



## The Hongkong and Shanghai Banking Corporation Limited

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

### Offer of

**250,000,000 European Style (Cash Settled) Category R Index Callable Bull**

**Contracts due 27 September 2012**

**relating to the Hang Seng Index**

**(Stock Code: 60463)**

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**Call level: 20,288**

**Strike level: 19,888**

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This document 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 the issuer. The issuer accepts full responsibility for the accuracy of the information contained in the base listing document dated 26 April 2011 as supplemented by the information in the addendum to the base listing document dated 15 August 2011 and this document and confirms, having made all reasonable enquiries, that to the best of its knowledge and belief there are no other facts the omission of which would make any statement in the base listing document and/or this document misleading.

This is a derivative product or a structured product which involves derivatives. Do not invest in it unless you fully understand and are willing to assume the risks associated with it. Investors are warned that the price of the contracts may fall in value as rapidly as it may rise and holders may sustain a total loss of their investment. Prospective purchasers should therefore ensure that they understand the nature of the contracts and carefully study the risk factors set out in the base listing document and this document and, where necessary, seek professional advice, before they invest in the contracts.

The contracts constitute general unsecured contractual obligations of the issuer and of no other person. If you purchase the contracts you are relying upon the creditworthiness of the issuer and have no rights under the contracts against any company constituting the Hang Seng Index (the **index**) or Hang Seng Indexes Company Limited (the **index compiler**).

Dated 9 February 2012

## IMPORTANT

If you are in any doubt as to any of the contents of this document, you should consult your stockbroker or other registered dealer in securities, bank manager, solicitor, professional accountant or other professional adviser.

You should read this document, as well as our base listing document and our addendum to the base listing document before deciding whether to invest in the contracts.

We cannot give you investment advice. You must decide for yourself whether the contracts meet your investment needs, taking professional advice if appropriate.

We undertake during the period in which the contracts are listed on the stock exchange to make available to you for inspection at the office of Computershare Hong Kong Investor Services Limited, which is presently at Rooms 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong:

- (a) copies of our base listing document and our addendum to the base listing document (both the English versions and the Chinese translations) together with any additional addenda or successor to our base listing document (both the English version and the Chinese translation);
- (b) a copy of this document (both the English version and the Chinese translation);
- (c) a copy of our latest publicly available annual report and interim report (both the English version and the Chinese translation); and
- (d) a copy of the consent letter of our auditors referred to in our base listing document.

本公司保證下列文件可於牛熊證在聯交所上市的期間內在香港中央證券登記有限公司的辦事處(現時地址為香港皇后大道東 183 號合和中心 17 樓 1712-1716 室)查閱：

- (a) 本公司的基本上市文件及本公司的基本上市文件增編(英本版本及中文譯本)以及基本上市文件的任何額外增編或續編(英文版本及中文譯本)；
- (b) 本文件(英文版本及中文譯本)；
- (c) 本公司最近期可供查閱的年報及中期報告(英文版本及中文譯本)；及
- (d) 本公司基本上市文件所述本公司核數師的同意函件。

Our contracts are not available to U.S. persons (as defined in the U.S. Securities Act of 1933, as amended).

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The Hang Seng Index (the “**Index**”) is published and compiled by Hang Seng Indexes Company Limited pursuant to a licence from Hang Seng Data Services Limited. The mark(s) and name(s) “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(es) by The Hongkong and Shanghai Banking Corporation Limited in connection with the contracts (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 ANY OF THE INDEX(ES) AND ITS COMPUTATION OR ANY INFORMATION RELATED THERETO; OR (ii) THE FITNESS OR SUITABILITY FOR ANY PURPOSE OF ANY OF THE INDEX(ES) OR ANY COMPONENT OR DATA COMPRISED IN IT; OR (iii) THE RESULTS WHICH MAY BE OBTAINED BY ANY PERSON FROM THE USE OF ANY OF THE INDEX(ES) OR ANY COMPONENT OR DATA COMPRISED IN IT FOR ANY PURPOSE, AND NO WARRANTY OR REPRESENTATION OR GUARANTEE OF ANY KIND WHATSOEVER RELATING TO ANY OF THE INDEX(ES) IS GIVEN OR MAY BE IMPLIED.** The process and basis of computation and compilation of any of the Index(es) 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 ANY OF THE INDEX(ES) BY THE HONGKONG AND SHANGHAI BANKING CORPORATION LIMITED IN CONNECTION WITH THE PRODUCT; OR (ii) FOR ANY INACCURACIES, OMISSIONS, MISTAKES OR ERRORS OF HANG SENG INDEXES COMPANY LIMITED IN THE COMPUTATION OF ANY OF THE INDEX(ES); OR (iii) FOR ANY INACCURACIES, OMISSIONS, MISTAKES, ERRORS OR INCOMPLETENESS OF ANY INFORMATION USED IN CONNECTION WITH THE COMPUTATION OF ANY OF THE INDEX(ES) 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.

## RISK FACTORS

You should consider the following summary of risks and the risk factors set out in our base listing document and our addendum to the base listing document, together with all other information in this document before making any investment decision. The following summary does not necessarily set out all the risks related to the contracts and you should not rely on it without reference to the conditions in our base listing document. If you have any concerns or doubts about the contracts, you should obtain independent professional advice.

- The price of the contracts may fall in value as rapidly as it may rise and you may sustain a total loss in your investment. In particular, if the cash settlement amount on the expiry date or the mandatory call payout on or about the mandatory call date is less than or equal to zero, you will lose the value of your investment.

The intrinsic value of each contract at any time prior to expiration is typically expected to be less than the trading price of the contracts at that time. The difference between the trading price and the intrinsic value will reflect, among other things, the funding cost in connection with the contracts. The funding cost of the contracts will depend partly upon the length of the period remaining to expiration and prevailing interest rates. The purchase price paid by you will include such funding cost. When a mandatory call event occurs, the mandatory call payoff may not contain a refund of any part of such cost. Generally speaking, the longer the period remaining to expiration, or the higher the prevailing interest rates, the greater the funding cost element.

- A mandatory call event is irrevocable unless it is triggered due to the occurrence of one of the following events (the occurrence of any such event to be agreed between the issuer and the stock exchange by no later than thirty minutes before commencement of trading on the stock exchange (including any pre-opening session)) on the trading day following the occurrence of the mandatory call event:

- (i) the stock exchange's system malfunctioning or other internal issues (e.g. the call level or other parameters are erroneously set up in the stock exchange's system); or
- (ii) manifest errors caused by other relevant price source (e.g. miscalculation of index level by the index compiler).

- You should note that when a mandatory call event occurs in the pre-opening session or the closing auction session (if applicable), as the case may be, of the stock exchange, all trades in the contracts concluded via auction during the order matching period will be cancelled and all manual trades concluded after the determination of the final indicative equilibrium price will not be recognised. If the mandatory call event occurs in the continuous trading session, all trades concluded via automatching or manually after the mandatory call event (**post MCE trades**) will be cancelled.

Cancellation of post MCE trades will be based on the stock exchange's index calculation snapshot time.

Announcements relating to a mandatory call event may be delayed due to technical errors or system failures.

- You have no rights under the contracts against the stock exchange or recognized exchange controller, Hong Kong Exchanges and Clearing Limited (the **HKEx**). Neither the stock exchange, the HKEx nor us shall be liable for any losses or damage suffered as a result of any mandatory call event or the suspension of trading or the nonrecognition of post MCE trades without regard to the circumstances giving rise to any purported claim except in the case of wilful misconduct.
- We may use all or some of the proceeds received from the sale of the contracts to enter into hedging transactions. We believe that such hedging activity will, under normal circumstances, not have a material impact on the value of the contracts, although it may do so. We may liquidate all or a portion of the hedging positions:
  - (i) at or about the time of the maturity or expiration of the contracts; or
  - (ii) at the time when the level of the index approaches the call level; or
  - (iii) when we, acting through our appointed liquidity provider, purchase any portion of the contracts outstanding in the market.

Such activity may lead to greater volatility of the level of the index, and may lead to a mandatory call event as a result.

We may unwind hedges relating to any contracts that our appointed liquidity provider purchases from the market from time to time, but otherwise we can only start to unwind hedges after the occurrence of the mandatory call event. Such unwinding of hedges after the occurrence of a mandatory call event may affect the level of the index and the mandatory call payoff.

The market price of the contracts may become more sensitive to changes in the level of the index where the level of the index is approaching the call level, resulting in greater volatility of market price of the contracts.

- If you purchase the contracts, you rely on our creditworthiness and have no rights under the contracts against companies comprising any underlying indices.
- There is a time lag between exercise (or automatic exercise) of the contracts and payment and there may be delays in the electronic settlement or payment through CCASS.
- Events may occur which may affect the value of the index. If such event does not require an adjustment to the contracts, the price of the contracts may be affected.
- We or the liquidity provider may be the only market participants for the contracts. There may not be a secondary market or the secondary market may be limited.
- Since the contracts are leveraged, the percentage change in the price of a contract is greater compared with the level of the underlying index. You may suffer higher losses in percentage terms if you expect the level of the underlying index to move one way but it moves in the opposite direction.
- If one or more shares comprised in the index to which the contracts relate are not trading, the closing level of the index will be calculated by reference to the remaining shares comprising the index.

- If we determine that, for reasons beyond our control, the performance of our obligations under the contracts has become illegal or impractical in whole or in part for any reason, or we determine that, for reasons beyond our control and as further described in the base listing document, it is no longer legal or practical for us to maintain our hedging arrangements, we may decide to terminate the contracts early. In this event, we will, if and to the extent permitted by applicable law, pay an amount to you in respect of each contract held by you equal to the fair market value of the contract notwithstanding such illegality or impracticality less certain costs, all as determined by us in our sole and absolute discretion.
- The value of the contracts may not correlate with the movements of the underlying index level and may be affected by the time remaining to expiry. In particular, when the index level is close to the call level, the price of the contracts will be more volatile.
- The effect on the value of the contracts by any combination of risk factors cannot be predicted.
- Various potential and actual conflicts of interest may arise from our overall activities or activities of our subsidiaries and affiliates.
- In the ordinary course of our business, we may effect transactions on our own account or for the account of our customers and hold positions in the index.
- 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.
- As the contracts are issued in global registered form, HKSCC Nominees Limited will be the only legal owner of the contracts. You will have to rely on CCASS and/or your brokers to (a) determine your beneficial interest in the contracts, (b) receive announcements and/or information relating to the contracts and (c) receive payments from us.
- You should note that the contracts are not rated. Our long-term debt ratings (as at the date of this document) are as set out in the section headed “Further Information” of this supplemental listing document. You should note that 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: (i) a credit rating is not a recommendation to buy, sell or hold the contracts; (ii) 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; and (iii) a high credit rating is not necessarily indicative of low risk.
- Our credit ratings as at the date of this document are for reference only. Any downgrading of our ratings could result in a reduction in the value of the contracts.

## SUMMARY OF THE ISSUE

The following is only a summary of the terms of the contracts. You should read all of this document together with our base listing document and our addendum to the base listing document.

<b>Stock Code</b>	<b>60463</b>
<b>Style</b>	European style (cash settled) category R index callable Bull contracts in global registered form
<b>Index</b>	Hang Seng Index
	In certain limited circumstances, for example, if there is a successor to the index compiler or modification or cessation of the calculation of the index, the index will be adjusted. Please refer to condition 6 of the conditions for further details.
<b>Launch date</b>	3 February 2012
<b>Issue size</b>	250,000,000 contracts
<b>Issue price</b>	HK\$0.25 per contract
<b>Cash settlement amount per exercise amount (if any) payable at expiry</b>	<p>If no mandatory call event has occurred during the mandatory call observation period and if on the expiry date, the value of the cash settlement amount is greater than zero, the contracts will be automatically exercised. You will receive from the issuer the cash settlement amount (if any) in Hong Kong dollars calculated by the issuer as follows:</p> <p style="margin-left: 40px;">(closing level – strike level) x index currency amount – expenses</p>
<b>Closing level</b>	The final settlement price for settling the Hang Seng Index September 2012 Futures Contracts determined pursuant to Regulation 012 of the Regulations for Trading Stock Index Futures and the Contract Specifications for Hang Seng Index Futures Contracts (as amended from time to time) of the Hong Kong Futures Exchange.
<b>Index currency amount</b>	$\frac{10,000}{15,000} \times \text{HK\$}1.00$
<b>Exercise amount</b>	10,000 contracts
<b>Call level</b>	20,288
<b>Strike level</b>	19,888
<b>Settlement currency</b>	Hong Kong dollars
<b>Trading currency</b>	Hong Kong dollars
<b>Board lot</b>	10,000 contracts

<b>Mandatory call event</b>	<p>The first occurrence on a business day during the mandatory call observation period whereby the spot level is equal to or less than the call level.</p> <p>The <b>mandatory call observation period</b> means the period from (and including) the mandatory call observation period start date to (and including) the mandatory call observation period end date.</p> <p><b>Spot level</b> means the spot level of the index as compiled and published by the index compiler.</p> <p>The contracts will automatically expire following the occurrence of a mandatory call event.</p>
<b>Mandatory call observation period start date</b>	10 February 2012
<b>Mandatory call observation period end date</b>	The business day immediately preceding the expiry date.
<b>Mandatory call payoff (if any)</b>	<p>Upon the occurrence of a mandatory call event, the contracts will automatically expire and for every exercise amount you will receive from us a cash payment in Hong Kong dollars calculated by us in accordance with the following formula:</p> <p>(minimum index level – strike level) x index currency amount – expenses</p> <p><b>Minimum index level</b> means the minimum index level of the index during the period from the time of the occurrence of the mandatory call event up to the end of the next trading session for the callable bull/bear contracts on Hong Kong indices as compiled and published by Hang Seng Indexes Company Limited on the stock exchange (in accordance with the conditions).</p> <p>We may, at our sole and absolute discretion, pay an amount higher than the mandatory call payoff.</p>
<b>Initial funding cost</b>	21.83% p.a. (= 3 month's HIBOR + 21.42%)
<b>Expiry date/ Valuation date</b>	27 September 2012 or if such date is not the day on which the Hang Seng Index September 2012 Futures Contracts expire on the Hong Kong Futures Exchange, the day on which the Hang Seng Index September 2012 Futures Contracts will expire on the Hong Kong Futures Exchange.
<b>Exercise of contracts at expiry</b>	<p>If no mandatory call event occurs during the mandatory call observation period, the contracts are exercisable on the expiry date in board lots or integral multiples thereof.</p> <p>If, on the expiry date, the value of the cash settlement amount is greater than zero, the contracts will be automatically exercised on the expiry date. You will not be required to deliver any exercise notice and we will pay to you the cash settlement amount (if any) in accordance with the conditions.</p>

**Payment of cash settlement amount/mandatory call payoff** If the contracts are automatically expired on a mandatory call date or exercised on the expiry date, we will pay you the mandatory call payoff or the cash settlement amount (if any), as the case may be.

We will send the mandatory call payoff or the cash settlement amount (if any) no later than three CCASS settlement days following the price determination date (being the date on which the minimum/maximum index level is determined by us) or the valuation date, as the case may be. We will make all payments through Central Clearing and Settlement System (**CCASS**). You may have to rely on your broker/custodian to ensure the mandatory call payoff or the cash settlement amount (as the case may be) is credited to your account with them. 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/custodian does not transfer your share of payment to you, or is late in making that transfer.

**If the cash settlement amount or the mandatory call payout is less than or equal to zero, you will lose the value of your investment.**

**Entitlement on automatic expiry or exercise of the contracts** Upon automatic expiry of the contracts on a mandatory call date or automatic exercise of the contracts on the expiry date (as the case may be), we will make payment (if any) to you of the mandatory call payoff or the cash settlement amount (as the case may be). The mandatory call payoff or the cash settlement amount (if any) shall be despatched no later than three CCASS settlement days following the price determination date or the valuation date, as the case may be (**settlement date**) by crediting that amount in accordance with the CCASS Rules, to the designated bank account.

**Price determination date** means the date on which the minimum index level is determined by us.

If as a result of a settlement disruption event, it is not possible for us to procure payment electronically through CCASS by crediting your designated bank account on the original settlement date, we shall use our reasonable endeavours to procure payment electronically through CCASS by crediting your relevant designated bank account as soon as reasonably practicable after the original settlement date. We will not be liable to you for any interest in respect of the amount due or any loss or damage that you may suffer as a result of the existence of the settlement disruption event, nor shall we be under any circumstances be liable for any acts or defaults of CCASS in relation to the performance of its duties in relation to the contracts.

If we determine, in our sole discretion, that on the valuation date a market disruption event has occurred, then we shall determine the closing level on the basis of its good faith estimate of the closing level that would have prevailed on that day but for the occurrence of the market disruption event provided that we, 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.

**Listing** We have made an application to the stock exchange for, and the stock exchange has agreed in principle to, the listing of and dealings in, the contracts. The issue of the contracts is conditional on such listing being granted. It is expected that dealings in the contracts on the stock exchange will commence on or about 10 February 2012.

We do not intend to apply for a listing of the contracts on any other stock exchange other than the stock exchange.

<b>Admission into CCASS</b>	All necessary arrangements have been made to enable the contracts to be admitted to CCASS. All activities in CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time. If you are a CCASS investor participant you may hold your contracts in your account with CCASS. If you do not have a CCASS account, your broker (as a CCASS participant) will arrange to hold the contracts for you in an account at CCASS.
<b>Form</b>	<p>The contracts are represented by a global certificate registered in the name of HKSCC Nominees Limited. You are not entitled to definitive certificates. Computershare Hong Kong Investor Services Limited will maintain a register in Hong Kong showing HKSCC Nominees Limited as the registered holder of the contracts. Any notices delivered to HKSCC Nominees Limited as the registered holder of the contracts will be communicated to you or your broker/custodian as CCASS participants in accordance with the General Rules of CCASS and the CCASS Operational Procedures. You may have to rely on your broker/custodian to ensure that the notices reach you.</p> <p>You, as a beneficial holder of the contracts are not entitled to any certificate representing your interests in the contracts. You can refer to the records of CCASS or your broker/custodian and the statements you receive from CCASS or your broker/custodian to determine your beneficial interest in the contracts.</p>
<b>Transfers of contracts</b>	You can only transfer your contracts in board lots or integral multiples thereof in CCASS in accordance with the General Rules of CCASS and the CCASS Operational Procedures. If you transfer your contracts through the stock exchange, settlement must be made not later than two trading days after the dealing was entered into.
<b>Status of the contracts upon liquidation</b>	The contracts will constitute our general, unsecured, contractual obligations and of no other person and will rank equally among themselves and (save for certain obligations required to be preferred by law) equally with all our other unsecured obligations.
<b>Governing law</b>	Hong Kong law
<b>Maintenance of register</b>	Computershare Hong Kong Investor Services Limited will maintain the register for the contracts.
<b>Liquidity provider</b>	<p>HSBC Securities Brokers (Asia) Limited  (Broker ID Number: 9503)  Levels 17 and 18  HSBC Main Building  1 Queen's Road Central  Hong Kong</p> <p>Telephone number: (852) 2822 1849</p>

## TERMS AND CONDITIONS OF THE CONTRACTS

The conditions applicable to the contracts are set out in the section headed “Terms and Conditions of the Index Callable Contracts (Cash Settled)” (the **conditions**) of our base listing document. For the purposes of the conditions, the terms below shall have the following meanings:

**Stock code:** 60463

**Board Lot:** 10,000 contracts

**Call Level:** 20,288

**Closing Level:** The final settlement price for settling the Hang Seng Index September 2012 Futures Contracts determined pursuant to Regulation 012 of the Regulations for Trading Stock Index Futures and the Contract Specifications for Hang Seng Index Futures Contracts (as amended from time to time) of the Hong Kong Futures Exchange.

Regulation 012 currently provides, inter alia, as follows:

“012. The Final Settlement Price of a Stock Index Futures Contract shall be a number determined by the Clearing House in accordance with the Contract Specifications.”

The Contract Specifications for Hang Seng Index Futures Contracts currently provides, inter alia, that:

“The Final Settlement Price for Hang Seng Index Futures Contracts shall be a number rounded down to the nearest whole number, determined by the Clearing House and shall be the average of quotations of the Hang Seng Index compiled, computed and disseminated by the Hang Seng Indexes Company Limited taken at (i) five (5) minute intervals from five (5) minutes after the start of, and up to five (5) minutes before the end of, the continuous trading session of SEHK; and (ii) the close of trading on SEHK on the Last Trading Day. The Chief Executive of the Hong Kong Futures Exchange has the power under the Regulations for Trading Stock Index Futures Contracts to determine the Final Settlement Price under certain circumstances.”

(Capitalised terms have the meanings ascribed to those terms in, and shall otherwise be interpreted in accordance with, the Regulations for Trading Stock Index Futures and the Contract Specifications for Hang Seng Index Futures Contracts of the Hong Kong Futures Exchange.)

**Contracts:** 250,000,000 European Style (Cash Settled) Category R Index Callable Bull Contracts due 27 September 2012 in Global Registered Form relating to the Index

**Exercise Amount:** 10,000 contracts

**Expiry Date/** 27 September 2012, or if such date is not the day on which the Hang Seng Index  
**Valuation Date:** September 2012 Futures Contracts expire on the Hong Kong Futures Exchange, the day on which the Hang Seng Index September 2012 Futures Contracts will expire on the Hong Kong Futures Exchange.

**Index:** Hang Seng Index

**Index Compiler:** Hang Seng Indexes Company Limited

**Index Currency Amount:**  $\frac{10,000}{15,000} \times \text{HK\$}1.00$

**Index Exchange:** The Stock Exchange of Hong Kong Limited

**Issue Date:** 9 February 2012

**Mandatory Call Observation Period Start Date:** 10 February 2012

**Mandatory Call Observation Period End Date:** The business day immediately preceding the expiry date.

**Registrar:** Computershare Hong Kong Investor Services Limited

**Registrar's Agreement:** The base registrar's and warrant agency agreement dated 1 August 2005 as supplemented by a supplemental registrar's and structured product agency agreement dated 4 July 2008, both made between the Issuer and the Registrar.

**Settlement Currency:** Hong Kong Dollars

**Strike Level:** 19,888

The Transfer Office in respect of the Contracts is at Computershare Hong Kong Investor Services Limited, Rooms 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong.

## INFORMATION ON THE LIQUIDITY PROVIDER

### **Will there be a market for the contracts?**

The stock exchange requires us to provide liquidity in the contracts to ensure that there will always be a market price available for the purchase and sale of the contracts (subject to the circumstances described below). We have appointed HSBC Securities Brokers (Asia) Limited (Broker ID Number 9503) as the liquidity provider for the contracts.

### **What is a liquidity provider?**

The liquidity provider is one of our affiliates. The liquidity provider is a stock exchange participant and is therefore subject to prudential and conduct regulation by the stock exchange and the Securities and Futures Commission. The liquidity provider has agreed to act as our agent in providing liquidity in the contracts. If the liquidity provider is unable to perform its functions, we will appoint a substitute liquidity provider for the contracts.

### **How will the liquidity provider provide liquidity?**

The liquidity provider will use its reasonable endeavours to make a market in the contracts by responding to requests for bid and offer prices. You can request for a price by calling (852) 2822 1849. The liquidity provider will respond to your request within 5 minutes of your request. We may also input bid and offer prices, through the liquidity provider, onto the stock exchange's trading system. Such bid and offer prices are prices at which we will buy or sell contracts.

All quotes will be displayed on the designated stock page for the contracts. The liquidity provider will provide quotes with a maximum of a 20 tick spread (where 'spread' is as prescribed under the rules of the stock exchange) between bid and offer prices, for a minimum of ten board lots of the contracts. The liquidity provider will provide you with prices for the contracts in the secondary market during the life of the contracts. Such prices will be available on

each business day on which the contracts are traded on the stock exchange from five minutes after each morning trading session or after trading commences for the first time on any business day until the end of the continuous trading session as defined in the rules and regulations of the stock exchange.

### **How does the liquidity provider calculate the prices?**

Any price provided by the liquidity provider will be based on a pricing model which takes into account such factors as the liquidity provider deems appropriate, including, without limitation, the volatility and level of the index and related futures contracts relating to the shares of the companies comprising the index, the time left to the expiry of the contracts, the strike level of the contracts, the dividend history of the shares of the companies comprising the index and the prevailing interest rate climate.

### **Are there circumstances that the liquidity provider cannot provide liquidity?**

There will be circumstances under which the liquidity provider may not be able to, and will not be obliged to, provide liquidity. Such circumstances include:

- (i) when the contracts are suspended from trading for any reason including, but without limitation, as a result of the shares of the companies comprising the index being suspended from trading;
- (ii) when there are no contracts available for market making activities by the liquidity provider (in which event, only a bid price for the contracts will be available), and for the avoidance of doubt, in determining whether contracts are available for market making activities, contracts held by us or any of our affiliates in a fiduciary or agency (as opposed to proprietary) capacity shall not be available for market making activities;

- (iii) during the period of five business days immediately prior to the expiry date of the contracts;
- (iv) operational and technical problems affecting the ability of the liquidity provider to provide liquidity or operational and technical problems affecting the proper functioning of the stock exchange;
- (v) if the stock market experiences exceptional price movement and volatility, i.e. during fast markets;
- (vi) the occurrence of market disruption events, including, without limitation, any suspension of or limitation imposed on trading (caused by movements in price exceeding limits permitted by the relevant exchange or otherwise) in the shares of the companies comprising the index or any contracts, options contracts or futures contracts relating to the shares of the companies comprising the index;
- (vii) when the ability of the liquidity provider acting on our behalf to source a hedge or unwind an existing hedge, as determined by the liquidity provider in its discretion acting in good faith, is materially affected by prevailing market conditions (in which case either only a bid price or only an offer price of the contracts shall be made but not both); and
- (viii) when the fair value of each contract (as determined by the liquidity provider based on the pricing model) is less than HK\$0.01, then the liquidity provider will not be obliged to provide liquidity (bid and offer prices) for the contracts. Nonetheless, if the liquidity provider elects (in its sole and absolute discretion) to provide liquidity in respect of such contracts, it will do so by providing both bid and offer prices for the contracts.

## FURTHER INFORMATION

### **Are we regulated by any bodies under the rules?**

Other than being a licensed bank regulated by the Hong Kong Monetary Authority, 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) and type 6 (Advising on Corporate Finance) regulated activities and a licensed bank under the Banking Ordinance (Cap. 155) of Hong Kong, we are not regulated by any of the bodies referred to in rule 15A.13(2) or (3) of the rules.

### **Have we been rated by any credit rating agency?**

As at the date of this document, our senior long term debt was rated Aa1 by Moody's Investors Service, Inc. and AA- by Standard and Poor's Ratings Group.

### **Are we involved in any litigation?**

Except as set out in this document, our base listing document and our addendum to the base listing document, 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 there been any material adverse change?**

Except as set out in this document, our base listing document and our addendum to the base listing document, there has been no material adverse change in our financial or trading position or prospects or indebtedness since 31 December 2010.

### **Who makes determinations and calculations?**

We will make any necessary determinations or calculations in respect of the contracts.

### **Where can you find out information about us?**

You can find out more about us on the website of the group of companies to which we belong, which is [www.hsbc.com](http://www.hsbc.com).

### **Are there any experts/auditors involved?**

Our auditors, KPMG, have given and have not withdrawn their written consent to the inclusion of their report dated 28 February 2011, and references thereto and to their name in the form and context in which they appear in the base listing document. The report was not prepared exclusively for incorporation in our base listing document. Our auditors do not have any shareholding in our company or in any member of our group, nor do they have the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for our securities or securities in any member of our group.

### **Are there any arrangements with brokers?**

We do not have any special arrangements in place with any brokers with respect to the distribution of the contracts.

### **Do the stock exchange and the Securities and Futures Commission charge any fees?**

The stock exchange charges a trading fee of 0.005 per cent. and the Securities and Futures Commission charges a transaction levy of 0.003 per cent. in respect of 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 relevant securities. The levy for the investor compensation fund is currently suspended.

### **Is stamp duty payable?**

There is no stamp duty payable in Hong Kong on the transfer of the contracts.

### **Has there been any updated information about us since the date of our base listing document?**

There is no supplemental information about us except as set out in the section "Supplemental Information About Us" in this document and in our addendum to the base listing document. The information in our base listing document is up-to-date and is true and accurate as at the date of this document, except as modified and supplemented by our addendum to the base listing document and this document.

## MORE INFORMATION ABOUT OUR CONTRACTS

### **What happens if a market disruption event occurs on a valuation date?**

Generally, if we decide that a market disruption event has occurred on the valuation date, then we will make a good faith estimate of the closing level of the index on that valuation date. Please refer to condition 2(c) for a list of events constituting a market disruption event and condition 4(d) for details.

### **Who should buy the contracts? Are they suitable for everyone?**

The contracts are not suitable for everyone. You should make sure you fully understand the terms of the contracts, how the contracts work and the associated risks. The risk factor sections in our base listing document and in this document highlight some of the associated risks and you should study them carefully. You should also consider your financial position and investment objectives before deciding to invest in the contracts. Most importantly, you should consult your financial advisers, accounting and tax professionals where necessary.

### **Where can you find more information about us and the contracts?**

Our contracts are issued under our Hong Kong listed structured products programme. The programme is described in our base listing document dated 26 April 2011 as supplemented by the information in the addendum to the base listing document dated 15 August 2011. Please read our base listing document, together with our addendum to the base listing document and this document carefully before you decide whether to buy our contracts. Our base listing document contains important information, including information about:

- our business, financial condition and profitability;
- the risks of buying our contracts;
- Hong Kong taxation issues in relation to our contracts; and
- the legally binding terms and conditions of the contracts.

We have not authorised anyone to give you any information about our contracts other than the information in this document and our base listing document (as supplemented by our addendum). You should not rely on any other information and we will not be responsible for any losses arising from such other information. Our base listing document, our addendum to the base listing document and this document are also available in a Chinese translation if you prefer.

We have included references to websites to guide you to sources of freely available information. The information on these websites does not form part of our listing documents. We do not accept any responsibility for information on these websites. Such information has not been prepared for the purposes of our contracts.

## SUPPLEMENTAL INFORMATION ABOUT US

The Issuer increased its issued share capital by allotting 1,366,560,000 new ordinary shares of HK\$2.50 each on 24 August 2011. Following the allotment, the issued and paid-up ordinary share capital of the Issuer is HK\$25,910,368,235 divided into 10,364,147,294 ordinary shares of HK\$2.50 each.

With effect from 25 August 2011, the issued share capital of HSBC Insurance (Asia) Limited, being a principal subsidiary of the Issuer, has been increased from HK\$1,098,320,000 to HK\$1,220,211,000.

Dr Raymond Ch'ien Kuo Fung, a non-executive director of the Issuer, has changed his occupation to Non-executive Chairman of MTR Corporation Limited with effect from 4 October 2011.

HSBC Bank (China) Company Limited, being a principal subsidiary of the Issuer, has increased its issued share capital from RMB8,000,000,000 to RMB10,800,000,000.

With effect from 8 December 2011, the issued share capital of HSBC Insurance (Asia) Limited, being a principal subsidiary of the Issuer, has been further increased from HK\$1,220,211,000 to HK\$1,297,821,000.

With effect from 14 December 2011, the issued share capital of HSBC Life (International) Limited, being a principal subsidiary of the Issuer, has been increased from HK\$1,200,870,000 to HK\$1,278,480,000.

With effect from 21 December 2011, the Issuer has increased its authorised ordinary share capital by the creation of HK\$20,000 million divided into 8,000 million new ordinary shares of HK\$2.50 each. Following the increase, the authorised ordinary share capital of the Issuer is HK\$50,000 million divided into 20,000 million ordinary shares of HK\$2.50 each.

With effect from 21 December 2011, the Issuer has also changed its issued capital by (i) allotting 1,712 million new ordinary shares of HK\$2.50 each and (ii) redemption of 550 million cumulative redeemable preference shares of US\$1.00 each. Following the changes, the issued and fully paid-up ordinary share capital of the Issuer is HK\$30,190,368,235 divided into 12,076,147,294 ordinary shares of HK\$2.50 each and the issued and fully paid-up preference share capital is US\$11,983,500,000 comprising 3,200,500,000 cumulative redeemable preference shares of US\$1.00 each, 6,653,000,000 non-cumulative irredeemable preference shares of US\$1.00 each and 2,130,000,000 cumulative irredeemable preference shares of US\$1.00 each.

Mr Peter James Holland Riley has been appointed as a Non-executive Director of the Issuer with effect from 1 January 2012. His particulars are as follows:

<b>Name</b>	<b>Usual Business Address</b>	<b>Occupation</b>
Mr Peter James Holland Riley (British)	48th Floor, Jardine House, Central, Hong Kong	Group Finance Director of Jardine Matheson Holdings Limited

## **REGISTERED OFFICE OF THE ISSUER**

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

## **REGISTRAR AND TRANSFER OFFICE**

**Computershare Hong Kong Investor Services Limited**  
Rooms 1712-1716  
17th Floor, Hopewell Centre  
183 Queen's Road East  
Hong Kong

## **LIQUIDITY PROVIDER**

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

## **AUDITORS**

**KPMG**  
8th Floor, Prince's Building  
10 Chater Road  
Central  
Hong Kong