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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 offer, an advertisement or invitation to the public to subscribe for or to acquire the Warrants.

Investors are warned that the price of the Warrants 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 Warrants and carefully study the risk factors set out in the Base Listing Document (as defined below), the Supplemental Listing Document and this document and, where necessary, seek professional advice, before they invest in the Warrants.

The 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 Warrants, you are relying upon the creditworthiness of us, and have no rights under the Warrants against the Fund which has issued the underlying Units, the manager or the trustee of the Fund or any other person. If we become insolvent or default on our obligations under the Warrants, you may not be able to recover all or even part of the amount due under the Warrants (if any).

## Non-collateralised Structured Products Second Supplemental Listing Document for Warrants over Unit Fund



### The Hongkong and Shanghai Banking Corporation Limited

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

#### Key Terms

*Terms and conditions of the new Warrants are identical in all material respects to the terms and conditions of the existing Warrants.*

Further issue of 200,000,000 European Style (Cash Settled) Call Warrants due 2 January 2014 relating to the existing issued units of iShares FTSE A50 China Index ETF (the **New Warrants**). The New Warrants will be consolidated with and will form a single series with an existing issue of 200,000,000 European Style (Cash Settled) Call Warrants due 2 January 2014 relating to the existing issued units of iShares FTSE A50 China Index ETF (the **existing Warrants**, together with the **New Warrants**, the **Warrants**). The total amount of Warrants are 400,000,000.

New Warrants	
<b>Stock code</b>	24415
<b>Liquidity Provider broker ID</b>	9609
<b>Issue size</b>	200,000,000 New Warrants
<b>Style</b>	European style cash settled
<b>Type</b>	Call
<b>Fund</b>	iShares FTSE A50 China Index ETF
<b>Units</b>	Existing issued units of the Fund
<b>Board Lot</b>	1,000 warrants
<b>Issue Price per Warrant</b>	HK\$0.054
<b>Cash Settlement</b>	For a series of call Warrants:
<b>Amount per Board Lot (if any) payable at expiry</b>	$\frac{\text{Entitlement} \times (\text{Average Price} - \text{Exercise Price}) \times \text{one Board Lot}}{\text{Number of Warrant(s) per Entitlement}}$
	For a series of put Warrants:
	$\frac{\text{Entitlement} \times (\text{Exercise Price} - \text{Average Price}) \times \text{one Board Lot}}{\text{Number of Warrant(s) per Entitlement}}$
<b>Exercise Price</b>	HK\$10.02
<b>Average Price</b>	The arithmetic mean of the closing prices of one unit for each Valuation Date
<b>Entitlement</b>	1 unit

<b>Stock code</b>	<b>24415</b>
<b>Number of Warrant(s) per Entitlement</b>	10 warrants
<b>Maximum number of units to which the New Warrants relate</b>	20,000,000 units
<b>Launch Date</b>	14 June 2013
<b>Issue Date</b>	18 June 2013
<b>Listing Date</b>	19 June 2013
<b>Valuation Date<sup>1</sup></b>	Each of the five Business Days immediately preceding the Expiry Date
<b>Expiry Date<sup>2</sup></b>	2 January 2014
<b>Settlement Date</b>	The third CCASS Settlement Day after the later of: (i) the Expiry Date; and (ii) the day on which the Average Price is determined in accordance with the Conditions
<b>Settlement Currency</b>	Hong Kong dollars

In addition, condition 1(a) shall be amended as follows:

- (1) by replacing the words “(the “**Global Certificate**”) dated the Issue Date” with the words “dated 21 March 2013 (the “**Original Global Certificate**”) and a supplemental global certificate dated 18 June 2013 (the “**Supplemental Global Certificate**”, together with the Original Global Certificate, the “**Global Certificate**”)”.

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<sup>1</sup> Subject to any potential postponement upon the occurrence of a Market Disruption Event, provided that no Valuation Date shall fall on or after the Expiry Date. Please see Condition 4 for details

<sup>2</sup> If such day is a Saturday, Sunday or public holiday in Hong Kong, the immediately succeeding day which is not a Saturday, Sunday or public holiday in Hong Kong.

## IMPORTANT INFORMATION

**The 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 Warrants?**

You must read this document, our supplemental listing document dated 21 March 2013 (the “**Supplemental Listing Document**”) together with our base listing document dated 29 April 2013 (the “**Base Listing Document**”) as supplemented by any addendum thereto (together, the “**Listing Documents**”), in particular the section “Terms and Conditions of the Unit Fund Call Warrants (Cash Settled)” (the “**Conditions**”) set out in this document. The Conditions shall apply to the New Warrants and shall override the terms and conditions as set out in our Base Listing Document. This document (as read in conjunction with the Supplemental Listing Document, 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 Warrants. We cannot give you investment advice. You must decide whether the Warrants meet your investment needs before investing in the Warrants.

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

No. Our obligations under the Warrants are neither guaranteed by any third party, nor collateralised with any of our assets or other collaterals. When you purchase our Warrants, you are relying on our creditworthiness only, and of no other person. If we become insolvent or default on our obligations under the 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 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 Launch Date</i>
Moody’s Investors Service, Inc., New York	Aa2
Standard & Poor’s Ratings Services, a division of The McGraw-Hill Companies, Inc.	AA-

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 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; and
- a high credit rating is not necessarily indicative of low risk. Our credit ratings as of the Launch Date are for reference only. Any downgrading of our ratings could result in a reduction in the value of the Warrants.

**The 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)?**

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.

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

Except as set out in this document and our Base Listing Document and our Supplement 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 our financial position changed since last financial year-end?**

Except as set out in this document and our Base Listing Document and our Supplement Listing Document, there has been no material adverse change in our financial or trading position or prospects or indebtedness since 31 December 2012.

## PRODUCT SUMMARY STATEMENT

*The Warrants are listed structured products which involve derivatives. This statement provides you with key information about the Warrants. You should not invest in the 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 Warrants

- **What is a derivative warrant?**

A derivative warrant is an instrument which gives the holder a right to “buy” or “sell” the Fund at a pre-set price called the exercise price on or prior to the expiry date. Investing in a derivative warrant does not give you any right in the Fund. Derivative warrants usually cost a fraction of the price of the Fund and may provide a leveraged return to you. Conversely, such leverage could also magnify your losses.

A call warrant is designed for an investor holding a view that the price of the Fund will increase during the term of the warrant.

A put warrant is designed for an investor holding a view that the price of the Fund will decrease during the term of the warrant.

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

The Warrants are European style cash settled derivative warrants linked to the Fund. European style warrants can only be exercised on the expiry date. When the Warrants are exercised, the holder is entitled to a cash amount called the “**Cash Settlement Amount**” 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 terms and conditions in the Listing Documents. **If the Cash Settlement Amount is equal to or less than the Exercise Expenses, you will lose all of your investment in the Warrants.**

- **How do the Warrants work?**

The potential payoff at expiry for the Warrants is calculated by reference to the difference between the Exercise Price and the Average Price of the Fund.

A call Warrant will be automatically exercised at expiry without the need for the holder to deliver an exercise notice if the Average Price of the Fund is greater than the Exercise Price. The more the Average Price is above the Exercise Price, the higher the payoff at expiry. If the Average Price is at or below the Exercise Price, you will lose all of your investment in the call Warrant.

A put Warrant will be automatically exercised at expiry without the need for the holder to deliver an exercise notice if the Average Price of the Fund is below the Exercise Price. The more the Average Price is below the Exercise Price, the higher the payoff at expiry. If the Average Price is at or above the Exercise Price, you will lose all of your investment in the put Warrant.

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

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

The Warrants may only be transferred in a Board Lot (or integral multiples thereof). Where a transfer of 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 New Warrants by providing bid and/or ask prices. See the section headed “Liquidity” below.

- **What is your maximum loss?**

The maximum loss in the Warrants will be your entire investment amount plus any transaction costs.

- **What are the factors determining the price of a derivative warrant?**

The price of a derivative warrant generally depends on the price of the Fund (being the Fund for the Warrants). However, throughout the term of a derivative warrant, its price will be influenced by a number of factors, including:

- the exercise price of the derivative warrants;
- the value and volatility of the price of the Fund (being a measure of the fluctuation in the price of the Fund over time);
- the time remaining to expiry: generally, the longer the remaining life of the derivative warrant, the greater its value;
- the interim interest rates and expected distributions on the Fund;
- the liquidity of the Fund;
- the supply and demand for the derivative warrant;

- our related transaction cost; and
- the creditworthiness of the issuer of the derivative warrant.

As the price of a derivative warrant is not only affected by the price of the Fund, movements in the price of a derivative warrant may not be proportionate or may even be opposite to the price movement of the Fund. For example:

- if the price of the Fund increases (in respect of a call warrant) or decreases (in respect of a put warrant), but the volatility of the price of the Fund decreases, the price of the warrant may decrease;
- if a warrant is deep-out-of-the-money (eg. when the fair market value is less than HK\$0.01), the price of the warrant may be insensitive to any increase (in respect of a call warrant) or decrease (in respect of a put warrant) in the price of the Fund;
- if the outstanding volume of a series of warrants in the market is high, the supply and demand of the warrant may have a greater impact on the warrant price than the price of the Fund; and/or
- the decrease in time value may offset any increase (in respect of a call warrant) or decrease (in respect of a put warrant) in the price of the Fund, especially when the warrant is close to its expiry where the time value decreases at a faster pace.

### Risks of investing in the 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 Warrants.
- **Maximum spread between bid and ask prices:** 20 spreads
- **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:
  - 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;
  - during a pre-opening session or a closing auction session (if applicable) or any other circumstances as may be prescribed by the Stock Exchange;
  - when the Warrants or the Fund are suspended from trading for any reason;
  - when there are no Warrants available for market making activities. In such event, the Liquidity Provider shall continue to provide bid prices. Warrants held by us or any of our affiliates in a fiduciary or agency capacity are not Warrants available for market making activities;
  - when there are operational and technical problems beyond the control of the Liquidity Provider hindering the ability of the Liquidity Provider to provide liquidity;
  - if the Fund or 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; or
  - if the theoretical value of the 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.

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 underlying Company and the Fund**

You may obtain information on the Fund (including the Fund's financial statements) by visiting the Stock Exchange's website at [www.hkex.com.hk](http://www.hkex.com.hk) or (if applicable) the Fund's website(s) as follows:

<i>Fund</i>	<i>Website</i>
iShares FTSE A50 China Index ETF	<a href="http://www.ishares.com.hk">http://www.ishares.com.hk</a>

- **Information about the Warrants after issue**

You may visit the Stock Exchange's website at [www.hkex.com.hk/eng/prod/secprod/dwrc/dw.htm](http://www.hkex.com.hk/eng/prod/secprod/dwrc/dw.htm) or our website at [www.warrants.hsbc.com.hk/cgi/warrants/warrant\\_doc.cgi](http://www.warrants.hsbc.com.hk/cgi/warrants/warrant_doc.cgi) to obtain information on the Warrants or any notice given by us or the Stock Exchange in relation to the Warrants.

- **Information about us**

You should read the section "Updated Information about Us" in this document. You may visit [www.hsbc.com](http://www.hsbc.com) 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 0.003 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 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 Warrants. Any Exercise Expenses will be deducted from the Cash Settlement Amount (if any). 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 Warrants).

- **Stamp Duty**

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

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

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

Each series of the New Warrants will be represented by a global certificate in the name of HKSCC Nominees Limited who is the only legal owner of the New Warrants. We will not issue definitive certificates for the New Warrants. You may arrange for your broker to hold the New Warrants in a securities account on your behalf, or if you have a CCASS Investor Participant securities account, you may arrange for the New 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 New Warrants.

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

The occurrence of certain events (including, without limitation, a rights issue, bonus issue or cash distribution by the Fund, a subdivision or consolidation of the Fund) may entitle us to adjust the terms and conditions of the Warrants. However, we are not obliged to adjust the terms and conditions of the Warrants for every event that affects the Fund.

We may early terminate the Warrants if it becomes illegal or impracticable for us (i) to perform our obligations under the Warrants as a result of a change in law event, or (ii) to maintain our hedging arrangement with respect to the 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 Warrants less our cost of unwinding any related hedging arrangements as determined by us, which may be substantially less than your initial investment and may be zero.

Please refer to Conditions 6, 7 and 14 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 Warrants**

The Warrants will be automatically exercised on the Expiry Date in integral multiples of the Board Lot if the Cash Settlement Amount is positive. If the Cash Settlement Amount is zero or negative, or is equal to or less than the Exercise Expenses, you will lose all of your investment.

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 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 (if any) 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 (if any) 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 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
  - the supplemental listing document
  - our Base Listing Document
- 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.hsbc.com](http://www.hsbc.com).

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.hsbc.com](http://www.hsbc.com)瀏覽。

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

It is possible that there may have been dealings in the Warrants before the Listing Date. If there are any dealings in the New 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.

**Have the auditors consented to the inclusion of their report to the Listing Documents?**

Our auditors (“Auditors”) have given and have not since withdrawn their written consent to the inclusion of their report dated 4 March 2013 and/or the references to their name in our Base Listing Document, in the form and context in which they are included. Their report was not prepared exclusively for incorporation into our Base Listing Document. The Auditors do not own any of our shares or shares 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 of any member of our group.

**Selling restrictions**

The 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, any U.S. person (as defined in the Securities Act).

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

**Disclaimer**

All rights in the FTSE China A50 Index (the “Index”) vest in FTSE International Limited (“FTSE”). “FTSE®” is a trade mark of the London Stock Exchange Group companies and is used by FTSE under licence. The Warrants have been developed solely by us. The Index is calculated by FTSE or its agent. FTSE and its licensors are not connected to and do not sponsor, advise, recommend, endorse or promote the Warrants and do not accept any liability whatsoever to any person arising out of (a) the use of, reliance on or any error in the Index or (b) investment in or operation of the Warrants. FTSE makes no claim, prediction, warranty or representation either as to the results to be obtained from the Warrants or the suitability of the Index for the purpose to which it is being used by us.

The name of the Fund is included here for identification purposes only. iShares® and BlackRock® are registered trademarks of BlackRock, Inc., or its subsidiaries in the United States and elsewhere. The Warrants are not sponsored, endorsed, sold, or promoted by BlackRock. BlackRock makes no representations or warranties to the owners of the Warrants or any member of the public regarding the advisability of investing in the Warrants. BlackRock has no obligation or liability in connection with the operation, marketing, trading or sale of the Warrants. BlackRock is not connected to and do not sponsor, advise, recommend, endorse or promote the Warrants.

**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.

## KEY RISK FACTORS

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

### Non-collateralised structured products

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

### Credit risk

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

### Warrants are not principal protected and may expire worthless

Although the cost of a Warrant may cost a fraction of the value of the Fund, the Warrant's price may change more rapidly than the price of the Fund. Given the gearing feature inherent in the Warrants, a small change in the price of the Fund may lead to a substantial price movement in the Warrants. You may suffer higher losses in percentage terms if you expect the level of the Fund to move one way but it moves in the opposite direction.

Unlike stocks, the Warrants have a limited life and will expire on the Expiry Date. In the worst case, the Warrants may expire with no value and you will lose all of your investment. Derivative warrants may only be suitable for experienced investors who are willing to accept the risk that they may lose all their investment.

### The Warrants can be volatile

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

- (i) the prevailing trading price of the Warrants;
- (ii) the Exercise Price of the Warrants;
- (iii) the value and volatility of the price of the Fund;
- (iv) the time remaining to expiry;
- (v) the probable range of the Cash Settlement Amount;
- (vi) the interim interest rates and expected distributions on the Fund;
- (vii) the liquidity of the Fund;
- (viii) the related transaction costs (including the Exercise Expenses, if any);
- (ix) the supply and demand for the Warrants; and
- (x) the creditworthiness of the Issuer.

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

### Time decay

All other factors being equal, the value of a Warrant is likely to decrease over time. Therefore, the Warrants should not be viewed as a product for long term investments.

### Not the same as investing in the Fund

Investing in the Warrants is not the same as investing in the Fund. You have no rights in the Fund throughout the term of the Warrants. Changes in the market value of the Warrants may not correspond with the movements in the price of the Fund, especially when the theoretical value of the Warrants is at HK\$0.01 or below. If you buy the Warrants with a view to hedge against your exposure

to the Fund, it is possible that you could suffer loss in your investment in the Fund and the Warrants.

### Suspension of trading

If trading in the Fund is suspended on the Stock Exchange, trading in the Warrants will be suspended for a similar period. In the case of a prolonged suspension period, the price of the Warrants may be subject to a significant impact of time decay due to such prolonged suspension and may fluctuate significantly upon resumption of trading, which may adversely affect your investment.

### Possible limited secondary market

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

### Adjustment related risk

The occurrence of certain events (including, without limitation, a rights issue, bonus issue or cash distribution by the Fund, a subdivision or consolidation of the Fund and a restructuring event affecting the Fund) may entitle us to adjust the terms and conditions of the Warrants. However, we are not obliged to adjust the terms and conditions of the Warrants for every event that affects the Fund. Any adjustment or decision not to make any adjustment may adversely affect the value of the Warrants. Please refer to Condition 6 and 14 for details about adjustments.

### Possible early termination

The Warrants will lapse and cease to be valid in the event of termination of the Fund, a liquidation of the trustee of the Fund. We may also early terminate the Warrants if it becomes illegal or impracticable for us (i) to perform our obligations under the Warrants as a result of a change in law event, or (ii) to maintain our hedging arrangement with respect to the Warrant 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 Warrants less our costs of unwinding any related hedging arrangements 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 Warrants**

There is a time lag between exercise of the 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 Fund or issue or update research reports on the Fund. Such activities, information and/or research reports may involve or affect the Fund and may cause consequences adverse to you or otherwise create conflicts of interests in connection with the issue of the 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 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 Fund or related derivatives. This may indirectly affect your interests.

### **No direct contractual rights**

The 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 Warrants. The evidence of your interest in the 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 Warrants. You do not have any direct contractual rights against us. To assert your rights as an investor in the 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 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.

### **Risks related to the Fund in general**

Subject to the circumstances as set out in the subsection titled "Conflict of interest" above, neither we nor any of our affiliates have the ability to control or predict the actions of the trustee or the manager of the Fund. Neither the trustee nor the manager of the Fund (i) is involved in the offer of the Warrants in any way, or (ii) has any obligation to consider your interest in taking any corporate actions that might affect the value of the Warrants.

The manager of the Fund is responsible for making investment and other trading decisions with respect to the management of the Fund consistent with its investment objectives and in compliance with the investment restrictions as set out in the constitutive documents of the Fund. The manner in which the Fund is managed and the timing of actions may have a significant impact on the performance of the Fund. Hence, the market price of the Units is also subject to these risks.

There is also a risk that the investment objectives and/or investment restrictions as set out in the constitutive documents of the Fund are materially changed or are not complied with or the method of calculating the net asset value of the Fund is materially changed. In addition, the applicable laws and regulations governing the Fund may also restrict the operations of the Fund and restrict its ability to achieve the investment objectives.

### **Risks related to an exchange traded fund ("ETF") which adopts a synthetic replication investment strategy**

The Fund is an ETF. An ETF is exposed to the political, economic, currency and other risks related to the underlying equity(ies), assets or index that the ETF is designed to track.

Additionally, the Fund adopts a synthetic replication investment strategy to achieve its investment objectives by investing in financial derivative instruments linked to the performance of an underlying asset pool or index that the Fund is designed to track ("synthetic ETF"). You should note that:

- (a) investments in financial derivative instruments will expose the synthetic ETF to the credit, potential contagion and concentration risks of the counterparties who issued such financial derivative instruments. As such counterparties are predominantly international financial institutions, the failure of one such counterparty may have a negative effect on other counterparties of the synthetic ETF. Even if the synthetic ETF has collateral to reduce the counterparty risk, there may still be a risk that the market value of the collateral has fallen substantially when the synthetic ETF seeks to realise the collateral; and
- (b) the synthetic ETF may be exposed to higher liquidity risk if the synthetic ETF invests in financial derivative instruments which do not have an active secondary market.

Accordingly, investing in the Warrants is also exposed to the credit risk of the counterparties who issued the derivatives in addition to the risks associated with the underlying index the performance of which the synthetic ETF is designed to replicate. The above risks may have a significant impact on the performance of the synthetic ETF and hence the market price of our Warrants.

### **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 Warrants or the Fund.

### **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 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 warrants.

### **Two or more risk factors may simultaneously affect the warrants**

Two or more risk factors may simultaneously have an effect on the value of a 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 a warrant.

## TERMS AND CONDITIONS OF THE UNIT FUND CALL WARRANTS (CASH SETTLED)

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

- (a) *Form.* The Warrants (which expression shall, unless the context otherwise requires, include any further warrants issued pursuant to Condition 13) relating to the Units of the Fund 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 Warranholders (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 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 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 Warrants shall be treated by the Issuer as the absolute owner and holder of such number of Warrants. The expression “**Warranholder**” shall be construed accordingly.

### 2. Warrant Rights and Exercise Expenses

- (a) *Warrant Rights.* Every Board Lot gives each Warranholder, upon due exercise and compliance with Condition 4, the right to receive the payment of the Cash Settlement Amount (as defined below), if any, less any Exercise Expenses (as defined below).
- (b) *Exercise Expenses.* On exercise of the Warrants, Warranholders 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 Warranholder to the Issuer upon purchase of the Warrants. Any Exercise Expenses which have not been determined on the Expiry Date (as defined below) shall be notified to the Warranholder as soon as practicable after determination thereof by the Issuer and shall be paid by the Warranholder immediately upon demand.
- (c) *Definitions.* For the purposes of these Conditions:

“**Average Price**” means the arithmetic mean of the closing price of a Unit (as derived from the Daily Quotation Sheet of the Stock Exchange, subject to any adjustments to such closing prices as may be necessary to reflect any capitalisation, rights issue, distribution or the like) for each Valuation Date (as defined below);

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

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

“**Cash Settlement Amount**” means in respect of every Board Lot, an amount in Hong Kong Dollars calculated by the Issuer as equal to:

$$\text{Cash Settlement Amount per Board Lot} = \frac{\text{Entitlement} \times (\text{Average Price} - \text{Exercise Price}) \times \text{one Board Lot}}{\text{Number of Warrants per Entitlement}}$$

“**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;

“**Entitlement**” means the number specified as such in the relevant Supplemental Listing Document, subject to any adjustment in accordance with Condition 6;

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

“**Exercise Price**” has the meaning given to it in the relevant Supplemental Listing Document, subject to any adjustment in accordance with Condition 6;

“**Expiry Date**” means the date specified as such in the relevant Supplemental Listing Document or if such date is not a Business Day the immediately succeeding Business Day;

“**Fund**” means the fund specified as such in the relevant Supplemental Listing Document;

“**Market Disruption Event**” means:

- (1) the occurrence or existence on any Valuation Date during the one-half hour period that ends at the close of trading of any suspension of or limitation imposed on trading (by reason of movements in price exceeding limits permitted by the Stock Exchange or otherwise) on the Stock Exchange in (i) the Units; or (ii) any options or futures contracts relating to the Units if, in any such case, such suspension or limitation is, in the determination of the Issuer, material;
- (2) 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 Stock Exchange due to any unforeseen circumstances;

“**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 Warrantholder (“**Designated Bank Account**”);

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

“**Units**” means the units of the Fund specified as such in the relevant Supplemental Listing Document; and

“**Valuation Date**” means, with respect to the exercise of Warrants, and subject as provided below in relation to a Market Disruption Event, each of the five Business Days immediately preceding the Expiry Date.

### 3. Exercise of Warrants, Automatic Exercise and Expiry

- (a) *Exercise of Warrants.* The Warrants are exercisable only on the Expiry Date.
- (b) *Automatic Exercise.* Any Warrant will automatically be exercised if the Cash Settlement Amount on the Expiry Date is greater than zero (without notice being given to the Warrantholders). The Warrantholders will not be required to deliver any exercise notice and the Issuer or its agent will pay to the Warrantholders the Cash Settlement Amount (if any) less any Exercise Expenses in accordance with Condition 4(d).
- (c) *Expiry.* Any Warrant which has not been automatically exercised in accordance with Condition 3(b) shall expire immediately without value thereafter and all rights of the Warrantholder and obligations of the Issuer with respect to such Warrant shall cease.

#### 4. Exercise of Warrants

- (a) Warrants may only be exercised in a Board Lot or integral multiples thereof.
- (b) *No requirement to deliver an exercise notice.* The Warrantheolders will not be required to deliver an exercise notice for any purpose in relation to the 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 Warrants which (i) are the subject of an exercise pursuant to automatic exercise in accordance with these Conditions; or (ii) have expired worthless, and thereby cancel the relevant Warrants.
- (d) *Cash Settlement.* Subject to automatic exercise of Warrants in accordance with these Conditions, the Issuer will make a payment, in respect of every Board Lot, to the relevant Warrantheolder 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 determined Exercise Expenses shall be despatched not later than three CCASS Settlement Days following the Expiry Date (“**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 Warrantheolder 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 Warrantheolder as soon as reasonably practicable after the original Settlement Date. The Issuer will not be liable to the Warrantheolder for any interest in respect of the amount due or any loss or damage that such Warrantheolder 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 a Market Disruption Event has occurred on any Valuation Date, then that Valuation Date shall be postponed until the first succeeding Business Day on which there is no Market Disruption Event, irrespective of whether that postponed Valuation Date would fall on a Business Day that is already or is deemed to be a Valuation Date. For the avoidance of doubt, in the event that a Market Disruption Event has occurred and a Valuation Date is postponed as aforesaid, the closing price of the Units on the first succeeding Business Day will be used more than once in determining the Average Price, so that in no event shall there be less than five closing prices used to determine the Average Price. If the postponement of the Valuation Date as aforesaid would result in the Valuation Date falling on or after the Expiry Date, then: (i) the Business Day immediately preceding the Expiry Date (the “**Last Valuation Date**”) shall be deemed to be the Valuation Date notwithstanding the Market Disruption Event; and (ii) the Issuer shall determine the closing price of the Units on the basis of its good faith estimate of the price that would have prevailed on the Last Valuation Date but for the Market Disruption Event.

#### 5. Register

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

#### 6. Adjustments

- (a) *Rights Issues.* If and whenever the Fund shall, by way of Rights (as defined below), offer new Units for subscription at a fixed subscription price to the holders of existing Units pro rata to existing holdings (a “**Rights Offer**”), the Entitlement will be adjusted to take effect on the Business Day on which trading in the Units of the Fund becomes ex-entitlement in accordance with the following formula:

$$\text{Adjusted Entitlement} = \text{Adjustment Component} \times E$$

Where:

$$\text{Adjustment Component} = \frac{1 + M}{1 + (R/S) \times M}$$

E : Existing Entitlement immediately prior to the Rights Offer

S : Cum-Rights Unit price being the closing price of the Units on the Stock Exchange on the last Business Day on which the Units are traded on a cum-Rights basis

R : Subscription price per new Unit as specified in the Rights Offer plus an amount equal to any distributions or other benefits foregone to exercise the Right

M : Number of new Unit(s) (whether a whole or a fraction) per existing Unit each holder thereof is entitled to subscribe

Provided that if the adjustment to be made would result in the Entitlement being changed by one per cent. or less, then no adjustment will be made to the Entitlement. In addition, the Issuer shall adjust the Exercise Price in accordance with the following formula:

$$\begin{array}{l} \text{Adjusted Exercise Price} \\ \text{(rounded to the nearest} \\ \text{Hong Kong dollar 0.001)} \end{array} = \text{Exercise Price} \times \frac{1}{\text{Adjustment Component}}$$

Adjustment to the Exercise Price shall take effect on the same day that the Entitlement is adjusted.

For the purposes of these Conditions:

“**Rights**” means the right(s) attached to each existing Unit or needed to acquire one new Unit (as the case may be) which are given to the holders of existing Units to subscribe at a fixed subscription price for new Units pursuant to the Rights Offer (whether by the exercise of one Right, a part of a Right or an aggregate number of Rights).

- (b) *Bonus Issues*. If and whenever the Fund shall make an issue of Units credited as fully paid to the holders of Units generally (other than pursuant to a scrip distribution or similar scheme for the time being operated by the Fund or otherwise in lieu of a cash distribution and without any payment or other consideration being made or given by such holders) (a “**Bonus Issue**”) the Entitlement will be increased on the Business Day on which trading in the Units of the Fund becomes ex-entitlement in accordance with the following formula:

$$\text{Adjusted Entitlement} = \text{Adjustment Component} \times E$$

Where:

$$\text{Adjustment Component} = (1 + N)$$

E : Existing Entitlement immediately prior to the Bonus Issue

N : Number of additional Units (whether a whole or a fraction) received by a holder of existing Units for each Unit held prior to the Bonus Issue

Provided that if the adjustment to be made would result in the Entitlement being changed by one per cent. or less, then no adjustment will be made to the Entitlement. In addition, the Issuer shall adjust the Exercise Price in accordance with the following formula:

$$\begin{array}{l} \text{Adjusted Exercise Price} \\ \text{(rounded to the nearest} \\ \text{Hong Kong dollar 0.001)} \end{array} = \text{Exercise Price} \times \frac{1}{\text{Adjustment Component}}$$

Adjustment to the Exercise Price shall take effect on the same day that the Entitlement is adjusted.

- (c) *Unit Splits or Consolidations.* If and whenever the Fund shall subdivide its Units or any class of its outstanding units into a greater number of units (a “**Subdivision**”) or consolidate the Units or any class of its outstanding units into a smaller number of units (a “**Consolidation**”), the Entitlement in effect immediately prior thereto will be increased (in the case of a Subdivision) or decreased (in the case of a Consolidation) accordingly in each case on the day on which the relevant Subdivision or Consolidation shall have taken effect. In addition, the Exercise Price (which shall be rounded to the nearest Hong Kong dollar 0.001) will be decreased (in the case of a Subdivision) or increased (in the case of a Consolidation) accordingly.

Adjustment to the Exercise Price shall take effect on the same day that the Entitlement is adjusted.

- (d) *Merger or Consolidation.* If it is announced that the Fund is to or may merge with or into any other fund or consolidate with or into any other fund or corporation (including becoming, by agreement or otherwise, controlled by any person or corporation) (except where the Fund is the surviving entity in a merger) or that it is to or may sell or transfer all or substantially all of its assets, the rights attaching to the Warrants may in the absolute discretion of the Issuer (acting in good faith and in a commercially reasonable manner) be amended no later than the Business Day preceding the consummation of such merger, consolidation, sale or transfer (each a “**Restructuring Event**”) (as determined by the Issuer in its absolute discretion (acting in good faith and in a commercially reasonable manner)).

The rights attaching to the Warrants after the adjustment shall, after such Restructuring Event, relate to the number of units of the fund(s) resulting from or surviving such Restructuring Event or other securities (“**Substituted Securities**”) and/or cash offered in substitution for the affected Units, as the case may be, to which the holder of such number of Units to which the Warrants related immediately before such Restructuring Event would have been entitled upon such Restructuring Event. Thereafter the provisions hereof shall apply to such Substituted Securities, provided that any Substituted Securities may, in the absolute discretion of the Issuer (acting in good faith and in a commercially reasonable manner), be deemed to be replaced by an amount in Hong Kong Dollars equal to the market value or, if no market value is available, fair value, of such Substituted Securities in each case as determined by the Issuer as soon as practicable after such Restructuring Event is effected.

For the avoidance of doubt, any remaining Units shall not be affected by this paragraph (d) and, where cash is offered in substitution for Units or is deemed to replace Substituted Securities as described above, references in these Conditions to the Units shall include any such cash.

- (e) *Cash Distributions.* Generally, no adjustment will be made for an ordinary cash distribution (whether or not it is offered with a script alternative). For any other forms of cash distribution (each a “**Cash Distribution**”) announced by the Fund, such as a cash bonus, special dividend or extraordinary dividend, no adjustment will be made unless the value of the Cash Distribution accounts for two per cent. or more of the Unit’s closing price on the day of announcement by the Fund.

If and whenever the Fund shall make a Cash Distribution credited as fully paid to the holders of Units generally, the Entitlement will be adjusted to take effect on the Business Day on which trading in the Units of the Fund becomes entitlement in accordance with the following formula:

$$\text{Adjusted Entitlement} = \text{Adjustment Component} \times E$$

Where:

$$\text{Adjustment Component} = \frac{X - B}{X - B - C}$$

provided that B shall be deducted from X only if the Business Day on which trading in the Units of the Fund becomes entitlement with respect to the Cash Distribution and the distribution of the ordinary cash distribution by the Fund falls on the same date.

B: Amount of the relevant ordinary cash distribution per Unit

C: Amount of the relevant Cash Distribution per Unit

E: Existing Entitlement immediately prior to the Cash Distribution

X: Cum-Cash Distribution Unit price being the closing price of the Units on the Stock Exchange on the last Business Day on which the Units of the Fund are traded on a cum-Cash Distribution basis

In addition, the Issuer shall adjust the Exercise Price in accordance with the following formula:

$$\begin{array}{l} \text{Adjusted Exercise Price} \\ \text{(rounded to the nearest} \\ \text{Hong Kong dollar 0.001)} \end{array} = \text{Exercise Price} \times \frac{1}{\text{Adjustment Component}}$$

Adjustment to the Exercise Price shall take effect on the same day that the Entitlement is adjusted.

- (f) *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 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 Warrantheolders generally (without considering the circumstances of any individual Warrantheolder 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.
- (g) *Notice of Adjustments.* All determinations made by the Issuer pursuant hereto will be conclusive and binding on the Warrantheolders. The Issuer will give, or procure that there is given, notice as soon as practicable of any adjustment and of the date from which such adjustment is effective by publication in accordance with Condition 11.

## 7. **Illegality or Impracticability**

The Issuer is entitled to terminate the 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 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 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 Warrantheolder 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 Warrant held by such Warrantheolder 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 Warrantheolders in accordance with Condition 11.

## 8. **Purchases**

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

## 9. **Global Certificate**

The 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. Warrantheolders will not be entitled to definitive certificates in respect of any Warrants issued or transferred to them.

## 10. Meetings of Warranholders; Modification

- (a) *Meetings of Warranholders.* The Instrument contains provisions for convening meetings of the 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 Warrants or of the Global Certificate.

Any resolution to be passed in a meeting of the Warranholders shall be decided by poll. Such a meeting may be convened by the Issuer or by Warranholders holding not less than 10 per cent. of the 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 Warrants for the time being remaining unexercised, or at any adjourned meeting two or more persons being or representing Warranholders whatever the number of 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 Warranholders who, being entitled to do so, vote in person or by proxy.

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

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

- (b) *Modification.* The Issuer may, without the consent of the Warranholders, effect any modification of the terms and conditions of the Warrants or the Global Certificate which, in the opinion of the Issuer, is:
- (i) not materially prejudicial to the interests of the Warranholders generally (without considering the circumstances of any individual 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 Warranholders and shall be notified to them by the Issuer as soon as practicable in accordance with Condition 11.

## 11. Notices

All notices to 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. Liquidation

In the event of (i) a liquidation, dissolution or termination of the Fund or (ii) the appointment of a liquidator, receiver or administrator or analogous person under Hong Kong law in respect of the whole or substantially the whole of its undertaking, property or assets or (iii) the withdrawal of the Securities and Futures Commission's authorisation of the Fund under the Securities and Futures Ordinance, all unexercised Warrants will lapse and shall cease to be valid for any purpose, in the case of (i) voluntary liquidation, on the effective date of the relevant resolution, (ii) an involuntary liquidation or dissolution, on the date of the relevant court order, (iii) a termination, on the effective date of the termination, (iv) the appointment of a liquidator or receiver or administrator or analogous person under any applicable law in respect of the whole or substantially the whole of its undertaking, property or assets, on the date on which such appointment is effective, or (v) withdrawal of authorisation, on the date on which such withdrawal becomes effective, but subject (in any such case) to any contrary mandatory requirement of law.

## 13. Further Issues

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

#### **14. Delisting**

- (a) If at any time the Units cease to be listed on the Stock Exchange, the Issuer shall give effect to these Conditions in such manner and make such adjustments to the rights attaching to the Warrants as it shall, in its absolute discretion (acting in good faith and in a commercially reasonable manner), consider appropriate to ensure, so far as it is reasonably able to do so, that the interests of the Warrantholders generally are not materially prejudiced as a consequence of such delisting (without considering the individual circumstances of any Warrantholder or the tax or other consequences that may result in any particular jurisdiction).
- (b) Without prejudice to the generality of Condition 14(a), where the Units are, or, upon the delisting, become, listed on any other stock exchange, these Conditions may, in the absolute discretion of the Issuer (acting in good faith and in a commercially reasonable manner), be amended to the extent necessary to allow for the substitution of that other stock exchange in place of the Stock Exchange and the Issuer may, without the consent of the Warrantholders, make such adjustments to the entitlements of Warrantholders on exercise (including, if appropriate, by converting foreign currency amounts at prevailing market rates into Hong Kong currency) as may be appropriate in the circumstances.
- (c) The Issuer shall determine, in its absolute discretion (acting in good faith and in a commercially reasonable manner), any adjustment or amendment and its determination shall be conclusive and binding on the Warrantholders save in the case of manifest error. Notice of any adjustments or amendments shall be given to the Warrantholders in accordance with Condition 11 as soon as practicable after they are determined.

#### **15. Governing Law**

The 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 Warrantholder (by its purchase of the Warrants) shall be deemed to have submitted for all purposes in connection with the Warrants, the Global Certificate and the Instrument to the non-exclusive jurisdiction of the courts of Hong Kong.

#### **16. 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.

### **Updated Information about Us**

With effect from 1 May 2013, Dr Christopher Cheng Wai Chee has been appointed as a non-executive Director of the Issuer.

With effect from 9 May 2013, Mr Kevin Anthony Westley has been appointed as a non-executive Director of the Issuer.

With effect from the conclusion of annual general meeting of the Issuer held on 20 May 2013, (i) Dr William Fung Kwok Lun and Mr Thomas Brian Stevenson retire as non-executive Directors of the Issuer and (ii) Mrs Zia Mody and Mr Peter Wong Tung Shun have been appointed as Deputy Chairmen (in addition to Mrs Laura CHA May Lung) of the Issuer.

**PARTIES**

**REGISTERED OFFICE OF THE ISSUER**

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