Product does so therefore in full knowledge of this disclaimer and can place no reliance whatsoever on Hang Seng Indexes Company Limited and Hang Seng Data Services Limited. For the avoidance of doubt, this disclaimer does not create any contractual or quasi-contractual relationship between any broker, holder or other person and Hang Seng Indexes Company Limited and/or Hang Seng Data Services Limited and must not be construed to have created such relationship.

## KEY RISK FACTORS

You must read these key risk factors together with the risk factors set out in our Base Listing Document. These key risk factors do not necessarily cover all risks related to the Inline Warrants. If you have any concerns or doubts about the Inline Warrants, you should obtain independent professional advice.

### **Non-collateralised structured products**

The Inline Warrants are not secured on any of our assets or any collateral.

### **Credit risk**

If you invest in the Inline Warrants, you are relying on our creditworthiness and of no other person. If we become insolvent or default on our obligations under the Inline Warrants, you can only claim as unsecured creditor regardless of the performance of the Index and you may not be able to recover all or even part of the amount due under the Inline Warrants (if any). You have no rights under the terms of the Inline Warrants against the Index Compiler or any company which has issued any constituent securities of the Index.

### **Inline Warrants are not principal protected and may expire with loss of investment**

Given the gearing feature inherent in the Inline Warrants, a small change in the Index level may lead to a substantial price movement in the Inline Warrants.

Unlike stocks, the Inline Warrants have a limited life and will expire on the Expiry Date. If the Closing Level falls outside the range between the Lower Strike Level and the Upper Strike Level (both inclusive), you will receive a fixed and floor amount equal to the Minimum Payoff Amount per Inline Warrant at expiry (which may be substantially less than your initial investment) and may suffer a substantial loss in your investment. The Inline Warrants may only be suitable for experienced investors who are willing to accept the risk that they may lose part or a substantial part of their investment.

### **The Inline Warrants are exotic warrants and are not comparable to standard derivative warrants**

The Inline Warrants are exotic warrants with different terms and risk and return profile compared to standard call or put derivative warrants listed on the Stock Exchange and are not comparable to standard derivative warrants. The Inline Warrants carry exotic features and their terms and pricing may be more complicated than standard derivative warrants. The Inline Warrants may behave quite differently from standard derivative warrants and other exotic warrants in its response to the levels or movements in the level of the underlying Index. The pricing structure of the Inline Warrants requires investors to assess accurately the value of the Inline Warrants in relation to the expected probability of the Closing Level falling within the range between the Upper Strike Level and the Lower Strike Level (both inclusive). The Inline Warrants are highly complicated and risky financial instruments and may be difficult for investors to properly value and/or to use as a hedging tool. You should carefully review and understand the Conditions, including the exotic features, before deciding to invest in the Inline Warrants. In particular, you should note that the Inline Warrants provide a pre-fixed potential payoff at either **a capped amount or a floor amount** at expiry. If the Closing Level falls outside the range between the Lower Strike Level and the Upper Strike Level (both inclusive), you will receive a fixed and floor amount equal to the Minimum Payoff Amount per Inline Warrant (which may be substantially less than your initial investment) at expiry and may suffer loss in your investment. You will still receive the Minimum Payoff Amount per Inline Warrant in this scenario because such amount is included in the price you pay for buying the Inline Warrants. Do not invest in the Inline Warrants unless you fully understand them and are willing to assume the risks associated with them.

### **Maximum potential payoff is fixed and capped**

If the Closing Level stays within the range between the Lower Strike Level and the Upper Strike Level (both inclusive), we will only pay you a fixed and capped amount equal to the Maximum Payoff Amount per Inline Warrant at expiry. This is the maximum potential payoff under the Inline Warrants.

### **The Inline Warrants can be volatile**

Prices of the Inline Warrants may rise or fall rapidly. You should carefully consider, among other things, the following factors before dealing in the Inline Warrants:

- (i) the prevailing trading price of the Inline Warrants;
- (ii) the range between the Upper Strike Level and Lower Strike Level (both inclusive) of the Inline Warrants;
- (iii) the level and volatility of the Index;
- (iv) the expected probability of the Closing Level falling within the range between the Upper Strike Level and the Lower Strike Level (both inclusive) at expiry;
- (v) the time remaining to expiry;
- (vi) the interim interest rates and expected dividend payments or other distributions on any components comprising the Index;
- (vii) the liquidity of the futures contracts relating to the Index;
- (viii) the related transaction costs (including the Exercise Expenses, if any);
- (ix) the supply and demand for the Inline Warrants; and
- (x) the creditworthiness of the Issuer.

The price of an Inline Warrant may be affected by all these factors in addition to the Index level. Therefore, movements in the price of the Inline Warrants may not be proportionate or may even be opposite to the movement in the level of the Index. You should consider all these factors collectively when making your investment decision.

You should note that when the spot level of the underlying Index is close to the Upper Strike Level or the Lower Strike Level, the trading price of the Inline Warrants may be more volatile, especially when the Inline Warrants are close to their expiry.

### **Price movement of Inline Warrants may be disproportionate or opposite to the movement in the level of underlying Index**

Depending on the spot level of the underlying Index in comparison to the range of the Upper Strike Level and the Lower Strike Level, movements in the price of the Inline Warrants may be in the same or opposite direction of the movement in the level of the underlying Index. Generally, ignoring interim interest rates and expected dividend payments on any components comprising the Index and assuming all other factors remain constant, the closer the level of the Index towards the mid-way of the Upper Strike Level and the Lower Strike Level, the greater the value of the Inline Warrants; conversely, the farther the level of the Index from the mid-way of the Upper Strike Level and the Lower Strike Level, the lower the value of the Inline Warrants.

The change in the trading price of the Inline Warrants may not be comparable and may be disproportionate with the change in the spot level of the underlying Index. In such case, a small change in the spot level of the underlying Index may lead to a substantial price movement in the Inline Warrants.

**Time decay**

Ignoring interim interest rates and expected dividend payments on any components comprising the Index and assuming all other factors remain constant, the value of an Inline Warrant is likely to decrease over time when the level of the underlying Index falls outside the range between the Upper Strike Level and the Lower Strike Level (both inclusive).

**Non-recognition of trades executed at the price above HK\$1**

You should note that any trades of Inline Warrants which are executed at the price above HK\$1 will be cancelled and will not be recognised by the Stock Exchange. The Stock Exchange and its recognised exchange controller, HKEX, will not incur any liability (whether based on contract, tort (including, without limitation, negligence), or any other legal or equitable grounds and without regard to the circumstances giving rise to any purported claim except in the case of wilful misconduct on the part of the Stock Exchange and/or HKEX) for any direct, consequential, special, indirect, economic, punitive, exemplary or any other loss or damage suffered or incurred by us or any other party arising from or in connection with such non-recognition of trades, including without limitation, any delay, failure, mistake or error in such non-recognition of trades.

We and our subsidiaries and affiliates shall not have any responsibility for any losses suffered as a result of such non-recognition of trades in any circumstances.

**Possible limited secondary market**

The Liquidity Provider may be the only market participant for the Inline Warrants and therefore the secondary market for the Inline Warrants may be limited. The more limited the secondary market, the more difficult it may be for you to realise the value in the Inline Warrants prior to expiry.

You should also be aware that the Liquidity Provider may not be able to provide liquidity when there are operational and technical problem hindering its ability to do so. Even if the Liquidity Provider is able to provide liquidity in such circumstances, its performance of liquidity provision may be adversely affected. For example:

- (i) the spread between bid and ask prices quoted by the Liquidity Provider may be significantly wider than its normal standard;
- (ii) the quantity for which liquidity will be provided by the Liquidity Provider may be significantly smaller than its normal standard; and/or
- (iii) the Liquidity Provider's response time for a quote may be significantly longer than its normal standard.

**Change of calculation methodology or failure to publish the Index**

If there is a material change in the calculation of the Index level or a failure to publish the Index, we may determine the Closing Level on the basis of the method last in effect prior to such change or failure.

**Publication of Index level when component shares are not trading**

The Index Compiler may publish the Index level at a time when one or more shares comprising the Index are not trading.

**Adjustment related risk**

The occurrence of certain events (including, without limitation, a succession of the Index or Index Compiler, modification or cessation of calculation of the Index) may entitle us to adjust the terms and conditions of the Inline Warrants. However, we are not obliged to adjust the terms and conditions of the Inline Warrants for every event that affects the Index. Any adjustment or decision not

to make any adjustment may adversely affect the value of the Inline Warrants. Please refer to Condition 6 for details about adjustments.

**Possible early termination**

We may early terminate the Inline Warrants if it becomes illegal or impracticable for us (i) to perform our obligations under the Inline Warrants as a result of a change in law event, or (ii) to maintain our hedging arrangement with respect to the Inline Warrants due to a change in law event. In such event, the amount payable by us (if any) will be the fair market value of the Inline Warrants less our costs of unwinding any related hedging arrangements and any charges or expenses including any taxes or duties which are incurred or withheld as determined by us, which may be substantially less than your initial investment and may be zero. Please refer to Condition 7 for details about our early termination rights.

**Time lag between exercise and settlement of the Inline Warrants**

There is a time lag between exercise of the Inline Warrants and payment of the Cash Settlement Amount net of Exercise Expenses (if any). There may be delays in the electronic settlement or payment through CCASS.

**Conflict of interest**

We and our subsidiaries and affiliates engage in a wide range of commercial and investment banking, brokerage, funds management, hedging, investment and other activities and may possess material information about the Index or issue or update research reports on the Index. Such activities, information and/or research reports may involve or affect the Index and may cause consequences adverse to you or otherwise create conflicts of interests in connection with the issue of the Inline Warrants. We have no obligation to disclose such information and may issue research reports and engage in any such activities without regard to the issue of the Inline Warrants.

In the ordinary course of our business, we and our subsidiaries and affiliates may effect transactions for our own account or for the account of our customers and may enter into one or more transactions with respect to the Index or related derivatives. This may indirectly affect your interests.

**No direct contractual rights**

The Inline Warrants are issued in global registered form and are held within CCASS. You will not receive any definitive certificate and your name will not be recorded in the register of the Inline Warrants. The evidence of your interest in the Inline Warrants, and the efficiency of the ultimate payment of the Cash Settlement Amount net of Exercise Expenses (if any), are subject to the CCASS Rules. You will have to rely on your broker (or, if applicable, its direct or indirect custodians) and the statements you receive from it as evidence of your interest in the Inline Warrants. You do not have any direct contractual rights against us. To assert your rights as an investor in the Inline Warrants, you will have to rely on your broker (and, if applicable, its direct or indirect custodian) to take action on your behalf. If your broker or, if applicable, its direct or indirect custodian:

- (i) fails to take action in accordance with your instructions;
- (ii) becomes insolvent; or
- (iii) defaults on its obligations,

you will need to take action against your broker in accordance with the terms of arrangement between you and your broker to establish your interest in the Inline Warrants first before you can assert your right of claim against us. You may experience difficulties in taking such legal proceedings. This is a complicated area of law and you should seek independent legal advice for further information.

**The Listing Documents should not be relied upon as the sole basis for your investment decision**

The Listing Documents do not take into account your investment objectives, financial situation or particular needs. Nothing in the Listing Documents should be construed as a recommendation by us or our affiliates to invest in the Inline Warrants or any futures contracts relating to the Index.

**Prohibition on the sale of certain binary options in European retail markets**

There have been regulatory concerns over the sale of certain binary options to retail investors across the European Union in recent years. Such binary options are typically traded over-the-counter with bespoke structures and are very short-term, making them extremely speculative in nature. Until recently, the European Securities and Markets Authority (ESMA) implemented a temporary ban on the marketing, distribution or sale of binary options to retail customers in the European Union except for securitised binary options. The temporary ban expired and was lifted by ESMA on 1 July 2019 based on the fact that most national competent authorities within the European Union had taken permanent national product intervention measures relating to binary options that are at least as stringent as ESMA's measure. For example, the Financial Conduct Authority (FCA) in the United Kingdom imposed a permanent ban effective from 2 April 2019 on the marketing, distribution or sale of all binary options (including securitised binary options) to retail customers in the United Kingdom while the Federal Financial Supervisory Authority (BaFin) in Germany and the Autorite des Marches Financiers (AMF) of France had also permanently banned the marketing, distribution or sale of binary options (other than securitised binary options) to retail customers.

The Inline Warrants are a form of securitised binary options. Unlike the binary options in the European retail markets as described above, the Inline Warrants listed on the Stock Exchange have a more standardised structure and relatively longer period to expiry (with a minimum duration of 6 months before expiry).

Irrespective of the differences between the Inline Warrants listed on the Stock Exchange and the binary options in Europe, you should nevertheless note the approach of European regulators taken over binary options. The Inline Warrants are complex products. You should fully understand the structure and terms and conditions of the Inline Warrants and are willing to assume the risks associated with them before investing in the Inline Warrants. For specific risks relating to the Inline Warrants, please refer to other risk factors in this "Key Risk Factors" section.

**Not the ultimate holding company of the group**

We are not the ultimate holding company of the group to which we belong. The ultimate holding company of the group to which we belong is HSBC Holdings plc.

**Credit ratings**

Our credit ratings as of the date of this document are for reference only. Any downgrading of our ratings could result in a reduction in the value of the Inline Warrants.

**Two or more risk factors may simultaneously affect the Inline Warrants**

Two or more risk factors may simultaneously have an effect on the value of an Inline Warrant such that the effect of any individual risk factor may not be predicted. No assurance can be given as to the effect any combination of risk factors may have on the value of an Inline Warrant.

**The Financial Institutions (Resolution) Ordinance may adversely affect the Inline Warrants**

On 7 July 2017, the Financial Institutions (Resolution) Ordinance (Cap. 628) of Hong Kong (the "**FIRO**") came into operation. The FIRO provides for, among other things, the establishment of a resolution regime for authorized institutions and other within scope financial institutions in Hong Kong which may be designated by the relevant resolution authorities, which includes us as the issuer of the Inline Warrants. The resolution regime seeks to provide the relevant resolution authorities with administrative powers to bring about timely and orderly resolution in order to stabilise and secure continuity for a failing authorised institution or within scope financial institution in Hong Kong. In particular, the relevant resolution authority is provided with powers to affect contractual and property rights as well as payments (including in respect of any priority of payment) that creditors would receive in resolution. These may include, but are not limited to, powers to cancel, write off, modify, convert or replace all or a part of the Inline Warrants or cash payment under the Inline Warrants, and powers to amend or alter the contractual provisions of the Inline Warrants, all of which may adversely affect the value of the Inline Warrants, and the holders thereof may suffer a loss of some or all of their investment as a result. Holders of the Inline Warrants may become subject to and bound by the FIRO. The implementation of FIRO remains untested and certain detail relating to FIRO will be set out through secondary legislation and supporting rules. Therefore, we are unable to assess the full impact of FIRO on the financial system generally, our counterparties, us, any of our consolidated subsidiaries, our operations and/or our financial position. **In the worst case scenario, you may get nothing back and the maximum loss could be 100% of your initial investment amount.**

### **Updated information about Us**

There is no supplemental information about the Issuer.

The relevant terms and conditions will, together with the supplemental provisions contained in the relevant launch announcement and supplemental listing document and subject to completion and amendment, be endorsed on the global certificate. The applicable launch announcement and supplemental listing document in relation to the issue of any series of structured products may specify additional terms and conditions which shall, to the extent so specified or to the extent inconsistent with the relevant terms and conditions, replace or modify the relevant terms and conditions for the purpose of such series of structured products. Capitalised terms used in the relevant terms and conditions and not otherwise defined therein shall have the meaning given to them in the relevant launch announcement and supplemental listing document.

## TERMS AND CONDITIONS OF THE INDEX INLINE WARRANTS (CASH SETTLED)

### 1. Form, Status, Transfer and Title

- (a) *Form.* The inline warrants (the “**Inline Warrants**”) (which expression shall, unless the context otherwise requires, include any further Inline Warrants issued pursuant to Condition 12) relating to the Index as published by the Index Compiler are issued in registered form subject to and with the benefit of a global certificate by way of deed poll (the “**Global Certificate**”) dated the Issue Date, made by The Hongkong and Shanghai Banking Corporation Limited (the “**Issuer**”) and an instrument by way of deed poll dated 2 April 2012 executed by the Issuer (the “**Instrument**”). Copies of the Global Certificate and the Instrument are available for inspection at the specified office of the Issuer. The Inline Warrantheolders (as defined below) are entitled to the benefit of, are bound by and are deemed to have notice of all the provisions of the Global Certificate and the Instrument.
- (b) *Status.* The Inline Warrants represent general, unsecured, contractual obligations of the Issuer and of no other person and rank *pari passu* among themselves and (save for certain obligations required to be preferred by law) equally with all other unsecured obligations of the Issuer.
- (c) *Transfer.* Transfers of beneficial interests in the Inline Warrants may be effected only in Board Lots or integral multiples thereof in CCASS (as defined below) in accordance with the CCASS Rules (as defined below).
- (d) *Title.* Each person who is for the time being shown in the register kept by the Issuer as entitled to a particular number of Inline Warrants shall be treated by the Issuer as the absolute owner and holder of such number of Inline Warrants. The expression “**Inline Warrantheolder**” shall be construed accordingly.

### 2. Inline Warrant Rights and Exercise Expenses

- (a) *Inline Warrant Rights.* Every Board Lot entitles each Inline Warrantheolder, upon due exercise and compliance with Condition 4, to payment of the Cash Settlement Amount (as defined below), less any Exercise Expenses (as defined below).
- (b) *Exercise Expenses.* On exercise of the Inline Warrants, Inline Warrantheolders are required to pay Exercise Expenses. To effect such payment, an irrevocable authorisation to deduct all Exercise Expenses from the applicable Cash Settlement Amount is deemed to be given by a Inline Warrantheolder to the Issuer upon purchase of the Inline Warrants. Any Exercise Expenses which have not been determined on the Expiry Date shall be notified to the Inline Warrantheolder as soon as practicable after determination thereof by the Issuer and shall be paid by the Inline Warrantheolder immediately upon demand.
- (c) *Definitions.* For the purposes of these Conditions:

“**Board Lot**” has the meaning given to it in the relevant Launch Announcement and Supplemental Listing Document;

“**Business Day**” means a day (excluding Saturdays) on which the Stock Exchange (as defined below) is scheduled to open for dealings in Hong Kong and banks are open for business in Hong Kong;

“**Cash Settlement Amount**” means in respect of every Board Lot, an amount, converted (if applicable) into the Settlement Currency at the Exchange Rate, calculated by the Issuer as equal to:

- (1) if the Closing Level is at or below the Upper Strike Level and at or above the Lower Strike Level:

$$\begin{array}{l} \text{Cash Settlement} \\ \text{Amount per} \\ \text{Board Lot} \end{array} = \text{Maximum Payoff Amount per Inline Warrant x one Board Lot}$$

OR

- (2) if the Closing Level is above the Upper Strike Level or below the Lower Strike Level:

$$\begin{array}{l} \text{Cash Settlement} \\ \text{Amount per} \\ \text{Board Lot} \end{array} = \text{Minimum Payoff Amount per Inline Warrant x one Board Lot}$$

“**CCASS**” means the Central Clearing and Settlement System established and operated by Hong Kong Securities Clearing Company Limited (“**HKSCC**”);

“**CCASS Rules**” means the General Rules of CCASS and the CCASS Operational Procedures in effect from time to time;

“**CCASS Settlement Day**” has the meaning ascribed to the term “Settlement Day” in the General Rules of CCASS, subject to such modification and amendment prescribed by HKSCC from time to time;

“**Closing Level**” has the meaning given to it in the relevant Launch Announcement and Supplemental Listing Document, subject to any adjustment in accordance with Condition 6;

“**Exchange Rate**” means the rate specified in the relevant Launch Announcement and Supplemental Listing Document (if applicable);

“**Exercise Expenses**” means any charges or expenses including any taxes or duties which are incurred or withheld in respect of the exercise of the Inline Warrants;

“**Expiry Date**” means the date specified as such in the relevant Launch Announcement and Supplemental Listing Document;

“**Index**” means the index specified as such in the relevant Launch Announcement and Supplemental Listing Document, subject to any adjustment in accordance with Condition 6;

“**Index Compiler**” has the meaning given to it in the relevant Launch Announcement and Supplemental Listing Document;

“**Index Exchange**” means the exchange specified as such in the relevant Launch Announcement and Supplemental Listing Document;

“**Lower Strike Level**” has the meaning given to it in the relevant Launch Announcement and Supplemental Listing Document;

“**Market Disruption Event**” means:

- (1) the occurrence or existence, on the Valuation Date during the one-half hour period that ends at the close of trading on the Index Exchange, of any of:
  - (i) the suspension or material limitation of the trading of a material number of securities that comprise the Index; or
  - (ii) the suspension or material limitation of the trading of options or futures contracts relating to the Index on any exchanges on which such contracts are traded; or
  - (iii) the imposition of any exchange controls in respect of any currencies involved in determining the Cash Settlement Amount;

for the purposes of paragraph (1), (x) the limitation of the number of hours or days of trading will not constitute a Market Disruption Event if it results from an announced change in the regular business hours of any relevant exchange, and (y) a limitation on trading imposed by reason of the movements in price exceeding the levels permitted by any relevant exchange will constitute a Market Disruption Event; or

- (2) where the Index Exchange is the Stock Exchange, the issuance of the tropical cyclone warning signal number 8 or above or a “BLACK” rainstorm signal on any day which either (i) results in the Stock Exchange being closed for trading for the entire day; or (ii) results in the Stock Exchange being closed prior to its regular time for close of trading for the relevant day (for the avoidance of doubt, in the case when the Stock Exchange is scheduled to open for the morning trading session only, closed prior to its regular time for close of trading for the morning session), PROVIDED THAT there shall be no Market Disruption Event solely by reason of the Stock Exchange opening for trading later than its regular time for opening of trading on any day as a result of the tropical cyclone warning signal number 8 or above or the “BLACK” rainstorm signal having been issued; or
- (3) a limitation or closure of the Index Exchange due to any unforeseen circumstances; or
- (4) any circumstances beyond the control of the Issuer in which the Closing Level or, if applicable, the Exchange Rate cannot be determined by the Issuer in the manner set out in these Conditions or in such other manner as the Issuer considers appropriate at such time after taking into account all the relevant circumstances;

“**Minimum Payoff Amount per Inline Warrant**” has the meaning given to it in the relevant Launch Announcement and Supplemental Listing Document;

“**Maximum Payoff Amount per Inline Warrant**” has the meaning given to it in the relevant Launch Announcement and Supplemental Listing Document;

“**Settlement Currency**” has the meaning given to it in the relevant Launch Announcement and Supplemental Listing Document;



“**Settlement Date**” means the third CCASS Settlement Day after the later of: (i) the Expiry Date; and (ii) the day on which the Closing Level is determined in accordance with these Conditions;

“**Settlement Disruption Event**” means an event beyond the control of the Issuer as a result of which the Issuer is unable to procure payment electronically through CCASS to the relevant bank account designated by the relevant Inline Warrantholder (“**Designated Bank Account**”);

“**Stock Exchange**” means The Stock Exchange of Hong Kong Limited;

“**Upper Strike Level**” has the meaning given to it in the relevant Launch Announcement and Supplemental Listing Document; and

“**Valuation Date**” means the date specified as such in the relevant Launch Announcement and Supplemental Listing Document.

### 3. Exercise of Inline Warrants and Automatic Exercise

- (a) *Exercise of Inline Warrants.* The Inline Warrants are exercisable only on the Expiry Date.
- (b) *Automatic Exercise.* Any Inline Warrant will automatically be exercised on the Expiry Date (without notice being given to the Inline Warrantholders). The Inline Warrantholders will not be required to deliver any exercise notice and the Issuer or its agent will pay to the Inline Warrantholders the Cash Settlement Amount less any Exercise Expenses in accordance with Condition 4(d).

### 4. Exercise of Inline Warrants

- (a) Inline Warrants may only be exercised in a Board Lot or integral multiples thereof.
- (b) *No requirement to deliver an exercise notice.* The Inline Warrantholders will not be required to deliver an exercise notice for any purpose in relation to the Inline Warrants.
- (c) *Cancellation.* The Issuer will, with effect from the first Business Day following the Expiry Date, remove from its register the name of the person in respect of the Inline Warrants which are the subject of an exercise pursuant to automatic exercise in accordance with these Conditions, and thereby cancel the relevant Inline Warrants.
- (d) *Cash Settlement.* Subject to automatic exercise of Inline Warrants in accordance with these Conditions, the Issuer will make a payment, in respect of every Board Lot, to the relevant Inline Warrantholder equal to the Cash Settlement Amount less any Exercise Expenses. If the Cash Settlement Amount is equal to, or less than, the determined Exercise Expenses, no Cash Settlement Amount shall be payable by the Issuer.

The Cash Settlement Amount less the determined Exercise Expenses shall be despatched no later than the Settlement Date by crediting that amount in accordance with the CCASS Rules, to the Designated Bank Account.

If as a result of a Settlement Disruption Event, it is not possible for the Issuer to procure payment electronically through CCASS by crediting the relevant Designated Bank Account of the Inline Warrantholder on the original Settlement Date, the Issuer shall use its reasonable endeavours to procure payment electronically through CCASS by crediting the relevant Designated Bank Account of the Inline Warrantholder as soon as reasonably practicable after the original Settlement Date. The Issuer will not be liable to the Inline Warrantholder for any interest in respect of the amount due or any loss or damage that such Inline Warrantholder may suffer as a result of the existence of the Settlement Disruption Event.

If the Issuer determines, in its sole discretion (acting in good faith and in a commercially reasonable manner), that on the Valuation Date a Market Disruption Event has occurred, then the Issuer shall determine the Closing Level or, if applicable, the Exchange Rate on the basis of its good faith estimate of the Closing Level or, if applicable, the Exchange Rate that would have prevailed on that day but for the occurrence of the Market Disruption Event provided that in the case of determining the Closing Level, the Issuer, if applicable, may, but shall not be obliged to, determine such Closing Level by having regard to the manner in which futures contracts relating to the Index are calculated.

### 5. Register

The Issuer will at all times maintain or arrange for the maintenance of a register in Hong Kong.

## 6. Adjustments to the Index

(a) *Successor Index Compiler Calculates and Reports Index.* If the Index is (i) not calculated and announced by the Index Compiler but is calculated and published by a successor to the Index Compiler (the “**Successor Index Compiler**”) acceptable to the Issuer or (ii) replaced by a successor index using, in the determination of the Issuer, the same or a substantially similar formula for and method of calculation as used in the calculation of the Index, then the Index will be deemed to be the index so calculated and announced by the Successor Index Compiler or that successor index, as the case may be.

(b) *Modification and Cessation of Calculation of Index.*

If:

(i) on or prior to a Valuation Date the Index Compiler or (if applicable) the Successor Index Compiler makes a material change in the formula for or the method of calculating the Index or in any other way materially modifies the Index (other than a modification prescribed in that formula or method to maintain the Index in the event of changes in constituent stock, contracts or commodities and other routine events); or

(ii) on a Valuation Date the Index Compiler or (if applicable) the Successor Index Compiler fails to calculate and publish the Index (other than as a result of a Market Disruption Event),

then the Issuer shall determine the Closing Level using, in lieu of a published level for the Index, the level for the Index as at that Valuation Date as determined by the Issuer in accordance with the formula for and method of calculating the Index last in effect prior to that change or failure, but using only those securities, contracts or commodities that comprised the Index immediately prior to that change or failure.

(c) *Other Adjustments.* Without prejudice to and notwithstanding any prior adjustment(s) made pursuant to the applicable Condition, the Issuer may (but shall not be obliged to) make such other adjustments to the terms and conditions of the Inline Warrants as appropriate where any event (including the events as contemplated in the applicable Conditions) occurs and irrespective of, in substitution for, or in addition to the provisions contemplated in the applicable Conditions, provided that such adjustment is:

(i) not materially prejudicial to the interests of the Inline Warrantholders generally (without considering the circumstances of any individual Inline Warrantholder or the tax or other consequences of such adjustment in any particular jurisdiction); or

(ii) determined by the Issuer in good faith to be appropriate and commercially reasonable.

(d) *Notice of Adjustments.* All determinations made by the Issuer pursuant hereto will be conclusive and binding on the Inline Warrantholders. The Issuer will give, or procure that there is given, notice as soon as practicable of any determinations by publication in accordance with Condition 11.

## 7. Illegality or Impracticability

The Issuer is entitled to terminate the Inline Warrants if it determines in good faith and in a commercially reasonable manner that, for reasons beyond its control, it has become or it will become illegal or impracticable:

(a) for it to perform its obligations under the Inline Warrants, in whole or in part, as a result of: (i) the adoption of, any change in, any relevant law or regulation (including any tax law); or (ii) the promulgation of, or any change in the interpretation by any court, tribunal, governmental, administrative, legislative, regulatory or judicial authority or power with competent jurisdiction of any relevant law or regulation (including any tax law), (each of (i) and (ii), a “**Change in Law Event**”); or

(b) for it or any of its affiliates to maintain the Issuer’s hedging arrangements with respect to the Inline Warrants due to a Change in Law Event.

Upon the occurrence of a Change in Law Event, the Issuer will, if and to the extent permitted by applicable law or regulation, pay to each Inline Warrantholder a cash amount that Issuer determines in good faith and in a commercially reasonable manner to be the fair market value in respect of each Inline Warrant held by such Inline Warrantholder immediately prior to such termination (ignoring such illegality or impracticability) less the cost to the Issuer of unwinding any related hedging arrangement and any charges or expenses including any taxes or duties which are incurred or withheld as determined by the Issuer in its sole and absolute discretion (acting in good faith and in a commercially reasonable manner). Payment will be made in such manner as shall be notified to the Inline Warrantholders in accordance with Condition 11.

## 8. Purchases

The Issuer and/or any of its subsidiaries and affiliates may at any time purchase Inline Warrants at any price in the open market or by tender or by private treaty. Any Inline Warrants so purchased may be held or resold or surrendered for cancellation.

## 9. Global Certificate

The Inline Warrants are represented by the Global Certificate registered in the name of HKSCC Nominees Limited and deposited with CCASS in accordance with the CCASS Rules. Inline Warranholders will not be entitled to definitive certificates in respect of any Inline Warrants issued or transferred to them.

## 10. Meetings of Inline Warranholders; Modification

- (a) *Meetings of Inline Warranholders.* The Instrument contains provisions for convening meetings of the Inline Warranholders to consider any matter affecting their interests, including the sanctioning by Extraordinary Resolution (as defined in the Instrument) of a modification of the provisions of the Inline Warrants or of the Global Certificate.

Any resolution to be passed in a meeting of the Inline Warranholders shall be decided by poll. Such a meeting may be convened by the Issuer or by Inline Warranholders holding not less than 10 per cent. of the Inline Warrants for the time being remaining unexercised. The quorum at any such meeting for passing an Extraordinary Resolution will be two or more persons holding or representing not less than 25 per cent. of the Inline Warrants for the time being remaining unexercised, or at any adjourned meeting two or more persons being or representing Inline Warranholders whatever the number of Inline Warrants so held or represented.

A resolution will be an Extraordinary Resolution when it has been passed at a duly convened meeting by not less than three-quarters of the votes cast by such Inline Warranholders who, being entitled to do so, vote in person or by proxy.

An Extraordinary Resolution passed at any meeting of the Inline Warranholders shall be binding on all the Inline Warranholders, whether or not they are present at the meeting.

Resolutions can be passed in writing without a meeting of the Inline Warranholders being held if passed unanimously.

- (b) *Modification.* The Issuer may, without the consent of the Inline Warranholders, effect any modification of the terms and conditions of the Inline Warrants or the Global Certificate which, in the opinion of the Issuer, is:
- (i) not materially prejudicial to the interests of the Inline Warranholders generally (without considering the circumstances of any individual Inline Warranholder or the tax or other consequences of such modification in any particular jurisdiction);
  - (ii) of a formal, minor or technical nature;
  - (iii) made to correct a manifest error; or
  - (iv) necessary in order to comply with mandatory provisions of the laws or regulations of Hong Kong.

Any such modification shall be binding on the Inline Warranholders and shall be notified to them by the Issuer as soon as practicable in accordance with Condition 11.

## 11. Notices

All notices to Inline Warranholders will be validly given if published in English and in Chinese on the website of Hong Kong Exchanges and Clearing Limited. Such notices shall be deemed to have been given on the date of the first such publication. If publication is not practicable, notice will be given in such other manner as the Issuer may determine.

## 12. Further Issues

The Issuer shall be at liberty from time to time, without the consent of the Inline Warranholders, to create and issue further Inline Warrants so as to form a single series with the Inline Warrants.

## 13. Contracts (Rights of Third Parties) Ordinance

A person who is not a party to these Conditions has no right under the Contracts (Rights of Third Parties) Ordinance (Cap. 623 of the Laws of Hong Kong) to enforce or to enjoy the benefit of any term of the Inline Warrants.

## 14. Governing Law

The Inline Warrants, the Global Certificate and the Instrument will be governed by and construed in accordance with the laws of the Hong Kong Special Administrative Region of the People's Republic of China ("**Hong Kong**"). The Issuer and each Inline Warranholder (by its purchase of the Inline Warrants) shall be deemed to have submitted for all purposes in connection with the Inline Warrants, the Global Certificate and the Instrument to the non-exclusive jurisdiction of the courts of Hong Kong.

## 15. Language

In the event of any inconsistency between the Chinese translation of these Conditions and the English version of these Conditions, the English version of these Conditions shall prevail.

**PARTIES**

**REGISTERED OFFICE OF THE ISSUER**

**The Hongkong and Shanghai Banking Corporation Limited**  
HSBC Main Building  
1 Queen's Road Central  
Hong Kong

**LIQUIDITY PROVIDER**

**HSBC Securities Brokers (Asia) Limited**  
Levels 17 and 18  
HSBC Main Building  
1 Queen's Road Central  
Hong Kong

**AUDITOR**

**PricewaterhouseCoopers**  
22nd Floor, Prince's Building  
Central  
Hong Kong