



**THE HONGKONG AND SHANGHAI BANKING CORPORATION LIMITED**

*(a company incorporated in Hong Kong with limited liability,  
a licensed bank regulated by the Hong Kong Monetary Authority and registered under the  
Securities and Futures Ordinance (Cap. 571, Laws of Hong Kong) for Types 1, 2, 4, 5, 6  
and 9 regulated activities)*

*as Issuer*

**Product Booklet  
for  
Non-Principal Protected Unlisted Potential  
Performance Return Equity Linked Investments  
Linked to a Basket of U.S. Securities (Basket US PPR  
Investments)**

**The Hongkong and Shanghai Banking Corporation Limited**

*as Product Arranger for the unlisted structured products programme (Programme)*

**Our Basket US PPR Investments are investments issued under our Programme. Our Basket US PPR Investments are NOT equivalent to time deposits and are NOT principal protected. They are structured investment products embedded with derivatives. You may sustain a total loss in your investment.**

**If you are in any doubt about any of the contents of the Basket US PPR Investment offering documents or your investment in the Basket US PPR Investments, you should consult a licensed securities dealer, bank manager, solicitor, certified public accountant or other professional adviser to seek independent professional advice.**

**The Securities and Futures Commission (“SFC”) has authorised our Basket US PPR Investments under section 104A(1) of the Securities and Futures Ordinance (Cap. 571, Laws of Hong Kong) (“SFO”) and the issue of this product booklet and the indicative term sheet based on the standard format set out in Appendix A to this product booklet as part of the offering documents for our Basket US PPR Investments under section 105(1) of the SFO.**

**The SFC takes no responsibility for our Basket US PPR Investments or the contents of this product booklet, makes no representation as to its accuracy or completeness and expressly disclaims any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this product booklet. The SFC’s authorisation does not imply its endorsement or recommendation of our Basket US PPR Investments referred to in this product booklet, nor does it imply that the SFC guarantees the commercial merits of our Basket US PPR Investments or their performance. The SFC’s authorisation does not mean our Basket US PPR Investments are suitable for all investors nor is it an endorsement of their suitability for any particular investor or class of investors. Interested persons should consider obtaining independent professional advice before investing in our Basket US PPR Investments.**

## IMPORTANT

Our Basket US PPR Investments are complex products and you should exercise caution in relation to the products. You are warned that the market value of our Basket US PPR Investments may fluctuate and you may sustain a total loss of your investment. You should therefore ensure that you understand the nature of our Basket US PPR Investments and carefully study the programme memorandum dated 24 July 2023, the financial disclosure document, this product booklet (together with any addendum to these documents as specified in the relevant indicative term sheet) and the relevant indicative term sheet (together, the “**Basket US PPR Investment offering documents**”), in particular, the risk warnings set out in this product booklet, the risk warnings set out in the programme memorandum dated 24 July 2023, the important risk warnings set out in the programme memorandum dated 24 July 2023, the relevant key facts statement and the relevant indicative term sheet and, where necessary, seek independent professional advice, before deciding whether to invest in our Basket US PPR Investments. The Basket US PPR Investment offering documents are available from the distributor(s) and from the offices of The Hongkong and Shanghai Banking Corporation Limited at Level 18, HSBC Main Building, 1 Queen’s Road Central, Hong Kong.

The Basket US PPR Investment offering documents include particulars given in compliance with the Code on Unlisted Structured Investment Products issued by the SFC (the “**Code**”) for the purpose of giving information with regard to The Hongkong and Shanghai Banking Corporation Limited (“**HSBC**”) as the issuer, HSBC as the product arranger, the Programme and our Basket US PPR Investments. The issuer and the product arranger collectively and individually accept full responsibility for the contents of, and the completeness and accuracy of the information contained in the Basket US PPR Investment offering documents and confirm, having made all reasonable enquiries, that to the best of the knowledge and belief of the issuer and product arranger there is no untrue or misleading statement, or other facts the omission of which would make any statement herein untrue or misleading. The issuer and the product arranger confirm that the Basket US PPR Investments comply with the Code. The issuer also confirms that it meets the eligibility requirements applicable to issuers set out in the Code and the product arranger also confirms that it meets the eligibility requirements applicable to product arrangers set out in the Code. HSBC is the “product arranger” for the purposes of the Code.

Our Basket US PPR Investments constitute general, unsecured and unsubordinated contractual obligations of HSBC (as issuer) and of no other person. If you invest in our Basket US PPR Investments, you are relying upon HSBC’s creditworthiness and have no rights under the terms and conditions of the Basket US PPR Investments against the issuers of the reference assets.

**Post-sale cooling-off period pursuant to Part IV of the Code applies to our Basket US PPR Investments with an investment period of more than one year. For further details, please refer to pages 122 to 123 of this product booklet.**

A Chinese version of this product booklet is also available from the distributor(s) and from the offices of The Hongkong and Shanghai Banking Corporation Limited at Level 18, HSBC Main Building, 1 Queen’s Road Central, Hong Kong.

本產品手冊的中文版本可於分銷商及香港上海滙豐銀行有限公司之辦事處（地址為香港皇后大道中1號滙豐總行大廈18樓）索取。

For the purpose of this product booklet and where the context requires, references to “**U.S. dollar**” or “**USD**” shall refer to the lawful currency of the United States, “**U.S.**” shall refer to the United States of America, to “**Renminbi**” or “**CNY**” are to the lawful currency of the People’s Republic of China, to “**Hong Kong**” are to the Hong Kong Special Administrative Region of the People’s Republic of China, to “**Macau**” are to the Macau Special Administrative Region of the People’s Republic of China, to the “**PRC**” are to The People’s Republic of China (which for the purposes of this document shall exclude Hong Kong, Macau and Taiwan).

Our Basket US PPR Investments are not available to any person that is: (a) a U.S. person (as defined in Regulation S of the United States Securities Act of 1933, as amended); (b) a U.S. person as defined in 17 C.F.R. § 23.23(a)(23) (a “**CFTC U.S. Person**”) or to others for offer or sale to or for the account or benefit of any such CFTC U.S. Person or; (c) a “United States person” as defined in U.S. Executive Order 13959, as amended by U.S. Executive Order 14032, or in the Chinese Military-Industrial Complex Sanctions Regulations (31 C.F.R. Part 586) (“**E.O. 13959 U.S. Persons**”), to the extent that the underlyings for the relevant Basket US PPR Investments (i) include securities whose purchase or sale by E.O. 13959 U.S. Persons is restricted under Executive Order 13959 (as amended) or (ii) provide any investment exposure to any such securities ((i) and (ii) collectively, “**E.O. 13959 Restricted Underlyings**”).

E.O. 13959 U.S. Persons are restricted from purchasing or selling our Basket US PPR Investments with E.O. 13959 Restricted Underlyings after the effective date of the Executive Order 13959 (as amended) restrictions applicable to those underlyings and investors should seek their own independent legal advice regarding compliance with Executive Order 13959 (as amended).

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## Key Facts Statement (A)

### Non-Principal Protected Unlisted Potential Performance Return Equity Linked Investments Linked to a Basket of U.S. Securities (Basket US PPR Investments) with No Knock-in Feature

issued by

**The Hongkong and Shanghai Banking Corporation Limited (HSBC)**

*We may issue three variations of Basket US PPR Investments. This key facts statement provides you with the key information about one variation of Basket US PPR Investments that we may issue: Basket US PPR Investments with no knock-in. The knock-in feature does not apply to this variation of Basket US PPR Investments.*

*This key facts statement does not contain all the information that may be important to you as an investor in our Basket US PPR Investments and your investment decision should not be made solely on the basis of the information contained in this key facts statement. You should read the remaining sections of this product booklet (in particular, the section headed "Risk Warnings") and the other Basket US PPR Investment offering documents before deciding whether to invest in our Basket US PPR Investments. If you are in any doubt about any of the contents of the Basket US PPR Investment offering documents, you should obtain independent professional advice.*

#### IMPORTANT RISK WARNINGS

- **Structured investment product**  
Our Basket US PPR Investments are NOT equivalent to time deposits and are NOT protected deposits for the purposes of the Deposit Protection Scheme. They are structured investment products embedded with derivatives.
- **Not principal protected**  
Our Basket US PPR Investments are not principal protected: **you could lose all of your investment.**
- **You may not receive any potential performance return**  
The potential performance return will only be paid if the closing price of the worst performing asset on the expiry date is at or above its initial spot price or its exercise price (as applicable). If such condition is not met, you will not receive the potential performance return. **It is possible that you may not receive any potential performance return for the entire scheduled tenor of the Basket US PPR Investments.**
- **Potential payout determined by the worst performing asset**  
The potential payout under our Basket US PPR Investments is linked to the performance of the worst performing asset in the basket on the expiry date (determined by us based on the closing price of each reference asset in the basket on such day). It will not matter how well the other reference assets in the basket perform: the potential payout on our Basket US PPR Investments is always determined by the reference asset which performs worst out of all the reference assets in the basket on the expiry date.
- **No collateral**  
Our Basket US PPR Investments are not secured on any of our assets or any collateral.
- **Limited market making arrangements are available and you may suffer a loss if you sell your Basket US PPR Investments before expiry**  
Our Basket US PPR Investments are designed to be held to their settlement date. Limited market making arrangements are available on a bi-weekly basis for all our Basket US PPR Investments. If you try to sell your Basket US PPR Investments before expiry, the amount you receive for each Basket US PPR Investment may be substantially less than the issue price you paid for each Basket US PPR Investment. You may only place a limit sell back order during normal business hours in Hong Kong between 10:00 a.m. to 5:00 p.m. on a market making day, and your limit sell back order may only be executed during the trading hours of the relevant US exchange(s) in New York, which opens after the normal business hours in Hong Kong. Your limit sell back order will not be executed if (i) the relevant US exchange(s) fails to open for trading during its regular trading session on such day; or (ii) the relevant Basket US PPR Investment is affected by market disruption events on such day; or (iii) the prevailing price of the relevant Basket US PPR Investment is below the limit sell back order price of your limit sell back order throughout the trading hours of the relevant US exchange on such day. In addition, we may not be able to accept any limit sell back order on a Hong Kong business day if (a) the relevant US exchange(s) in New York is not scheduled to be open for trading on such day, or (b) the Basket US PPR Investment is affected by market disruption events on the immediately preceding day on which the relevant US exchange(s) in New York is scheduled to be open for trading, or (c) we experience any technical problems on such day. We will also not be able to accept any limit sell back order on a day that is not a Hong Kong business day, notwithstanding that the relevant US exchange(s) in New York is scheduled to be open for trading on such day.

- **Not the same as investing in the reference assets**  
Investing in our Basket US PPR Investments is not the same as investing in the reference assets. Changes in the market price of the reference assets may not lead to a corresponding change in the market value of, or your potential payout under, the Basket US PPR Investments.
- **Not covered by Investor Compensation Fund**  
Our Basket US PPR Investments are not listed on any stock exchange and are not covered by the Investor Compensation Fund.
- **Maximum loss upon HSBC's default or insolvency**  
Our Basket US PPR Investments constitute general, unsecured and unsubordinated contractual obligations of HSBC as issuer and of no other person (including the ultimate holding company of our group, HSBC Holdings plc). When you buy our Basket US PPR Investments, you will be relying on HSBC's creditworthiness. If HSBC becomes insolvent or defaults on its obligations under the Basket US PPR Investments, in the worst case scenario, **you could lose all of your investment.**
- **English version of the terms and conditions prevails over Chinese version**  
The global certificate representing a series of Basket US PPR Investments and the terms and conditions of the Basket US PPR Investments are issued in the English language only for the purposes of lodgement with the relevant clearing system(s). If there is any inconsistency between the Chinese version of the terms and conditions of our Basket US PPR Investments and the English version, the English version will prevail over the Chinese version. If you do not understand the English version, you should obtain independent professional advice.
- **You will be exposed to risk associated with our Basket US PPR Investments from the trade date**  
As all the commercial variables of our Basket US PPR Investments are determined on the trade date, you will be exposed to risk associated with our Basket US PPR Investments and the price movement of the reference assets in the basket from the trade date which may affect the market value and the potential payout of the Basket US PPR Investments.
- **Conflicts of interest**  
We and our subsidiaries may engage in transactions involving the reference assets in the basket which may have a negative impact on the market value and the potential payout of our Basket US PPR Investments. We (HSBC) may act in different capacities in respect of the Basket US PPR Investments which may lead to potential and actual conflicts of interest. Our economic interests in each capacity may be adverse to your interests in our Basket US PPR Investments.
- **You do not have direct contractual rights to enforce our Basket US PPR Investments against us as issuer**  
You do not have direct contractual rights to enforce our Basket US PPR Investments against us as issuer. To assert your rights as an investor in our Basket US PPR Investments, you will have to rely on your distributor (directly or indirectly via its custodian) to take action on your behalf. If your distributor or its custodian fails to take action against us on your behalf, you may only have a claim as an unsecured creditor of such distributor, its custodian or us as the issuer. In the worst case scenario, **you could lose all your investment.**
- **Risks relating to difference in trading days and hours and the implications on our ability to execute any limit sell back order**  
Trading in each reference asset on the relevant US exchange will be executed during the trading hours of the relevant US exchange as specified in the relevant term sheet, which is located in New York and opens after normal business hours in Hong Kong. You should be aware of the trading hour and time zone difference (including summer time and winter time) between Hong Kong and New York in assessing the trading prices of the reference assets, and the extended time lag between (i) the placement of a limit sell back order during normal business hours in Hong Kong between 10:00 a.m. and 5:00 p.m. on a market making day and (ii) the execution of such order during the trading hours of the relevant US exchange in New York. The trading price of each reference asset may be volatile in response to the market movement during the trading hours on the relevant US exchange in New York during which you will not be able to place any new order to sell back the Basket US PPR Investments or to cancel, unwind, withdraw or adjust your placed order pursuant to the market making arrangements. Your limit sell back order placed during normal business hours in Hong Kong between 10:00 a.m. and 5:00 p.m. on a market making day will not be executed if the prevailing price of the Basket US PPR Investments is below your limit sell back order price throughout the trading hours of the relevant US exchange. Once your limit sell back order is executed (at the price which is at or above your limit order price but which may not be the best available price during the trading hours of the relevant US exchange), you will lose the opportunity to benefit from any upside. Your limit sell back order is only valid during the trading hours of the relevant US exchange as specified in the relevant term sheet on the market making day that you have placed such order.
- **Certain information about the reference assets may only be available in English**  
You should note that certain information about the reference assets may only be available in English on a real time basis. If you are not proficient in English, you should consider whether an investment in our Basket US PPR Investments is suitable to you, and obtain independent advice where necessary.



- **Reliance on a designated online platform in providing information about the reference assets**  
We will make available news feeds regarding updated information of the reference assets (in English and Chinese) via a designated online platform specified in the relevant term sheet which is accessible via computer or mobile device. Such news feeds will be provided by our external data provider and may not be available on a real time basis. Further, their availability may be interrupted or suspended due to such external data provider's technical and systematic failures, in which case the availability of such news feeds may be delayed or suspended. In addition, you should note that the online platform may be interrupted or suspended due to our technical and systematic failures, in which case you may not be able to have access to such news feeds.
- **United States taxation risk**  
As discussed in more detail under the sections headed "Are our Basket US PPR Investments subject to U.S. Foreign Account Tax Compliance Act Withholding Tax?" on pages 128 to 130 of this product booklet and "Are our Basket US PPR Investments subject to Section 871(m) Withholding Tax?" on pages 130 to 131 of this product booklet, we generally expect that our Basket US PPR Investments will not be subject to Section 871(m) or FATCA withholding tax.  
  
Notwithstanding that we have determined that payments made under the Basket US PPR Investments do not constitute "dividend equivalents" and should not be subject to withholding tax under Section 871(m) of the U.S. Internal Revenue Code of 1986, as amended, these rules are complex and their application may depend in part on your particular circumstances, including whether you enter into other transactions with respect to the underlying U.S. stock. In addition, the U.S. Internal Revenue Service may successfully argue that payments made on the Basket US PPR Investments are treated as "dividend equivalents", notwithstanding our determination to the contrary.  
  
In addition, as discussed in more detail under the sections headed "Are our Basket US PPR Investments subject to U.S. Foreign Account Tax Compliance Act Withholding Tax?" on pages 128 to 130 of this product booklet, it is possible that the U.S. Internal Revenue Service could assert that our Basket US PPR Investments could be deemed to be reissued for U.S. federal income tax purposes upon modification or adjustment to the terms of our Basket US PPR Investments or the reference stock that is referenced by our Basket US PPR Investments. Such a deemed reissuance could subject payments made to a non-U.S. investor on our Basket US PPR Investments to a withholding tax at a rate of up to 30% under Section 871(m) or FATCA.  
  
You are urged to consult with your own independent tax advisor regarding the possible implications of Section 871(m) and FATCA on your investment in our Basket US PPR Investments.
- **Additional risk warnings applicable to our Renminbi-denominated Basket US PPR Investments**  
Our Renminbi-denominated Basket US PPR Investments will be settled in Renminbi outside the PRC. Renminbi is not freely convertible and is subject to PRC exchange control policies and restrictions. Various factors may affect the market value, and the potential return, of our Renminbi-denominated Basket US PPR Investments, including: (i) the limited availability and liquidity of Renminbi outside the PRC; (ii) any Renminbi exchange rate fluctuation; and (iii) any fluctuation in interest rates for Renminbi outside the PRC.  
  
If the settlement currency is Renminbi and a CNY disruption event occurs, we will settle any payment obligations in Hong Kong dollars on a postponed payment date and no interest will be payable for any such delay.

## **Commissions:**

We may pay a commission to the distributor(s). Distributor(s)' commissions and other transaction costs including our cost of hedging are factored into the pricing of the Basket US PPR Investments.

## **What are Basket US PPR Investments with no Knock-in Feature?**

### **A. Overview**

- Basket US PPR Investments are structured investment products which contain a series of embedded options including an embedded **conditional put option** over the reference assets in the basket. If certain conditions are met, you will be obliged to buy the worst performing asset on the expiry date from us at its exercise price (as further described in the sub-section headed "C. At Expiry" on pages 7 to 9 of this product booklet).
- Payout under the Basket US PPR Investments is linked to the price performance of the worst performing asset in the basket on the expiry date. The basket of reference assets may comprise a minimum of two and a maximum of six reference assets, which can be shares in companies listed on an US exchange (being either The New York Stock Exchange or The NASDAQ Stock Market as specified in the relevant term sheet) and traded in United States and quoted in United States dollars as the underlying currency. Not all shares listed on an US exchange can be used as a reference asset – please ask your distributor what kind of reference assets are available.
- Our Basket US PPR Investments will be denominated and settled in Hong Kong dollars, United States dollars or other non-restricted and freely convertible currencies or Renminbi as specified in the relevant term sheet. If the settlement currency of the Basket US PPR Investments is different from the worst performing asset currency, we will convert the settlement currency into the worst performing asset currency (or vice versa) at the exchange rate as specified in the relevant term sheet in making calculations under the Basket US PPR Investments (if applicable).

- You can buy a Basket US PPR Investment at its issue price (as specified in the relevant term sheet), which is equal to or below the nominal amount of the Basket US PPR Investment as specified in the relevant term sheet. The minimum investment amount is USD10,000 (or its equivalent in foreign currency).

- The key features of our Basket US PPR Investments with no knock-in feature are set out below:

**A. Potential Performance Return**

May receive a potential performance return upon expiry if certain conditions are met

**B. Knock-in Event**

Not applicable

- You should note that while you place your purchase order(s) during the offer period, all of the commercial variables in relation to the reference assets (including the initial spot prices and the exercise prices of the reference assets) that are used to determine the payout of your Basket US PPR Investment will only be recorded and determined on the trade date after you have purchased the Basket US PPR Investment.
- The initial spot price of a reference asset is set as either (i) the opening price of that reference asset on the relevant US exchange on the trade date or (ii) the price of that reference asset as agreed between you (via your distributor) and us at the time your purchase order for the Basket US PPR Investments is placed.

**B. How to determine the worst performing asset?**

- The price performance of the worst performing asset in the basket on the expiry date will determine the total payout under our Basket US PPR Investments.

The reference asset in the basket with the lowest “performance” on the expiry date will be the worst performing asset for such day. We will use the following formula to determine the “performance” for each reference asset on the expiry date:

$$\text{Performance} = \frac{\text{Closing price of the reference asset on the expiry date}}{\text{Initial spot price of the reference asset}} \times 100\%$$

If there is more than one reference asset with the same lowest “performance” on the expiry date, we will, in our sole and absolute discretion, acting in good faith and in a commercially reasonable manner, decide which one is the worst performing asset for such day.

**C. At Expiry**

- If the Basket US PPR Investments have not been early terminated due to an extraordinary unforeseeable event, we will determine the final settlement payout on the expiry date. The final settlement payout for the Basket US PPR Investments with no knock-in feature will depend on the closing price of the worst performing asset on the expiry date compared to either (i) its initial spot price **AND** its exercise price or (ii) its exercise price. The benchmark(s) used to determine the final settlement payout will be stated in the relevant final term sheet.
  - The exercise price of each reference asset may be expressed as a specified percentage or in a range of specified percentages of its initial spot price in the relevant indicative term sheet. If the exercise price is expressed in a range of specified percentages, the difference between the highest percentage and the lowest percentage in the range will be no more than 5%. The final exercise prices will be set out in the relevant final term sheet. The specified percentage (or if applicable, range of specified percentages) used to calculate the exercise price of each reference asset will be the same.
- a) *If both the initial spot price and the exercise price of the worst performing asset are used as benchmarks to determine the final settlement payout:*
- (1) If the closing price of the worst performing asset on the expiry date is **at or above** its initial spot price, we will pay you on the settlement date (being the third business day after the expiry date) a cash amount equal to the nominal amount of the Basket US PPR Investments **plus** the potential performance return.

The potential performance return will be calculated according to the following formula:

|                          |
|--------------------------|
| Nominal amount x Return* |
|--------------------------|

\* The return is the higher of:

- (i) the floor rate as set out in the relevant term sheet; and
- (ii) the rate calculated according to the following formula:

$$\left( \frac{\text{Closing price of the worst performing asset on the expiry date}}{\text{Initial spot price of the worst performing asset on the expiry date}} - 1 \right) \times \text{participation rate}$$

The participation rate will be a percentage as set out in the relevant term sheet and may be set at 100%, above 100% or below 100%. You should note that where the participation rate is set at a percentage which is below 100%, the rate calculated according to the formula under (ii) above will be lower than the actual performance of the worst performing asset on the expiry date compared to its initial spot price.

The potential performance return will only be paid if the closing price of the worst performing asset on the expiry date is **at or above** its initial spot price. If such condition is not met, you will not receive the potential performance return. **It is possible that you may not receive any potential performance return for the entire scheduled tenor of the Basket US PPR Investments.**

- (2) If the closing price of the worst performing asset on the expiry date is **below** its initial spot price but **at or above** its exercise price, we will pay you on the settlement date a cash amount equal to the nominal amount of the Basket US PPR Investments.
- (3) If the closing price of the worst performing asset on the expiry date is **below** its exercise price, the conditional put option will be exercised by us on the expiry date and you will receive on the settlement date either:
  - (i) if physical settlement is applicable – the physical settlement amount, which is a number of shares of the worst performing asset on the expiry date and (if applicable) a cash payment in the settlement currency for any fractional shares of the worst performing asset on the expiry date; or
  - (ii) if cash settlement is applicable – payment of an amount in the settlement currency equal to the cash equivalent of the physical settlement amount.
- b) *If the exercise price of the worst performing asset is used as a benchmark to determine the final settlement payout:*
  - (1) If the closing price of the worst performing asset on the expiry date is **at or above** its exercise price, we will pay you on the settlement date a cash amount equal to the nominal amount of the Basket US PPR Investments **plus** the potential performance return.

The potential performance return will be calculated according to the following formula:

|                          |
|--------------------------|
| Nominal amount x Return* |
|--------------------------|

\* The return is the higher of:

- (i) the floor rate as set out in the relevant term sheet; and
- (ii) the rate calculated according to the following formula:

$$\left( \frac{\text{Closing price of the worst performing asset on the expiry date}}{\text{Initial spot price of the worst performing asset on the expiry date}} - 1 \right) \times \text{participation rate}$$

The participation rate will be a percentage as set out in the relevant term sheet and may be set at 100%, above 100% or below 100%. You should note that where the participation rate is set at a percentage which is below 100%, the rate calculated according to the formula under (ii) above will be lower than the actual performance of the worst performing asset on the expiry date compared to its initial spot price.

The potential performance return will only be paid if the closing price of the worst performing asset on the expiry date is **at or above** its exercise price. If such condition is not met, you will not receive the potential performance return. **It is possible that you may not receive any potential performance return for the entire scheduled tenor of the Basket US PPR Investments.**

- (2) If the closing price of the worst performing asset on the expiry date is **below** its exercise price, the conditional put option will be exercised by us on the expiry date and you will receive on the settlement date either:
  - (i) if physical settlement is applicable – the physical settlement amount, which is a number of shares of the worst performing asset on the expiry date and (if applicable) a cash payment in the settlement currency for any fractional shares of the worst performing asset on the expiry date; or
  - (ii) if cash settlement is applicable – payment of an amount in the settlement currency equal to the cash equivalent of the physical settlement amount.



You should note that where the conditional put option is exercised by us, you will be obliged to buy the worst performing asset on the expiry date from us at its exercise price. In this case, you will suffer a *loss* as the market value of the physical settlement amount (based on the closing price of the worst performing asset on the expiry date) or the cash equivalent of the physical settlement amount is less than the initial investment amount. In an extreme case, the physical settlement amount or the cash equivalent of the physical settlement amount could be worth nothing and you could lose 100% of your initial investment amount.

You should also note that if physical settlement is applicable, the physical settlement amount will only be delivered to you on the settlement date, subject to the occurrence of a settlement disruption event. Therefore, you will be exposed to any movement in the market price of the worst performing asset on the expiry date during the period between the expiry date and the settlement date, which will be three business days (subject to the occurrence of a settlement disruption event). If you choose not to realise your holding of such worst performing asset on the settlement date, you will be exposed to the risk associated with the holding of such worst performing asset.

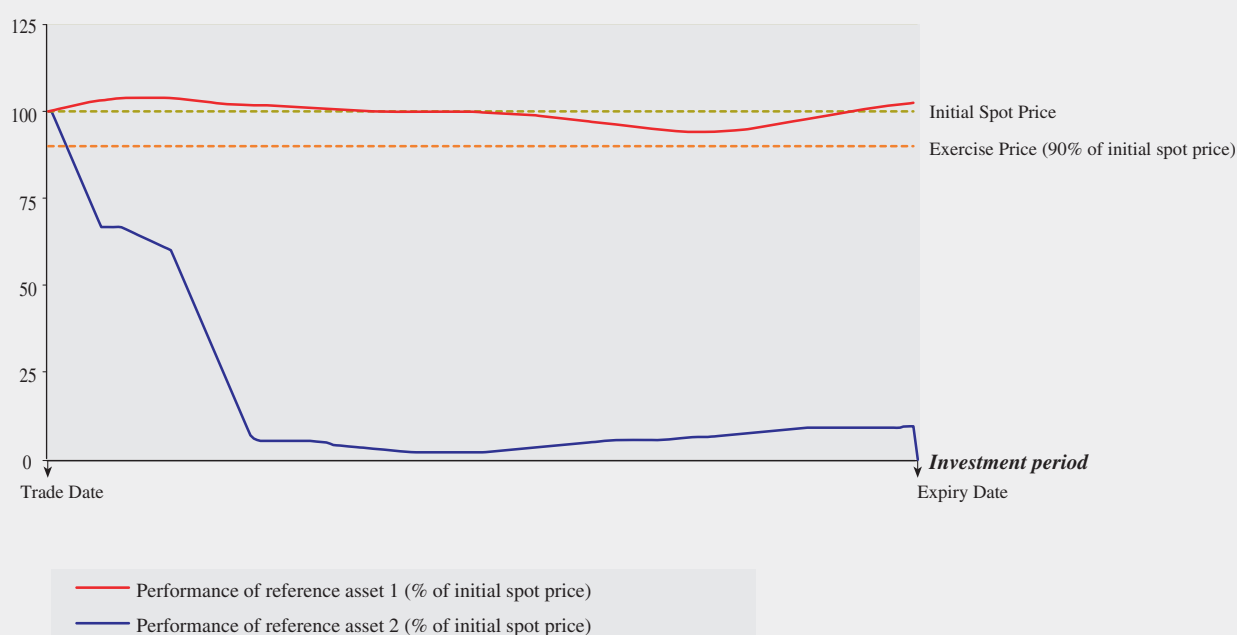
- You should note that your payout under the Basket US PPR Investments will be reduced by any cash settlement expenses or physical settlement expenses and any distributor's charges payable on settlement of the Basket US PPR Investments.
- To help you understand how the final settlement payout is determined, we have included several hypothetical examples on pages 49 to 61 of this product booklet. We have also included on pages 93 to 97 of this product booklet a flowchart description to help you understand how our Basket US PPR Investments work.

## Worst Case Scenario

*The hypothetical example below does not reflect a complete analysis of all possible gain or loss scenarios. You must not rely on it as an indication of the price performance of the reference assets in the basket or the payout on the Basket US PPR Investments.*

The example below illustrates the worst case scenario where the worst performing asset in a basket of two reference assets performs poorly on the expiry date.

Performance of reference assets (%)



## At Expiry

As shown in the above diagram, as the worst performing asset on the expiry date (i.e. reference asset 2) has closed below its exercise price, you will receive on the settlement date either (i) the physical settlement amount, which is a number of shares of the worst performing asset on the expiry date and (if applicable) a cash payment in the settlement currency for any fractional shares of such worst performing asset, if physical settlement is applicable or (ii) payment of the cash equivalent of the physical settlement amount, if cash settlement is applicable.

**In either case, you will suffer a loss as you will not receive any potential performance return on the settlement date and the market value of the physical settlement amount (based on the closing price of the worst performing asset on the expiry date) or the cash equivalent of the physical settlement amount will be less than the initial investment amount. In an extreme case, the physical settlement amount or the cash equivalent of the physical settlement amount could be worth nothing and you could lose 100% of your initial investment amount.**

Please also refer to the section headed “Hypothetical Examples for Basket US PPR Investments With No Knock-In Feature” on pages 49 to 61 of this product booklet for more illustrative examples of how the Basket US PPR Investments with no knock-in feature work.

## Election for Cash or Physical Settlement at Expiry

When you place your purchase order for the Basket US PPR Investments, you will need to elect for cash settlement or physical settlement in the case where the closing price of the worst performing asset on the expiry date is below its exercise price. You can change your election at any time by no later than 4:00 p.m. three Hong Kong business days before the expiry date. Please ask your distributor for details. If you fail to elect for cash settlement or physical settlement, physical settlement will apply.

## Adjustment and Disruption Events affecting our Basket US PPR Investments

Upon the occurrence of a potential adjustment event or certain extraordinary unforeseeable events (such as a merger event or a tender offer) affecting a reference asset or an issuer of a reference asset in the basket, we can adjust some of the terms and conditions of our Basket US PPR Investments to account for that event to preserve the economic equivalence of the Basket US PPR Investments. If we determine that any such adjustments is not able to preserve the economic equivalence of the Basket US PPR Investments, we will seek to substitute the affected reference asset with another reference asset which meets certain criteria. If substitution is not appropriate, or the performance of our obligations under the Basket US PPR Investments has become illegal or impracticable for any reason beyond our control, we will early terminate our Basket US PPR Investments. If certain market disruption events occur, we may postpone some of the key dates relevant to the terms of our Basket US PPR Investments.

Please refer to the summary table on pages 82 to 92 of this product booklet for further details.

## What charges do you have to pay?

- **Cash settlement expenses** if applicable, will be deducted from the nominal amount or the cash equivalent of the physical settlement amount (as the case may be) you may receive. Currently, no cash settlement expenses are payable.
- **Physical settlement expenses** are out-of-pocket expenses relating to the transfer and receipt of the physical settlement amount (including, subject to prevailing laws and regulations, buyer's stamp duty, levies, registration charges and other charges levied by your distributor). Currently, no physical settlement expenses (including stamp duty or other applicable charges) are payable.
- **Distributor's charges.** Please contact your distributor for details of any charges you need to pay if you buy our Basket US PPR Investments from your distributor.

**You should note that any cash settlement expenses, physical settlement expenses and distributor's charges will affect the potential gain or loss on your investment.**

## How can you buy the Basket US PPR Investments?

If you would like to buy our Basket US PPR Investments, you can contact the appointed distributor(s) to enquire about the range of Basket US PPR Investments we offer and the application procedures. Please note that you can only buy our Basket US PPR Investments from distributor(s) with which you can open a US securities account and must maintain such US securities account throughout the tenor of the Basket US PPR Investments in order to receive the physical settlement amount in the case where physical settlement is applicable. Please also refer to the sub-section headed “How Can You Buy the Basket US PPR Investments?” on page 121 of this product booklet for further details.

## Is there a post-sale cooling-off period for our Basket US PPR Investments?

If you have purchased a Basket US PPR Investment with an investment period of more than one year, you can cancel or unwind (as the case may be) the whole (but not part) of your purchase order during the period from (and including) the date you place your purchase order to (and including) the fifth Hong Kong business day after the order date (this period is referred to as the “**post-sale cooling-off period**”).

If you submit your instructions to cancel your purchase order to your distributor before your purchase order is executed on the trade date, the issue price will not be deducted from your designated cash account on the issue date. If you submit your instructions to unwind your purchase order to your distributor on or after the trade date after your purchase order is executed, the issue price will be deducted from your designated cash account on the issue date and we will return to you the mandatory buy back price. **The mandatory buy back price is capped at the issue price and may be substantially less than the issue price you paid for each Basket US PPR Investment.**

No distributor’s commission will be chargeable but your distributor may charge you a handling fee when you cancel or unwind your purchase order. Please check with your distributor for further details.

**Please note that the post-sale cooling-off period is not applicable to Basket US PPR Investments with an investment period of one year or less.** Please refer to pages 122 to 123 for further details.

## Is there any market making arrangement for our Basket US PPR Investments before expiry?

We (as market agent) will provide limited market making arrangements for all our Basket US PPR Investments on each market making day falling every other Tuesday after the issue date up to the third business day before the expiry date. On each market making day, we (as market agent) will make available to you (via your distributor(s)) indicative bid prices (on a per-Basket US PPR Investment basis) during normal business hours in Hong Kong if you submit your request for such prices to your distributor between 10:00 a.m. and 4:00 p.m. (Hong Kong time) on such market making day. The indicative bid prices are provided for your reference only. If you decide to sell your Basket US PPR Investments back to us, you can place a limit sell back order with your distributor specifying your proposed sell back price (being the limit order price) and the amount of the Basket US PPR Investments that you intend to sell between 10:00 a.m. and 5:00 p.m. (Hong Kong time) on such market making day.

Your limit sell back order is only valid during the trading hours of the relevant US exchange on the market making day that you have placed such order. We will seek to execute your limit sell back order during the trading hours of the relevant US exchange on such market making day. Your limit sell back order will not be executed if the prevailing price of the Basket US PPR Investments is below your limit order price throughout the trading hours of the relevant US exchange on such market making day, in which case your limit sell back order will lapse and you will need to place a new limit sell back order during business hours in Hong Kong on the next market making day if you still want to sell back your Basket US PPR Investments. Your distributor will notify you whether your limit sell back order was executed, and if so, the actual price at which your limit sell back order was executed, before 12:00 p.m. (Hong Kong time) on the business day immediately following the market making day that you have placed such order.

The actual price at which you sell your Basket US PPR Investments to us on a market making day may be substantially less than the issue price. Your distributor may also charge you a fee when you sell your Basket US PPR Investments back to us on a market making day and such fees will reduce the amount you receive when you sell your Basket US PPR Investments back to us before expiry.

Please also note that market making arrangements may not be available on a scheduled market making day if certain events occur.

Please refer to pages 124 to 127 for further details.

## **Additional Information**

### **A. Basket US PPR Investment offering documents**

The following Basket US PPR Investment offering documents contain detailed information about HSBC as issuer and product arranger, the Programme and the Basket US PPR Investments. You should read all of these documents before deciding whether to invest in our Basket US PPR Investments:

- (i) the relevant indicative term sheet for the series of the Basket US PPR Investments you would like to buy;
- (ii) the programme memorandum dated 24 July 2023 together with any addendum as stated in the relevant indicative term sheet;
- (iii) the financial disclosure document together with any addendum as stated in the relevant indicative term sheet; and
- (iv) this product booklet together with any addendum as stated in the relevant indicative term sheet.

**The distributor(s) has an obligation to distribute to you ALL of the above documents in English or Chinese as you may prefer.**

### **B. Information of the reference assets**

You may refer to the section headed “Information relating to the Shares” in the relevant term sheet for information about the reference assets.

You may obtain the historical stock price and the latest stock price information of the reference assets on the website of the relevant US exchange as specified in the relevant term sheet.

We will also make available news feeds regarding updated information of the reference assets in English and Chinese via a designated online platform as specified in the relevant term sheet – please ask your distributor for details. Such information is not reviewed by the SFC.

### **C. Ongoing disclosure by HSBC**

HSBC will keep the SFC and the distributor(s) informed as soon as reasonably practicable if (a) HSBC (as issuer) ceases to meet any eligibility requirements of the Code; (b) HSBC (as product arranger) ceases to meet any eligibility requirements of the Code; and (c) to the extent permitted by any applicable law, changes in our financial condition or other circumstances which could reasonably be expected to have a material adverse effect on our ability (as issuer) to fulfil our commitment in connection with our Basket US PPR Investments. Your distributor will in turn inform you. Please contact your distributor for further details.

If you would like to enquire about our Basket US PPR Investments, visit any designated branches of the appointed distributor(s) for the Basket US PPR Investments.

## Key Facts Statement (B)

### Non-Principal Protected Unlisted Potential Performance Return Equity Linked Investments Linked to a Basket of U.S. Securities (Basket US PPR Investments) with Daily Knock-in Feature

issued by  
**The Hongkong and Shanghai Banking Corporation Limited (HSBC)**

*We may issue three variations of Basket US PPR Investments. This key facts statement provides you with the key information about one variation of Basket US PPR Investments that we may issue: Basket US PPR Investments with daily knock-in.*

*This key facts statement does not contain all the information that may be important to you as an investor in our Basket US PPR Investments and your investment decision should not be made solely on the basis of the information contained in this key facts statement. You should read the remaining sections of this product booklet (in particular, the section headed "Risk Warnings") and the other Basket US PPR Investment offering documents before deciding whether to invest in our Basket US PPR Investments. If you are in any doubt about any of the contents of the Basket US PPR Investment offering documents, you should obtain independent professional advice.*

#### IMPORTANT RISK WARNINGS

- **Structured investment product**  
Our Basket US PPR Investment are NOT equivalent to time deposits and are NOT protected deposits for the purposes of the Deposit Protection Scheme. They are structured investment products embedded with derivatives.
- **Not principal protected**  
Our Basket US PPR Investments are not principal protected: **you could lose all of your investment.**
- **You may not receive any potential performance return**  
The potential performance return will only be paid if the closing price of the worst performing asset on the expiry date is at or above its initial spot price or its exercise price (as applicable). If such condition is not met, you will not receive the potential performance return. **It is possible that you may not receive any potential performance return for the entire scheduled tenor of the Basket US PPR Investments.**
- **Potential payout determined by the worst performing asset**  
The potential payout under our Basket US PPR Investments is linked to the performance of the worst performing asset in the basket on each scheduled trading day (determined by us based on the closing price of each reference asset in the basket on such day). The worst performing asset on each scheduled trading day can be different. It will not matter how well the other reference assets in the basket perform: the potential payout on our Basket US PPR Investments is always determined by the reference asset which performs worst out of all the reference assets in the basket.
- **No collateral**  
Our Basket US PPR Investments are not secured on any of our assets or any collateral.
- **Limited market making arrangements are available and you may suffer a loss if you sell your Basket US PPR Investments before expiry**  
Our Basket US PPR Investments are designed to be held to their settlement date. Limited market making arrangements are available on a bi-weekly basis for all our Basket US PPR Investments. If you try to sell your Basket US PPR Investments before expiry, the amount you receive for each Basket US PPR Investment may be substantially less than the issue price you paid for each Basket US PPR Investment. You may only place a limit sell back order during normal business hours in Hong Kong between 10:00 a.m. to 5:00 p.m. on a market making day, and your limit sell back order may only be executed during the trading hours of the relevant US exchange(s) in New York, which opens after the normal business hours in Hong Kong. Your limit sell back order will not be executed if (i) the relevant US exchange(s) fails to open for trading during its regular trading session on such day; or (ii) the relevant Basket US PPR Investment is affected by market disruption events on such day; or (iii) the prevailing price of the relevant Basket US PPR Investment is below the limit sell back order price of your limit sell back order throughout the trading hours of the relevant US exchange on such day. In addition, we may not be able to accept any limit sell back order on a Hong Kong business day if (a) the relevant US exchange(s) in New York is not scheduled to be open for trading on such day, or (b) the Basket US PPR Investment is affected by market disruption events on the immediately preceding day on which the relevant US exchange(s) in New York is scheduled to be open for trading, or (c) we experience any technical problems on such day. We will also not be able to accept any limit sell back order on a day that is not a Hong Kong business day, notwithstanding that the relevant US exchange(s) in New York is scheduled to be open for trading on such day.



- **Not the same as investing in the reference assets**  
Investing in our Basket US PPR Investments is not the same as investing in the reference assets. Changes in the market price of the reference assets may not lead to a corresponding change in the market value of, or your potential payout under, the Basket US PPR Investments.
- **Not covered by Investor Compensation Fund**  
Our Basket US PPR Investments are not listed on any stock exchange and are not covered by the Investor Compensation Fund.
- **Maximum loss upon HSBC's default or insolvency**  
Our Basket US PPR Investments constitute general, unsecured and unsubordinated contractual obligations of HSBC as issuer and of no other person (including the ultimate holding company of our group, HSBC Holdings plc). When you buy our Basket US PPR Investments, you will be relying on HSBC's creditworthiness. If HSBC becomes insolvent or defaults on its obligations under the Basket US PPR Investments, in the worst case scenario, **you could lose all of your investment**.
- **English version of the terms and conditions prevails over Chinese version**  
The global certificate representing a series of Basket US PPR Investments and the terms and conditions of the Basket US PPR Investments are issued in the English language only for the purposes of lodgement with the relevant clearing system(s). If there is any inconsistency between the Chinese version of the terms and conditions of our Basket US PPR Investments and the English version, the English version will prevail over the Chinese version. If you do not understand the English version, you should obtain independent professional advice.
- **You will be exposed to risk associated with our Basket US PPR Investments from the trade date**  
As all the commercial variables of our Basket US PPR Investments are determined on the trade date, you will be exposed to risk associated with our Basket US PPR Investments and the price movement of the reference assets in the basket from the trade date which may affect the market value and the potential payout of the Basket US PPR Investments.
- **Conflicts of interest**  
We and our subsidiaries may engage in transactions involving the reference assets in the basket which may have a negative impact on the market value and the potential payout of our Basket US PPR Investments. We (HSBC) may act in different capacities in respect of the Basket US PPR Investments which may lead to potential and actual conflicts of interest. Our economic interests in each capacity may be adverse to your interests in our Basket US PPR Investments.
- **You do not have direct contractual rights to enforce our Basket US PPR Investments against us as issuer**  
You do not have direct contractual rights to enforce our Basket US PPR Investments against us as issuer. To assert your rights as an investor in our Basket US PPR Investments, you will have to rely on your distributor (directly or indirectly via its custodian) to take action on your behalf. If your distributor or its custodian fails to take action against us on your behalf, you may only have a claim as an unsecured creditor of such distributor, its custodian or us as the issuer. In the worst case scenario, **you could lose all your investment**.
- **Risks relating to difference in trading days and hours and the implications on our ability to execute any limit sell back order**  
Trading in each reference asset on the relevant US exchange will be executed during the trading hours of the relevant US exchange as specified in the relevant term sheet, which is located in New York and opens after normal business hours in Hong Kong. You should be aware of the trading hour and time zone difference (including summer time and winter time) between Hong Kong and New York in assessing the trading prices of the reference assets, and the extended time lag between (i) the placement of a limit sell back order during normal business hours in Hong Kong between 10:00 a.m. and 5:00 p.m. on a market making day and (ii) the execution of such order during the trading hours of the relevant US exchange in New York. The trading price of each reference asset may be volatile in response to the market movement during the trading hours on the relevant US exchange in New York during which you will not be able to place any new order to sell back the Basket US PPR Investments or to cancel, unwind, withdraw or adjust your placed order pursuant to the market making arrangements. Your limit sell back order placed during normal business hours in Hong Kong between 10:00 a.m. and 5:00 p.m. on a market making day will not be executed if the prevailing price of the Basket US PPR Investments is below your limit sell back order price throughout the trading hours of the relevant US exchange. Once your limit sell back order is executed (at the price which is at or above your limit order price but which may not be the best available price during the trading hours of the relevant US exchange), you will lose the opportunity to benefit from any upside. Your limit sell back order is only valid during the trading hours of the relevant US exchange as specified in the relevant term sheet on the market making day that you have placed such order.
- **Certain information about the reference assets may only be available in English**  
You should note that certain information about the reference assets may only be available in English on a real time basis. If you are not proficient in English, you should consider whether an investment in our Basket US PPR Investments is suitable to you, and obtain independent advice where necessary.

- **Reliance on a designated online platform in providing information about the reference assets**  
We will make available news feeds regarding updated information of the reference assets (in English and Chinese) via a designated online platform specified in the relevant term sheet which is accessible via computer or mobile device. Such news feeds will be provided by our external data provider and may not be available on a real time basis. Further, their availability may be interrupted or suspended due to such external data provider's technical and systematic failures, in which case the availability of such news feeds may be delayed or suspended. In addition, you should note that the online platform may be interrupted or suspended due to our technical and systematic failures, in which case you may not be able to have access to such news feeds.
- **United States taxation risk**  
As discussed in more detail under the sections headed "Are our Basket US PPR Investments subject to U.S. Foreign Account Tax Compliance Act Withholding Tax?" on pages 128 to 130 of this product booklet and "Are our Basket US PPR Investments subject to Section 871(m) Withholding Tax?" on pages 130 to 131 of this product booklet, we generally expect that our Basket US PPR Investments will not be subject to Section 871(m) or FATCA withholding tax.  
  
Notwithstanding that we have determined that payments made under the Basket US PPR Investments do not constitute "dividend equivalents" and should not be subject to withholding tax under Section 871(m) of the U.S. Internal Revenue Code of 1986, as amended, these rules are complex and their application may depend in part on your particular circumstances, including whether you enter into other transactions with respect to the underlying U.S. stock. In addition, the U.S. Internal Revenue Service may successfully argue that payments made on the Basket US PPR Investments are treated as "dividend equivalents", notwithstanding our determination to the contrary.  
  
In addition, as discussed in more detail under the sections headed "Are our Basket US PPR Investments subject to U.S. Foreign Account Tax Compliance Act Withholding Tax?" on pages 128 to 130 of this product booklet, it is possible that the U.S. Internal Revenue Service could assert that our Basket US PPR Investments could be deemed to be reissued for U.S. federal income tax purposes upon modification or adjustment to the terms of our Basket US PPR Investments or the reference stock that is referenced by our Basket US PPR Investments. Such a deemed reissuance could subject payments made to a non-U.S. investor on our Basket US PPR Investments to a withholding tax at a rate of up to 30% under Section 871(m) or FATCA.  
  
You are urged to consult with your own independent tax advisor regarding the possible implications of Section 871(m) and FATCA on your investment in our Basket US PPR Investments.
- **Additional risk warnings are applicable to our Renminbi-denominated Basket US PPR Investments**  
Our Renminbi-denominated Basket US PPR Investments will be settled in Renminbi outside the PRC. Renminbi is not freely convertible and is subject to PRC exchange control policies and restrictions. Various factors may affect the market value, and the potential return, of our Renminbi-denominated Basket US PPR Investments, including: (i) the limited availability and liquidity of Renminbi outside the PRC; (ii) any Renminbi exchange rate fluctuation; and (iii) any fluctuation in interest rates for Renminbi outside the PRC.  
  
If the settlement currency is Renminbi and a CNY disruption event occurs, we will settle any payment obligations in Hong Kong dollars on a postponed payment date and no interest will be payable for any such delay.

## **Commissions:**

We may pay a commission to the distributor(s). Distributor(s)' commissions and other transaction costs including our cost of hedging are factored into the pricing of the Basket US PPR Investments.

## **What are Basket US PPR Investments with Daily Knock-in?**

### **A. Overview**

- Basket US PPR Investments are structured investment products which contain a series of embedded options including an embedded **conditional put option** over the reference assets in the basket. If certain conditions are met, you will be obliged to buy the worst performing asset on the expiry date from us at its exercise price (as further described in the sub-section headed "C. At Expiry" on pages 16 to 18 of this product booklet).
- Payout under the Basket US PPR Investments is linked to the price performance of the worst performing asset in the basket on each relevant scheduled trading day during the period between the trade date and the expiry date (the "**investment period**"). The basket of reference assets may comprise a minimum of two and a maximum of six reference assets, which can be shares in companies listed on an US exchange (being either The New York Stock Exchange or The NASDAQ Stock Market as specified in the relevant term sheet) and traded in United States and quoted in United States dollars as the underlying currency. Not all shares listed on an US exchange can be used as a reference asset – please ask your distributor what kind of reference assets are available.
- Our Basket US PPR Investments will be denominated and settled in Hong Kong dollars, United States dollars or other non-restricted and freely convertible currencies or Renminbi as specified in the relevant term sheet. If the settlement currency of the Basket US PPR Investments is different from the worst performing asset currency, we will convert the settlement currency into the worst performing asset currency (or vice versa) at the exchange rate as specified in the relevant term sheet in making calculations under the Basket US PPR Investments (if applicable).

- You can buy a Basket US PPR Investment at its issue price (as specified in the relevant term sheet), which is equal to or below the nominal amount of the Basket US PPR Investment as specified in the relevant term sheet. The minimum investment amount is USD10,000 (or its equivalent in foreign currency).
- The key features of our Basket US PPR Investments with daily knock-in are set out below:

**A. Potential Performance Return**

May receive a potential performance return upon expiry if certain conditions are met

**B. Knock-in Event**

Daily knock-in event applies

- You should note that while you place your purchase order(s) during the offer period, all of the commercial variables in relation to the reference assets (including the initial spot prices, the exercise prices and the knock-in prices of the reference assets) that are used to determine the payout of your Basket US PPR Investment will only be recorded and determined on the trade date after you have purchased the Basket US PPR Investment.
- The initial spot price of a reference asset is set as either (i) the opening price of that reference asset on the relevant US exchange on the trade date or (ii) the price of that reference asset as agreed between you (via your distributor) and us at the time your purchase order for the Basket US PPR Investments is placed.

**B. How to determine the worst performing asset?**

- The price performance of the worst performing asset in the basket on each scheduled trading day during the investment period will determine the total payout under our Basket US PPR Investments.

The reference asset in the basket with the lowest “performance” on a particular scheduled trading day will be the worst performing asset for that scheduled trading day. The worst performing asset on each scheduled trading day can be different. We will use the following formula to determine the “performance” for each reference asset on a scheduled trading day:

$$\text{Performance} = \frac{\text{Closing price of the reference asset on a scheduled trading day}}{\text{Initial spot price of the reference asset}} \times 100\%$$

If there is more than one reference asset with the same lowest “performance” on a particular scheduled trading day, we will, in our sole and absolute discretion, acting in good faith and in a commercially reasonable manner, decide which one is the worst performing asset for that scheduled trading day.

**C. At Expiry**

- If the Basket US PPR Investments have not been early terminated due to an extraordinary unforeseeable event, we will determine the final settlement payout on the expiry date. The final settlement payout for the Basket US PPR Investments with daily knock-in feature will depend on:
  - (i) whether a daily knock-in event has occurred. A daily knock-in event occurs if the closing price of the worst performing asset is **at or below** its knock-in price on **any** knock-in event date, which is set as each scheduled trading day during the period from (but excluding) the trade date to (and including) the expiry date. The knock-in price of each reference asset is set at a specified percentage of its initial spot price and will be set out in the relevant term sheet. The specified percentage used to calculate the knock-in price of each reference asset for each knock-in event date will be the same. The knock-in price will always be set at a level which is lower than the exercise price. The reference asset which triggers a knock-in event on a knock-in event date may or may not be the same reference asset which is the worst performing asset on the expiry date; and
  - (ii) the closing price of the worst performing asset on the expiry date compared to either (i) its initial spot price **AND** its exercise price or (ii) its exercise price. The benchmark(s) used to determine the final settlement payout will be stated in the relevant final term sheet.
- The exercise price of each reference asset may be expressed as a specified percentage or in a range of specified percentages of its initial spot price in the relevant indicative term sheet. If the exercise price is expressed in a range of specified percentages, the difference between the highest percentage and the lowest percentage in the range will be no more than 5%. The final exercise prices will be set out in the relevant final term sheet. The specified percentage (or if applicable, range of specified percentages) used to calculate the exercise price of each reference asset will be the same.

a) *If both the initial spot price and the exercise price of the worst performing asset are used as benchmarks to determine the final settlement payout:*

- (1) If the closing price of the worst performing asset on the expiry date is **at or above** its initial spot price (regardless of whether a daily knock-in event has occurred), we will pay you on the settlement date (being the third business day after the expiry date) a cash amount equal to the nominal amount of the Basket US PPR Investments **plus** the potential performance return.

The potential performance return will be calculated according to the following formula:

|                          |
|--------------------------|
| Nominal amount x Return* |
|--------------------------|

\* The return is the higher of:

- (i) the floor rate as set out in the relevant term sheet; and
- (ii) the rate calculated according to the following formula:

$$\left( \frac{\text{Closing price of the worst performing asset on the expiry date}}{\text{Initial spot price of the worst performing asset on the expiry date}} - 1 \right) \times \text{participation rate}$$

The participation rate will be a percentage as set out in the relevant term sheet and may be set at 100%, above 100% or below 100%. You should note that where the participation rate is set at a percentage which is below 100%, the rate calculated according to the formula under (ii) above will be lower than the actual performance of the worst performing asset on the expiry date compared to its initial spot price.

The potential performance return will only be paid if the closing price of the worst performing asset on the expiry date is **at or above** its initial spot price. If such condition is not met, you will not receive the potential performance return. **It is possible that you may not receive any potential performance return for the entire scheduled tenor of the Basket US PPR Investments.**

- (2) If the closing price of the worst performing asset on the expiry date is **below** its initial spot price and (i) a daily knock-in event **has not occurred**; or (ii) a daily knock-in event **has occurred** but the closing price of the worst performing asset on the expiry date is **at or above** its exercise price, we will pay you on the settlement date a cash amount equal to the nominal amount of the Basket US PPR Investments.
- (3) If a daily knock-in event **has occurred** and the closing price of the worst performing asset on the expiry date is **below** its exercise price, the conditional put option will be exercised by us on the expiry date and you will receive on the settlement date either:
- (i) if physical settlement is applicable – the physical settlement amount, which is a number of shares of the worst performing asset on the expiry date and (if applicable) a cash payment in the settlement currency for any fractional shares of the worst performing asset on the expiry date; or
  - (ii) if cash settlement is applicable – payment of an amount in the settlement currency equal to the cash equivalent of the physical settlement amount.

b) *If the exercise price of the worst performing asset is used as a benchmark to determine the final settlement payout:*

- (1) If the closing price of the worst performing asset on the expiry date is **at or above** its exercise price (regardless of whether a daily knock-in event has occurred), we will pay you on the settlement date a cash amount equal to the nominal amount of the Basket US PPR Investments **plus** the potential performance return.

The potential performance return will be calculated according to the following formula:

|                          |
|--------------------------|
| Nominal amount x Return* |
|--------------------------|

\* The return is the higher of:

- (i) the floor rate as set out in the relevant term sheet; and
- (ii) the rate calculated according to the following formula:

$$\left( \frac{\text{Closing price of the worst performing asset on the expiry date}}{\text{Initial spot price of the worst performing asset on the expiry date}} - 1 \right) \times \text{participation rate}$$

The participation rate will be a percentage as set out in the relevant term sheet and may be set at 100%, above 100% or below 100%. You should note that where the participation rate is set at a percentage which is below 100%, the rate calculated according to the formula under (ii) above will be lower than the actual performance of the worst performing asset on the expiry date compared to its initial spot price.

The potential performance return will only be paid if the closing price of the worst performing asset on the expiry date is **at or above** its exercise price. If such condition is not met, you will not receive the potential performance return. **It is possible that you may not receive any potential performance return for the entire scheduled tenor of the Basket US PPR Investments.**

- (2) If the closing price of the worst performing asset on the expiry date is **below** its exercise price and a daily knock-in event **has not occurred**, we will pay you on the settlement date a cash amount equal to the nominal amount of the Basket US PPR Investments.
- (3) If a daily knock-in event **has occurred** and the closing price of the worst performing asset on the expiry date is **below** its exercise price, the conditional put option will be exercised by us on the expiry date and you will receive on the settlement date either:
  - (i) if physical settlement is applicable – the physical settlement amount, which is a number of shares of the worst performing asset on the expiry date and (if applicable) a cash payment in the settlement currency for any fractional shares of the worst performing asset on the expiry date; or
  - (ii) if cash settlement is applicable – payment of an amount in the settlement currency equal to the cash equivalent of the physical settlement amount.

**You should note that where the conditional put option is exercised by us, you will be obliged to buy the worst performing asset on the expiry date from us at its exercise price. In this case, you will suffer a *loss* as the market value of the physical settlement amount (based on the closing price of the worst performing asset on the expiry date) or the cash equivalent of the physical settlement amount is less than the initial investment amount. In an extreme case, the physical settlement amount or the cash equivalent of the physical settlement amount could be worth nothing and you could lose 100% of your initial investment amount.**

**You should also note that if physical settlement is applicable, the physical settlement amount will only be delivered to you on the settlement date, subject to the occurrence of a settlement disruption event. Therefore, you will be exposed to any movement in the market price of the worst performing asset on the expiry date during the period between the expiry date and the settlement date, which will be three business days (subject to the occurrence of a settlement disruption event). If you choose not to realise your holding of such worst performing asset on the settlement date, you will be exposed to the risk associated with the holding of such worst performing asset.**

- You should note that your payout under the Basket US PPR Investments will be reduced by any cash settlement expenses or physical settlement expenses and any distributor's charges payable on settlement of the Basket US PPR Investments.
- To help you understand how the final settlement payout is determined, we have included several hypothetical examples on pages 62 to 81 of this product booklet. We have also included on pages 93 to 97 of this product booklet a flowchart description to help you understand how our Basket US PPR Investments work.

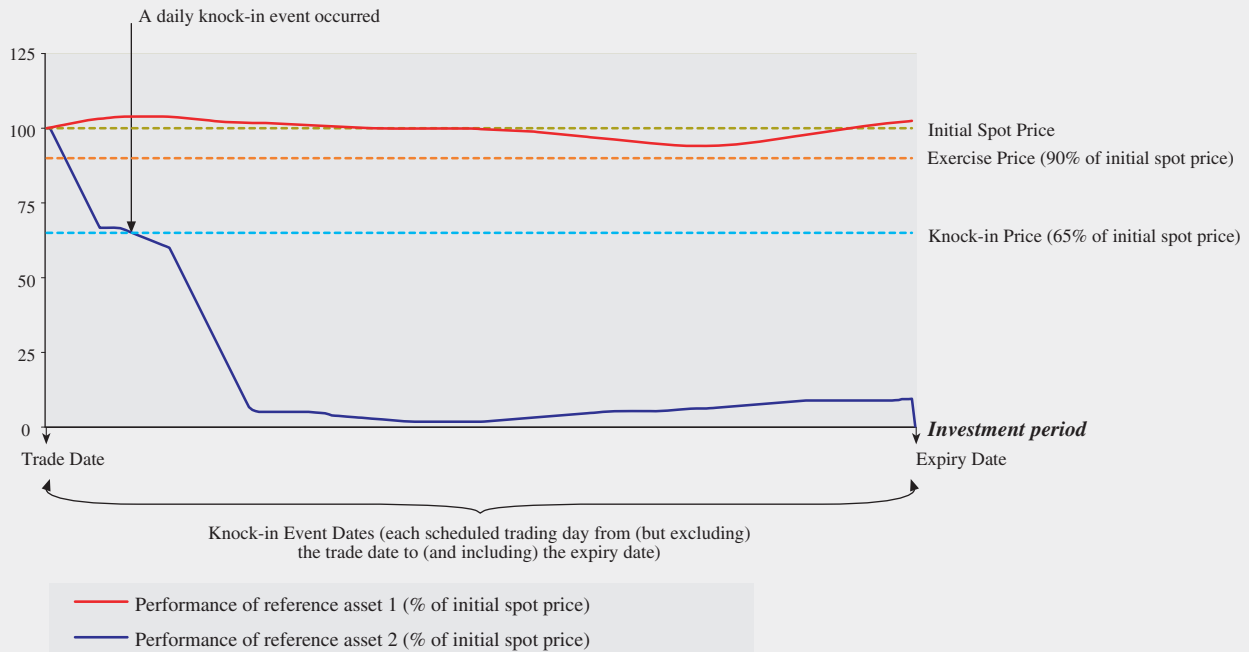


## Worst Case Scenario

*The hypothetical example below does not reflect a complete analysis of all possible gain or loss scenarios. You must not rely on it as an indication of the price performance of the reference assets in the basket or the payout on the Basket US PPR Investments.*

The example below illustrates the worst case scenario where the worst performing asset in a basket of two reference assets performs poorly during the investment period of the Basket US PPR Investments.

Performance of reference assets (%)



### At Expiry: Daily Knock-in Event Occurred

As shown in the above diagram, as the worst performing asset (i.e. reference asset 2) has closed at or below its knock-in price on a knock-in event date, a daily knock-in event has occurred. Since the worst performing asset on the expiry date has also closed below its exercise price, you will receive on the settlement date either (i) the physical settlement amount, which is a number of shares of the worst performing asset on the expiry date and (if applicable) a cash payment in the settlement currency for any fractional shares of such worst performing asset, if physical settlement is applicable or (ii) payment of the cash equivalent of the physical settlement amount, if cash settlement is applicable.

**In either case, you will suffer a loss as you will not receive any potential performance return on the settlement date and the market value of the physical settlement amount (based on the closing price of the worst performing asset on the expiry date) or the cash equivalent of the physical settlement amount will be less than the initial investment amount. In an extreme case, the physical settlement amount or the cash equivalent of the physical settlement amount could be worth nothing and you could lose 100% of your initial investment amount.**

Please also refer to the section headed “Hypothetical Examples for Basket US PPR Investments With Daily Knock-In Feature” on pages 62 to 81 of this product booklet for more illustrative examples of how the Basket US PPR Investments with knock-in feature work.

### Election for Cash or Physical Settlement at Expiry

When you place your purchase order for the Basket US PPR Investments, you will need to elect for cash settlement or physical settlement in the case where a daily knock-in event has occurred and the closing price of the worst performing asset on the expiry date is below its exercise price. You can change your election at any time by no later than 4:00 p.m. three Hong Kong business days before the expiry date. Please ask your distributor for details. If you fail to elect for cash settlement or physical settlement, physical settlement will apply.

## Adjustment and Disruption Events affecting our Basket US PPR Investments

Upon the occurrence of a potential adjustment event or certain extraordinary unforeseeable events (such as a merger event or a tender offer) affecting a reference asset or an issuer of a reference asset in the basket, we can adjust some of the terms and conditions of our Basket US PPR Investments to account for that event to preserve the economic equivalence of the Basket US PPR Investments. If we determine that any such adjustments is not able to preserve the economic equivalence of the Basket US PPR Investments, we will seek to substitute the affected reference asset with another reference asset which meets certain criteria. If substitution is not appropriate, or the performance of our obligations under the Basket US PPR Investments has become illegal or impracticable for any reason beyond our control, we will early terminate our Basket US PPR Investments. If certain market disruption events occur, we may postpone some of the key dates relevant to the terms of our Basket US PPR Investments.

Please refer to the summary table on pages 82 to 92 of this product booklet for further details.

## What charges do you have to pay?

- **Cash settlement expenses** if applicable, will be deducted from the nominal amount or the cash equivalent of the physical settlement amount (as the case may be) you may receive. Currently, no cash settlement expenses are payable.
- **Physical settlement expenses** are out-of-pocket expenses relating to the transfer and receipt of the physical settlement amount (including, subject to prevailing laws and regulations, buyer's stamp duty, levies, registration charges and other charges levied by your distributor). Currently, no physical settlement expenses (including stamp duty or other applicable charges) are payable.
- **Distributor's charges.** Please contact your distributor for details of any charges you need to pay if you buy our Basket US PPR Investments from your distributor.

**You should note that any cash settlement expenses, physical settlement expenses and distributor's charges will affect the potential gain or loss on your investment.**

## How can you buy the Basket US PPR Investments?

If you would like to buy our Basket US PPR Investments, you can contact the appointed distributor(s) to enquire about the range of Basket US PPR Investments we offer and the application procedures. Please note that you can only buy our Basket US PPR Investments from distributor(s) with which you can open a US securities account and must maintain such US securities account throughout the tenor of the Basket US PPR Investments in order to receive the physical settlement amount in the case where physical settlement is applicable. Please also refer to the sub-section headed "How Can You Buy the Basket US PPR Investments?" on page 121 of this product booklet for further details.

## Is there a post-sale cooling-off period for our Basket US PPR Investments?

If you have purchased a Basket US PPR Investment with an investment period of more than one year, you can cancel or unwind (as the case may be) the whole (but not part) of your purchase order during the period from (and including) the date you place your purchase order to (and including) the fifth Hong Kong business day after the order date (this period is referred to as the "post-sale cooling-off period").

If you submit your instructions to cancel your purchase order to your distributor before your purchase order is executed on the trade date, the issue price will not be deducted from your designated cash account on the issue date. If you submit your instructions to unwind your purchase order to your distributor on or after the trade date after your purchase order is executed, the issue price will be deducted from your designated cash account on the issue date and we will return to you the mandatory buy back price. **The mandatory buy back price is capped at the issue price and may be substantially less than the issue price you paid for each Basket US PPR Investment.**

No distributor's commission will be chargeable but your distributor may charge you a handling fee when you cancel or unwind your purchase order. Please check with your distributor for further details.

**Please note that the post-sale cooling-off period is not applicable to Basket US PPR Investments with an investment period of one year or less.** Please refer to pages 122 to 123 for further details.

## **Is there any market making arrangement for our Basket US PPR Investments before expiry?**

We (as market agent) will provide limited market making arrangements for all our Basket US PPR Investments on each market making day falling every other Tuesday after the issue date up to the third business day before the expiry date. On each market making day, we (as market agent) will make available to you (via your distributor(s)) indicative bid prices (on a per-Basket US PPR Investment basis) during normal business hours in Hong Kong if you submit your request for such prices to your distributor between 10:00 a.m. and 4:00 p.m. (Hong Kong time) on such market making day. The indicative bid prices are provided for your reference only. If you decide to sell your Basket US PPR Investments back to us, you can place a limit sell back order with your distributor specifying your proposed sell back price (being the limit order price) and the amount of the Basket US PPR Investments that you intend to sell between 10:00 a.m. and 5:00 p.m. (Hong Kong time) on such market making day.

Your limit sell back order is only valid during the trading hours of the relevant US exchange on the market making day that you have placed such order. We will seek to execute your limit sell back order during the trading hours of the relevant US exchange on such market making day. Your limit sell back order will not be executed if the prevailing price of the Basket US PPR Investments is below your limit order price throughout the trading hours of the relevant US exchange on such market making day, in which case your limit sell back order will lapse and you will need to place a new limit sell back order during business hours in Hong Kong on the next market making day if you still want to sell back your Basket US PPR Investments. Your distributor will notify you whether your limit sell back order was executed, and if so, the actual price at which your limit sell back order was executed, before 12:00 p.m. (Hong Kong time) on the business day immediately following the market making day that you have placed such order.

**The actual price at which you sell your Basket US PPR Investments to us on a market making day may be substantially less than the issue price. Your distributor may also charge you a fee when you sell your Basket US PPR Investments back to us on a market making day and such fees will reduce the amount you receive when you sell your Basket US PPR Investments back to us before expiry.**

**Please also note that market making arrangements may not be available on a scheduled market making day if certain events occur.**

Please refer to pages 124 to 127 for further details.

## **Additional Information**

### **A. Basket US PPR Investment offering documents**

**The following Basket US PPR Investment offering documents contain detailed information about HSBC as issuer and product arranger, the Programme and the Basket US PPR Investments. You should read all of these documents before deciding whether to invest in our Basket US PPR Investments:**

- (i) the relevant indicative term sheet for the series of the Basket US PPR Investments you would like to buy;
- (ii) the programme memorandum dated 24 July 2023 together with any addendum as stated in the relevant indicative term sheet;
- (iii) the financial disclosure document together with any addendum as stated in the relevant indicative term sheet; and
- (iv) this product booklet together with any addendum as stated in the relevant indicative term sheet.

**The distributor(s) has an obligation to distribute to you ALL of the above documents in English or Chinese as you may prefer.**

### **B. Information of the reference assets**

You may refer to the section headed “Information relating to the Shares” in the relevant term sheet for information about the reference assets.

You may obtain the historical stock price and the latest stock price information of the reference assets on the website of the relevant US exchange as specified in the relevant term sheet.

We will also make available news feeds regarding updated information of the reference assets in English and Chinese via a designated online platform as specified in the relevant term sheet – please ask your distributor for details. Such information is not reviewed by the SFC.

**C. Ongoing disclosure by HSBC**

HSBC will keep the SFC and the distributor(s) informed as soon as reasonably practicable if (a) HSBC (as issuer) ceases to meet any eligibility requirements of the Code; (b) HSBC (as product arranger) ceases to meet any eligibility requirements of the Code; and (c) to the extent permitted by any applicable law, changes in our financial condition or other circumstances which could reasonably be expected to have a material adverse effect on our ability (as issuer) to fulfil our commitment in connection with our Basket US PPR Investments. Your distributor will in turn inform you. Please contact your distributor for further details.

If you would like to enquire about our Basket US PPR Investments, visit any designated branches of the appointed distributor(s) for the Basket US PPR Investments.

## Key Facts Statement (C)

### Non-Principal Protected Unlisted Potential Performance Return Equity Linked Investments Linked to a Basket of U.S. Securities (Basket US PPR Investments) with At-Expiry Knock-in Feature

issued by

**The Hongkong and Shanghai Banking Corporation Limited (HSBC)**

*We may issue three variations of Basket US PPR Investments. This key facts statement provides you with the key information about one variation of Basket US PPR Investments that we may issue: Basket US PPR Investments with at-expiry knock-in.*

*This key facts statement does not contain all the information that may be important to you as an investor in our Basket US PPR Investments and your investment decision should not be made solely on the basis of the information contained in this key facts statement. You should read the remaining sections of this product booklet (in particular, the section headed "Risk Warnings") and the other Basket US PPR Investment offering documents before deciding whether to invest in our Basket US PPR Investments. If you are in any doubt about any of the contents of the Basket US PPR Investment offering documents, you should obtain independent professional advice.*

#### IMPORTANT RISK WARNINGS

- **Structured investment product**  
Our Basket US PPR Investments are NOT equivalent to time deposits and are NOT protected deposits for the purposes of the Deposit Protection Scheme. They are structured investment products embedded with derivatives.
- **Not principal protected**  
Our Basket US PPR Investments are not principal protected: **you could lose all of your investment.**
- **You may not receive any potential performance return**  
The potential performance return will only be paid if the closing price of the worst performing asset on the expiry date is at or above its initial spot price or its exercise price (as applicable). If such condition is not met, you will not receive the potential performance return. **It is possible that you may not receive any potential performance return for the entire scheduled tenor of the Basket US PPR Investments.**
- **Potential payout determined by the worst performing asset**  
The potential payout under our Basket US PPR Investments is linked to the performance of the worst performing asset in the basket on the expiry date (determined by us based on the closing price of each reference asset in the basket on such day). It will not matter how well the other reference assets in the basket perform: the potential payout on our Basket US PPR Investments is always determined by the reference asset which performs worst out of all the reference assets in the basket on the expiry date.
- **No collateral**  
Our Basket US PPR Investments are not secured on any of our assets or any collateral.
- **Limited market making arrangements are available and you may suffer a loss if you sell your Basket US PPR Investments before expiry**  
Our Basket US PPR Investments are designed to be held to their settlement date. Limited market making arrangements are available on a bi-weekly basis for all our Basket US PPR Investments. If you try to sell your Basket US PPR Investments before expiry, the amount you receive for each Basket US PPR Investment may be substantially less than the issue price you paid for each Basket US PPR Investment. You may only place a limit sell back order during normal business hours in Hong Kong between 10:00 a.m. to 5:00 p.m. on a market making day, and your limit sell back order may only be executed during the trading hours of the relevant US exchange(s) in New York, which opens after the normal business hours in Hong Kong. Your limit sell back order will not be executed if (i) the relevant US exchange(s) fails to open for trading during its regular trading session on such day; or (ii) the relevant Basket US PPR Investment is affected by market disruption events on such day; or (iii) the prevailing price of the relevant Basket US PPR Investment is below the limit sell back order price of your limit sell back order throughout the trading hours of the relevant US exchange on such day. In addition, we may not be able to accept any limit sell back order on a Hong Kong business day if (a) the relevant US exchange(s) in New York is not scheduled to be open for trading on such day, or (b) the Basket US PPR Investment is affected by market disruption events on the immediately preceding day on which the relevant US exchange(s) in New York is scheduled to be open for trading, or (c) we experience any technical problems on such day. We will also not be able to accept any limit sell back order on a day that is not a Hong Kong business day, notwithstanding that the relevant US exchange(s) in New York is scheduled to be open for trading on such day.



- **Not the same as investing in the reference assets**  
Investing in our Basket US PPR Investments is not the same as investing in the reference assets. Changes in the market price of the reference assets may not lead to a corresponding change in the market value of, or your potential payout under, the Basket US PPR Investments.
- **Not covered by Investor Compensation Fund**  
Our Basket US PPR Investments are not listed on any stock exchange and are not covered by the Investor Compensation Fund.
- **Maximum loss upon HSBC's default or insolvency**  
Our Basket US PPR Investments constitute general, unsecured and unsubordinated contractual obligations of HSBC as issuer and of no other person (including the ultimate holding company of our group, HSBC Holdings plc). When you buy our Basket US PPR Investments, you will be relying on HSBC's creditworthiness. If HSBC becomes insolvent or defaults on its obligations under the Basket US PPR Investments, in the worst case scenario, **you could lose all of your investment.**
- **English version of the terms and conditions prevails over Chinese version**  
The global certificate representing a series of Basket US PPR Investments and the terms and conditions of the Basket US PPR Investments are issued in the English language only for the purposes of lodgement with the relevant clearing system(s). If there is any inconsistency between the Chinese version of the terms and conditions of our Basket US PPR Investments and the English version, the English version will prevail over the Chinese version. If you do not understand the English version, you should obtain independent professional advice.
- **You will be exposed to risk associated with our Basket US PPR Investments from the trade date**  
As all the commercial variables of our Basket US PPR Investments are determined on the trade date, you will be exposed to risk associated with our Basket US PPR Investments and the price movement of the reference assets in the basket from the trade date which may affect the market value and the potential payout of the Basket US PPR Investments.
- **Conflicts of interest**  
We and our subsidiaries may engage in transactions involving the reference assets in the basket which may have a negative impact on the market value and the potential payout of our Basket US PPR Investments. We (HSBC) may act in different capacities in respect of the Basket US PPR Investments which may lead to potential and actual conflicts of interest. Our economic interests in each capacity may be adverse to your interests in our Basket US PPR Investments.
- **You do not have direct contractual rights to enforce our Basket US PPR Investments against us as issuer**  
You do not have direct contractual rights to enforce our Basket US PPR Investments against us as issuer. To assert your rights as an investor in our Basket US PPR Investments, you will have to rely on your distributor (directly or indirectly via its custodian) to take action on your behalf. If your distributor or its custodian fails to take action against us on your behalf, you may only have a claim as an unsecured creditor of such distributor, its custodian or us as the issuer. In the worst case scenario, **you could lose all your investment.**
- **Risks relating to difference in trading days and hours and the implications on our ability to execute any limit sell back order**  
Trading in each reference asset on the relevant US exchange will be executed during the trading hours of the relevant US exchange as specified in the relevant term sheet, which is located in New York and opens after normal business hours in Hong Kong. You should be aware of the trading hour and time zone difference (including summer time and winter time) between Hong Kong and New York in assessing the trading prices of the reference assets, and the extended time lag between (i) the placement of a limit sell back order during normal business hours in Hong Kong between 10:00 a.m. and 5:00 p.m. on a market making day and (ii) the execution of such order during the trading hours of the relevant US exchange in New York. The trading price of each reference asset may be volatile in response to the market movement during the trading hours on the relevant US exchange in New York during which you will not be able to place any new order to sell back the Basket US PPR Investments or to cancel, unwind, withdraw or adjust your placed order pursuant to the market making arrangements. Your limit sell back order placed during normal business hours in Hong Kong between 10:00 a.m. and 5:00 p.m. on a market making day will not be executed if the prevailing price of the Basket US PPR Investments is below your limit sell back order price throughout the trading hours of the relevant US exchange. Once your limit sell back order is executed (at the price which is at or above your limit order price but which may not be the best available price during the trading hours of the relevant US exchange), you will lose the opportunity to benefit from any upside. Your limit sell back order is only valid during the trading hours of the relevant US exchange as specified in the relevant term sheet on the market making day that you have placed such order.
- **Certain information about the reference assets may only be available in English**  
You should note that certain information about the reference assets may only be available in English on a real time basis. If you are not proficient in English, you should consider whether an investment in our Basket US PPR Investments is suitable to you, and obtain independent advice where necessary.

- **Reliance on a designated online platform in providing information about the reference assets**  
We will make available news feeds regarding updated information of the reference assets (in English and Chinese) via a designated online platform specified in the relevant term sheet which is accessible via computer or mobile device. Such news feeds will be provided by our external data provider and may not be available on a real time basis. Further, their availability may be interrupted or suspended due to such external data provider's technical and systematic failures, in which case the availability of such news feeds may be delayed or suspended. In addition, you should note that the online platform may be interrupted or suspended due to our technical and systematic failures, in which case you may not be able to have access to such news feeds.
- **United States taxation risk**  
As discussed in more detail under the sections headed "Are our Basket US PPR Investments subject to U.S. Foreign Account Tax Compliance Act Withholding Tax?" on pages 128 to 130 of this product booklet and "Are our Basket US PPR Investments subject to Section 871(m) Withholding Tax?" on pages 130 to 131 of this product booklet, we generally expect that our Basket US PPR Investments will not be subject to Section 871(m) or FATCA withholding tax.  
  
Notwithstanding that we have determined that payments made under the Basket US PPR Investments do not constitute "dividend equivalents" and should not be subject to withholding tax under Section 871(m) of the U.S. Internal Revenue Code of 1986, as amended, these rules are complex and their application may depend in part on your particular circumstances, including whether you enter into other transactions with respect to the underlying U.S. stock. In addition, the U.S. Internal Revenue Service may successfully argue that payments made on the Basket US PPR Investments are treated as "dividend equivalents", notwithstanding our determination to the contrary.  
  
In addition, as discussed in more detail under the sections headed "Are our Basket US PPR Investments subject to U.S. Foreign Account Tax Compliance Act Withholding Tax?" on pages 128 to 130 of this product booklet, it is possible that the U.S. Internal Revenue Service could assert that our Basket US PPR Investments could be deemed to be reissued for U.S. federal income tax purposes upon modification or adjustment to the terms of our Basket US PPR Investments or the reference stock that is referenced by our Basket US PPR Investments. Such a deemed reissuance could subject payments made to a non-U.S. investor on our Basket US PPR Investments to a withholding tax at a rate of up to 30% under Section 871(m) or FATCA.  
  
You are urged to consult with your own independent tax advisor regarding the possible implications of Section 871(m) and FATCA on your investment in our Basket US PPR Investments.
- **Additional risk warnings applicable to our Renminbi-denominated Basket US PPR Investments**  
Our Renminbi-denominated Basket US PPR Investments will be settled in Renminbi outside the PRC. Renminbi is not freely convertible and is subject to PRC exchange control policies and restrictions. Various factors may affect the market value, and the potential return, of our Renminbi-denominated Basket US PPR Investments, including: (i) the limited availability and liquidity of Renminbi outside the PRC; (ii) any Renminbi exchange rate fluctuation; and (iii) any fluctuation in interest rates for Renminbi outside the PRC.  
  
If the settlement currency is Renminbi and a CNY disruption event occurs, we will settle any payment obligations in Hong Kong dollars on a postponed payment date and no interest will be payable for any such delay.

## **Commissions:**

We may pay a commission to the distributor(s). Distributor(s)' commissions and other transaction costs including our cost of hedging are factored into the pricing of the Basket US PPR Investments.

## **What are Basket US PPR Investments with At-Expiry Knock-in?**

### **A. Overview**

- Basket US PPR Investments are structured investment products which contain a series of embedded options including an embedded **conditional put option** over the reference assets in the basket. If certain conditions are met, you will be obliged to buy the worst performing asset on the expiry date from us at its exercise price (as further described in the sub-section headed "C. At Expiry" on pages 26 to 28 of this product booklet).
- Payout under the Basket US PPR Investments is linked to the price performance of the worst performing asset in the basket on the expiry date. The basket of reference assets may comprise a minimum of two and a maximum of six reference assets, which can be shares in companies listed on an US exchange (being either The New York Stock Exchange or The NASDAQ Stock Market as specified in the relevant term sheet) and traded in United States and quoted in United States dollars as the underlying currency. Not all shares listed on an US exchange can be used as a reference asset – please ask your distributor what kind of reference assets are available.

- Our Basket US PPR Investments will be denominated and settled in Hong Kong dollars, United States dollars or other non-restricted and freely convertible currencies or Renminbi as specified in the relevant term sheet. If the settlement currency of the Basket US PPR Investments is different from the worst performing asset currency, we will convert the settlement currency into the worst performing asset currency (or vice versa) at the exchange rate as specified in the relevant term sheet in making calculations under the Basket US PPR Investments (if applicable).
- You can buy a Basket US PPR Investment at its issue price (as specified in the relevant term sheet), which is equal to or below the nominal amount of the Basket US PPR Investment as specified in the relevant term sheet. The minimum investment amount is USD10,000 (or its equivalent in foreign currency).
- The key features of our Basket US PPR Investments with at-expiry knock-in are set out below:

**A. Potential Performance Return**

May receive a potential performance return upon expiry if certain conditions are met

**B. Knock-in Event**

At-expiry knock-in event applies

- You should note that while you place your purchase order(s) during the offer period, all of the commercial variables in relation to the reference assets (including the initial spot prices, the exercise prices and the knock-in prices of the reference assets) that are used to determine the payout of your Basket US PPR Investment will only be recorded and determined on the trade date after you have purchased the Basket US PPR Investment.
- The initial spot price of a reference asset is set as either (i) the opening price of that reference asset on the relevant US exchange on the trade date or (ii) the price of that reference asset as agreed between you (via your distributor) and us at the time your purchase order for the Basket US PPR Investments is placed.

**B. How to determine the worst performing asset?**

- The price performance of the worst performing asset in the basket on the expiry date will determine the total payout under our Basket US PPR Investments.

The reference asset in the basket with the lowest “performance” on the expiry date will be the worst performing asset for such day. We will use the following formula to determine the “performance” for each reference asset on the expiry date:

$$\text{Performance} = \frac{\text{Closing price of the reference asset on the expiry date}}{\text{Initial spot price of the reference asset}} \times 100\%$$

If there is more than one reference asset with the same lowest “performance” on the expiry date, we will, in our sole and absolute discretion, acting in good faith and in a commercially reasonable manner, decide which one is the worst performing asset for such day.

**C. At Expiry**

- If the Basket US PPR Investments have not been early terminated due to an extraordinary unforeseeable event, we will determine the final settlement payout on the expiry date. The final settlement payout for the Basket US PPR Investments with at-expiry knock-in feature will depend on:
  - (i) whether an at-expiry knock-in event has occurred. An at-expiry knock-in event occurs if the closing price of the worst performing asset is **at or below** its knock-in price on the knock-in event date, which is set as the expiry date. The knock-in price of each reference asset is set at a specified percentage of its initial spot price and will be set out in the relevant term sheet. The specified percentage used to calculate the knock-in price of each reference asset on the knock-in event date will be the same. The knock-in price will always be set at a level which is lower than the exercise price; and
  - (ii) the closing price of the worst performing asset on the expiry date compared to either (i) its initial spot price or (ii) its exercise price. The benchmark used to determine the final settlement payout will be stated in the relevant final term sheet.

a) *If the initial spot price of the worst performing asset is used as a benchmark to determine the final settlement payout:*

- (1) If the closing price of the worst performing asset on the expiry date is **at or above** its initial spot price, we will pay you on the settlement date (being the third business day after the expiry date) a cash amount equal to the nominal amount of the Basket US PPR Investments **plus** the potential performance return.

The potential performance return will be calculated according to the following formula:

|                          |
|--------------------------|
| Nominal amount x Return* |
|--------------------------|

\* The return is the higher of:

- (i) the floor rate as set out in the relevant term sheet; and
- (ii) the rate calculated according to the following formula:

$$\left( \frac{\text{Closing price of the worst performing asset on the expiry date}}{\text{Initial spot price of the worst performing asset on the expiry date}} - 1 \right) \times \text{participation rate}$$

The participation rate will be a percentage as set out in the relevant term sheet and may be set at 100%, above 100% or below 100%. You should note that where the participation rate is set at a percentage which is below 100%, the rate calculated according to the formula under (ii) above will be lower than the actual performance of the worst performing asset on the expiry date compared to its initial spot price.

The potential performance return will only be paid if the closing price of the worst performing asset on the expiry date is **at or above** its initial spot price. If such condition is not met, you will not receive the potential performance return. **It is possible that you may not receive any potential performance return for the entire scheduled tenor of the Basket US PPR Investments.**

- (2) If the closing price of the worst performing asset on the expiry date is **below** its initial spot price but an at-expiry knock-in event **has not occurred**, we will pay you on the settlement date a cash amount equal to the nominal amount of the Basket US PPR Investments.
- (3) If an at-expiry knock-in event **has occurred**, the conditional put option will be exercised by us on the expiry date and you will receive on the settlement date either:
- (i) if physical settlement is applicable – the physical settlement amount, which is a number of shares of the worst performing asset on the expiry date and (if applicable) a cash payment in the settlement currency for any fractional shares of the worst performing asset on the expiry date; or
  - (ii) if cash settlement is applicable – payment of an amount in the settlement currency equal to the cash equivalent of the physical settlement amount.

b) *If the exercise price of the worst performing asset is used as a benchmark to determine the final settlement payout:*

- (1) If the closing price of the worst performing asset on the expiry date is **at or above** its exercise price, we will pay you on the settlement date a cash amount equal to the nominal amount of the Basket US PPR Investments **plus** the potential performance return.

The potential performance return will be calculated according to the following formula:

|                          |
|--------------------------|
| Nominal amount x Return* |
|--------------------------|

\* The return is the higher of:

- (i) the floor rate as set out in the relevant term sheet; and
- (ii) the rate calculated according to the following formula:

$$\left( \frac{\text{Closing price of the worst performing asset on the expiry date}}{\text{Initial spot price of the worst performing asset on the expiry date}} - 1 \right) \times \text{participation rate}$$

The participation rate will be a percentage as set out in the relevant term sheet and may be set at 100%, above 100% or below 100%. You should note that where the participation rate is set at a percentage which is below 100%, the rate calculated according to the formula under (ii) above will be lower than the actual performance of the worst performing asset on the expiry date compared to its initial spot price.

The potential performance return will only be paid if the closing price of the worst performing asset on the expiry date is **at or above** its exercise price. If such condition is not met, you will not receive the potential performance return. **It is possible that you may not receive any potential performance return for the entire scheduled tenor of the Basket US PPR Investments.**

- (2) If the closing price of the worst performing asset on the expiry date is **below** its exercise price and an at-expiry knock-in event **has not occurred**, we will pay you on the settlement date a cash amount equal to the nominal amount of the Basket US PPR Investments.
- (3) If an at-expiry knock-in event **has occurred**, the conditional put option will be exercised by us on the expiry date and you will receive on the settlement date either:
  - (i) if physical settlement is applicable – the physical settlement amount, which is a number of shares of the worst performing asset on the expiry date and (if applicable) a cash payment in the settlement currency for any fractional shares of the worst performing asset on the expiry date; or
  - (ii) if cash settlement is applicable – payment of an amount in the settlement currency equal to the cash equivalent of the physical settlement amount.

**You should note that where the conditional put option is exercised by us, you will be obliged to buy the worst performing asset on the expiry date from us at its exercise price. In this case, you will suffer a *loss* as the market value of the physical settlement amount (based on the closing price of the worst performing asset on the expiry date) or the cash equivalent of the physical settlement amount is less than the initial investment amount. In an extreme case, the physical settlement amount or the cash equivalent of the physical settlement amount could be worth nothing and you could lose 100% of your initial investment amount.**

You should also note that if physical settlement is applicable, the physical settlement amount will only be delivered to you on the settlement date, subject to the occurrence of a settlement disruption event. Therefore, you will be exposed to any movement in the market price of the worst performing asset on the expiry date during the period between the expiry date and the settlement date, which will be three business days (subject to the occurrence of a settlement disruption event). If you choose not to realise your holding of such worst performing asset on the settlement date, you will be exposed to the risk associated with the holding of such worst performing asset.

- You should note that your payout under the Basket US PPR Investments will be reduced by any cash settlement expenses or physical settlement expenses and any distributor's charges payable on settlement of the Basket US PPR Investments.
- To help you understand how the final settlement payout are determined, we have included several hypothetical examples on pages 62 to 81 of this product booklet. We have also included on pages 93 to 97 of this product booklet a flowchart description to help you understand how our Basket US PPR Investments work.

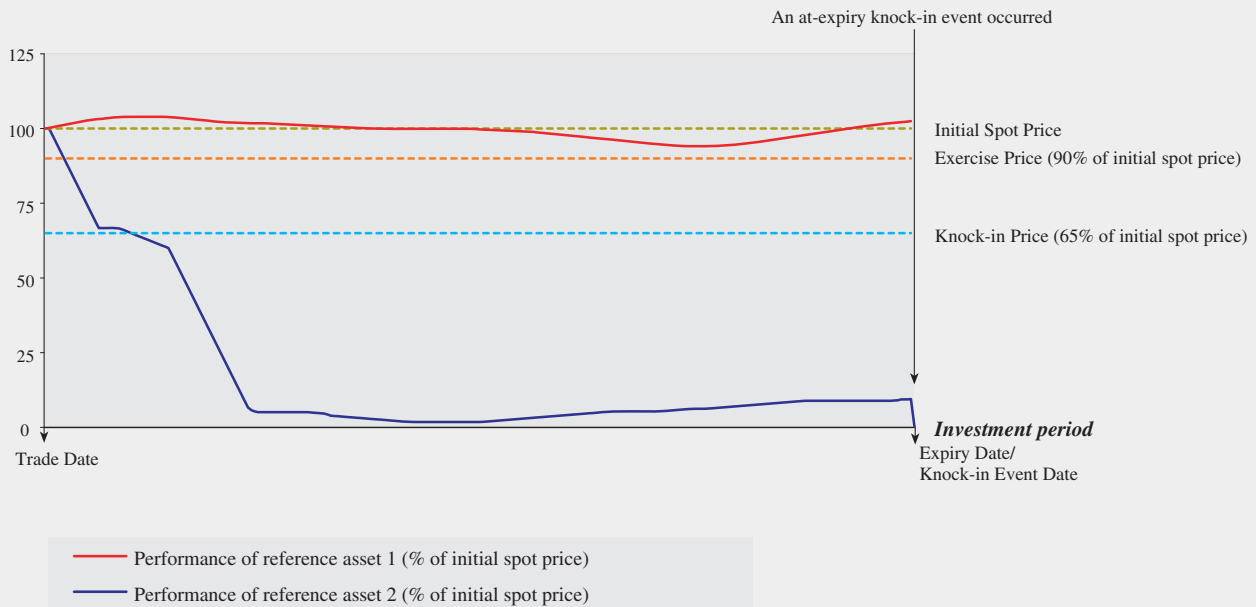


## Worst Case Scenario

*The hypothetical example below does not reflect a complete analysis of all possible gain or loss scenarios. You must not rely on it as an indication of the price performance of the reference assets in the basket or the payout on the Basket US PPR Investments.*

The example below illustrates the worst case scenario where the worst performing asset in a basket of two reference assets performs poorly on the expiry date.

Performance of reference assets (%)



### At Expiry: At-expiry Knock-in Event Occurred

As shown in the above diagram, as the worst performing asset (i.e. reference asset 2) has closed below its knock-in price on the knock-in event date (i.e. the expiry date), an at-expiry knock-in event has occurred. You will receive on the settlement date either (i) the physical settlement amount, which is a number of shares of the worst performing asset on the expiry date and (if applicable) a cash payment in the settlement currency for any fractional shares of such worst performing asset, if physical settlement is applicable or (ii) payment of the cash equivalent of the physical settlement amount, if cash settlement is applicable.

**In either case, you will suffer a loss as you will not receive any potential performance return on the settlement date and the market value of the physical settlement amount (based on the closing price of the worst performing asset on the expiry date) or the cash equivalent of the physical settlement amount will be less than the initial investment amount. In an extreme case, the physical settlement amount or the cash equivalent of the physical settlement amount could be worth nothing and you could lose 100% of your initial investment amount.**

Please also refer to the section headed “Hypothetical Examples for Basket US PPR Investments With Daily Knock-In Feature” on pages 62 to 81 of this product booklet for more illustrative examples of how the Basket US PPR Investments with knock-in feature work.

## Election for Cash or Physical Settlement at Expiry

When you place your purchase order for the Basket US PPR Investments, you will need to elect for cash settlement or physical settlement in the case where an at-expiry knock-in event has occurred. You can change your election at any time by no later than 4:00 p.m. three Hong Kong business days before the expiry date. Please ask your distributor for details. If you fail to elect for cash settlement or physical settlement, physical settlement will apply.

## Adjustment and Disruption Events affecting our Basket US PPR Investments

Upon the occurrence of a potential adjustment event or certain extraordinary unforeseeable events (such as a merger event or a tender offer) affecting a reference asset or an issuer of a reference asset in the basket, we can adjust some of the terms and conditions of our Basket US PPR Investments to account for that event to preserve the economic equivalence of the Basket US PPR Investments. If we determine that any such adjustments is not able to preserve the economic equivalence of the Basket US PPR Investments, we will seek to substitute the affected reference asset with another reference asset which meets certain criteria. If substitution is not appropriate, or the performance of our obligations under the Basket US PPR Investments has become illegal or impracticable for any reason beyond our control, we will early terminate our Basket US PPR Investments. If certain market disruption events occur, we may postpone some of the key dates relevant to the terms of our Basket US PPR Investments.

Please refer to the summary table on pages 82 to 92 of this product booklet for further details.

## What charges do you have to pay?

- **Cash settlement expenses** if applicable, will be deducted from the nominal amount or the cash equivalent of the physical settlement amount (as the case may be) you may receive. Currently, no cash settlement expenses are payable.
- **Physical settlement expenses** are out-of-pocket expenses relating to the transfer and receipt of the physical settlement amount (including, subject to prevailing laws and regulations, buyer's stamp duty, levies, registration charges and other charges levied by your distributor). Currently, no physical settlement expenses (including stamp duty or other applicable charges) are payable.
- **Distributor's charges.** Please contact your distributor for details of any charges you need to pay if you buy our Basket US PPR Investments from your distributor.

**You should note that any cash settlement expenses, physical settlement expenses and distributor's charges will affect the potential gain or loss on your investment.**

## How can you buy the Basket US PPR Investments?

If you would like to buy our Basket US PPR Investments, you can contact the appointed distributor(s) to enquire about the range of Basket US PPR Investments we offer and the application procedures. Please note that you can only buy our Basket US PPR Investments from distributor(s) with which you can open a US securities account and must maintain such US securities account throughout the tenor of the Basket US PPR Investments in order to receive the physical settlement amount in the case where physical settlement is applicable. Please also refer to the sub-section headed "How Can You Buy the Basket US PPR Investments?" on page 121 of this product booklet for further details.

## Is there a post-sale cooling-off period for our Basket US PPR Investments?

If you have purchased a Basket US PPR Investment with an investment period of more than one year, you can cancel or unwind (as the case may be) the whole (but not part) of your purchase order during the period from (and including) the date you place your purchase order to (and including) the fifth Hong Kong business day after the order date (this period is referred to as the "**post-sale cooling-off period**").

If you submit your instructions to cancel your purchase order to your distributor before your purchase order is executed on the trade date, the issue price will not be deducted from your designated cash account on the issue date. If you submit your instructions to unwind your purchase order to your distributor on or after the trade date after your purchase order is executed, the issue price will be deducted from your designated cash account on the issue date and we will return to you the mandatory buy back price. **The mandatory buy back price is capped at the issue price and may be substantially less than the issue price you paid for each Basket US PPR Investment.**

No distributor's commission will be chargeable but your distributor may charge you a handling fee when you cancel or unwind your purchase order. Please check with your distributor for further details.

**Please note that the post-sale cooling-off period is not applicable to Basket US PPR Investments with an investment period of one year or less.** Please refer to pages 122 to 123 for further details.

## **Is there any market making arrangement for our Basket US PPR Investments before expiry?**

We (as market agent) will provide limited market making arrangements for all our Basket US PPR Investments on each market making day falling every other Tuesday after the issue date up to the third business day before the expiry date. On each market making day, we (as market agent) will make available to you (via your distributor(s)) indicative bid prices (on a per-Basket US PPR Investment basis) during normal business hours in Hong Kong if you submit your request for such prices to your distributor between 10:00 a.m. and 4:00 p.m. (Hong Kong time) on such market making day. The indicative bid prices are provided for your reference only. If you decide to sell your Basket US PPR Investments back to us, you can place a limit sell back order with your distributor specifying your proposed sell back price (being the limit order price) and the amount of the Basket US PPR Investments that you intend to sell between 10:00 a.m. and 5:00 p.m. (Hong Kong time) on such market making day.

Your limit sell back order is only valid during the trading hours of the relevant US exchange on the market making day that you have placed such order. We will seek to execute your limit sell back order during the trading hours of the relevant US exchange on such market making day. Your limit sell back order will not be executed if the prevailing price of the Basket US PPR Investments is below your limit order price throughout the trading hours of the relevant US exchange on such market making day, in which case your limit sell back order will lapse and you will need to place a new limit sell back order during business hours in Hong Kong on the next market making day if you still want to sell back your Basket US PPR Investments. Your distributor will notify you whether your limit sell back order was executed, and if so, the actual price at which your limit sell back order was executed, before 12:00 p.m. (Hong Kong time) on the business day immediately following the market making day that you have placed such order.

**The actual price at which you sell your Basket US PPR Investments to us on a market making day may be substantially less than the issue price. Your distributor may also charge you a fee when you sell your Basket US PPR Investments back to us on a market making day and such fees will reduce the amount you receive when you sell your Basket US PPR Investments back to us before expiry.**

**Please also note that market making arrangements may not be available on a scheduled market making day if certain events occur.**

Please refer to pages 124 to 127 for further details.

## **Additional Information**

### **A. Basket US PPR Investment offering documents**

**The following Basket US PPR Investment offering documents contain detailed information about HSBC as issuer and product arranger, the Programme and the Basket US PPR Investments. You should read all of these documents before deciding whether to invest in our Basket US PPR Investments:**

- (i) the relevant indicative term sheet for the series of the Basket US PPR Investments you would like to buy;
- (ii) the programme memorandum dated 24 July 2023 together with any addendum as stated in the relevant indicative term sheet;
- (iii) the financial disclosure document together with any addendum as stated in the relevant indicative term sheet; and
- (iv) this product booklet together with any addendum as stated in the relevant indicative term sheet.

**The distributor(s) has an obligation to distribute to you ALL of the above documents in English or Chinese as you may prefer.**

### **B. Information of the reference assets**

You may refer to the section headed “Information relating to the Shares” in the relevant term sheet for information about the reference assets.

You may obtain the historical stock price and the latest stock price information of the reference assets on the website of the relevant US exchange as specified in the relevant term sheet.

We will also make available news feeds regarding updated information of the reference assets in English and Chinese via a designated online platform as specified in the relevant term sheet – please ask your distributor for details. Such information is not reviewed by the SFC.

**C. Ongoing disclosure by HSBC**

HSBC will keep the SFC and the distributor(s) informed as soon as reasonably practicable if (a) HSBC (as issuer) ceases to meet any eligibility requirements of the Code; (b) HSBC (as product arranger) ceases to meet any eligibility requirements of the Code; and (c) to the extent permitted by any applicable law, changes in our financial condition or other circumstances which could reasonably be expected to have a material adverse effect on our ability (as issuer) to fulfil our commitment in connection with our Basket US PPR Investments. Your distributor will in turn inform you. Please contact your distributor for further details.

If you would like to enquire about our Basket US PPR Investments, visit any designated branches of the appointed distributor(s) for the Basket US PPR Investments.

## RISK WARNINGS

- **Our Basket US PPR Investments are not principal protected and are not protected deposits: you could lose all of your investment**

Our Basket US PPR Investments are NOT principal protected and are NOT protected deposits for the purposes of the Deposit Protection Scheme in Hong Kong. They are complex products and you should exercise caution in relation to the products. Our Basket US PPR Investments are non-principal protected unlisted structured investment products embedded with derivatives; you may sustain a total loss in your investment. Our Basket US PPR Investments are not equivalent to time deposits.

**The final settlement payout under the Basket US PPR Investments may be a cash amount equal to the nominal amount of the Basket US PPR Investments plus the potential performance return (if applicable) or the physical settlement amount (if the conditional put option is exercised by us and physical settlement is applicable) or the cash equivalent of the physical settlement amount (if the conditional put option is exercised by us and cash settlement is applicable). In the case where the final settlement payout is the physical settlement amount or the cash equivalent of the physical settlement amount, you will suffer a loss as the market value of the physical settlement amount or the cash equivalent of the physical settlement amount which you will receive on the settlement date will be less than your initial investment amount. In an extreme case, the physical settlement amount or the cash equivalent of the physical settlement amount could be worth nothing and you could lose 100% of your initial investment amount.**

You should also note that, if we exercise the conditional put option on the expiry date and physical settlement is applicable, subsequent to the delivery of the physical settlement amount to you, you will be exposed to the risk associated with holding such worst performing asset if you choose not to sell such worst performing asset on the settlement date.

- **You may not receive any potential performance return**

The potential performance return will only be paid if the closing price of the worst performing asset on the expiry date is at or above its initial spot price or its exercise price (as the case may be). If such condition is not met, you will not receive the potential performance return. **It is possible that you may not receive any potential performance return for the entire scheduled tenor of the Basket US PPR Investments.**

- **The potential payout under our Basket US PPR Investments will be determined by the performance of the worst performing asset in the basket**

The potential payout under our Basket US PPR Investments is linked to the performance of the reference asset which performs the worst out of all the reference assets in the basket on the expiry date (in the case where the knock-in event does not apply or the at-expiry knock-in event applies) or on each scheduled trading day during the investment period (in the case where the daily knock-in event applies). The worst performing asset will be determined by us based on the closing price of each reference asset in the basket on the expiry date (in the case where the knock-in event does not apply or the at-expiry knock-in event applies) or on each scheduled trading day during the investment period (in the case where the daily knock-in event applies). In the case where the daily knock-in event applies, the worst performing asset on each relevant scheduled trading day can be different. You could lose all of your investment due to the performance of the worst performing asset, even if the other reference assets in the basket perform well on the expiry date (in the case where the knock-in event does not apply or the at-expiry knock-in event applies) or on each scheduled trading day during the investment period (in the case where the daily knock-in event applies).



- **There will be limited market making arrangements for all our Basket US PPR Investments and you may suffer a loss if you sell your Basket US PPR Investments before expiry**

Our Basket US PPR Investments are designed to be held to their settlement date. You should be prepared to invest your funds for the entire scheduled tenor of the Basket US PPR Investments. There will be limited market making arrangements for all our Basket US PPR Investments (regardless of the length of the investment period and scheduled tenor of the Basket US PPR Investments).

You may only place a limit sell back order during normal business hours in Hong Kong between 10:00 a.m. and 5:00 p.m. (Hong Kong time) on a market making day, and your limit sell back order may only be executed during the trading hours of the relevant US exchange(s) in New York, which opens after the normal business hours in Hong Kong. Your limit sell back order will not be executed if (i) the relevant US exchange(s) fails to open for trading during its regular trading session on such day or (ii) the relevant Basket US PPR Investment is affected by market disruption events (as defined in condition 2(e) of the general terms and conditions of the Basket US PPR Investments as set out in Appendix B to this product booklet) on such day or (iii) the prevailing price of the relevant Basket US PPR Investments is below the limit sell back order price of your limit sell back order throughout the trading hours of the relevant US exchange in New York on such day.

In the case of (i) and (ii), we will notify you (via your distributor) of the occurrence of such event(s) by 12:00 p.m. (Hong Kong time) on the Hong Kong business day immediately following the relevant scheduled market making day. You may request from us (via your distributor) a refreshed indicative bid price before 4:00 p.m. (Hong Kong time) on the next day immediately following the relevant scheduled market making day (i) which is a business day and a scheduled trading day and (ii) where the relevant Basket US PPR Investment is not affected by market disruption events and the relevant US exchange is open for trading during its regular trading session on the scheduled trading day immediately preceding such day (notwithstanding that such day is not originally a market making day). If you elect to place an adjusted limit sell back order, you must inform us (via your distributor) and submit your adjusted limit order price for the amount of Basket US PPR Investments that you intend to sell to us before 5:00 p.m. (Hong Kong time) on the same day. If we do not receive any request from you (via your distributor) by the prescribed timeline, your limit sell back order will lapse. In the case of (iii), your limit sell back order will lapse and you will need to place a new limit sell back order specifying a new limit order price during business hours in Hong Kong on the next market making day if you still want to sell back your Basket US PPR Investments.

In addition, we may not be able to accept any limit sell back order on a Hong Kong business day if (a) the relevant US exchange(s) in New York is not scheduled to be open for trading on such day, or (b) the relevant Basket US PPR Investment is affected by market disruption events on the immediately preceding day on which the relevant US exchange(s) in New York is scheduled to be open for trading, or (c) we experience any technical problems beyond our control affecting our ability to provide an indicative bid price for our Basket US PPR Investments on such day. We will also not be able to accept any limit sell back order on a day that is not a Hong Kong business day, notwithstanding that the relevant US exchange(s) in New York is scheduled to be open for trading on such day. In such cases, we will postpone the relevant market making day to the next business day which is a scheduled trading day on which the relevant US exchange(s) and each related exchange are scheduled to open for trading and the relevant Basket US PPR Investments are not affected by any such events.

**If you try to sell your Basket US PPR Investments before expiry, the amount you receive for each Basket US PPR Investment may be substantially less than the issue price you paid for each Basket US PPR Investment.** Please refer to the section headed “Is there any market making arrangement for your Basket US PPR Investments before Expiry?” on pages 124 to 127 of this product booklet for further details. Also, your distributor may charge you a handling fee if you sell your Basket US PPR Investments back to us on a market making day and such fees or charges will reduce the amount you receive when you sell your Basket US PPR Investments to us before the expiry date. Please contact your distributor for details.

- **Mandatory buy back price you receive for unwinding may be substantially less than the issue price you paid for each Basket US PPR Investment**

If you have purchased a Basket US PPR Investment with an investment period of more than one year and you wish to unwind your purchase order on or after the trade date after your purchase order is executed during the post-sale cooling-off period, we will unwind your purchase order and return to you the mandatory buy back price. **The mandatory buy back price is capped at the issue price and may be substantially less than the issue price you paid for each Basket US PPR Investment as we need to take into account any market value adjustments (the value of which will be determined by us in good faith and in a commercially reasonable manner, and will depend on factors such as market interest rate movements, HSBC's financial condition, the market's view of HSBC's credit quality, the value of the embedded options including the conditional put option and the price performance and price volatility of the reference assets in the basket) and our costs for unwinding the hedging and funding arrangements relating to your Basket US PPR Investments. In addition, your distributor may charge you a handling fee for the cancellation or unwinding of your purchase order and such charge will further increase your loss.** Please refer to page 102 of this product booklet for further details of how the mandatory buy back price is calculated and contact your distributor for details of such handling fee for the cancellation or unwind.

- **Investing in our Basket US PPR Investments is not the same as investing in the reference assets**

Investing in our Basket US PPR Investments is not the same as investing in the reference assets. Changes in the market price of the reference assets may not lead to a corresponding change in the market value of, or your potential payout under, the Basket US PPR Investments.

- **Our Basket US PPR Investments are not listed on any stock exchange, they are not covered by the Investor Compensation Fund**

As our Basket US PPR Investments are not listed, they are not covered by the Investor Compensation Fund if your distributor or any other intermediary defaults.

- **When you buy our Basket US PPR Investments, you will be relying on HSBC's creditworthiness**

Our Basket US PPR Investments constitute general, unsecured and unsubordinated contractual obligations of HSBC as issuer and of no other person (including the ultimate holding company of our group, HSBC Holdings plc). When you purchase our Basket US PPR Investments, you will be relying upon HSBC's creditworthiness. Our Basket US PPR Investments are not secured on any of HSBC's assets or any collateral. There is no assurance of protection against a default by us in respect of our payment or delivery obligations under our Basket US PPR Investments.

If we become insolvent or default on our obligations under the Basket US PPR Investments, you will have to rely on your distributor (directly or indirectly via its custodian) to take action on your behalf to claim as our unsecured creditor regardless of the performance of the reference assets in the basket. **In the worst case scenario, you may get nothing back and the maximum loss could be 100% of your initial investment amount.**

We are not the ultimate holding company of the group to which we belong and with which our name is identified. The ultimate holding company of our group is HSBC Holdings plc. There is no guarantee given by HSBC Holdings plc in respect of our obligations under the terms and conditions of the Basket US PPR Investments.

You should refer to the programme memorandum, the financial disclosure document and any addendum to these documents referred to in the relevant term sheet for our corporate and financial information.

- **The Financial Institutions (Resolution) Ordinance may adversely affect the Basket US PPR Investments; you could lose all of your investment**

On 7 July 2017, the Financial Institutions (Resolution) Ordinance (Cap. 628 of the Laws of Hong Kong) (the “**FIRO**”) came into operation. The FIRO provides for, among other things, the establishment of a resolution regime for authorized institutions and other within scope financial institutions in Hong Kong which may be designated by the relevant resolution authorities, which includes HSBC as the issuer of the Basket US PPR Investments. The resolution regime seeks to provide the relevant resolution authorities with administrative powers to bring about timely and orderly resolution in order to stabilise and secure continuity for a failing authorized institution or within scope financial institution in Hong Kong. In particular, the relevant resolution authority is provided with powers to affect contractual and property rights as well as payments (including in respect of any priority of payment) that creditors would receive in resolution. These may include, but are not limited to, powers to cancel, write off, modify, convert or replace all or a part of the Basket US PPR Investments or cash payment and/or deliverables under the Basket US PPR Investments, and powers to amend or alter the contractual provisions of the Basket US PPR Investments, all of which may adversely affect the value of the Basket US PPR Investments, and the holders thereof may suffer a loss of some or all of their investment as a result. Holders of the Basket US PPR Investments may become subject to and bound by the FIRO.

On 25 June 2021, the government of Hong Kong published the Financial Institutions (Resolution) (Contractual Recognition of Suspension of Termination Rights – Banking Sector) Rules (the “**Stay Rules**”) in the Gazette. The Stay Rules have come into operation on 27 August 2021 following completion of the vetting process by the Legislative Council of Hong Kong. Following a transitional period of 24 months from the date of the commencement of the Stay Rules for the earliest first phase compliance, entities subject to the Stay Rules are required to adopt appropriate provisions in certain financial contracts to the effect that the contractual parties agree to be bound by the temporary stay that may be imposed by the Hong Kong Monetary Authority under the FIRO, which may in turn affect any in-scope financial contracts between a qualifying entity and its counterparty(ies).

As the implementation of FIRO and Stay Rules remains untested and certain details relating to FIRO remain to be published through secondary legislation, supporting rules and regulations, we are unable to assess the full impact of FIRO, the Stay Rules, any other potential secondary legislation, supporting rules and regulations made under FIRO on the financial system generally, HSBC’s counterparties, HSBC, any of its consolidated subsidiaries, its operations and/or its financial position. **In the worst case scenario, you may get nothing back and the maximum loss could be 100% of your initial investment amount.**

- **You do not have direct contractual rights to enforce our Basket US PPR Investments against us as issuer**

Our Basket US PPR Investments will be represented by a single global certificate in registered form (which will be registered in the name of the nominee for the relevant clearing system). As a result, the legal holder of our Basket US PPR Investments will be the relevant nominee of the relevant clearing system.

You do not have any direct contractual rights to enforce our Basket US PPR Investments against us, if we fail to pay any cash amount or deliver the worst performing asset on the expiry date to the legal holder of our Basket US PPR Investments in accordance with the terms and conditions of our Basket US PPR Investments. To assert your rights as an investor in our Basket US PPR Investments, you will have to rely on your distributor (directly or indirectly via its custodian) to take action on your behalf. Your distributor (if it is a participant or accountholder with the relevant clearing system) or its custodian will be given direct rights of enforcement against us as issuer of the Basket US PPR Investments under a deed of covenant executed by us if we fail to pay any cash amount or deliver the worst performing asset on the expiry date to the legal holder of our Basket US PPR Investments in accordance with the terms and conditions of our Basket US PPR Investments.

However, if your distributor fails to enforce any rights against us on your behalf or if your distributor's custodian fails to enforce any rights against us in accordance with the instruction of your distributor, you may (i) take action against your distributor in accordance with the agreement between you and your distributor; and/or (ii) take action against your distributor's custodian by establishing a claim against the distributor's custodian; and/or (iii) take action against us as issuer by establishing a claim against us, referencing the contractual and agency relationship between you and your distributor, the contractual relationship between your distributor and its custodian (if any) and the contractual relationship between us (as issuer) and your distributor or its custodian. In any case, you may only have a claim as an unsecured creditor of your distributor, its custodian or us as the issuer and in the worst case scenario, you may get nothing back and the maximum loss could be 100% of your initial investment amount.

It is therefore important that you familiarise yourself with, and ensure you understand your relationship with your distributor or its custodian in relation to the holding arrangements of our Basket US PPR Investments and the arrangements with your distributor or its custodian regarding taking action against us upon any default of our obligations under our Basket US PPR Investments. If you do not understand such arrangements with your distributor or its custodian or you would like to know the steps to enforce your rights under the Basket US PPR Investments, you should obtain independent professional advice.

- **You will be exposed to default risk of your distributor, its custodian (if any), the relevant clearing system through which you hold your Basket US PPR Investments and/or The Depository Trust and Clearing Corporation ("DTC")**

Your distributor will hold the Basket US PPR Investments you have purchased for you, directly or through its custodian, in accounts at the relevant clearing system(s). We, as issuer, will make cash payment under the Basket US PPR Investments to the relevant clearing system through which you hold your Basket US PPR Investments and (if applicable) deliver the physical settlement amount to DTC. You will have to rely on the relevant clearing system(s), DTC, your distributor's custodian (if any) and your distributor to credit the relevant payment or physical settlement amount to your account. There is no assurance of protection against a default by your distributor or, where applicable, such custodian or the relevant clearing system or DTC, in respect of their obligations under the terms of the relevant account keeping or custodian agreement.

Depending on the terms of the relevant account keeping or custodian agreement, upon the insolvency or default of your distributor or such custodian or the relevant clearing system or DTC, you will have a claim only as an unsecured creditor of such distributor or custodian (via the distributor) or the relevant clearing system or DTC (via your distributor or its custodian) regardless of the price performance of the reference assets in the basket and regardless of whether we (as issuer) have defaulted on our obligations under the Basket US PPR Investments. In addition, you do not have direct contractual rights against your distributor's custodian or the relevant clearing system or DTC. Even if the Basket US PPR Investments you purchased do not form part of the pool of assets which are applied towards satisfying the claims of the general unsecured creditors of the insolvent or defaulted distributor or custodian or the relevant clearing system or DTC, there could still be a substantial delay before you could receive the cash paid or the physical settlement amount delivered under the Basket US PPR Investments if your distributor or its custodian or the relevant clearing system or DTC becomes insolvent or defaults on its obligations. Accordingly, you will be exposed to default risks of your distributor, its custodian (if any), the relevant clearing system and DTC. **In the worst case scenario, you may get nothing back and the maximum loss could be 100% of the initial investment amount you have invested in the Basket US PPR Investments.**

- **You will be exposed to the risks associated with our Basket US PPR Investments and price movement of the reference assets in the basket from the trade date**

You should note that as all the commercial variables of our Basket US PPR Investments are determined on the trade date, you will be subject to the terms and conditions of our Basket US PPR Investments from the trade date and you will be exposed to the risks associated with our Basket US PPR Investments and the price movement of the reference assets in the basket from the trade date, which may affect the market value and the potential payout of the Basket US PPR Investments.

- **You have no rights in any of the reference assets in the basket unless and until it is determined on the expiry date that the physical settlement amount is to be delivered to you**

You have no rights in any of the reference assets in the basket, including without limitation, any right to vote and to receive dividends or other distributions unless and until it is determined on the expiry date that the worst performing asset on the expiry date is to be delivered to you on the settlement date, in which case you are entitled to all those rights attaching to such worst performing asset as if you had been registered as the holder of such worst performing asset on the expiry date. You will be exposed to the price movement of the worst performing asset on the expiry date between the expiry date and the settlement date (which will be a clearance system business day), which will be three business days, subject to the occurrence of a settlement disruption event. However, you should note that during the period from the expiry date and until such time as such worst performing asset is delivered to you, we are not under any obligation (i) to deliver to you any letter, certificate, notice, circular, dividend, distribution or any other document or payment whatsoever received by us or our affiliate(s) in our capacity as the registered holder of such worst performing asset; or (ii) to exercise any or all rights (including voting rights) attaching to such worst performing asset. We are not liable to you in respect of any loss or damage which you may suffer as a result, whether directly or indirectly, of us or our affiliate(s) being registered as the legal owner of such worst performing asset during such period. However, we will notify you of the receipt by us during such period of any dividend, distribution, bonus issue or shares issued pursuant to a share split or consolidation in respect of such worst performing asset beneficially owned by you, and make available such dividend or distribution payment or shares issued in respect of such worst performing asset to you in a commercially reasonable manner upon production of such evidence of entitlement and identification as we may reasonably require. Please refer to conditions 4(f) and 4(g) of the general terms and conditions of the Basket US PPR Investments as set out in Appendix B to this product booklet for further details.

- **The market value of our Basket US PPR Investments will fluctuate**

Changes in the market price of the reference assets in the basket may not lead to any corresponding change in the market value of our Basket US PPR Investments. The market value of our Basket US PPR Investments will fluctuate depending on factors such as market interest rate movements, HSBC's financial condition, the market's view of HSBC's credit quality, the value of the embedded options including the conditional put option, the price performance and price volatility of the reference assets in the basket. **In extreme circumstances, you may lose 100% of your initial investment amount.**

- **Your potential gain/loss on our Basket US PPR Investments is affected by distributor's charges and any cash settlement expenses or physical settlement expenses**

Your potential gain/loss on our Basket US PPR Investments will be affected by any handling fee your distributor charges when you make your application and any fees to open and maintain your securities and/or investment account. Please contact your distributor for more information about the amount of the relevant charges payable. Your potential gain/loss on our Basket US PPR Investments may also be affected by any cash settlement expenses or physical settlement expenses payable on settlement. Currently, no cash settlement expenses and physical settlement expenses are payable for our Basket US PPR Investments. If any such expenses are payable in the future, we will inform the distributor(s) as soon as practicable and your distributor will in turn inform you in advance. Please contact your distributor for details.



Your distributor may also charge you a handling fee when you cancel or unwind your Basket US PPR Investment purchase order during the post-sale cooling-off period (in the case of Basket US PPR Investments with an investment period of more than one year) or during the offer period before your purchase order is executed on the trade date (in the case of Basket US PPR Investments with an investment period of one year or less) or when you sell your Basket US PPR Investments back to us on a market making day and such fees or charges will reduce the amount you receive when you cancel or unwind your Basket US PPR Investment purchase order or when you sell your Basket US PPR Investments back to us before expiry. Please ask your distributor for details.

- **The English version of the terms and conditions of our Basket US PPR Investments prevails over the Chinese version**

The global certificate representing a series of Basket US PPR Investments and the terms and conditions of the Basket US PPR Investments are issued in the English language only for the purposes of lodgement with the relevant clearing system(s). If there is any inconsistency between the Chinese version of the terms and conditions of our Basket US PPR Investments and the English version, the English version will prevail over the Chinese version. If you do not understand the English version, you should obtain independent professional advice.

- **There could be conflicts of interest arising out of our other activities which may affect our Basket US PPR Investments**

We and our subsidiaries and affiliates may from time to time: (i) advise or engage in business with any company to which our Basket US PPR Investments are linked regarding transactions to be entered into by it; (ii) engage in transactions involving any company to which our Basket US PPR Investments are linked for its proprietary accounts and for other accounts under its management or otherwise; (iii) carry out hedging activities related to the Basket US PPR Investments by purchasing the reference asset(s) in the basket; (iv) publish research reports relating to certain reference asset(s) in the basket; (v) acquire non-public information about a reference asset; or (vi) provide investment banking and other services to such company(ies). Those transactions may have a positive or negative impact on the value of such reference asset and therefore on the market value and potential payout of our Basket US PPR Investments. We and our subsidiaries and affiliates may: (i) be the counterparty to the hedge of our obligations under an issue of Basket US PPR Investments; (ii) be responsible for making determinations and calculations in connection with the Basket US PPR Investments; (iii) publish research reports which express opinions or provide recommendations that are inconsistent with purchasing or holding the Basket US PPR Investments referencing the reference asset(s) in the basket; or (iv) have officers who serve as directors of any company which is one of the issuers of the reference assets of our Basket US PPR Investments. We may issue other competing financial products which may affect the market value of our Basket US PPR Investments. Accordingly, there is a risk that certain conflicts of interest may arise both among us or our subsidiaries and affiliates and between our interests and the interests of holders of our Basket US PPR Investments or our subsidiaries' and affiliates' interests and the interests of holders of our Basket US PPR Investments (as applicable).

We are the issuer and the product arranger to our Programme, the market agent and may also act as one of the distributors for our Basket US PPR Investments. You should note that potential and actual conflicts of interest may arise from the different roles played by us and our subsidiaries and affiliates in connection with our Basket US PPR Investments. Although our economic interests in each role may be adverse to your interests in our Basket US PPR Investments, we maintain regulatorily required information barriers between our different business areas as well as policies and procedures designed to minimise and manage such conflicts of interest to comply with applicable laws and regulations, and to ensure our transactions and/or dealings will be transacted at arm's length.

- **At the expiry of the Basket US PPR Investments, if the physical settlement amount is deliverable to you, the physical settlement amount will be delivered after the expiry date. There are risks of settlement disruption or delay**

You should note that, if we exercise the conditional put option on the expiry date and physical settlement is applicable, the physical settlement amount will only be delivered to you on the settlement date, which is three business days after the expiry date, provided that if the original settlement date is not a clearance system business day, delivery of the physical settlement amount will be postponed to the following clearance system business day, subject to the occurrence of a settlement disruption event.

All settlement of the physical settlement amount would be effected through DTC. Our ability to effect electronic settlement of the physical settlement amount may be restricted if there are disruptions within DTC.

We shall determine in our sole and absolute discretion, acting in good faith and in a commercially reasonable manner, whether or not at any time a settlement disruption event has occurred and where we determine such an event has occurred and so has prevented the delivery of the physical settlement amount on the original settlement date to the legal holder of our Basket US PPR Investments and your distributor or its custodian (which are registered as accountholders or participants of the Basket US PPR Investments in the clearing systems entitled to receive the physical settlement amount) via DTC, the delivery of the physical settlement amount will be postponed until the following clearance system business day which is not affected by such settlement disruption.

If such event persists on the eighth clearance system business day after the scheduled settlement date, we will seek to deliver the physical settlement amount to the legal holder of the Basket US PPR Investments (who will in turn arrange to deliver the same to your distributor or its custodian) in a commercially reasonable manner outside DTC as soon as practicable and the settlement date will be deemed to be the actual day on which delivery can be effected. If we determine in our sole and absolute discretion, acting in good faith and in a commercially reasonable manner, that delivery of the physical settlement amount outside DTC is not possible, the settlement date will be postponed until delivery can be effected through DTC or in any other commercially reasonable manner and the settlement date will be deemed to be the actual day on which delivery can be effected.

There is no assurance on the duration of such delay. Where such a delay occurs, movements in the market price of the worst performing asset on the expiry date could affect the market value of the physical settlement amount delivered on the postponed settlement date. We will not pay any extra amount for any delay in delivery of the physical settlement amount.

- **Investing in Basket US PPR Investments may involve exchange rate risk**

Our Basket US PPR Investments may be issued and settled in a currency which is different from the worst performing asset currency (i.e. the currency in which the worst performing asset on the expiry date trades). In such case, for the purposes of calculating (i) the physical settlement amount (if applicable), we will convert the settlement currency into the worst performing asset currency; and (ii) the cash payment for any fractional shares of such worst performing asset (if applicable), we will convert the worst performing asset currency into the settlement currency, in each case, at the mid-market exchange rate at the valuation time on the expiry date as specified in the relevant term sheet.

If the Basket US PPR Investments are not issued in your home currency, you will be exposed to fluctuations in the prevailing exchange rate when you convert any payments you receive under the Basket US PPR Investments back to your home currency.

**You should note that fluctuations in the exchange rate may have an adverse impact on your potential gain/loss on our Basket US PPR Investments.**

- **Some of the terms of the Basket US PPR Investments will only be determined after you have purchased the Basket US PPR Investments**

You should note that while you place your purchase order(s) during the offer period, all of the commercial variables in relation to the reference assets in the basket (including the initial spot prices, the exercise prices and the knock-in prices (if applicable) of the reference assets) that are used to determine the payout of your Basket US PPR Investments, will, however, only be recorded and determined on the trade date after you have purchased the Basket US PPR Investments. Therefore, once you have purchased the Basket US PPR Investments, you will have to bear the risk of changing market conditions between the date you purchased your Basket US PPR Investments and the trade date, which will affect the determination of the commercial variables in relation to the reference assets in the basket that are applicable to your Basket US PPR Investments and the payout on your Basket US PPR Investments.

You should note that with respect to each reference asset in the basket, the initial spot price may be (i) the opening price of such reference asset on the relevant US exchange on the trade date, or (ii) the price of such reference asset as agreed between you (via your distributor) and us at the time your purchase order for the Basket US PPR Investment is placed. For the avoidance of doubt, it is possible that the initial spot price(s) of certain reference asset(s) in the basket will be determined by using method (i) while the initial spot price(s) of other reference asset(s) in the basket will be determined by using method (ii).

With respect to any reference asset(s) in the basket using method (i) in determining the initial spot price(s), the initial spot price(s) of such reference asset(s) will only be recorded after you have placed your purchase order for our Basket US PPR Investments. In the case where the initial spot price of any such reference asset(s) cannot be recorded on the trade date due to the failure of the relevant US exchange to open for trading during its regular trading session on such day, the issue price you have paid to the distributor for the Basket US PPR Investments will be returned in full to you on the next business day following the trade date and the relevant series of Basket US PPR Investments will not be issued.

In addition, the exercise prices of the reference assets in the basket will each be expressed as a specified percentage of the relevant initial spot price or in a range of specified percentages of the relevant initial spot price (the difference between the highest percentage and the lowest percentage in such range will be no more than 5%) in the relevant indicative term sheet.

If the exercise price of each reference asset in the basket is expressed in a range of specified percentages of its initial spot price in the relevant indicative term sheet, the relevant final exercise price will be determined by us on the trade date, acting in good faith and in a commercially reasonable manner, depending on the prevailing market conditions (including the price volatility of the relevant reference asset and the prevailing market interest rate) in order to maintain the other terms of the Basket US PPR Investments (such as the issue price (which has factored in any distributor's commissions and other transaction costs, including our costs of hedging)), given any change in the parameters used in the determination of such terms during the period between the commencement of the offer period and the trade date. You should note that in the worst case scenario, the final exercise price that is applicable to your Basket US PPR Investments will be set as the highest percentage in the range as specified in the relevant indicative term sheet.

- **We may make adjustments to the terms and conditions of the Basket US PPR Investments or substitute a reference asset(s) in the basket or early terminate the Basket US PPR Investments at the fair market value which may be substantially less than your initial investment amount**

During the investment period, we will determine in our sole and absolute discretion, acting in good faith and in a commercially reasonable manner, whether a potential adjustment event (including but not limited to, a subdivision or consolidation of the reference asset(s), a bonus or rights issue) (details of which are set out on pages 172 to 173 of this product booklet) has occurred, whether the occurrence of such potential adjustment event has a diluting or concentrative effect on the theoretical value of the

reference asset(s) and if so, will make such adjustments to the terms and conditions of the Basket US PPR Investments as we determine to be appropriate to account for that diluting or concentrative effect so as to preserve the economic equivalence of the relevant Basket US PPR Investments.

If a merger event or a tender offer affecting a reference share in the basket has occurred (details of which are set out on pages 173 to 174 of this product booklet), we will determine any corresponding adjustments to the terms and conditions of the Basket US PPR Investments to account for that merger event or tender offer so as to preserve the economic equivalence of the relevant Basket US PPR Investment.

If (i) we determine that any adjustments to the terms and conditions of the Basket US PPR Investments in the case of the occurrence of a merger event or tender offer (as described above) is not able to preserve the economic equivalence of the Basket US PPR Investments; or (ii) a nationalisation, an insolvency, a delisting or an additional disruption event affecting a reference share or a company issuing the reference share has occurred (details of which are set out on pages 174 to 175 of this product booklet), we will seek to substitute the affected reference asset(s) with another reference asset(s). If we determine that substitution of the affected reference asset(s) is appropriate to account for the relevant event, we will continue our Basket US PPR Investments and make such substitution as described above and make any further adjustments to the terms and conditions of the Basket US PPR Investments as we think fit to account for the relevant event, provided that any such substitution and adjustment is not considered by us to be prejudicial to the holders of such Basket US PPR Investments generally. **Any adjustments to the terms and conditions as a result of the substitution of the affected reference asset could have an adverse effect on the market value of the Basket US PPR Investments.**

If (i) we determine that the substitution of the affected reference asset(s) is not appropriate to account for the relevant event; or (ii) we determine in good faith and in a commercially reasonable manner that the performance of any of our absolute or contingent obligations under the Basket US PPR Investments has become illegal or impracticable in whole or in part for any reason beyond our control, we will early terminate our Basket US PPR Investments and pay you as soon as practicable a fair market value of our Basket US PPR Investments as of the date of termination of our Basket US PPR Investments (determined by us in our sole and absolute discretion, acting in good faith and in a commercially reasonable manner). No cash settlement expenses will be payable for the payment of the fair market value of the Basket US PPR Investments. The fair market value of the Basket US PPR Investments will depend on factors such as market interest rate movements, HSBC's financial condition, the market's view of HSBC's credit quality, the value of the embedded options including the conditional put option, the price performance and price volatility of the reference assets in the basket. It will also take into account any cost which is, or would be, incurred by us in unwinding our hedging and funding arrangements relating to the Basket US PPR Investments. **Depending on the then prevailing market conditions, this fair market value may be less, or substantially less, than your initial investment amount.**

You should refer to the section headed "Our Basket US PPR Investments – Adjustments to Terms and Conditions, Substitution of Reference Asset(s) in the Basket or Early Termination Upon Occurrence of Extraordinary Unforeseeable Events, Adjustments to Key Dates And Occurrence of a CNY Disruption Event for Our Renminbi-Denominated Basket US PPR Investments" on pages 82 to 92 of this product booklet and the general terms and conditions of the Basket US PPR Investments (in particular, condition 6) as set out in Appendix B to this product booklet for further details.

**Any adjustments to the terms and conditions of our Basket US PPR Investments, substitution of the affected reference asset(s) or determination to early terminate the Basket US PPR Investments will be made by us in our sole and absolute discretion, acting in good faith and in a commercially reasonable manner. If the Basket US PPR Investments are early terminated, the fair market value of the Basket US PPR Investments you receive upon termination may be substantially less than your initial investment amount.**

- **Our activities and/or transactions involving the reference asset(s) in the basket and/or the unwinding of hedging arrangements relating to our Basket US PPR Investments could itself affect the market prices of the reference assets in the basket**

We and our subsidiaries and affiliates may from time to time engage in activities and/or transactions involving any company to which our Basket US PPR Investments are linked and/or the reference asset(s) in the basket (please also refer to the risk factor headed “*There could be conflicts of interest arising out of our other activities which may affect our Basket US PPR Investments*” above) which may have a positive or negative impact on the value of the reference asset(s). In addition, we may enter into hedging transactions with counterparties in the market in order to enable us to receive any amount due to you under our Basket US PPR Investments. These transactions would typically involve contracts for the purchase and/or sale of the reference assets in the basket and the establishment of long and/or short positions in the reference assets which may be constantly adjusted. The unwinding or adjustment of the positions in the reference assets may itself affect the market prices of the reference assets, particularly if there is otherwise low trading volume in the reference assets at that time. It is possible that our activities and/or transactions involving any company to which our Basket US PPR Investments are linked and/or the reference asset(s) and/or any unwinding or adjustment of our hedging transactions involving the reference asset(s) could:

- (a) affect the closing price of the worst performing asset on the expiry date to fall below its initial spot price, resulting in no potential performance return payable upon expiry of the Basket US PPR Investments;
  - (b) (if applicable) cause the closing price of the worst performing asset to fall at or below its knock-in price on a knock-in event date and the closing price of the worst performing asset to fall below its exercise price on the expiry date, resulting in the delivery of the physical settlement amount or payment of the cash equivalent of the physical settlement amount on the settlement date and the market value of the physical settlement amount or the cash equivalent of the physical settlement amount may be less than or substantially less than your initial investment amount.
- **Risks relating to difference in trading days and hours and the implications on our ability to execute any limit sell back order**

Trading in each reference asset on the relevant US exchange will be executed during the trading hours of the relevant US exchange, which is located in New York and opens after normal business hours in Hong Kong. You should be aware of the trading hour and time zone difference (including summer time and winter time) between Hong Kong and New York in assessing the trading price of the reference assets, and the extended time lag between the placement of a limit sell back order during business hours in Hong Kong and the execution of such order during the trading hours of the relevant US exchange in New York. The trading price of each reference asset may be volatile in response to the market movement during the trading hours on the relevant US exchange in New York during which you cannot (i) place any new order to sell back our Basket US PPR Investments or (ii) cancel, unwind, withdraw or adjust your placed order pursuant to the market making arrangements.

You may only place a limit sell back order at your selected sell back price (being the limit order price) during normal business hours in Hong Kong between 10:00 a.m. and 5:00 p.m. (Hong Kong time) on a market making day. We will seek to execute your limit sell back order during the trading hours of the relevant US exchange in New York on such market making day. Once your limit sell back order is executed (at the price which is at or above your limit order price but which may not be the best available price during the trading hours of the relevant US exchange), you will lose the opportunity to benefit from any upside. Your limit sell back order is only valid during the trading hours of the relevant US exchange on the market making day that you have placed such order.



- **Certain information about the reference assets may only be available in English**

You should note that certain information about the reference assets may only be available in English on a real time basis. If you are not proficient in English, you should consider whether an investment in our Basket US PPR Investments is suitable to you, and obtain independent advice where necessary.

- **Reliance on a designated online platform in providing information about the reference assets**

We will make available news feeds regarding updated information of the reference assets (in English and Chinese) via a designated online platform specified in the relevant term sheet which is accessible via computer or mobile device. Such news feeds will be provided by our external data provider and may not be available on a real time basis. Further, their availability may be interrupted or suspended due to such external data provider's technical and systematic failures, in which case the availability of such news feeds may be delayed or suspended. In addition, you should note that the online platform may be interrupted or suspended due to our technical and systematic failures, in which case you may not be able to have access to such news feeds.

- **Investing in our Basket US PPR Investments may have United States tax consequences under FATCA**

If any of our Basket US PPR Investments are issued after the Grandfather Date (as defined in the section headed "Are our Basket US PPR Investments subject to U.S. Foreign Account Tax Compliance Act Withholding Tax?" on pages 128 to 130 of this product booklet), in certain circumstances, payments made under the Basket US PPR Investments may be subject to a 30 per cent. United States withholding tax ("**FATCA withholding**"). In addition, Section 871(m) Withholding (as defined in the section headed "Are our Basket US PPR Investments subject to Section 871(m) Withholding Tax?" on pages 130 to 131 of this product booklet) may apply if you enter into other transactions with respect to the underlying U.S. stock or if the U.S. Internal Revenue Service successfully argues that payments made on the Basket US PPR Investments are treated as "dividend equivalents", notwithstanding our determination to the contrary. If Section 871(m) Withholding applies, withholding tax at a rate of up to 30 per cent. will be imposed on such payments made to a non-U.S. investor under Section 871(m) regardless of whether the Basket US PPR Investments are issued before or after the Grandfather Date.

While a series of Basket US PPR Investments is represented by the global certificate and held within the clearing systems, it is expected that Sections 1471 through 1474 of the U.S. Internal Revenue Code (commonly referred to as "**FATCA**") will not affect the amount of any payment made under, or in respect of, the Basket US PPR Investments by the issuer or any paying agent, given that each of the entities in the payment chain beginning with the issuer and ending with the clearing systems is a major financial institution whose business is dependent on compliance and participation with FATCA. However, FATCA may affect payments made to custodians or intermediaries in the subsequent payment chain leading to the ultimate investor if any such custodian or intermediary generally is unable to receive payments free of FATCA withholding. It also may affect payment to any ultimate investor that is a financial institution that is not entitled to receive payments free of withholding under FATCA, or an ultimate investor that fails to provide its distributor (or other custodian or intermediary from which it receives payment) with any information, forms, other documentation or consents that may be necessary for the payments to be made free of FATCA withholding.

Pursuant to the distributor appointment agreements entered into between HSBC (as issuer) and each distributor appointed for a series of Basket US PPR Investments as set out in the relevant indicative term sheet for such series (each an "**Appointed Distributor**"), each Appointed Distributor shall warrant and represent to HSBC that it (and any custodian used by such Appointed Distributor to hold any Basket US PPR Investments) shall fully comply with its obligations under FATCA and satisfy all requirements pursuant thereto. However, if you wish to appoint an intermediary other than an Appointed Distributor (or any custodian used by such Appointed Distributor) to hold your interest in the Basket US PPR Investments on your behalf, you should choose your custodians or intermediaries with care (to ensure each is compliant with FATCA or other laws or agreements related to FATCA), and in any case, provide each custodian or intermediary which is holding your interest in the Basket US

PPR Investments on your behalf (whether it is an Appointed Distributor or otherwise) with any information, forms, other documentation or consents that may be necessary for such custodian or intermediary to make a payment free of FATCA withholding.

You should note that if payments made under our Basket US PPR Investments are subject to FATCA withholding, we (or an applicable withholding agent) would be entitled to impose FATCA withholding on such payments, in which case you will have to bear a 30 per cent. United States withholding tax on such payments. In addition, we are not required to pay any additional amounts with respect to any amounts so withheld, *except to the extent* such FATCA withholding is imposed as a result of HSBC (as issuer) or an Appointed Distributor (or any custodian used by such Appointed Distributor to hold any structured products) not being entitled to receive payments free of FATCA withholding.

You are urged to consult with your own independent tax advisor regarding the possible implications of FATCA on your investment in our Basket US PPR Investments. You should also refer to the section headed “Are our Basket US PPR Investments subject to U.S. Foreign Account Tax Compliance Act Withholding Tax?” on pages 128 to 130 of this product booklet for further details.

- **Investing in our Basket US PPR Investments may have United States tax consequences under Section 871(m)**

If any of our Basket US PPR Investments are treated as Delta-One Specified ELIs or are Specified ELIs issued after the “Delta Grandfathering Date” (each as defined in the section headed “Are our Basket US PPR Investments subject to Section 871(m) Withholding Tax?” on pages 130 to 131 of this product booklet), payments made on the Basket US PPR Investments to non-U.S. investors will be subject to United States withholding tax of up to 30 per cent. (“**Section 871(m) withholding**”).

We have determined that payments made under the Basket US PPR Investments do not constitute “dividend equivalents” (and therefore do not constitute any U.S. source payments) and will not be subject to Section 871(m) withholding. However, such rules are complex and their application may depend on your particular circumstances, including whether you enter into other transactions with respect to the underlying U.S. stock. In addition, the U.S. Internal Revenue Service may successfully argue that payments made on the Basket US PPR Investments are treated as “dividend equivalents”, notwithstanding our determination to the contrary, which will result in the application of Section 871(m) withholding and will adversely affect the potential return under the Basket US PPR Investments.

You should note that if payments made under our Basket US PPR Investments are subject to Section 871(m) withholding, we (or an applicable withholding agent) would be entitled to impose Section 871(m) withholding on such payments, in which case you will have to bear a 30 per cent. United States withholding tax on such payments.

You are urged to consult with your own independent tax advisor regarding the possible implications of Section 871(m) on your investment in our Basket US PPR Investments. You should also refer to the section headed “Are our Basket US PPR Investments subject to Section 871(m) Withholding Tax?” on pages 130 to 131 of this product booklet for further details.

- **Recent and future U.S. government actions**

The U.S. government’s recent and future actions against mainland China and Hong Kong may affect the price or value of the reference assets and the potential return of our Basket US PPR Investments. There can be no assurances that any future actions taken by the U.S. government (or other governments) against mainland China and Hong Kong will not have an adverse effect on the market value, and the potential return, of our Basket US PPR Investments.

- **Restrictions on E.O. 13959 U.S. Persons**

To the extent our Basket US PPR Investments include reference assets that are or become E.O. 13959 Restricted Underlyings, E.O. 13959 U.S. Persons are or will be restricted under Executive Order 13959 (as amended) from purchasing and selling our Basket US PPR Investments after the effective date of the Executive Order 13959 (as amended) restrictions applicable to the E.O. 13959 Restricted Underlyings. Investors are urged to seek independent legal advice regarding compliance with Executive Order 13959 (as amended).

- **The reference assets of our Basket US PPR Investments may include securities that are restricted under Executive Order 13959 (as amended)**

If the reference assets of our Basket US PPR Investments include securities that are E.O. 13959 Restricted Underlyings, Executive Order 13959 (as amended) may affect the price or value of the reference assets, which may adversely affect the market value, and the potential return, of our Basket US PPR Investments. The U.S. government may impose sanctions on additional companies under Executive Order 13959 (as amended), and those sanctions may affect our Basket US PPR Investments in the future if the reference asset of the Basket US PPR Investments becomes covered by the scope of Executive Order 13959 (as amended). It is not possible to predict the target companies or timing of any additional actions by the U.S. government. Executive Order 13959 (as amended) is primarily administered by the U.S. Department of the Treasury's Office of Foreign Assets Control ("OFAC"). Copies of U.S. Executive Order 13959 and U.S. Executive Order 14032 can be obtained from OFAC's website at <https://ofac.treasury.gov/sanctions-programs-and-country-information/chinese-military-companies-sanctions>. If you have any doubt or wish to understand more, you should obtain your own independent legal advice.

### **Additional risks warnings relating to Renminbi-denominated Basket US PPR Investments**

We may from time to time issue Renminbi-denominated Basket US PPR Investments. You should also carefully study the following additional risk warnings in considering an investment in such Basket US PPR Investments.

- **Renminbi is not freely convertible and there is limited availability of Renminbi outside the PRC which may adversely affect the market value of our Renminbi-denominated Basket US PPR Investments**

Renminbi is currently not freely convertible and it is subject to exchange control policies and restrictions of the PRC government.

Although the scope of Renminbi business for participating banks in Hong Kong has gradually expanded since 2004 and it is expected that the offshore Renminbi market will continue to grow in depth and size, its growth is subject to many constraints as a result of PRC laws and regulations on foreign exchange. In addition, as a result of the restrictions imposed by the PRC government on cross-border Renminbi fund flows, the availability of Renminbi outside the PRC is limited and the current size of Renminbi-denominated financial assets outside the PRC is limited. There can be no assurance that new PRC regulations will not be promulgated in the future which will have the effect of restricting availability of Renminbi outside the PRC. The limited availability of Renminbi outside the PRC may adversely affect the liquidity of Renminbi outside the PRC, which in turn may adversely affect the market value (including any mandatory buy back price returned to you if you choose to unwind your Renminbi-denominated Basket US PPR Investment purchase order during the post-sale cooling-off period and any bid prices provided by us pursuant to the market making arrangements), and the potential return, of such Basket US PPR Investments.

You should also note that all Renminbi payments made by us under our Renminbi-denominated Basket US PPR Investments will be made solely by credit to your Renminbi bank account maintained at banks in Hong Kong in accordance with applicable Hong Kong laws and applicable regulations and guidelines issued by the relevant authorities in Hong Kong. We cannot make Renminbi payment by any other means (including in banknotes or by transfer to a bank account in the PRC or anywhere else outside Hong Kong). Therefore, if you wish to invest in our Renminbi-denominated Basket US PPR Investments, you will need to establish and maintain a Renminbi bank account with your distributor.

There may be additional rules, regulations and restrictions under contemplation or to be issued by relevant authorities of Hong Kong or the PRC from time to time that may be relevant to your investment in our Renminbi-denominated Basket US PPR Investments. You should check with the distributor(s) for any updates and details.

- **Your investment in our Renminbi-denominated Basket US PPR Investments is subject to exchange rate risk**

The value of Renminbi against the Hong Kong dollar and other foreign currencies fluctuates and is affected by changes in the PRC and international political, economic and market conditions and by many other factors. As a result, the value of any Renminbi payments made under our Renminbi-denominated Basket US PPR Investments in Hong Kong dollar or other foreign currency terms may vary with the prevailing exchange rates in the foreign exchange market. There is no guarantee that Renminbi will not depreciate and any devaluation of Renminbi could adversely affect the value of your investment in our Renminbi-denominated Basket US PPR Investments. For example, when you buy our Renminbi-denominated Basket US PPR Investments, you may have to convert your Hong Kong dollars (or another foreign currency) to Renminbi at the exchange rate available at that time. If the value of Renminbi depreciates against the Hong Kong dollar (or such other foreign currency) between then and the time when you receive any Renminbi payments under our Renminbi-denominated Basket US PPR Investments, the value of your investment in Hong Kong dollar or other applicable foreign currency terms will have declined.

In addition, if the worst performing asset is deliverable to you and is denominated in U.S. dollars, you will receive physical delivery of the U.S. dollar-denominated reference asset upon expiry of such Basket US PPR Investments. The value of such reference asset in Renminbi terms will depend on the prevailing exchange rate between Renminbi and U.S. dollars. You will therefore be exposed to any fluctuation in such exchange rate while you are holding the U.S. dollar-denominated reference asset. In addition, when you realise your holding of the U.S. dollar-denominated reference asset, the proceeds of such asset will also be paid in U.S. dollars. In such case, if you wish to convert the U.S. dollar proceeds into Renminbi, you will also be exposed to any fluctuation in the exchange rate between U.S. dollars and Renminbi upon conversion.

Our Renminbi-denominated Basket US PPR Investments will be settled in Renminbi outside the PRC that is freely deliverable between accounts in Hong Kong in accordance with Hong Kong laws and applicable regulations and guidelines issued by relevant authorities in Hong Kong prevailing as of the trade date of the relevant series of Renminbi-denominated Basket US PPR Investments. If applicable, for the purposes of making calculations under our Renminbi-denominated Basket US PPR Investments, we will apply the exchange rate for Renminbi outside the PRC. Renminbi outside the PRC represents a market which is different from that of Renminbi deliverable in the PRC. The exchange rate of Renminbi outside the PRC against the U.S. dollar, Hong Kong dollar or other foreign currencies may be different from the exchange rate of Renminbi deliverable in the PRC against such currencies. Apart from its own supply and demand, the exchange rate of Renminbi outside the PRC may be influenced by the exchange rate of Renminbi in the PRC market (which currently trades within a band set by authorities in the onshore interbank market), and the two rates may converge with or diverge from each other. The PRC government may further liberalise the regulation of foreign exchange control in the PRC and further progress on Renminbi internationalisation may occur which may increase exchange rate volatility of Renminbi outside the PRC. Any fluctuation in the exchange rate of Renminbi outside the PRC may affect the market value of our Renminbi-denominated Basket US PPR Investments.

- **Your investment in our Renminbi-denominated Basket US PPR Investments is subject to interest rate risk**

The interest rate for Renminbi outside the PRC may be different from the interest rate for Renminbi in the PRC. Apart from its own supply and demand, the interest rate for Renminbi outside the PRC may be influenced by the interest rate for Renminbi in the PRC market, and the two may converge with or diverge from each other. Interest rates for Renminbi in the PRC are government controlled. While the PRC government has gradually liberated the regulation of interest rates in recent years, it is uncertain whether full liberalisation of interest rate may occur. The PRC government may further liberalise the regulation of interest rates for Renminbi in the PRC which may increase interest rate volatility for Renminbi outside the PRC. Any fluctuation in interest rates for Renminbi outside the PRC may affect the market value, and the potential return, of our Renminbi-denominated Basket US PPR Investments.

- **Renminbi payment risk**

In respect of our Renminbi-denominated Basket US PPR Investments, if we are not able, or it is impracticable for us, to satisfy our Renminbi payment obligations on the relevant due date for such payments as a result of a CNY disruption event (details of which are set out on page 92 of this product booklet and condition 4(d) of the terms and conditions of our Basket US PPR Investments), such payments will be postponed to the third Hong Kong business day after the date on which the CNY disruption event ceases to exist (as determined by us in our sole and absolute discretion, acting in good faith and in a commercially reasonable manner) (the “**postponed payment date**”); *provided that* if the CNY disruption event continues to exist for twelve consecutive Hong Kong business days following the original due date for payment, we shall be entitled to pay you the CNY disruption event settlement amount in Hong Kong dollars (details of which are set out in the terms and conditions of our Basket US PPR Investments) by no later than the third Hong Kong business day after such twelfth Hong Kong business day following the original due date for payment and the “postponed payment date” shall be deemed to be such date. Such payment will be a complete discharge of our obligations in respect of the relevant amount(s) under our Renminbi-denominated Basket US PPR Investments. Upon the occurrence of a CNY disruption event, there may be a delay in payments under our Renminbi-denominated Basket US PPR Investments. No interest will be payable in respect of any such delay in payment and no compensation will be made for the fact that the relevant amount(s) will be paid in Hong Kong dollars instead of Renminbi. It is possible that upon the occurrence of a CNY disruption event, Renminbi will depreciate significantly against Hong Kong dollars. In the event that Renminbi depreciates significantly against Hong Kong dollars following the occurrence of a CNY disruption event, you will suffer a loss in Hong Kong dollar terms as the CNY disruption event settlement amount paid to you (which will be converted from Renminbi into Hong Kong dollars at the prevailing exchange rate between Renminbi outside the PRC and Hong Kong dollars two Hong Kong business days prior to the postponed payment date) will be substantially less than the value of the relevant Renminbi amount payable on the original due date in Hong Kong dollar terms (calculated based on the exchange rate between Renminbi outside the PRC and Hong Kong dollars prior to the occurrence of the CNY disruption event).



## HYPOTHETICAL EXAMPLES FOR BASKET US PPR INVESTMENTS WITH NO KNOCK-IN FEATURE

**A. Hypothetical examples where both the initial spot price and exercise price of the worst performing asset on the expiry date are used as benchmarks to determine the final settlement payout**

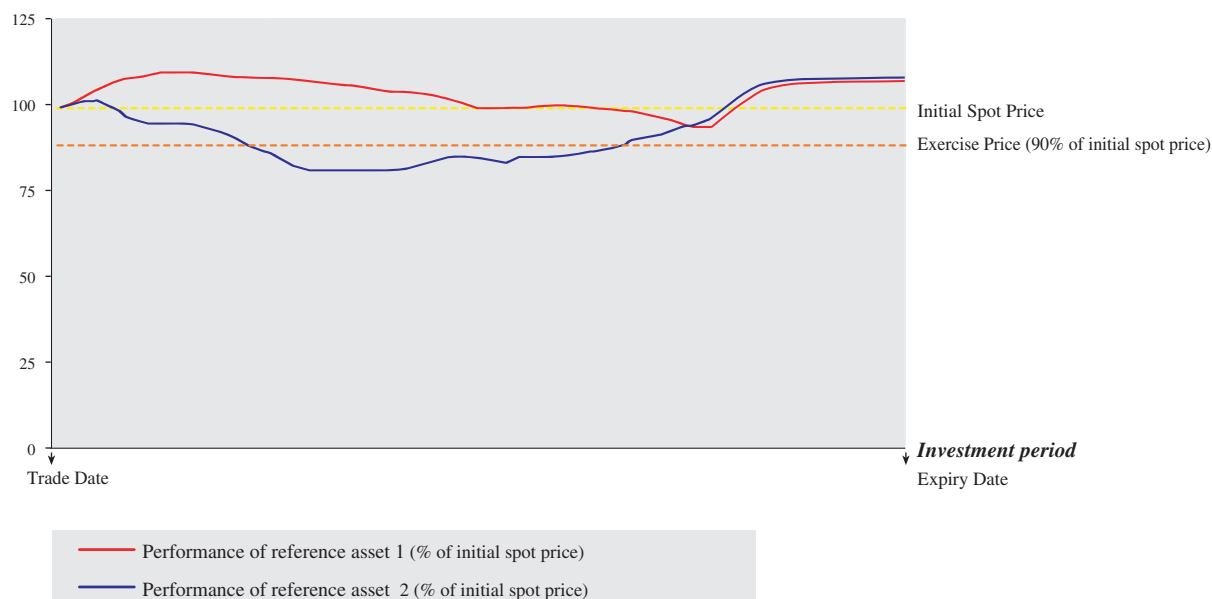
*The following hypothetical examples are for illustrative purposes only and do not reflect a complete analysis of all possible gain or loss scenarios. You must not rely on them as an indication of the price performance of the reference assets in the basket or the payout on the Basket US PPR Investments. **They do not take into account any expenses payable by the investor.***

In this example, suppose an investor bought 10 Basket US PPR Investments with the following terms:

| Reference assets in the Basket   | Reference asset 1                     | Reference asset 2 |
|--|---------------------------------------|-------------------|
| Scheduled tenor of the Basket US PPR Investments (being the period from (and including) the issue date to (and including) the settlement date) | 360 days                              |                   |
| Investment period of the Basket US PPR Investments (being the period from (and including) the trade date to (and including) the expiry date)   | 365 days                              |                   |
| Settlement currency  | U.S. dollars (USD)                    |                   |
| Initial spot price on trade date   | USD91.70                              | USD22.50          |
| Issue price for each Basket US PPR Investment (100% of nominal amount)   | USD10,000                             |                   |
| Nominal amount for each Basket US PPR Investment   | USD10,000                             |                   |
| Total issue price for 10 Basket US PPR Investments   | USD100,000                            |                   |
| Total nominal amount for 10 Basket US PPR Investments  | USD100,000                            |                   |
| Exercise price (90% of the initial spot price) (for the determination of payout on the expiry date)  | USD82.5300                            | USD20.2500        |
| Floor rate   | 4.50%                                 |                   |
| Participation rate   | 100%                                  |                   |
| Benchmark for determining the final settlement payout (applicable for scenarios A1, A2 and A3)   | Initial spot price and exercise price |                   |

**Scenario A1 – The closing price of the worst performing asset is above its initial spot price on the expiry date (best case scenario)**

*Performance of reference assets (%)*



- How to determine the worst performing asset on a particular scheduled trading day?

The reference asset in the basket with the lowest “performance” on a particular scheduled trading day will be the worst performing asset for that scheduled trading day. We will use the following formula to determine the “performance” for each reference asset on a scheduled trading day:

$$\text{Performance} = \frac{\text{Closing price of the reference asset on a scheduled trading day}}{\text{Initial spot price of the reference asset}} \times 100\%$$

- Using the methodology as stated above, the following calculations illustrate how to determine the worst performing asset on the expiry date.

Assuming that the closing price of reference asset 1 and reference asset 2 on the expiry date is USD100.00 and USD24.75, respectively, hence, the performance of each reference asset in the basket on the expiry date is calculated as follows (rounded to 4 decimal places, with 0.00005% or above being rounded upwards):

$$\text{– Performance of reference asset 1} = \frac{\text{USD100.00}}{\text{USD91.70}} \times 100\% = 109.0513\%$$

$$\text{– Performance of reference asset 2} = \frac{\text{USD24.75}}{\text{USD22.50}} \times 100\% = 110.0000\%$$

As reference asset 1 has the lowest performance, it will be the worst performing asset on the expiry date.

- Final settlement payout on the settlement date
- The above diagram illustrates that the worst performing asset on the expiry date (being reference asset 1) closes at USD100.00, which is above its initial spot price.
  - Investor receives the aggregate nominal amount of USD100,000 and the potential performance return on the settlement date, calculated as follows (rounded to 2 decimal places, with \$0.005 or above being rounded upwards):

For each Basket US PPR Investment:

$$\text{USD}10,000 \times 9.05\%^* = \text{USD}905.00$$

\* The return<sup>#</sup> is the higher of:

(i) the floor rate (being 4.50%); and

$$(ii) \left( \frac{\text{USD}100.00}{\text{USD}91.70} - 1 \right) \times 100\%^\Delta = 9.05\%^{\#}$$

For 10 Basket US PPR Investments:  $\text{USD}905 \times 10 = \text{USD}9,050$

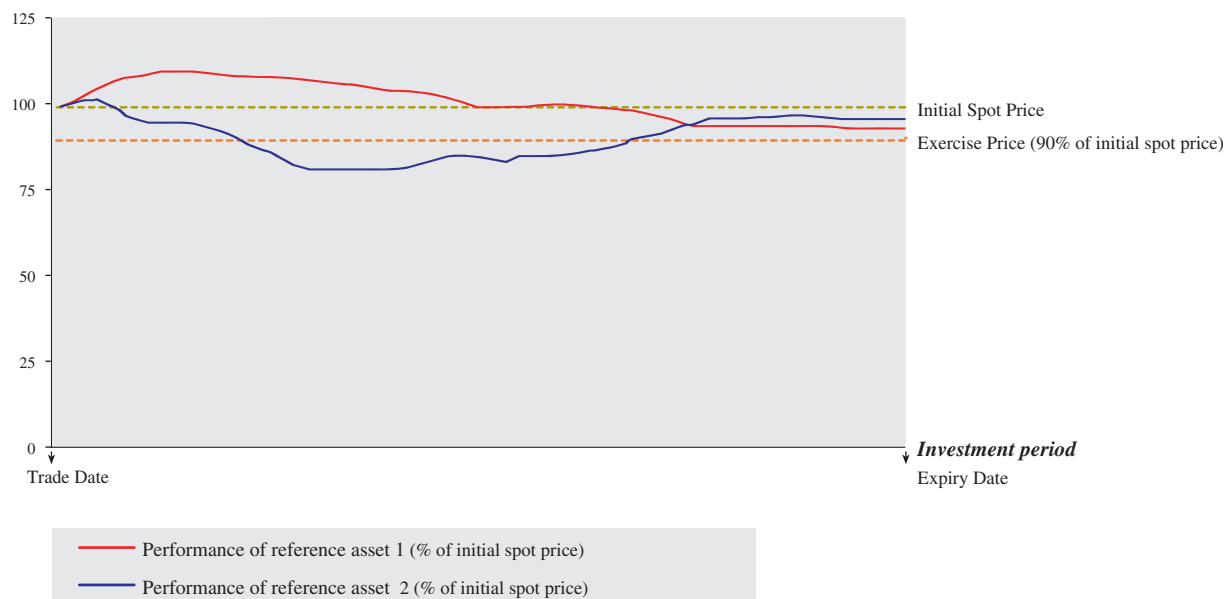
- Total payout on investment
- Investor receives a total payout of USD109,050 (being: USD100,000 (nominal amount) + USD9,050 (potential performance return)), which is equivalent to a gain of 9.05% (calculated as:  $(\text{USD}109,050 - \text{USD}100,000) \div \text{USD}100,000 \times 100\%$ ), compared to the total issue price paid on the issue date.

<sup>△</sup> The participation rate is set at 100% in this example.

<sup>#</sup> The calculation of the return according to the formula under (ii) above is rounded to 2 decimal places in this example for illustrative purposes. The actual calculation of the return according to the formula under (ii) above will not be rounded.

## Scenario A2 – The closing price of the worst performing asset is above its exercise price on the expiry date (break-even scenario)

Performance of reference assets (%)



- Using the same methodology as stated on page 50, the following calculations illustrate how to determine the worst performing asset on the expiry date.

Assuming that the closing price of reference asset 1 and reference asset 2 on the expiry date is USD86.79 and USD21.78, respectively, hence, the performance of each reference asset in the basket on the expiry date is calculated as follows (rounded to 4 decimal places, with 0.00005% or above being rounded upwards):

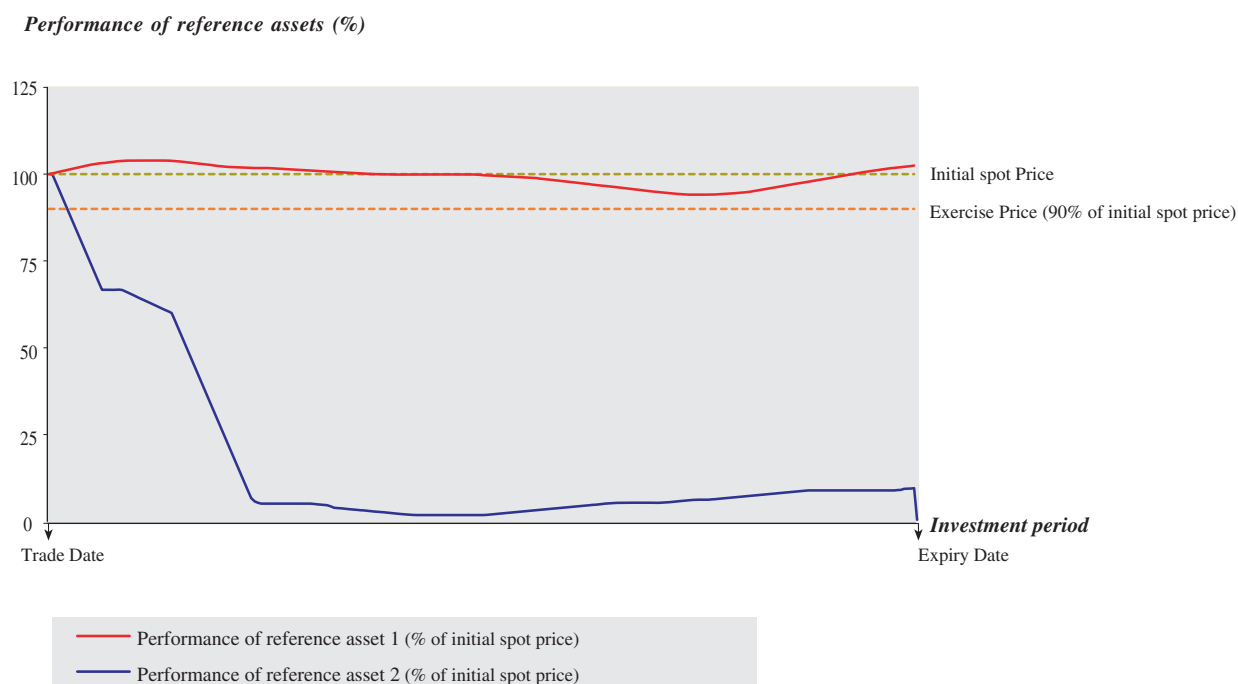
$$\text{Performance of reference asset 1} = \frac{\text{USD86.79}}{\text{USD91.70}} \times 100\% = 94.6456\%$$

$$\text{Performance of reference asset 2} = \frac{\text{USD21.78}}{\text{USD22.50}} \times 100\% = 96.8000\%$$

As reference asset 1 has the lowest performance, it will be the worst performing asset on the expiry date.

- |  |  |
|--|--|
| Final settlement payout on the settlement date | <ul style="list-style-type: none"> <li>The above diagram illustrates that the worst performing asset on the expiry date (being reference asset 1) closes at USD86.79 on the expiry date, which is below its initial spot price but above its exercise price.</li> <li>As the closing price of the worst performing asset on the expiry date (being reference asset 1) is below its initial spot price, the investor will not receive the potential performance return on the settlement date.</li> <li>Investor receives the aggregate nominal amount of USD100,000 on the settlement date.</li> </ul> |
| Total payout on investment                     | <ul style="list-style-type: none"> <li>Investor receives a total payout of USD100,000 (nominal amount), which is equivalent to a gain of 0% (calculated as: <math>(\text{USD100,000} - \text{USD100,000}) \div \text{USD100,000} \times 100\%</math>), compared to the total issue price paid on the issue date.</li> </ul>  |

**Scenario A3 – The closing price of the worst performing asset is below its exercise price on the expiry date (worst case scenario)**



- Using the same methodology as stated on page 50, the following calculations illustrate how to determine the worst performing asset on the expiry date.

Assuming that the closing price of reference asset 1 and reference asset 2 on the expiry date is USD93.30 and USD0.00, respectively, hence, the performance of each reference asset in the basket on the expiry date is calculated as follows (rounded to 4 decimal places, with 0.00005% or above being rounded upwards):

$$\text{– Performance of reference asset 1} = \frac{\text{USD}93.30}{\text{USD}91.70} \times 100\% = 101.7448\%$$

$$\text{– Performance of reference asset 2} = \frac{\text{USD}0.00}{\text{USD}22.50} \times 100\% = 0\%$$

As reference asset 2 has the lowest performance, it will be the worst performing asset on the expiry date.



Final settlement payout on the settlement date

- The diagram on page 53 illustrates that the worst performing asset on the expiry date (being reference asset 2) closes at USD0 which is below its exercise price on the expiry date.

**If physical settlement is applicable:**

- Investor receives the physical settlement amount (being a number of shares of the worst performing asset on the expiry date (i.e. reference asset 2)), which is calculated by reference to the exercise price of reference asset 2 (i.e. USD20.25) for each Basket US PPR Investment, calculated as follows:

$$= \frac{\text{nominal amount}}{\text{exercise price}}$$

(rounded to 4 decimal places, with 0.00005 or above being rounded upwards)

$$= \frac{\text{USD10,000}}{\text{USD20.25}} = 493.8272 \text{ shares (rounded to 4 decimal places).}$$

Only whole number of the worst performing asset will be delivered and the physical settlement amount is calculated on a per-Basket US PPR Investment basis. The fractional share of the worst performing asset (i.e. 0.8272) will be paid in cash.

For 10 Basket US PPR Investments, the physical settlement amount is calculated as:

$$493 \text{ shares} \times 10 = 4,930 \text{ shares of reference asset 2.}$$

- Investor also receives the cash payment for the fractional shares of the worst performing asset. However, in this scenario, as the closing price of the worst performing asset on the expiry date has fallen to USD0, investor will not receive any such cash payment, calculated as follows:

= closing price of the worst performing asset on the expiry date x fractional shares of the worst performing asset (rounded to 2 decimal places, with 0.005 or above being rounded upwards)

$$= \text{USD0} \times 0.8272 \text{ shares}$$

$$= \text{USD0}$$

For 10 Basket US PPR Investments:

$$\text{USD0} \times 10 = \text{USD0}$$

**If cash settlement is applicable:**

- Investor receives the cash equivalent of the physical settlement amount of USD0 for each Basket US PPR Investment, calculated as follow:

$$= \frac{\text{closing price of the worst performing asset on the expiry date}}{\text{exercise price}} \times \frac{\text{nominal amount}}{\text{exercise price}}$$

(rounded to 2 decimal places, with 0.005 or above being rounded upwards)

$$= \text{USD0} \times \frac{\text{USD10,000}}{\text{USD20.25}}$$

$$= \text{USD0}$$

For 10 Basket US PPR Investments:

$$\text{USD0} \times 10 = \text{USD0}$$

Total payout on investment

- Investor receives a final settlement payout of: (i) if physical settlement is applicable: 4,930 shares of reference asset 2 (the market value of the physical settlement amount calculated based on the closing price of the worst performing asset on the expiry date is USD0, calculated as: 4,930 shares x USD0) + USD0 (cash payment for the fractional shares of the worst performing asset); or (ii) if cash settlement is applicable: cash payment of USD0 (the cash equivalent of the physical settlement amount).
- Investor suffers a loss of 100% (calculated as:  $(\text{USD10,000} \times 10 - \text{USD0}) \div \text{USD100,000} \times 100\%$ ) (as the market value of the final settlement payout as set out above is worthless on the expiry date), compared to the total issue price paid on the issue date.

**B. Hypothetical examples where only the exercise price of the worst performing asset on the expiry date is used as a benchmark to determine the final settlement payout**

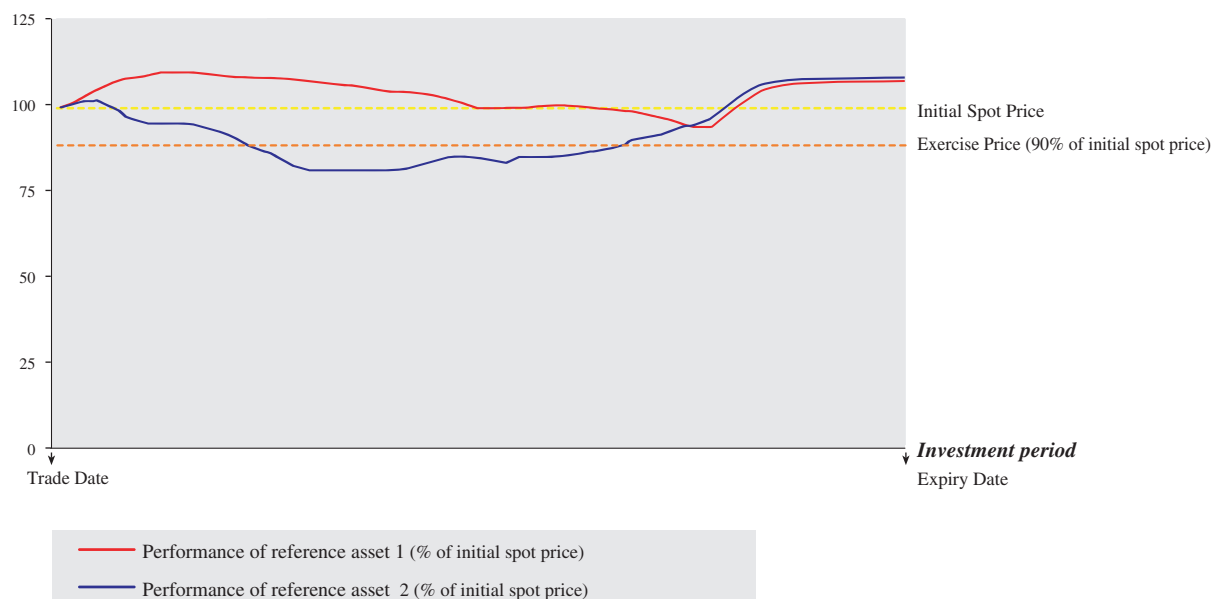
*The following hypothetical examples are for illustrative purposes only and do not reflect a complete analysis of all possible gain or loss scenarios. You must not rely on them as an indication of the price performance of the reference assets in the basket or the payout on the Basket US PPR Investments. **They do not take into account any expenses payable by the investor.***

In this example, suppose an investor bought 10 Basket US PPR Investments with the following terms:

| Reference assets in the Basket   | Reference asset 1  | Reference asset 2 |
|--|--------------------|-------------------|
| Scheduled tenor of the Basket US PPR Investments<br>(being the period from (and including) the issue date to<br>(and including) the settlement date) | 360 days           |                   |
| Investment period of the Basket US PPR Investments<br>(being the period from (and including) the trade date to<br>(and including) the expiry date)   | 365 days           |                   |
| Settlement currency  | U.S. dollars (USD) |                   |
| Initial spot price on trade date   | USD91.70           | USD22.50          |
| Issue price for each Basket US PPR Investment (100%<br>of nominal amount)  | USD10,000          |                   |
| Nominal amount for each Basket US PPR Investment   | USD10,000          |                   |
| Total issue price for 10 Basket US PPR Investments   | USD100,000         |                   |
| Total nominal amount for 10 Basket US PPR<br>Investments   | USD100,000         |                   |
| Exercise price (90% of the initial spot price)<br>(for the determination of payout on the expiry date)   | USD82.5300         | USD20.2500        |
| Floor rate   | 4.50%              |                   |
| Participation rate   | 100%               |                   |
| Benchmark for determining the final settlement payout<br>(applicable for scenarios B1 and B2)  | Exercise price     |                   |

**Scenario B1 – The closing price of the worst performing asset is above its exercise price on the expiry date (best case scenario)**

*Performance of reference assets (%)*



- How to determine the worst performing asset on a particular scheduled trading day?

The reference asset in the basket with the lowest “performance” on a particular scheduled trading day will be the worst performing asset for that scheduled trading day. We will use the following formula to determine the “performance” for each reference asset on a scheduled trading day:

$$\text{Performance} = \frac{\text{Closing price of the reference asset on a scheduled trading day}}{\text{Initial spot price of the reference asset}} \times 100\%$$

- Using the methodology as stated above, the following calculations illustrate how to determine the worst performing asset on the expiry date.

Assuming that the closing price of reference asset 1 and reference asset 2 on the expiry date is USD100.00 and USD24.75, respectively, hence, the performance of each reference asset in the basket on the expiry date is calculated as follows (rounded to 4 decimal places, with 0.00005% or above being rounded upwards):

$$\text{– Performance of reference asset 1} = \frac{\text{USD100.00}}{\text{USD91.70}} \times 100\% = 109.0513\%$$

$$\text{– Performance of reference asset 2} = \frac{\text{USD24.75}}{\text{USD22.50}} \times 100\% = 110.0000\%$$

As reference asset 1 has the lowest performance, it will be the worst performing asset on the expiry date.

- Final settlement payout on the settlement date
- The above diagram illustrates that the worst performing asset on the expiry date (being reference asset 1) closes at USD100.00, which is above its exercise price.
  - Investor receives the aggregate nominal amount of USD100,000 and the potential performance return on the settlement date, calculated as follows (rounded to 2 decimal places, with \$0.005 or above being rounded upwards):
- For each Basket US PPR Investment:
- USD10,000 x 9.05%\* = USD905.00
- \* The return<sup>#</sup> is the higher of:
- (i) the floor rate (being 4.50%); and
  - (ii)  $\left( \frac{\text{USD100.00}}{\text{USD91.70}} - 1 \right) \times 100\%^\Delta = 9.05\%^{\#}$
- For 10 Basket US PPR Investments: USD905 x 10 = USD9,050
- Total payout on investment
- Investor receives a total payout of USD109,050 (being: USD100,000 (nominal amount) + USD9,050 (potential performance return)), which is equivalent to a gain of 9.05% (calculated as: (USD109,050 - USD100,000) ÷ USD100,000 x 100%), compared to the total issue price paid on the issue date.

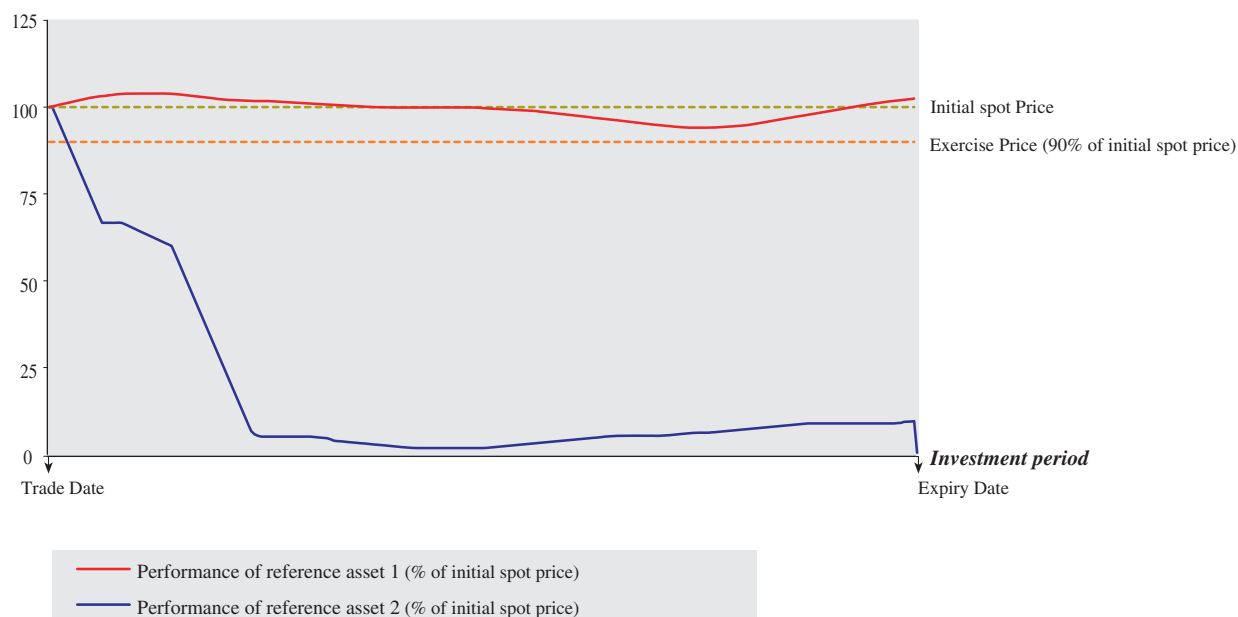
<sup>△</sup> The participation rate is set at 100% in this example.

<sup>#</sup> The calculation of the return according to the formula under (ii) above is rounded to 2 decimal places in this example for illustrative purposes. The actual calculation of the return according to the formula under (ii) above will not be rounded.



**Scenario B2 – The closing price of the worst performing asset is below its exercise price on the expiry date (worst case scenario)**

*Performance of reference assets (%)*



- Using the same methodology as stated on page 57, the following calculations illustrate how to determine the worst performing asset on the expiry date.

Assuming that the closing price of reference asset 1 and reference asset 2 on the expiry date is USD93.30 and USD0.00, respectively, hence, the performance of each reference asset in the basket on the expiry date is calculated as follows (rounded to 4 decimal places, with 0.00005% or above being rounded upwards):

$$\text{– Performance of reference asset 1} = \frac{\text{USD93.30}}{\text{USD91.70}} \times 100\% = 101.7448\%$$

$$\text{– Performance of reference asset 2} = \frac{\text{USD0.00}}{\text{USD22.50}} \times 100\% = 0\%$$

As reference asset 2 has the lowest performance, it will be the worst performing asset on the expiry date.

- Final settlement payout on the settlement date
- The diagram on page 59 illustrates that the worst performing asset on the expiry date (being reference asset 2) closes at USD0 which is below its exercise price on the expiry date.

**If physical settlement is applicable:**

- Investor receives the physical settlement amount (being a number of shares of the worst performing asset on the expiry date (i.e. reference asset 2)), which is calculated by reference to the exercise price of reference asset 2 (i.e. USD20.25) for each Basket US PPR Investment, calculated as follows:

$$= \frac{\text{nominal amount}}{\text{exercise price}}$$

(rounded to 4 decimal places, with 0.00005 or above being rounded upwards)

$$= \frac{\text{USD10,000}}{\text{USD20.25}} = 493.8272 \text{ shares (rounded to 4 decimal places).}$$

Only whole number of the worst performing asset will be delivered and the physical settlement amount is calculated on a per-Basket US PPR Investment basis. The fractional share of the worst performing asset (i.e. 0.8272) will be paid in cash.

For 10 Basket US PPR Investments, the physical settlement amount is calculated as:

$$493 \text{ shares} \times 10 = 4,930 \text{ shares of reference asset 2.}$$

- Investor also receives the cash payment for the fractional shares of the worst performing asset. However, in this scenario, as the closing price of the worst performing asset on the expiry date has fallen to USD0, investor will not receive any such cash payment, calculated as follows:

= closing price of the worst performing asset on the expiry date x fractional shares of the worst performing asset (rounded to 2 decimal places, with 0.005 or above being rounded upwards)

$$= \text{USD0} \times 0.8272 \text{ shares}$$

$$= \text{USD0}$$

For 10 Basket US PPR Investments:

$$\text{USD0} \times 10 = \text{USD0}$$

**If cash settlement is applicable:**

- Investor receives the cash equivalent of the physical settlement amount of USD0 for each Basket US PPR Investment, calculated as follow:

$$= \frac{\text{closing price of the worst performing asset on the expiry date}}{\text{exercise price}} \times \frac{\text{nominal amount}}{\text{exercise price}}$$

(rounded to 2 decimal places, with 0.005 or above being rounded upwards)

$$= \text{USD0} \times \frac{\text{USD10,000}}{\text{USD20.25}}$$

$$= \text{USD0}$$

For 10 Basket US PPR Investments:

$$\text{USD0} \times 10 = \text{USD0}$$

Total payout on investment

- Investor receives a final settlement payout of: (i) if physical settlement is applicable: 4,930 shares of reference asset 2 (the market value of the physical settlement amount calculated based on the closing price of the worst performing asset on the expiry date is USD0, calculated as: 4,930 shares x USD0) + USD0 (cash payment for the fractional shares of the worst performing asset); or (ii) if cash settlement is applicable: cash payment of USD0 (the cash equivalent of the physical settlement amount).
- Investor suffers a loss of 100% (calculated as: (USD10,000 x 10 - USD0) ÷ USD100,000 x 100%) (as the market value of the final settlement payout as set out above is worthless on the expiry date), compared to the total issue price paid on the issue date.

**Additional Scenario – if HSBC as issuer becomes insolvent or defaults on its obligations under the Basket US PPR Investments**

- Assume further that HSBC as issuer becomes insolvent or defaults on its obligations under the Basket US PPR Investments during the scheduled tenor of the Basket US PPR Investments.
- In the worst case scenario, the investor may get nothing back (including the nominal amount of the Basket US PPR Investments, the physical settlement amount or the cash equivalent of the physical settlement amount) regardless of the price performance of the reference assets in the basket and the potential maximum loss could be 100% of the initial investment amount.

## HYPOTHETICAL EXAMPLES FOR BASKET US PPR INVESTMENTS WITH DAILY KNOCK-IN FEATURE\*

### A. Hypothetical examples where both the initial spot price and exercise price of the worst performing asset on the expiry date are used as benchmarks to determine the final settlement payout

*The following hypothetical examples are for illustrative purposes only and do not reflect a complete analysis of all possible gain or loss scenarios. You must not rely on them as an indication of the price performance of the reference assets in the basket or the payout on the Basket US PPR Investments. They do not take into account any expenses payable by the investor.*

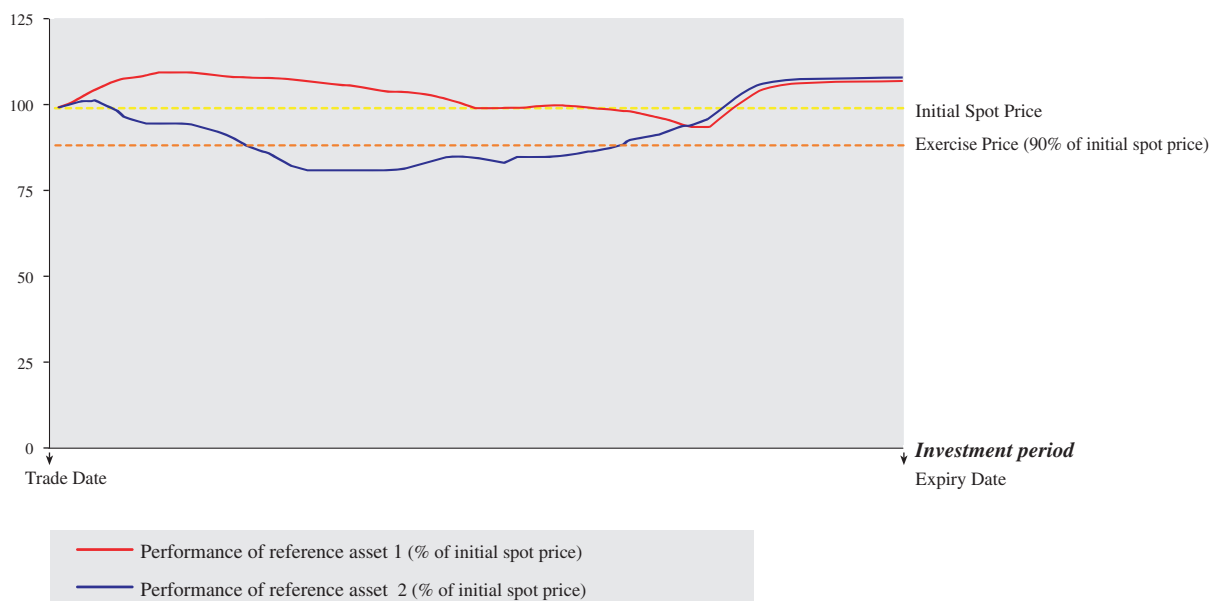
In this example, suppose an investor bought 10 Basket US PPR Investments (with daily knock-in\*) with the following terms:

| Reference assets in the Basket   | Reference asset 1   | Reference asset 2 |
|--|---|-------------------|
| Scheduled tenor of the Basket US PPR Investments (being the period from (and including) the issue date to (and including) the settlement date) | 360 days  |                   |
| Investment period of the Basket US PPR Investments (being the period from (and including) the trade date to (and including) the expiry date)   | 365 days  |                   |
| Settlement currency  | For scenarios A1 to A3: U.S. dollars (USD)  |                   |
| Initial spot price on trade date   | USD91.70  | USD22.50          |
| Issue price for each Basket US PPR Investment (100% of nominal amount)   | For scenarios A1 to A3: USD10,000   |                   |
| Nominal amount for each Basket US PPR Investment   | For scenarios A1 to A3: USD10,000   |                   |
| Total issue price for 10 Basket US PPR Investments   | For scenarios A1 to A3: USD100,000  |                   |
| Total nominal amount for 10 Basket US PPR Investments  | For scenarios A1 to A3: USD100,000  |                   |
| Exercise price (90% of the initial spot price) (for the determination of payout on the expiry date)  | USD82.5300  | USD20.2500        |
| Knock-in price (65% of the initial spot price) (for the determination of whether a knock-in event has occurred)                                | USD59.6050  | USD14.6250        |
| Floor rate   | 3.75%   |                   |
| Participation rate   | 80%   |                   |
| Knock-in event dates*  | Each scheduled trading day from (but excluding) the trade date to (and including) the expiry date |                   |
| Benchmark for determining the final settlement payout (applicable for scenarios A1, A2 and A3)   | Initial spot price and exercise price   |                   |

\* This example assumes the daily knock-in event applies. If the at-expiry knock-in event is applicable, the knock-in event date will be the same day as the expiry date.

**Scenario A1 – The closing price of the worst performing asset is above its initial spot price on expiry date (best case scenario)**

*Performance of reference assets (%)*



- How to determine the worst performing asset on a particular scheduled trading day?

The reference asset in the basket with the lowest “performance” on a particular scheduled trading day will be the worst performing asset for that scheduled trading day. We will use the following formula to determine the “performance” for each reference asset on a scheduled trading day:

$$\text{Performance} = \frac{\text{Closing price of the reference asset on a scheduled trading day}}{\text{Initial spot price of the reference asset}} \times 100\%$$

- Using the same methodology as stated above, the following calculations illustrate how to determine the worst performing asset on the expiry date.

Assuming that the closing price of reference asset 1 and reference asset 2 on the expiry date is USD100.00 and USD24.75, respectively, hence, the performance of each reference asset in the basket on the expiry date is calculated as follows (rounded to 4 decimal places, with 0.00005% or above being rounded upwards):

$$\text{– Performance of reference asset 1} = \frac{\text{USD100.00}}{\text{USD91.70}} \times 100\% = 109.0513\%$$

$$\text{– Performance of reference asset 2} = \frac{\text{USD24.75}}{\text{USD22.50}} \times 100\% = 110.0000\%$$

As reference asset 1 has the lowest performance, it will be the worst performing asset on the expiry date.



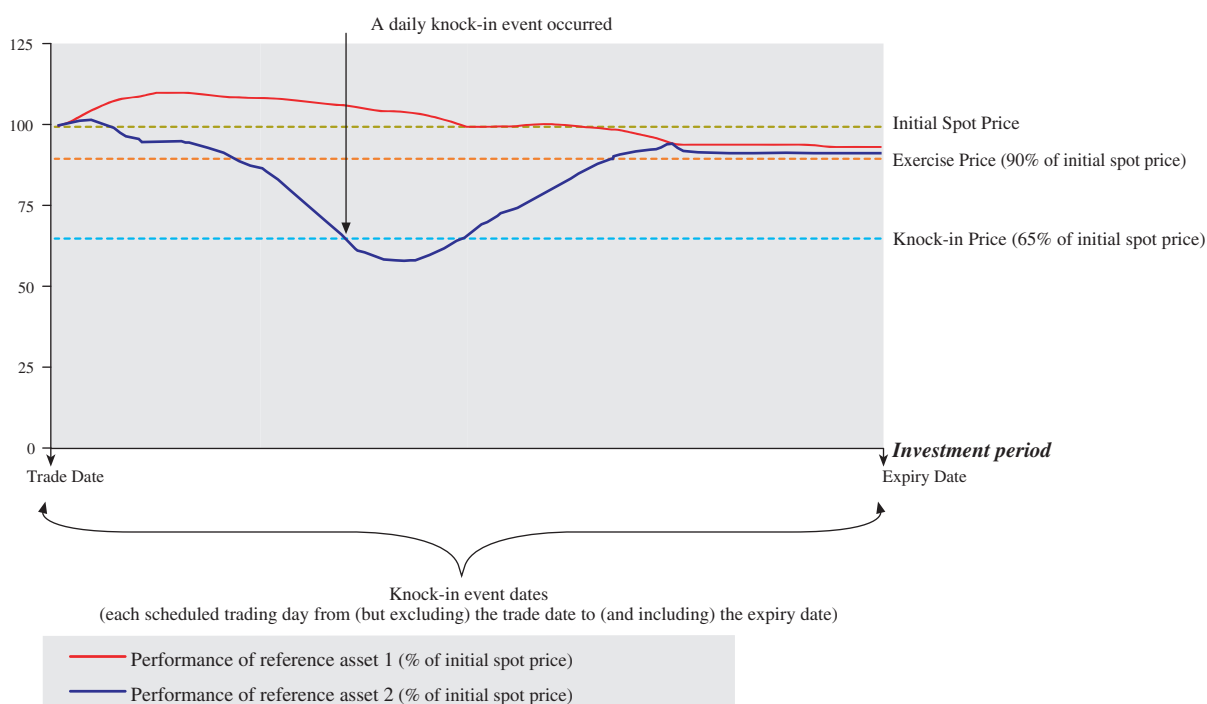
|  |   |
|--|---|
| Final settlement payout on the settlement date | <ul style="list-style-type: none"> <li>– The diagram on page 63 illustrates that the worst performing asset on the expiry date (being reference asset 1) closes at USD100.00, which is above its initial spot price.</li> <li>– Investor receives the aggregate nominal amount of USD100,000 and the potential performance return on the settlement date (regardless of whether a daily knock-in event has occurred), calculated as follows (rounded to 2 decimal places, with \$0.005 or above being rounded upwards):</li> </ul> <p>For each Basket US PPR Investment:</p> $\text{USD}10,000 \times 7.24\%^* = \text{USD}724.00$ <p>* The return<sup>#</sup> is the higher of:</p> <p>(i) the floor rate (being 3.75%); and</p> <p>(ii) <math>\left( \frac{\text{USD}100.00}{\text{USD}91.70} - 1 \right) \times 80\%^\Delta = 7.24\%^{\#}</math></p> <p>For 10 Basket US PPR Investments: <math>\text{USD}724 \times 10 = \text{USD}7,240</math></p> |
| Total payout on investment                     | <ul style="list-style-type: none"> <li>– Investor receives a total payout of USD107,240 (being: USD100,000 (nominal amount) + USD7,240 (potential performance return)), which is equivalent to a gain of 7.24% (calculated as: <math>(\text{USD}107,240 - \text{USD}100,000) \div \text{USD}100,000 \times 100\%</math>), compared to the total issue price paid on the issue date.</li> </ul>  |

<sup>△</sup> The participation rate is set at 80% in this example.

<sup>#</sup> The calculation of the return according to the formula under (ii) above is rounded to 2 decimal places in this example for illustrative purposes. The actual calculation of the return according to the formula under (ii) above will not be rounded.

**Scenario A2 – The closing price of the worst performing asset is below its initial spot price and a daily knock-in event has occurred but the closing price of the worst performing asset is above its exercise price on expiry date (break-even scenario)**

*Performance of reference assets (%)*



- Using the same methodology as stated on page 63, the following calculations illustrate how to determine the worst performing asset on the expiry date.

Assuming that the closing price of reference asset 1 and reference asset 2 on the expiry date is USD85.69 and USD20.88, respectively, hence, the performance of each reference asset in the basket on the expiry date is calculated as follows (rounded to 4 decimal places, with 0.00005% or above being rounded upwards):

$$\text{Performance of reference asset 1} = \frac{\text{USD85.69}}{\text{USD91.70}} \times 100\% = 93.4460\%$$

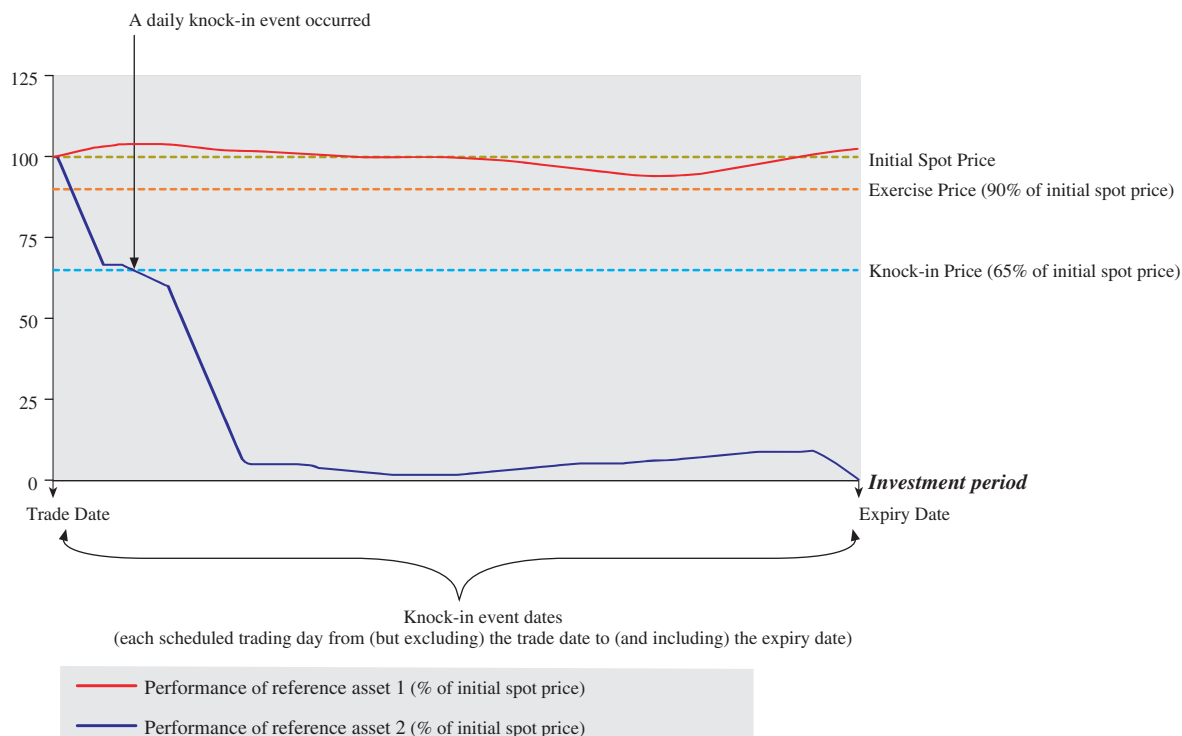
$$\text{Performance of reference asset 2} = \frac{\text{USD20.88}}{\text{USD22.50}} \times 100\% = 92.8000\%$$

As reference asset 2 has the lowest performance, it will be the worst performing asset on the expiry date.

|  |   |
|--|---|
| Final settlement payout on the settlement date | <ul style="list-style-type: none"> <li>– The diagram on page 65 illustrates that: <ul style="list-style-type: none"> <li>(i) a daily knock-in event has occurred because the worst performing asset (being reference asset 2) has closed at or below the knock-in price on a scheduled trading day during the period from (but excluding) the trade date to (and including) the expiry date; and</li> <li>(ii) the worst performing asset on the expiry date (being reference asset 2) closes at USD20.88 on the expiry date, which is below its initial spot price but above its exercise price.</li> </ul> </li> <li>– As the closing price of the worst performing asset on the expiry date (being reference asset 2) is below its initial spot price, the investor will not receive the potential performance return on the settlement date.</li> <li>– Investor receives the aggregate nominal amount of USD100,000 on the settlement date.</li> </ul> |
| Total payout on investment                     | <ul style="list-style-type: none"> <li>– Investor receives a total payout of USD100,000 (nominal amount), which is equivalent to a gain of 0% (calculated as: <math>(\text{USD}100,000 - \text{USD}100,000) \div \text{USD}100,000 \times 100\%</math>), compared to the total issue price paid on the issue date.</li> </ul>   |

**Scenario A3 – The daily knock-in event has occurred and the closing price of the worst performing asset is below its exercise price on the expiry date (worst case scenario)**

*Performance of reference assets (%)*



- Using the same methodology as stated on page 63, the following calculations illustrate how to determine the worst performing asset on the expiry date.

Assuming that the closing price of reference asset 1 and reference asset 2 on the expiry date is USD93.30 and USD0.00, respectively, hence, the performance of each reference asset in the basket on the expiry date is calculated as follows (rounded to 4 decimal places, with 0.00005% or above being rounded upwards):

$$\text{– Performance of reference asset 1} = \frac{\text{USD93.30}}{\text{USD91.70}} \times 100\% = 101.7448\%$$

$$\text{– Performance of reference asset 2} = \frac{\text{USD0.00}}{\text{USD22.50}} \times 100\% = 0.0000\%$$

As reference asset 2 has the lowest performance, it will be the worst performing asset on the expiry date.

- |  |  |
|--|--|
| Final settlement payout on the settlement date | <ul style="list-style-type: none"> <li>– The above diagram illustrates that a daily knock-in event has occurred because the worst performing asset (being reference asset 2) has closed at or below its knock-in price on a scheduled trading day during the period from (but excluding) the trade date to (and including) the expiry date.</li> <li>– The above diagram also illustrates that the worst performing asset on the expiry date (being reference asset 2) closes at USD0 which is below its exercise price on the expiry date.</li> </ul> |
|--|--|

**If physical settlement is applicable:**

- Investor receives the physical settlement amount (being a number of shares of the worst performing asset on the expiry date (i.e. reference asset 2)), which is calculated by reference to the exercise price of reference asset 2 (i.e. USD20.25) for each Basket US PPR Investment, calculated as follows:

$$= \frac{\text{nominal amount}}{\text{exercise price}}$$

(rounded to 4 decimal places, with 0.00005 or above being rounded upwards)

$$= \frac{\text{USD10,000}}{\text{USD20.25}} = 493.8272 \text{ shares (rounded to 4 decimal places)}$$

Only whole number of the worst performing asset will be delivered and the physical settlement amount is calculated on a per-Basket US PPR Investment basis. The fractional share of the worst performing asset (i.e. 0.8272) will be paid in cash.

For 10 Basket US PPR Investments, the physical settlement amount is calculated as:

$$493 \text{ shares} \times 10 = 4,930 \text{ shares of reference asset 2.}$$

- Investor also receives the cash payment for the fractional shares of the worst performing asset. However, in this scenario, as the closing price of the worst performing asset on the expiry date has fallen to USD0, investor will not receive any such cash payment, calculated as follows:

$$= \text{closing price of the worst performing asset on the expiry date} \times \text{fractional shares of the worst performing asset (rounded to 2 decimal places, with 0.005 or above being rounded upwards)}$$

$$= \text{USD0} \times 0.8272 \text{ shares}$$

$$= \text{USD0}$$

For 10 Basket US PPR Investments:

$$\text{USD0} \times 10 = \text{USD0}$$



**If cash settlement is applicable:**

- Investor receives the cash equivalent of the physical settlement amount of USD0 for each Basket US PPR Investment, calculated as follow:

$$= \frac{\text{closing price of the worst performing asset on the expiry date}}{\text{exercise price}} \times \frac{\text{nominal amount}}{\text{exercise price}}$$

(rounded to 2 decimal places, with 0.005 or above being rounded upwards)

$$= \text{USD0} \times \frac{\text{USD10,000}}{\text{USD20.25}}$$

$$= \text{USD0}$$

For 10 Basket US PPR Investments:

$$\text{USD0} \times 10 = \text{USD0}.$$

Total payout on investment

- Investor receives a final settlement payout of: (i) if physical settlement is applicable: 4,930 shares of reference asset 2 (the market value of the physical settlement amount calculated based on the closing price of the worst performing asset on the expiry date is USD0, calculated as: 4,930 shares x USD0) + USD0 (cash payment for the fractional shares of the worst performing asset); or (ii) if cash settlement is applicable: cash payment of USD0 (the cash equivalent of the physical settlement amount).
- Investor suffers a loss of 100% (calculated as: (USD10,000 x 10 - USD0) ÷ USD100,000 x 100%) (as the market value of the final settlement payout as set out above is worthless on the expiry date), compared to the total issue price paid on the issue date.

**B. Hypothetical examples where only the exercise price of the worst performing asset on the expiry date is used as a benchmark to determine the final settlement payout**

*The following hypothetical examples are for illustrative purposes only and do not reflect a complete analysis of all possible gain or loss scenarios. You must not rely on them as an indication of the price performance of the reference assets in the basket or the payout on the Basket US PPR Investments. **They do not take into account any expenses payable by the investor.***

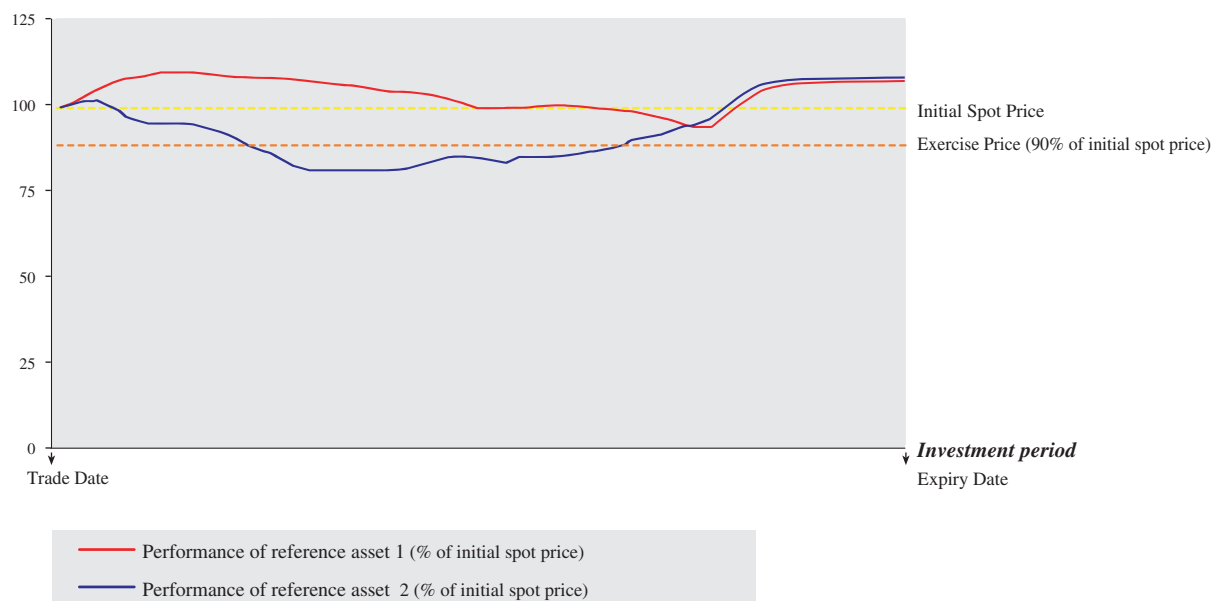
In this example, suppose an investor bought 10 Basket US PPR Investments (with daily knock-in\*) with the following terms:

| Reference assets in the Basket   | Reference asset 1   | Reference asset 2 |
|--|---|-------------------|
| Scheduled tenor of the Basket US PPR Investments (being the period from (and including) the issue date to (and including) the settlement date) | 360 days  |                   |
| Investment period of the Basket US PPR Investments (being the period from (and including) the trade date to (and including) the expiry date)   | 365 days  |                   |
| Settlement currency  | For scenarios B1 to B3: U.S. dollars (USD)<br>For scenarios B4 and B5: Renminbi (CNY)             |                   |
| Initial spot price on trade date   | USD91.70  | USD22.50          |
| Issue price for each Basket US PPR Investment (100% of nominal amount)   | For scenarios B1 to B3: USD10,000<br>For scenarios B4 and B5: CNY78,000                           |                   |
| Nominal amount for each Basket US PPR Investment   | For scenarios B1 to B3: USD10,000<br>For scenarios B4 and B5: CNY78,000                           |                   |
| Total issue price for 10 Basket US PPR Investments   | For scenarios B1 to B3: USD100,000<br>For scenarios B4 and B5: CNY780,000                         |                   |
| Total nominal amount for 10 Basket US PPR Investments  | For scenarios B1 to B3: USD100,000<br>For scenarios B4 and B5: CNY780,000                         |                   |
| Exercise price (90% of the initial spot price) (for the determination of payout on the expiry date)  | USD82.5300  | USD20.2500        |
| Knock-in price (65% of the initial spot price) (for the determination of whether a knock-in event has occurred)                                | USD59.6050  | USD14.6250        |
| Floor rate   | 3.75%   |                   |
| Participation rate   | 80%   |                   |
| Knock-in event dates*  | Each scheduled trading day from (but excluding) the trade date to (and including) the expiry date |                   |
| Benchmark for determining the final settlement payout (applicable for scenarios B1 to B5)  | Exercise price  |                   |

\* This example assumes the daily knock-in event applies. If the at-expiry knock-in event is applicable, the knock-in event date will be the same day as the expiry date.

**Scenario B1 – The closing price of the worst performing asset is above its exercise price on expiry date (best case scenario)**

*Performance of reference assets (%)*



- How to determine the worst performing asset on a particular scheduled trading day?

The reference asset in the basket with the lowest “performance” on a particular scheduled trading day will be the worst performing asset for that scheduled trading day. We will use the following formula to determine the “performance” for each reference asset on a scheduled trading day:

$$\text{Performance} = \frac{\text{Closing price of the reference asset on a scheduled trading day}}{\text{Initial spot price of the reference asset}} \times 100\%$$

- Using the same methodology as stated above, the following calculations illustrate how to determine the worst performing asset on the expiry date.

Assuming that the closing price of reference asset 1 and reference asset 2 on the expiry date is USD100.00 and USD24.75, respectively, hence, the performance of each reference asset in the basket on the expiry date is calculated as follows (rounded to 4 decimal places, with 0.00005% or above being rounded upwards):

$$\text{– Performance of reference asset 1} = \frac{\text{USD100.00}}{\text{USD91.70}} \times 100\% = 109.0513\%$$

$$\text{– Performance of reference asset 2} = \frac{\text{USD24.75}}{\text{USD22.50}} \times 100\% = 110.0000\%$$

As reference asset 1 has the lowest performance, it will be the worst performing asset on the expiry date.

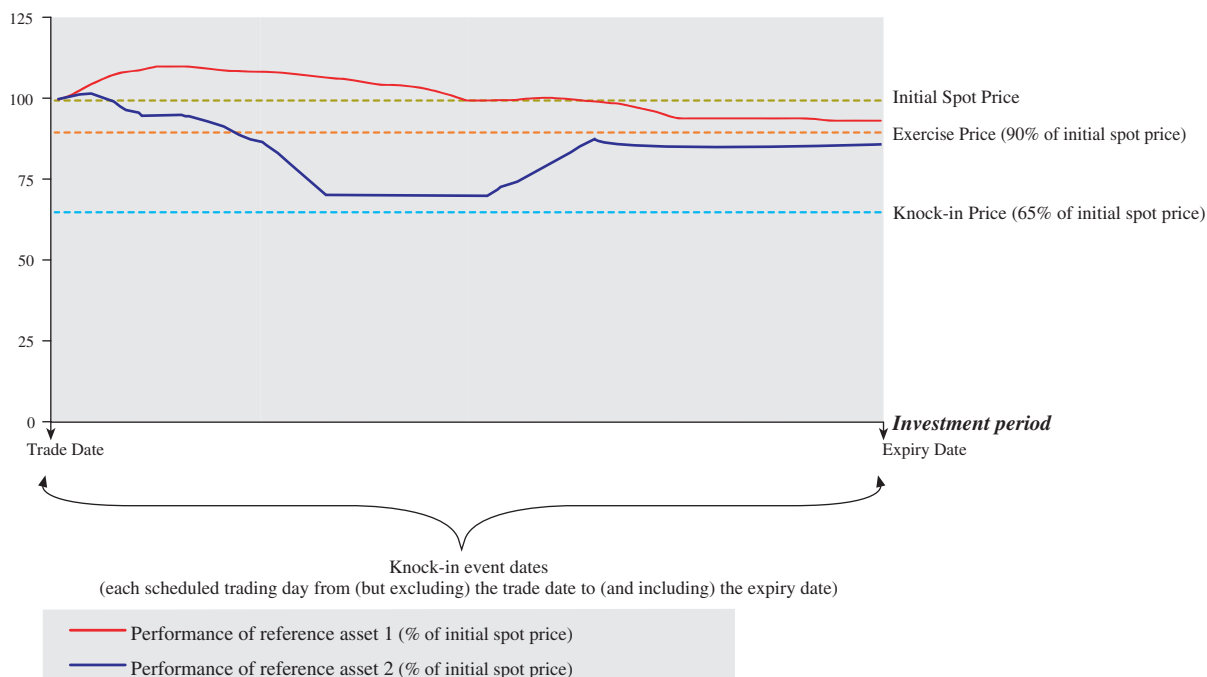
|  |   |
|--|---|
| Final settlement payout on the settlement date | <ul style="list-style-type: none"> <li>– The diagram on page 71 illustrates that the worst performing asset on the expiry date (being reference asset 1) closes at USD100.00, which is above its exercise price.</li> <li>– Investor receives the aggregate nominal amount of USD100,000 and the potential performance return on the settlement date, calculated as follows (rounded to 2 decimal places, with \$0.005 or above being rounded upwards):</li> </ul> <p>For each Basket US PPR Investment:</p> $\text{USD}10,000 \times 7.24\%^* = \text{USD}724.00$ <p>* The return<sup>#</sup> is the higher of:</p> <p>(i) the floor rate (being 3.75%); and</p> <p>(ii) <math>\left( \frac{\text{USD}100.00}{\text{USD}91.70} - 1 \right) \times 80\%^{\Delta} = 7.24\%^{\#}</math></p> <p>For 10 Basket US PPR Investments: <math>\text{USD}724 \times 10 = \text{USD}7,240</math></p> |
| Total payout on investment                     | <ul style="list-style-type: none"> <li>– Investor receives a total payout of USD107,240 (being: USD100,000 (nominal amount) + USD7,240 (potential performance return)), which is equivalent to a gain of 7.24% (calculated as: <math>(\text{USD}107,240 - \text{USD}100,000) \div \text{USD}100,000 \times 100\%</math>), compared to the total issue price paid on the issue date.</li> </ul>  |

<sup>Δ</sup> The participation rate is set at 80% in this example.

<sup>#</sup> The calculation of the return according to the formula under (ii) above is rounded to 2 decimal places in this example for illustrative purposes. The actual calculation of the return according to the formula under (ii) above will not be rounded.

**Scenario B2 – The closing price of the worst performing asset is below its exercise price and a daily knock-in event has not occurred (break-even scenario)**

*Performance of reference assets (%)*



- Using the same methodology as stated on page 71, the following calculations illustrate how to determine the worst performing asset on the expiry date.

Assuming that the closing price of reference asset 1 and reference asset 2 on the expiry date is USD85.69 and USD19.80, respectively, hence, the performance of each reference asset in the basket on the expiry date is calculated as follows (rounded to 4 decimal places, with 0.00005% or above being rounded upwards):

$$\text{Performance of reference asset 1} = \frac{\text{USD85.69}}{\text{USD91.70}} \times 100\% = 93.4460\%$$

$$\text{Performance of reference asset 2} = \frac{\text{USD19.80}}{\text{USD22.50}} \times 100\% = 88.0000\%$$

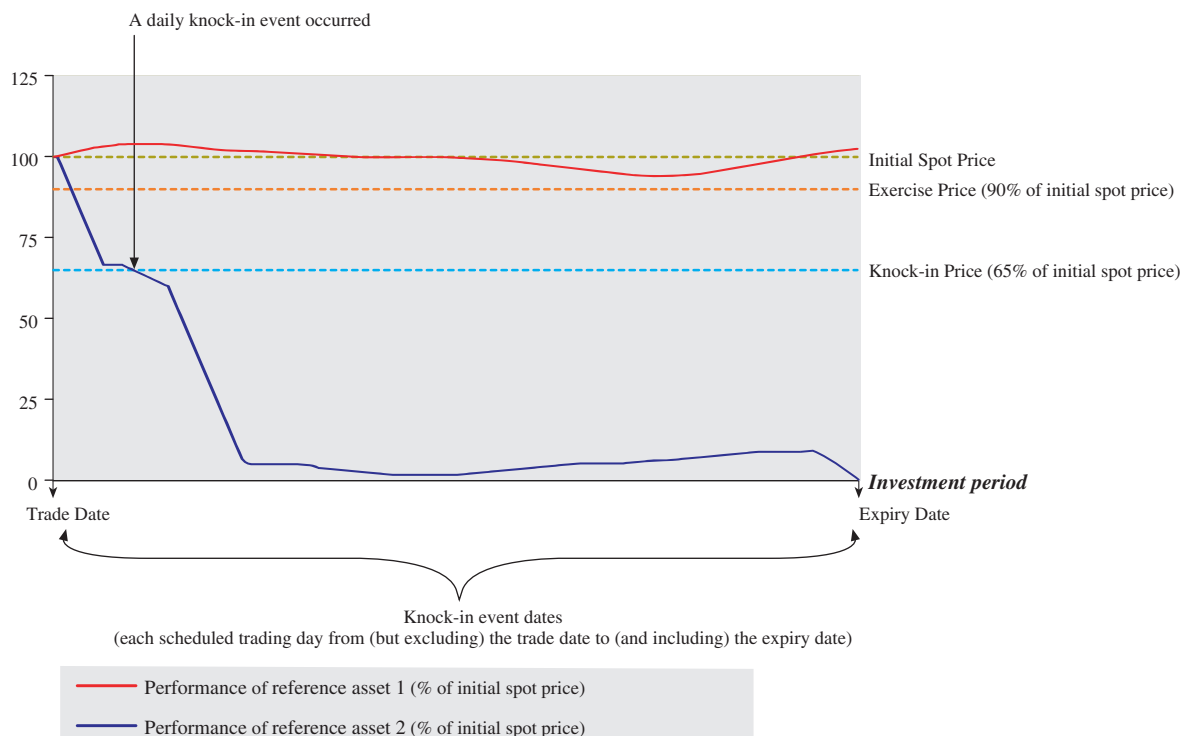
As reference asset 2 has the lowest performance, it will be the worst performing asset on the expiry date.

|  |  |
|--|--|
| Final settlement payout on the settlement date | <ul style="list-style-type: none"> <li>– The diagram on page 73 illustrates that: <ul style="list-style-type: none"> <li>(i) a daily knock-in event has not occurred because the worst performing asset (being reference asset 2) has not closed at or below the knock-in price on any scheduled trading day during the period from (but excluding) the trade date to (and including) the expiry date; and</li> <li>(ii) the worst performing asset on the expiry date (being reference asset 2) closes at USD19.80 on the expiry date, which is below its exercise price.</li> </ul> </li> <li>– As the closing price of the worst performing asset on the expiry date (being reference asset 2) is below its exercise price, the investor will not receive the potential performance return on the settlement date.</li> <li>– Investor receives the aggregate nominal amount of USD100,000 on the settlement date.</li> </ul> |
| Total payout on investment                     | <ul style="list-style-type: none"> <li>– Investor receives a total payout of USD100,000 (nominal amount), which is equivalent to a gain of 0% (calculated as: <math>(\text{USD}100,000 - \text{USD}100,000) \div \text{USD}100,000 \times 100\%</math>), compared to the total issue price paid on the issue date.</li> </ul>  |



**Scenario B3 – The daily knock-in event has occurred and the closing price of the worst performing asset is below its exercise price on the expiry date (worst case scenario)**

*Performance of reference assets (%)*



- Using the same methodology as stated on page 71, the following calculations illustrate how to determine the worst performing asset on the expiry date.

Assuming that the closing price of reference asset 1 and reference asset 2 on the expiry date is USD93.30 and USD0.00, respectively, hence, the performance of each reference asset in the basket on the expiry date is calculated as follows (rounded to 4 decimal places, with 0.00005% or above being rounded upwards):

$$\text{– Performance of reference asset 1} = \frac{\text{USD93.30}}{\text{USD91.70}} \times 100\% = 101.7448\%$$

$$\text{– Performance of reference asset 2} = \frac{\text{USD0.00}}{\text{USD22.50}} \times 100\% = 0.0000\%$$

As reference asset 2 has the lowest performance, it will be the worst performing asset on the expiry date.

- |  |  |
|--|--|
| Final settlement payout on the settlement date | – The above diagram illustrates that a daily knock-in event has occurred because the worst performing asset (being reference asset 2) has closed at or below its knock-in price on a scheduled trading day during the period from (but excluding) the trade date to (and including) the expiry date. |
|  | – The above diagram also illustrates that the worst performing asset on the expiry date (being reference asset 2) closes at USD0 which is below its exercise price on the expiry date.   |

**If physical settlement is applicable:**

- Investor receives the physical settlement amount (being a number of shares of the worst performing asset on the expiry date (i.e. reference asset 2)), which is calculated by reference to the exercise price of reference asset 2 (i.e. USD20.25) for each Basket US PPR Investment, calculated as follows:

$$= \frac{\text{nominal amount}}{\text{exercise price}}$$

(rounded to 4 decimal places, with 0.00005 or above being rounded upwards)

$$= \frac{\text{USD10,000}}{\text{USD20.25}} = 493.8272 \text{ shares (rounded to 4 decimal places)}$$

Only whole number of the worst performing asset will be delivered and the physical settlement amount is calculated on a per-Basket US PPR Investment basis. The fractional share of the worst performing asset (i.e. 0.8272) will be paid in cash.

For 10 Basket US PPR Investments, the physical settlement amount is calculated as:

$$493 \text{ shares} \times 10 = 4,930 \text{ shares of reference asset 2.}$$

- Investor also receives the cash payment for the fractional shares of the worst performing asset. However, in this scenario, as the closing price of the worst performing asset on the expiry date has fallen to USD0, investor will not receive any such cash payment, calculated as follows:

$$= \text{closing price of the worst performing asset on the expiry date} \times \text{fractional shares of the worst performing asset (rounded to 2 decimal places, with 0.005 or above being rounded upwards)}$$

$$= \text{USD0} \times 0.8272 \text{ shares}$$

$$= \text{USD0}$$

For 10 Basket US PPR Investments:

$$\text{USD0} \times 10 = \text{USD0}$$

**If cash settlement is applicable:**

- Investor receives the cash equivalent of the physical settlement amount of USD0 for each Basket US PPR Investment, calculated as follow:

$$= \frac{\text{closing price of the worst performing asset on the expiry date}}{\text{exercise price}} \times \frac{\text{nominal amount}}{\text{exercise price}}$$

(rounded to 2 decimal places, with 0.005 or above being rounded upwards)

$$= \text{USD0} \times \frac{\text{USD10,000}}{\text{USD20.25}}$$

$$= \text{USD0}$$

For 10 Basket US PPR Investments:

$$\text{USD0} \times 10 = \text{USD0}.$$

Total payout on investment

- Investor receives a final settlement payout of: (i) if physical settlement is applicable: 4,930 shares of reference asset 2 (the market value of the physical settlement amount calculated based on the closing price of the worst performing asset on the expiry date is USD0, calculated as: 4,930 shares x USD0) + USD0 (cash payment for the fractional shares of the worst performing asset); or (ii) if cash settlement is applicable: cash payment of USD0 (the cash equivalent of the physical settlement amount).
- Investor suffers a loss of 100% (calculated as: (USD10,000 x 10 - USD0) ÷ USD100,000 x 100%) (as the market value of the final settlement payout as set out above is worthless on the expiry date), compared to the total issue price paid on the issue date.

**Scenario B4 – The Basket US PPR Investments are issued in Renminbi and Renminbi depreciated significantly between the issue date and the expiry date (scenario illustrating the impact of exchange rate loss)**

For this scenario B4, the settlement currency is Renminbi and the nominal amount for each Basket US PPR Investment is CNY78,000, the total issue price for 10 Basket US PPR Investments is CNY780,000 and the total nominal amount for 10 Basket US PPR Investments is CNY780,000.

Assuming that a daily knock-in event has occurred and the closing price of the worst performing asset on the expiry date (being reference asset 2) closes at USD2.00 on the expiry date, which is below its exercise price.

Further, assuming that the exchange rate for U.S. dollars per Renminbi on the issue date is 0.1667 and Renminbi depreciated significantly against U.S. dollars during the scheduled tenor of the Basket US PPR Investments and the exchange rate for U.S. dollars per Renminbi on the expiry date and the settlement date is 0.125.

**If physical settlement is applicable:**

– Investor receives a number of shares of the worst performing asset on the expiry date (i.e. reference asset 2), which is calculated by reference to the exercise price of reference asset 2 (i.e. USD20.25) for each Basket US PPR Investment, calculated as follows:

$$= \frac{\text{nominal amount} \times \text{reference exchange rate on the expiry date}}{\text{exercise price}}$$

(rounded to 4 decimal places, with 0.00005 or above being rounded upwards)

– Investor also receives the cash payment for the fractional share of the worst performing asset, calculated as follows:

$$= \frac{\text{closing price of the worst performing asset on the expiry date}}{\text{reference exchange rate on the expiry date}} \times \text{fractional share}$$

(rounded to 2 decimal places, with 0.005 or above being rounded upwards)

The calculation of the physical settlement amount will depend on the prevailing exchange rate between U.S. dollars and Renminbi. The table below shows a comparison of the physical settlement amount and the final settlement payout calculated on the basis of: (a) the exchange rate for U.S. dollars per Renminbi on the expiry date of 0.125 and (b) the exchange rate for U.S. dollars per Renminbi on the issue date of 0.1667:

| Scenario A: Exchange rate for U.S. dollars per Renminbi on the expiry date of 0.125   | Scenario B: Exchange rate for U.S. dollars per Renminbi on the issue date of 0.1667  |
|---|--|
| <b>A. Number of shares of the worst performing asset on the expiry date the investor would receive based on the relevant exchange rate:</b>   |  |
| $= \frac{\text{CNY}78,000 \times 0.125}{\text{USD}20.25}$ <p>= 481.4815 shares (rounded to 4 decimal places) (for each Basket US PPR Investment)</p> <p>Only whole number of the worst performing asset will be delivered and any fractional share will be paid in cash:</p> <p>For 10 Basket US PPR Investments, 4,810 shares will be delivered.</p>   | $= \frac{\text{CNY}78,000 \times 0.1667}{\text{USD}20.25}$ <p>= 642.1037 shares (rounded to 4 decimal places) (for each Basket US PPR Investment)</p> <p>Only whole number of the worst performing asset will be delivered and any fractional share will be paid in cash:</p> <p>For 10 Basket US PPR Investments, 6,420 shares will be delivered.</p>   |
| <b>B. Cash payment for the fractional shares of the worst performing asset on the expiry date the investor would receive based on the relevant exchange rate:</b>   |  |
| $= \frac{\text{USD}2.00 \times 0.4815 \text{ shares}}{0.125}$ <p>= CNY7.70 (for each Basket US PPR Investment)</p> <p>= CNY77.00 (for 10 Basket US PPR Investments)</p>   | $= \frac{\text{USD}2.00 \times 0.1037 \text{ shares}}{0.1667}$ <p>= CNY1.24 (for each Basket US PPR Investment)</p> <p>= CNY12.40 (for 10 Basket US PPR Investments)</p>   |
| <b>C. Final settlement payout:</b>  |  |
| <p>In this case, the investor receives a final settlement payout of 4,810 shares of reference asset 2 and CNY77.00 (cash payment of the fractional shares of the worst performing asset).</p> <p>If the investor chooses to realise his/her holding of reference asset 2 on the settlement date (assuming the market value of the shares on the settlement date is the same as per the expiry date), the investor will receive USD9,620 (calculated as: 4,810 shares x USD2.00 (closing price of the worst performing asset on the expiry date)). Compared to scenario B, the investor suffers a loss of USD3,220 as the investor receives a lower number of shares of the worst performing asset due to the depreciation of Renminbi against the U.S. dollars during the scheduled tenor.</p> <p>The market value of the physical settlement amount on the expiry date converted to Renminbi is CNY76,960 (calculated as: USD9,620 ÷ 0.125 (exchange rate for U.S. dollars per Renminbi on the expiry date)) plus CNY77.00 (cash payment of the fractional shares of the worst performing asset), being a total of CNY77,037.00.</p> | <p>In this case, the investor receives a final settlement payout of 6,420 shares of reference asset 2 and CNY12.40 (cash payment of the fractional shares of the worst performing asset).</p> <p>If the investor chooses to realise his/her holding of reference asset 2 on the settlement date (assuming the market value of the shares on the settlement date is the same as per the expiry date), the investor will receive USD12,840 (calculated as: 6,420 shares x USD2.00 (closing price of the worst performing asset on the expiry date)). Compared to scenario A, the investor would receive a higher number of shares of the worst performing asset if there was no depreciation of Renminbi against the U.S. dollars during the scheduled tenor.</p> <p>The market value of the physical settlement amount on the expiry date converted to Renminbi is CNY77,024.60 (calculated as: USD12,840 ÷ 0.1667 (exchange rate for U.S. dollars per Renminbi on the issue date)) plus CNY12.40 (cash payment of the fractional shares of the worst performing asset), being a total of CNY77,037.00.</p> |
| <p>In each case, the investor suffers a loss of 90.12% (calculated as: (CNY78,000 x 10 – CNY77,037.00) ÷ CNY780,000 x 100%), compared to the total issue price paid on the issue date.</p>  |  |

**If cash settlement is applicable:**

– Investor receives the cash equivalent of the physical settlement amount of CNY7,703.70 for each Basket US PPR Investment, calculated as follows:

$$= \text{closing price of the worst performing asset on the expiry date} \times \frac{\text{nominal amount}}{\text{exercise price}}$$

(rounded to 2 decimal places, with 0.005 or above being rounded upwards)

$$= \frac{\text{USD2.00} \times \text{CNY78,000}}{\text{USD20.25}}$$

$$= \text{CNY7,703.70 for each Basket US PPR Investment}$$

For 10 Basket US PPR Investments:

$$\text{CNY7,703.70} \times 10 = \text{CNY77,037.00}$$

Therefore, investor receives a cash equivalent of the physical settlement amount of CNY77,037.00.

In such case, the investor suffers a loss of 90.12% (calculated as:  $(\text{CNY78,000} \times 10 - \text{CNY77,037.00}) \div \text{CNY780,000} \times 100\%$ ), compared to the total issue price paid on the issue date.

If the investor chooses to convert the cash equivalent of the physical settlement amount into U.S. dollars on the settlement date, the investor would suffer a further loss of USD3,212.44 in U.S. dollar terms as the cash equivalent of the physical settlement amount converted into U.S. dollars based on the exchange rate on the settlement date of 0.125, being USD9,629.63 (calculated as:  $\text{CNY77,037.00} \times 0.125$ ), is substantially less than the value of the cash equivalent of the physical settlement amount in U.S. dollar terms calculated based on the exchange rate for U.S. dollars per Renminbi on the issue date of 0.1667, being USD12,842.07 (calculated as:  $\text{CNY77,037.00} \times 0.1667$ ).

In this scenario B4, the Basket US PPR Investments are issued in Renminbi and the settlement currency is also Renminbi. Hence, the investor will be exposed to the risk of fluctuation in the exchange rate of U.S. dollars against the Renminbi when the investor converts any Renminbi payment he/she receives under the Basket US PPR Investments back to U.S. dollars.

**Scenario B5 – The Basket US PPR Investments are issued in Renminbi and a CNY disruption event occurs on the settlement date and continues to exist for twelve consecutive Hong Kong business days following the settlement date (CNY disruption event scenario)**

For this scenario B5, the settlement currency is Renminbi and the nominal amount for each Basket US PPR Investment is CNY78,000. Assuming that an investor bought one Basket US PPR Investment and the issue price for one Basket US PPR Investment is CNY78,000.

Assuming that the final settlement payout on the settlement date is the total of: (i) the nominal amount of CNY78,000 and (ii) the potential performance return of CNY2,925 (i.e. CNY80,925). If a CNY disruption event occurs on the settlement date and continues to exist for twelve consecutive Hong Kong business days following the settlement date, investor will receive, by no later than the third Hong Kong business day after such twelfth Hong Kong business day following the settlement date (the “**postponed payment date**”), payment of the nominal amount (i.e. CNY78,000) together with the potential performance return (i.e. CNY2,925) in an equivalent amount in Hong Kong dollars calculated by the Issuer acting in good faith and in a commercially reasonable manner by converting such amount payable in Renminbi into Hong Kong dollars using the prevailing exchange rate on the second Hong Kong business day prior to the postponed payment date. Investor will therefore be exposed to the risk of fluctuation in the exchange rate of Renminbi against Hong Kong dollars.

Assuming that the exchange rate for Hong Kong dollars per Renminbi prior to the occurrence of the CNY disruption event is 1.2500 and Renminbi depreciated significantly against Hong Kong dollars following the occurrence of the CNY disruption event and the exchange rate on the second Hong Kong business day prior to the postponed payment date is 0.80. In such case, investor will suffer a loss of HKD36,416.25 in Hong Kong dollar terms as the equivalent amount of the final settlement payout converted into Hong Kong dollars and paid to investor on the postponed payment date, being HKD64,740 (calculated as: CNY80,925 x 0.80), is substantially less than the value of the final settlement payout payable in Renminbi on the original settlement date in Hong Kong dollar terms (calculated based on the exchange rate for Hong Kong dollars per Renminbi prior to the occurrence of the CNY disruption event), being HKD101,156.25 (calculated as: CNY80,925 x 1.25).

**Additional Scenario – if HSBC as issuer becomes insolvent or defaults on its obligations under the Basket US PPR Investments**

- Assume further that HSBC as issuer becomes insolvent or defaults on its obligations under the Basket US PPR Investments during the scheduled tenor of the Basket US PPR Investments.
- In the worst case scenario, the investor may get nothing back (including the nominal amount of the Basket US PPR Investments, the physical settlement amount or the cash equivalent of the physical settlement amount) regardless of the price performance of the reference assets in the basket and the potential maximum loss could be 100% of the initial investment amount.



**OUR BASKET US PPR INVESTMENTS – ADJUSTMENTS TO TERMS AND CONDITIONS, SUBSTITUTION OF REFERENCE ASSET(S) IN THE BASKET OR EARLY TERMINATION UPON OCCURRENCE OF EXTRAORDINARY UNFORESEEABLE EVENTS, ADJUSTMENTS TO KEY DATES AND OCCURRENCE OF A CNY DISRUPTION EVENT FOR OUR RENMINBI-DENOMINATED BASKET US PPR INVESTMENTS**

**A. Adjustments to terms and conditions, substitution of reference asset(s) in the basket and early termination upon occurrence of extraordinary unforeseeable events**

|  |   |
|--|---|
| <p><b>What do you get if an extraordinary unforeseeable event occurs in respect of the Basket US PPR Investments?</b></p>  | <p>As we cannot foresee all extraordinary unforeseeable events that can occur in relation to us or the reference assets, we may have to adjust the terms and conditions of our Basket US PPR Investments or substitute one or more reference asset(s) in the basket or early terminate our Basket US PPR Investments if certain unforeseeable events occur.</p> <p>Our Basket US PPR Investments constitute our general, unsecured and unsubordinated contractual obligations. You will have to rely on your distributor (directly or indirectly via its custodian) to take action on your behalf to claim as one of our unsecured creditors if we become insolvent or default on our obligations under our Basket US PPR Investments. What you get under our Basket US PPR Investments will depend on the liquidation proceedings. If your distributor or its custodian fails to take action against us on your behalf, you may (i) take action against your distributor in accordance with the agreement between you and your distributor; and/or (ii) take action against your distributor's custodian by establishing a claim against the distributor's custodian; and/or (iii) take action against us as issuer by establishing a claim against us, referencing the contractual and agency relationship between you and your distributor, the contractual relationship between your distributor and its custodian (if any) and the contractual relationship between us (as issuer) and your distributor or its custodian. <b>In the worst case scenario, you may get nothing back and the potential maximum loss could be 100% of the initial investment amount.</b></p> |
| <p>(a) If we, as the issuer, become insolvent or default on our obligations under our Basket US PPR Investments on or before the settlement date of the Basket US PPR Investments:</p> |   |

(b) During the investment period, we will determine in our sole and absolute discretion, acting in good faith and in a commercially reasonable manner (i) whether a potential adjustment event (including but not limited to, a subdivision or consolidation of the reference asset(s), a bonus or rights issue) (as more particularly set out in condition 6(a) of the general terms and conditions in Appendix B) has occurred, (ii) whether the occurrence of such potential adjustment event has a diluting or concentrative effect on the theoretical value of the reference asset(s) and (iii) if such potential adjustment event has a diluting or concentrative effect on the theoretical value of the reference asset(s), what adjustment will be made to the terms and conditions of the Basket US PPR Investments to account for such effect:

→ We will determine in our sole and absolute discretion, acting in good faith and in a commercially reasonable manner, any adjustment to be made to the terms and conditions of our Basket US PPR Investments (including, for example, adjusting the initial spot price, the exercise price and the knock-in price (if applicable) of the affected reference asset(s)) to account for that diluting or concentrative effect so as to preserve the economic equivalence of the relevant Basket US PPR Investments. If options contracts or futures contracts of the affected reference asset(s) are traded on the relevant US exchange or any other related exchange, we shall follow any adjustment to the terms and conditions of the relevant options contract or futures contract made and announced by the relevant US exchange or other related exchange, unless we determine, in our sole and absolute discretion, acting in good faith and in a commercially reasonable manner, that following such adjustment(s) is not able to preserve the economic equivalence of the Basket US PPR Investments. In such case, we will determine the appropriate adjustment(s) in our sole and absolute discretion, acting in good faith and in a commercially reasonable manner, so as to preserve the economic equivalence of the Basket US PPR Investments. If no options contracts or futures contracts are traded, we will determine the appropriate adjustment(s) in our sole and absolute discretion, acting in good faith and in a commercially reasonable manner, so as to preserve the economic equivalence of the Basket US PPR Investments.

We shall also determine, in our sole and absolute discretion, acting in good faith and in a commercially reasonable manner, the effective date(s) of such adjustment(s) and shall observe and use, to the extent reasonably practicable, any such ex-date(s) or other relevant date(s) as provided by the relevant US exchange or other related exchange as the effective date(s) of such adjustment(s).

|   |          |  |
|---|----------|--|
| <p>(c) During the investment period, if any of the following extraordinary unforeseeable events occurs in relation to (1) a company issuing the relevant reference shares or (2) the relevant reference shares in the basket. This would include:</p> | <p>→</p> | <p>We will determine in our sole and absolute discretion, acting in good faith and in a commercially reasonable manner, any adjustment to be made to the terms and conditions of our Basket US PPR Investments to account for such extraordinary unforeseeable event so as to preserve the economic equivalence of the relevant Basket US PPR Investments.</p>   |
| <p>i. the merging of the company issuing the relevant reference shares with another company or the acquisition of the company issuing the relevant reference shares by another entity; or</p>   |          | <p>If options contracts or futures contracts of the affected reference asset are traded on the relevant US exchange or any other related exchange, we shall follow any adjustment to the terms and conditions of the relevant options contract or futures contract made and announced by the relevant US exchange or other related exchange, unless we determine, in our sole and absolute discretion, acting in good faith and in a commercially reasonable manner, that following such adjustment(s) is not able to preserve the economic equivalence of the Basket US PPR Investments. In such case, we will determine the appropriate adjustment(s) in our sole and absolute discretion, acting in good faith and in a commercially reasonable manner, so as to preserve the economic equivalence of the Basket US PPR Investments. If no options contracts or futures contracts are traded, we will determine the appropriate adjustment(s) in our sole and absolute discretion, acting in good faith and in a commercially reasonable manner, so as to preserve the economic equivalence of the Basket US PPR Investments.</p> |
| <p>ii. a tender offer by another entity to purchase the relevant reference shares in the basket.</p>  |          | <p>We shall also determine, in our sole and absolute discretion, acting in good faith and in a commercially reasonable manner, the effective date(s) of such adjustment(s) and shall observe and use, to the extent reasonably practicable, any such ex-date(s) or other relevant date(s) as provided by the relevant US exchange or other related exchange as the effective date(s) of such adjustment(s).</p>  |
|   |          | <p>If we determine (in our sole and absolute discretion, acting in good faith and in a commercially reasonable manner) that any of the foregoing adjustments is not able to preserve the economic equivalence of the relevant Basket US PPR Investments, we will seek to substitute the affected reference asset(s) with another reference asset(s) (selected by us in our sole and absolute discretion, acting in good faith and in a commercially reasonable manner) which meets the criteria of:</p> <ul style="list-style-type: none"> <li>(i) listed on the same stock exchange and not already comprised in the basket; and</li> <li>(ii) belongs to a similar economic sector as the affected reference asset; and</li> <li>(iii) has a similar market capitalisation as the affected reference asset as of the trade date.</li> </ul>  |

If we determine (in our sole and absolute discretion, acting in good faith and in a commercially reasonable manner) that we are unable to find a substitute asset which meets all of the above criteria, then we will seek to substitute the affected reference asset(s) with another reference asset(s) (selected by us in our sole and absolute discretion, acting in good faith and in a commercially reasonable manner) which meets the criteria of (i) and (ii) above only.

If we determine (in our sole and absolute discretion, acting in good faith and in a commercially reasonable manner) that substitution of the affected reference asset(s) is able to account for that merger event or tender offer, we will continue our Basket US PPR Investments and make such substitution as described above and make any further adjustments to the terms and conditions of the Basket US PPR Investments as we think fit (acting in good faith and in a commercially reasonable manner) to account for that merger event or tender offer, provided that any such substitution and adjustment is not considered by us to be prejudicial to the holders of such Basket US PPR Investments generally. **Any adjustments to the terms and conditions as a result of the substitution of the affected reference asset could have an adverse effect on the market value of the Basket US PPR Investments.**

If we determine (in our sole and absolute discretion, acting in good faith and in a commercially reasonable manner) that substitution of the affected reference asset(s) is not able to account for that merger event or tender offer, we will early terminate our Basket US PPR Investments as of the date determined by us in our sole and absolute discretion, acting in good faith and in a commercially reasonable manner, and pay you as soon as practicable a fair market value for your Basket US PPR Investments as of such termination date. The fair market value of the Basket US PPR Investments will depend on factors such as market interest rate movements, HSBC's financial condition, the market's view of HSBC's credit quality, the value of the embedded options including the conditional put option and the price performance and price volatility of the reference assets in the basket. It will also take into account any cost which is, or would be, incurred by us in unwinding our hedging and funding arrangements relating to the Basket US PPR Investments. No cash settlement expenses will be payable for the payment of the fair market value of the Basket US PPR Investments. **Depending on the then prevailing market conditions, this fair market value may be less, or substantially less, than the initial investment amount.** For further details, please refer to condition 6 of the general terms and conditions of the Basket US PPR Investments as set out on pages 172 to 177 of this product booklet.

- (d) During the investment period, if any of the following extraordinary unforeseeable events occurs in relation to (1) a company issuing the relevant reference shares or (2) the relevant reference shares in the basket. This would include:
- i. the insolvency of the company;
  - ii. the nationalisation of the reference shares;
  - iii. the delisting of the reference shares on the relevant US exchange;
  - iv. a change in law with the result that it becomes illegal for us to hold or dispose of the reference shares or will cause us to incur a materially increased cost in performing our obligations under the Basket US PPR Investments;
  - v. our inability to hedge our exposure under the Basket US PPR Investments or a material increase in the cost of hedging our exposure under the Basket US PPR Investments after the issue date (provided that such an inability or increase of cost is not incurred because of the deterioration of our creditworthiness); and
  - vi. the institution of proceedings against or the petition by the regulator of the company whose shares comprise the reference basket for the company's winding-up or liquidation.
- (each of (iv) to (vi) above is referred to as an “**additional disruption event**”)

→ We will seek to substitute the affected reference asset(s) with another reference asset(s) (selected by us in our sole and absolute discretion, acting in good faith and in a commercially reasonable manner) based on the same method of selection as stated in sub-paragraph (c) on pages 84 to 85 of this product booklet.

If we determine (in our sole and absolute discretion, acting in good faith and in a commercially reasonable manner) that substitution of the affected reference asset(s) is able to account for nationalisation, insolvency, delisting or additional disruption event, we will continue our Basket US PPR Investments and make such substitution as described above and make any further adjustments to the terms and conditions of the Basket US PPR Investments as we think fit (acting in good faith and in a commercially reasonable manner) to account for that nationalisation, insolvency, delisting or additional disruption event, provided that any such substitution and adjustment is not considered by us to be prejudicial to the holders of such Basket US PPR Investments generally. **Any adjustments to the terms and conditions as a result of the substitution of the affected reference asset could have an adverse effect on the market value of the Basket US PPR Investments.**

If we determine (in our sole and absolute discretion, acting in good faith and in a commercially reasonable manner) that substitution of the affected reference asset(s) is not able to account for that nationalisation, insolvency, delisting or additional disruption event, we will early terminate our Basket US PPR Investments as of the date determined by us in our sole and absolute discretion, acting in good faith and in a commercially reasonable manner, and pay you as soon as practicable a fair market value for your Basket US PPR Investments as of such termination date. The fair market value of the Basket US PPR Investments will depend on factors such as market interest rate movements, HSBC's financial condition, the market's view of HSBC's credit quality, the value of the embedded options including the conditional put option and the price performance and price volatility of the reference assets in the basket. It will also take into account any cost which is, or would be, incurred by us in unwinding our hedging and funding arrangements relating to the Basket US PPR Investments. No cash settlement expenses will be payable for the payment of the fair market value of the Basket US PPR Investments. **Depending on the then prevailing market conditions, this fair market value may be less, or substantially less, than the initial investment amount.** For further details, please refer to condition 6 of the general terms and conditions of the Basket US PPR Investments as set out on pages 172 to 177 of this product booklet.

(e) If we determine in good faith and in a commercially reasonable manner that the performance of any of our absolute or contingent obligations under the Basket US PPR Investments has become illegal or impracticable in whole or in part for any reason beyond our control:

→ We will early terminate our Basket US PPR Investments as of the date determined by us in our sole and absolute discretion, acting in good faith and in a commercially reasonable manner, and pay you as soon as practicable a fair market value for your Basket US PPR Investments as of such termination date. The fair market value of the Basket US PPR Investments will depend on factors such as market interest rate movements, HSBC's financial condition, the market's view of HSBC's credit quality, the value of the embedded options including the conditional put option and the price performance and price volatility of the reference assets in the basket. It will also take into account any cost which is, or would be, incurred by us in unwinding our hedging and funding arrangements relating to the Basket US PPR Investments. No cash settlement expenses will be payable for the payment of the fair market value of the Basket US PPR Investments. **Depending on the then prevailing market conditions, this fair market value may be less, or substantially less, than the initial investment amount.** For further details, please refer to condition 6 of the general terms and conditions of the Basket US PPR Investments as set out on pages 172 to 177 of this product booklet.



## B. Adjustment to key dates

| Will the key dates relevant to the terms and conditions of the Basket US PPR Investments be adjusted?                                     | Some of the key dates relevant to the terms and conditions of the Basket US PPR Investments may be adjusted or postponed in certain circumstances.   |
|---|--|
| (a) If the offer period of a series of Basket US PPR Investment is extended:  | → We will reschedule the trade date and it will be the last day of the amended offer period. We will also reschedule any or all of the other key dates (i.e. the issue date, the knock-in event dates (if applicable), the expiry date and the settlement date).   |
|   | → We will inform your distributor if the dates mentioned above are rescheduled and your distributor will inform you as soon as practicable before the postponed trade date of any such rescheduled dates. Your distributor will provide you with a copy of the updated indicative term sheet with the rescheduled dates.                     |
|   | → You can submit your instruction to cancel your purchase order to your distributor before your purchase order is executed on the postponed trade date. Your distributor will not charge a handling fee if you cancel your purchase order.   |
| (b) If we close the offer period prior to the last day of the original scheduled offer period:  | → The trade date will be the last day of the original scheduled offer period and the other key dates (i.e. the issue date, the knock-in event dates (if applicable), the expiry date and the settlement date) will not change.   |
| (c) If the expiry date falls on a day on which each relevant US exchange and each related exchange are not scheduled to open for trading: | → If the expiry date falls on a day which is not a scheduled trading day (i.e. a day on which each relevant US exchange and each related exchange are scheduled to open for trading), the expiry date will be postponed to the following day on which each relevant US exchange and each related exchange are scheduled to open for trading. |
|   | If the expiry day is postponed, the corresponding settlement date will be postponed accordingly. We will not pay any extra amount for any postponement of the settlement date.   |



|  |   |
|--|---|
| <p>(d) If the trade date, any knock-in event date (if applicable) or the expiry date falls on a 'disrupted day' which means:</p>   | <p>→ If the trade date falls on a disrupted day and the relevant disruption occurs before your Basket US PPR Investment purchase order has been executed on the trade date, we will cancel your purchase order.</p>   |
| <p>i. a scheduled trading day on which each relevant US exchange or any related exchange fails to open for trading during its regular trading session; or</p> <p>ii. a day on which market disruption event has occurred</p> | <p>→ However, if the relevant disruption occurs after your Basket US PPR Investment purchase order has been executed on the trade date (i.e. all the terms of the Basket US PPR Investments you bought have been finalised), your purchase order of the Basket US PPR Investments will <b>not</b> be cancelled and the trade date will <b>not</b> be rescheduled.</p>   |
| <p>“<b>market disruption event</b>” means in respect of a reference asset in the basket:</p>   | <p>→ If any knock-in event date (if applicable) or the expiry date falls on a 'disrupted day', the affected date in respect of the affected reference asset will be postponed to the following day which is not a disrupted day (up to a maximum of eight scheduled trading days). The date for the determination of the knock-in event date (if applicable) or the expiry date for the reference assets in the basket not affected by the relevant disruption will remain as the original scheduled date.</p>  |
|  | <p>→ If the relevant disruption persists on the eighth scheduled trading day for the affected reference asset, we will treat that eighth scheduled trading day as the knock-in event date (if applicable), or the expiry date (as the case may be) for the affected reference asset and we will estimate in good faith and in a commercially reasonable manner the closing price of that reference asset on such eighth scheduled trading day based on, among other things, the last reported price of that reference asset and prevailing market conditions.</p> |

- (1) the occurrence or existence at any time during the one hour period that ends at the relevant valuation time of (a) any suspension of or limitation imposed on trading by the relevant US exchange or related exchange or otherwise (i) relating to the reference asset in the basket on the relevant US exchange; or (ii) in futures or options contracts relating to the reference asset in the basket on any relevant related exchange; or (b) any event (other than an event described in (2) below) that disrupts or impairs (as determined by us in good faith and in a commercially reasonable manner) the ability of market participants in general (i) to effect transactions in, or obtain market values for the reference asset in the basket, or (ii) to effect transactions in, or obtain market values for, futures or options contracts relating to the reference asset in the basket on any relevant related exchange, which in either case as determined in our sole and absolute discretion, acting in good faith and in a commercially reasonable manner is material; or
- (2) the closure on any exchange business day of the relevant US exchange or related exchange(s) prior to its scheduled closing time unless such earlier closing time is announced by the relevant US exchange or such related exchange(s), as the case may be, at least one hour prior to the earlier of (a) the actual closing time for the regular trading session on the relevant US exchange or such related exchange(s) on such exchange business day and (b) the submission deadline for orders to be entered into the relevant US exchange or related exchange system for execution at the valuation time on such exchange business day.

If the expiry date is postponed, the corresponding settlement date will be postponed accordingly. We will not pay any extra amount for any postponement of the settlement date.

- (e) In the case where the physical settlement amount is deliverable to you, we shall determine in our sole and absolute discretion, acting in good faith and in a commercially reasonable manner, whether or not at any time a settlement disruption has occurred and where we determine such an event has occurred and so has prevented delivery of the physical settlement amount to you on the settlement date (“**settlement disruption**”):
- The delivery of the physical settlement amount will be postponed to the first succeeding day on which delivery of the physical settlement amount can take place through the relevant clearance system unless the settlement disruption persists on the eighth clearance system business day. In that case, we will seek to deliver the physical settlement amount in a commercially reasonable manner outside DTC as soon as practicable and the settlement date will be deemed to be the actual day on which physical delivery can be effected through the use of such other commercially reasonable manner.
- (“**clearance system business day**” means any day on which the relevant clearance system is (or, but for the occurrence of settlement disruption, would have been) open for the acceptance and execution of settlement instructions).
- If we determine in our sole and absolute discretion, acting in good faith and in a commercially reasonable manner, that the physical settlement amount cannot be delivered in any other commercially reasonable manner outside DTC, the settlement date will be postponed until delivery can be effected through DTC or in any other commercially reasonable manner and the settlement date will be deemed to be the actual day on which physical delivery can be effected. For further details, please refer to the section headed “More information about delivery of the physical settlement amount” in this product booklet.
- (f) In the case where the physical settlement amount is deliverable to you, if the settlement date falls on a day which is not a clearance system business day:
- The affected date will be postponed to the following day which is a clearance system business day. We will not pay any extra amount for any postponement of the settlement date.

## C. Occurrence of a CNY disruption event for our Renminbi-denominated Basket US PPR Investments

### What do you get if a CNY disruption event occurs in respect of our Renminbi-denominated Basket US PPR Investments?

In respect of our Renminbi-denominated Basket US PPR Investments, if we are not able, or it is impracticable for us, to satisfy our Renminbi payment obligations on the relevant due date for such payments as a result of a CNY disruption event, such payments will be postponed to the third Hong Kong business day after the date on which the CNY disruption event ceases to exist (as determined by us in our sole and absolute discretion, acting in good faith and in a commercially reasonable manner) (referred to in this product booklet as the “**postponed payment date**”); *provided that* if the CNY disruption event continues to exist for twelve consecutive Hong Kong business days following the original due date for payment, we shall be entitled to pay you the CNY disruption event settlement amount in Hong Kong dollars by no later than the third Hong Kong business day after such twelfth Hong Kong business day following the original due date for payment and the “postponed payment date” shall be deemed to be such date. The payment of the CNY disruption event settlement amount will be a complete discharge of our obligations in respect of the relevant amount(s) under our Renminbi-denominated Basket US PPR Investments.

A “**CNY disruption event**” means the occurrence of an event which makes it impossible for us (as we shall determine in our sole and absolute discretion, acting in good faith and in a commercially reasonable manner) to (i) convert any foreign currency amount into Renminbi outside the PRC in the foreign exchange market in Hong Kong; or (ii) transfer Renminbi between accounts inside Hong Kong, in each case, other than where such impossibility is due to (a) our failure to comply with any law, rule or regulation enacted by any relevant governmental authority (unless such law, rule or regulation is enacted after the issue date and it is impossible for us, due to an event beyond our control, to comply with such law, rule or regulation); or (b) deterioration of our creditworthiness.

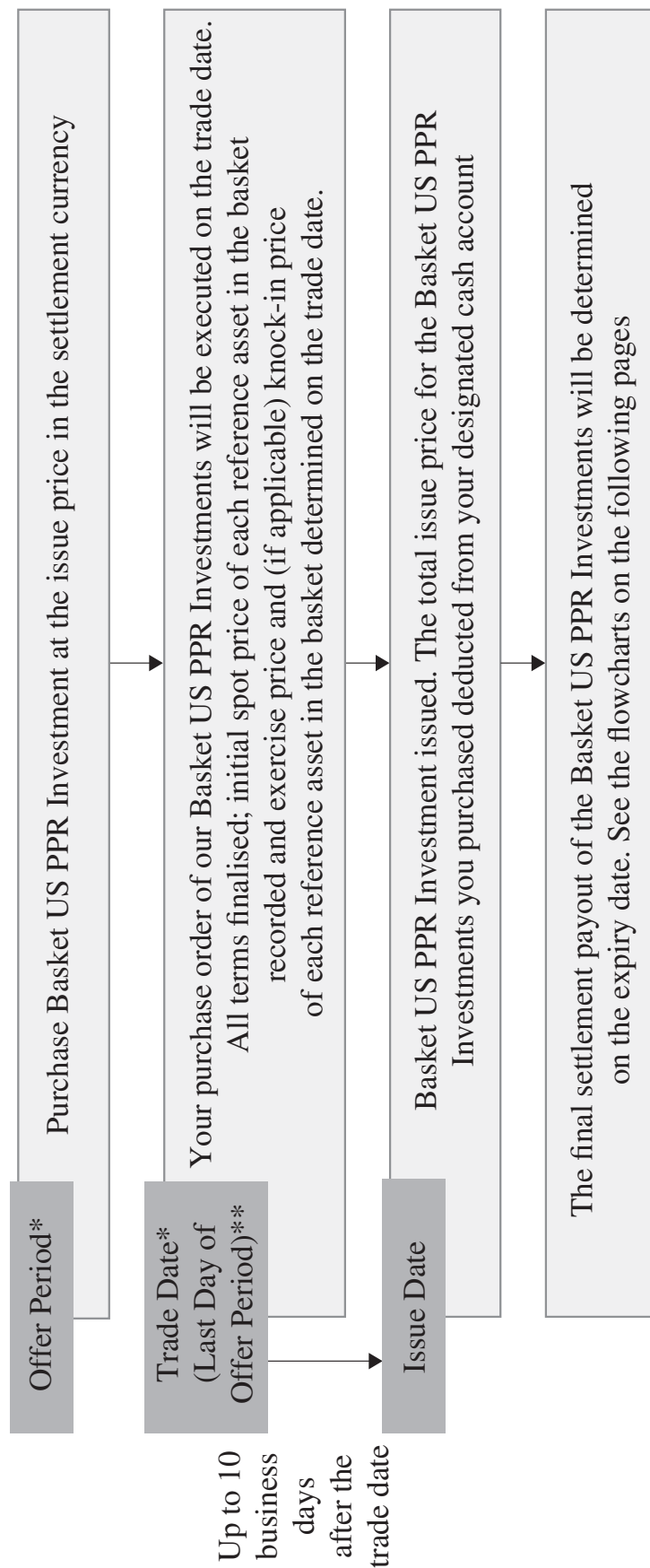
The “**CNY disruption event settlement amount**” means the relevant Renminbi amount converted into Hong Kong dollars using the exchange rate for Renminbi outside the PRC per 1 U.S. dollar as per Reuters Page “CNH=” and the exchange rate for Hong Kong dollar per 1 U.S. dollar as per Reuters Page “HKD=” at 11:00 a.m. Hong Kong time on the day which is two Hong Kong business days prior to the postponed payment date; provided that if any such exchange rate cannot be determined, we shall select another applicable Reuters page or determine in good faith such exchange rate by reference to such sources as we may select in our sole and absolute discretion.

Upon the occurrence of a CNY disruption event, there may be a delay in payments under our Renminbi-denominated Basket US PPR Investments. No interest will be payable in respect of any such delay in payment and no compensation will be made for the fact that the relevant amount(s) will be paid in Hong Kong dollars instead of Renminbi. You may also suffer a loss in Hong Kong dollar terms if Renminbi depreciates against the Hong Kong dollar following the occurrence of a CNY disruption event. For further details, please refer to condition 4(d) of the general terms and conditions of the Basket US PPR Investments as set out on pages 168 to 169 of this product booklet.

The above table sets out a ready reference of: (i) the possible adjustments that we may make to the terms and conditions of the Basket US PPR Investments or substitution of reference assets in the basket; (ii) the circumstances under which we may early terminate our Basket US PPR Investments; (iii) adjustments that we may make to the key dates due to market disruption events or settlement disruption; and (iv) the consequences of the occurrence of a CNY disruption event in respect of our Renminbi-denominated Basket US PPR Investments.

If we determine to make an adjustment to the terms and conditions of the Basket US PPR Investments or substitution of the affected reference asset(s) or early terminate the Basket US PPR Investments, we will notify the SFC and the distributor(s) as soon as practicable after the determination of any such adjustment, substitution or early termination has been made by us and your distributor will in turn inform you. If we determine to make an adjustment to the expiry date due to market disruption events, resulting in a postponement of the settlement date, we will notify the distributor(s) as soon as practicable after such determination is made by us. We will notify the distributor(s) (i) as soon as practicable after the original due date for payment of any such postponement; and (ii) before the postponed payment date on which the relevant payment will be made and in each case, the distributor(s) will in turn inform you. **Any adjustments or early termination will be determined by us in our sole and absolute discretion, acting in good faith and in a commercially reasonable manner. The fair market value of the Basket US PPR Investments which you will receive if we early terminate our Basket US PPR Investments may be less, or substantially less, than your initial investment amount.**

# HOW DO OUR BASKET US PPR INVESTMENTS WORK? – A FLOWCHART DESCRIPTION



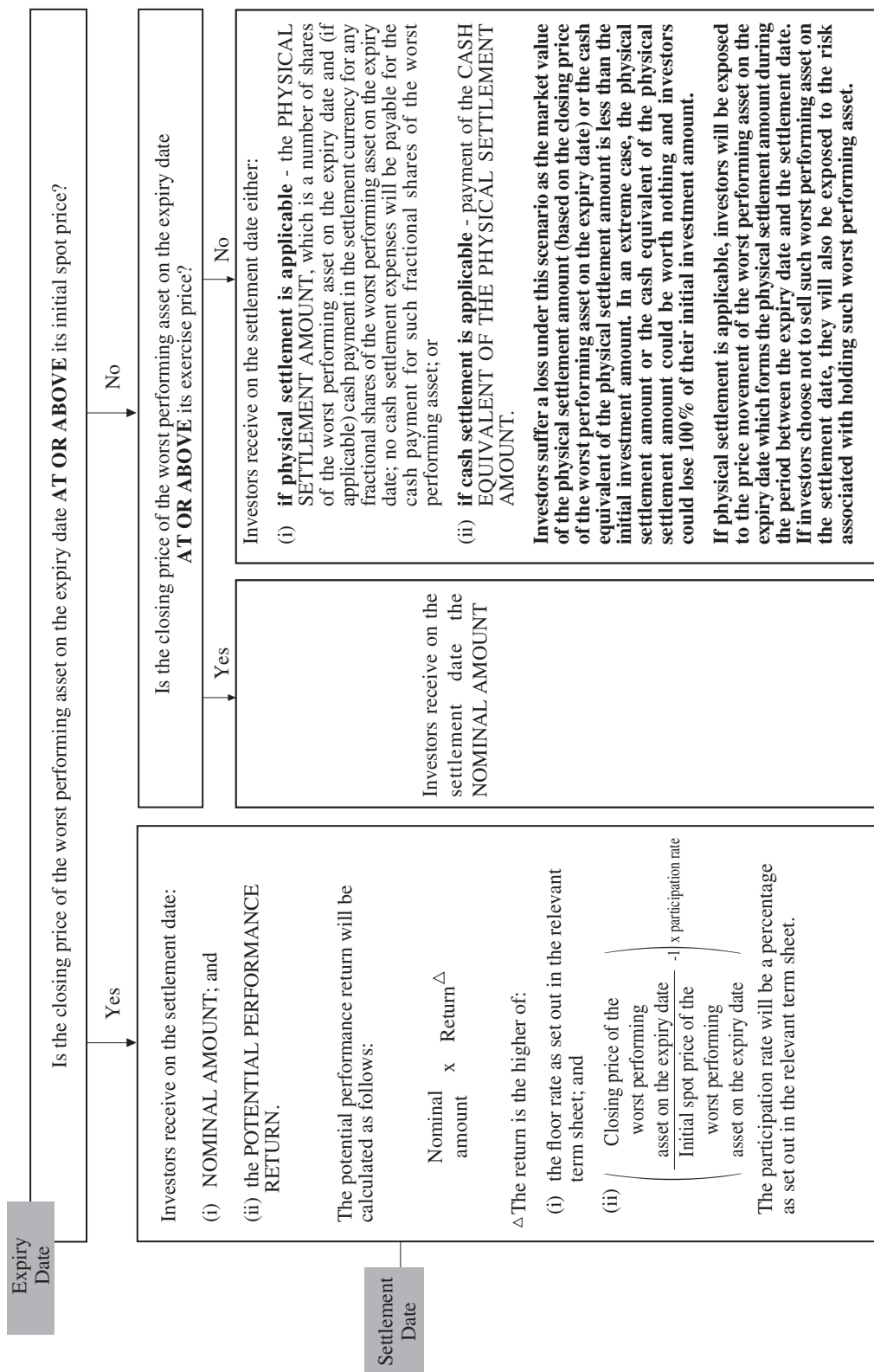
\* You should note that as the initial spot prices of the reference assets will only be recorded on the trade date, the exercise prices and (if applicable) knock-in prices that are applicable to the series of Basket US PPR Investment you wish to buy will only be determined on the trade date after you have purchased the Basket US PPR Investments. A contract note prepared by your distributor containing all the final commercial terms of the Basket US PPR Investments you purchased will be sent to you by your distributor within 2 Hong Kong business days after the trade date. The final term sheet containing all the finalised commercial terms applicable to your Basket US PPR Investments will be available for inspection after the relevant trade date and will be made available to investor upon request. Please contact your distributor for details.

\*\* If we close the offer period prior to the last day of the original scheduled offer period, the trade date will be the last day of the original scheduled offer period.

## Final settlement payout

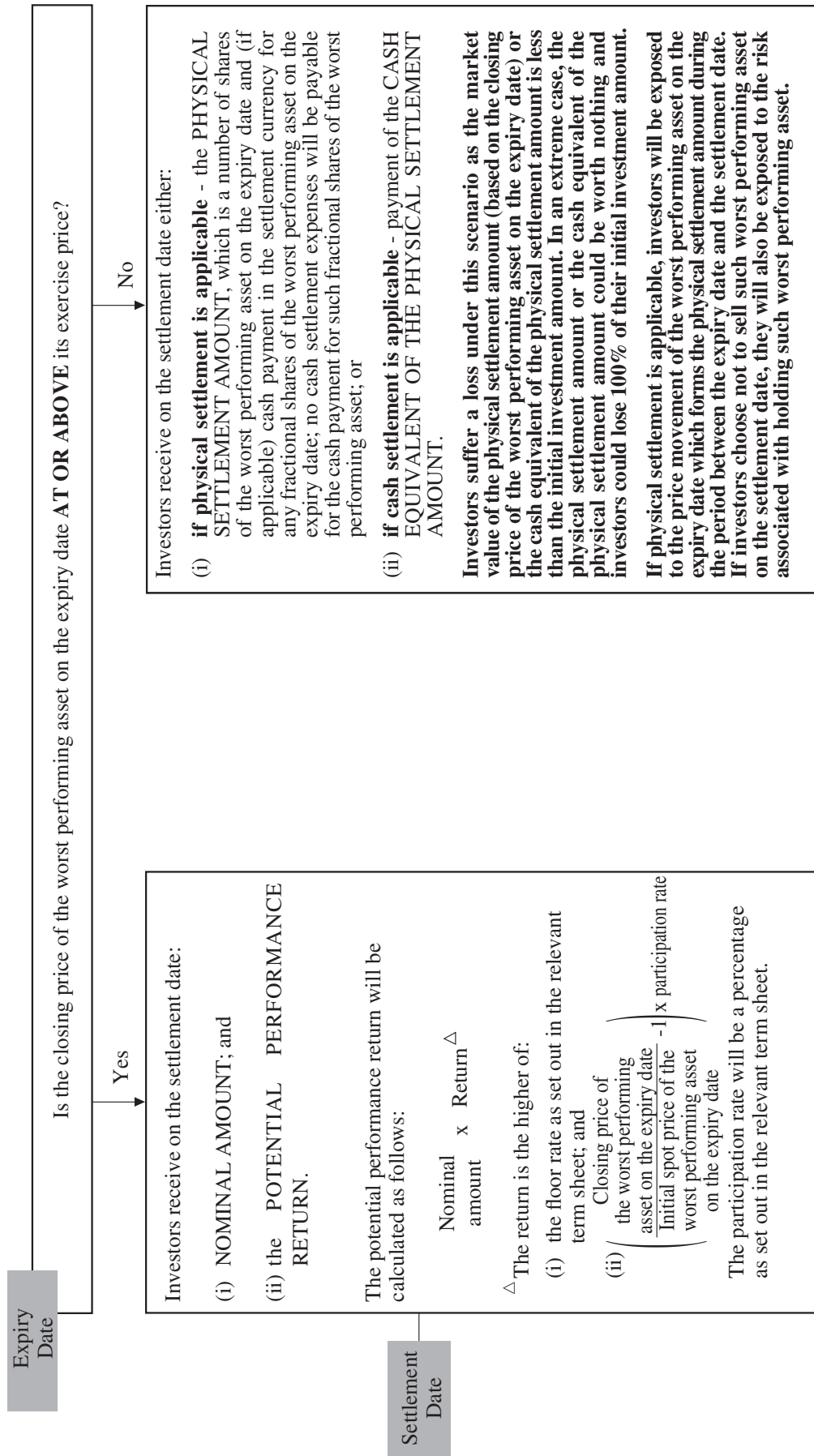
(i) Where the knock-in event is not applicable:

a) *If both the initial spot price and the exercise price of the worst performing asset are used as benchmarks to determine the final settlement payout:*





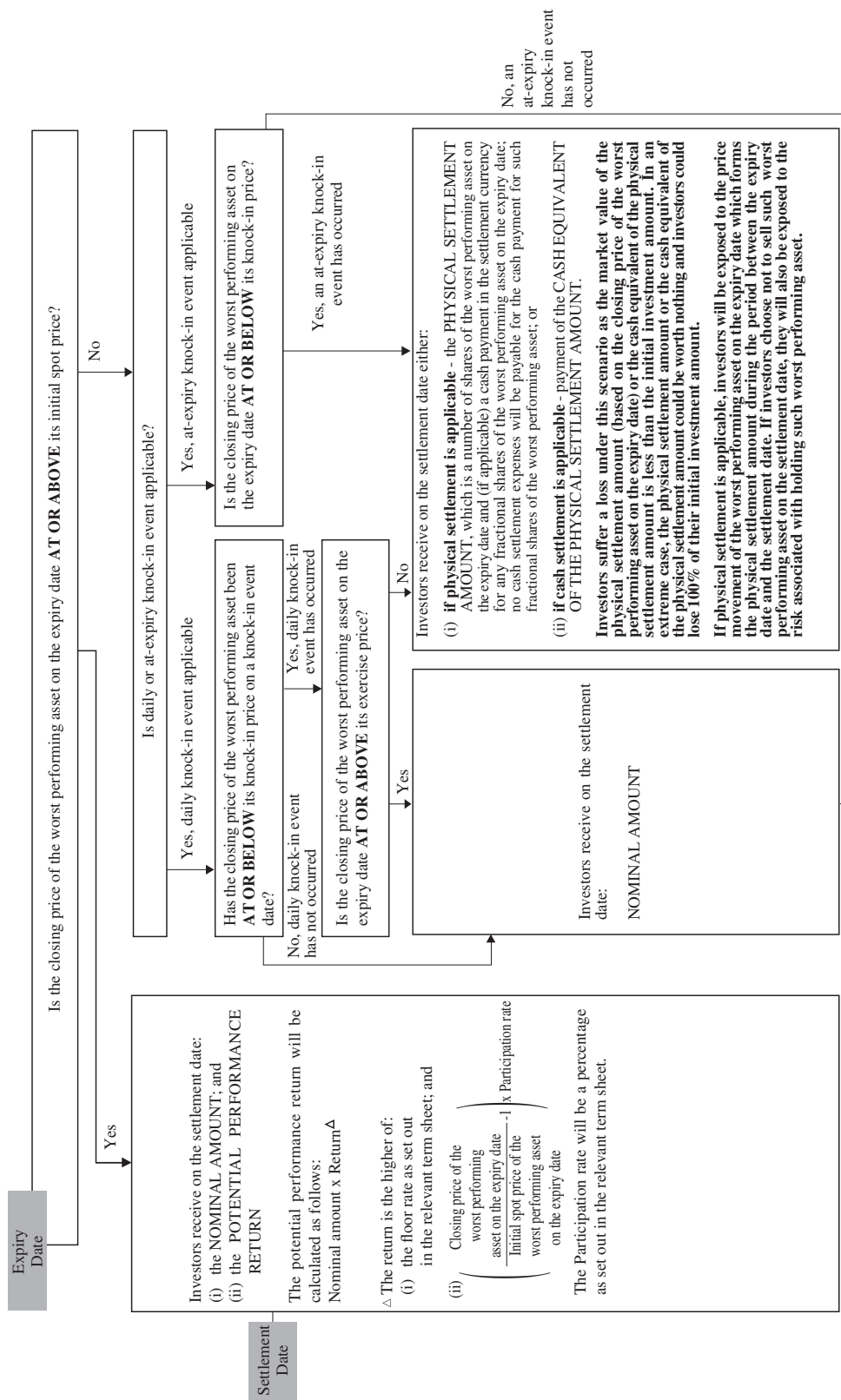
b) *If the exercise price of the worst performing asset is used as a benchmark to determine the final settlement payout:*



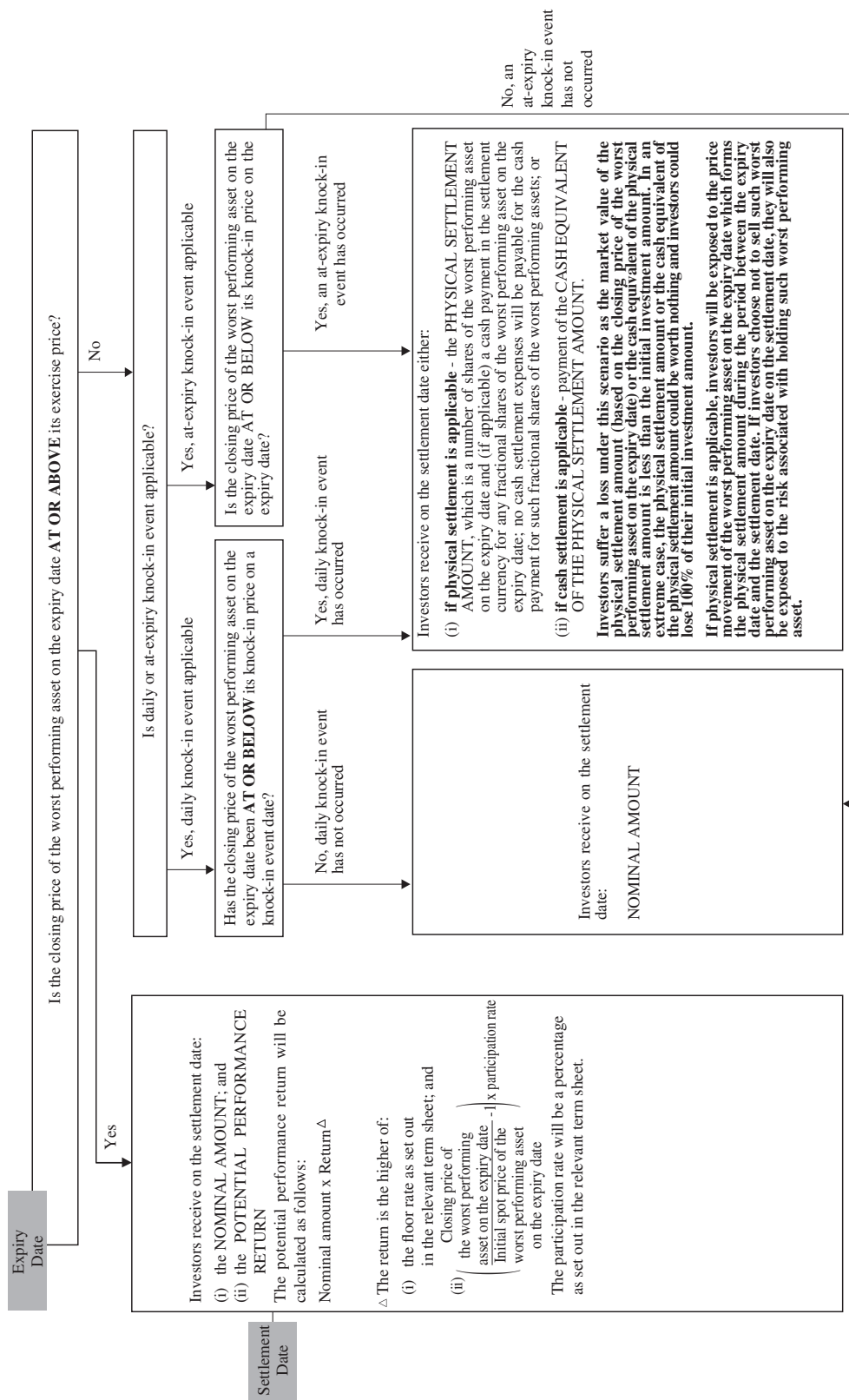


(ii) Where the knock-in event is applicable:

a) *If both the initial spot price and the exercise price of the worst performing asset are used as benchmarks to determine the final settlement payout:*



b) *If the exercise price of the worst performing asset is used as a benchmark to determine the final settlement payout:*



## **GLOSSARY – THE MEANING OF THE KEY TERMS OF OUR BASKET US PPR INVESTMENTS**

The meaning of the key terms of our Basket US PPR Investments are summarised in the following table. Please note that we are issuing our Basket US PPR Investments in series under our Programme and the following terms should be read as applying to each series separately.

### **A. SUBSCRIPTION OF OUR BASKET US PPR INVESTMENTS**

|                       |   |
|-----------------------|---|
| <b>Offer period</b>   | <ul style="list-style-type: none"><li>• This is the period during which you can buy a Basket US PPR Investment of a particular series as specified in the relevant indicative term sheet.</li><li>• We may choose to extend or close the offer period prior to the last day of the scheduled offer period, or decide not to issue any Basket US PPR Investments at any time.</li><li>• If the offer period is extended, you can submit your instruction to cancel your purchase order to your distributor before your purchase order is executed on the trade date. Your distributor will not charge you a handling fee if you cancel your purchase order.</li><li>• If the offer period is extended, we will reschedule the trade date (which will be the last day of the amended offer period) and any or all of the other key dates (i.e. the issue date, the knock-in event dates (if applicable), the expiry date and the settlement date).</li><li>• We will inform your distributor if the dates mentioned above are rescheduled and your distributor will inform you as soon as practicable before the postponed trade date of any such rescheduled dates. Your distributor will provide you with a copy of the updated indicative term sheet with the rescheduled dates.</li><li>• The trade date and all of the other key dates will not change once we close the offer period on or before the last day of the scheduled offer period.</li></ul> |
| <b>Issue price</b>    | <ul style="list-style-type: none"><li>• This is the price you have to pay for a Basket US PPR Investment. Once your Basket US PPR Investment order is executed on the trade date, the total issue price for the Basket US PPR Investments you purchase will be deducted from your designated cash account on the issue date.</li><li>• The issue price for a Basket US PPR Investment may be equal to or below its nominal amount and will be specified in the relevant term sheet.</li><li>• Distributor(s)' commissions and other transaction costs including our cost of hedging are factored into the pricing of the Basket US PPR Investments.</li></ul>   |
| <b>Nominal amount</b> | <ul style="list-style-type: none"><li>• This is equivalent to the face value of one Basket US PPR Investment.</li><li>• The nominal amount may be equal to or higher than the issue price and will be specified in the relevant term sheet.</li><li>• The nominal amount will be used to calculate: (i) the potential performance return (if any) payable upon expiry of the Basket US PPR Investments; and (ii) the final settlement payout.</li></ul>   |

**Minimum transfer amount**

- The minimum transfer amount is one Basket US PPR Investment and is the minimum amount which you can (i) transfer your Basket US PPR Investments to a third party; or (ii) sell back your Basket US PPR Investments to us on a market making day.
- Please check with your distributor on how you can transfer your Basket US PPR Investments to a third party.

**Trade date**

- This is the last day of the offer period (except where we close the offer prior to the last day of the original scheduled offer period, in which case the trade date will be the last day of the original scheduled offer period) and the date on which your Basket US PPR Investment purchase order will be executed by us and all the terms of the Basket US PPR Investments you bought are finalised. We will specify the trade date in the relevant indicative term sheet. You will be subject to the terms and conditions of the Basket US PPR Investments from the trade date.
- We will record the initial spot price of each reference asset and determine all the commercial variables (including the exercise price and (if applicable) the knock-in price of each reference asset in the basket) of the Basket US PPR Investment you bought on the trade date.
- You should note that as all the commercial variables of our Basket US PPR Investments are determined on the trade date, you will be subject to the terms and conditions of our Basket US PPR Investments from the trade date and you will be exposed to the market risk and the price movement of the reference assets in the basket from the trade date which may affect the market value and the potential payout of the Basket US PPR Investments.
- You should note that although all the commercial variables of our Basket US PPR Investments are determined on the trade date, our Basket US PPR Investments will only be issued on the issue date.
- The issue price and each of the commercial variables in relation to each reference asset in the basket (including the exercise price and (if applicable) the knock-in price) and the floor rate is set by us for each series based on a number of factors, including:
  - (i) the choice of the reference assets in the basket;
  - (ii) the expected price volatility of the reference assets in the basket;
  - (iii) the prevailing market interest rate;
  - (iv) the length of the investment period (i.e. the period between the trade date and the expiry date);
  - (v) the scheduled tenor (i.e. the period between the issue date and the settlement date); and
  - (vi) the value of the embedded options including the conditional put option.

- If the trade date falls on a disrupted day and the relevant disruption occurs before your Basket US PPR Investment purchase order has been executed on the trade date, we will cancel your purchase order of the Basket US PPR Investments on the trade date. The issue price will not be deducted from your designated cash account on the issue date. Neither we nor the distributor will charge you any fees for such cancellation.

However, if the relevant disruption occurs after your Basket US PPR Investment purchase order has been executed on the trade date, your purchase order of the Basket US PPR Investments will **not** be cancelled and the trade date will not be rescheduled.

**Settlement currency**

- This is the currency in which our Basket US PPR Investments are issued. You will pay the issue price and, where applicable, receive any cash amount payable to you under our Basket US PPR Investments in the settlement currency.
- We may choose any freely tradable and non-restricted foreign currency or Renminbi as the settlement currency. The settlement currency will be specified in the relevant term sheet.
- If the settlement currency of the Basket US PPR Investments is different from the worst performing asset currency, we will convert the settlement currency into the worst performing asset currency (or vice versa) at the exchange rate as specified in the relevant term sheet for the purposes of making calculations under the Basket US PPR Investments (if applicable).

**Worst performing asset currency**

- This is the currency in which the worst performing asset on the expiry date trades, being U.S. dollars.

**Exchange rate**

- The exchange rate is the mid-market exchange rate for U.S. dollars per 1 settlement currency at the valuation time on the expiry date as specified in the relevant term sheet.

**Basket of reference assets**

- Each series of Basket US PPR Investments is linked to a basket of reference assets (shares of companies) listed on the relevant US exchange and traded in United States and quoted in U.S. dollars.
- Information on such company (including its published audited consolidated financial statements and interim consolidated financial statements (if any)) may be obtained from the website operated by the United States Securities and Exchange Commission at <https://www.sec.gov/edgar.shtml>. Please refer to the section headed “Information relating to the Shares” in the relevant term sheet for details of other information.
- The basket may comprise a minimum of two and a maximum of six reference assets. Not all shares listed on an US exchange can be used as a reference asset for our Basket US PPR Investments – please ask your distributor what reference assets are available.
- The reference assets will be specified in the relevant term sheet.

|   |   |
|---|---|
| <b>US exchange</b>                                      | <ul style="list-style-type: none"> <li>An US exchange is the exchange on which a reference asset is listed and traded, which is either The New York Stock Exchange or The NASDAQ Stock Market as specified in the relevant term sheet.</li> </ul>   |
| <b>Initial spot price</b>                               | <ul style="list-style-type: none"> <li>We will record an initial spot price for each reference asset in the basket. The initial spot price of a reference asset in respect of a particular series is set as either (i) the opening price of that reference asset on the relevant US exchange on the trade date or (ii) the price of that reference asset as agreed between you (via your distributor) and us at the time your purchase order for the Basket US PPR Investments is placed, as specified in the relevant indicative term sheet.</li> <li>The initial spot price for each reference asset will be specified in the relevant final term sheet.</li> </ul> |
| <b>Opening price</b>                                    | <ul style="list-style-type: none"> <li>When we refer to the opening price of a reference asset on a particular day, we mean the opening price of that reference asset as quoted on the relevant US exchange as at the official opening time on that day without regard to any correction subsequently published by the relevant US exchange.</li> </ul>   |
| <b>Closing price</b>                                    | <ul style="list-style-type: none"> <li>When we refer to the closing price of a reference asset on a particular day, we mean the closing price of that reference asset as quoted on the relevant US exchange as at the valuation time on that day without regard to any correction subsequently published by the relevant US exchange, subject to adjustment in accordance with the terms and conditions of the Basket US PPR Investments.</li> </ul>  |
| <b>Issue date</b>                                       | <ul style="list-style-type: none"> <li>This is the date our Basket US PPR Investments are issued and the day on which the purchase consideration will be deducted from your designed cash account.</li> <li>The issue date is a day falling up to 10 business days after the trade date and will be specified in the relevant term sheet.</li> </ul>  |
| <b>Scheduled tenor of the Basket US PPR Investments</b> | <ul style="list-style-type: none"> <li>This is the period from and including the issue date to and including the settlement date and is the duration for which you have to hold a Basket US PPR Investment before it is terminated and settled. The scheduled tenor of the Basket US PPR Investments normally ranges from one month to two years and will be specified in the relevant term sheet.</li> </ul>   |
| <b>Investment period</b>                                | <ul style="list-style-type: none"> <li>This is the duration between the date on which all the terms of the Basket US PPR Investment you wish to purchase are finalised and the date on which the final settlement amount is determined, i.e. the period from and including the trade date to and including the expiry date.</li> </ul>  |
| <b>Order date</b>                                       | <ul style="list-style-type: none"> <li>This is the day you place your Basket US PPR Investment purchase order to your distributor.</li> <li>Depending on when you decide to place your Basket US PPR Investment purchase order to your distributor, the order date may fall on or before the trade date and will fall before the issue date.</li> </ul>   |

**Post-sale cooling-off period**

- This is the period from (and including) the order date to (and including) the fifth Hong Kong business day after the order date, during which you have the right to cancel or unwind (as the case may be) your Basket US PPR Investment purchase order.
- The post-sale cooling-off period is only applicable in respect of Basket US PPR Investments with an investment period of **more than one year**.
- For further details on how you can cancel or unwind your Basket US PPR Investment purchase order during the post-sale cooling-off period, please refer to the section headed “Is there a post-sale cooling-off period for our Basket US PPR Investments?” on pages 122 to 123 of this product booklet.

**Mandatory buy back price**

- This is the price you will receive if you unwind your Basket US PPR Investment purchase order on or after the trade date after your Basket US PPR Investment purchase order is executed during the post-sale cooling-off period. The mandatory buy back price in respect of each Basket US PPR Investment is determined in accordance with the formula set out below:

(I) issue price

***MINUS***

- (II) any market value adjustments (the value of which will be determined by us in good faith and in a commercially reasonable manner and will depend on factors such as market interest rate movements, HSBC’s financial condition, the market’s view of HSBC’s credit quality, the value of the embedded options including the conditional put option, the price performance and price volatility of the reference assets in the basket). Our transaction costs (if any), including any cost which has been incurred by us in unwinding the hedging and funding arrangements relating to the relevant Basket US PPR Investment will also be included in the calculation of the market value adjustments.
- **The mandatory buy back price in respect of each Basket US PPR Investment is capped at the issue price and may be substantially less than the issue price you paid in respect of each Basket US PPR Investment.**

Please refer to the section headed “Is there a post-sale cooling-off period for our Basket US PPR Investments?” on pages 122 to 123 of this product booklet for further details.

**Market making day**

- Each market making day applicable to your Basket US PPR Investments will be a business day which is a scheduled trading day falling every other Tuesday after the issue date up to the third business day before the expiry date, or if any such market making day is not a business day which is a scheduled trading day, that market making day will be postponed to the next business day which is a scheduled trading day.

We (as market agent) may not be able to provide market making arrangements on a scheduled market making day if certain events occur.



|                                      |   |
|--------------------------------------|---|
|                                      | <ul style="list-style-type: none"> <li>Please refer to the section headed “Is there any market making arrangement for your Basket US PPR Investments before their expiry?” on pages 124 to 127 of this product booklet for further details.</li> </ul>  |
| <b>Clearance system business day</b> | <ul style="list-style-type: none"> <li>A day on which the DTC is open for acceptance and execution of settlement instructions.</li> </ul>   |
| <b>Business day</b>                  | <ul style="list-style-type: none"> <li>A day (other than Saturdays, Sundays and public holidays) on which banks and foreign exchange markets are open for business in Hong Kong, New York and the major currency business centre(s) of the settlement currency.</li> </ul>  |
| <b>Scheduled trading day</b>         | <ul style="list-style-type: none"> <li>A day on which each relevant US exchange and each related exchange as specified in the relevant term sheet are scheduled to open for trading for their respective regular trading sessions.</li> <li>For the purposes of determining a knock-in event date (if applicable) and the expiry date, if a scheduled trading day is a disrupted day, the relevant scheduled trading day for each share not affected by the occurrence of a disrupted day shall be the originally scheduled trading day, and the relevant scheduled trading day for each share affected by the occurrence of a disrupted day shall be the first succeeding scheduled trading day which is not a disrupted day relating to the affected reference asset, unless each of the eight scheduled trading days immediately following the original scheduled trading day is a disrupted day relating to the affected reference asset. In that case, (i) that eighth scheduled trading day shall be deemed to be the relevant scheduled trading day for the affected reference asset, notwithstanding the fact that such day is a disrupted day; and (ii) we shall determine (based on, among other things, the last reported price of the affected reference asset and prevailing market conditions) the price of the affected reference asset on that eighth scheduled trading day in accordance with our good faith estimate and acting in a commercially reasonable manner and such price shall be used as the “closing price” of that share.</li> </ul> |
| <b>Disrupted day</b>                 | <ul style="list-style-type: none"> <li>This includes: <ul style="list-style-type: none"> <li>(i) a day on which the relevant US exchange or any related exchange fails to open for trading during its regular trading session; or</li> <li>(ii) a day on which suspension or limitation on trading is imposed by the relevant US exchange or any related exchange on a reference asset or futures or options contracts relating to such reference asset; or trading of a reference asset or futures or options contracts relating to such reference asset on the relevant US exchange or any related exchange is disrupted or impaired, in each case, during the one hour period before the closing time of the relevant US exchange or any related exchange (as determined by us in our sole and absolute discretion, acting in good faith and in a commercially reasonable manner to be material); or</li> </ul> </li> </ul>  |

- (iii) a day on which the relevant US exchange or any related exchange closes prior to its scheduled closing time (unless there is prior announcement by the exchange of such early closure).

#### **Worst performing asset**

- We will determine which reference asset in the basket is the “worst performing asset” for each relevant scheduled trading day on which the prices of the reference assets are required to be observed.
- The reference asset with the lowest “performance” on a scheduled trading day will be the worst performing asset for that scheduled trading day. The worst performing asset on each scheduled trading day can be different.
- If more than one reference asset in the basket have the same lowest “performance” on a particular scheduled trading day, we will decide in our sole and absolute discretion, acting in good faith and in a commercially reasonable manner, which reference asset will be the worst performing asset for that scheduled trading day.

#### **Performance**

- The performance of a reference asset on a scheduled trading day is calculated as follows:

$$\text{Performance} = \frac{\begin{array}{c} \text{Closing price of the} \\ \text{reference asset on a scheduled} \\ \text{trading day} \end{array}}{\begin{array}{c} \text{Initial spot price of} \\ \text{the reference asset} \end{array}} \times 100\%$$

(rounded to 4 decimal places, with 0.00005% or above being rounded upwards)

## **B. AT EXPIRY OF OUR BASKET US PPR INVESTMENT**

### **Expiry date**

- If our Basket US PPR Investments are not early terminated due to an extraordinary unforeseeable event (see pages 82 to 87 of this product booklet for further details), our Basket US PPR Investments will terminate on the expiry date as specified in the relevant term sheet.
- You should note that although the final settlement payout will be determined on the expiry date, the final settlement payout will only be paid or delivered to you on the settlement date.
- If the expiry date falls on a 'disrupted day', the expiry date in respect of the affected reference asset will be postponed in accordance with the terms and conditions of the Basket US PPR Investments (see pages 89 to 90 of this product booklet for further details).

### **Exercise price**

- We will stipulate an exercise price for each reference asset in the basket. The exercise price of each reference asset may be expressed as a specified percentage of its initial spot price or in a range of specified percentages of its initial spot price in the relevant indicative term sheet. If the exercise price of each reference asset is expressed in a range of specified percentages of its initial spot price, the difference between the highest percentage and the lowest percentage in the range will be no more than 5%. The specified percentage of its initial spot price (or if applicable, range of specified percentages of its initial spot price) used to calculate the exercise price of each reference asset will be the same. The exercise price will be rounded to 4 decimal places, with 0.00005 or above being rounded upwards.
- If the exercise price of each reference asset in the basket is expressed in a range of specified percentages of its initial spot price in the relevant indicative term sheet, the relevant final exercise price will be determined by us on the trade date, acting in good faith and in a commercially reasonable manner, depending on the prevailing market conditions (including the price volatility of the reference assets and the prevailing market interest rate) in order to maintain the other terms of the Basket US PPR Investments (including the floor rate, the participation rate, the issue price and (if applicable) the knock-in prices) given any change in the parameters used in the determination of such terms during the period between the commencement of the offer period and the trade date.
- The final exercise price will be set out in the contract note prepared by your distributor (which will be sent to you by your distributor within 2 Hong Kong business days after the trade date) and in the relevant final term sheet and pricing supplement.
- The exercise price can be viewed as one of the benchmarks against which the closing price of the worst performing asset on the expiry date will be compared to determine the final settlement payout of the Basket US PPR Investments payable on the settlement date.

### **Knock-in event**

- The relevant term sheet will specify whether a knock-in event applies to a series of Basket US PPR Investments. If a knock-in event is applicable, the payout of the Basket US PPR Investments on the settlement date will depend on whether the relevant knock-in event has occurred.
- There are two types of knock-in event: (i) daily knock-in event and (ii) at-expiry knock-in event (see also “Knock-in event date” below). If applicable, we will specify in the relevant term sheet which type of knock-in event applies to your Basket US PPR Investments.
- A “knock-in event” occurs if the closing price of the worst performing asset is **at or below** its knock-in price on **any** knock-in event date(s).

### **Knock-in price**

- If a knock-in event is applicable, we will stipulate a knock-in price for each reference asset in the basket. The knock-in price of each reference asset is expressed as a specified percentage of its initial spot price in the relevant indicative term sheet. The specified percentage used to calculate the knock-in price of each reference asset for each knock-in event date will be the same. The knock-in price of each reference asset will always be set at a level which is lower than its exercise price. The final knock-in price will be rounded to 4 decimal places, with 0.00005 or above being rounded upwards, as set out in the relevant final term sheet.
- If a knock-in event is applicable, we will observe the closing price of the worst performing asset on each knock-in event date and compare it against its knock-in price to determine whether a knock-in event has occurred. If a daily knock-in event applies, the reference asset which triggers a knock-in event on a knock-in event date may or may not be the same reference asset which is the worst performing asset on the expiry date.

### **Knock-in event date**

- If the daily knock-in event applies, the knock-in event date(s) will be set as each scheduled trading day during the period from (but excluding) the trade date to (and including) the expiry date. If the at-expiry knock-in event applies, the knock-in event date will be set as the expiry date.
- If a knock-in event date falls on a ‘disrupted day’, the affected date in respect of the affected reference asset will be postponed in accordance with the terms and conditions of the Basket US PPR Investments (see pages 89 to 90 of this product booklet for further details).

### **Final settlement payout (for each Basket US PPR Investment)**

- (A) For our Basket US PPR Investments where the knock-in event is not applicable:

If the Basket US PPR Investments have not been early terminated upon the occurrence of an extraordinary unforeseeable event and:

**a) *If both the initial spot price and the exercise price of the worst performing asset are used as benchmarks to determine the final settlement payout:***

- (i) If the closing price of the worst performing asset on the expiry date is **at or above** its initial spot price, you will receive on the settlement date the nominal amount and the potential performance return (please see “Potential performance return” on pages 111 to 112 of this product booklet) (currently, no cash settlement expenses are payable).
- (ii) If the closing price of the worst performing asset on the expiry date is **below** its initial spot price but **at or above** its exercise price, you will receive on the settlement date the nominal amount (currently, no cash settlement expenses are payable).
- (iii) If the closing price of the worst performing asset on the expiry date is **below** its exercise price, you will receive on the settlement date:
  - (x) if physical settlement is applicable – the physical settlement amount, which is a number of shares of the worst performing asset on the expiry date and (if applicable) a cash payment in the settlement currency for any fractional shares of the worst performing asset on the expiry date (currently, no physical settlement expenses are payable and no cash settlement expenses are payable for the cash payment for such fractional shares of the worst performing asset); or
  - (y) if cash settlement is applicable – payment of a cash amount in the settlement currency equal to the cash equivalent of the physical settlement amount (currently, no cash settlement expenses are payable).

**b) *If the exercise price of the worst performing asset is used as a benchmark to determine the final settlement payout:***

- (i) If the closing price of the worst performing asset on the expiry date is **at or above** its exercise price, you will receive on the settlement date the nominal amount and the potential performance return (please see “Potential performance return” on pages 111 to 112 of this product booklet) (currently, no cash settlement expenses are payable).

- (ii) If the closing price of the worst performing asset on the expiry date is **below** its exercise price, you will receive on the settlement date:
  - (x) if physical settlement is applicable – the physical settlement amount, which is a number of shares of the worst performing asset on the expiry date and (if applicable) a cash payment in the settlement currency for any fractional shares of the worst performing asset on the expiry date (currently, no physical settlement expenses are payable and no cash settlement expenses are payable for the cash payment for such fractional shares of the worst performing asset); or
  - (y) if cash settlement is applicable – payment of a cash amount in the settlement currency equal to the cash equivalent of the physical settlement amount (currently, no cash settlement expenses are payable).
- (B) For our Basket US PPR Investments where the daily knock-in event is applicable:

If the Basket US PPR Investments have not been early terminated upon the occurrence of an extraordinary unforeseeable event and:

*a) If both the initial spot price and the exercise price of the worst performing asset are used as benchmarks to determine the final settlement payout:*

- (i) If the closing price of the worst performing asset on the expiry date is **at or above** its initial spot price (regardless of whether a daily knock-in event has occurred), you will receive on the settlement date the nominal amount and the potential performance return (please see “Potential performance return” on pages 111 to 112 of this product booklet) (currently, no cash settlement expenses are payable).
- (ii) If the closing price of the worst performing asset on the expiry date is **below** its initial spot price and:
  - (a) a daily knock-in event **has not occurred**; or
  - (b) a daily knock-in event **has occurred but** the closing price of the worst performing asset on the expiry date is **at or above** its exercise price,

you will receive on the settlement date the nominal amount (currently no cash settlement expenses are payable).

(iii) If a daily knock-in event **has occurred** AND the closing price of the worst performing asset on the expiry date is **below** its exercise price, you will receive on the settlement date:

(x) if physical settlement is applicable – the physical settlement amount, which is a number of shares of the worst performing asset on the expiry date and (if applicable) a cash payment in the settlement currency for any fractional shares of the worst performing asset on the expiry date (currently, no physical settlement expenses are payable and no cash settlement expenses are payable for the cash payment for such fractional shares of the worst performing asset); or

(y) if cash settlement is applicable – payment of a cash amount in the settlement currency equal to the cash equivalent of the physical settlement amount (currently no cash settlement expenses are payable).

***b) If the exercise price of the worst performing asset is used as a benchmark to determine the final settlement payout:***

(i) If the closing price of the worst performing asset on the expiry date is **at or above** its exercise price (regardless of whether a daily knock-in event has occurred), you will receive on the settlement date the nominal amount and the potential performance return (please see “Potential performance return” on pages 111 to 112 of this product booklet) (currently, no cash settlement expenses are payable).

(ii) If the closing price of the worst performing asset on the expiry date is **below** its exercise price and a daily knock-in event **has not occurred**, you will receive on the settlement date the nominal amount (currently, no cash settlement expenses are payable).

(iii) If a daily knock-in event **has occurred** AND the closing price of the worst performing asset on the expiry date is **below** its exercise price, you will receive on the settlement date:

(x) if physical settlement is applicable – the physical settlement amount, which is a number of shares of the worst performing asset on the expiry date and (if applicable) a cash payment in the settlement currency for any fractional shares of the worst performing asset on the expiry date (currently, no physical settlement expenses are payable and no cash settlement expenses are payable for the cash payment for such fractional shares of the worst performing asset); or

(y) if cash settlement is applicable – payment of a cash amount in the settlement currency equal to the cash equivalent of the physical settlement amount (currently, no cash settlement expenses are payable).



(C) For our Basket US PPR Investments where the at-expiry knock-in event is applicable:

If the Basket US PPR Investments have not been early terminated upon the occurrence of an extraordinary unforeseeable event and:

*a) If the initial spot price of the worst performing asset is used as a benchmark to determine the final settlement payout:*

- (i) If the closing price of the worst performing asset on the expiry date is **at or above** its initial spot price, you will receive on the settlement date the nominal amount and the potential performance return (please see “Potential performance return” on pages 111 to 112 of this product booklet) (currently, no cash settlement expenses are payable).
- (ii) If the closing price of the worst performing asset on the expiry date is **below** its initial spot price and an at-expiry knock-in event **has not occurred**, you will receive on the settlement date the nominal amount (currently, no cash settlement expenses are payable).
- (iii) If an at-expiry knock-in event **has occurred**, you will receive on the settlement date:
  - (x) if physical settlement is applicable – the physical settlement amount, which is a number of shares of the worst performing asset on the expiry date and (if applicable) a cash payment in the settlement currency for any fractional shares of the worst performing asset on the expiry date (currently, no physical settlement expenses are payable and no cash settlement expenses are payable for the cash payment for such fractional shares of the worst performing asset); or
  - (y) if cash settlement is applicable – payment of a cash amount in the settlement currency equal to the cash equivalent of the physical settlement amount (currently, no cash settlement expenses are payable).

*b) If the exercise price of the worst performing asset is used as a benchmark to determine the final settlement payout:*

- (i) If the closing price of the worst performing asset on the expiry date is **at or above** its exercise price, you will receive on the settlement date the nominal amount and the potential performance return (please see “Potential performance return” on pages 111 to 112 of this product booklet) (currently, no cash settlement expenses are payable).
- (ii) If the closing price of the worst performing asset on the expiry date is **below** its exercise price and an at-expiry knock-in event **has not occurred**, you will receive on the settlement date the nominal amount (currently, no cash settlement expenses are payable).

- (iii) If an at-expiry knock-in event **has occurred**, you will receive on the settlement date:
  - (x) if physical settlement is applicable – the physical settlement amount, which is a number of shares of the worst performing asset on the expiry date and (if applicable) a cash payment in the settlement currency for any fractional shares of the worst performing asset on the expiry date (currently, no physical settlement expenses are payable and no cash settlement expenses are payable for the cash payment for such fractional shares of the worst performing asset); or
  - (y) if cash settlement is applicable – payment of a cash amount in the settlement currency equal to the cash equivalent of the physical settlement amount (currently, no cash settlement expenses are payable).

You should note that your final settlement payout under the Basket US PPR Investments will be reduced by any distributor's charges and any cash settlement expenses or physical settlement expenses payable on settlement of the Basket US PPR Investments. Please refer to "Cash settlement expenses", "Physical settlement expenses" and "Distributor's charges" on pages 114 to 115 of this product booklet.

**You should note that if (x) or (y) under (A), (B) or (C) as set out under "Final settlement payout" on pages 106 to 111 occurs, you will suffer a *loss* as the market value of the physical settlement amount (based on the closing price of the worst performing asset on the expiry date) or the cash equivalent of the physical settlement amount is less than your initial investment amount. In an extreme case, the physical settlement amount or the cash equivalent of the physical settlement amount could be worth nothing and you could lose 100% of your initial investment amount.**

If physical settlement is applicable, the physical settlement amount will only be delivered to you on the settlement date, ***provided that*** if such date is not a clearance system business day, delivery of the physical settlement amount will be postponed to the following clearance system business day. Therefore, you will be exposed to any movement in the market price of the worst performing asset on the expiry date during the period between the expiry date and the settlement date, which will be a period of 3 business days, subject to the occurrence of a settlement disruption event. If you choose not to sell such worst performing asset on the settlement date, you will also be exposed to the market risk of holding such worst performing asset.

**Potential performance return •**

You should note that you will only receive the potential performance return if the closing price of the worst performing asset on the expiry date is **at or above** its initial spot price or its exercise price (as the case may be). Otherwise, you will not receive any potential performance return upon expiry of the Basket US PPR Investments.

- The potential performance return will be calculated as follows, rounded to 2 decimal places, with 0.005 or above rounded upwards:

Nominal amount x Return

Where:

The return is the higher of:

- (i) the floor rate as specified in the relevant term sheet; and
- (ii) the rate calculated according to the following formula:

$$\left( \frac{\text{Closing price of the worst performing asset on the expiry date}}{\text{Initial spot price of the worst performing asset on the expiry date}} - 1 \right) \times \text{participation rate}$$

The calculation of the return according to the formula under (ii) above will not be rounded.

#### **Participation rate**

- The participation rate will be a percentage as set out in the relevant term sheet and may be set at 100%, above 100% or below 100%. The participation rate is used to calculate the return. You should note that where the participation rate is set at a percentage which is below 100%, the rate calculated according to the formula under (ii) of “Potential performance return” above will be lower than the actual performance of the worst performing asset on the expiry date compared to its initial spot price.

#### **Physical settlement amount**

- The physical settlement amount is the number of shares of the worst performing asset on the expiry date and (if applicable) a cash payment in the settlement currency for any fractional shares of the worst performing asset on the expiry date which we will deliver and pay (if applicable) to you on the settlement date of the Basket US PPR Investments if the relevant conditions (as described in the section “Final settlement payout” on pages 106 to 111 of this product booklet) have been met.

- The physical settlement amount for each Basket US PPR Investment is calculated as follows:

$$\frac{\begin{array}{c} \text{Nominal amount} \\ \text{(converted into the worst performing asset currency at the exchange} \\ \text{rate as specified in the relevant term sheet where the settlement} \\ \text{currency is different from the worst performing asset currency)} \end{array}}{\text{Exercise price of the worst performing asset on the expiry date}}$$

(rounded to 4 decimal places, with 0.00005 or above being rounded upwards)

You should note that only a whole number of shares of the worst performing asset on the expiry date will be delivered to you.

Any fractional shares of the worst performing asset on the expiry date will be paid to you in cash in the settlement currency as part of the physical settlement amount.

- We will calculate the number of shares of the worst performing asset on the expiry date which form the physical settlement amount on a per-Basket US PPR Investment basis.
- Your distributor will deposit the physical settlement amount into your designated US securities account on the settlement date, subject to proper completion of the usual securities settlement procedures.
- Please refer to the section headed “More information about delivery of the physical settlement amount” on pages 116 to 117 of this product booklet for further details.

**Cash equivalent of the physical settlement amount**

- The cash equivalent of the physical settlement amount is calculated as follows (rounded to 2 decimal places, with 0.005 or above being rounded upwards):

$$\frac{\text{Nominal amount}}{\text{Exercise price of the worst performing asset on the expiry date}} \times \text{Closing price of the worst performing asset on the expiry date}$$

- We will pay you the cash equivalent of the physical settlement amount in the settlement currency on the settlement date if the relevant conditions (as described in the section “Final settlement payout” on pages 106 to 111 of this product booklet) have been met.
- We will calculate the cash equivalent of the physical settlement amount on a per-Basket US PPR Investment basis.

**Election for cash or physical settlement at expiry**

- When you apply for the Basket US PPR Investments, you will be required to specify on the subscription form whether you elect for cash settlement or physical settlement upon expiry of our Basket US PPR Investments in the case where the relevant conditions as described under sub-paragraph (A), (B) or (C) in the section “Final settlement payout” on pages 106 to 111 of this product booklet have been met.
- You can change your election at any time by no later than 4:00 p.m. (Hong Kong time) on the third Hong Kong business day prior to the expiry date by contacting your distributor.
- **If you fail to elect for physical settlement or cash settlement, physical settlement will apply.**
- If the relevant conditions as described under sub-paragraph (A), (B) or (C) in the section “Final settlement payout” on pages 106 to 111 of this product booklet have been met and physical settlement is applicable, we will deliver the worst performing asset on the expiry date which forms the physical settlement amount to the legal holder who will instruct DTC to deliver the same to your distributor (or its custodian) by way of electronic settlement through DTC. Your distributor will in turn deposit the physical settlement amount into your designated US securities account. For further details on the delivery of the physical settlement amount, please refer to the section headed “More Information about delivery of the physical settlement amount” on pages 116 to 117 of this product booklet.

**Settlement date**

- This is the date on which you will receive the final settlement payout (see also “Final settlement payout” on pages 106 to 111 of this product booklet) upon expiry of the Basket US PPR Investments if the Basket US PPR Investments have not been early terminated due to an extraordinary unforeseeable event.
- The settlement date is the third business day after the expiry date, as specified in the relevant term sheet; ***provided that*** if physical settlement is applicable and the original settlement date is not a clearance system business day, delivery of the physical settlement amount will be postponed to the following clearance system business day (subject to occurrence of a settlement disruption event).
- If the expiry date is postponed as a result of a ‘disrupted day’, the settlement date will be postponed accordingly (see pages 89 to 90 of this product booklet for further details).

**Cash settlement expenses**

- Cash settlement expenses are all charges or expenses, including any taxes and duties that are incurred by us in connection with making the payment of the relevant settlement amount in cash (namely, the early settlement amount, the nominal amount, the cash equivalent of the physical settlement amount or the cash payment for any fractional shares of the worst performing asset on the expiry date (as the case may be)) to you. Currently, there are no such charges or expenses payable by you.

- If any cash settlement expenses are payable in the future, we will inform the distributor(s) as soon as practicable and your distributor will in turn inform you in advance.
- Physical settlement expenses**
- Physical settlement expenses are out-of-pocket expenses relating to the transfer and receipt of the physical settlement amount which are payable by the transferee when the physical settlement amount is delivered to you on the settlement date of our Basket US PPR Investments. Currently, there are no such charges or expenses payable by you.
  - If any physical settlement expenses are payable in the future, we will inform the distributor(s) as soon as practicable and your distributor will in turn inform you in advance.
  - Please contact your distributor for details.
- Distributor's charges**
- You should check with your distributor how much they charge if you buy Basket US PPR Investments from them, if you cancel or unwind your order for the purchase of the Basket US PPR Investments or if you sell your Basket US PPR Investments back to us on a market making day (where applicable).

## NOTES

1. This is a summary of the meaning of the key terms of our Basket US PPR Investments. You should read all of this product booklet and the relevant indicative term sheet, as well as our programme memorandum and our financial disclosure document (together with any addendum to the programme memorandum, the financial disclosure document and/or this product booklet as specified in the relevant term sheet) before deciding whether or not to buy any of our Basket US PPR Investments.
2. Some of the terms which we have used in this summary could be subject to change as provided in the legal documentation. We have prepared a summary table on pages 82 to 92 of this product booklet to give you a ready reference of: (i) the possible adjustments that we may make to the terms and conditions of our Basket US PPR Investments; (ii) the circumstances under which we may substitute a reference asset in the basket, the circumstances under which we may early terminate our Basket US PPR Investments due to the occurrence of certain extraordinary unforeseeable events or if we determine in good faith and in a commercially reasonable manner that the performance of any of our absolute or contingent obligations under the Basket US PPR Investments has become illegal or impracticable in whole or in part for any reason beyond our control; (iii) adjustments that we make to the key dates due to market disruption events or settlement disruption; and (iv) the consequences of the occurrence of a CNY disruption event in respect of our Renminbi-denominated Basket US PPR Investments. You should also refer to the general terms and conditions of the Basket US PPR Investments (in particular, conditions 4(d) and 6) as set out in Appendix B to this product booklet for more details.
3. For further details on the effects of a settlement disruption event affecting delivery of the physical settlement amount, please refer to the section headed "More information about delivery of the physical settlement amount" in this product booklet.
4. We will make all determinations, and exercise all discretion, under the terms and conditions of our Basket US PPR Investments. We have the sole and absolute discretion in making all determinations and exercising all discretion under the legal documentation. Any decision we make will be made in good faith and in a commercially reasonable manner and is final and binding on you and on us and any other parties involved in our Basket US PPR Investments.

## MORE INFORMATION ABOUT DELIVERY OF THE PHYSICAL SETTLEMENT AMOUNT

### When will the physical settlement amount be delivered?

- If the physical settlement amount is deliverable to you, we will deliver the physical settlement amount to the legal holder who will instruct DTC to deliver the same to your distributor (or its custodian) by way of electronic settlement through DTC. You will have to rely (i) on DTC to credit the accounts of your distributor (or its custodian) with the physical settlement amount; (ii) on the custodian of your distributor (if any) to credit the account of the distributor with the physical settlement amount and (iii) on your distributor to ensure that the physical settlement amount is credited to your account with your distributor.
- If the physical settlement amount is deliverable to you, your distributor will deposit the physical settlement amount into your designated US securities account on the settlement date, which will be a clearance system business day (subject to the occurrence of a settlement disruption event as stated below). Currently, no physical settlement expenses (including stamp duty and other applicable charges) are payable. However, your distributor may also charge you a fee for depositing the physical settlement amount into your US securities account and the provision of other securities services. Please ask your distributor for further details.
- Scheduled dates for the delivery of shares of a company must be days on which DTC is open.
- We shall determine in our sole and absolute discretion, acting in good faith and in a commercially reasonable manner, whether or not at any time a settlement disruption event has occurred and where we determine such an event has occurred and so has prevented delivery of the physical settlement amount on the original settlement date to the legal holder of the Basket US PPR Investments and your distributor or its custodian (which are registered as accountholders or participants of the Basket US PPR Investments in the clearing systems entitled to receive the physical settlement amount) via DTC (such event is referred to as a “**settlement disruption event**” in this product booklet), the delivery of the physical settlement amount to the legal holder of our Basket US PPR Investments and your distributor or its custodian will be postponed to the following clearance system business day which is not affected by such settlement disruption. If such settlement disruption event persists on the eighth clearance system business day after the scheduled settlement date, we will seek to deliver the physical settlement amount to the legal holder of the Basket US PPR Investments (who will in turn arrange to deliver the same to your distributor or its custodian) in a commercially reasonable manner outside DTC as soon as practicable and the settlement date will be deemed to be the actual day on which delivery can be effected. If we determine in our sole and absolute discretion, acting in good faith and in a commercially reasonable manner, that delivery of the physical settlement amount outside DTC is not possible, the settlement date will be postponed until delivery can be effected through DTC or in any other commercially reasonable manner and the settlement date will be deemed to be the actual day on which delivery can be effected.
- If this happens, we will give notice to the distributor(s) on the original settlement date of any postponement of the settlement date and the distributor(s) will in turn inform you. We will also give notice to the distributor(s) on the eighth clearance system business day following the original settlement date whether we are able to deliver the physical settlement amount to the legal holder of the Basket US PPR Investments (who will in turn arrange to deliver the same to your distributor or its custodian) in a commercially reasonable manner outside DTC or whether the delivery of the physical settlement amount will be postponed indefinitely until delivery in a commercially reasonable manner is possible. Your distributor(s) will in turn inform you. There is no assurance of the duration of such a delay.
- We will not pay any extra amount for any delay in delivery of the shares of a company.
- This is a summary of the provisions relating to physical delivery of the relevant reference asset. For further details, please refer to condition 4(e) of the general terms and conditions of the Basket US PPR Investments as set out in Appendix B to this product booklet and the relevant pricing supplement.



**What about fractional shares of the worst performing asset on the expiry date?**

- We will not deliver any fractional shares of the worst performing asset on the expiry date to you but instead will pay you a cash payment for that fractional shares of the worst performing asset in the settlement currency. No cash settlement expenses will be payable for the cash payment for any such fractional shares of such worst performing asset to you.
- This cash payment for the fractional shares of the worst performing asset is calculated as follows (rounded to 2 decimal places, with 0.005 or above being rounded upwards):

$$\begin{array}{l} \text{Fractional shares of the worst performing} \\ \text{asset (rounded to 4 decimal places, with} \\ \text{0.00005 or above being rounded} \\ \text{upwards)} \end{array} \quad \times \quad \begin{array}{l} \text{closing price of the worst performing asset} \\ \text{on the expiry date} \\ \text{(converted into the settlement currency at the} \\ \text{mid-market exchange rate at the valuation time on} \\ \text{the expiry date as specified in the relevant term} \\ \text{sheet where the settlement currency is different from} \\ \text{the worst performing asset currency)} \end{array}$$

- The number of shares forming the physical settlement amount will be calculated on a per- Basket US PPR Investment basis.

## MORE INFORMATION ABOUT OUR BASKET US PPR INVESTMENTS

### WHAT IS INCLUDED IN OUR BASKET US PPR INVESTMENT DOCUMENTATION?

#### Basket US PPR Investment offering documents

The following documents constitute the offering documents of our Basket US PPR Investments. **You should read all of these documents (including any addendum to the programme memorandum, the financial disclosure document and/or this product booklet as specified in the relevant indicative term sheet) before deciding whether to invest in our Basket US PPR Investments:**

| Name of offering document  | Content of document  |
|--|--|
| (i) Programme memorandum   | <p>The programme memorandum contains an overview of our Programme, including:</p> <ul style="list-style-type: none"><li>• a summary of certain taxation issues relating to structured products that we can issue under our Programme;</li><li>• the general procedure of buying our structured products through a distributor, how your distributor will hold your structured products and receive notices, assets and payments from us on your behalf;</li><li>• a description of the form of our structured products (in the form of note or investment) and the difference between a note and an investment;</li><li>• the general risks associated with investing in our structured products and the risks relating to the issuer; and</li><li>• a description of our business and financial condition.</li></ul>  |
| (ii) Financial disclosure document (together with any addendum to the financial disclosure document) | <p>The financial disclosure document, together with the addendum to the financial disclosure document (if any), contain our latest financial information, including our audited consolidated financial statements and unaudited interim condensed consolidated financial statements (if any) and a description of our risk management system.</p>  |
| (iii) Product booklet  | <p>This product booklet contains the general terms and conditions that apply to one type of structured products that we can issue under our Programme, namely, Non-Principal Protected Unlisted Potential Performance Return Equity Linked Investments Linked to a Basket of U.S. Securities.</p> <p>This product booklet also explains how our Basket US PPR Investments work and sets out the product features and risk factors relating to our Basket US PPR Investments. To help your understanding, we have also included three key facts statements on pages 4 to 32 of this product booklet and several hypothetical examples on pages 49 to 61 to illustrate how our Basket US PPR Investments with no knock-in feature work and several hypothetical examples on pages 62 to 81 to illustrate how our Basket US PPR Investments with daily knock-in feature work.</p> |

(iv) Indicative term sheet

The indicative term sheet sets out a summary of the terms that are specific to the series of Basket US PPR Investments you wish to buy. It also sets out the variables which will only be specified at the time you apply for our Basket US PPR Investments (except for the terms that may only be determined after your purchase, as set out in the section headed “Glossary – The Meaning of the Key Terms of our Basket US PPR Investments”).

The final term sheet containing all the finalised commercial terms (including the final exercise price) applicable to a series of Basket US PPR Investments will be available for inspection at the offices of the product arranger and the distributor(s) after the relevant trade date. A copy of the final term sheet will be made available to the investor upon request.

**The offer of each series of Basket US PPR Investments is made only on the basis of the programme memorandum, the financial disclosure document, this product booklet (together with any addendum to these documents as specified in the relevant indicative term sheet) and the relevant indicative term sheet. The final term sheet does not constitute an offering document of our Basket US PPR Investments.**

References to the “term sheet” in this product booklet mean both the indicative term sheet and the final term sheet unless otherwise specified.

## **Legal terms and conditions of our Basket US PPR Investments**

The following documents set out the legally binding terms and conditions of our Basket US PPR Investments:

- (i) General terms and conditions of the Non-Principal Protected Unlisted Potential Performance Return Equity Linked Investments Linked to a Basket of U.S. Securities: the general terms and conditions of the Basket US PPR Investments that are applicable to all our Basket US PPR Investments are set out in Appendix B to this product booklet. These general terms and conditions may be amended and supplemented by the specific terms that are applicable to a series of Basket US PPR Investments, as set out in the relevant pricing supplement.
- (ii) Pricing supplement for the Basket US PPR Investments: we have set out in Appendix C to this product booklet a form of pricing supplement. For each series of our Basket US PPR Investments, we will prepare a pricing supplement. The commercial terms contained in the pricing supplement will reflect the same commercial terms as set out in the relevant term sheet for that series. The pricing supplement of each series of Basket US PPR Investments will be available for inspection at the offices of the product arranger and the relevant distributor(s) on or after the relevant issue date.

When read together, the general terms and conditions of the Basket US PPR Investments as set out in Appendix B to this product booklet and the relevant pricing supplement will constitute the legally binding terms and conditions applicable to the relevant series of Basket US PPR Investments.

The following documents are available free of charge during the offer period through the following methods of distribution:

| Offering Document  | Method of distribution   |
|--|--|
| <ul style="list-style-type: none"> <li>• The programme memorandum (including any addenda in respect thereof)</li> <li>• The financial disclosure document (including any addenda in respect thereof)</li> <li>• This product booklet (including any addenda in respect thereof)</li> </ul> | <p>(i) Printed copies from the distributor(s); and</p> <p>(ii) Electronic copies at our website (<a href="https://www.hsbcnet.com/gbm/structured-investments/asia-pacific/unlisted-structured-products-programme">https://www.hsbcnet.com/gbm/structured-investments/asia-pacific/unlisted-structured-products-programme</a> or such other website address as set out in the relevant indicative term sheet) and/or via the QR Code as set out in the relevant indicative term sheet and/or from the distributor(s) by email (via a hyperlink to our website) (whether or not electronic copies are being made available for any particular series of Basket US PPR Investment will be specified in the relevant indicative term sheet).</p> |
| The relevant indicative term sheets  | <p>(i) Printed copies from the distributor(s); and</p> <p>(ii) Electronic copies at our website (<a href="https://www.hsbcnet.com/gbm/structured-investments/asia-pacific/unlisted-structured-products-programme">https://www.hsbcnet.com/gbm/structured-investments/asia-pacific/unlisted-structured-products-programme</a> or such other website address as set out in the relevant indicative term sheet) and/or from the distributor(s) by email (via a hyperlink to our website) (whether or not electronic copies are being made available for any particular series of Basket US PPR Investment will be specified in the relevant indicative term sheet).</p>   |

#### Other legal documentation relating to our Basket US PPR Investments

- (i) Global certificate - each series of our Basket US PPR Investments will be represented by a single global certificate registered in the name of the nominee for the relevant clearing system(s). The applicable pricing supplement will be attached to the global certificate and lodged with the relevant clearing system(s). As we do not issue individual certificates to you with respect to your holding of the Basket US PPR Investments, to assert your right as an investor in our Basket US PPR Investments, you will have to rely on your distributor (directly or indirectly via its custodian) to take action on your behalf. (See also “(ii) Deed of covenant” below.)
- (ii) Deed of covenant - your distributor or its custodian which is a participant or accountholder with the relevant clearing system, will be given direct rights of enforcement against us as issuer under a deed of covenant executed by us if we fail to pay any cash amount or deliver the relevant reference asset to the legal holder of our Basket US PPR Investments in accordance with the terms and conditions of our Basket US PPR Investments.
- (iii) Registrars’ and structured product agency agreement - administrative matters relating to our Basket US PPR Investments (including but not limited to, making payment and delivery of the relevant reference asset due under our Basket US PPR Investments and arrangements for giving notices to the holders of our Basket US PPR Investments) are dealt with in the registrars’ and structured product agency agreement.

Pursuant to the general terms and conditions of the Basket US PPR Investments, the legal holder of our Basket US PPR Investments (being the nominee of the relevant clearing system(s)) is entitled to the benefit of, is bound by and is deemed to have notice of all the provisions of the global certificate, the applicable pricing supplement, the deed of covenant and the registrars' and structured product agency agreement. As you are investing in our Basket US PPR Investments via your distributor, you will be subject to the provisions as set out in these documents. For further details of these legal documentation, please also refer to the section headed "Our Programme – Main Features" in the programme memorandum. If you are in any doubt about the contents of these legal documentation, you should seek independent professional advice.

## **HOW CAN YOU BUY THE BASKET US PPR INVESTMENTS?**

- If you wish to purchase our Basket US PPR Investments, you can enquire about the range of Basket US PPR Investments we offer by contacting the appointed distributor(s) specified in the relevant term sheet.
- Once you have made your investment decision, you will need to complete a Basket US PPR Investment subscription form which can be obtained at any designated branches of the appointed distributor(s) for the Basket US PPR Investments. Unless (i) you have exercised your right to cancel or unwind your purchase order during the post-sale cooling-off period for Basket US PPR Investments with an investment period of more than one year or (ii) you have cancelled your purchase order during the offer period before your purchase order is executed on the trade date for Basket US PPR Investments with an investment period of one year or less (see section on the next page on "Is there a post-sale cooling-off period for our Basket US PPR Investments?") or (iii) you have cancelled your order within the specified period of time as notified by your distributor following the publication of an updated financial disclosure document and/or an addendum to the programme memorandum, the financial disclosure document and/or this product booklet during the offer period after you have placed your order (see section on page 124 of this product booklet on "Can I cancel my purchase order as a result of publication of an addendum and/or an updated financial disclosure document?"), you are committed to purchase the Basket US PPR Investments once you have placed the relevant purchase order with your distributor.
- Your distributor will make the application with us directly on your behalf. You cannot purchase the Basket US PPR Investments directly from us (in our capacity as issuer). You must already have, or must open, an investment account and a cash account with the appointed distributor(s). Your distributor will hold your Basket US PPR Investments for you in your investment account – you will not be holding the Basket US PPR Investments directly as we will not be issuing individual certificates for our Basket US PPR Investments. Your distributor will inform you the amount you have to pay and any applicable fees (including handling fees) it charges to make your application and to open and maintain your investment account and cash account. Please contact your distributor for further details.
- You must also have, or must open, a US securities account with the appointed distributor(s) and must maintain such US securities account throughout the tenor of the Basket US PPR Investments in order to receive the physical settlement amount in the case where physical settlement is applicable. Please refer to the section headed "More information about delivery of the physical settlement amount" on pages 116 to 117 of this product booklet for further details.
- Once you place your Basket US PPR Investment purchase order on the order date, your Basket US PPR Investment purchase order will be executed by us on the trade date. Once your Basket US PPR Investment purchase order is executed, the purchase consideration (being the total issue price) will be deducted from your designated cash account on the issue date which is a day falling up to 10 business days after the trade date and a contract note prepared by your distributor containing all the finalised commercial terms that apply to your Basket US PPR Investments will be sent to you by your distributor within 2 Hong Kong business days after the trade date.

## **ADDITIONAL INFORMATION RELATING TO RENMINBI-DENOMINATED BASKET US PPR INVESTMENTS**

Our Renminbi-denominated Basket US PPR Investments will be settled in Renminbi outside the PRC that is freely deliverable between accounts in Hong Kong in accordance with Hong Kong laws and applicable regulations and guidelines issued by relevant authorities in Hong Kong prevailing as of the trade date of the relevant series of Renminbi-denominated Basket US PPR Investments. All Renminbi payments under our Renminbi-denominated Basket US PPR Investments will be made solely by credit to your Renminbi bank

account maintained at banks in Hong Kong in accordance with applicable Hong Kong laws and applicable regulations and guidelines issued by the relevant authorities in Hong Kong. Therefore, if you wish to invest in our Renminbi-denominated Basket US PPR Investments, you need to have a Renminbi bank account with your distributor. You will also need to maintain a Renminbi bank account to receive any Renminbi payments made by us under our Renminbi-denominated Basket US PPR Investments which will be credited to your Renminbi bank account by your distributor.

If you are an individual, you may be subject to a daily maximum remittance amount to the PRC (to the extent it is applicable). Such remittance service is only available for the Renminbi deposit account-holder who remits from his or her Renminbi deposit account to the PRC; provided that the account name of the account in the PRC is identical with that of the Renminbi bank account with the bank in Hong Kong.

The above-mentioned restrictions are not exhaustive as different banks could have certain exemptions, different and/or additional restrictions. In addition, the above-mentioned restrictions are applicable to Renminbi transactions in Hong Kong as at the date of this product booklet. These restrictions may be removed and/or amended by the relevant authorities in Hong Kong or mainland China from time to time. Also, there may be additional rules, regulations and restrictions under contemplation or to be issued by relevant authorities of Hong Kong or mainland China from time to time that may be relevant to your investment in our Renminbi-denominated Basket US PPR Investments. You should check with the distributor(s) for any updates and details.

## **IS THERE A POST-SALE COOLING-OFF PERIOD FOR OUR BASKET US PPR INVESTMENTS?**

The relevant term sheet will specify whether a post-sale cooling-off period applies to your Basket US PPR Investments.

### **Basket US PPR Investments with an investment period of more than one year**

- If you have purchased a Basket US PPR Investment with an investment period of more than one year, you can cancel or unwind (as the case may be) the whole (but not part) of your Basket US PPR Investment purchase order during the period from (and including) the date you place your purchase order (the “**order date**”) to (and including) the fifth Hong Kong business day after the order date (this period is referred to as the “**post-sale cooling-off period**”). If you choose to do so, you will need to submit your instructions to your distributor between 10:00 a.m. and 12:00 noon on any Hong Kong business day during the post-sale cooling-off period. Any exercise of your right to cancel or unwind your Basket US PPR Investment purchase order shall be irrevocable.
- No distributor’s commission will be chargeable if you exercise your right to cancel or unwind your Basket US PPR Investment purchase order during the post-sale cooling-off period.

#### *Cancellation before your purchase order is executed on the trade date*

- If you submit your instructions to cancel your Basket US PPR Investment purchase order to your distributor before your purchase order is executed on the trade date, the issue price will not be deducted from your designated cash account on the issue date. However, your distributor may charge you a handling fee for such cancellation. Please ask your distributor for details.

#### *Unwind on or after your purchase order is executed on the trade date*

- If you submit your instructions to unwind your Basket US PPR Investment purchase order to your distributor on or after the trade date after your purchase order is executed, we will return the mandatory buy back price to you via your distributor on the later of: (i) the third business day after the day you submit your instructions to unwind your Basket US PPR Investment purchase order; or (ii) the issue date. Your distributor may charge you a handling fee for the unwinding of your Basket US PPR Investment purchase order and (if applicable) such handling fee will be deducted from the mandatory buy back price. **The mandatory buy back price in respect of each Basket US PPR Investment is capped at the issue price and may be substantially less than the issue price you paid in respect of each Basket US PPR Investment.**

- In respect of our Basket US PPR Investments denominated in Renminbi, if we are not able, or it is impracticable for us, to pay you the mandatory buy back price in Renminbi on the original due date for payment as a result of a CNY disruption event, such payment will be postponed to the third Hong Kong business day after the date on which the CNY disruption event ceases to exist (as determined by us in our sole and absolute discretion, acting in good faith and in a commercially reasonable manner); ***provided that*** if the CNY disruption event continues to exist for twelve consecutive Hong Kong business days following the original due date for payment, we shall be entitled to pay you the mandatory buy back price in Hong Kong dollars by no later than the third Hong Kong business day after such twelfth Hong Kong business day following the original due date for payment.
- The mandatory buy back price will be converted at the exchange rate for Renminbi outside the PRC per 1 U.S. dollar as per Reuters Page “CNH=” and the exchange rate for Hong Kong dollar per 1 U.S. dollar as per Reuters Page “HKD=” at 11:00 a.m. Hong Kong time on the day which is two Hong Kong business days prior to the relevant postponed date for payment; provided that if any such exchange rate cannot be determined, we shall select another applicable Reuters page or determine in good faith such exchange rate by reference to such sources as we may select in our sole and absolute discretion, acting in good faith and in a commercially reasonable manner.
- The mandatory buy back price is determined in accordance with the formula stated on page 102 of this product booklet. Any market value adjustments will be factored into the mandatory buy back price. Our transaction costs (if any), including any cost which has been incurred by us in unwinding the hedging and funding arrangements relating to such Basket US PPR Investment, will also be included in the calculation of the market value adjustments.
- In addition, in order for you to exercise the right to cancel or unwind your Basket US PPR Investment purchase order during the post-sale cooling-off period, the following conditions have to be satisfied:
  - (i) you have not sold or otherwise transferred the relevant Basket US PPR Investment you wish to cancel or unwind;
  - (ii) if the Basket US PPR Investment has been issued, the Basket US PPR Investment is subsisting and has not otherwise expired or terminated; and
  - (iii) you can only choose to cancel or unwind the whole (but not part) of your purchase order of Basket US PPR Investments.

#### **Basket US PPR Investments with an investment period of one year or less**

##### *Cancellation during offer period before purchase order is executed on the trade date*

If you purchase a Basket US PPR Investment with an investment period of one year or less, the post-sale cooling-off period is not applicable but you can cancel your purchase order during the offer period before your Basket US PPR Investment purchase order is executed on the trade date by submitting an instruction to your distributor between 10:00 a.m. and 12:00 noon on any Hong Kong business day during the offer period. Upon receipt of your instruction to cancel your purchase order, we will cancel your purchase order. The issue price will not be deducted from your designated cash account on the issue date. No distributor's commission will be chargeable but please note that your distributor may charge you a handling fee for such cancellation.

##### *No unwind after purchase order has been executed on the trade date*

You cannot unwind your purchase order after your purchase order has been executed on the trade date.



## **CAN I CANCEL MY PURCHASE ORDER AS A RESULT OF PUBLICATION OF AN ADDENDUM AND/OR AN UPDATED FINANCIAL DISCLOSURE DOCUMENT?**

Regardless of the length of the investment period and the scheduled tenor of the Basket US PPR Investments, you can submit your instructions to cancel your Basket US PPR Investment purchase order to your distributor before your purchase order is executed on the trade date as a result of the publication of an updated financial disclosure document and/or an addendum to the programme memorandum, the financial disclosure document and/or this product booklet during the offer period after you have placed your order. In such case, the issue price will not be deducted from your designated cash account on the issue date. Neither we nor the distributor will charge you any fees for such cancellation.

## **IS THERE ANY MARKET MAKING ARRANGEMENT FOR YOUR BASKET US PPR INVESTMENTS BEFORE THEIR EXPIRY?**

- We (as market agent) will provide limited market making arrangements for all our Basket US PPR Investments (regardless of the length of the investment period and the scheduled tenor of the Basket US PPR Investments) on each market making day (being a business day which is a scheduled trading day) falling every other Tuesday after the issue date up to the third business day before the expiry date. If (i) a scheduled market making day is not a business day which is a scheduled trading day on which the relevant US exchange and each related exchange are scheduled to open for trading; or (ii) the relevant Basket US PPR Investment is affected by market disruption events (as defined in condition 2(e) of the general terms and conditions of the Basket US PPR Investments as set out in Appendix B to this product booklet, including a suspension of trading imposed on the reference asset) on the scheduled trading day preceding such market making day; or (iii) we experience any technical problems beyond our control affecting our ability to provide an indicative bid price for the Basket US PPR Investments on such market making day, that market making day will be postponed to the next business day which is a scheduled trading day on which the relevant US exchange and each related exchange are scheduled to open for trading and the relevant Basket US PPR Investments are not affected by any such events or problems.
- On each market making day, we (as market agent) will, upon your request submitted via your distributor, make available to you (via your distributor(s)) indicative bid prices (on a per-Basket US PPR Investment basis) (“**indicative bid price**”) during normal business hours in Hong Kong. Your request for indicative bid prices must be submitted to your distributor between 10:00 a.m. and 4:00 p.m. (Hong Kong time) on such market making day, specifying the amount of the Basket US PPR Investments that you intend to sell. You may choose to sell part of or the entire holding of your Basket US PPR Investments provided that the minimum sell back order is equal to one Basket US PPR Investment and the total amount of Basket US PPR Investments you wish to sell is an integral multiple of one Basket US PPR Investment.
- The indicative bid price is determined by us at our sole and absolute discretion, acting in good faith and in a commercially reasonable manner, taking into account factors such as market interest rate movements, the previous closing price of each relevant reference asset in the basket, HSBC’s financial condition, the market’s view of HSBC’s credit quality, the value of the embedded conditional put option, the price performance and price volatility of the reference assets in the basket and any cost which is, or would be, incurred by us in unwinding our hedging and funding arrangements relating to the Basket US PPR Investments.
- The indicative bid prices are provided for reference purposes only for you to decide the limit order price (as defined below) at which you may place a limit sell back order. Such indicative bid prices will be subject to intra-day change, depending on the prevailing market conditions. In addition, the indicative bid prices do not represent the actual prices (as defined below) at which we will execute your limit sell back order.
- If you decide to sell your Basket US PPR Investments back to us, you can place a limit sell back order with your distributor specifying your proposed sell back price (“**limit order price**”) and the amount of the Basket US PPR Investments that you intend to sell between 10:00 a.m. and 5:00 p.m. (Hong Kong time) on a market making day. You may cancel, withdraw or adjust your placed limit sell back order on or before 5:00 p.m. (Hong Kong time) on such market making day. However, such placed limit sell back order cannot be cancelled, withdrawn or adjusted after 5:00 p.m. (Hong Kong time). Your limit sell back order is only valid during the trading hours of the relevant US exchange on the market making day that you have placed such order.

- We will seek to execute your limit sell back order at a price **at or above** the limit order price during the trading hours of the relevant US exchange on such market making day (such price, the “**actual price**”).
- The actual price at which you are able to sell back your Basket US PPR Investments will:
  - (a) be affected by the prevailing market conditions during the trading hours of the relevant US exchange on the market making day that you have placed such order after close of business hours in Hong Kong and are therefore subject to changes to the market conditions after the normal business hours in Hong Kong on such market making day; and
  - (b) depend on various factors, including (without limitation), the prevailing spot price of each relevant reference asset in the basket during the trading hours of the relevant US exchange on the market making day that you have placed such order, market interest rate movements, HSBC’s financial condition, the market’s view of HSBC’s credit quality, the value of the embedded conditional put option, the price performance and price volatility of the reference assets in the basket and any cost which is, or would be, incurred by us in unwinding our hedging and funding arrangements relating to the Basket US PPR Investments.
- Once the prevailing price of the Basket US PPR Investments reaches or goes above the limit order price of your limit sell back order placed on the market making day that you have placed such order, we will execute your limit sell back order at such prevailing price. However, such prevailing price may not be the highest price of the Basket US PPR Investments throughout the trading hours of the relevant US exchange on the market making day that you have placed such order. In this case, once your limit sell back order is executed (at the price which is at or above your limit order price but which may not be the best available price during the trading hours of the relevant US exchange), you will lose the opportunity to benefit from any upside. Your distributor will notify you whether your limit sell back order was executed, and if so, the actual price at which your limit sell back order was executed, before 12:00 p.m. (Hong Kong time) on the business day immediately following the market making day that you have placed such order. Such actual price will also be set out in the contract note which will be sent to you by your distributor within 2 business days after such market making day. We will deliver to your distributor the sale proceeds received from selling back the Basket US PPR Investments to us (as market agent) on the fourth business day after such market making day. Your distributor will deliver such proceeds to you in accordance with its normal operating procedures. Please check with your distributor for details. You can contact your distributor to enquire about the limit sell back order any time before you receive the contract note.
- Your limit sell back order placed on a market making day will **not** be executed if:
  - (i) the relevant US exchange(s) fails to open for trading during its regular trading session on such day;
  - (ii) the relevant Basket US PPR Investment is affected by market disruption events on such day; or
  - (iii) the prevailing price of the relevant Basket US PPR Investment is **below** the limit order price of your limit sell back order throughout the trading hours of the relevant US exchange on the market making day that you have placed such order.

- If your limit sell back order is not executed due to (i) or (ii) above, we will notify you (via your distributor) of the occurrence of such event(s) by 12:00 p.m. (Hong Kong time) on the Hong Kong business day immediately following the relevant scheduled market making day. You may request from us (via your distributor) a refreshed indicative bid price before 4:00 p.m. (Hong Kong time) on the next day immediately following the relevant scheduled market making day (i) which is a business day and a scheduled trading day and (ii) where the relevant Basket US PPR Investment is not affected by market disruption events and the relevant US exchange is open for trading during its regular trading session on the scheduled trading day immediately preceding such day (notwithstanding that such day is not originally a market making day). If you elect to place an adjusted limit sell back order, you must inform us (via your distributor) and submit your adjusted limit order price for the amount of Basket US PPR Investments that you intend to sell to us before 5:00 p.m. (Hong Kong time) on the same day. If we do not receive any request from you (via your distributor) by the prescribed timeline, your limit sell back order will lapse.
- If your limit sell back order is not executed due to (iii) above, your limit sell back order will lapse and you will need to place a new limit sell back order specifying a new limit order price during business hours in Hong Kong on the next market making day if you still want to sell back your Basket US PPR Investments.
- The following table provides a summary of our market making arrangements:

|  |  |
|--|--|
| Each market making day (falling every other Tuesday after the issue date up to the third business day before the expiry date)  | We (as market agent) will upon your request make available to you (via your distributor) indicative bid prices (on a per-Basket US PPR Investment basis) during normal business hours in Hong Kong.  |
| From 10:00 a.m. to 4:00 p.m. (Hong Kong time) on a market making day (“ <b>Relevant Market Making Day</b> ”) – time period for any request for indicative bid price(s) | You must submit your request for an indicative bid price to your distributor and specify the amount of the Basket US PPR Investments that you intend to sell between 10:00 a.m. and 4:00 p.m. (Hong Kong time) on a market making day.   |
| From 10:00 a.m. to 5:00 p.m. (Hong Kong time) on the Relevant Market Making Day – time period for placing a limit sell back order                                      | If you decide to sell your Basket US PPR Investments back to us, you must place a limit sell back order with your distributor specifying your limit order price and the amount of Basket US PPR Investments that you intend to sell between 10:00 a.m. and 5:00 p.m. (Hong Kong time) on the Relevant Market Making Day.   |
| During the trading hours of the US exchange on the Relevant Market Making Day  | We (as market agent) will seek to execute your limit sell back order at a price <b>at or above</b> the limit order price. If the prevailing price of the Basket US PPR Investments is <b>below</b> the limit order price of your limit sell back order throughout the trading hours of the relevant US exchange on the Relevant Market Making Day, your limit sell back order will not be executed and will lapse. |
| Before 12:00 p.m. (Hong Kong time) on the business day immediately following the Relevant Market Making Day  | Your distributor will notify you whether your limit sell back order was executed, and if so, the actual price at which your limit sell back order was executed (which will also be set out in the contract note which will be sent to you within 2 business days after the Relevant Market Making Day).  |

Fourth business day after the Relevant Market Making Day (if the order is executed)

We will deliver to your distributor the sale proceeds received from selling back the Basket US PPR Investments to us (as market agent). Your distributor will deliver such proceeds to you in accordance with its normal operating procedures.

- In respect of our Renminbi-denominated Basket US PPR Investments, if we are not able, or it is impracticable for us, to pay you the sale proceeds in Renminbi on the original due date for payment as a result of a CNY disruption event, such payment will be postponed to the third Hong Kong business day after the date on which the CNY disruption event ceases to exist (as determined by us in our sole and absolute discretion, acting in good faith and in a commercially reasonable manner); ***provided that*** if the CNY disruption event continues to exist for twelve consecutive Hong Kong business days following the original due date for payment, we shall be entitled to pay you the sale proceeds in Hong Kong dollars by no later than the third Hong Kong business day after such twelfth Hong Kong business day following the original due date for payment.
- The sale proceeds will be converted at the exchange rate for Renminbi outside the PRC per 1 U.S. dollar as per Reuters Page “CNH=” and the exchange rate for Hong Kong dollar per 1 U.S. dollar as per Reuters Page “HKD=” at 11:00 a.m. Hong Kong time on the day which is two Hong Kong business days prior to the relevant postponed date for payment; provided that if any such exchange rate cannot be determined, we shall select another applicable Reuters page or determine in good faith such exchange rate by reference to such sources as we may select in our sole and absolute discretion, acting in good faith and in a commercially reasonable manner.
- **You should note that the actual price at which you sell your Basket US PPR Investments back to us on a market making day may be substantially less than the issue price you paid for each Basket US PPR Investment.** Also, your distributor may charge you a handling fee when you sell your Basket US PPR Investments back to us on a market making day and such fees or charges will reduce the amount you receive when you sell your Basket US PPR Investments back to us before expiry. Please contact your distributor for details.
- **In addition, you should note that indicative bid prices may not be available on a market making day if the relevant Basket US PPR Investment is affected by market disruption events and/or suspension of trading in the reference assets on the scheduled trading day preceding such market making day or if we (as market agent) experience any technical problems beyond our control affecting our ability to provide a bid price for our Basket US PPR Investments, including any power failure or breakdown of our computer system (in which case the affected market making day will be postponed to the next business day which is a scheduled trading day and not affected by any of these events or problems).**

#### **HOW CAN YOU FIND OUT THE INDICATIVE BID PRICE OF YOUR BASKET US PPR INVESTMENTS?**

- We (as market agent) will make available (via the distributor(s)) indicative bid prices for all our Basket US PPR Investments on each market making day. We will not upload such information onto our website. You will need to contact your distributor for the most effective way to access the indicative bid prices.

#### **ARE OUR BASKET US PPR INVESTMENTS DESIGNED FOR EVERYONE?**

Our Basket US PPR Investments are designed for experienced investors who:

- have experience in investing in structured investment products and are looking for more tailored ways of investing in accordance with their market views. Investors can choose from the range of Basket US PPR Investments on offer to suit their investment view, risk appetite and return requirements;
- take a stable or moderately bullish view on the market price of all the reference assets in the basket;
- accept that a Basket US PPR Investment is a non-principal protected structured investment product;

- understand that the payout on the Basket US PPR Investment is linked to the performance of the worst performing asset in the basket (regardless of how well the other assets in the basket may perform);
- understand that a Basket US PPR Investment is a structured investment product which has embedded derivatives and is not equivalent to a time deposit or a direct investment in the reference assets;
- accept that where the physical settlement amount is physically delivered or the cash equivalent of the physical settlement amount is paid on the settlement date of the Basket US PPR Investments, they will effectively be purchasing the worst performing asset on the expiry date at a price which is higher than the market price of such worst performing asset prevailing on the expiry date of the Basket US PPR Investments and may suffer a loss on their initial investment amount if the market value of the physical settlement amount or the cash equivalent of the physical settlement amount is less than the initial investment amount. **In an extreme case, the physical settlement amount or the cash equivalent of the physical settlement amount could be worth nothing and investors could lose 100% of their initial investment amount;** and
- understand that there will only be limited market making arrangements for all our Basket US PPR Investments and therefore are prepared to hold them to their settlement date.

**Our Basket US PPR Investments are not designed for inexperienced investors who are not familiar with structured investment products. You should not buy this product if:**

- you do not have knowledge or experience investing in structured investment products embedded with derivatives;
- you are not proficient in English as certain information about the reference assets may only be available in English on a real time basis;
- you do not want to take HSBC's credit risk;
- you do not want to risk any part of your capital; or
- you may need to sell your Basket US PPR Investments before the end of the scheduled tenor of the Basket US PPR Investments for liquidity needs.

#### **ARE OUR BASKET US PPR INVESTMENTS SUBJECT TO U.S. FOREIGN ACCOUNT TAX COMPLIANCE ACT WITHHOLDING TAX?**

The U.S. Foreign Account Tax Compliance Act ("FATCA") generally imposes a 30 per cent. United States withholding tax ("FATCA Withholding") on certain United States source payments ("Withholdable Payments") paid to a foreign financial institution (including amounts paid to a foreign financial institution on behalf of a holder), unless such institution enters into an agreement with the United States Treasury to collect and provide to the United States Treasury substantial information regarding United States account holders with such institution (including certain account holders that are foreign entities with United States owners) or such institution otherwise complies with its obligations under FATCA. FATCA Withholding generally is also imposed on Withholdable Payments made to a "recalcitrant holder" or to a non-financial foreign entity unless, in general, such entity provides the withholding agent with a certification that it does not have any substantial United States owners (or a certification identifying the direct and indirect substantial United States owners of the entity), demonstrates that it or an affiliate is publicly traded or that it has an active business, or otherwise establishes an exemption. A "recalcitrant holder" generally is a holder of an account with a foreign financial institution that fails to comply with certain requests for information that will enable the relevant foreign financial institution to comply with its obligations under FATCA. A structured product (including our Basket US PPR Investment) may constitute an account for these purposes. "Withholdable Payments" generally includes any payments made with respect to the structured products that are contingent upon or determined by reference to the value of, or dividends on, stock issued by an entity that is treated as a United States corporation (or by any other entity the dividends of which are treated as United States source) for United States federal income tax purposes. We will not issue any Basket US PPR Investments that provide for Withholdable Payments.



In addition, under FATCA, “foreign passthru payments” made by a foreign financial institution to recalcitrant holders or non-compliant foreign financial institutions or non-financial foreign entities generally are subject to FATCA Withholding. The term “foreign passthru payment” has not yet been defined under current United States Treasury regulations.

Under the current United States Treasury regulations and related guidance, FATCA Withholding generally will apply to foreign passthru payments no earlier than the second anniversary of the date on which final regulations defining the term “foreign passthru payments” are published in the U.S. Federal Register. In addition, payments made with respect to our Basket US PPR Investments that are not Withholdable Payments generally will not be subject to FATCA Withholding if such Basket US PPR Investments are executed on or before the “Grandfather Date” and are not materially modified thereafter. For these purposes: “**Grandfather Date**” is the date that is six months after the date on which final United States Treasury regulations defining the term “foreign passthru payment” are filed with the United States Federal Register.

As stated above, we intend not to issue any Basket US PPR Investments that provide for Withholdable Payments. Thus, payments under our Basket US PPR Investments generally will not be subject to FATCA Withholding to the extent (i) they are made before the second anniversary of the date on which final regulations defining the term “foreign passthru payments” are published in the U.S. Federal Register or (ii) our Basket US PPR Investments are executed on or before the Grandfather Date and are not materially modified thereafter. However, Section 871(m) Withholding (as defined in the section headed “Are our Basket US PPR Investments subject to Section 871(m) Withholding Tax?” on pages 130 to 131 of this product booklet) may apply if you enter into other transactions with respect to the underlying U.S. stock or if the U.S. Internal Revenue Service successfully argues that payments made on the Basket US PPR Investments are treated as “dividend equivalents”, notwithstanding our determination to the contrary. If Section 871(m) Withholding applies, withholding tax at a rate of up to 30 per cent. will be imposed on such payments made to a non-U.S. investor under Section 871(m) regardless of whether the Basket US PPR Investments are issued before or after the Grandfather Date.

While a series of Basket US PPR Investments is represented by the global certificate and held within the clearing systems, it is expected that FATCA will not affect the amount of any payment made under, or in respect of, the Basket US PPR Investments by HSBC (as issuer) or any paying agent, given that each of the entities in the payment chain beginning with HSBC (as issuer) and ending with the clearing systems is a major financial institution whose business is dependent on compliance and participation with FATCA. However, FATCA may affect payments made to custodians or intermediaries in the subsequent payment chain leading to the ultimate investor if any such custodian or intermediary generally is unable to receive payments free of FATCA withholding. It also may affect payment to any ultimate investor that is a financial institution that is not entitled to receive payments free of withholding under FATCA, or an ultimate investor that fails to provide its distributor (or other custodian or intermediary from which it receives payment) with any information, forms, other documentation or consents that may be necessary for the payments to be made free of FATCA withholding.

Pursuant to the distributor appointment agreements entered into between HSBC (as issuer) and each distributor appointed for a series of our Basket US PPR Investments as set out in the relevant indicative term sheet for such series (each, an “**Appointed Distributor**”), each Appointed Distributor shall warrant and represent to HSBC that, at all times that any Basket US PPR Investments are outstanding:

- (i) such Appointed Distributor, and any custodian used by such Appointed Distributor to hold any Basket US PPR Investments, is entitled to receive all payments free from any FATCA Withholding (by qualifying, for example, as a “Participating Foreign Financial Institution”, a compliant “Deemed Compliant Foreign Financial Institution” or a compliant “Reporting Financial Institution” under an applicable FATCA intergovernmental agreement, in each case for purposes of FATCA, and satisfying the requirements pursuant thereto) (“**FATCA Compliant**”);
- (ii) upon request by HSBC, such Appointed Distributor and any custodian used by such Appointed Distributor shall provide HSBC with such forms and/or other documentation to establish, to the satisfaction of HSBC, that such Appointed Distributor or any custodian used by such Appointed Distributor is FATCA Compliant; and

- (iii) in the event that any of such Appointed Distributor's customers requests to transfer such customer's interest in any Basket US PPR Investments held by such Appointed Distributor (or any custodian used by such Appointed Distributor) on such customer's behalf to another entity to hold on such customer's behalf, such Appointed Distributor and custodian shall ensure that any such transfer shall only be made to an entity that satisfies (and will continue to satisfy) paragraphs (i) and (ii) above.

If any of our Basket US PPR Investments are issued after the Grandfather Date and any payment made with respect to any Basket US PPR Investment is subject to FATCA Withholding as a result of:

- (i) the existence of any present or former connection between an investor (or between a fiduciary, settlor, beneficiary, partner of, member or shareholder of, or possessor of power over, such investor, if the investor is an estate, trust, nominee, partnership, limited liability company or corporation) and the United States (including being or having been a citizen, resident, or national thereof or being or having been present or engaged in a trade or business therein or having or having had a permanent establishment therein); or
- (ii) any misrepresentation by an investor (or the applicable beneficial owner) to us, any distributor, any custodian or any applicable payor; or
- (iii) the failure of an investor (or the applicable beneficial owner) to fully comply with its obligations under FATCA (including obligations to comply with reasonable requests for information and/or other documentation by an applicable payor); or
- (iv) an investor's appointment of an intermediary (other than an Appointed Distributor or any custodian used by such Appointed Distributor) to hold its interest in any structured products where such intermediary fails to be FATCA Compliant, or
- (v) the failure of the applicable clearing system to be FATCA Compliant,

then, in each case, we (or an applicable withholding agent) would be entitled to impose FATCA Withholding on such payment. In addition, we are not required to pay any additional amounts with respect to any amounts so withheld *except to the extent* such FATCA Withholding is imposed as a result of HSBC (as issuer), an Appointed Distributor, or any custodian used by such Appointed Distributor to hold any Basket US PPR Investments, not being FATCA Compliant.

You are urged to consult with your own independent tax advisor regarding the possible implications of FATCA on your investment in our Basket US PPR Investments.

## **ARE OUR BASKET US PPR INVESTMENTS SUBJECT TO SECTION 871(M) WITHHOLDING TAX?**

Section 871(m) of the U.S. Internal Revenue Code of 1986, as amended treats a "dividend equivalent" payment as a dividend from sources within the United States. A payment made on a Basket US PPR Investment may be a "dividend equivalent" payment if such "**Specified ELI**" (as defined in the applicable U.S. Treasury regulations) references the value of one or more "underlying securities", which generally means any interest in an entity that is treated as a U.S. corporation for U.S. federal income tax purposes if that interest could give rise to a U.S. source dividend.

Under Section 871(m), dividend equivalent payments made to a non-U.S. investor generally would be subject to a 30 per cent. U.S. withholding tax ("**Section 871(m) Withholding**") that may be reduced by an applicable tax treaty, eligible for credit against other U.S. tax liabilities or refunded, provided that the beneficial owner timely claims a credit or refund from the U.S. Internal Revenue Service. Section 871(m) withholding can apply even if the Specified ELI does not provide for payments that specifically reference dividends.

U.S. Treasury regulations and associated U.S. Internal Revenue Service guidance provide certain exceptions to Section 871(m) Withholding. In particular, while Section 871(m) Withholding applies to all payments or deemed payments with respect to Specified ELIs that have a "delta" (as defined in the applicable U.S. Treasury regulations) of one ("**Delta-One Specified ELIs**") issued after 2016, Section 871(m) withholding does not apply to non-Delta-One Specified ELIs issued before 1 January 2025 (the "**Delta Grandfathering Date**").



We have determined that payments made under the Basket US PPR Investments do not constitute “dividend equivalents” (and therefore do not constitute any U.S. source payments) and should not be subject to Section 871(m) Withholding. Thus, payments under our Basket US PPR Investments generally will not be subject to Section 871(m) Withholding to the extent our Basket US PPR Investments are executed on or before the Delta Grandfathering Date. However, these rules are complex and their application may depend in part on your particular circumstances, including whether you enter into other transactions with respect to the underlying U.S. stock. In addition, the U.S. Internal Revenue Service may successfully argue that payments made on the Basket US PPR Investments are treated as “dividend equivalents”, notwithstanding our determination to the contrary. If so treated, withholding tax at a rate of up to 30 per cent. will be imposed on such payments made to a non-U.S. investor under Section 871(m).

You are urged to consult with your own independent tax advisor regarding the possible implications of Section 871(m) on your investment in our Basket US PPR Investments.

#### **HOW WILL YOU KNOW WHAT THE FINAL SETTLEMENT PAYOUT WILL BE?**

We will notify the distributor(s) as soon as practicable and in any event no later than three business days after the determination of the final settlement payout has been made on the expiry date and your distributor will in turn inform you.

#### **HOW CAN YOU TRANSFER YOUR BASKET US PPR INVESTMENTS TO A THIRD PARTY?**

Please check with your distributor on how you can transfer your Basket US PPR Investments to a third party.

You should note that transfer of any interests in the Basket US PPR Investments will be effected only in an amount equal to the minimum transfer amount of the Basket US PPR Investments as specified in the relevant term sheet or integral multiples thereof.

#### **IS THERE A LIMIT ON THE TOTAL PROGRAMME SIZE?**

No, there is no limit on the total programme size of our Programme.

#### **WHERE CAN YOU FIND MORE INFORMATION ABOUT THE ISSUER AND THE BASKET US PPR INVESTMENTS**

Our Basket US PPR Investments are issued under our Programme. The Programme is described in our programme memorandum dated 24 July 2023. Please read the programme memorandum, the financial disclosure document, this product booklet (together with any addendum to the programme memorandum, the financial disclosure document and this product booklet as specified in the relevant indicative term sheet) and the relevant indicative term sheet carefully before you decide whether to buy our Basket US PPR Investments.

You can ask for a printed copy of our programme memorandum, our current financial disclosure document and this product booklet (together with any addendum to these documents as specified in the relevant indicative term sheet) and the relevant indicative term sheet at any distributor where you can buy our Basket US PPR Investments, or you can pick up a copy during normal business hours from the offices of the product arranger at Level 18, HSBC Main Building, 1 Queen’s Road Central, Hong Kong.

We have not authorised anyone to give you any information about our Basket US PPR Investments other than the information in this product booklet, the relevant indicative term sheet, our financial disclosure document and our programme memorandum (together with any addendum to the programme memorandum, the financial disclosure document and/or this product booklet as specified in the relevant indicative term sheet).

You can find out more information on us and the ultimate holding company of our group, HSBC Holdings plc, from our website [www.hsbc.com](http://www.hsbc.com). Information contained in the websites referred to in this product booklet or a term sheet does not form part of this product booklet or that term sheet.

Our programme memorandum, our financial disclosure document, this product booklet and the relevant term sheet (together with any addendum to the product booklet, the financial disclosure document and the programme memorandum) are also available in a Chinese version if you prefer.

## **CONTINUING DISCLOSURE OBLIGATIONS**

HSBC will keep the SFC and the distributor(s) informed as soon as reasonably practicable if (a) HSBC (as issuer) ceases to meet any eligibility requirements of the Code; (b) HSBC (as product arranger) ceases to meet any eligibility requirements of the Code; and, (c) to the extent permitted by any applicable law, changes in our financial condition or other circumstances which could reasonably be expected to have a material adverse effect on our ability (as issuer) to fulfil our commitment in connection with our Basket US PPR Investments. Your distributor will in turn inform you. Please contact your distributor for further details.

## **WHO TAKES RESPONSIBILITY FOR THIS PRODUCT BOOKLET, THE TERM SHEETS, THE FINANCIAL DISCLOSURE DOCUMENT AND THE PROGRAMME MEMORANDUM?**

This product booklet and the offering documents for our Basket US PPR Investments include particulars given in compliance with the Code for the purpose of giving information with regard to HSBC as the issuer, HSBC as the product arranger, the Programme and our Basket US PPR Investments. The issuer and the product arranger collectively and individually accept full responsibility for the contents of, and the completeness and accuracy of the information contained in the Basket US PPR Investment offering documents and confirm, having made all reasonable enquiries, that to the best of the knowledge and belief of the issuer and the product arranger there is no untrue or misleading statement, or other facts the omission of which would make any statement therein untrue or misleading. The issuer and the product arranger confirm that the Basket US PPR Investments comply with the Code. The issuer also confirms that it meets the eligibility requirements applicable to issuers set out in the Code and the product arranger also confirms that it meets the eligibility requirements applicable to product arrangers set out in the Code.

Our programme memorandum and the financial disclosure document (taken together with, and as updated by, this product booklet) is accurate at the date of this product booklet. You must not assume, however, that information in the programme memorandum, the financial disclosure document or this product booklet is accurate at any time after the date of this product booklet. The relevant term sheet will tell you if an addendum to any of our offering documents has been published.

The Hongkong and Shanghai Banking Corporation Limited as a distributor and other distributor(s) which sell our Basket US PPR Investments are not responsible in any way to ensure the accuracy of the above documents. For details of the roles and responsibilities of the product arranger and distributor, please refer to the programme memorandum.

## **WHEN WERE THE BASKET US PPR INVESTMENTS AUTHORISED BY OUR EXECUTIVE COMMITTEE?**

The offer and issue of the Basket US PPR Investments under our programme were authorised by resolutions of our executive committee on 2 May 2012.

## **WHERE CAN YOU READ THE LEGAL DOCUMENTATION FOR THE BASKET US PPR INVESTMENTS?**

Except as otherwise specified below, during the offer period for our Basket US PPR Investments, during the period between the trade date and the issue date of our Basket US PPR Investments and while any of our Basket US PPR Investments remains outstanding, you can read the documents set out below free of charge (which will be available in the English language only, unless stated otherwise) which set up our Programme:

- certified true copy of the relevant global certificate (in English version only) in respect of the relevant series of the Basket US PPR Investments (which is available on or after the issue date of the relevant series of the Basket US PPR Investments);
- certified true copy of the relevant pricing supplement (in English and Chinese versions) (which is available on or after the issue date of the relevant series of the Basket US PPR Investments) which, when read together with the general terms and conditions of the Basket US PPR Investments as set out in Appendix B to this product booklet, constitutes the legally binding terms and conditions of the relevant series of Basket US PPR Investments;
- the documents listed as documents that will be kept on display in our programme memorandum;

- this product booklet and any addendum to this product booklet (English and Chinese versions);
- the relevant indicative term sheet in respect of the relevant series of the Basket US PPR Investments (English and Chinese versions); and
- the relevant final term sheet in respect of the relevant series of Basket US PPR Investments (English and Chinese versions) (which is available after the trade date of the relevant series of the Basket US PPR Investments),

by going to the offices of the product arranger at Level 18, HSBC Main Building, 1 Queen's Road Central, Hong Kong.

These offices are open only during normal business hours and not on Saturdays, Sundays or public holidays.

A reasonable fee will be charged if you want to take photocopies of any of the documents.

You can find out more about how the legal documentation works by reading our programme memorandum.

### **ARE THE OFFERING DOCUMENTS PROSPECTUSES?**

This product booklet (and any addendum to this product booklet), any term sheet, the financial disclosure document and the programme memorandum (and any addendum to the programme memorandum and the financial disclosure document) do not constitute a prospectus under the Companies (Winding Up and Miscellaneous Provisions) Ordinance of Hong Kong (the “**Companies Ordinance**”) and are not registered with the Companies Registry under the Companies Ordinance.

### **OUR BASKET US PPR INVESTMENTS ARE GOVERNED BY HONG KONG LAW**

Our Basket US PPR Investments, the terms and conditions of our Basket US PPR Investments and all our Programme documentation are governed by Hong Kong law.

## APPENDIX A

### FORM OF INDICATIVE AND FINAL TERM SHEET FOR THE BASKET US PPR INVESTMENTS

*We set out below the form of indicative and final term sheet for the Basket US PPR Investments. We may issue more than one series of Basket US PPR Investments on any issue date. You must read the programme memorandum dated 24 July 2023, the financial disclosure document, the product booklet for the Basket US PPR Investments (together with any addendum to these documents as specified in the relevant indicative term sheet) and the relevant indicative term sheet for the series you are interested in before applying for a Basket US PPR Investment. The final term sheet with all the finalised commercial terms inserted will be available on display after the trade date.*

#### **Issuer: THE HONGKONG AND SHANGHAI BANKING CORPORATION LIMITED**

*(a company incorporated in Hong Kong with limited liability and  
a licensed bank regulated by the Hong Kong Monetary Authority and registered under the  
Securities and Futures Ordinance (Cap. 571, Laws of Hong Kong) for Types 1, 2, 4, 5, 6  
and 9 regulated activities)*



[Date]

[company] – [stock code]

[company] – [stock code]

*[Note: there may be a minimum of two and maximum of six reference assets]*

[currency] Non-Principal Protected Unlisted Potential Performance Return Equity Linked Investments linked to a Basket of U.S. Securities (the “Basket US PPR Investments”) (with [Daily] [At-Expiry] [No] [Knock-in Feature]) to be issued pursuant to the Unlisted Structured Products Programme (the “Programme”)

(The Basket US PPR Investments are not traded on any markets operated by Hong Kong Exchanges and Clearing Limited or any other stock exchanges)

[Final] [Indicative] Term Sheet

#### **IMPORTANT RISK WARNINGS**

- **Structured investment product**  
Our Basket US PPR Investments are NOT equivalent to time deposits and are NOT protected deposits for the purposes of the Deposit Protection Scheme. They are structured investment products embedded with derivatives.
- **Not principal protected**  
Our Basket US PPR Investments are not principal protected: **you could lose all of your investment.**
- **You may not receive any potential performance return**  
The potential performance return will only be paid if the closing price of the worst performing asset on the expiry date is at or above its initial spot price or its exercise price (as applicable). If such condition is not met, you will not receive the potential performance return. **It is possible that you may not receive any potential performance return for the entire scheduled tenor of the Basket US PPR Investments.**

- **Potential payout determined by the worst performing asset**  
The potential payout under our Basket US PPR Investments is linked to the performance of the worst performing asset in the basket on the expiry date (in the case where the knock-in event does not apply or the at-expiry knock-in event applies) or on each scheduled trading day during the investment period (in the case where the daily knock-in event applies). The worst performing asset will be determined by us based on the closing price of each reference asset in the basket on the relevant day. In the case where the daily knock-in event applies, the worst performing asset on each scheduled trading day can be different. It will not matter how well the other reference assets in the basket perform: the potential payout on our Basket US PPR Investments is always determined by the reference asset which performs worst out of all the reference assets in the basket on the relevant day.
- **No collateral**  
Our Basket US PPR Investments are not secured on any of our assets or any collateral.
- **Limited market making arrangements are available and you may suffer a loss if you sell your Basket US PPR Investments before expiry**  
Our Basket US PPR Investments are designed to be held to their settlement date. Limited market making arrangements are available on a bi-weekly basis for all our Basket US PPR Investments. If you try to sell your Basket US PPR Investments before expiry, the amount you receive for each Basket US PPR Investment may be substantially less than the issue price you paid for each Basket US PPR Investment. You may only place a limit sell back order during normal business hours in Hong Kong between 10:00 a.m. to 5:00 p.m. on a market making day, and your limit sell back order may only be executed during the trading hours of the relevant US exchange(s) in New York, which opens after the normal business hours in Hong Kong. Your limit sell back order will not be executed if (i) the relevant US exchange(s) fails to open for trading during its regular trading session on such day; or (ii) the relevant Basket US PPR Investment is affected by market disruption events on such day; or (iii) the prevailing price of the relevant Basket US PPR Investment is below the limit sell back order price of your limit sell back order throughout the trading hours of the relevant US exchange on such day. In addition, we may not be able to accept any limit sell back order on a Hong Kong business day if (a) the relevant US exchange(s) in New York is not scheduled to be open for trading on such day, or (b) the Basket US PPR Investment is affected by market disruption events on the immediately preceding day on which the relevant US exchange(s) in New York is scheduled to be open for trading, or (c) we experience any technical problems on such day. We will also not be able to accept any limit sell back order on a day that is not a Hong Kong business day, notwithstanding that the relevant US exchange(s) in New York is scheduled to be open for trading on such day.
- **Not the same as investing in the reference assets**  
Investing in our Basket US PPR Investments is not the same as investing in the reference assets. Changes in the market price of the reference assets may not lead to a corresponding change in the market value of, or your potential payout under, the Basket US PPR Investments.
- **Not covered by Investor Compensation Fund**  
Our Basket US PPR Investments are not listed on any stock exchange and are not covered by the Investor Compensation Fund.
- **Maximum loss upon HSBC's default or insolvency**  
Our Basket US PPR Investments constitute general, unsecured and unsubordinated contractual obligations of HSBC as issuer and of no other person (including the ultimate holding company of our group, HSBC Holdings plc). When you buy our Basket US PPR Investments, you will be relying on HSBC's creditworthiness. If HSBC becomes insolvent or defaults on its obligations under the Basket US PPR Investments, in the worst case scenario, **you could lose all of your investment.**
- **English version of the terms and conditions prevails over Chinese version**  
The global certificate representing a series of Basket US PPR Investments and the terms and conditions of the Basket US PPR Investments are issued in the English language only for the purposes of lodgement with the relevant clearing system(s). If there is any inconsistency between the Chinese version of the terms and conditions of our Basket US PPR Investments and the English version, the English version will prevail over the Chinese version. If you do not understand the English version, you should obtain independent professional advice.

- **You will be exposed to risk associated with our Basket US PPR Investments from the trade date**

As all the commercial variables of our Basket US PPR Investments are determined on the trade date, you will be exposed to risk associated with our Basket US PPR Investments and the price movement of the reference assets in the basket from the trade date which may affect the market value and the potential payout of the Basket US PPR Investments.
- **Conflicts of interest**

We and our subsidiaries may engage in transactions involving the reference assets in the basket which may have a negative impact on the market value and the potential payout of our Basket US PPR Investments. We (HSBC) may act in different capacities in respect of the Basket US PPR Investments which may lead to potential and actual conflicts of interest. Our economic interests in each capacity may be adverse to your interests in our Basket US PPR Investments.
- **You do not have direct contractual rights to enforce our Basket US PPR Investments against us as issuer**

You do not have direct contractual rights to enforce our Basket US PPR Investments against us as issuer. To assert your rights as an investor in our Basket US PPR Investments, you will have to rely on your distributor (directly or indirectly via its custodian) to take action on your behalf. If your distributor or its custodian fails to take action against us on your behalf, you may only have a claim as an unsecured creditor of such distributor, its custodian or us as the issuer. In the worst case scenario, **you could lose all your investment.**
- **Risks relating to difference in trading days and hours and the implications on our ability to execute any limit sell back order**

Trading in each reference asset on the relevant US exchange will be executed during the trading hours of the relevant US exchange as specified in the relevant term sheet, which is located in New York and opens after normal business hours in Hong Kong. You should be aware of the trading hour and time zone difference (including summer time and winter time) between Hong Kong and New York in assessing the trading prices of the reference assets, and the extended time lag between (i) the placement of a limit sell back order during normal business hours in Hong Kong between 10:00 a.m. and 5:00 p.m. on a market making day and (ii) the execution of such order during the trading hours of the relevant US exchange in New York. The trading price of each reference asset may be volatile in response to the market movement during the trading hours on the relevant US exchange in New York during which you will not be able to place any new order to sell back the Basket US PPR Investments or to cancel, unwind, withdraw or adjust your placed order pursuant to the market making arrangements. Your limit sell back order placed during normal business hours in Hong Kong between 10:00 a.m. and 5:00 p.m. on a market making day will not be executed if the prevailing price of the Basket US PPR Investments is below your limit sell back order price throughout the trading hours of the relevant US exchange. Once your limit sell back order is executed (at the price which is at or above your limit order price but which may not be the best available price during the trading hours of the relevant US exchange), you will lose the opportunity to benefit from any upside. Your limit sell back order is only valid during the trading hours of the relevant US exchange as specified in the relevant term sheet on the market making day that you have placed such order.
- **Certain information about the reference assets may only be available in English**

You should note that certain information about the reference assets may only be available in English on a real time basis. If you are not proficient in English, you should consider whether an investment in our Basket US PPR Investments is suitable to you, and obtain independent advice where necessary.



- **Reliance on a designated online platform in providing information about the reference assets**  
We will make available news feeds regarding updated information of the reference assets (in English and Chinese) via a designated online platform specified in the relevant term sheet which is accessible via computer or mobile device. Such news feeds will be provided by our external data provider and may not be available on a real time basis. Further, their availability may be interrupted or suspended due to such external data provider's technical and systematic failures, in which case the availability of such news feeds may be delayed or suspended. In addition, you should note that the online platform may be interrupted or suspended due to our technical and systematic failures, in which case you may not be able to have access to such news feeds.

- **United States taxation risk**

As discussed in more detail under the sections headed "Are our Basket US PPR Investments subject to U.S. Foreign Account Tax Compliance Act Withholding Tax?" on pages 128 to 130 of the Product Booklet and "Are our Basket US PPR Investments subject to Section 871(m) Withholding Tax?" on pages 130 to 131 of the Product Booklet, we generally expect that our Basket US PPR Investments will not be subject to Section 871(m) or FATCA withholding tax.

Notwithstanding that we have determined that payments made under the Basket US PPR Investments do not constitute "dividend equivalents" and should not be subject to withholding tax under Section 871(m) of the U.S. Internal Revenue Code of 1986, as amended, these rules are complex and their application may depend in part on your particular circumstances, including whether you enter into other transactions with respect to the underlying U.S. stock. In addition, the U.S. Internal Revenue Service may successfully argue that payments made on the Basket US PPR Investments are treated as "dividend equivalents", notwithstanding our determination to the contrary.

In addition, as discussed in more detail under the sections headed "Are our Basket US PPR Investments subject to U.S. Foreign Account Tax Compliance Act Withholding Tax?" on pages 128 to 130 of the Product Booklet, it is possible that the U.S. Internal Revenue Service could assert that our Basket US PPR Investments could be deemed to be reissued for U.S. federal income tax purposes upon modification or adjustment to the terms of our Basket US PPR Investments or the reference stock that is referenced by our Basket US PPR Investments. Such a deemed reissuance could subject payments made to a non-U.S. investor on our Basket US PPR Investments to a withholding tax at a rate of up to 30% under Section 871(m) or FATCA.

You are urged to consult with your own independent tax advisor regarding the possible implications of Section 871(m) and FATCA on your investment in our Basket US PPR Investments.

- **Additional risk warnings applicable to our Renminbi-denominated Basket US PPR Investments**

Our Renminbi-denominated Basket US PPR Investments will be settled in Renminbi outside the PRC. Renminbi is not freely convertible and is subject to PRC exchange control policies and restrictions. Various factors may affect the market value, and the potential return, of our Renminbi-denominated Basket US PPR Investments, including: (i) the limited availability and liquidity of Renminbi outside the PRC; (ii) any Renminbi exchange rate fluctuation; and (iii) any fluctuation in interest rates for Renminbi outside the PRC.

If the settlement currency is Renminbi and a CNY disruption event occurs, we will settle any payment obligations in Hong Kong dollars on a postponed payment date and no interest will be payable for any such delay.]

## **Commissions:**

We may pay a commission to the distributor(s). Distributor(s)' commissions and other transaction costs including our cost of hedging are factored into the pricing of the Basket US PPR Investments.



Terms which are not defined in this Term Sheet shall have the same meanings as set out in “Appendix B – General Terms and Conditions of the Basket US PPR Investments” in the Product Booklet.

### [Indicative] Summary Terms

Issuer: The Hongkong and Shanghai Banking Corporation Limited (“**HSBC**”)

Reference Assets: A basket made up of shares (each a “**Share**”) of a company (each a “**Company**”) as shown in the table below:

| Company | Stock Code   | US Exchange  | Initial<br>Spot Price <sup>▲</sup>  | Exercise<br>Price <sup>▲</sup>                                       | [Knock-in<br>Price <sup>▲</sup>  | Currency<br>in which<br>Share is<br>traded |
|---------|--------------|--|---|--|--|--|
| [name]  | [stock code] | [The New<br>York Stock<br>Exchange]<br>[The<br>NASDAQ<br>Stock Market] | [USD]<br>[amount]<br>[Please refer<br>to “Initial<br>Spot Price”<br>below.] | [USD]<br>[amount]<br>[Please refer<br>to “Exercise<br>Price” below.] | [USD]<br>[amount]<br>[Please refer<br>to “Knock-in<br>Price” below.]     | [USD]                                      |
| [name]  | [stock code] | [The New<br>York Stock<br>Exchange]<br>[The<br>NASDAQ<br>Stock Market] | [USD]<br>[amount]<br>[Please refer<br>to “Initial<br>Spot Price”<br>below.] | [USD]<br>[amount]<br>[Please refer<br>to “Exercise<br>Price” below.] | [USD]<br>[amount]<br>[Please refer<br>to “Knock-in<br>Price”<br>below.]] | [USD]                                      |

*[Note: there may be a minimum of two and maximum of six reference assets]*

Offer Period: [time] on [date] to [time] on [date] (subject to change)

Post-sale Cooling-off Period: [Applicable, being the period from (and including) the date you place your purchase order to (and including) the fifth Hong Kong business day after the order date. To exercise your right to cancel or unwind your Basket US PPR Investment purchase order during the post-sale cooling-off period, you will need to submit your instructions to your distributor between 10:00 a.m. and 12:00 noon on any Hong Kong business day during the post-sale cooling-off period. Please note that your distributor may charge you a handling fee for such cancellation or unwind.] [Not applicable]

[Cancellation of order during the offer period for Basket US PPR Investments with an investment period of one year or less: You can cancel your purchase order before your Basket US PPR Investment purchase order is executed on the trade date by submitting an instruction to your distributor between 10:00 a.m. and 12:00 noon on any Hong Kong business day during the offer period. Upon receipt of your instruction to cancel your purchase order, we will cancel your purchase order. The issue price will not be deducted from your designated cash account on the issue date. Please note that your distributor may charge you a handling fee for such cancellation. No distributor’s commission will be chargeable. You cannot unwind your purchase order after your purchase order has been executed on the trade date.]

<sup>▲</sup> To be fixed on Trade Date

|   |   |
|---|---|
| Market making arrangements:                             | Applicable. On each market making day, we (as market agent) will, upon your request, make available to you (via your distributor(s)) indicative bid prices (on a per-Basket US PPR Investment basis) during normal business hours in Hong Kong. You must submit (via your distributor) to us your request for an indicative bid price between 10:00 a.m. and 4:00 p.m. (Hong Kong time) on such market making day, specifying the amount of the Basket US PPR Investments that you intend to sell. If you decide to sell back your Basket US PPR Investments to us, you can place a limit sell back order with your distributor between 10:00 a.m. and 5:00 p.m. (Hong Kong time) on such market making day. We will seek to execute your limit sell back order during the trading hours of the relevant US exchange on such market making day. Your limit sell back order will not be executed if the prevailing price of the Basket US PPR Investments is below your limit order price throughout the trading hours of the relevant US exchange on such market making day, in which case your limit sell back order will lapse and you will need to place a new limit sell back order during business hours in Hong Kong on the next market making day if you still want to sell back your Basket US PPR Investments. Your distributor will notify you whether your limit sell back order was executed, and if so, the actual price at which your limit sell back order was executed, before 12:00 p.m. (Hong Kong time) on the Business Day immediately following the market making day that you have placed such order. You may choose to sell part of or the entire holding of your Basket US PPR Investments provided that the minimum sell back order is equal to one Basket US PPR Investment and the total amount of Basket US PPR Investments you wish to sell is an integral multiple of one Basket US PPR Investment. |
| Market making days:                                     | Every other Tuesday after the Issue Date up to the third Business Day before the Expiry Date, or if any such day is not a Business Day which is a Scheduled Trading Day, that market making day will be postponed to the next Business Day which is a Scheduled Trading Day.<br><br>We (as market agent) may not be able to provide market making arrangements on a scheduled market making day if certain events occur. Please refer to the section headed “Is there any market making arrangement for your Basket US PPR Investments before their expiry?” on pages 124 to 127 of the Product Booklet for further details.  |
| Issue Size of this series of Basket US PPR Investments: | [[ <i>number</i> ] Basket US PPR Investments] [This will be available on or after the Issue Date]   |
| Series Number:  | [ <i>number</i> ]   |
| Issue Price:  | [ <i>currency</i> ] [ <i>amount</i> ] ([ <i>number</i> ]% of the Nominal Amount)  |
| Trade Date:   | The last day of the Offer Period (except where we close the Offer Period prior to the last day of the original scheduled Offer Period, the Trade Date will be the last day of the original scheduled Offer Period) (This is the date on which the terms marked with symbol “▲” in this Term Sheet [will be] [are] fixed).<br><br>If the Trade Date falls on a Disrupted Day and the relevant disruption occurs before your Basket US PPR Investment purchase order has been executed on the trade date, we will cancel your purchase order of the Basket US PPR Investments on the Trade Date. However, if the relevant disruption occurs after your Basket US PPR Investment purchase order has been executed on the Trade Date, your purchase order of the Basket US PPR Investments will <b>not</b> be cancelled and the Trade Date will not be rescheduled.   |

|   |  |
|---|--|
| Issue Date:                                       | [date]   |
| Expiry Date:                                      | [date], or if such day is not a Scheduled Trading Day, the following Scheduled Trading Day, unless such day is a Disrupted Day (in which event such day will be postponed in respect of the affected Reference Asset as provided in Condition 2(e) of the General Terms and Conditions.)   |
| Scheduled tenor of the Basket US PPR Investments: | The period from and including [Issue Date] to and including [Settlement Date]  |
| Investment Period:                                | The period from and including [Trade Date] to and including [Expiry Date]  |
| Settlement Currency:                              | [currency][CNY*]<br><br>[* The Basket US PPR Investment will be settled in Renminbi outside the People's Republic of China (the "PRC", which for the purposes of this document shall exclude Hong Kong, Macau and Taiwan). All Renminbi payments under the Basket US PPR Investment will be made solely by credit to Renminbi bank accounts maintained at banks in Hong Kong in accordance with applicable Hong Kong laws and applicable regulations and guidelines issued by the relevant authorities in Hong Kong.]  |
| Nominal Amount:                                   | [currency] [amount]  |
| Initial Spot Price:                               | In respect of each Reference Asset, [the Opening Price of such Share on the Trade Date] [the price of such Share as agreed between you and the Issuer at the time your order for the Basket US PPR Investments is placed].   |
| Exercise Price:                                   | In respect of each Reference Asset, [[number]%] [between [number]% and [number]% [(both rates inclusive)]] of its Initial Spot Price, rounded to 4 decimal places, with 0.00005 or above being rounded upwards.  |
| Floor Rate:                                       | [percentage]%  |
| Participation Rate:                               | [percentage]%  |
| Knock-in Event:                                   | [A Knock-in Event occurs if the Closing Price of the Worst Performing Asset is <b>at or below</b> its Knock-in Price on <b>[any]</b> [the] Knock-in Event Date.] [Not Applicable]  |
| [Knock-in Event Date:                             | [Daily] [At-Expiry] Knock-In applies – see "Key Facts Statement [B] [C] – Non-Principal Protected Unlisted Potential Performance Return Equity Linked Investments Linked to a Basket of U.S. Securities (Basket US PPR Investments) with [Daily] [At-Expiry] Knock-in Feature"<br><br>[Each Scheduled Trading Day during the period from (but excluding) the Trade Date to (and including) the Expiry Date] [The Expiry Date], provided that if any such day is a Disrupted Day, such day will be adjusted in respect of the affected Reference Asset as provided in Condition 2(e) of the General Terms and Conditions. |
| Knock-in Price:                                   | In respect of each Reference Asset, [number]% of its Initial Spot Price, rounded to 4 decimal places, with 0.00005 or above being rounded upwards.] <sup>1</sup>   |

<sup>1</sup> Applicable if daily or at-expiry knock-in event applies.

Worst Performing Asset: In respect of a Scheduled Trading Day and the Reference Assets, the Share which generates the lowest percentage calculated in accordance with the following formula (rounded to 4 decimal places, with 0.00005 or above being rounded upwards):

$$\frac{\text{Closing Price of the relevant Share on the relevant Scheduled Trading Day}}{\text{Initial Spot Price of the relevant Share}} \times 100\% \text{ ("Performance")}$$

If more than one Share has the same lowest Performance on a Scheduled Trading Day, the Issuer shall select, in its sole and absolute discretion, acting in good faith and a commercially reasonable manner, any one of such Shares to be the Worst Performing Asset.

Worst Performing Asset Currency: The currency in which the Worst Performing Asset on the Expiry Date trades, being U.S. dollars.

Election for Cash or Physical Settlement at Expiry: When investors place an order for the Basket US PPR Investments, investors will need to elect for physical settlement or cash settlement on the Settlement Date of the Basket US PPR Investments in the case where [a Daily Knock-in Event has occurred and]<sup>2</sup> [the Closing Price of the Worst Performing Asset on the Expiry Date is below its Exercise Price]<sup>3</sup> [an At-Expiry Knock-in Event has occurred]<sup>4</sup>. Investors may change their election at any time but no later than 4:00 p.m. (Hong Kong time) on the third Hong Kong business day prior to the Expiry Date by contacting their Distributor. If an investor fails to elect for cash settlement or physical settlement, physical settlement will apply.

Benchmark for determining Final Settlement Payout: [Initial Spot Price and Exercise Price] [Exercise Price]

Final Settlement Payout: Upon the expiry of the Basket US PPR Investments, the investor will receive on the Settlement Date the Final Settlement Payout determined by the Issuer as follows:

*[Where the Knock-in Event is not applicable]*

*[If both the Initial Spot Price and the Exercise Price of the Worst Performing Asset on the Expiry Date are used as benchmarks to determine the Final Settlement Payout]*

- (1) if the Closing Price of the Worst Performing Asset on the Expiry Date is **at or above** its Initial Spot Price, investors will receive on the Settlement Date a cash amount in the Settlement Currency equal to the Nominal Amount **plus** the Potential Performance Return; or
- 2) if the Closing Price of the Worst Performing Asset on the Expiry Date is **below** its Initial Spot Price but **at or above** its Exercise Price, investors will receive on the Settlement Date a cash amount in the Settlement Currency equal to the Nominal Amount; or

<sup>2</sup> Applicable if daily knock-in event applies.

<sup>3</sup> Applicable if daily knock-in event or no knock-in event applies.

<sup>4</sup> Applicable if at-expiry knock-in event applies.

- 3) if the Closing Price of the Worst Performing Asset on the Expiry Date is **below** its Exercise Price, investors will receive on the Settlement Date either:
- (a) if physical settlement is applicable – the Physical Settlement Amount, which is a number of shares of the Worst Performing Asset on the Expiry Date and (if applicable) a cash payment in the Settlement Currency for any fractional shares of the Worst Performing Asset on the Expiry Date. No Cash Settlement Expenses will be payable for the cash payment for such fractional shares of the Worst Performing Asset; or
  - (b) if cash settlement is applicable – a cash amount in the Settlement Currency equal to the Cash Equivalent of the Physical Settlement Amount.]

*[If only the Exercise Price of the Worst Performing Asset on the Expiry Date is used as a benchmark to determine the Final Settlement Payout]*

- [1) if the Closing Price of the Worst Performing Asset on the Expiry Date is **at or above** its Exercise Price, investors will receive on the Settlement Date a cash amount in the Settlement Currency equal to the Nominal Amount **plus** the Potential Performance Return; or
- 2) if the Closing Price of the Worst Performing Asset on the Expiry Date is **below** its Exercise Price, investors will receive on the Settlement Date either:
- (a) if physical settlement is applicable – the Physical Settlement Amount, which is a number of shares of the Worst Performing Asset on the Expiry Date and (if applicable) a cash payment in the Settlement Currency for any fractional shares of the Worst Performing Asset on the Expiry Date. No Cash Settlement Expenses will be payable for the cash payment for such fractional shares of the Worst Performing Asset; or
  - (b) if cash settlement is applicable – a cash amount in the Settlement Currency equal to the Cash Equivalent of the Physical Settlement Amount.]

*[Where a Daily Knock-in Event is applicable]*

*[If both the Initial Spot Price and the Exercise Price of the Worst Performing Asset on the Expiry Date are used as benchmarks to determine the Final Settlement Payout]*

[1) if the Closing Price of the Worst Performing Asset on the Expiry Date is **at or above** its Initial Spot Price (regardless of whether a Daily Knock-in Event has occurred), investors will receive on the Settlement Date a cash amount in the Settlement Currency equal to the Nominal Amount **plus** the Potential Performance Return; or

2) if the Closing Price of the Worst Performing Asset on the Expiry Date is **below** its Initial Spot Price and:

(i) a Daily Knock-in Event **has not** occurred; or

(ii) a Daily Knock-in Event **has occurred** but the Closing Price of the Worst Performing Asset on the Expiry Date is **at or above** its Exercise Price,

investors will receive on the Settlement Date a cash amount in the Settlement Currency equal to the Nominal Amount; or

3) if a Daily Knock-in Event **has occurred** and the Closing Price of the Worst Performing Asset on the Expiry Date is **below** its Exercise Price, investors will receive on the Settlement Date either:

(a) if physical settlement is applicable – the Physical Settlement Amount, which is a number of shares of the Worst Performing Asset on the Expiry Date and (if applicable) a cash payment in the Settlement Currency for any fractional shares of the Worst Performing Asset on the Expiry Date. No Cash Settlement Expenses will be payable for the cash payment for such fractional shares of the Worst Performing Asset; or

(b) if cash settlement is applicable – a cash amount in the Settlement Currency equal to the Cash Equivalent of the Physical Settlement Amount.]

***[If only the Exercise Price of the Worst Performing Asset on the Expiry Date is used as a benchmark to determine the Final Settlement Payout]***

- [1) if the Closing Price of the Worst Performing Asset on the Expiry Date is **at or above** its Exercise Price (regardless of whether a Daily Knock-in Event has occurred), investors will receive on the Settlement Date a cash amount in the Settlement Currency equal to the Nominal Amount **plus** the Potential Performance Return; or
- 2) if the Closing Price of the Worst Performing Asset on the Expiry Date is **below** its Exercise Price and a Daily Knock-in Event **has not** occurred, investors will receive on the Settlement Date a cash amount in the Settlement Currency equal to the Nominal Amount; or
- 3) if a Daily Knock-in Event **has occurred** and the Closing Price of the Worst Performing Asset on the Expiry Date is **below** its Exercise Price, investors will receive on the Settlement Date either:
  - (a) if physical settlement is applicable – the Physical Settlement Amount, which is a number of shares of the Worst Performing Asset on the Expiry Date and (if applicable) a cash payment in the Settlement Currency for any fractional shares of the Worst Performing Asset on the Expiry Date. No Cash Settlement Expenses will be payable for the cash payment for such fractional shares of the Worst Performing Asset; or
  - (b) if cash settlement is applicable – a cash amount in the Settlement Currency equal to the Cash Equivalent of the Physical Settlement Amount.]

***[Where an At-Expiry Knock-in Event is applicable]***

***[If the Initial Spot Price of the Worst Performing Asset on the Expiry Date is used as a benchmark to determine the Final Settlement Payout]***

- [1) if the Closing Price of the Worst Performing Asset on the Expiry Date is **at or above** its Initial Spot Price, investors will receive on the Settlement Date a cash amount in the Settlement Currency equal to the Nominal Amount **plus** the Potential Performance Return; or
- 2) if the Closing Price of the Worst Performing Asset on the Expiry Date is **below** its Initial Spot Price and an At-Expiry Knock-in Event **has not** occurred, investors will receive on the Settlement Date a cash amount in the Settlement Currency equal to the Nominal Amount; or



- 3) if an At-Expiry Knock-in Event **has occurred**, investors will receive on the Settlement Date either:
  - (a) if physical settlement is applicable – the Physical Settlement Amount, which is a number of shares of the Worst Performing Asset on the Expiry Date and (if applicable) a cash payment in the Settlement Currency for any fractional shares of the Worst Performing Asset on the Expiry Date. No Cash Settlement Expenses will be payable for the cash payment for such fractional shares of the Worst Performing Asset; or
  - (b) if cash settlement is applicable – a cash amount in the Settlement Currency equal to the Cash Equivalent of the Physical Settlement Amount.]

***[If the Exercise Price of the Worst Performing Asset on the Expiry Date is used as a benchmark to determine the Final Settlement Payout]***

- [1) if the Closing Price of the Worst Performing Asset on the Expiry Date is **at or above** its Exercise Price, investors will receive on the Settlement Date a cash amount in the Settlement Currency equal to the Nominal Amount **plus** the Potential Performance Return; or
- 2) if the Closing Price of the Worst Performing Asset on the Expiry Date is **below** its Exercise Price and an At-Expiry Knock-in Event **has not** occurred, investors will receive on the Settlement Date a cash amount in the Settlement Currency equal to the Nominal Amount; or
- 3) if an At-Expiry Knock-in Event **has occurred**, investors will receive on the Settlement Date either:
  - (a) if physical settlement is applicable – the Physical Settlement Amount, which is a number of shares of the Worst Performing Asset on the Expiry Date and (if applicable) a cash payment in the Settlement Currency for any fractional shares of the Worst Performing Asset on the Expiry Date. No Cash Settlement Expenses will be payable for the cash payment for such fractional shares of the Worst Performing Asset; or
  - (b) if cash settlement is applicable – a cash amount in the Settlement Currency equal to the Cash Equivalent of the Physical Settlement Amount.]

**You should note that your Final Settlement Payout under the Basket US PPR Investments will be reduced by any Distributor's Charges and any Cash Settlement Expenses or Physical Settlement Expenses payable on settlement of the Basket US PPR Investments. Please refer to "Cash Settlement Expenses", "Physical Settlement Expenses" and "Distributor Charges" below.**

**You should note that if (a) or (b) above occurs, you will suffer a *loss* as the market value of the Physical Settlement Amount (based on the Closing Price of the Worst Performing Asset on the Expiry Date) or the Cash Equivalent of the Physical Settlement Amount is less than the Issue Price you paid. In an extreme case, you could lose 100% of your initial investment amount.**

**If physical settlement is applicable, the Physical Settlement Amount will only be delivered to you on the Settlement Date. Therefore, you will be exposed to any movement in the market price of the Worst Performing Asset on the Expiry Date during the period between the Expiry Date and the Settlement Date, which will be 3 Business Days (subject to the occurrence of a Settlement Disruption Event). If you choose not to realise your holding of such Worst Performing Asset on the Settlement Date, you will also be exposed to the risk associated with holding such Worst Performing Asset. Please also refer to “Additional provisions relating to physical settlement” below for further details.**

Potential Performance Return:

If the Closing Price of the Worst Performing Asset on the Expiry Date is **at or above** its [Initial Spot Price] [Exercise Price], investors will receive on the Settlement Date the Potential Performance Return, which will be an amount in the Settlement Currency calculated by the Issuer in accordance with the following formula:

Nominal Amount x Return

The Potential Performance Return will be rounded to 2 decimal places, with 0.005 or above being rounded upwards.

Where:

The Return is the higher of:

- (i) the Floor Rate; and
- (ii) the rate calculated according to the following formula:

$$\left( \frac{\text{Closing price of the Worst Performing Asset on the Expiry Date}}{\text{Initial spot price of the Worst Performing Asset on the Expiry Date}} - 1 \right) \times \text{Participation Rate}$$

The calculation of the Return according to the formula under (ii) above will not be rounded.

Investors should note that where the Participation Rate is set at a percentage which is below 100%, the rate calculated according to the formula under (ii) above will be lower than the actual performance of the Worst Performing Asset on the Expiry Date compared to its Initial Spot Price.

Investors will only receive the Potential Performance Return if the Closing Price of the Worst Performing Asset on the Expiry Date is **at or above** its [Initial Spot Price] [Exercise Price]. If this condition is not met, investors will not receive any Potential Performance Return.

**It is possible that investors will not receive any Potential Performance Return for the entire scheduled tenor of the Basket US PPR Investments.**

Physical Settlement Amount: In respect of each Basket US PPR Investment, a number of shares of the Worst Performing Asset on the Expiry Date calculated as follows:

$$\frac{\text{Nominal Amount (converted into the Worst Performing Asset Currency at the Exchange Rate where the Settlement Currency is different from the Worst Performing Asset Currency)}}{\text{Exercise Price of the Worst Performing Asset on the Expiry Date}}$$

(rounded to 4 decimal places, with 0.00005 or above being rounded upwards)

Only a whole number of Shares of the Worst Performing Asset on the Expiry Date will be delivered to you.

Any fractional shares of the Worst Performing Asset on the Expiry Date will be paid to you in cash. See “Fractional Shares” below.

The Physical Settlement Amount will be calculated on a per-Basket US PPR Investment basis.

Fractional Shares: Any fractional shares of the Worst Performing Asset on the Expiry Date (rounded to 4 decimal places, with 0.00005 or above being rounded upwards) will be settled by payment of a cash amount in the Settlement Currency calculated by reference to the Closing Price of the Worst Performing Asset on the Expiry Date[, divided by the Exchange Rate], rounded to 2 decimal places, with 0.005 or above being rounded upwards.

Cash Equivalent of the Physical Settlement Amount: In respect of each Basket US PPR Investment, a cash amount in the Settlement Currency calculated as follows, rounded to 2 decimal places, with 0.005 or above being rounded upwards:

$$\frac{\text{Nominal Amount}}{\text{Exercise Price of the Worst Performing Asset on the Expiry Date}} \times \text{Closing Price of the Worst Performing Asset on the Expiry Date}$$

The Cash Equivalent of the Physical Settlement Amount will be calculated on a per-Basket US PPR Investment basis.

Settlement Date: The third Business Day following the Expiry Date, which is expected to be on [date] (provided where physical settlement is applicable, if such date is not a Clearance System Business Day, the following Clearance System Business Day, subject to the occurrence of a Settlement Disruption Event. The cash equivalent of any fractional shares of the Worst Performing Asset will be credited to the relevant bank account designated by the Investment holder on the Settlement Date).

For the avoidance of doubt, if the Issuer is unable to obtain the Closing Price on the Expiry Date as a result of it being a Disrupted Day, the Expiry Date will be adjusted in respect of the affected Reference Asset as provided in Condition 2(e) of the General Terms and Conditions and the Settlement Date shall be the third Business Day following the adjusted Expiry Date; provided that no extra amount shall be payable in respect of the period between the date scheduled as the original Expiry Date and the Settlement Date in such circumstances.

[The Settlement Date will be postponed as provided in Condition 4(d) of the General Terms and Conditions upon the occurrence of a CNY Disruption Event. For further details, please refer to the section “Additional provisions relating to Renminbi-denominated Basket US PPR Investments” below.]

|   |  |
|---|--|
| Minimum Investment Amount<br>(calculated by reference to the total Issue Price paid): | [USD10,000 ( <i>or its equivalent in foreign currency</i> )]   |
| Minimum Transfer Amount:  | Nominal Amount of one Basket US PPR Investment   |
| Related Exchange:   | [ <i>Exchange</i> ] [In respect of a Share, each exchange or quotation system where trading has a material effect on the overall market for futures or options contracts relating to such Share as determined by the Issuer in its good faith acting in a commercially reasonable manner.]   |
| Exchange Rate:  | [The mid-market exchange rate for USD per 1 Settlement Currency as per [Reuters] [Bloomberg] Page [ <i>page</i> ] at the Valuation Time on the Expiry Date. If such mid-market exchange rate cannot be determined, the Issuer shall select another page for the purpose of displaying comparable rates or determine in good faith such mid-market exchange rate by reference to such sources as it may select in its sole and absolute discretion.] [Not Applicable]   |
| Valuation Time:   | The official close of trading on the relevant US Exchange.   |
| Closing Price:  | In respect of a Scheduled Trading Day and in respect of a Reference Asset, the closing price of such Reference Asset on the relevant US Exchange at the Valuation Time on such Scheduled Trading Day as quoted on the relevant US Exchange, without regard to any correction subsequently published by the relevant US Exchange.   |
| [Opening Price:   | In respect of a Scheduled Trading Day and in respect of a Reference Asset, the opening price of such Reference Asset on the relevant US Exchange at its official opening time on such Scheduled Trading Day as quoted on the relevant US Exchange, without regard to any correction subsequently published by the relevant US Exchange.]   |
| Cash Settlement Expenses:   | <p>All charges or expenses including any taxes and duties that are incurred upon the payment of any cash settlement amount (namely the Nominal Amount, the Cash Equivalent of the Physical Settlement Amount or the cash payment of any Fractional Shares (as the case may be)) to you.</p> <p>Currently, no Cash Settlement Expenses are payable. If any Cash Settlement Expenses are payable in the future, we will inform the Distributor(s) as soon as practicable and your Distributor will in turn inform you in advance. Please contact your Distributor for details.</p> |
| Physical Settlement Expenses:   | Physical settlement expenses are out-of-pocket expenses relating to the transfer and receipt of the Physical Settlement Amount which are payable by the transferee when the Physical Settlement Amount is delivered to you on the Settlement Date of the Basket US PPR Investments.  |

Any fractional shares of the Worst Performing Asset on the Expiry Date will be settled by a cash payment in the Settlement Currency and no Physical Settlement Expenses will be payable for such fractional shares.

Currently, no Physical Settlement Expenses (including stamp duty and other applicable charges) are payable. If any Physical Settlement Expenses are payable in the future, we will inform the Distributor(s) as soon as practicable and your Distributor will in turn inform you in advance. Please contact your Distributor for details.

Distributor Charges:

You should contact your Distributor for details.

Additional provisions relating to physical settlement:

If the relevant conditions as described under sub-paragraph (3) in the section “Final Settlement Payout” above have been met and physical settlement is applicable, the Issuer will deliver the Worst Performing Asset which forms the Physical Settlement Amount to the Investment holder who will instruct The Depository Trust and Clearing Corporation (“DTC”) to deliver the same to your Distributor (or its custodian) by way of electronic settlement through DTC on the Settlement Date, subject to the occurrence of a Settlement Disruption Event. Your Distributor will deposit the Physical Settlement Amount into your designated US securities account on the Settlement Date, subject to the occurrence of a Settlement Disruption Event.

[Additional provisions relating to Renminbi-denominated Basket US PPR Investments:

In respect of Basket US PPR Investments that are denominated and settled in Renminbi, if the Issuer shall determine, in its sole and absolute discretion, acting in good faith and in a commercially reasonable manner, that a CNY Disruption Event has occurred and so has prevented payment of any amount(s) payable under the Basket US PPR Investments in Renminbi on the due date for such payment, such payment will be postponed to the third Hong Kong business day after the date on which the CNY Disruption Event ceases to exist (as determined by the Issuer in its sole and absolute discretion, acting in good faith and in a commercially reasonable manner) (the “**Postponed Payment Date**”); *provided that* if the CNY Disruption Event continues to exist for twelve consecutive Hong Kong business days following the original due date for payment, the Issuer shall be entitled to pay the relevant CNY Disruption Event Settlement Amount in Hong Kong dollars by no later than the third Hong Kong business day after such twelfth Hong Kong business day following the original due date for payment and the Postponed Payment Date shall be deemed to be such date. In such case, the entitlements of each Investment holder to receive the relevant amount in Renminbi shall cease and the Issuer’s obligations under the Basket US PPR Investments shall be satisfied in full upon payment of the relevant CNY Disruption Event Settlement Amount. The relevant CNY Disruption Event Settlement Amount shall be dispatched on the Postponed Payment Date by crediting that amount to the relevant bank account designated by the relevant Investment holder.

Please also refer to the section headed “Risk Warnings” on pages 33 to 48 of the Product Booklet for the additional risk warnings relating to our Renminbi-denominated Basket US PPR Investments.

|   |  |
|---|--|
| CNY Disruption Event:                   | The occurrence of any event which renders it impossible for the Issuer (as determined by the Issuer in its sole and absolute discretion, acting in good faith and in a commercially reasonable manner) to (i) convert any foreign currency amount into Renminbi outside the PRC in the foreign exchange market in Hong Kong; or (ii) transfer Renminbi between accounts inside Hong Kong, in each case, other than where such impossibility is due to (a) the failure of the Issuer to comply with any law, rule or regulation enacted by any relevant governmental authority (unless such law, rule or regulation is enacted after the Issue Date and it is impossible for the Issuer, due to an event beyond its control, to comply with such law, rule or regulation); or (b) deterioration of the Issuer's creditworthiness. |
| CNY Disruption Event Settlement Amount: | The relevant Renminbi amount converted into Hong Kong dollars using the exchange rate for Renminbi outside the PRC per 1 U.S. dollar as per Reuters Page "CNH=" and the exchange rate for Hong Kong dollar per 1 U.S. dollar as per Reuters Page "HKD=" at 11:00 a.m. Hong Kong time on the day which is two Hong Kong business days prior to the Postponed Payment Date; provided that if any such exchange rate cannot be determined, the Issuer shall select another applicable Reuters page or determine in good faith such exchange rate by reference to such sources as it may select in its sole and absolute discretion.]  |
| Terms and Conditions:                   | See the section entitled "General Terms and Conditions of the Basket US PPR Investments" in Appendix B of the Product Booklet (the " <b>General Terms and Conditions</b> ") and the Pricing Supplement available for inspection at the offices of the Product Arranger and the Distributor(s).<br><br>When read together, the General Terms and Conditions of the Basket US PPR Investments and the Pricing Supplement will constitute the legally binding terms and conditions applicable to this series of Basket US PPR Investments.  |
| Pricing Supplement:                     | The Pricing Supplement will be issued on the Issue Date. The Pricing Supplement will amend and supplement the General Terms and Conditions. The Pricing Supplement will be available for inspection at the offices of the Product Arranger and the Distributor(s).   |
| Business Day Centre(s):                 | [ <i>city(ies)</i> ] in relation to the Settlement Date and [ <i>city(ies)</i> ] for all other dates.  |
| Product Arranger and Market Agent:      | The Hongkong and Shanghai Banking Corporation Limited  |
| Distributor(s):                         | [The Hongkong and Shanghai Banking Corporation Limited (852) [ <i>number</i> ]/Distributor(s)' names and numbers]  |
| Registrar:                              | The Hongkong and Shanghai Banking Corporation Limited, Singapore Branch  |
| ISIN:                                   | [ <i>number</i> ] [(This will be available on or after the Issue Date)]  |
| Form of Basket US PPR Investment:       | Registered Investment  |

|   |   |
|---|---|
| Clearing:   | [Euroclear and/or Clearstream, Luxembourg] [DTC or <i>[name]</i> as the Additional Clearing System[s]]  |
| Listing:  | Unlisted  |
| Governing Law of the Terms and Conditions of the Basket US PPR Investments: | Hong Kong   |
| <i>[For indicative Term Sheet only:]</i> Internet Banking Application:      | Our Basket US PPR Investments may be available for purchase via internet banking. Please check with your Distributor whether internet banking application is available. |
| Selling Restrictions:   | No sales to [USA, USA citizens, Canada and Canadian residents]  |

You should note that the dates stated in this Term Sheet may be adjusted in accordance with the general terms and conditions of the Basket US PPR Investments as set out in Appendix B to the Product Booklet. Notice will be given to the Distributor(s) for any such change.

#### **[Updated information]**

[The [[NUMBER]][st/nd/rd/th] paragraph under the] [sub-]section headed [TITLE] on page[s] [NUMBER] [to [NUMBER]] of [DOCUMENT] shall be [deleted/replaced/amended/supplemented by the following:]/ [deleted/replaced/amended/supplemented, the details of which are set out in an addendum dated [DATE]]/[The following shall be added after the [[NUMBER]][st/nd/rd/th] paragraph under the] [sub-]section headed [TITLE] on page[s] [NUMBER] [to [NUMBER]] of [DOCUMENT]:]

#### **[DETAILS OF CHANGES]**

#### **Cancellation of offer**

We reserve the right to cancel the offering of this series of Basket US PPR Investments on or before the end of the Offer Period. Upon such cancellation, we will notify the Distributor(s) who will in turn notify you. If the offering of this series of Basket US PPR Investments has been cancelled, your Distributor(s) will not pay the issue price to us on your behalf on the issue date. Neither we nor your Distributor(s) will charge you any fees if we cancel the offering of this series of Basket US PPR Investments.

#### **Information relating to the Shares**

Each Share is listed on the relevant US Exchange. The regular trading hours for each US Exchange is 9:30 a.m. to 4:00 p.m. (New York time) (i.e. 9:30 p.m. to 4:00 a.m. (Hong Kong time) during summer time or 10:30 p.m. to 5:00 a.m. (Hong Kong time) during winter time) on each Scheduled Trading Day. Where a transfer of a Share takes place on the relevant US Exchange, currently settlement must be made not later than two Clearance System Business Days after such transfer.



Each Company is required to continuously disclose information to the public by filing periodic reports and other materials with the United States Securities and Exchange Commission (“SEC”). You can find such information (including the published audited consolidated financial statements and interim financial statements (if any)) of the Company and its Share on the website operated by the SEC: [<https://www.sec.gov/edgar.shtml>]. In addition, the relevant US Exchange has established procedures (such as market wide circuit breakers and limit up-limit down) for trading halts in all or individual securities traded on the relevant US Exchange in the event of a severe market price decline. You can find the rules of the relevant US Exchange regarding trading, settlement and disclosure requirements at [<https://nyse.com/regulation/rules>] [or] [<https://listingcenter.nasdaq.com/rulebook/nasdaq/rules>]. The information on the Reference Assets set out below is extracted from or based on the English version of publicly available information.

Share/Company: [name]

Description of the Company: [Description of the principal activities of the Company and its subsidiaries]

Where information on the Company/Share may be obtained: You may obtain information on the Company (including its published audited consolidated financial statements and interim financial statements (if any)) by visiting the website operated by the SEC at [<https://www.sec.gov/edgar.shtml>] or the Company’s website at [website].

We will also make available news feeds regarding updated information of the Company (in English and Chinese) via our designated online platform at [<https://investments4.personal-banking.hsbc.com.hk/public-stb/zh-hk/market/news/all>]. Such news feeds are provided by our external data provider and may not be available on a real time basis.

Further, their availability may be interrupted or suspended due to such external data provider’s technical and systematic failures, in which case the availability of such news feeds may be delayed or suspended. In addition, you should note that the online platform may be interrupted or suspended due to our technical and systematic failures, in which case you may not be able to have access to such news feeds. In the event of such interruption or suspension, we will use our best endeavours to work with our external data provider to ensure the availability of the relevant information is resumed as soon as possible.

Substantial interest in the shares issued by the Company as at the last Exchange Business Day prior to date of [this] [the indicative] Term Sheet:

| Name   | Number of shares held | Percentage of total shares issued (%) |
|--------|-----------------------|---------------------------------------|
| [name] | [number]              | [number]                              |
| [name] | [number]              | [number]                              |
| [name] | [number]              | [number]                              |
| [name] | [number]              | [number]                              |
| [name] | [number]              | [number]                              |
| [name] | [number]              | [number]                              |

The above table only extracts the information of the top ten substantial holders in the issued shares of the Company.

| The highest and lowest trading prices on the US Exchange of the Share from [its listing in] [year] to [year] (up to the last Exchange Business Day prior to date of [this] [the indicative] Term Sheet): | Year  | High        | Low         |
|--|---|-------------|-------------|
|  | [year]  | USD[amount] | USD[amount] |
|  | [year]  | USD[amount] | USD[amount] |
|  | [year]  | USD[amount] | USD[amount] |
|  | [year] (up to the last Exchange Business Day prior to date of [this] [the indicative] Term Sheet) | USD[amount] | USD[amount] |

You may obtain historic stock price information of the Company on the website operated by the relevant US Exchange at [<http://www.nyse.com>] [<http://www.nasdaq.com>] by using the Stock Code as set out above.

|   |             |
|---|-------------|
| Official closing price per Share on the last Exchange Business Day prior to date of [this] [the indicative] Term Sheet: | USD[amount] |
|---|-------------|

|                        |             |
|------------------------|-------------|
| Market capitalisation: | USD[amount] |
|------------------------|-------------|

Note: Based on the number of shares in issue as of the last Exchange Business Day prior to date of [this] [the indicative] Term Sheet and the closing price of the Share on the last Exchange Business Day prior to date of [this] [the indicative] Term Sheet.

|   |                                   |
|---|-----------------------------------|
| Historical price earning multiples (calculated by dividing the closing price per Share on the last Exchange Business Day prior to date of [this] [the indicative] Term Sheet by the earnings per Share for the year ending [year]): | [[number] times] [Not Applicable] |
|---|-----------------------------------|

|  |                              |
|--|------------------------------|
| Dividend yield (calculated by dividing the sum of the paid dividends in the latest fiscal year per Share by closing price of the Share on the last Exchange Business Day prior to date of [this] [the indicative] Term Sheet): | [[number]%] [Not Applicable] |
|--|------------------------------|

|   |          |
|---|----------|
| Company's issued shares (as at [relevant fiscal year end]): | [number] |
|---|----------|

[Repeat the above table for each Share]

*Information contained in third-party websites referred to in this Term Sheet does not form part of the Basket US PPR Investment offering documents (as defined below). We do not accept any responsibility for information contained in such third-party websites.*

## Offer documentation

Hard copies of the Programme Memorandum, the Financial Disclosure Document and the Product Booklet (including any addendum to any of these documents as set out in this Term Sheet) will be available (free of charge) from the distributor(s) [and electronic copies of these documents are available [for download from [the QR Code below and] our website ([<https://www.hsbcnet.com/gbm/structured-investments/asia-pacific/unlisted-structured-products-programme.>])] [and] from the distributor(s) by email [via a hyperlink to our website]]. [Electronic copies of this indicative Term Sheet are available [for download from our website ([<https://www.hsbcnet.com/gbm/structured-investments/asia-pacific/unlisted-structured-products-programme.>])] [and] from the distributor(s) by email.]

*[Insert QR Code]*

The offer of this series of Basket US PPR Investments is made solely on the basis of the information contained in the Programme Memorandum dated 24 July 2023 [(as supplemented by an addendum dated [date])] (the “**Programme Memorandum**”), the Financial Disclosure Document dated [date] [(as supplemented by an addendum dated [date])] (the “**Financial Disclosure Document**”), the Product Booklet dated 24 July 2023 [(as supplemented by an addendum dated [date])] (the “**Product Booklet**”) and [this][the] indicative Term Sheet (together, the “**Basket US PPR Investment offering documents**”). Accordingly, you should exercise an appropriate degree of caution when assessing the value of other sources of information relating to us, the Basket US PPR Investments or the [Company] [Companies]. If you are in any doubt about any of the Basket US PPR Investment offering documents, you should obtain independent professional advice.

## Responsibility Statement

The information contained in the Programme Memorandum, the Financial Disclosure Document and the Product Booklet (taken together with, and as updated by, this Term Sheet) is accurate at the date of this Term Sheet. The Basket US PPR Investment offering documents include particulars given in compliance with the Code on Unlisted Structured Investment Products issued by the Securities and Futures Commission (the “**Code**”) for the purpose of giving information with regard to The Hongkong and Shanghai Banking Corporation Limited (“**HSBC**”) as the issuer, HSBC as the product arranger, the Programme and our Basket US PPR Investments. The issuer and the product arranger collectively and individually accept full responsibility for the contents of, and the completeness and accuracy of the information contained in the Basket US PPR Investment offering documents and confirm, having made all reasonable enquiries, that to the best of the knowledge and belief of the issuer and the product arranger there is no untrue or misleading statement, or other facts the omission of which would make any statement herein untrue or misleading. The issuer and the product arranger confirm that the Basket US PPR Investments comply with the Code. The issuer also confirms that it meets the eligibility requirements applicable to issuers set out in the Code and the product arranger also confirms that it meets the eligibility requirements applicable to product arrangers set out in the Code.

## [No] [M][m]aterial adverse change

Taking into account the nature of the Basket US PPR Investments being offered and save as disclosed in the sections headed “Other Information about our Programme” and “Information about The Hongkong and Shanghai Banking Corporation Limited” in the Programme Memorandum [and in an addendum to the Programme Memorandum dated [date]] [and] [in the section[s] headed [title] [and [title]]] in the Financial Disclosure Document [and in an addendum to the Financial Disclosure Document dated [date]] [and in this Term Sheet], there has been no material adverse change in our financial or trading position since the date of our latest financial statements contained in the Financial Disclosure Document [and in an addendum to the Financial Disclosure Document dated [date]].

## **[No] [M][m]aterial litigation**

[Save as disclosed in the sections headed “Other Information about our Programme” and “Information about The Hongkong and Shanghai Banking Corporation Limited” in the Programme Memorandum [and in an addendum to the Programme Memorandum dated [date]] [and] [in the section[s] headed [title] [and [title]]] in the Financial Disclosure Document [and in an addendum to the Financial Disclosure Document dated [date]] [and in this Term Sheet],] [T][t]here are no litigation or arbitration proceedings against or affecting us, nor are we aware of any claims pending or, to our knowledge, threatened against us, which are material in the context of the issue of the Basket US PPR Investments.

## **Not investment advice**

Structured products are complex products and may involve a high risk of loss. Basket US PPR Investments are complex products and you should exercise caution in relation to the products. Prior to entering into a transaction you should consult with your own independent legal, regulatory, tax, financial and accounting advisers to the extent you consider it necessary, and make your own investment, hedging and trading decisions based upon your own judgment and advice from those advisers you consider necessary.

This Term Sheet should not be treated as giving any investment advice. The information in this Term Sheet is communicated by HSBC. This Term Sheet shall not be copied or reproduced without HSBC's prior written permission.

## **[SFC disclaimer statement**

The Securities and Futures Commission (“SFC”) has authorised the Basket US PPR Investments under section 104A(1) of the Securities and Futures Ordinance and the issue of the indicative term sheet based on the standard template as set out in Appendix A to the Product Booklet under section 105(1) of the Securities and Futures Ordinance. The SFC takes no responsibility for the Basket US PPR Investments or the contents of this document, makes no representation as to its accuracy or completeness and expressly disclaims any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this document. The SFC's authorisation does not imply the SFC's endorsement or recommendation of the Basket US PPR Investments referred to in this Term Sheet nor does it imply that the SFC guarantees the commercial merits of the Basket US PPR Investments or their performance. The SFC's authorisation does not mean our Basket US PPR Investments are suitable for all investors nor is it an endorsement of their suitability for any particular investor or class of investors. Interested persons should consider obtaining independent professional advice before investing in the Basket US PPR Investments.]#

## **[SFC disclaimer statement**

The Securities and Futures Commission (“SFC”) takes no responsibility as to the contents of this final Term Sheet. The SFC's authorisation does not imply the SFC's endorsement or recommendation of the Basket US PPR Investments referred to in this final Term Sheet.]▼

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# Insert for indicative term sheet.

▼ Insert for final term sheet.

**[Annex  
INFORMATION SUPPLEMENTAL TO  
THE PROGRAMME MEMORANDUM**

The Hongkong and Shanghai Banking Corporation Limited (“**HSBC**”) [held its annual general meeting (“**AGM**”) on [DATE]] [and] [published [a media release/[DOCUMENT]] on [DATE]]. Selected relevant parts of the [media release dated [DATE] [and] [[DOCUMENT] relating to the AGM] [and] [DOCUMENT]] is set out below. The selected relevant parts of the [media release [and] [DOCUMENT] relating to the AGM] [and] [DOCUMENT]] supplement certain information contained in the Programme Memorandum.

[*To be inserted*]]

## APPENDIX B

### GENERAL TERMS AND CONDITIONS OF THE BASKET US PPR INVESTMENTS

*The SFC takes no responsibility as to the contents of the general terms and conditions of the Basket US PPR Investments as set out in this Appendix B (the “Conditions”). SFC authorisation does not imply SFC’s endorsement of the Conditions.*

*The relevant Conditions will, together with the supplemental provisions contained in the applicable Pricing Supplement and subject to completion and amendment, be incorporated by reference into each Global Certificate (as defined below). The applicable Pricing Supplement in relation to the issue of any series of Investments may specify additional terms and conditions which shall amend and supplement the relevant Conditions for the purpose of such series of Investments. The applicable Pricing Supplement (or the relevant provisions thereof) will be endorsed upon, or attached to, each Global Certificate. Capitalised terms used in the relevant Conditions and not otherwise defined therein shall have the meaning given to them in the applicable Pricing Supplement. The relevant term sheet will contain a summary of the terms and conditions applicable to the relevant series of Investments.*

*The Global Certificate will be issued in the English language and the English version of the general terms and conditions, as amended and supplemented by the English version of the applicable pricing supplement, will be incorporated by reference into each Global Certificate, which shall prevail over any Chinese language version in the event of conflict or discrepancy.*

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

- (a) *Form.* The non-principal protected unlisted potential performance return equity linked investments linked to a basket of U.S. securities (the “**Investments**”) relating to a basket comprising Shares of each of the Companies are issued in registered form subject to and with the benefit of a global certificate by way of deed poll (the “**Global Certificate**”) made by The Hongkong and Shanghai Banking Corporation Limited (the “**Issuer**”) and a registrars’ and structured product agency agreement (such agreement as amended and/or supplemented and/or restated from time to time, the “**Registrars’ Agreement**”) dated 23 July 2012 made between the Issuer, The Hongkong and Shanghai Banking Corporation Limited, Singapore Branch as principal registrar (in such capacity, the “**Principal Registrar**”, which expression shall include any successors) and The Hongkong and Shanghai Banking Corporation Limited as alternative registrar and agent (in such capacity, the “**Alternative Registrar**” and the “**Agent**”, respectively, which expression shall include any successors). The Investment holders (as defined in Condition 1(d)) are entitled to the benefit of the Deed of Covenant (the “**Deed of Covenant**”) dated 23 July 2012 and made by the Issuer under the terms of which accountholders in Euroclear Bank SA/NV, as operator of the Euroclear system (“**Euroclear**”) and Clearstream Banking, société anonyme (“**Clearstream, Luxembourg**”) or other additional clearing system or systems as specified in the applicable pricing supplement (each an “**Additional Clearing System**”) are given directly enforceable rights against the Issuer under the Investments. The original of the Deed of Covenant is held by the Agent. For the purposes of these Conditions, “**Registrar**” means the Principal Registrar.

The Global Certificate will be registered in the name of a nominee (the “**Nominee**”) of the relevant clearing system. Investments in definitive form will only be issued in exchange for the Global Certificate if Euroclear and/or Clearstream, Luxembourg or the Additional Clearing System (as the case may be) are closed for business for a continuous period of 14 days (other than by reason of holidays, statutory or otherwise) or announce an intention permanently to cease business and do so cease business and no alternative clearing system satisfactory to the Issuer, the Registrar and the Agent is available. In the event of any such exchange, references in these Conditions to the Global Certificate shall be deemed to be, as appropriate, references to such definitive certificates. The Global Certificate and the definitive certificates (if any) shall be executed manually or in facsimile by a person duly authorised by the Issuer on behalf of the Issuer and shall be authenticated by the Agent in accordance with the Registrar’s Agreement. The Issuer may use the facsimile signature of any person who at the date such signature is affixed is a person duly authorised by the Issuer notwithstanding that at the time of issue of the relevant Global Certificate or any definitive certificate, as the case may be, he may have ceased for any reason to be so authorised. Each Global Certificate and definitive certificate (if any) so executed and authenticated shall be binding and valid obligations of the Issuer.

The applicable pricing supplement for the Investments is attached to the Global Certificate and supplements the Conditions and may specify other terms and conditions which shall amend and supplement the Conditions for the purposes of the Investments. References herein to the “**applicable Pricing Supplement**” are to the pricing supplement attached to the Global Certificate.

Certified copies of the applicable Pricing Supplement, the Deed of Covenant and the Registrars’ Agreement are available for inspection at the specified office of the Issuer during the period beginning on the Issue Date and ending on the Expiry Date.

The Investment holders are entitled to the benefit of, are bound by and are deemed to have notice of all the provisions of the Global Certificate, the applicable Pricing Supplement, the Deed of Covenant and the Registrars’ Agreement.

- (b) *Status.* The Investments constitute general, unsecured and unsubordinated 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 and unsubordinated contractual obligations of the Issuer.
- (c) *Transfer.* Investments will be transferable only by means of delivery of the relevant Global Certificate to the Registrar in accordance with the provisions of the Registrars’ Agreement, with the form of transfer endorsed on it duly completed and executed. Transfers of beneficial interests in the Investments may be effected only in an amount equal to the Minimum Transfer Amount or integral multiples thereof in accordance with the rules and procedures for the time being of Euroclear and/or Clearstream, Luxembourg or the Additional Clearing System, as the case may be.
- (d) *Title.* Each person who is for the time being shown in the register kept by the Registrar as entitled to a particular number of Investments shall be treated by the Issuer and the Registrar as the absolute owner and holder of such number of Investments. The expression “**Investment holder**” shall be construed accordingly.

## 2. Investment Rights and Exercise Expenses

- (a) *Investment Rights.* Every Nominal Amount of Investments gives each Investment holder, upon compliance with Condition 4, the right to receive the Final Settlement Payout (as defined in Condition 2(e)), if any.
- (b) *Exercise Expenses.*

If applicable, in the case where a settlement amount in cash is payable to an Investment holder, including payment of the Nominal Amount or the Cash Equivalent of the Physical Settlement Amount (as the case may be) upon expiry of the Investments (but excluding cash payment for any Fractional Shares (as defined in Condition 6(e) below) of the Worst Performing Asset on the Expiry Date), the following provisions will apply:

The relevant Investment holders will be required to pay all charges or expenses including any taxes or duties which are incurred in respect of the payment of such cash settlement amount (“**Cash Settlement Expenses**”). If Cash Settlement Expenses are payable, the payment of such Cash Settlement Expenses will be reflected in the calculation of the Final Settlement Payout.



In the case where the Final Settlement Payout is the Physical Settlement Amount, the following provisions will apply:

If applicable, the relevant Investment holders entitled to delivery of the Physical Settlement Amount will be required to pay all charges which they incur in respect of the transfer and receipt of the shares which form the Physical Settlement Amount delivered to them, including without limitation, subject to prevailing laws and regulations, any transferee's stamp duty, levies and registration charges and other expenses payable on or in respect of or in connection with the receipt of or agreement to receive the Worst Performing Asset on the Expiry Date which form the Physical Settlement Amount (the above charges and expenses incurred by Investment holders and the above transferee's expenses are together referred to as the "**Physical Settlement Expenses**").

If applicable, an amount equivalent to the Physical Settlement Expenses must be paid by the Investment holder in accordance with Condition 4.

(c) *Election for Cash or Physical Settlement at Expiry:* Upon subscription of the Investments, each Investment holder shall have an option to elect for cash settlement or physical settlement if:

- (1) a Knock-in Event is not applicable (as specified in the applicable Pricing Supplement) **and** the Closing Price of the Worst Performing Asset on the Expiry Date is below its Exercise Price; or
- (2) a Daily Knock-in Event is applicable (as specified in the applicable Pricing Supplement) **and** such Daily Knock-in Event has occurred **and** the Closing Price of the Worst Performing Asset on the Expiry Date is below its Exercise Price; or
- (3) an At-Expiry Knock-in Event is applicable (as specified in the applicable Pricing Supplement) **and** such At-Expiry Knock-in Event has occurred.

If the relevant Investment holder has elected for physical settlement or failed to make an election in which case physical settlement shall apply, the Issuer shall deliver the Shares which form the Physical Settlement Amount to the relevant Investment holder using the method specified in Condition 4(e). Subject to the receipt by the Issuer of a notice by no later than 4:00 p.m. (Hong Kong time) on the third Business Day before the Expiry Date from the relevant Investment holder to the contrary, the Issuer shall deliver the Shares which form the Physical Settlement Amount (subject to adjustment as provided in Condition 6) and (subject to Condition 4(e)) to the relevant Investment holder on the Settlement Date using the method specified in Condition 4(e).

If the relevant Investment holder has elected for cash settlement, the Issuer shall pay to the relevant Investment holder the Cash Equivalent of the Physical Settlement Amount in accordance with Condition 4(d).

(d) Notwithstanding any other provision in these Conditions, the Issuer shall be permitted to withhold or deduct any amounts required to be withheld or deducted by the rules of U.S. Internal Revenue Code Sections 1471 through 1474 (or any amended or successor provisions), pursuant to any inter-governmental agreement, or implementing legislation adopted by another jurisdiction in connection with these provisions, or pursuant to any agreement with the U.S. Internal Revenue Service ("**FATCA withholding**") including FATCA withholding imposed as a result of:

- (i) the existence of any present or former connection between an Investment holder (or between a fiduciary, settlor, beneficiary, partner of, member or shareholder of, or possessor of power over, such Investment holder, if the Investment holder is an estate, trust, nominee, partnership, limited liability company or corporation) and the United States (including being or having been a citizen, resident, or national thereof or being or having been present or engaged in a trade or business therein or having or having had a permanent establishment therein); or
- (ii) any misrepresentation by an Investment holder (or the applicable beneficial owner) to the Issuer, any distributor, any custodian or any applicable payor; or

- (iii) the failure of an Investment holder (or the applicable beneficial owner) to fully comply with its obligations under FATCA (including obligations to comply with reasonable requests for information and/or other documentation by an applicable payor); or
- (iv) an Investment holder's appointment of an intermediary (other than a distributor appointed by the Issuer in respect of a series of Investments as specified in the relevant term sheet for such series (each an "**Appointed Distributor**") or any custodian used by such Appointed Distributor) to hold its interest in any Investment where such intermediary is, or subsequently becomes, not entitled to receive all payments free from any FATCA withholding taxes (by qualifying, for example, as a "Participating Foreign Financial Institution", a compliant "Deemed Compliant Foreign Financial Institution" or a compliant "Reporting Financial Institution" under an applicable FATCA intergovernmental agreement, in each case for purposes of FATCA, and satisfying the requirements pursuant thereto ("**FATCA Compliant**")); or
- (v) the failure of the applicable clearing system to be FATCA Compliant,

then in each case, the Issuer (or an applicable withholding agent) would be entitled to impose FATCA withholding on such payment. In addition, the Issuer is not required to pay any additional amounts with respect to any amounts so withheld, *except to the extent* such FATCA withholding is imposed as a result of the Issuer, an Appointed Distributor, or any custodian used by such Appointed Distributor to hold any Investments, not being FATCA Compliant.

For the purposes of this Condition 2(d) only, an "**Investment holder**" shall mean (i) each investor holding an interest in one or more Investment(s) (via an Appointed Distributor or otherwise), in the case the Investments are represented by the Global Certificate; or (ii) each person who is for the time being shown in the register kept by the Registrar as entitled to a particular number of Investments, in the case the Investments are in definitive form.

(e) *Definitions.* For the purposes of these Conditions:

An "**At-Expiry Knock-in Event**" occurs if, on the Expiry Date (for the purpose of this definition, the "**Knock-in Event Date**"), the Closing Price of the Worst Performing Asset as of such date is at or below its Knock-in Price. The applicable Pricing Supplement will specify whether an At-Expiry Knock-in Event is applicable. If the Knock-in Event Date is a Disrupted Day in respect of a Share, the Knock-in Event Date for each Share not affected by the occurrence of a Disrupted Day shall be the originally scheduled Knock-in Event Date, and the Knock-in Event Date for each Share affected by the occurrence of a Disrupted Day shall be the first succeeding Scheduled Trading Day that is not a Disrupted Day relating to that Share, unless each of the eight Scheduled Trading Days immediately following the originally scheduled Knock-in Event Date is a Disrupted Day relating to the affected Share. In that case, (i) that eighth Scheduled Trading Day shall be deemed to be the Knock-in Event Date for the affected Share, notwithstanding the fact that such day is a Disrupted Day, and (ii) the Issuer shall determine (based on, among other things, the last reported price of the affected Share and prevailing market conditions) the price of the affected Share on the Knock-in Event Date in accordance with its good faith estimate and acting in a commercially reasonable manner and such price shall be the Closing Price of that Share as of the Valuation Time on that eighth Scheduled Trading Day;

"**Business Day**" means a day (excluding Saturdays, Sundays and public holidays) on which commercial banks and foreign exchange markets are open for business in the relevant Business Day Centre(s);

"**Business Day Centre(s)**" means such cities as specified in the applicable Pricing Supplement;

**“Cash Equivalent of the Physical Settlement Amount”** means, in respect of every Nominal Amount of an Investment, a cash amount in the Settlement Currency determined in accordance with the following formula (rounded to 2 decimal places, with 0.005 or above being rounded upwards), less Cash Settlement Expenses (if any):

$$\frac{\text{Nominal Amount}}{\text{Exercise Price of the Worst Performing Asset on the Expiry Date}} \times \text{Closing Price of the Worst Performing Asset on the Expiry Date}$$

**“Clearance System”** means, in relation to a series of Investments, The Depository Trust and Clearing Corporation or such other applicable clearance system through which transfers of the Shares which form the Physical Settlement Amount are customarily settled as approved by the Issuer, or any successor to such clearance system;

**“Clearance System Business Day”** means, in respect of a Clearance System, any day on which such Clearance System is (or, but for the occurrence of a Settlement Disruption Event, would have been) open for the acceptance and execution of settlement instructions;

**“Closing Price”** means, subject to adjustment in accordance with Condition 6 and whether a Call Date, a Knock-In Event Date or Expiry Date is a Disrupted Day, in respect of a Scheduled Trading Day, the closing price as at the Valuation Time on such day of one Share as quoted on the relevant Exchange without regard to any correction subsequently published by the relevant Exchange;

A **“Daily Knock-in Event”** occurs if, during the Relevant Period, the Closing Price of the Worst Performing Asset on the relevant Scheduled Trading Day (for the purpose of this definition, each a **“Knock-in Event Date”**) is at or below its Knock-in Price. The applicable Pricing Supplement will specify whether a Daily Knock-in Event is applicable. If a Knock-in Event Date is a Disrupted Day in respect of a Share, such Knock-in Event Date for each Share not affected by the occurrence of a Disrupted Day shall be the originally scheduled Knock-in Event Date, and such Knock-in Event Date for each Share affected by the occurrence of a Disrupted Day shall be the first succeeding Scheduled Trading Day that is not a Disrupted Day relating to that Share, unless each of the eight Scheduled Trading Days immediately following the originally scheduled Knock-in Event Date is a Disrupted Day relating to the affected Share. In that case, (i) that eighth Scheduled Trading Day shall be deemed to be such Knock-in Event Date for the affected Share, notwithstanding the fact that such day is a Disrupted Day; and (ii) the Issuer shall determine (based on, among other things, the last reported price of the affected Share and prevailing market conditions) the price of the affected Share on the Knock-in Event Date in accordance with its good faith estimate and acting in a commercially reasonable manner and such price shall be the Closing Price of that Share as of the Valuation Time on that eighth Scheduled Trading Day;

**“Disrupted Day”** means any Scheduled Trading Day on which a relevant Exchange or any Related Exchange fails to open for trading during its regular trading session or on which a Market Disruption Event has occurred;

**“Exchange”** means, in respect of the Shares, each exchange or quotation system specified as such for such Shares in the applicable Pricing Supplement, any successor to such exchange or quotation system or any substitute exchange or quotation system to which trading in the Shares has temporarily relocated (provided that the Issuer has determined in good faith and in a commercially reasonable manner that there is comparable liquidity relative to such Shares on such temporary substitute exchange or quotation system as the original Exchange);

**“Exchange Business Day”** means any Scheduled Trading Day on which each Exchange and each Related Exchange are open for trading during their respective regular trading sessions, notwithstanding any such Exchange or Related Exchange closing prior to its Scheduled Closing Time;

**“Exchange Rate”** means, if applicable, such exchange rate as specified in the applicable Pricing Supplement;

“**Exercise Price**” means, subject to adjustment in accordance with Condition 6, in respect of a Share, a specified percentage of the Initial Spot Price of such Share as set out in the applicable Pricing Supplement. The specified percentage used to calculate the Exercise Price of each Share(s) in the Basket will be the same;

“**Expiry Date**” means the date the Investment is scheduled to terminate as specified in the applicable Pricing Supplement, or if such day is not a Scheduled Trading Day, the immediately succeeding Scheduled Trading Day. Provided that, if such day is a Disrupted Day in respect of a Share, the Expiry Date for each Share not affected by the occurrence of a Disrupted Day shall be the Scheduled Expiry Date, and the Expiry Date for each Share affected by the occurrence of a Disrupted Day shall be the first succeeding Scheduled Trading Day that is not a Disrupted Day relating to that Share, unless each of the eight Scheduled Trading Days immediately following the Scheduled Expiry Date is a Disrupted Day relating to that Share. In that case:

- (1) that eighth Scheduled Trading Day shall be deemed to be the Expiry Date for the affected Share, notwithstanding the fact that such day is a Disrupted Day; and
- (2) the Issuer shall determine (based on, among other things, the last reported price of the affected Share and prevailing market conditions) the price of the affected Share on the Expiry Date in accordance with its good faith estimate and acting in a commercially reasonable manner and such price shall be the Closing Price of that Share as of the Valuation Time on that eighth Scheduled Trading Day;

“**Final Settlement Payout**” means, in respect of each Investment and the Expiry Date, the following:

**(A) Where a Knock-in Event is not applicable (as specified in the applicable Pricing Supplement):**

**a) *If both the Initial Spot Price and the Exercise Price of the Worst Performing Asset are used as benchmarks to determine the Final Settlement Payout:***

- (i) if the Closing Price of the Worst Performing Asset on the Expiry Date is **at or above** its Initial Spot Price, an amount in the Settlement Currency calculated by the Issuer as equal to the **sum of** (1) the Nominal Amount, less Cash Settlement Expenses (if any); and (2) the Potential Performance Return; or
- (ii) if the Closing Price of the Worst Performing Asset on the Expiry Date is **below** its Initial Spot Price but is **at or above** its Exercise Price, an amount in the Settlement Currency calculated by the Issuer as equal to the Nominal Amount, less Cash Settlement Expenses (if any); or
- (iii) if the Closing Price of Worst Performing Asset on the Expiry Date is **below** its Exercise Price, either:
  - (a) where cash settlement is applicable, an amount in the Settlement Currency calculated by the Issuer as equal to the Cash Equivalent of the Physical Settlement Amount, less Cash Settlement Expenses (if any); or
  - (b) where physical settlement is applicable, the Physical Settlement Amount, which is a number of shares of the Worst Performing Asset on the Expiry Date (after payment of all Physical Settlement Expenses (if any)) and (if applicable) an amount in the Settlement Currency calculated by the Issuer in respect of any Fractional Shares of the Worst Performing Asset in accordance with Condition 6(e) (subject to adjustment as provided in Condition 6);

**b) *If the Exercise Price of the Worst Performing Asset is used as a benchmark to determine the Final Settlement Payout:***

- (i) if the Closing Price of the Worst Performing Asset on the Expiry Date is **at or above** its Exercise Price, an amount in the Settlement Currency calculated by the Issuer as equal to the **sum of** (1) the Nominal Amount, less Cash Settlement Expenses (if any) and (2) the Potential Performance Return; or
- (ii) if the Closing Price of the Worst Performing Asset on the Expiry Date is **below** its Exercise Price, either:
  - (a) where cash settlement is applicable, an amount in the Settlement Currency calculated by the Issuer as equal to the Cash Equivalent of the Physical Settlement Amount, less Cash Settlement Expenses (if any); or
  - (b) where physical settlement is applicable, the Physical Settlement Amount, which is a number of shares of the Worst Performing Asset on the Expiry Date (after payment of all Physical Settlement Expenses (if any)) and (if applicable) an amount in the Settlement Currency calculated by the Issuer in respect of any Fractional Shares of the Worst Performing Asset in accordance with Condition 6(e) (subject to adjustment as provided in Condition 6);

**(B) Where a Daily Knock-in Event is applicable (as specified in the applicable Pricing Supplement):**

**a) *If both the Initial Spot Price and the Exercise Price of the Worst Performing Asset are used as benchmarks to determine the Final Settlement Payout:***

- (i) if the Closing Price of the Worst Performing Asset on the Expiry Date is **at or above** its Initial Spot Price (regardless of whether a Daily Knock-in Event has occurred), an amount in the Settlement Currency calculated by the Issuer as equal to the **sum of** (1) the Nominal Amount, less Cash Settlement Expenses (if any); and (2) the Potential Performance Return; or
- (ii) if the Closing Price of the Worst Performing Asset on the Expiry Date is **below** its Initial Spot Price and (a) the Daily Knock-in Event **has not** occurred; or (b) the Daily Knock-in Event has occurred but the Closing Price of the Worst Performing Asset on the Expiry Date is **at or above** its Exercise Price, an amount in the Settlement Currency calculated by the Issuer as equal to the Nominal Amount, less Cash Settlement Expenses (if any); or
- (iii) if the Daily Knock-in Event **has** occurred and the Closing Price of the Worst Performing Asset on the Expiry Date is **below** its Exercise Price, either:
  - (a) where cash settlement is applicable, an amount in the Settlement Currency calculated by the Issuer as equal to the Cash Equivalent of the Physical Settlement Amount, less Cash Settlement Expenses (if any); or
  - (b) where physical settlement is applicable, the Physical Settlement Amount, which is a number of shares of the Worst Performing Asset on the Expiry Date (after payment of all Physical Settlement Expenses (if any)) and (if applicable) an amount in the Settlement Currency calculated by the Issuer in respect of any Fractional Shares of the Worst Performing Asset in accordance with Condition 6(e) (subject to adjustment as provided in Condition 6); or

**b) *If the Exercise Price of the Worst Performing Asset is used as a benchmark to determine the Final Settlement Payout:***

- (i) if the Closing Price of the Worst Performing Asset on the Expiry Date is **at or above** its Exercise Price (regardless of whether a Daily Knock-in Event has occurred), an amount in the Settlement Currency calculated by the Issuer as equal to the **sum of** (1) the Nominal Amount, less Cash Settlement Expenses (if any) and (2) the Potential Performance Return; or
- (ii) if the Closing Price of the Worst Performing Asset on the Expiry Date is **below** its Exercise Price and the Daily Knock-in Event **has not** occurred, an amount in the Settlement Currency calculated by the Issuer as equal to the Nominal Amount, less Cash Settlement Expenses (if any); or
- (iii) if the Daily Knock-in Event **has** occurred and the Closing Price of the Worst Performing Asset on the Expiry Date is **below** its Exercise Price, either:
  - (a) where cash settlement is applicable, an amount in the Settlement Currency calculated by the Issuer as equal to the Cash Equivalent of the Physical Settlement Amount, less Cash Settlement Expenses (if any); or
  - (b) where physical settlement is applicable, the Physical Settlement Amount, which is a number of shares of the Worst Performing Asset on the Expiry Date (after payment of all Physical Settlement Expenses (if any)) and (if applicable) an amount in the Settlement Currency calculated by the Issuer in respect of any Fractional Shares of the Worst Performing Asset in accordance with Condition 6(e) (subject to adjustment as provided in Condition 6); or

**(C) *Where an At-Expiry Knock-in Event is applicable (as specified in the applicable Pricing Supplement):***

**a) *If the Initial Spot Price of the Worst Performing Asset is used as a benchmark to determine the Final Settlement Payout:***

- (i) if the Closing Price of the Worst Performing Asset on the Expiry Date is **at or above** its Initial Spot Price, an amount in the Settlement Currency calculated by the Issuer as equal to the **sum of** (1) the Nominal Amount, less Cash Settlement Expenses (if any); and (2) the Potential Performance Return; or
- (ii) if the Closing Price of the Worst Performing Asset on the Expiry Date is **below** its Initial Spot Price and an At-Expiry Knock-in Event **has not** occurred, an amount in the Settlement Currency calculated by the Issuer as equal to the Nominal Amount, less Cash Settlement Expenses (if any); or
- (iii) if an At-Expiry Knock-in Event **has** occurred, either:
  - (a) where cash settlement is applicable, an amount in the Settlement Currency calculated by the Issuer as equal to the Cash Equivalent of the Physical Settlement Amount, less Cash Settlement Expenses (if any); or
  - (b) where physical settlement is applicable, the Physical Settlement Amount, which is a number of shares of the Worst Performing Asset on the Expiry Date (after payment of all Physical Settlement Expenses (if any)) and (if applicable) an amount in the Settlement Currency calculated by the Issuer in respect of any Fractional Shares of the Worst Performing Asset in accordance with Condition 6(e) (subject to adjustment as provided in Condition 6);



**b) If the Exercise Price of the Worst Performing Asset is used as a benchmark to determine the Final Settlement Payout:**

- (i) if the Closing Price of the Worst Performing Asset on the Expiry Date is **at or above** its Exercise Price, an amount in the Settlement Currency calculated by the Issuer as equal to the **sum of** (1) the Nominal Amount, less Cash Settlement Expenses (if any) and (2) the Potential Performance Return; or
- (ii) if the Closing Price of the Worst Performing Asset on the Expiry Date is **below** its Exercise Price and an At-Expiry Knock-in Event **has not** occurred, an amount in the Settlement Currency calculated by the Issuer as equal to the Nominal Amount, less Cash Settlement Expenses (if any); or
- (iii) if an At-Expiry Knock-in Event **has** occurred, either:
  - (a) where cash settlement is applicable, an amount in the Settlement Currency calculated by the Issuer as equal to the Cash Equivalent of the Physical Settlement Amount, less Cash Settlement Expenses (if any); or
  - (b) where physical settlement is applicable, the Physical Settlement Amount, which is a number of shares of the Worst Performing Asset on the Expiry Date (after payment of all Physical Settlement Expenses (if any)) and (if applicable) an amount in the Settlement Currency calculated by the Issuer in respect of any Fractional Shares of the Worst Performing Asset in accordance with Condition 6(e) (subject to adjustment as provided in Condition 6);

**“Floor Rate”** means such rate as specified in the applicable Pricing Supplement;

**“Initial Spot Price”** means, in respect of a Share, such price as specified in the applicable Pricing Supplement;

**“Issue Date”** means such date as specified in the applicable Pricing Supplement;

**“Knock-in Event”** means a Daily Knock-in Event or an At-Expiry Knock-in Event as specified in the applicable Pricing Supplement;

**“Knock-in Price”** means, subject to adjustments in accordance with Condition 6, in respect of a Share, a specified percentage of the Initial Spot Price of such Share as set out in the applicable Pricing Supplement. The specified percentage used to calculate the Knock-in Price of each Share in the Basket for each Knock-in Event Date will be the same;

**“Market Disruption Event”** means, in respect of the Shares of a Company comprising the Reference Basket:

- (1) the occurrence or existence at any time during the one hour period that ends at the relevant Valuation Time of:
  - (a) any suspension of or limitation imposed on trading by the relevant Exchange or Related Exchange or otherwise and whether by reason of movements in price exceeding limits permitted by the relevant Exchange or Related Exchange or otherwise:
    - (i) relating to such Shares on the relevant Exchange; or
    - (ii) in futures or options contracts relating to such Shares on any relevant Related Exchange; or



- (b) any event (other than an event described in (2) below) that disrupts or impairs (as determined by the Issuer in good faith and in a commercially reasonable manner) the ability of market participants in general (i) to effect transactions in, or obtain market values for, such Shares on the relevant Exchange, or (ii) to effect transactions in, or obtain market values for, futures or options contracts relating to such Shares on any relevant Related Exchange,

which in either case the Issuer determines in its sole and absolute discretion, acting in good faith and in a commercially reasonable manner is material; or

- (2) the closure on any Exchange Business Day of any relevant Exchange(s) or Related Exchange(s) prior to its Scheduled Closing Time unless such earlier closing time is announced by such Exchange(s) or such Related Exchange(s), as the case may be, at least one hour prior to the earlier of (a) the actual closing time for the regular trading session on such Exchange(s) or such Related Exchange(s) on such Exchange Business Day and (b) the submission deadline for orders to be entered into the Exchange or Related Exchange system for execution at the Valuation Time on such Exchange Business Day;

**“Minimum Transfer Amount”** means such number of Investment(s) as set out in the applicable Pricing Supplement;

**“Nominal Amount”** means such amount as specified in the applicable Pricing Supplement;

**“Opening Price”** means, subject to adjustment in accordance with Condition 6, in respect of each Share, and in respect of a Scheduled Trading Day, the price as at the Opening Time on such day of one Share as quoted on the relevant Exchange without regard to any correction subsequently published by the relevant Exchange;

**“Opening Time”** means, in respect of an Exchange or a Related Exchange and a Scheduled Trading Day, the Scheduled Opening Time of such Exchange or Related Exchange on that Scheduled Trading Day, or if such Exchange or Related Exchange opens prior to or after its Scheduled Opening Time, the actual opening time for its regular trading session;

**“Physical Settlement Amount”** means, in respect of each Investment, a number of shares of the Worst Performing Asset on the Expiry Date determined in accordance with the following formula:

$$\frac{\text{Nominal Amount (converted into the Worst Performing Asset Currency using the Exchange Rate if the Settlement Currency is different from the Worst Performing Asset Currency)}}{\text{Exercise Price of the Worst Performing Asset on the Expiry Date}}$$

(rounded to 4 decimal places, with 0.00005 or above being rounded upwards)

Provided that only a whole number of Shares of the Worst Performing Asset on the Expiry Date will be delivered. If the calculation of the Physical Settlement Amount would result in the relevant Investment holder becoming entitled to any Fractional Shares of the Worst Performing Asset, the Issuer shall not deliver such Fractional Shares of the Worst Performing Asset. Instead, the Issuer shall pay a cash amount pursuant to Condition 6(e) for such Fractional Shares of the Worst Performing Asset;

**“Potential Performance Return”** means such amount as specified in Condition 7;

**“Participation Rate”** means such rate as specified in the applicable Pricing Supplement;

**“Reference Asset”** means each Share as specified in the applicable Pricing Supplement;

**“Reference Basket”** means the basket comprising the Shares to which the Investments are linked, as specified in the applicable Pricing Supplement;

**“Related Exchange”** means, in relation to each Share, each exchange or quotation system specified as such in relation to such Shares in the applicable Pricing Supplement, any successor to such exchange or quotation system or any substitute exchange or quotation system to which trading in futures or options contracts relating to such Shares has temporarily relocated (provided that the Issuer has determined in its sole and absolute discretion, acting in good faith and in a commercially reasonable manner, that there is comparable liquidity relative to the futures or options contracts relating to such Shares on such temporary substitute exchange or quotation system as on the original Related Exchange), provided that where “All Exchanges” is specified as the Related Exchange in the applicable Pricing Supplement, **“Related Exchange”** shall mean each exchange or quotation system where trading has a material effect (as determined by the Issuer in good faith and in a commercially reasonable manner) on the overall market for futures or options contracts relating to such Shares;

**“Relevant Period”** means the period from (but excluding) the Trade Date to (and including) the Expiry Date, as specified in the applicable Pricing Supplement;

**“Scheduled Closing Time”** means, in respect of an Exchange or Related Exchange and a Scheduled Trading Day, the scheduled weekday closing time of such Exchange or Related Exchange on such Scheduled Trading Day, without regard to after hours or any other trading outside of the regular trading session hours;

**“Scheduled Expiry Date”** means any original date that, but for the occurrence of an event causing a Disrupted Day, would have been the Expiry Date;

**“Scheduled Opening Time”** means, in respect of an Exchange or Related Exchange and a Scheduled Trading Day, the scheduled weekday opening time of such Exchange or Related Exchange on such Scheduled Trading Day, without regard to any pre-opening hours or any other trading outside of the regular trading session hours;

**“Scheduled Trading Day”** means any day on which each Exchange and each Related Exchange are scheduled to be open for trading for their respective regular trading sessions;

**“Settlement Currency”** means such currency as specified in the applicable Pricing Supplement;

**“Settlement Date”** means such date as specified in the applicable Pricing Supplement. In respect of Investments that are denominated and settled in Renminbi, the Settlement Date will be postponed as provided in Condition 4(d) upon the occurrence of a CNY Disruption Event;

**“Share”** or **“Shares”** means, subject to adjustment in accordance with Condition 6, the equity securities issued by the Company/Companies specified as such in the applicable Pricing Supplement and related expressions shall be construed accordingly;

**“Trade Date”** means the date on which the terms of the Investment are fixed as specified in the applicable Pricing Supplement;

**“Valuation Time”** means, in relation to the Shares, the Scheduled Closing Time on the relevant Exchange on the relevant Scheduled Trading Day. If the relevant Exchange closes prior to its Scheduled Closing Time and the specified Valuation Time is after the actual closing time for its regular trading session, then the Valuation Time shall be such actual closing time;

**“Worst Performing Asset”** means, in respect of a Scheduled Trading Day and the Shares in the Reference Basket, the Share which generates the lowest percentage calculated in accordance with the following formula:

$$\frac{\text{Closing Price of the relevant Share on the relevant Scheduled Trading Day}}{\text{Initial Spot Price of the relevant Share}} \times 100\%$$

(rounded to 4 decimal places, with 0.00005 or above being rounded upwards) (the “**Performance**”).

Provided that, if more than one Share has the same lowest Performance in respect of a Scheduled Trading Day, then the Issuer shall determine the Worst Performing Asset in respect of such Scheduled Trading Day in its sole and absolute discretion, acting in good faith and a commercially reasonable manner; and

“**Worst Performing Asset Currency**” means the currency in which the Worst Performing Asset on the Expiry Date trades, being U.S. dollars.

### 3. Termination of Investments and Expiry

- (a) *Termination of Investments.* The Investments will be terminated on the Expiry Date.
- (b) *Procedures for Termination.* The Investments will automatically be terminated on the Expiry Date without notice being given to the Investment holders. The Investment holders will not be required to deliver any exercise notice and the Issuer or the Agent will pay or deliver the Final Settlement Payout (if any) on the Settlement Date. If the Physical Settlement Amount is deliverable to the Investment holder, the Issuer shall deliver to the Investment holder the Physical Settlement Amount on the Settlement Date, all subject to Condition 2 and in accordance with Condition 4.

For the avoidance of doubt, where the Investments have been terminated on the Expiry Date payment or delivery (as the case may be) of the Final Settlement Payout on the Settlement Date shall constitute full and final settlement of the obligations of the Issuer with respect to the Investments. Subject to such payment or delivery, as the case may be, having been made, the Issuer shall have no obligation towards the relevant Investment holder under the Investments subsequent to the Expiry Date.

### 4. Settlement of Investments

- (a) *No requirement to deliver any notice.* The Investment holders will not be required to deliver any notice for any purpose in relation to the termination of the Investments.
- (b) *Cancellation.* The Issuer will procure that the Registrar will, with effect from the Business Day following the Expiry Date or such date as the Investment has been early terminated pursuant to Condition 6 (as the case may be), remove from its register the name of the person in respect of the Investments which are the subject of a termination in accordance with these Conditions, and thereby cancel the relevant Investments.
- (c) *Settlement.* Subject to termination of Investments in accordance with these Conditions, the Issuer will make a payment or delivery (as the case may be) to the relevant Investment holder of the Final Settlement Payout on the Settlement Date.
- (d) *Cash Settlement.* In the case where the Final Settlement Payout is equal to a cash payment of the Nominal Amount (plus the Potential Performance Return (if any)) or the Cash Equivalent of the Physical Settlement Amount (as the case may be), such Final Settlement Payout shall be despatched on the Settlement Date by crediting that amount to the relevant bank account designated by the relevant Investment holder.

In respect of Investments that are denominated and settled in Renminbi, if the Issuer shall determine, in its sole and absolute discretion, acting in good faith and in a commercially reasonable manner that a CNY Disruption Event has occurred and so has prevented payment of any amount(s) payable under the Investments in Renminbi on the due date for such payment, such payment shall be postponed to the third Hong Kong business day after the date on which the CNY Disruption Event ceases to exist (as determined by the Issuer in its sole and absolute discretion, acting in good faith and in a commercially reasonable manner) (the “**Postponed Payment Date**”); *provided that* if the CNY Disruption Event continues to exist for twelve consecutive Hong Kong business days following the original due date for payment, the Issuer shall be entitled to pay the relevant CNY Disruption Event Settlement Amount in Hong Kong dollars by no later

than the third Hong Kong business day after such twelfth Hong Kong business day following the original due date for payment and the Postponed Payment Date shall be deemed to be such date. In such case, the entitlements of each Investment holder to receive the relevant amount in Renminbi shall cease and the Issuer's obligations under the Investments shall be satisfied in full upon payment of the relevant CNY Disruption Event Settlement Amount. The relevant CNY Disruption Event Settlement Amount shall be dispatched on the Postponed Payment Date by crediting that amount to the relevant bank account designated by the relevant Investment holder.

For the purposes of this Condition 4(d),

“**Renminbi**” or “**CNY**” means, the lawful currency of the People's Republic of China;

“**CNY Disruption Event**” means, the occurrence of any event which renders it impossible for the Issuer (as determined by the Issuer in its sole and absolute discretion, acting in good faith and in a commercially reasonable manner) to (i) convert any foreign currency amount into Renminbi outside the PRC in the foreign exchange market in Hong Kong; or (ii) transfer Renminbi between accounts inside Hong Kong, in each case, other than where such impossibility is due to (a) the failure of the Issuer to comply with any law, rule or regulation enacted by any relevant governmental authority (unless such law, rule or regulation is enacted after the Issue Date and it is impossible for the Issuer, due to an event beyond its control, to comply with such law, rule or regulation); or (b) deterioration of the Issuer's creditworthiness; and

“**CNY Disruption Event Settlement Amount**” means, the relevant Renminbi amount converted into Hong Kong dollars using the exchange rate for Renminbi outside the PRC per 1 U.S. dollar as per Reuters Page “CNH=” and the exchange rate for Hong Kong dollar per 1 U.S. dollar as per Reuters Page “HKD=” at 11:00 a.m. (Hong Kong time) on the day which is two Hong Kong business days prior to the Postponed Payment Date; provided that if any such exchange rate cannot be determined, the Issuer shall select another applicable Reuters page or determine in good faith such exchange rate by reference to such sources as it may select in its sole and absolute discretion.

(e) *Delivery of Shares.*

- (i) In the case where the Final Settlement Payout is the Physical Settlement Amount, the Issuer will procure delivery of the Worst Performing Asset which forms the Physical Settlement Amount on the Settlement Date (subject to the provisions provided below) by way of electronic settlement through the relevant Clearance System. If applicable, the amount of stamp duty payable by the relevant Investment holder in respect of such delivery shall be calculated by the Issuer in accordance with the then prevailing prescribed rate and provisions for stamp duty payable by a buyer in respect of a transfer of such Worst Performing Asset.
- (ii) In order to obtain delivery of the Physical Settlement Amount, (a) all Physical Settlement Expenses must be paid by the relevant Investment holders to the Issuer, if applicable, and (b) the relevant Investment holder must notify the Issuer of such details as are required by the Issuer for the delivery of the Physical Settlement Amount (if any) which may include account details and/or the name and address of any person(s) into whose name(s) evidence of the Physical Settlement Amount is to be registered and/or any bank or agent to whom documents evidencing the Physical Settlement Amount are to be delivered.
- (iii) Subject to as provided below in the case of a Settlement Disruption Event, the Issuer will procure:
  - (a) the delivery of the Worst Performing Asset which forms the Physical Settlement Amount using the method specified in this Condition 4(e) on the Settlement Date or, if such date is not a Clearance System Business Day, the following Clearance System Business Day; and

- (b) the despatch of any cash payment for any Fractional Shares as described below to which the Investment holder is entitled pursuant to Condition 6(e), if applicable, on the Settlement Date by crediting any such cash payment to the relevant bank account designated by the relevant Investment holder.

The Issuer shall determine, in its sole and absolute discretion, acting in good faith and in a commercially reasonable manner, whether or not at any time a Settlement Disruption Event has occurred and where it determines such an event has occurred and so has prevented delivery of Shares on the original day that but for such Settlement Disruption Event would have been the Settlement Date, then the Settlement Date will be the first succeeding day on which delivery of such Shares can take place through the relevant Clearance System unless a Settlement Disruption Event prevents settlement on each of the eight relevant Clearance System Business Days immediately following the original date (the “**Disruption Period**”) that, but for the Settlement Disruption Event, would have been the Settlement Date. In that case, (a) if such Shares can be delivered in any other commercially reasonable manner (as determined by the Issuer in its sole and absolute discretion, acting in good faith and in a commercially reasonable manner), then such Shares will be delivered in such other commercially reasonable manner as soon as practicable and the Settlement Date will be deemed to be the actual day on which physical delivery of such Shares can be effected through the use of such other commercially reasonable manner (which other manner of delivery will be deemed the relevant Clearance System for the purposes of delivery of such Shares, or (b) if such Shares cannot be delivered in any other commercially reasonable manner (as determined by the Issuer in its sole and absolute discretion, acting in good faith and in a commercially reasonable manner), then the Settlement Date will be postponed until delivery can be effected through the relevant Clearance System or in any other commercially reasonable manner and the Settlement Date will be deemed to be the actual day on which physical delivery of such Shares can be effected.

For the purposes of this Condition 4(e):

“**Settlement Disruption Event**” in relation to the Shares means an event which the Issuer, in its sole and absolute discretion, acting in good faith and in a commercially reasonable manner, determines to be beyond its control and to be an event as a result of which the relevant Clearance System cannot clear the transfer of such Shares.

- (f) *Intervening Period.* If the Physical Settlement Amount is deliverable to the Investment holder, as from the Expiry Date, the relevant Investment holder (or such person as he may have directed) shall become beneficially entitled to all those rights attaching to the Shares which form the Physical Settlement Amount to be delivered in respect of such exercise to which he would have become entitled if he had purchased such Shares on the Expiry Date to be settled through the relevant Clearance System.

Notwithstanding the foregoing, as from the Expiry Date and until such time as the relevant Investment holder (or such person as he may have directed) is delivered the Shares which form the Physical Settlement Amount using the method specified in Condition 4(e) (the “**Intervening Period**”), neither the Issuer nor the Agent or their nominee shall:

- (i) be under any obligation to deliver to such Investment holder or any subsequent beneficial owner of the Shares which form the Physical Settlement Amount any letter, certificate, notice, circular, dividend or any other document or payment whatsoever received by the Issuer or the Agent or nominee in its capacity as the registered holder of such Shares; or
- (ii) exercise any or all rights (including voting rights) attaching to the Shares which form the Physical Settlement Amount during the Intervening Period without the prior written consent of such Investment holder, provided that neither the Issuer nor the Agent nor their nominee shall be under any obligation to exercise any such rights during the Intervening Period; or



- (iii) be under any liability to such Investment holder or any subsequent beneficial owner of the Shares which form the Physical Settlement Amount in respect of any loss or damage which such Investment holder or subsequent beneficial owner may sustain or suffer as a result, whether directly or indirectly, of the Issuer or the Agent or their nominee being registered during such Intervening Period as legal owner of such Shares.
- (g) Notwithstanding Condition 4(f) above, the Issuer shall notify each relevant Investment holder (or where there are joint Investment holders, the first named Investment holder) appearing in the register kept by the Registrar by post (by air mail in the case of an address outside Hong Kong) of the receipt by the Issuer or the Agent or their nominee during the Intervening Period of any dividend, distribution, rights, bonus issue or shares (as the case may be) issued pursuant to a share split or consolidation in respect of the Shares which form the Physical Settlement Amount beneficially owned by such Investment holder or a subsequent beneficial owner of such Shares which such Investment holder is entitled to under these Conditions.

The Issuer shall also make available as soon as reasonably practicable such dividend payment or distribution issued in respect of the Shares which form the Physical Settlement Amount, as the case may be, for collection by the Investment holder or such subsequent beneficial owner of such Shares from an office in Hong Kong which shall be specified in such notification upon production of such evidence of entitlement and identification as may reasonably be required by the Issuer.

The Issuer shall also notify each relevant Investment holder (or where there are joint Investment holders, the first named Investment holder) appearing on the register kept by the Registrar by post (by airmail in the case of an address outside Hong Kong) of any right, entitlement or offer which the Investment holder is entitled to exercise or accept under these Conditions as beneficial owner of the relevant Shares which form the Physical Settlement Amount during the Intervening Period and shall make available any document relating to such right, entitlement or offer for collection by the relevant Investment holder, or the person to whom the relevant Investment holder directed the Shares which form the Physical Settlement Amount (as the case may be) to be delivered, from an office in Hong Kong which shall be specified in such notification upon production of such evidence of entitlement and identification as may reasonably be required and, following receipt by the Issuer of written notification as may reasonably be required and, where appropriate, any relevant payment or consideration necessary in connection with exercising or accepting any such right, entitlement or offer from the relevant Investment holder or the person to whom the relevant Investment holder directed the Shares which form the Physical Settlement Amount (as the case may be) to be delivered, the Issuer shall on behalf of the relevant Investment holder, or the person to whom the relevant Investment holder directed the Shares which form the Physical Settlement Amount (as the case may be) to be delivered, exercise or accept such right, entitlement or offer.

Notwithstanding anything in this Condition, in the case of the receipt by the Issuer during the Intervening Period of an entitlement (in respect of the Shares which form the Physical Settlement Amount deliverable to or at the direction of the relevant Investment holder) which takes the form of securities issued by the Company by way of rights (to which the relevant Investment holder is entitled under these Conditions), the Issuer shall, as soon as reasonably practicable and:

- (i) in any event by no later than three Business Days following receipt by it of the relevant entitlement from the Company, where necessary post to the Company or its share registrar an application for the entitlement to be split as appropriate as between Shares which form the Physical Settlement Amount deliverable to the relevant different Investment holders (or subsequent Investment holders); and
- (ii) in any event no later than three Business Days following receipt by it of the relevant entitlement duly split as referred to in (i) above, post (by air mail in the case of an address outside Hong Kong) all documentation (duly renounced where appropriate) received by it relating to such entitlement to the relevant Investment holder, or the person to whom the relevant Investment holder directed the Shares which form the Physical Settlement Amount (as the case may be) to be delivered, or (if the relevant Investment holder shall have so directed in the relevant exercise notice) make available such documentation for collection

by the relevant Investment holder, or the person to whom the relevant Investment holder directed such Shares to be delivered, from the Transfer Office upon production of such evidence of entitlement and identification as may reasonably be required.

- (h) *Relationship of agency or trust.* These Conditions shall not be construed so as to give rise to any relationship of agency or trust between the Issuer or the Agent or their nominee and any Investment holder in its capacity as beneficial owner of Shares which form the Physical Settlement Amount (as the case may be), or any subsequent beneficial owner of Shares which form the Physical Settlement Amount (as the case may be), during an Intervening Period and neither the Issuer nor the Agent or their nominee shall owe any duty of a fiduciary nature to either such Investment holder or such beneficial owner in respect of such Shares.

## 5. Registrar and Agent

- (a) The initial Registrar and the Agent and the specified office of the Registrar (the “**Transfer Office**”) and the Agent are set out at the end of these Conditions. The Issuer reserves the right, subject to the appointment of a successor, at any time to vary or terminate the appointment of the Registrar or Agent and to appoint another Registrar or Agent provided that it will at all times maintain a Registrar and an Agent. Notice of any such termination or appointment and of any change in the offices will be given to the Investment holders in accordance with Condition 11.
- (b) Each of the Registrar and the Agent will be acting as agents of the Issuer in respect of any Investments and will not assume any obligation or duty to or any relationship of agency or trust for the Investment holders.
- (c) The register of Investment holders will be maintained outside Hong Kong by the Registrar and the Registrar will enter or cause to be entered the name, address and banking details of the Investment holders, the details of the Investments held by any Investment holder including the number of Investments of each series held and any other particulars which it thinks proper.

## 6. Adjustments, Substitution and Early Termination

- (a) *Potential Adjustment Events.* The Issuer shall determine, in its sole and absolute discretion, acting in good faith and in a commercially reasonable manner, whether or not a Potential Adjustment Event has occurred during the period between the Trade Date and the Expiry Date and where it determines that such an event has occurred, the Issuer will, in its sole and absolute discretion, acting in good faith and in a commercially reasonable manner, determine whether such Potential Adjustment Event has a diluting or concentrative effect on the theoretical value of the relevant Shares and, if so, will make such adjustment as it in its sole and absolute discretion, acting in good faith and in a commercially reasonable manner, determines to be appropriate, if any, to the terms and conditions of the relevant Investments as the Issuer determines to account for that diluting or concentrative effect so as to preserve the economic equivalence of the relevant Investments. If options contracts or futures contracts of the relevant Shares are traded on the relevant Exchange or Related Exchange, the Issuer shall follow any adjustment to the terms and conditions of the relevant options contract or futures contract made and announced by the relevant Exchange or Related Exchange, unless the Issuer determines, in its sole and absolute discretion, acting in good faith and in a commercially reasonable manner, that following such adjustment(s) is not able to preserve the economic equivalence of the Investments. In such case, the Issuer will determine the appropriate adjustment(s) in its sole and absolute discretion, acting in good faith and in a commercially reasonable manner, so as to preserve the economic equivalence of the Investments. If no options contracts or futures contracts are traded, the Issuer will determine the appropriate adjustment(s) in its sole and absolute discretion, acting in good faith and in a commercially reasonable manner, so as to preserve the economic equivalence of the Investments. The Issuer shall also determine, in its sole and absolute discretion, acting in good faith and in a commercially reasonable manner, the effective date(s) of such adjustment(s) and shall observe and use, to the extent reasonably practicable, any such ex-date(s) or other relevant date(s) as provided by the relevant Exchange or Related Exchange as the effective date(s) of such adjustment(s).



For the purposes of this Condition 6(a) and in respect of a Company whose Shares comprise the Reference Basket, “**Potential Adjustment Event**” means:

- (1) a subdivision, consolidation or reclassification of the Shares (unless resulting in a Merger Event) or a free distribution or dividend of any such Shares to existing holders whether by way of bonus, capitalisation or similar issue; or
  - (2) a distribution, issue or dividend to existing holders of the Shares of (a) such Shares or (b) other share capital or securities granting the right to payment of distributions and/or dividends and/or the proceeds of liquidation of the Company equally or proportionately with such payments to holders of any such Shares or (c) share capital or other securities of another issuer acquired or owned (directly or indirectly) by the Company as a result of a spin-off or other similar transaction or (d) any other type of securities, rights or warrants or other assets, in any case for payment (cash or otherwise) at less than the prevailing market price as determined by the Issuer in its sole and absolute discretion, acting in good faith and in a commercially reasonable manner; or
  - (3) an extraordinary dividend; or
  - (4) a call by the Company in respect of the Shares that are not fully paid; or
  - (5) a repurchase by the Company or any of its subsidiaries of the Shares whether out of profits or capital and whether the consideration for such repurchase is cash, securities or otherwise; or
  - (6) in respect of the Company, an event that results in any shareholder rights being distributed or becoming separated from shares of common stock or other shares of the capital stock of the Company, pursuant to a shareholder rights plan or arrangement directed against hostile takeovers that provides upon the occurrence of certain events for a distribution of preferred stock, warrants, debt instruments or stock rights at a price below their market value as determined by the Issuer, provided that any adjustment effected as a result of such an event shall be readjusted upon any redemption of such rights; or
  - (7) any other event that may have a diluting or concentrative effect on the theoretical value of the relevant Shares.
- (b) *Other Adjustment, Substitution or Termination Events.* If, during the period between the Trade Date and the Expiry Date, (i) a Merger Event or (ii) Tender Offer has occurred, the Issuer may make such adjustment, if any, as it, in its sole and absolute discretion, acting in good faith and in a commercially reasonable manner, determines to be appropriate to the terms and conditions of the Investments to account for such event so as to preserve the economic equivalence of the relevant Investments; where options contracts or futures contracts of the relevant Shares are traded on the relevant Exchange or Related Exchange, the Issuer shall follow any adjustment to the terms and conditions of the relevant options contract or futures contract made and announced by the relevant Exchange or Related Exchange, unless the Issuer determines, in its sole and absolute discretion, acting in good faith and in a commercially reasonable manner, that following such adjustment(s) is not able to preserve the economic equivalence of the Investments. In such case, the Issuer will determine the appropriate adjustment(s) in its sole and absolute discretion, acting in good faith and in a commercially reasonable manner, so as to preserve the economic equivalence of the Investments. If no options contracts or futures contracts are traded, the Issuer will determine the appropriate adjustment(s) in its sole and absolute discretion, acting in good faith and in a commercially reasonable manner, so as to preserve the economic equivalence of the Investments. The Issuer shall also determine in its sole and absolute discretion, acting in good faith and in a commercially reasonable manner, the effective date of that adjustment and shall observe and use, to the extent reasonably practicable, any such ex-date(s) or other relevant date(s) as provided by the relevant Exchange or Related Exchange as the effective date(s) of such adjustment(s).

If the Issuer determines in its sole and absolute discretion, acting in good faith and in a commercially reasonable manner, that any of the foregoing adjustments is not able to preserve the economic equivalence of the relevant Investments, the Issuer will seek to replace the relevant affected Share(s) with shares of another company selected by the Issuer in its sole and absolute discretion, acting in good faith and in a commercially reasonable manner, (such replacement shares being the “**Substitute Asset**”) which meet all of the following criteria:

- (i) a share listed on the same Exchange which is not already comprised in the Reference Basket; and
- (ii) a share which belongs to a similar economic sector as the affected Share(s); and
- (iii) has a similar market capitalisation as the affected Share(s) as of the Trade Date.

If the Issuer determines in its sole and absolute discretion, acting in good faith and in a commercially reasonable manner, that it is unable to find a Substitute Asset which meets all of the above criteria, then the Issuer will seek to replace the relevant affected Share(s) with shares of another company selected by the Issuer in its sole and absolute discretion, acting in good faith and in a commercially reasonable manner, which meets the criteria of (i) and (ii) above only.

If the Issuer determines in its sole and absolute discretion, acting in good faith and in a commercially reasonable manner, that replacement of the affected Shares is able to account for the Merger Event or Tender Offer, the Substitute Asset shall be deemed to be a “**Share**” and the company issuing the Substitute Asset shall be deemed to be a “**Company**”. The Issuer may make any further adjustments to the terms and conditions of the Investments as the Issuer thinks fit acting in good faith and in a commercially reasonable manner, provided that any such substitution and adjustment is not considered by the Issuer to be prejudicial to the interest of the Investment holders generally (without considering the circumstances of any individual Investment holder or the tax or other consequences of such adjustment in any particular jurisdiction).

If the Issuer determines in its sole and absolute discretion, acting in good faith and in a commercially reasonable manner, that replacement of the affected Shares is not able to account for that Merger Event or Tender Offer, the Investments shall be terminated as of the date selected by the Issuer in its sole and absolute discretion, acting in good faith and in a commercially reasonable manner, and the entitlements of the Investment holders to each receive the Final Settlement Payout shall cease and the Issuer’s obligations under the Investments shall be satisfied in full upon payment of the Adjustment Event Settlement Amount (as defined in Condition 6(c)). The Adjustment Event Settlement Amount shall be paid to the Investment holders as soon as practicable after the date of termination of the Investments by crediting that amount to the relevant bank account designated by the relevant Investment holder. No Cash Settlement Expenses will be payable for the cash payment of any Adjustment Event Settlement Amount to the relevant Investment holder under this Condition 6(b).

If, during the period between the Trade Date and the Expiry Date, (i) a Nationalisation; (ii) an Insolvency; (iii) a Delisting; or (iv) an Additional Disruption Event has occurred, the Issuer will seek to replace the relevant affected Share(s) with a Substitute Asset based on the same method of selection as set out above. The Issuer may make any further adjustments to the terms and conditions of the Investments as the Issuer thinks fit acting in good faith and in a commercially reasonable manner, provided that any such substitution and adjustment is not considered by the Issuer to be prejudicial to the interest of the Investment holders generally (without considering the circumstances of any individual Investment holder or the tax or other consequences of such adjustment in any particular jurisdiction). If the Issuer determines in its sole and absolute discretion, acting in good faith and in a commercially reasonable manner, that replacement of the affected Share(s) is not able to account for that Nationalisation, Insolvency, Delisting or Additional Disruption Event, the Investments shall be terminated as of the date selected by the Issuer in its sole and absolute discretion, acting in good faith and in a commercially reasonable manner, and the entitlements of the Investment holders to each receive the Final Settlement Payout shall cease and the Issuer’s obligations under the Investments shall be satisfied in full upon payment of the Adjustment Event Settlement Amount (as defined in Condition 6(c)). The Adjustment Event Settlement Amount shall be paid to the Investment holders as soon as

practicable after the date of termination of the Investments by crediting that amount to the relevant bank account designated by the relevant Investment holder. No Cash Settlement Expenses will be payable for the cash payment of any Adjustment Event Settlement Amount to the relevant Investment holder under this Condition 6(b).

If the Issuer determines in good faith and in a commercially reasonable manner that the performance of any of its absolute or contingent obligations under the Investments has become illegal or impracticable in whole or in part for any reason beyond the Issuer's control, the Investments shall be terminated as of the date selected by the Issuer in its sole and absolute discretion, acting in good faith and in a commercially reasonable manner, and the entitlements of the Investment holders to each receive the Final Settlement Payout shall cease and the Issuer's obligations under the Investments shall be satisfied in full upon payment of the Adjustment Event Settlement Amount (as defined in Condition 6(c)). The Adjustment Event Settlement Amount shall be paid to the Investment holders as soon as practicable after the date of termination of the Investments by crediting that amount to the relevant bank account designated by the relevant Investment holder. No Cash Settlement Expenses will be payable for the cash payment of any Adjustment Event Settlement Amount to the relevant Investment holder under this Condition 6(b).

(c) *Definitions.* For the purposes of these Conditions:

**"Additional Disruption Event"** means each of Change in Law, Insolvency Filing and Increased Cost of Hedging;

**"Adjustment Event Settlement Amount"** means such amount as in the opinion of the Issuer (such opinion to be made in its sole and absolute discretion, acting in good faith and in a commercially reasonable manner) to be the fair market value for the Investments as of the date of termination of the Investments (adjusted to account fully for any costs which are, or would be, incurred by the Issuer in unwinding any underlying or related hedging and funding arrangements, all as determined by the Issuer in its sole and absolute discretion, acting in good faith and in a commercially reasonable manner);

**"Change in Law"** means (i) due to the adoption of or any change in any applicable law or regulation (including, without limitation, any tax law), or (ii) due to the promulgation of or any change in the interpretation by any court, tribunal or regulatory authority with competent jurisdiction of any applicable law or regulation (including any action taken by a taxing authority), the Issuer determines in good faith that (a) it has become illegal to hold, acquire or dispose of Shares or (b) it will incur a materially increased cost in performing its obligations under the Investments (including, without limitation, due to any increase in tax liability, decrease in tax benefit or other adverse effect on its tax position);

**"Delisting"** means in respect of a Company whose Shares comprise the Reference Basket, if the Exchange announces that pursuant to the rules of such Exchange, the Shares cease (or will cease) to be listed, traded or publicly quoted on the relevant Exchange for any reason (other than a Merger Event) and are not immediately re-listed, re-traded or re-quoted on an exchange or quotation system located in the same country as the relevant Exchange;

**"Increased Cost of Hedging"** means, in the opinion of the Issuer (acting in good faith and in a commercially reasonable manner), the Issuer or any of its affiliates (a) is unable to, after using commercially reasonable efforts; or (b) would incur a material increase (as compared with circumstances existing on the Trade Date) in tax, duty, expense or fee (other than brokerage commissions) to:

- (i) acquire, establish, re-establish, substitute, maintain, unwind or dispose of any transaction or asset it deems necessary to hedge the price risk relating to the Shares of entering into and performing its obligations with respect to the Investment; or
- (ii) realise, recover or remit the proceeds of any such transaction or asset,

provided that any such materially increased amount that is incurred due to the deterioration of the creditworthiness of the Issuer or its affiliates shall not be deemed an Increased Cost of Hedging;

**“Insolvency”** means, in respect of a Company whose Shares comprise the Reference Basket, if by reason of the voluntary or involuntary liquidation, bankruptcy, insolvency, dissolution or winding-up of or any analogous proceeding affecting such Company (A) all the Shares of the Company are required to be transferred to a trustee, liquidator or other similar official or (B) holders of the Shares become legally prohibited from transferring them;

**“Insolvency Filing”** means the Company institutes or has instituted against it by a regulator, supervisor or any similar official with primary insolvency, rehabilitative or regulatory jurisdiction over it in the jurisdiction of its incorporation or organisation or the jurisdiction of its head or home office, or it consents to a proceeding seeking a judgment of insolvency or bankruptcy or any other relief under any bankruptcy or insolvency law or other similar law affecting creditors’ rights, or a petition is presented for its winding-up or liquidation by it or such regulator, supervisor or similar official or it consents to such a petition, provided that proceedings instituted or petitions presented by creditors and not consented to by the issuer of the Shares shall not be deemed an Insolvency Filing;

**“Merger Date”** means the closing date of a Merger Event or, where a closing date cannot be determined under the local law applicable to such Merger Event, such other date as determined by the Issuer (acting in good faith and in a commercially reasonable manner);

**“Merger Event”** means in respect of the relevant Shares, any:

- (1) reclassification or change of such Shares that results in a transfer of or an irrevocable commitment to transfer all of such Shares outstanding to another entity or person; or
- (2) consolidation, amalgamation, merger or binding share exchange of the Company with or into another entity or person (other than a consolidation, amalgamation, merger or binding share exchange in which such Company is the continuing entity and which does not result in any such reclassification or change of all of such Shares outstanding); or
- (3) takeover offer, tender offer, exchange offer, solicitation, proposal or other event by any entity or person to purchase or otherwise obtain 100 per cent. of the outstanding Shares of the Company that results in a transfer of or an irrevocable commitment to transfer all such Shares (other than such Shares owned or controlled by such other entity or person); or
- (4) consolidation, amalgamation, merger or binding share exchange of the Company or its subsidiaries with or into another entity in which the Company is the continuing entity and which does not result in a reclassification or change of all such Shares outstanding but results in the outstanding Shares (other than Shares owned or controlled by such other entity) immediately prior to such event collectively representing less than 50 per cent. of the outstanding Shares immediately following such event, in each case if the Merger Date is on or before the Expiry Date;

**“Nationalisation”** means in respect of a Company whose Shares comprise the Reference Basket, if all the Shares or all the assets or substantially all the assets of such Company are nationalised, expropriated or are otherwise required to be transferred to any governmental agency, authority, entity or instrumentality thereof;

**“Tender Offer”** means a takeover offer, tender offer, exchange offer, solicitation, proposal or other event by any entity or person that results in such entity or person purchasing, or otherwise obtaining or having the right to obtain, by conversion or other means, greater than 10 per cent. and less than 100 per cent. of the outstanding voting Shares of the Company as determined by the Issuer, based upon the making of filings with governmental or self-regulatory agencies or such other information as the Issuer deems relevant, in each case if the Tender Offer Date is on or before the Expiry Date;

**“Tender Offer Date”** means, in respect of a Tender Offer, the date on which voting Shares in the amount of the applicable percentage threshold are actually purchased or otherwise obtained (as determined by the Issuer);

- (d) *Notice of Adjustments and/or Substitutions or Termination.* All determinations made by the Issuer pursuant hereto will be conclusive and binding on the Investment holders. The Issuer will give, or procure that there is given, notice as soon as practicable of any adjustment and/or substitution or termination (as the case may be) and of the date from which such adjustment and/or substitution is effective or the date of termination (as the case may be) and the relevant Adjustment Event Settlement Amount, all in accordance with Condition 11.
- (e) *Fractional Shares.* In the case where the Physical Settlement Amount is to be delivered to the Investment holders, the following provisions will apply:

If, in respect of each Investment, the calculation of the Physical Settlement Amount (if not for the provision of this Condition 6(e)) would result in the relevant Investment holder becoming entitled to delivery of any fractional Shares of the Worst Performing Asset (rounded to 4 decimal places, with 0.00005 or above being rounded upwards) (the **“Fractional Shares”**), then:

- (i) the Issuer shall not deliver to the relevant Investment holder and the relevant Investment holder shall cease to be entitled to receive in respect of such Investment that number of Fractional Shares upon expiry of the Investments; and
- (ii) the relevant Investment holder shall be entitled to receive a cash amount from the Issuer (subject to Condition 4(e)), to be paid on the Settlement Date in accordance with Condition 4(e) equal to the Closing Price of the Worst Performing Asset on the Expiry Date multiplied by the Fractional Shares (rounded to 2 decimal places, with 0.005 or above being rounded upwards) (converted into the Settlement Currency at the Exchange Rate where necessary). No Cash Settlement Expenses will be payable for the cash payment for any Fractional Shares to the relevant Investment holder under this Condition 6(e).

## 7. Potential Performance Return

In respect of each Investment, if the Closing Price of the Worst Performing Asset on the Expiry Date is **at or above** its Initial Spot Price, the Issuer shall pay to the Investment holder an amount (the **“Potential Performance Return”**) calculated by the Issuer as follows, rounded to 2 decimal places, with 0.005 or above being rounded upwards:

$$\text{Nominal Amount} \times \text{Return}$$

Where, **“Return”** is the higher of:

- (i) the Floor Rate; and
- (ii) the rate calculated according to the following formula:

$$\left( \frac{\text{Closing Price of the Worst Performing Asset on the Expiry Date}}{\text{Initial Spot Price of the Worst Performing Asset on the Expiry Date}} - 1 \right) \times \text{Participation Rate}$$

The calculation of the Return according to the formula under (ii) above will not be rounded.

## 8. Purchases

Each of the Issuer and any person directly or indirectly connected to the Issuer may at any time purchase Investments at any price in the open market or by tender or by private treaty. Any Investments so purchased may be held, resold or at the option of the Issuer surrendered for cancellation.

## 9. Global Certificate

The Investments are represented by the Global Certificate registered in the name of the Nominee. Investment holders will only be entitled to definitive certificates in respect of any Investments issued or transferred to them in the very limited circumstances as set out in Condition 1.

## 10. Meetings of Investment holders; Modification

- (a) *Meetings of Investment holders.* The Registrars' Agreement contains provisions for convening meetings of the Investment holders to consider any matter affecting their interests, including the sanctioning by Extraordinary Resolution (as defined in the Registrars' Agreement) of a modification of the provisions of the Investments or of the Global Certificate.

Such a meeting may be convened by the Issuer or by Investment holders holding not less than 10 per cent. of the Investments for the time being remaining outstanding. 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 Investments for the time being remaining outstanding, or at any adjourned meeting two or more persons being or representing Investment holders whatever the number of Investments 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 Investment holders as, being entitled to do so, vote in person or by proxy.

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

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

- (b) *Modification.* The Issuer may, without the consent of the Investment holders, effect any modification of the provisions of the Investments or the Global Certificate which is of a formal, minor or technical nature, which is made to correct an obvious error or which is necessary in order to comply with mandatory provisions of the laws of Hong Kong (as defined in Condition 13) (as determined by the Issuer in its sole and absolute discretion, acting in good faith and in a commercially reasonable manner). Any such modification shall be binding on the Investment holders and shall be notified to them by the Registrar before the effective date or as soon as practicable thereafter in accordance with Condition 11.

## 11. Notices

- (a) All documents required or permitted by these Conditions to be sent to an Investment holder or to which an Investment holder is entitled or which the Issuer shall have agreed to deliver to the Investment holder may be delivered by hand or sent by post addressed to the Investment holder to the Investment holder's address (or, in the case of joint Investment holders, to the address of the first named Investment holder) appearing in the register kept by the Registrar, and airmail post shall be used if such address is not in Hong Kong. All documents delivered or sent in accordance with this paragraph shall be delivered or sent at the risk of the relevant Investment holder.
- (b) All notices to Investment holders regarding Investments in definitive form will be deemed to be validly given if sent by mail to the holders of Investments at their addresses appearing in the register of Investment holders kept by the Registrar. In addition, such notices may also be published in English in one leading English, and in Chinese in one leading Chinese, language newspaper circulating in Hong Kong. Such notices shall be deemed to have been given on the date of the first such publication.
- (c) For so long as the Investments are represented by the Global Certificate held on behalf of Euroclear and/or Clearstream, Luxembourg or the Additional Clearing System, notice may be delivered to Euroclear and/or Clearstream, Luxembourg or the Additional Clearing System (as the case may be) for communication by them to the holders of the Investments.



- (d) Notice to be given by any Investment holder shall be in writing and given by lodging the same, together (in the case of any Investment in definitive form) with the relevant certificate or certificates, with the Registrar. Whilst any of the Investments are represented by the Global Certificate, such notice may be given by any Investment holder to the Registrar through Euroclear and/or Clearstream, Luxembourg or the Additional Clearing System (as the case may be), in such manner as the Registrar and Euroclear and/or Clearstream, Luxembourg or the Additional Clearing System, as the case may be, may approve for this purpose.

## **12. Modification of the Conditions of the Investments in the applicable Pricing Supplement**

The Conditions applicable to the Investments may be amended and/or supplemented as set forth in the applicable Pricing Supplement or in an annex to such applicable Pricing Supplement.

## **13. Governing Law**

The Investments, these Conditions, the Global Certificate, the Deed of Covenant and the Registrars' Agreement 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 Investment holder (by its purchase of the Investments) shall be deemed to have submitted for all purposes in connection with the Investments, the Global Certificate and the Registrars' Agreement to the non-exclusive jurisdiction of the courts of Hong Kong.

## **14. Contracts (Rights of Third Parties) Ordinance**

No person shall have any right to enforce any term or condition of the Investments under the Contracts (Rights of Third Parties) Ordinance (Cap. 623 of the Laws of Hong Kong).

## **15. Language**

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

### **Specified Office of the Agent**

The Hongkong and Shanghai Banking Corporation Limited  
Level 24  
HSBC Main Building  
1 Queen's Road Central  
Hong Kong

### **Transfer Office**

The Hongkong and Shanghai Banking Corporation Limited, Singapore Branch  
10 Marina Boulevard  
#45-01 Marina Bay Financial Centre  
Tower 2  
Singapore 018983



## APPENDIX C

### FORM OF PRICING SUPPLEMENT FOR THE BASKET US PPR INVESTMENTS

*We set out below the form of the pricing supplement for the Basket US PPR Investments. The pricing supplement will be issued in the English language only for the purposes of lodgement with the relevant clearing systems and attachment to the Global Certificate. The English version of the pricing supplement shall prevail over the Chinese version in the event of conflict or discrepancy. A certified true copy of the pricing supplement in the Chinese language will be available for inspection at the offices of the product arranger as set out on page 133 of this product booklet.*

*The SFC takes no responsibility as to the contents of the terms of the pricing supplement as set out in this Appendix C (the “Pricing Supplement”). SFC authorisation does not imply SFC’s endorsement of the Conditions (as amended or supplemented by this Pricing Supplement).*

#### THE HONGKONG AND SHANGHAI BANKING CORPORATION LIMITED

[currency] [number] Non-Principal Protected Unlisted Potential Performance Return Equity Linked  
Investments linked to shares of  
[company] ([stock code])  
[and shares of  
[company] ([stock code])]  
(the “Basket US PPR Investments”)

issued pursuant to The Hongkong and Shanghai Banking Corporation Limited  
Unlisted Structured Products Programme (the “Programme”)

**The Basket US PPR Investments are not traded on any markets operated by Hong Kong Exchanges and Clearing Limited or any other stock exchanges.**

[date]

This document constitutes the Pricing Supplement relating to the issue of the Basket US PPR Investments described herein. This Pricing Supplement amends and supplements the general terms and conditions of the Basket US PPR Investments (the “**Conditions**”) as set out in Appendix B – “General Terms and Conditions of the Basket US PPR Investments” in the Product Booklet dated 24 July 2023 (the “**Product Booklet**”) [as supplemented by the addendum dated [date] (the “**Addendum**”)] relating to the Programme and should be read in conjunction with such Conditions. Terms used herein shall be deemed to be defined as such for the purposes of the Conditions set forth in the Product Booklet [and the Addendum].

[As at the date of this Pricing Supplement, no addendum has been published in respect of the Product Booklet.]

#### GENERAL TERMS

- |   |                                    |
|---|------------------------------------|
| 1. Type of Equity Linked Investments:               | Basket US PPR Investments          |
| 2. Listing Status:                                  | Unlisted                           |
| 3. Issue Size:                                      | [number] Basket US PPR Investments |
| 4. Nominal Amount of one Basket US PPR Investments: | [currency] [amount]                |
| 5. Trade Date:                                      | [date]                             |
| 6. Issue Date:                                      | [date]                             |

7. Series Number: [number]
8. Issue Price: [percentage]% of the Nominal Amount
9. Expiry Date: [date] (the “**Scheduled Expiry Date**”).
10. Settlement Date: The third Business Day after the Expiry Date.
11. Business Day Centre(s): [city(ies)] in relation to the Settlement Date; and [city(ies)] for all other dates
12. Settlement Currency: [currency] (“**currency**”)
13. Minimum Transfer Amount: One Basket US PPR Investment (i.e. the Nominal Amount)
14. Other terms or special conditions: Not Applicable
- Share Basket US PPR Investment Provisions:** Applicable
15. Reference Basket: A basket made up of shares (each a “**Share**”) of a company (each a “**Company**”) as shown in the table below:
- | <b>Company</b> | <b>Stock Code</b> |
|----------------|-------------------|
| [name]         | [stock code]      |
| [name]         | [stock code]      |
16. Exchange (N.B. This relates to the Shares): In respect of each Share, the relevant Exchange as shown below:
- | <b>Share:</b> | <b>Exchange:</b>              |
|---------------|-------------------------------|
| [Share]       | [The New York Stock Exchange] |
|               | [The NASDAQ Stock Market]     |
| [Share]       | [The New York Stock Exchange] |
|               | [The NASDAQ Stock Market]     |
17. Related Exchange: [Exchange] [All Exchanges]
18. Exercise Price: In respect of each Share, [[number] per cent. of its Initial Spot Price, (rounded to 4 decimal places, with 0.00005 or above being rounded upwards)]:
- | <b>Reference Asset:</b> | <b>Exercise Price:</b> |
|-------------------------|------------------------|
| [Name of Company]       | [currency] [price]     |
| [Name of Company]       | [currency] [price]     |
19. Initial Spot Price: [[Name of Company] [currency] [price]]  
[[Name of Company] [currency] [price]]  
[[Name of Company] [currency] [price]]

20. Exchange Rate: [Not Applicable] [The mid-market exchange rate for U.S. dollars per 1 Settlement Currency as per [Reuters] [Bloomberg] Page *[page]* at the Valuation Time on the Expiry Date. If such mid-market exchange rate cannot be determined, the Issuer shall select another page for the purpose of displaying comparable rates or determine in good faith such mid-market exchange rate by references to such sources as it may select in its sole and absolute discretion.]
21. Knock-in Event: [Applicable] [Not Applicable]
- Daily Knock-in Event: [Applicable] [Not Applicable]
- At-Expiry Knock-in Event: [Applicable] [Not Applicable]
22. Knock-in Price: [Not Applicable] [In respect of each Share, *[[number]* per cent. of its Initial Spot Price, rounded to 4 decimal places, with 0.00005 or above being rounded upwards]:
- |                          |                           |
|--------------------------|---------------------------|
| <b>Reference Asset:</b>  | <b>Knock-in Price:</b>    |
| <i>[Name of Company]</i> | <i>[currency] [price]</i> |
| <i>[Name of Company]</i> | <i>[currency] [price]</i> |
23. Floor Rate: *[percentage]*%
24. Participation Rate: *[percentage]*%
25. Benchmark for determining Final Settlement Payout: [Initial Spot Price and Exercise Price] [Exercise Price]

## OPERATIONAL INFORMATION

26. Any Additional Clearing System(s) and the relevant identification number(s): [Not Applicable] [The Depository Trust and Clearing Corporation] *[insert identification number]*
- Delivery: Delivery of Basket US PPR Investments [free of] [against payment of] issue proceeds
- ISIN: *[number]*
- Common Code: *[number]*

Signed on behalf of the Issuer:

The Hongkong and Shanghai Banking Corporation Limited

By: \_\_\_\_\_  
Duly authorised

**REGISTERED OFFICE OF THE ISSUER**

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*To the Issuer as to Hong Kong law*

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