

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

This document, for which we accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the “**Rules**”) for the purpose of giving information with regard to us. We, having made all reasonable enquiries, confirm that to the best of our knowledge and belief the information contained in this document is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this document misleading.

This document is for information purposes only and does not constitute an invitation or offer to acquire, purchase or subscribe for the 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) 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 Index Compiler 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

Launch Announcement

and

Supplemental Listing Document for Warrants over Index



The Hongkong and Shanghai Banking Corporation Limited

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

Key Terms

Warrants Stock code	13333
Liquidity Provider Broker ID	9727
Issue size	150,000,000 Warrants
Style	European style cash settled
Type	Put
Index	Hang Seng China Enterprises Index
Board Lot	10,000 Warrants
Issue Price per Warrant	HK\$0.20
Strike Level	10,250
Cash Settlement Amount per Board Lot (if any) payable at expiry	<p><i>For a series of call Warrants:</i></p> $\frac{(\text{Closing Level} - \text{Strike Level}) \times \text{one Board Lot} \times \text{Index Currency Amount}}{\text{Divisor}}$ <p><i>For a series of put Warrants:</i></p> $\frac{(\text{Strike Level} - \text{Closing Level}) \times \text{one Board Lot} \times \text{Index Currency Amount}}{\text{Divisor}}$
Closing Level (for all series)	The final settlement price for settling the Hang Seng China Enterprises Index Futures Contracts that are scheduled to expire during the month in which the Expiry Date of the relevant series of the Warrants is scheduled to fall (the “ Index Futures Contracts ”) ¹
Index Exchange (for all series)	The Stock Exchange of Hong Kong Limited
Index Currency Amount	HK\$1.00
Divisor	4,000
Launch Date (for all series)	28 March 2017
Issue Date (for all series)	3 April 2017
Listing Date (for all series)	5 April 2017
Valuation Date²	29 November 2017
Expiry Date²	29 November 2017
Settlement Date (for all series)	The third CCASS Settlement Day after the later of: (i) the Expiry Date; and (ii) the day on which the Closing Level is determined in accordance with the Conditions
Settlement Currency	Hong Kong dollars
Implied Volatility³	22.82%
Effective Gearing³	6.04x
Gearing³	13.06x
Premium³	9.52%

¹ Determined pursuant to Regulation 012 of the Regulations for Trading Stock Index Futures Contracts and the Contract Specifications for Hang Seng China Enterprises Index Futures (as amended from time to time) of the Hong Kong Futures Exchange Limited (or its successor or assign), subject to our right to determine the Closing Level in good faith on the Valuation Date upon the occurrence of a Market Disruption Event as described further in Condition 4.

² If such day is not the day on which the relevant Index Futures Contracts expire on Hong Kong Futures Exchange Limited (or its successor or assign), the day on which the relevant Index Futures Contracts will expire on the Hong Kong Futures Exchange Limited (or its successor or assign).

³ This data may fluctuate during the life of the Warrants and may not be comparable to similar information provided by other issuers of derivative warrants. Each issuer may use different pricing models.

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 together with our base listing document dated 20 April 2016 (the “**Base Listing Document**”) as supplemented by any addendum thereto (together, the “**Listing Documents**”), in particular the section “Terms and Conditions of the Index Warrant (Cash Settled)” (the “**Conditions**”) set out in our Base Listing Document. This document (as read in conjunction with our Base Listing Document and each addendum referred to in the section headed “Product Summary Statement”) is accurate as at the date of this document. You should carefully study the risk factors set out in the Listing Documents. You should also consider your financial position and investment objectives before deciding to invest in the 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 date of this document</i>
Moody’s Investors Service, Inc.	Aa2 (negative outlook)
S&P Global Ratings	AA- (stable outlook)

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

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

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)?

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

Is the Issuer subject to any litigation?

Except as set out in 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 our financial position changed since last financial year-end?

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 2015.

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 linked to an index is an instrument which tracks the performance of the underlying index. Derivative warrants 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 level of the underlying index will increase during the term of the warrant.

A put warrant is designed for an investor holding a view that the level of the underlying index 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 Index. 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 Strike Level and the Closing Level of the Index.

A call Warrant will be automatically exercised at expiry without the need for the holder to deliver an exercise notice if the Closing Level of the Index is above the Strike Level. The more the Closing Level is above the Strike Level, the higher the payoff at expiry. If the Closing Level is at or below the Strike Level, 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 Closing Level of the Index is below the Strike Level. The more the Closing Level is below the Strike Level, the higher the payoff at expiry. If the Closing Level is at or above the Strike Level, 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 Warrants on the Stock Exchange. All necessary arrangements have been made to enable the Warrants to be admitted into the Central Clearing and Settlement System (“CCASS”). Issue of the 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 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 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 level of the underlying index (being the Index for the Warrants). However, throughout the term of a derivative warrant, its price will be influenced by a number of factors, including:

- the strike level of the derivative warrants;
- the level and volatility of the underlying index (being a measure of the fluctuation in the level of the underlying index 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 dividend payments or other distributions on any components comprising the underlying index;
- the liquidity of the futures contracts relating to the underlying index;
- the supply and demand for the 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 level of the underlying index, movements in the price of a derivative warrant may not be proportionate or may even be opposite to the movement of the level of the underlying index. For example:

- if the level of the underlying index increases (in respect of a call warrant) or decreases (in respect of a put warrant), but the volatility of the level of the underlying index 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 level of the underlying index;
- 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 level of the underlying index; 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 level of the underlying index, 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:
 - (i) during the first 5 minutes of each morning trading session or the first 5 minutes after trading commences for the first time on a trading day;
 - (ii) during a pre-opening session or a closing auction session (if applicable) or any other circumstances as may be prescribed by the Stock Exchange;
 - (iii) when the Warrants are suspended from trading for any reason;
 - (iv) if there occurs or exists any suspension of or limitation imposed on trading of options or futures contracts relating to the Index or if the Index level is not calculated or published as scheduled for any reason;
 - (v) when there are no 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;
 - (vi) when there are operational and technical problems beyond the control of the Liquidity Provider hindering the ability of the Liquidity Provider to provide liquidity;
 - (vii) if the stock market experiences exceptional price movement and high volatility over a short period of time which materially affects the Liquidity Provider’s ability to source a hedge or unwind an existing hedge; or
 - (viii) 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 Index**

You may obtain information on the Index by visiting the Index Compiler's website at www.hsi.com.hk.

- **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 or our website at 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 to obtain general corporate information about us.

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

What are the fees and charges?

- **Trading Fees and Levies**

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

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

Can we adjust the terms or early terminate the Warrants?

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

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

Mode of settlement for the 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
 - our Base Listing Document
 - the addendum to the Base Listing Document dated 22 August 2016
- 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 and our website at www.hsbc.com.

各上市文件亦可於香港交易所披露易網站(www.hkexnews.hk)以及本公司網站www.hsbc.com瀏覽。

Are there any dealings in the 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 Warrants by us or any of our subsidiaries or associated companies from the Launch Date prior to the Listing Date, we will report those dealings to the Stock Exchange by the Listing Date and such report will be released on the website of the Stock Exchange.

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

Our auditor (“**Auditor**”) has given and has not since withdrawn its written consent to the inclusion of its report dated 22 February 2016 and/or the references to its name in our Base Listing Document, in the form and context in which they are included. Its report was not prepared exclusively for incorporation into our Base Listing Document. The Auditor does not own any of our shares or shares in any member of our group, nor does it have the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for our securities or securities of any member of our group.

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.

Capitalised terms and inconsistency

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

INFORMATION ON THE INDEX

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

Who is the Index Compiler?

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

How is the Index level disseminated?

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

Description of the Index

The Index tracks the performance of H-shares companies selected by the Index Compiler.

Constituent stocks of the Index

An updated list of the constituent stocks comprising the Index is available at <http://www.hsi.com.hk>.

How is the Index calculated?

The Index Compiler has adopted a freefloat-adjusted market capitalisation weighting with a designated cap on each constituent stock for calculation of the Index level in accordance with the following formula:

$$\text{Current Index} = \frac{\sum (P_t \times \text{IS} \times \text{FAF} \times \text{CF})}{\sum (P_{t-1} \times \text{IS} \times \text{FAF} \times \text{CF})} \times \text{Yesterday's Closing Index}$$

P_t	:	Current Price at Day t
P_{t-1}	:	Closing Price at Day (t-1)
IS	:	Issued Shares
FAF	:	Freefloat-adjusted Factor, which is between 0 and 1
CF	:	Cap Factor, which is between 0 and 1

The designated cap and an updated list of FAF and CF for each H-share are set out in the website at <http://www.hsi.com.hk>.

What are the arrangement if the Index is not published by the Index Compiler?

Under the licence granted by Hang Seng Data Services Limited for our use of the Index, if the Index Compiler ceases to calculate and publish the Index, the Index Compiler shall inform us as soon as practicable specifying whether or not a replacement or substitute index will be available, in which case, we shall have the right to use such replacement or substitute index in connection with the Warrants. If the Index Compiler does not offer any replacement or substitute index, we will have an option either to terminate the use of the Index or continue to use the formula of the Index and its constituent stocks existing immediately prior to such cessation for the sole purpose of calculating the Cash Settlement Amount payable at expiry and any related value of the Warrants.

What are the historic highs and lows of the Index for the last 5 years?

The highest and lowest closing levels of the Index from the year 2012 to 2017 (up to the Launch Date) are:

Year	Highest closing level	Lowest closing level
2012	11,826.76	9,020.34
2013	12,215.03	8,871.28
2014	12,019.75	9,203.07
2015	14,801.94	9,103.22
2016	10,057.97	7,505.37
2017 (up to the Launch Date)	10,644.15	9,440.99

What is the closing level of the Index on the latest practicable date?

According to information published on the Index Compiler's website, the closing level of the Index as at the close of business on the Launch Date (being the latest practicable date prior to the date of this document) was 10,425.89.

Index disclaimer

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

KEY RISK FACTORS

You must read these key risk factors together with the risk factors set out in our Base Listing Document. These key risk factors do not necessarily cover all risks related to the 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 Index 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 Index Compiler or any company which has issued any constituent securities of the Index.

Warrants are not principal protected and may expire worthless

Given the gearing feature inherent in the Warrants, a small change in the Index level 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 underlying index 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 Strike Level of the Warrants;
- (iii) the level and volatility of the Index;
- (iv) the time remaining to expiry;
- (v) the probable range of the Cash Settlement Amount;
- (vi) the interim interest rates and expected dividend payments or other distributions on any components comprising the Index;
- (vii) the liquidity of the futures contracts relating to the Index;
- (viii) the related transaction costs (including the Exercise Expenses, if any);
- (ix) the supply and demand for the Warrants; and
- (x) the creditworthiness of the Issuer.

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

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.

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.

Change of calculation methodology or failure to publish the Index

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

Publication of Index level when component shares are not trading

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

Adjustment related risk

The occurrence of certain events (including, without limitation, a succession of the Index or Index Compiler, modification or cessation of calculation of the Index) may entitle us to adjust the terms and conditions of the Warrants. However, we are not obliged to adjust the terms and conditions of the Warrants for every event that affects the Index. Any adjustment or decision not to make any adjustment may adversely affect the value of the Warrants. Please refer to Condition 6 for details about adjustments.

Possible early termination

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 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 Index or issue or update research reports on the Index. Such activities, information and

or research reports may involve or affect the Index and may cause consequences adverse to you or otherwise create conflicts of interests in connection with the issue of the 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 Index 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.

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 any futures contracts relating to the Index.

Not the ultimate holding company of the group

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

Credit ratings

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

Updated information about Us

With effect from 1 September 2016, Mr Kevin Anthony Westley has been appointed as an independent non-executive Director of the Issuer.

On 21 February 2017, the Issuer announced its 2016 consolidated results. Investors can view further information on this on <http://www.hsbc.com/investor-relations/subsidiary-company-reporting>. Extracts of the Issuer's 2016 financial results as set out in this section have been extracted from the Issuer's news release dated 21 February 2017 (the **news release**). References to page numbers (i.e. the page numbers which appear on the bottom of the pages) in this section (excluding this page) are to pages of the news release.

With effect from 28 March 2017, the Issuer has changed its share capital by cancelling 775,000,000 non-cumulative irredeemable preference shares previously issued to HSBC Asia Holdings B.V., at a price of US\$1 each. Following the change, the issued and fully paid-up ordinary share capital of the Issuer is HK\$114,358,729,495 divided into 45,743,491,798 ordinary shares and the issued and fully paid-up preference share capital is US\$2,678,000,000 divided into 2,478,000,000 non-cumulative irredeemable preference shares and 200,000,000 cumulative irredeemable preference shares.

The Hongkong and Shanghai Banking Corporation Limited Consolidated Income Statement

	Year ended 31 December 2016	Year ended 31 December 2015
	HK\$m	HK\$m
Interest income	122,564	124,060
Interest expense	<u>(25,656)</u>	<u>(29,683)</u>
Net interest income	96,908	94,377
Fee income	47,139	51,926
Fee expense	<u>(7,837)</u>	<u>(6,267)</u>
Net fee income	39,302	45,659
Net trading income	24,064	23,616
Net income/(expense) from financial instruments designated at fair value	3,570	(2,560)
Gains less losses from financial investments	1,232	11,611
Dividend income	234	210
Net insurance premium income	55,912	52,593
Other operating income	<u>11,516</u>	<u>10,439</u>
Total operating income	232,738	235,945
Net insurance claims and benefits paid and movement in liabilities to policyholders	<u>(64,586)</u>	<u>(52,431)</u>
Net operating income before loan impairment charges and other credit risk provisions	168,152	183,514
Loan impairment charges and other credit risk provisions	<u>(5,554)</u>	<u>(5,074)</u>
Net operating income	162,598	178,440
Employee compensation and benefits	(38,896)	(41,126)
General and administrative expenses	(29,917)	(29,883)
Depreciation of property, plant and equipment	(4,493)	(4,380)
Amortisation and impairment of intangible assets	<u>(1,497)</u>	<u>(1,602)</u>
Total operating expenses	(74,803)	(76,991)
Operating profit	87,795	101,449
Share of profit in associates and joint ventures	<u>14,912</u>	<u>15,830</u>
Profit before tax	102,707	117,279
Tax expense	<u>(17,912)</u>	<u>(17,296)</u>
Profit for the year	84,795	99,983
Profit attributable to shareholders of the parent company	78,646	89,533
Profit attributable to non-controlling interests	6,149	10,450

	Year ended 31 December 2016 HK\$m	Year ended 31 December 2015 HK\$m
Profit for the year	84,795	99,983
Other comprehensive income/(expense)		
Items that will subsequently be reclassified to the income statement when specific conditions are met:		
Available-for-sale investments:		
– fair value changes taken to equity	(430)	(2,430)
– fair value changes transferred to the income statement on disposal	(1,226)	(15,637)
– amounts transferred to the income statement on impairment	2	8
– fair value changes transferred to the income statement on hedged items	2,296	37
– income taxes	(143)	354
Cash flow hedges:		
– fair value changes taken to equity	1,354	1,662
– fair value changes transferred to the income statement	(2,295)	(1,433)
– income taxes	139	(97)
Share of other comprehensive income of associates and joint ventures	1,266	460
Exchange differences	(15,241)	(19,188)
Items that will not subsequently be reclassified to the income statement:		
Property revaluation:		
– fair value changes taken to equity	3,825	6,601
– income taxes	(678)	(1,101)
Remeasurement of defined benefit:		
– before income taxes	1,016	(662)
– income taxes	(183)	105
Other comprehensive expense for the year, net of tax	(10,298)	(31,321)
Total comprehensive income for the year, net of tax	74,497	68,662
Total comprehensive income for the year attributable to:		
– shareholders of the parent company	68,577	63,447
– non-controlling interests	5,920	5,215
	74,497	68,662

	At 31 December 2016 HK\$m	At 31 December 2015 HK\$m
ASSETS		
Cash and sight balances at central banks	213,783	151,103
Items in the course of collection from other banks	21,401	25,020
Hong Kong Government certificates of indebtedness	242,194	220,184
Trading assets	371,634	302,626
Derivatives	479,807	380,955
Financial assets designated at fair value	106,016	99,095
Reverse repurchase agreements – non-trading	271,567	212,779
Placings with and advances to banks	463,211	421,221
Loans and advances to customers	2,834,114	2,762,290
Financial investments	1,835,351	1,716,046
Amounts due from Group companies	242,773	244,396
Interests in associates and joint ventures	125,792	122,438
Goodwill and intangible assets	56,936	49,568
Property, plant and equipment	111,640	110,064
Deferred tax assets	1,503	1,836
Prepayments, accrued income and other assets	171,230	134,062
Total assets	7,548,952	6,953,683
LIABILITIES		
Hong Kong currency notes in circulation	242,194	220,184
Items in the course of transmission to other banks	37,753	30,753
Repurchase agreements – non-trading	27,810	16,158
Deposits by banks	192,479	148,294
Customer accounts	4,900,004	4,640,076
Trading liabilities	188,470	191,851
Derivatives	462,458	369,419
Financial liabilities designated at fair value	51,116	50,770
Debt securities in issue	25,235	40,859
Retirement benefit liabilities	3,867	5,809
Amounts due to Group companies	198,038	110,073
Accruals and deferred income, other liabilities and provisions	99,487	86,920
Liabilities under insurance contracts	386,170	340,820
Current tax liabilities	1,619	2,456
Deferred tax liabilities	21,401	18,799
Subordinated liabilities	4,836	8,003
Preference shares	26,879	36,553
Total liabilities	6,869,816	6,317,797
EQUITY		
Share capital	114,359	96,052
Other equity instruments	14,737	14,737
Other reserves	85,886	93,031
Retained profits	413,024	380,381
Total shareholders' equity	628,006	584,201
Non-controlling interests	51,130	51,685
Total equity	679,136	635,886
Total equity and liabilities	7,548,952	6,953,683

2016

	Other reserves										
	Share capital HK\$m	Other equity instruments HK\$m	Retained profits HK\$m	Property revaluation reserve HK\$m	Available- for-sale investment reserve HK\$m	Cash flow hedge reserve HK\$m	Foreign exchange reserve HK\$m	Other ¹ HK\$m	Total share- holders' equity HK\$m	Non- controlling interests HK\$m	Total equity HK\$m
At 1 January	96,052	14,737	380,381	52,099	4,880	(35)	(16,991)	53,078	584,201	51,685	635,886
Profit for the year	–	–	78,646	–	–	–	–	–	78,646	6,149	84,795
Other comprehensive income/ (expense) (net of tax)	–	–	542	3,123	1,309	(758)	(14,870)	585	(10,069)	(229)	(10,298)
Available-for-sale investments	–	–	–	–	622	–	–	–	622	(123)	499
Cash flow hedges	–	–	–	–	–	(758)	–	–	(758)	(44)	(802)
Property revaluation	–	–	(245)	3,123	–	–	–	–	2,878	269	3,147
Actuarial gains on defined benefit plans	–	–	793	–	–	–	–	–	793	40	833
Share of other comprehensive income/(expense) of associates and joint ventures	–	–	(6)	–	687	–	–	585	1,266	–	1,266
Exchange differences	–	–	–	–	–	–	(14,870)	–	(14,870)	(371)	(15,241)
Total comprehensive income/ (expense) for the year	–	–	79,188	3,123	1,309	(758)	(14,870)	585	68,577	5,920	74,497
Shares issued	18,307	–	–	–	–	–	–	–	18,307	–	18,307
Dividends paid ²	–	–	(43,296)	–	–	–	–	–	(43,296)	(6,297)	(49,593)
Movement in respect of share-based payment arrangements	–	–	235	–	–	–	–	(258)	(23)	(3)	(26)
Transfers and other movements ³	–	–	(3,484)	(1,459)	–	–	–	5,183	240	(175)	65
At 31 December	114,359	14,737	413,024	53,763	6,189	(793)	(31,861)	58,588	628,006	51,130	679,136

	2015										
	Share capital HK\$m	Other instruments HK\$m	Retained profits HK\$m	Property revaluation reserve HK\$m	Available-for-sale investment reserve HK\$m	Cash flow hedge reserve HK\$m	Foreign exchange reserve HK\$m	Other ¹ HK\$m	Total shareholders' equity HK\$m	Non-controlling interests HK\$m	Total equity HK\$m
At 1 January	96,052	14,737	339,061	48,481	16,537	(166)	1,872	41,261	557,835	50,511	608,346
Profit for the year	—	—	89,533	—	—	—	—	—	89,533	10,450	99,983
Other comprehensive income/(expense) (net of tax)	—	—	(929)	5,146	(11,657)	131	(18,863)	86	(26,086)	(5,235)	(31,321)
Available-for-sale investments	—	—	—	—	(12,032)	—	—	—	(12,032)	(5,636)	(17,668)
Cash flow hedges	—	—	—	—	—	131	—	—	131	1	132
Property revaluation	—	—	(238)	5,146	—	—	—	—	4,908	592	5,500
Actuarial losses on defined benefit plans	—	—	(690)	—	—	—	—	—	(690)	133	(557)
Share of other comprehensive income/(expense) of associates and joint ventures	—	—	(1)	—	375	—	—	86	460	—	460
Exchange differences	—	—	—	—	—	—	(18,863)	—	(18,863)	(325)	(19,188)
Total comprehensive income/(expense) for the year	—	—	88,604	5,146	(11,657)	131	(18,863)	86	63,447	5,215	68,662
Dividends paid ²	—	—	(37,405)	—	—	—	—	—	(37,405)	(4,053)	(41,458)
Movement in respect of share-based payment arrangements	—	—	7	—	—	—	—	345	352	4	356
Transfers and other movements ³	—	—	(9,886)	(1,528)	—	—	—	11,386	(28)	8	(20)
At 31 December	96,052	14,737	380,381	52,099	4,880	(35)	(16,991)	53,078	584,201	51,685	635,886

- 1 The other reserves mainly comprise the share-based payment reserve account, purchase premium arising from transfer of business within the HSBC Group and other non-distributable reserves. The share-based payment reserve account is used to record the amount relating to share awards and options granted to employees of the group directly by HSBC Holdings plc.
- 2 Including distributions paid on perpetual subordinated loans classified as equity under HKFRSs.
- 3 The movement from retained profits to other reserves includes the relevant transfers in associates according to local regulatory requirements.

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