



恒生銀行  
HANG SENG BANK

## Hang Seng Bank Limited

*(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 of Hong Kong for types 1, 4, 7 and 9 regulated activities)*

*as Issuer and Product Arranger*

## Hang Seng Non-Capital Protected Unlisted Bull Equity Linked Investments with Potential Upside Cash Distribution Linked to a Basket of Stocks ("Hang Seng Basket Stocks Bull ELIs with Potential Upside Cash Distribution")

*Arrangers to the Programme*

**Hang Seng Bank Limited**

**Hang Seng Investment Management Limited**

*(incorporated in Hong Kong and licensed under the Securities and Futures Ordinance of Hong Kong for types 1, 4, 5, 6 and 9 regulated activities)*

**Hang Seng Securities Limited**

*(incorporated in Hong Kong and licensed under the Securities and Futures Ordinance of Hong Kong for types 1 and 4 regulated activities)*

**This product is a complex product. Investors should exercise caution in relation to this product. Investors are warned that the market value of this product may fluctuate and investors may sustain a total loss of their investment. Prospective investors should therefore ensure that they understand the nature of the product and carefully study the risk factors set out in this document and other documents comprising the offering documents for this product and, where necessary, seek independent professional advice, before they decide whether to invest in this product.**

**This product constitutes general unsecured and unsubordinated contractual obligations of Hang Seng Bank Limited as the Issuer and of no other person. If you purchase this product, you are relying upon the creditworthiness of Hang Seng Bank Limited as the Issuer and have no rights under the terms and conditions of this product against any issuer of any linked stock.**

The Securities and Futures Commission ("SFC") has authorised our Hang Seng Basket Stocks Bull ELIs with Potential Upside Cash Distribution under Section 104A(1) of the Securities and Futures Ordinance (Cap. 571, Laws of Hong Kong) ("SFO") and the issue of this document and the indicative term sheet based on the standard format set out in Appendix B to this document as part of the offering documents for our Hang Seng Basket Stocks Bull ELIs with Potential Upside Cash Distribution under Section 105(1) of the SFO. The SFC takes no responsibility for our Hang Seng Basket Stocks Bull ELIs with Potential Upside Cash Distribution 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 its endorsement or recommendation of our Hang Seng Basket Stocks Bull ELIs with Potential Upside Cash Distribution referred to in this document nor does it imply that the SFC guarantees the commercial merits of our Hang Seng Basket Stocks Bull ELIs with Potential Upside Cash Distribution or their performance. The SFC's authorisation does not mean our Hang Seng Basket Stocks Bull ELIs with Potential Upside Cash Distribution 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 advice before investing in our Hang Seng Basket Stocks Bull ELIs with Potential Upside Cash Distribution.

## IMPORTANT

*If you are in any doubt about any of the contents of this product booklet, you should obtain independent professional advice.*

The offering documents for our Hang Seng Basket Stocks Bull ELIs with Potential Upside Cash Distribution (as further described on page 105 of this product booklet) 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 Hang Seng Bank Limited (as the Issuer and the Product Arranger), our programme for the issue of unlisted equity linked structured products (the “**Programme**”) and our Hang Seng Basket Stocks Bull ELIs with Potential Upside Cash Distribution. Hang Seng Bank Limited (as the Issuer and the Product Arranger) accepts full responsibility for the contents of, and the completeness and accuracy of the information contained in our Hang Seng Basket Stocks Bull ELIs with Potential Upside Cash Distribution offering documents and confirms, having made all reasonable enquiries, that to the best of its knowledge and belief there is no untrue or misleading statement, or other facts the omission of which would make any statement therein untrue or misleading. Hang Seng Bank Limited (as the Issuer and the Product Arranger) also confirms that it meets the eligibility requirements applicable to issuers and product arrangers under the Code respectively and our Hang Seng Basket Stocks Bull ELIs with Potential Upside Cash Distribution comply with the Code. Hang Seng Bank Limited is the “Product Arranger” for the purpose of the Code.

In this product booklet, references to the “indicative term sheet” are to the indicative term sheet for a particular series of Hang Seng Basket Stocks Bull ELIs with Potential Upside Cash Distribution, references to the “final term sheet” are to the final term sheet for a particular series of Hang Seng Basket Stocks Bull ELIs with Potential Upside Cash Distribution, and references to the “relevant term sheet” are to both indicative and final term sheets for a particular series of Hang Seng Basket Stocks Bull ELIs with Potential Upside Cash Distribution.

This product booklet has no regard to the specific investment objectives, financial situation or particular needs of any specific recipient. It is not intended to provide and should not be relied upon for tax, legal or accounting advice.

**Post-sale cooling-off period pursuant to Part IV of the Code applies to our Hang Seng Basket Stocks Bull ELIs with Potential Upside Cash Distribution with an investment period of more than one year. For further details, please refer to page 62 of this product booklet.**

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## KEY FACTS STATEMENT (A)

**Hang Seng Non-Capital Protected Unlisted Bull Basket Stocks ELIs  
with Potential Upside Cash Distribution  
("CDNA ELIs")**

issued by

**Hang Seng Bank Limited**

**This is an unlisted structured product embedded with derivatives.**

**This statement provides you with key information about our CDNA ELIs, which is one type of our Hang Seng Basket Stocks Bull ELIs with Potential Upside Cash Distribution that we may issue. This statement is a part of the offering documents.**

**You should not invest in this product based on this statement alone.**

**WHAT ARE THE KEY RISKS?**

**Investment involves risks. Please refer to the "Risk Factors" sections in the information memorandum and in this product booklet for details.**

- **Not capital protected — Our CDNA ELIs are not capital protected: you could lose all of your investment.**
- **No collateral — Our CDNA ELIs are not collateralised and are not secured on any of our assets.**
- **Unlisted structured products and NOT protected deposits — Our CDNA ELIs are unlisted structured products embedded with derivatives and are not equivalent to nor should they be treated as time deposits. They are NOT protected deposits for the purposes of the Deposit Protection Scheme. In the worst case scenario, you could lose all of your investment.**
- **Potential payout is determined by reference to the worst performing stock in the basket on the final fixing date —** The potential payout under our CDNA ELIs is determined by reference to the worst performing stock in the basket on the final fixing date. If any one of the linked stocks in the basket performs poorly against your expectation, you will not benefit from the performance of any other linked stocks in the basket.
- **Limited market making arrangement —** Our CDNA ELIs are designed to be held till maturity. However, if you try to sell our CDNA ELIs you hold before the final fixing date, we will provide daily market making arrangement within the time period as specified in the indicative term sheet for you to sell back the CDNA ELIs, but the actual sell back price that you receive may be less than or substantially less than the original amount you invested. In addition, you should note that we may not be able to provide market making arrangements on a market making day if the relevant CDNA ELI is affected by market disruption events.
- **You rely on our creditworthiness —** Our CDNA ELIs constitute general unsecured and unsubordinated contractual obligations of Hang Seng Bank Limited as the Issuer. When you buy our CDNA ELIs, you will be relying on the creditworthiness of Hang Seng Bank Limited as the Issuer and of no other person. You have no rights under the terms and conditions of our CDNA ELIs against any issuer of any linked stock. **If we become insolvent or default on our obligations under the CDNA ELIs, in the worst case scenario, you could lose all of your investment.**
- **You rely on the creditworthiness of your distributor or its custodian(s) —** When you invest in our CDNA ELIs, you rely on the creditworthiness of your distributor or its custodian(s). If your distributor becomes insolvent or defaults on its obligations, you will have a right to claim against such distributor. If your distributor's custodian becomes insolvent or defaults on its obligations, you will not have any direct contractual rights against such custodian and will have to rely on your distributor to take action against such custodian. **In the worst case scenario, you could lose all of your investment.**
- **May not have direct enforcement rights —** If our CDNA ELIs are held either (i) through the clearing system or (ii) outside the clearing system through a distributor other than us, you will have to rely on your distributor or its custodian(s) to take action to assert your rights as an investor in our CDNA ELIs on your behalf and will not have direct contractual rights of enforcement against us as the Issuer. **In the worst case scenario, you could lose all of your investment.**

- **Not the same as investing in linked stocks** — Investing in our CDNA ELIs is not the same as investing in the linked stocks. During the investment period, you have no rights in any of the linked stocks (except where the worst performing stock as of the final fixing date is deliverable to you upon maturity, you will be entitled to the rights in such worst performing stock as from the final fixing date as described in the terms and conditions). Changes in the market price of any of the linked stocks may not lead to a corresponding change in the market value of, or your potential gain or loss under, our CDNA ELIs.
- **Not covered by Investor Compensation Fund** — Our CDNA ELIs are not listed on any stock exchange and are not covered by the Investor Compensation Fund.
- **Conflicts of interest** — You should note that conflicts of interest may arise from the different roles played by us and our subsidiaries and affiliates in connection with our CDNA ELIs and our economic interests in each role may be adverse to your interests in our CDNA ELIs.
- **English version of the terms and conditions may prevail** — If our CDNA ELIs are held through international securities clearing systems, the terms and conditions of our CDNA ELIs are issued in English only for the purposes of lodgement with the relevant clearing systems, and shall prevail over the Chinese version of the terms and conditions contained in the Chinese version of this product booklet in the event of inconsistency. If you do not understand the English version, you should obtain independent professional advice.
- **Exposure to risk from the start date** — You will be exposed to the risks associated with our CDNA ELIs starting from the start date.
- **Additional risks for RMB-denominated CDNA ELIs and/or RMB-traded linked stock** — Where the settlement currency of our CDNA ELIs is Renminbi (“RMB”), and/or any linked stock is denominated and traded in RMB, the performance of our CDNA ELIs may be adversely affected due to risks relating to RMB, such as the current limited pool of RMB outside the mainland China, offshore RMB exchange rate risk and RMB interest rate risk. Our payment under any RMB-denominated CDNA ELIs may also be postponed, or delivered in a HKD equivalent amount upon occurrence of an RMB disruption event.

## WHAT IS THIS PRODUCT AND HOW DOES IT WORK?

- CDNA ELIs are one type of our Hang Seng Basket Stocks Bull ELIs with Potential Upside Cash Distribution which have a series of embedded options including embedded conditional put options over a basket of linked stocks (being shares and/or units of companies and/or funds listed on Hong Kong Stock Exchange and traded in Hong Kong dollars (“HKD”), RMB, United States dollars (“USD”) or such other currencies as specified in the relevant term sheet). Our CDNA ELIs shall have a maximum of ten and a minimum of two linked stocks in the basket. Not all listed stocks or funds can be used as a linked stock; you should ask your distributor what linked stocks are available. The basket may comprise a mixture of linked stocks traded in different currencies.
- You should note that with respect to each linked stock in the basket, the initial stock price may be (i) the official closing price of such linked stock on the Hong Kong Stock Exchange on the start date, or (ii) the market spot price of such linked stock as agreed between us and you (via your distributor) on the start date. For the avoidance of doubt, it is possible that the initial stock price(s) of certain linked stock(s) in the basket will be determined by using method (i) while the initial stock price(s) of other linked stock(s) in the basket will be determined by using method (ii). With respect to any linked stock(s) in the basket using method (i) in determining the initial stock price(s), the initial stock price(s) of such linked stock(s) will only be recorded after you are committed to purchase our CDNA ELIs. In that case, when you place your order, you will not know the actual values of some of the terms (such as the reference stock price(s) of the relevant linked stock(s)) which will only be determined after the market close on the start date. The distributor will issue a contract note specifying all these terms to you 2 business days after the start date.
- We may issue and settle our CDNA ELIs in RMB or any non-restricted and freely convertible currency such as HKD or USD as specified in the relevant term sheet.
- Each CDNA ELI represents a nominal value as specified in the relevant term sheet. Such nominal value is used to calculate the issue price per CDNA ELI and any potential upside cash distribution amount and to determine any settlement at maturity.

- Settlement at maturity will be determined based on the closing price of the worst performing stock in the basket on the final fixing date. The linked stock with the lowest stock performance will be the worst performing stock for a scheduled trading day. The worst performing stock on each scheduled trading day can be different. The stock performance for each linked stock in the basket on a scheduled trading day will be calculated using the following formula:

$$\text{Stock performance of a linked stock} = \frac{\text{Closing price of that linked stock on the relevant scheduled trading day}}{\text{Initial stock price of that linked stock}} \times 100\%$$

If more than one linked stock has the same lowest stock performance among all the linked stocks in the basket on a scheduled trading day, we (as the Issuer) will, in our sole and absolute discretion acting in good faith and in a commercially reasonable manner, decide which linked stock shall be the worst performing stock for that scheduled trading day.

- If our CDNA ELIs have not been early terminated during the investment period, CDNA ELIs will mature on the maturity date and you will receive (i) 100% of the nominal value and the potential upside cash distribution amount if the final stock price of the worst performing stock as of the final fixing date is equal to or above its initial stock price, or (ii) 100% of the nominal value in cash if the final stock price of the worst performing stock as of the final fixing date is below its initial stock price but equal to or above its reference stock price. However, if the final stock price of the worst performing stock as of the final fixing date is lower than its reference stock price, you will either receive physical delivery of the number of share(s)/unit(s) per ELI (after payment of any physical settlement expenses) (if you have elected physical settlement) or its cash equivalent (if you have elected cash settlement) on the maturity date (as described further in the section “Mode of Settlement” below), in which event you may suffer a loss in your capital invested.

## WHAT ARE THE KEY FEATURES?

### Settlement At Maturity

#### (A) Potential Upside Cash Distribution Amount

You will receive the potential upside cash distribution amount on the maturity date if the final stock price of the worst performing stock as of the final fixing date is equal to or above its initial stock price. We will calculate such potential upside cash distribution amount according to the following formula (rounded to the nearest 0.01, with 0.005 or above being rounded upwards, save in the case of JPY, rounded to the nearest whole JPY, with 0.5 or above being rounded upwards):

Nominal value x cash distribution rate
--

Where:

Cash distribution rate is the higher of:

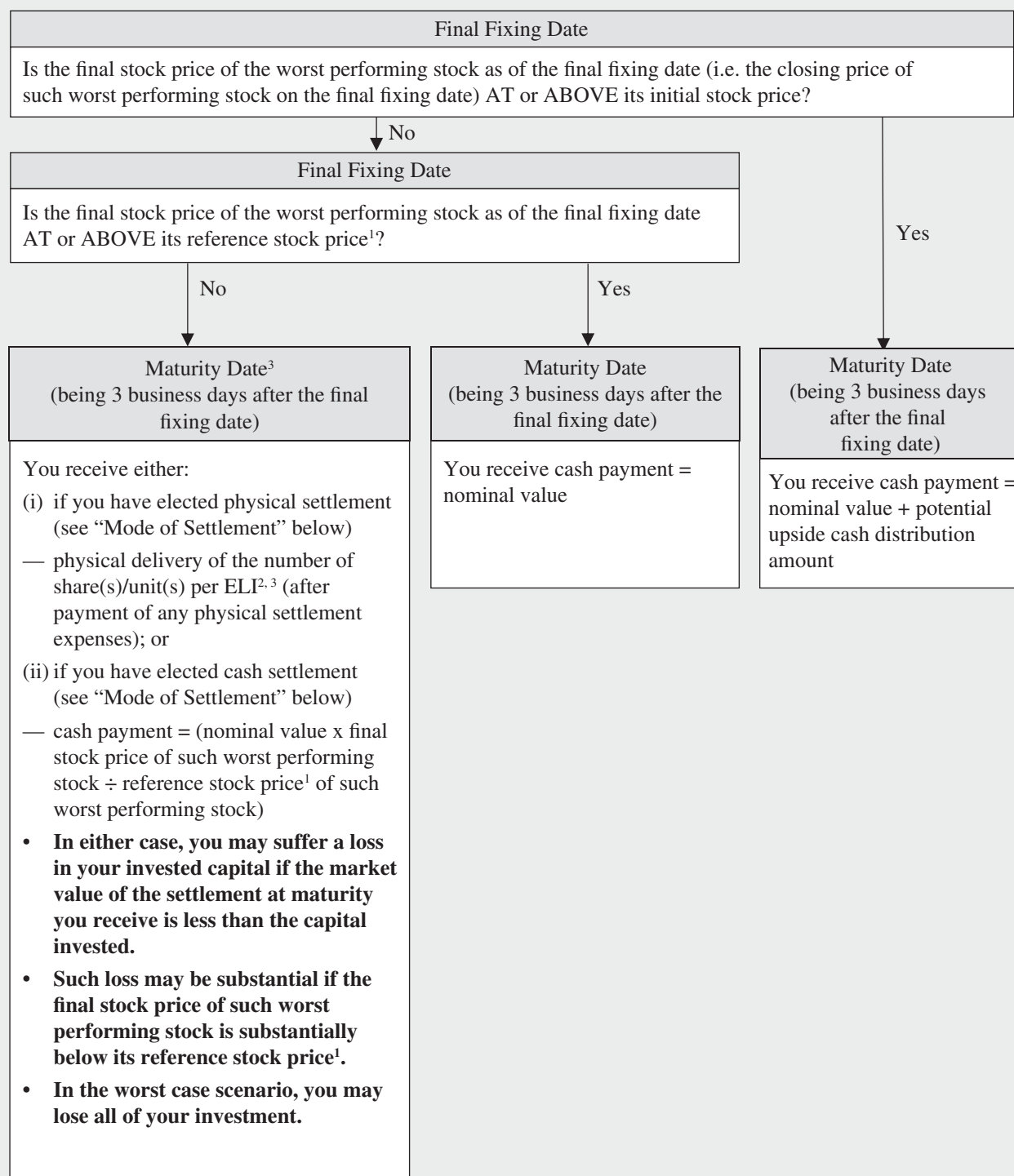
- (i) the floor cash distribution rate as specified in the relevant term sheet; and
- (ii) the rate calculated in accordance with the following formula (calculated to 4 decimal places, 0.00005 being rounded upwards):

$$\left( \frac{\text{Final stock price of the worst performing stock as of the final fixing date}}{\text{Initial stock price of the worst performing stock as of the final fixing date}} - 1 \right) \times 100\%$$

**You should note that it is possible that you will not receive any potential upside cash distribution amount on the maturity date if the final stock price of the worst performing stock as of the final fixing date is below its initial stock price.**

## (B) Flowchart Illustration of Settlement At Maturity

If our CDNA ELIs have not been early terminated during the investment period, the settlement at maturity is illustrated in the diagram below:



Notes: 1. For each linked stock in the basket, the reference stock price will be determined based on a specified percentage of the initial stock price of that linked stock on the start date and such percentage will be specified in the relevant term sheet. The same percentage of the initial stock price will be applied to all the linked stocks in the basket on the start date to determine their respective reference stock prices.



2. The number of share(s)/unit(s) per ELI is a number of share(s)/unit(s) of the worst performing stock on the final fixing date which is calculated using the following formula:

$$\frac{\text{nominal value (converted into the underlying currency of the worst performing stock using the relevant exchange rate if applicable)}}{\text{reference stock price of the worst performing stock as of the final fixing date}}$$

Board and odd lots (as the case may be) of the worst performing stock will be delivered to you as settlement, and any fraction of a worst performing stock will be paid in cash. Please refer to “number of share(s)/unit(s) per ELI” under the glossary section on pages 56 to 57 of this product booklet.

3. For investors who have elected physical settlement, the worst performing stock as of the final fixing date will only be delivered on the maturity date (being three business days after the final fixing date). If the maturity date is not a clearance system business day, physical delivery of the number of share(s)/unit(s) per ELI will take place on the following clearance system business day. **Therefore, investors may suffer a loss due to adverse price movement of the worst performing stock during the period between the final fixing date and the maturity date. Also, if you choose not to sell such worst performing stock on the maturity date, you will be exposed to the market risks of holding such worst performing stock.**

#### MODE OF SETTLEMENT

- You will need to specify whether you elect for cash settlement or physical settlement as the mode of settlement upon maturity at the time of your application. This election will only be relevant where the final stock price of the worst performing stock as of the final fixing date is below its reference stock price.
- If you want to change your election subsequently, you will need to give instructions to your distributor in accordance with the normal operational procedures of such distributor.
- Please ask your distributor about the latest date by which you need to give such instructions, which in any event, should not be later than 3 business days prior to the final fixing date.

#### HOW CAN YOU BUY OUR CDNA ELIS?

If you would like to buy our CDNA ELIs, you can contact the appointed distributor(s) to enquire about our ELIs products. Please refer to the sub-sections headed “How can you buy the Hang Seng Basket Stocks Bull ELIs with Potential Upside Cash Distribution?” and “Do you need an RMB cash account and a HKD cash account if you purchase our Hang Seng Basket Stocks Bull ELIs with Potential Upside Cash Distribution denominated in RMB?” on pages 61 to 62 of this product booklet.

## POST-SALE COOLING-OFF PERIOD

- Post-sale cooling-off period is only applicable for CDNA ELIs with an investment period over 1 year.
- If you change your mind after you have placed an order for our CDNA ELIs with an investment period over 1 year, you could give a notice to your distributor within the period starting from the day you place the order to 5 business days after the end of the offer period.
- If your distributor receives your notice to cancel before any of the initial stock prices is recorded on the start date, the issue price of your whole CDNA ELIs order will not be deducted from your account on the payment date. If your distributor receives your notice to unwind after any of the initial stock prices is recorded on the start date, the issue price of your whole CDNA ELIs order will be deducted from your account on the payment date and we will arrange for the distributor to return to you the issue price of your whole CDNA ELIs order less a market value adjustment and issuer's handling fee (as specified in the indicative term sheet) on the second business day after the payment date. **The total cash amount returned to you when you unwind your purchase order may be substantially less than your initial investment.** Your distributor may also charge you additional handling fee, and you should ask your distributor for details.
- We will only accept cancellation or unwinding of your CDNA ELIs order in whole (but not in part) during the post-sale cooling-off period.
- Please refer to page 62 of this product booklet for details.

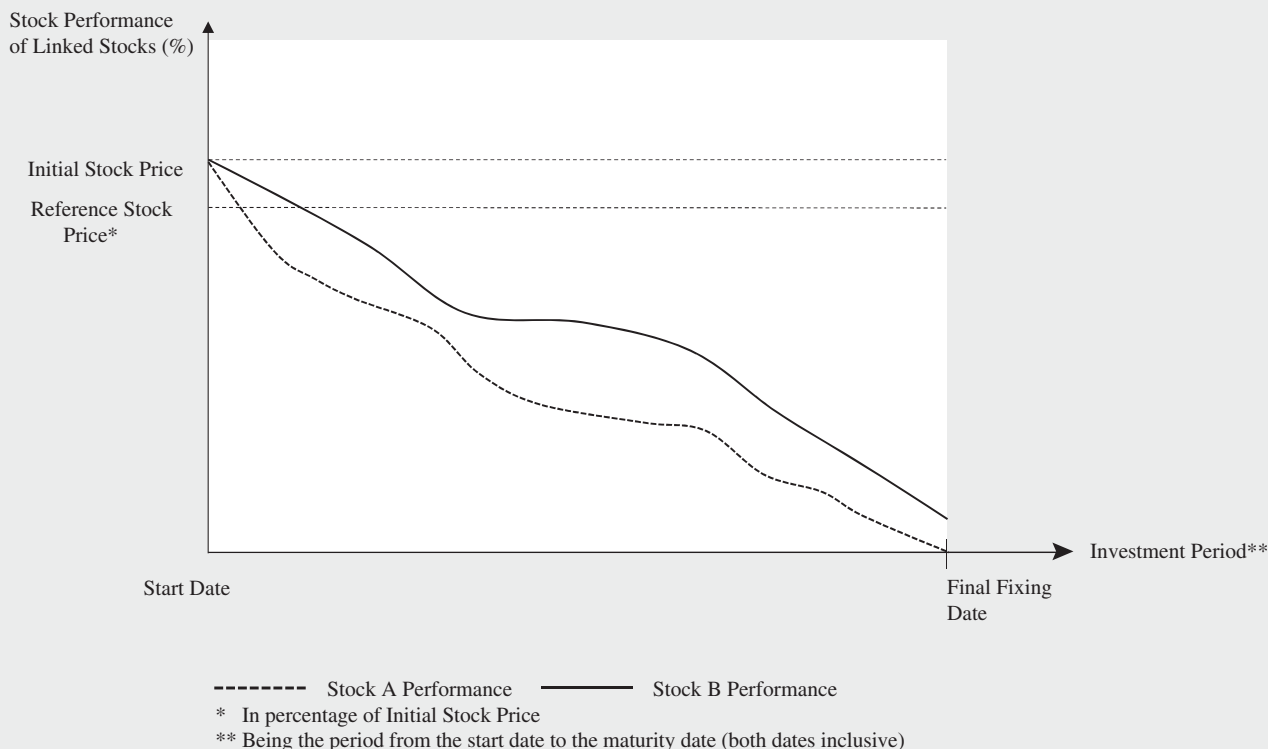
## IS THERE ANY MARKET MAKING ARRANGEMENT BEFORE EXPIRY?

- Market making arrangements are available for all of our CDNA ELIs (regardless of the length of the investment period).
- Throughout each market making day (being each exchange business day from but excluding the issue date to and including the third exchange business day before the final fixing date), we, as the market agent, will make available to you (via your distributor) indicative bid prices (on a per CDNA ELI basis) during normal business hours. If you wish to obtain a firm bid price at which you can sell your CDNA ELIs to us, you will need to submit your request to your distributor before 3:00 p.m. If you agree to the quoted firm bid price, you can place a limit sell back order before 3:00 p.m. with your distributor with such price. In order for your limit sell back order to be executed at the quoted firm bid price, you must place such order immediately upon the receipt of the quoted firm bid price without any delay. Otherwise, your limit sell back order will not be executed if the prevailing firm bid price falls below the quoted firm bid price.
- The firm bid price at which you can sell your CDNA ELIs to us may be substantially less than the issue price.
- Please refer to the market making arrangement section on pages 62 to 64 of this product booklet for further details.



## WORST CASE SCENARIO

The example below assumes that there are two linked stocks in the basket and illustrates the worst case scenario where the worst performing stock, which is determined on every scheduled trading day, performs poorly during the investment period.



In the above example, the issue price is set at 100% of the nominal value.

Since the final stock price of the worst performing stock as of the final fixing date (i.e. stock A) is below its reference stock price, you will receive on the maturity date either: (a) physical delivery of the worst performing stock as of the final fixing date (i.e. stock A) if physical settlement is elected as the mode of settlement or, (b) payment of its cash equivalent if cash settlement is elected as the mode of settlement. **In either case, you will not receive any potential upside cash distribution amount and will suffer a loss in your invested capital as the market value of the settlement at maturity you receive is less than the capital invested. In the worst case scenario, if the final stock price of such worst performing stock is zero (and, where physical settlement is elected as the mode of settlement, the stock price of such worst performing stock remains at zero till the maturity date), the settlement at maturity you receive will be worthless and you will lose your entire invested capital.**

Please also refer to “Appendix C — Scenario Analysis” in this product booklet for more illustrative examples of how the CDNA ELIs work.

## WHAT ARE THE FEES AND CHARGES?

**Physical settlement expenses** — you will need to pay physical settlement expenses (if applicable, subject to the prevailing laws and regulations) in connection with physical settlement upon maturity and further details are set out on page 56 of this product booklet.

For the avoidance of doubt, no cash settlement expenses are payable to us.

**Distributor’s charges** — your distributor may charge a handling fee when you make your application or request under the post-sale cooling-off arrangement or when your limit sell back order under the market making arrangement is executed, and may also charge fees for opening and maintaining your securities or investment account.

**Issuer’s charges** — we will charge a handling fee when we unwind your CDNA ELIs order under the post-sale cooling-off arrangement.

**You should note that the physical settlement expenses and distributor's charges mentioned above will reduce the potential gain or increase the potential loss on your investment.**

Commission — we may pay a commission to the distributor(s). Distributor(s)' commissions and other transaction costs including our cost of hedging are subsumed in the issue price.

Please contact your distributor for details regarding such fees and charges.

## **ADJUSTMENTS TO THE TERMS AND CONDITIONS OR EARLY TERMINATION OF OUR CDNA ELIS**

- We may adjust certain terms and conditions (including adjusting the reference stock prices or adjusting certain key dates) of our CDNA ELIs upon the occurrence of certain events (such as a potential adjustment event). We may early terminate our CDNA ELIs upon the occurrence of certain termination events (such as delisting).
- Please refer to pages 58 to 60 of this product booklet for details.

## **CONTINUING DISCLOSURE OBLIGATIONS**

- We (as the Issuer and the Product Arranger) will keep the SFC and the distributors of our CDNA ELIs informed as soon as reasonably practicable if (a) we (as the Issuer) cease to meet any eligibility requirements applicable to issuers under the Code; (b) we (as the Product Arranger) cease to meet any eligibility requirements applicable to product arrangers under the Code; and (c) to the extent permitted by any applicable law, there are changes in our financial condition or other circumstances which could reasonably be expected to have a material adverse effect on our ability (as the Issuer) to fulfill our commitments in connection with our CDNA ELIs. Your distributor will in turn inform you. Please contact your distributor for further details.

## **ADDITIONAL INFORMATION**

### **Offering Documents**

You should obtain the following offering documents from us or the distributor(s):

- the relevant indicative term sheet for our CDNA ELIs;
- the information memorandum dated 9 August 2024 and any updating addendum as specified in the indicative term sheet;
- the latest financial disclosure document and any updating addendum as specified in the indicative term sheet; and
- this product booklet for our Hang Seng Basket Stocks Bull ELIs with Potential Upside Cash Distribution dated 9 August 2024 and any updating addendum as specified in the indicative term sheet.

**The distributor(s) has/have an obligation to distribute all of the above documents to you in your preferred language. Before you decide whether to invest in our CDNA ELIs, you should read and understand all the relevant offering documents referred to above.**

## **ISSUER'S INFORMATION**

- Name of Issuer: Hang Seng Bank Limited
- Address: 83 Des Voeux Road Central, Hong Kong
- Website: [www.hangseng.com](http://www.hangseng.com)
- Hotline for enquiry: 28220228

## **IMPORTANT**

If you are in doubt, you should seek independent professional advice.

## KEY FACTS STATEMENT (B)

### Hang Seng Non-Capital Protected Unlisted Bull Basket Stocks ELIs with Potential Upside Cash Distribution and Final Fixing Date Airbag ("CDFA ELIs")

issued by  
**Hang Seng Bank Limited**

**This is an unlisted structured product embedded with derivatives.**

**This statement provides you with key information about our CDFA ELIs, which is one type of our Hang Seng Basket Stocks Bull ELIs with Potential Upside Cash Distribution that we may issue. This statement is a part of the offering documents.**

**You should not invest in this product based on this statement alone.**

#### WHAT ARE THE KEY RISKS?

**Investment involves risks. Please refer to the "Risk Factors" sections in the information memorandum and in this product booklet for details.**

- **Not capital protected** — Our CDFA ELIs are not capital protected: you could lose all of your investment.
- **No collateral** — Our CDFA ELIs are not collateralised and are not secured on any of our assets.
- **Unlisted structured products and NOT protected deposits** — Our CDFA ELIs are unlisted structured products embedded with derivatives and are not equivalent to nor should they be treated as time deposits. They are NOT protected deposits for the purposes of the Deposit Protection Scheme. **In the worst case scenario, you could lose all of your investment.**
- **Potential payout is determined by reference to the worst performing stock in the basket on the final fixing date** — The potential payout under our CDFA ELIs is determined by reference to the worst performing stock in the basket on the final fixing date. If any one of the linked stocks in the basket performs poorly against your expectation, you will not benefit from the performance of any other linked stocks in the basket.
- **Limited market making arrangement** — Our CDFA ELIs are designed to be held till maturity. However, if you try to sell our CDFA ELIs you hold before the final fixing date, we will provide daily market making arrangement within the time period as specified in the indicative term sheet for you to sell back the CDFA ELIs, but the actual sell back price that you receive may be less than or substantially less than the original amount you invested. In addition, you should note that we may not be able to provide market making arrangements on a market making day if the relevant CDFA ELI is affected by market disruption events.
- **You rely on our creditworthiness** — Our CDFA ELIs constitute general unsecured and unsubordinated contractual obligations of Hang Seng Bank Limited as the Issuer. When you buy our CDFA ELIs, you will be relying on the creditworthiness of Hang Seng Bank Limited as the Issuer and of no other person. You have no rights under the terms and conditions of our CDFA ELIs against any issuer of any linked stock. **If we become insolvent or default on our obligations under the CDFA ELIs, in the worst case scenario, you could lose all of your investment.**
- **You rely on the creditworthiness of your distributor or its custodian(s)** — When you invest in our CDFA ELIs, you rely on the creditworthiness of your distributor or its custodian(s). If your distributor becomes insolvent or defaults on its obligations, you will have a right to claim against such distributor. If your distributor's custodian becomes insolvent or defaults on its obligations, you will not have any direct contractual rights against such custodian and will have to rely on your distributor to take action against such custodian. **In the worst case scenario, you could lose all of your investment.**
- **May not have direct enforcement rights** — If our CDFA ELIs are held either (i) through the clearing system or (ii) outside the clearing system through a distributor other than us, you will have to rely on your distributor or its custodian(s) to take action to assert your rights as an investor in our CDFA ELIs on your behalf and will not have direct contractual rights of enforcement against us as the Issuer. **In the worst case scenario, you could lose all of your investment.**

- **Not the same as investing in linked stocks** — Investing in our CDFA ELIs is not the same as investing in the linked stocks. During the investment period, you have no rights in any of the linked stocks (except where the worst performing stock as of the final fixing date is deliverable to you upon maturity, you will be entitled to the rights in such worst performing stock as from the final fixing date as described in the terms and conditions). Changes in the market price of any of the linked stocks may not lead to a corresponding change in the market value of, or your potential gain or loss under, our CDFA ELIs.
- **Not covered by Investor Compensation Fund** — Our CDFA ELIs are not listed on any stock exchange and are not covered by the Investor Compensation Fund.
- **Conflicts of interest** — You should note that conflicts of interest may arise from the different roles played by us and our subsidiaries and affiliates in connection with our CDFA ELIs and our economic interests in each role may be adverse to your interests in our CDFA ELIs.
- **English version of the terms and conditions may prevail** — If our CDFA ELIs are held through international securities clearing systems, the terms and conditions of our CDFA ELIs are issued in English only for the purposes of lodgement with the relevant clearing systems, and shall prevail over the Chinese version of the terms and conditions contained in the Chinese version of this product booklet in the event of inconsistency. If you do not understand the English version, you should obtain independent professional advice.
- **Exposure to risk from the start date** — You will be exposed to the risks associated with our CDFA ELIs starting from the start date.
- **Additional risks for RMB-denominated CDFA ELIs and/or RMB-traded linked stock** — Where the settlement currency of our CDFA ELIs is Renminbi (“RMB”), and/or any linked stock is denominated and traded in RMB, the performance of our CDFA ELIs may be adversely affected due to risks relating to RMB, such as the current limited pool of RMB outside the mainland China, offshore RMB exchange rate risk and RMB interest rate risk. Our payment under any RMB-denominated CDFA ELIs may also be postponed, or delivered in a HKD equivalent amount upon occurrence of an RMB disruption event.

## WHAT IS THIS PRODUCT AND HOW DOES IT WORK?

- CDFA ELIs are one type of our Hang Seng Basket Stocks Bull ELIs with Potential Upside Cash Distribution which have a series of embedded options including embedded conditional put options over a basket of linked stocks (being shares and/or units of companies and/or funds listed on Hong Kong Stock Exchange and traded in Hong Kong dollars (“HKD”), RMB, United States dollars (“USD”) or such other currencies as specified in the relevant term sheet). Our CDFA ELIs shall have a maximum of ten and a minimum of two linked stocks in the basket. Not all listed stocks or funds can be used as a linked stock; you should ask your distributor what linked stocks are available. The basket may comprise a mixture of linked stocks traded in different currencies.
- You should note that with respect to each linked stock in the basket, the initial stock price may be (i) the official closing price of such linked stock on the Hong Kong Stock Exchange on the start date, or (ii) the market spot price of such linked stock as agreed between us and you (via your distributor) on the start date. For the avoidance of doubt, it is possible that the initial stock price(s) of certain linked stock(s) in the basket will be determined by using method (i) while the initial stock price(s) of other linked stock(s) in the basket will be determined by using method (ii). With respect to any linked stock(s) in the basket using method (i) in determining the initial stock price(s), the initial stock price(s) of such linked stock(s) will only be recorded after you are committed to purchase our CDFA ELIs. In that case, when you place your order, you will not know the actual values of some of the terms (such as the reference stock price(s) and airbag level(s) of the relevant linked stock(s)) which will only be determined after the market close on the start date. The distributor will issue a contract note specifying all these terms to you 2 business days after the start date.
- We may issue and settle our CDFA ELIs in RMB or any non-restricted and freely convertible currency such as HKD or USD as specified in the relevant term sheet.
- Each CDFA ELI represents a nominal value as specified in the relevant term sheet. Such nominal value is used to calculate the issue price per CDFA ELI and any potential upside cash distribution amount and to determine any settlement at maturity.

- Settlement at maturity will be determined based on the closing price of the worst performing stock in the basket on the final fixing date. The linked stock with the lowest stock performance will be the worst performing stock for a scheduled trading day. The worst performing stock on each scheduled trading day can be different. The stock performance for each linked stock in the basket on a scheduled trading day will be calculated using the following formula:

$$\text{Stock performance of a linked stock} = \frac{\text{Closing price of that linked stock on the relevant scheduled trading day}}{\text{Initial stock price of that linked stock}} \times 100\%$$

If more than one linked stock has the same lowest stock performance among all the linked stocks in the basket on a scheduled trading day, we (as the Issuer) will, in our sole and absolute discretion acting in good faith and in a commercially reasonable manner, decide which linked stock shall be the worst performing stock for that scheduled trading day.

- If our CDFA ELIs have not been early terminated during the investment period, CDFA ELIs will mature on the maturity date and you will receive (i) 100% of the nominal value and the potential upside cash distribution amount if the final stock price of the worst performing stock as of the final fixing date is equal to or above its initial stock price, or (ii) 100% of the nominal value in cash if the final stock price of the worst performing stock as of the final fixing date is below its initial stock price but the “airbag lapse event” has not occurred. However, if the “airbag lapse event” has occurred, you will either receive physical delivery of the number of share(s)/unit(s) per ELI (after payment of any physical settlement expenses) (if you have elected physical settlement) or its cash equivalent (if you have elected cash settlement) on the maturity date (as described further in the section “Mode of Settlement” below), in which event you may suffer a loss in your capital invested.

## WHAT ARE THE KEY FEATURES?

### Settlement At Maturity

#### (A) Potential Upside Cash Distribution Amount

You will receive the potential upside cash distribution amount on the maturity date if the final stock price of the worst performing stock as of the final fixing date is equal to or above its initial stock price. We will calculate such potential upside cash distribution amount according to the following formula (rounded to the nearest 0.01, with 0.005 or above being rounded upwards, save in the case of JPY, rounded to the nearest whole JPY, with 0.5 or above being rounded upwards):

Nominal value x cash distribution rate
--

Where:

Cash distribution rate is the higher of:

- (i) the floor cash distribution rate as specified in the relevant term sheet; and
- (ii) the rate calculated in accordance with the following formula (calculated to 4 decimal places, 0.00005 being rounded upwards):

$$\left( \frac{\text{Final stock price of the worst performing stock as of the final fixing date}}{\text{Initial stock price of the worst performing stock as of the final fixing date}} - 1 \right) \times 100\%$$

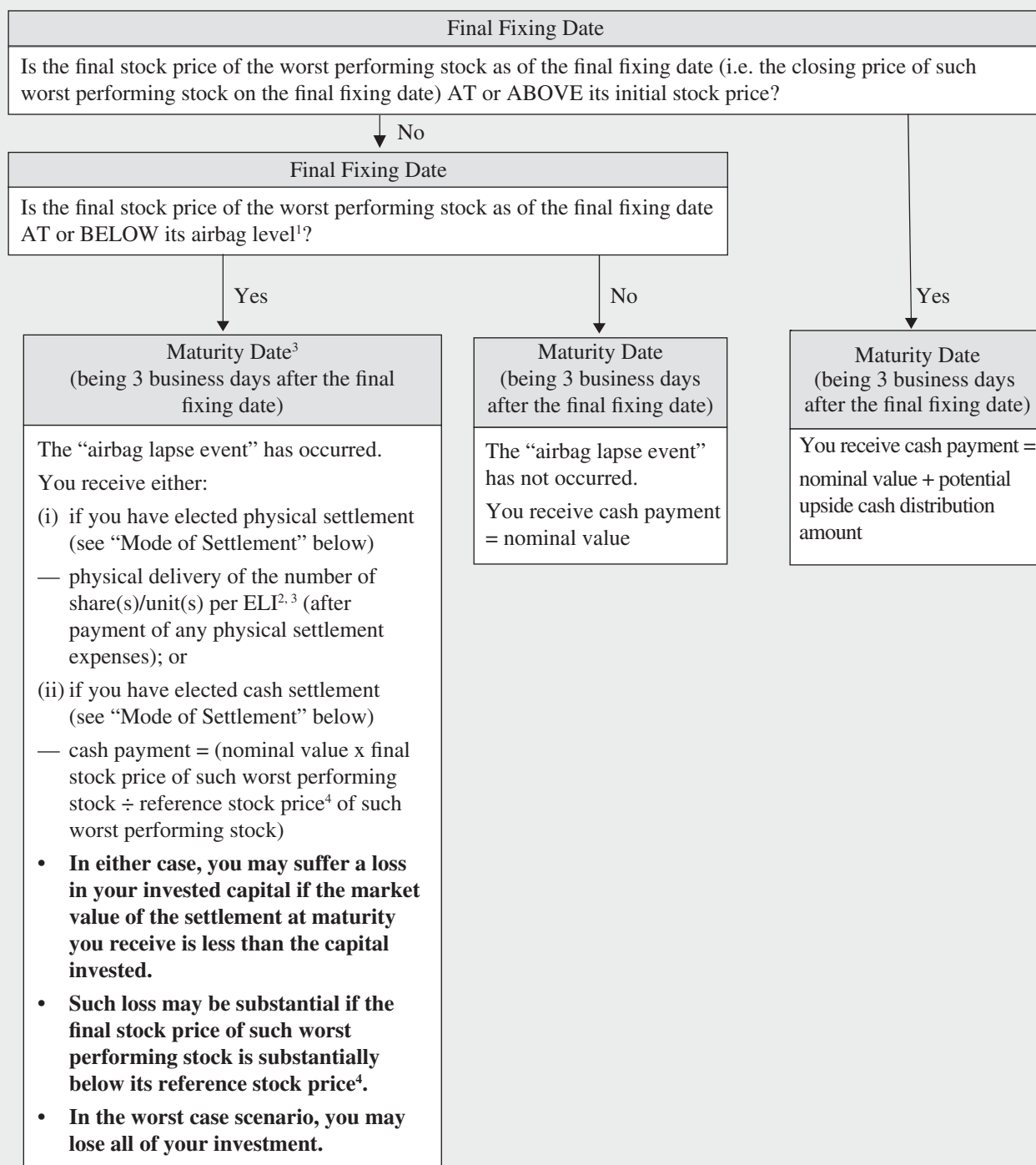
**You should note that it is possible that you will not receive any potential upside cash distribution amount on the maturity date if the final stock price of the worst performing stock as of the final fixing date is below its initial stock price.**

## (B) Final Fixing Date Airbag Feature

- Our CDFA ELIs contain a final fixing date airbag feature.
- An “airbag lapse event” has occurred if the final stock price of the worst performing stock as of the **final fixing date** is AT or BELOW its airbag level (which will always be set at a level that is lower than its reference stock price).

## (C) Flowchart Illustration of Settlement At Maturity

- If our CDFA ELIs have not been early terminated during the investment period, the settlement at maturity is illustrated in the diagram below:





Notes: 1. For each linked stock in the basket, the airbag level will be determined based on a specified percentage of the initial stock price of that linked stock on the start date and such percentage will be specified in the relevant term sheet. The same percentage of the initial stock price will be applied to all the linked stocks in the basket on the start date to determine their respective airbag levels.

2. The number of share(s)/unit(s) per ELI is a number of share(s)/unit(s) of the worst performing stock on the final fixing date which is calculated using the following formula:

$$\frac{\text{nominal value (converted into the underlying currency of the worst performing stock using the relevant exchange rate if applicable)}}{\text{reference stock price of the worst performing stock as of the final fixing date}}$$

Board and odd lots (as the case may be) of the worst performing stock will be delivered to you as settlement, and any fraction of a worst performing stock will be paid in cash. Please refer to “number of share(s)/unit(s) per ELI” under the glossary section on pages 56 to 57 of this product booklet.

3. For investors who have elected physical settlement, the worst performing stock as of the final fixing date will only be delivered on the maturity date (being three business days after the final fixing date). If the maturity date is not a clearance system business day, physical delivery of the number of share(s)/unit(s) per ELI will take place on the following clearance system business day. **Therefore, investors may suffer a loss due to adverse price movement of the worst performing stock during the period between the final fixing date and the maturity date. Also, if you choose not to sell such worst performing stock on the maturity date, you will be exposed to the market risks of holding such worst performing stock.**
4. For each linked stock in the basket, the reference stock price will be determined based on a specified percentage of initial stock price of that linked stock on the start date and such percentage will be specified in the relevant term sheet. The same percentage of the initial stock price will be applied to all the linked stocks in the basket on the start date to determine their respective reference stock prices.

## MODE OF SETTLEMENT

- You will need to specify whether you elect for cash settlement or physical settlement as the mode of settlement upon maturity at the time of your application. This election will only be relevant where the “airbag lapse event” has occurred.
- If you want to change your election subsequently, you will need to give instructions to your distributor in accordance with the normal operational procedures of such distributor.
- Please ask your distributor about the latest date by which you need to give such instructions, which in any event, should not be later than 3 business days prior to the final fixing date.

## HOW CAN YOU BUY OUR CDFA ELIS?

If you would like to buy our CDFA ELIs, you can contact the appointed distributor(s) to enquire about our ELIs products. Please refer to the sub-sections headed “How can you buy the Hang Seng Basket Stocks Bull ELIs with Potential Upside Cash Distribution?” and “Do you need an RMB cash account and a HKD cash account if you purchase our Hang Seng Basket Stocks Bull ELIs with Potential Upside Cash Distribution denominated in RMB?” on pages 61 to 62 of this product booklet.

## POST-SALE COOLING-OFF PERIOD

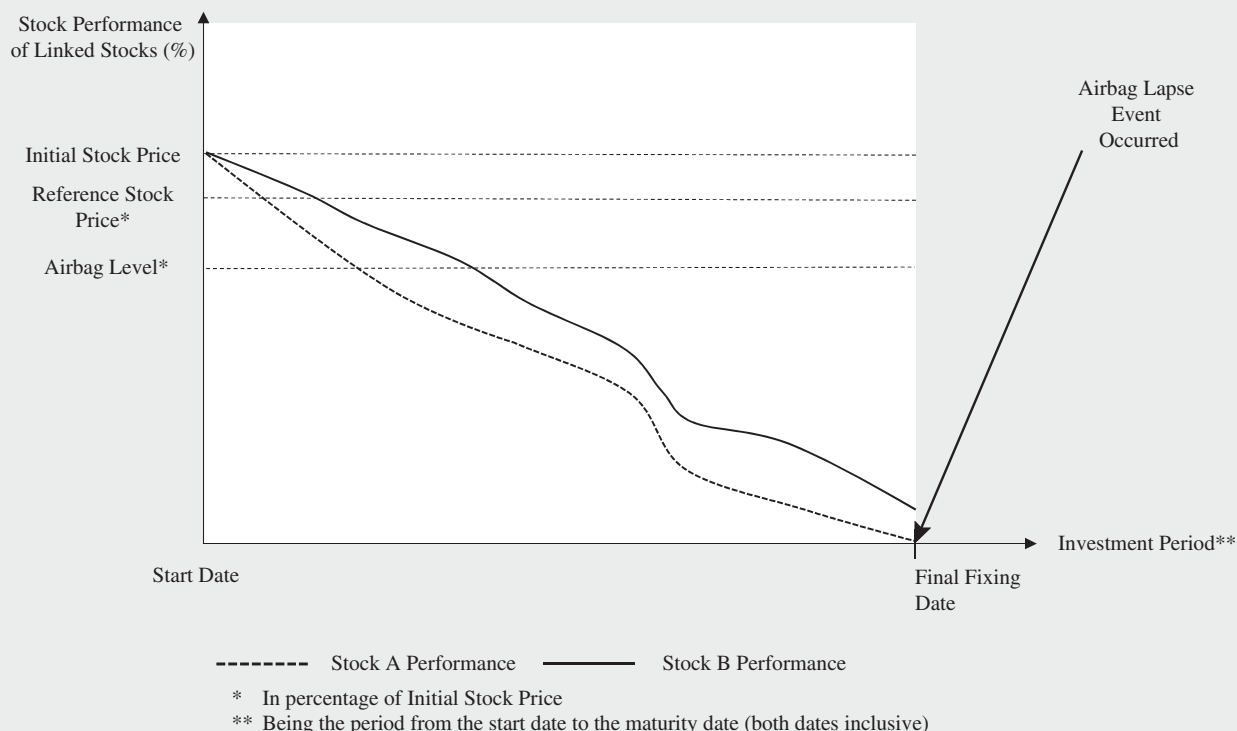
- Post-sale cooling-off period is only applicable for CDFA ELIs with an investment period over 1 year.
- If you change your mind after you have placed an order for our CDFA ELIs with an investment period over 1 year, you could give a notice to your distributor within the period starting from the day you place the order to 5 business days after the end of the offer period.
- If your distributor receives your notice to cancel before any of the initial stock prices is recorded on the start date, the issue price of your whole CDFA ELIs order will not be deducted from your account on the payment date. If your distributor receives your notice to unwind after any of the initial stock prices is recorded on the start date, the issue price of your whole CDFA ELIs order will be deducted from your account on the payment date and we will arrange for the distributor to return to you the issue price of your whole CDFA ELIs order less a market value adjustment and issuer's handling fee (as specified in the indicative term sheet) on the second business day after the payment date. **The total cash amount returned to you when you unwind your purchase order may be substantially less than your initial investment.** Your distributor may also charge you additional handling fee, and you should ask your distributor for details.
- We will only accept cancellation or unwinding of your CDFA ELIs order in whole (but not in part) during the post-sale cooling-off period.
- Please refer to page 62 of this product booklet for details.

## IS THERE ANY MARKET MAKING ARRANGEMENT BEFORE EXPIRY?

- Market making arrangements are available for all of our CDFA ELIs (regardless of the length of the investment period).
- Throughout each market making day (being each exchange business day from but excluding the issue date to and including the third exchange business day before the final fixing date), we, as the market agent, will make available to you (via your distributor) indicative bid prices (on a per CDFA ELI basis) during normal business hours. If you wish to obtain a firm bid price at which you can sell your CDFA ELIs to us, you will need to submit your request to your distributor before 3:00 p.m. If you agree to the quoted firm bid price, you can place a limit sell back order before 3:00 p.m. with your distributor with such price. In order for your limit sell back order to be executed at the quoted firm bid price, you must place such order immediately upon the receipt of the quoted firm bid price without any delay. Otherwise, your limit sell back order will not be executed if the prevailing firm bid price falls below the quoted firm bid price.
- The firm bid price at which you can sell your CDFA ELIs to us may be substantially less than the issue price.
- Please refer to the market making arrangement section on pages 62 to 64 of this product booklet for further details.

## WORST CASE SCENARIO

The example below assumes that there are two linked stocks in the basket and illustrates the worst case scenario where the worst performing stock, which is determined on every scheduled trading day, performs poorly during the investment period.



In the above example, the issue price is set at 100% of the nominal value.

Since the final stock price of the worst performing stock as of the final fixing date (i.e. stock A) is below its airbag level which means the airbag lapse event has occurred, you will receive on the maturity date either: (a) physical delivery of the worst performing stock as of the final fixing date (i.e. stock A) if physical settlement is elected as the mode of settlement or, (b) payment of its cash equivalent if cash settlement is elected as the mode of settlement. **In either case, you will not receive any potential upside cash distribution amount and will suffer a loss in your invested capital as the market value of the settlement at maturity you receive is less than the capital invested. In the worst case scenario, if the final stock price of such worst performing stock is zero (and, where physical settlement is elected as the mode of settlement, the stock price of such worst performing stock remains at zero till the maturity date), the settlement at maturity you receive will be worthless and you will lose your entire invested capital.**

Please also refer to “Appendix C — Scenario Analysis” in this product booklet for more illustrative examples of how the CDFA ELIs work.

## WHAT ARE THE FEES AND CHARGES?

**Physical settlement expenses** — you will need to pay physical settlement expenses (if applicable, subject to the prevailing laws and regulations) in connection with physical settlement upon maturity and further details are set out on page 56 of this product booklet.

For the avoidance of doubt, no cash settlement expenses are payable to us.

**Distributor’s charges** — your distributor may charge a handling fee when you make your application or request under the post-sale cooling-off arrangement or when your limit sell back order under the market making arrangement is executed, and may also charge fees for opening and maintaining your securities or investment account.

**Issuer’s charges** — we will charge a handling fee when we unwind your CDFA ELIs order under the post-sale cooling-off arrangement.

**You should note that the physical settlement expenses and distributor's charges mentioned above will reduce the potential gain or increase the potential loss on your investment.**

Commission — we may pay a commission to the distributor(s). Distributor(s)' commissions and other transaction costs including our cost of hedging are subsumed in the issue price.

Please contact your distributor for details regarding such fees and charges.

## **ADJUSTMENTS TO THE TERMS AND CONDITIONS OR EARLY TERMINATION OF OUR CDFA ELIS**

- We may adjust certain terms and conditions (including adjusting the reference stock prices or adjusting certain key dates) of our CDFA ELIs upon the occurrence of certain events (such as a potential adjustment event). We may early terminate our CDFA ELIs upon the occurrence of certain termination events (such as delisting).
- Please refer to pages 58 to 60 of this product booklet for details.

## **CONTINUING DISCLOSURE OBLIGATIONS**

- We (as the Issuer and the Product Arranger) will keep the SFC and the distributors of our CDFA ELIs informed as soon as reasonably practicable if (a) we (as the Issuer) cease to meet any eligibility requirements applicable to issuers under the Code; (b) we (as the Product Arranger) cease to meet any eligibility requirements applicable to product arrangers under the Code; and (c) to the extent permitted by any applicable law, there are changes in our financial condition or other circumstances which could reasonably be expected to have a material adverse effect on our ability (as the Issuer) to fulfill our commitments in connection with our CDFA ELIs. Your distributor will in turn inform you. Please contact your distributor for further details.

## **ADDITIONAL INFORMATION**

### **Offering Documents**

You should obtain the following offering documents from us or the distributor(s):

- the relevant indicative term sheet for our CDFA ELIs;
- the information memorandum dated 9 August 2024 and any updating addendum as specified in the indicative term sheet;
- the latest financial disclosure document and any updating addendum as specified in the indicative term sheet; and
- this product booklet for our Hang Seng Basket Stocks Bull ELIs with Potential Upside Cash Distribution dated 9 August 2024 and any updating addendum as specified in the indicative term sheet.

**The distributor(s) has/have an obligation to distribute all of the above documents to you in your preferred language. Before you decide whether to invest in our CDFA ELIs, you should read and understand all the relevant offering documents referred to above.**

### **ISSUER'S INFORMATION**

- Name of Issuer: Hang Seng Bank Limited
- Address: 83 Des Voeux Road Central, Hong Kong
- Website: [www.hangseng.com](http://www.hangseng.com)
- Hotline for enquiry: 28220228

### **IMPORTANT**

If you are in doubt, you should seek independent professional advice.

**KEY FACTS STATEMENT (C)**  
**Hang Seng Non-Capital Protected Unlisted Bull Basket Stocks ELIs**  
**with Potential Upside Cash Distribution**  
**and Daily Airbag (“CDDA ELIs”)**  
issued by  
**Hang Seng Bank Limited**

**This is an unlisted structured product embedded with derivatives.**  
**This statement provides you with key information about our CDDA ELIs, which is one type of our**  
**Hang Seng Basket Stocks Bull ELIs with Potential Upside Cash Distribution that we may issue.**  
**This statement is a part of the offering documents.**  
**You should not invest in this product based on this statement alone.**

**WHAT ARE THE KEY RISKS?**

**Investment involves risks. Please refer to the “Risk Factors” sections in the information memorandum and in this product booklet for details.**

- **Not capital protected — Our CDDA ELIs are not capital protected: you could lose all of your investment.**
- **No collateral — Our CDDA ELIs are not collateralised and are not secured on any of our assets.**
- **Unlisted structured products and NOT protected deposits — Our CDDA ELIs are unlisted structured products embedded with derivatives and are not equivalent to nor should they be treated as time deposits. They are NOT protected deposits for the purposes of the Deposit Protection Scheme. In the worst case scenario, you could lose all of your investment.**
- **Potential payout is determined by reference to the worst performing stock in the basket from time to time —** The potential payout under our CDDA ELIs is determined by reference to the worst performing stock in the basket from time to time. If any one of the linked stocks in the basket performs poorly against your expectation, you will not benefit from the performance of any other linked stocks in the basket.
- **Limited market making arrangement —** Our CDDA ELIs are designed to be held till maturity. However, if you try to sell our CDDA ELIs you hold before the final fixing date, we will provide daily market making arrangement within the time period as specified in the indicative term sheet for you to sell back the CDDA ELIs, but the actual sell back price that you receive may be less than or substantially less than the original amount you invested. In addition, you should note that we may not be able to provide market making arrangements on a market making day if the relevant CDDA ELI is affected by market disruption events.
- **You rely on our creditworthiness —** Our CDDA ELIs constitute general unsecured and unsubordinated contractual obligations of Hang Seng Bank Limited as the Issuer. When you buy our CDDA ELIs, you will be relying on the creditworthiness of Hang Seng Bank Limited as the Issuer and of no other person. You have no rights under the terms and conditions of our CDDA ELIs against any issuer of any linked stock. **If we become insolvent or default on our obligations under the CDDA ELIs, in the worst case scenario, you could lose all of your investment.**
- **You rely on the creditworthiness of your distributor or its custodian(s) —** When you invest in our CDDA ELIs, you rely on the creditworthiness of your distributor or its custodian(s). If your distributor becomes insolvent or defaults on its obligations, you will have a right to claim against such distributor. If your distributor’s custodian becomes insolvent or defaults on its obligations, you will not have any direct contractual rights against such custodian and will have to rely on your distributor to take action against such custodian. **In the worst case scenario, you could lose all of your investment.**
- **May not have direct enforcement rights —** If our CDDA ELIs are held either (i) through the clearing system or (ii) outside the clearing system through a distributor other than us, you will have to rely on your distributor or its custodian(s) to take action to assert your rights as an investor in our CDDA ELIs on your behalf and will not have direct contractual rights of enforcement against us as the Issuer. **In the worst case scenario, you could lose all of your investment.**



- **Not the same as investing in linked stocks** — Investing in our CDDA ELIs is not the same as investing in the linked stocks. During the investment period, you have no rights in any of the linked stocks (except where the worst performing stock as of the final fixing date is deliverable to you upon maturity, you will be entitled to the rights in such worst performing stock as from the final fixing date as described in the terms and conditions). Changes in the market price of any of the linked stocks may not lead to a corresponding change in the market value of, or your potential gain or loss under, our CDDA ELIs.
- **Not covered by Investor Compensation Fund** — Our CDDA ELIs are not listed on any stock exchange and are not covered by the Investor Compensation Fund.
- **Conflicts of interest** — You should note that conflicts of interest may arise from the different roles played by us and our subsidiaries and affiliates in connection with our CDDA ELIs and our economic interests in each role may be adverse to your interests in our CDDA ELIs.
- **English version of the terms and conditions may prevail** — If our CDDA ELIs are held through international securities clearing systems, the terms and conditions of our CDDA ELIs are issued in English only for the purposes of lodgement with the relevant clearing systems, and shall prevail over the Chinese version of the terms and conditions contained in the Chinese version of this product booklet in the event of inconsistency. If you do not understand the English version, you should obtain independent professional advice.
- **Exposure to risk from the start date** — You will be exposed to the risks associated with our CDDA ELIs starting from the start date.
- **Additional risks for RMB-denominated CDDA ELIs and/or RMB-traded linked stock** — Where the settlement currency of our CDDA ELIs is Renminbi (“RMB”), and/or any linked stock is denominated and traded in RMB, the performance of our CDDA ELIs may be adversely affected due to risks relating to RMB, such as the current limited pool of RMB outside the mainland China, offshore RMB exchange rate risk and RMB interest rate risk. Our payment under any RMB-denominated CDDA ELIs may also be postponed, or delivered in a HKD equivalent amount upon occurrence of an RMB disruption event.

## WHAT IS THIS PRODUCT AND HOW DOES IT WORK?

- CDDA ELIs are one type of our Hang Seng Basket Stocks Bull ELIs with Potential Upside Cash Distribution which have a series of embedded options including embedded conditional put options over a basket of linked stocks (being shares and/or units of companies and/or funds listed on Hong Kong Stock Exchange and traded in Hong Kong dollars (“**HKD**”), RMB, United States dollars (“**USD**”) or such other currencies as specified in the relevant term sheet). Our CDDA ELIs shall have a maximum of ten and a minimum of two linked stocks in the basket. Not all listed stocks or funds can be used as a linked stock; you should ask your distributor what linked stocks are available. The basket may comprise a mixture of linked stocks traded in different currencies.
- You should note that with respect to each linked stock in the basket, the initial stock price may be (i) the official closing price of such linked stock on the Hong Kong Stock Exchange on the start date, or (ii) the market spot price of such linked stock as agreed between us and you (via your distributor) on the start date. For the avoidance of doubt, it is possible that the initial stock price(s) of certain linked stock(s) in the basket will be determined by using method (i) while the initial stock price(s) of other linked stock(s) in the basket will be determined by using method (ii). With respect to any linked stock(s) in the basket using method (i) in determining the initial stock price(s), the initial stock price(s) of such linked stock(s) will only be recorded after you are committed to purchase our CDDA ELIs. In that case, when you place your order, you will not know the actual values of some of the terms (such as the reference stock price(s) and airbag level(s) of the relevant linked stock(s)) which will only be determined after the market close on the start date. The distributor will issue a contract note specifying all these terms to you 2 business days after the start date.
- We may issue and settle our CDDA ELIs in RMB or any non-restricted and freely convertible currency such as HKD or USD as specified in the relevant term sheet.
- Each CDDA ELI represents a nominal value as specified in the relevant term sheet. Such nominal value is used to calculate the issue price per CDDA ELI and any potential upside cash distribution amount and to determine any settlement at maturity.
- Settlement at maturity will be determined based on the closing price of the worst performing stock in the basket from time to time. The linked stock with the lowest stock performance will be the worst performing stock for that scheduled trading day. The worst performing stock on each scheduled trading day can be different. The stock performance for each linked stock in the basket on a scheduled trading day will be calculated using the following formula:

$$\text{Stock performance of a linked stock} = \frac{\text{Closing price of that linked stock on the relevant scheduled trading day}}{\text{Initial stock price of that linked stock}} \times 100\%$$

If more than one linked stock has the same lowest stock performance among all the linked stocks in the basket on a scheduled trading day, we (as the Issuer) will, in our sole and absolute discretion acting in good faith and in a commercially reasonable manner, decide which linked stock shall be the worst performing stock for that scheduled trading day.

- If our CDDA ELIs have not been early terminated during the investment period, CDDA ELIs will mature on the maturity date and you will receive (i) 100% of the nominal value and the potential upside cash distribution amount if the final stock price of the worst performing stock as of the final fixing date is equal to or above its initial stock price, or (ii) 100% of the nominal value in cash if either (A) the final stock price of the worst performing stock as of the final fixing date is below its initial stock price but is equal to or above its reference stock price or (B) the final stock price of the worst performing stock as of the final fixing date is lower than its reference stock price but the “airbag lapse event” has not occurred. However, if the final stock price of the worst performing stock as of the final fixing date is lower than its reference stock price and the “airbag lapse event” has occurred, you will either receive physical delivery of the number of share(s)/unit(s) per ELI (after payment of any physical settlement expenses) (if you have elected physical settlement) or its cash equivalent (if you have elected cash settlement) on the maturity date (as described further in the section “Mode of Settlement” below), in which event you may suffer a loss in your capital invested.

## WHAT ARE THE KEY FEATURES?

### Settlement At Maturity

#### (A) Potential Upside Cash Distribution Amount

You will receive the potential upside cash distribution amount on the maturity date if the final stock price of the worst performing stock as of the final fixing date is equal to or above its initial stock price. We will calculate such potential upside cash distribution amount according to the following formula (rounded to the nearest 0.01, with 0.005 or above being rounded upwards, save in the case of JPY, rounded to the nearest whole JPY, with 0.5 or above being rounded upwards):

Nominal value x cash distribution rate
--

Where:

Cash distribution rate is the higher of:

- (i) the floor cash distribution rate as specified in the relevant term sheet; and
- (ii) the rate calculated in accordance with the following formula (calculated to 4 decimal places, 0.00005 being rounded upwards):

$$\left( \frac{\text{Final stock price of the worst performing stock as of the final fixing date}}{\text{Initial stock price of the worst performing stock as of the final fixing date}} - 1 \right) \times 100\%$$

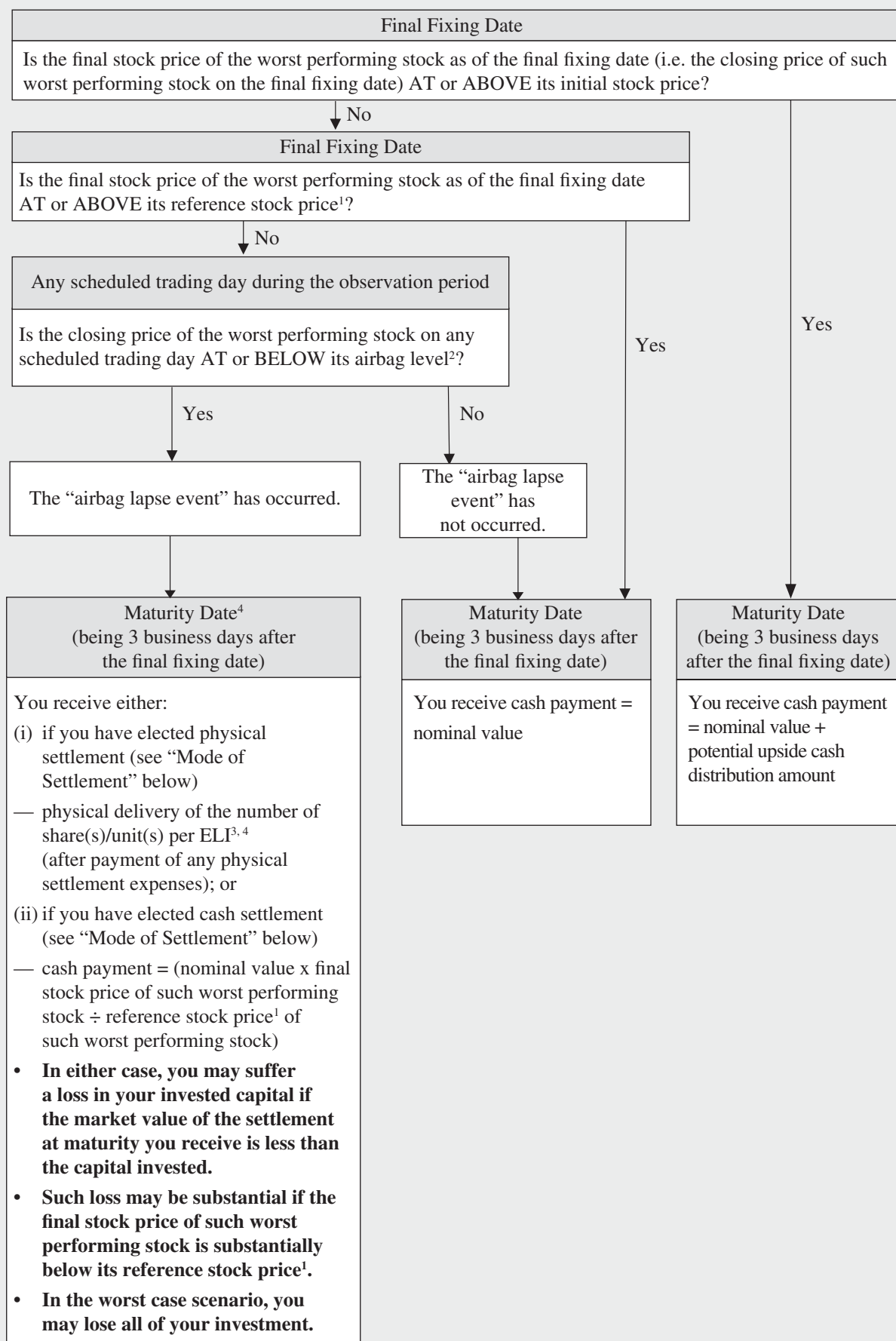
**You should note that it is possible that you will not receive any potential upside cash distribution amount on the maturity date if the final stock price of the worst performing stock as of the final fixing date is below its initial stock price.**

#### (B) Daily Airbag Feature

- Our CDDA ELIs contain a daily airbag feature.
- An “airbag lapse event” has occurred if the closing price of the worst performing stock is AT or BELOW its airbag level (which will always be set at a level that is lower than its reference stock price) on any scheduled trading day during the observation period, being the period from (but excluding) the start date to (and including) the final fixing date. The worst performing stock that triggers the “airbag lapse event” on a scheduled trading day may or may not be the worst performing stock on the final fixing date.

### (C) Flowchart Illustration of Settlement At Maturity

- If our CDDA ELIs have not been early terminated during the investment period, the settlement at maturity is illustrated in the diagram below:



- Notes:
1. For each linked stock in the basket, the reference stock price will be determined based on a specified percentage of the initial stock price of that linked stock on the start date and such percentage will be specified in the relevant term sheet. The same percentage of the initial stock price will be applied to all the linked stocks in the basket on the start date to determine their respective reference stock prices.
  2. For each linked stock in the basket, the airbag level will be determined based on a specified percentage of the initial stock price of that linked stock on the start date and such percentage will be specified in the relevant term sheet. The airbag level of each linked stock will remain the same on every scheduled trading day throughout the observation period. The same percentage of the initial stock price will be applied to all the linked stocks in the basket on the start date to determine their respective airbag levels.
  3. The number of share(s)/unit(s) per ELI is a number of share(s)/unit(s) of the worst performing stock on the final fixing date which is calculated using the following formula:

$$\frac{\text{nominal value (converted into the underlying currency of the worst performing stock using the relevant exchange rate if applicable)}}{\text{reference stock price of the worst performing stock as of the final fixing date}}$$

Board and odd lots (as the case may be) of the worst performing stock will be delivered to you as settlement, and any fraction of a worst performing stock will be paid in cash. Please refer to “number of share(s)/unit(s) per ELI” under the glossary section on pages 56 to 57 of this product booklet.

4. For investors who have elected physical settlement, the worst performing stock as of the final fixing date will only be delivered on the maturity date (being three business days after the final fixing date). If the maturity date is not a clearance system business day, physical delivery of the number of share(s)/unit(s) per ELI will take place on the following clearance system business day. **Therefore, investors may suffer a loss due to adverse price movement of the worst performing stock during the period between the final fixing date and the maturity date. Also, if you choose not to sell such worst performing stock on the maturity date, you will be exposed to the market risks of holding such worst performing stock.**

## MODE OF SETTLEMENT

- You will need to specify whether you elect for cash settlement or physical settlement as the mode of settlement upon maturity at the time of your application. This election will only be relevant where the final stock price of the worst performing stock as of the final fixing date is below its reference stock price and the “airbag lapse event” has occurred.
- If you want to change your election subsequently, you will need to give instructions to your distributor in accordance with the normal operational procedures of such distributor.
- Please ask your distributor about the latest date by which you need to give such instructions, which in any event, should not be later than 3 business days prior to the final fixing date.

## HOW CAN YOU BUY OUR CDDA ELIS?

If you would like to buy our CDDA ELIs, you can contact the appointed distributor(s) to enquire about our ELIs products. Please refer to the sub-sections headed “How can you buy the Hang Seng Basket Stocks Bull ELIs with Potential Upside Cash Distribution?” and “Do you need an RMB cash account and a HKD cash account if you purchase our Hang Seng Basket Stocks Bull ELIs with Potential Upside Cash Distribution denominated in RMB?” on pages 61 to 62 of this product booklet.

## POST-SALE COOLING-OFF PERIOD

- Post-sale cooling-off period is only applicable for CDDA ELIs with an investment period over 1 year.
- If you change your mind after you have placed an order for our CDDA ELIs with an investment period over 1 year, you could give a notice to your distributor within the period starting from the day you place the order to 5 business days after the end of the offer period.
- If your distributor receives your notice to cancel before any of the initial stock prices is recorded on the start date, the issue price of your whole CDDA ELIs order will not be deducted from your account on the payment date. If your distributor receives your notice to unwind after any of the initial stock prices is recorded on the start date, the issue price of your whole CDDA ELIs order will be deducted from your account on the payment date and we will arrange for the distributor to return to you the issue price of your whole CDDA ELIs order less a market value adjustment and issuer's handling fee (as specified in the indicative term sheet) on the second business day after the payment date. **The total cash amount returned to you when you unwind your purchase order may be substantially less than your initial investment.** Your distributor may also charge you additional handling fee, and you should ask your distributor for details.
- We will only accept cancellation or unwinding of your CDDA ELIs order in whole (but not in part) during the post-sale cooling-off period.
- Please refer to page 62 of this product booklet for details.

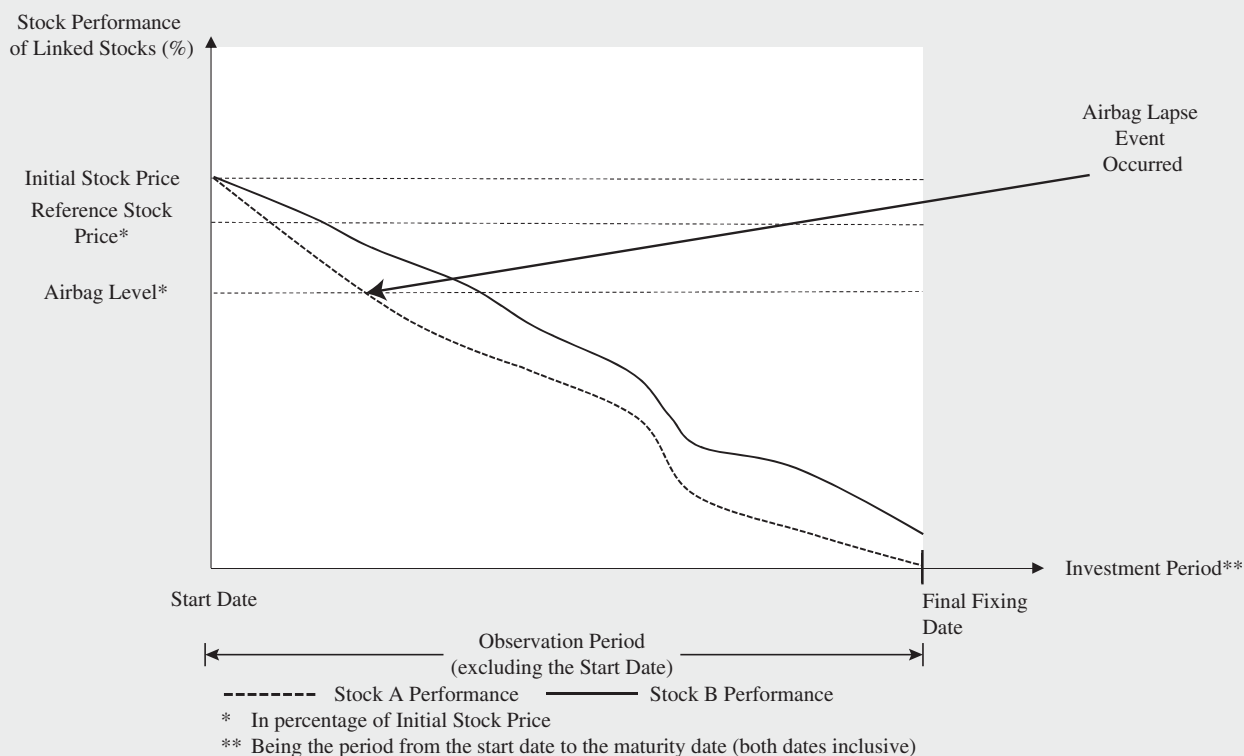
## IS THERE ANY MARKET MAKING ARRANGEMENT BEFORE EXPIRY?

- Market making arrangements are available for all of our CDDA ELIs (regardless of the length of the investment period).
- Throughout each market making day (being each exchange business day from but excluding the issue date to and including the third exchange business day before the final fixing date), we, as the market agent, will make available to you (via your distributor) indicative bid prices (on a per CDDA ELI basis) during normal business hours. If you wish to obtain a firm bid price at which you can sell your CDDA ELIs to us, you will need to submit your request to your distributor before 3:00 p.m. If you agree to the quoted firm bid price, you can place a limit sell back order before 3:00 p.m. with your distributor with such price. In order for your limit sell back order to be executed at the quoted firm bid price, you must place such order immediately upon the receipt of the quoted firm bid price without any delay. Otherwise, your limit sell back order will not be executed if the prevailing firm bid price falls below the quoted firm bid price.
- The firm bid price at which you can sell your CDDA ELIs to us may be substantially less than the issue price.
- Please refer to the market making arrangement section on pages 62 to 64 of this product booklet for further details.



## WORST CASE SCENARIO

The example below assumes that there are two linked stocks in the basket and illustrates the worst case scenario where the worst performing stock, which is determined on every scheduled trading day, performs poorly during the investment period.



In the above example, the issue price is set at 100% of the nominal value.

Since the final stock price of the worst performing stock as of the final fixing date (i.e. stock A) is below its reference stock price and the closing price of the worst performing stock on a scheduled trading day has been at or below its airbag level during the observation period (i.e. the airbag lapse event has occurred with stock A being the worst performing stock on such scheduled trading day), you will receive on the maturity date either: (a) physical delivery of the worst performing stock as of the final fixing date (i.e. stock A) if physical settlement is elected as the mode of settlement or, (b) payment of its cash equivalent if cash settlement is elected as the mode of settlement. **In either case, you will not receive any potential upside cash distribution amount and will suffer a loss in your invested capital as the market value of the settlement at maturity you receive is less than the capital invested. In the worst case scenario, if the final stock price of such worst performing stock is zero (and, where physical settlement is elected as the mode of settlement, the stock price of such worst performing stock remains at zero till the maturity date), the settlement at maturity you receive will be worthless and you will lose your entire invested capital.**

Please also refer to “Appendix C — Scenario Analysis” in this product booklet for more illustrative examples of how the CDDA ELIs work.

## WHAT ARE THE FEES AND CHARGES?

**Physical settlement expenses** — you will need to pay physical settlement expenses (if applicable, subject to the prevailing laws and regulations) in connection with physical settlement upon maturity and further details are set out on page 56 of this product booklet.

For the avoidance of doubt, no cash settlement expenses are payable to us.

**Distributor’s charges** — your distributor may charge a handling fee when you make your application or request under the post-sale cooling-off arrangement or when your limit sell back order under the market making arrangement is executed, and may also charge fees for opening and maintaining your securities or investment account.

Issuer's charges — we will charge a handling fee when we unwind your CDDA ELIs order under the post-sale cooling-off arrangement.

**You should note that the physical settlement expenses and distributor's charges mentioned above will reduce the potential gain or increase the potential loss on your investment.**

Commission — we may pay a commission to the distributor(s). Distributor(s)' commissions and other transaction costs including our cost of hedging are subsumed in the issue price.

Please contact your distributor for details regarding such fees and charges.

## **ADJUSTMENTS TO THE TERMS AND CONDITIONS OR EARLY TERMINATION OF OUR CDDA ELIS**

- We may adjust certain terms and conditions (including adjusting the reference stock prices or adjusting certain key dates) of our CDDA ELIs upon the occurrence of certain events (such as a potential adjustment event). We may early terminate our CDDA ELIs upon the occurrence of certain termination events (such as delisting).
- Please refer to pages 58 to 60 of this product booklet for details.

## **CONTINUING DISCLOSURE OBLIGATIONS**

- We (as the Issuer and the Product Arranger) will keep the SFC and the distributors of our CDDA ELIs informed as soon as reasonably practicable if (a) we (as the Issuer) cease to meet any eligibility requirements applicable to issuers under the Code; (b) we (as the Product Arranger) cease to meet any eligibility requirements applicable to product arrangers under the Code; and (c) to the extent permitted by any applicable law, there are changes in our financial condition or other circumstances which could reasonably be expected to have a material adverse effect on our ability (as the Issuer) to fulfill our commitments in connection with our CDDA ELIs. Your distributor will in turn inform you. Please contact your distributor for further details.

## **ADDITIONAL INFORMATION**

### **Offering Documents**

You should obtain the following offering documents from us or the distributor(s):

- (i) the relevant indicative term sheet for our CDDA ELIs;
- (ii) the information memorandum dated 9 August 2024 and any updating addendum as specified in the indicative term sheet;
- (iii) the latest financial disclosure document and any updating addendum as specified in the indicative term sheet; and
- (iv) this product booklet for our Hang Seng Basket Stocks Bull ELIs with Potential Upside Cash Distribution dated 9 August 2024 and any updating addendum as specified in the indicative term sheet.

**The distributor(s) has/have an obligation to distribute all of the above documents to you in your preferred language. Before you decide whether to invest in our CDDA ELIs, you should read and understand all the relevant offering documents referred to above.**

**ISSUER'S INFORMATION**

- Name of Issuer: Hang Seng Bank Limited
- Address: 83 Des Voeux Road Central, Hong Kong
- Website: [www.hangseng.com](http://www.hangseng.com)
- Hotline for enquiry: 28220228

**IMPORTANT**

If you are in doubt, you should seek independent professional advice.

## RISK FACTORS

In addition to the risks set out in the information memorandum, you should consider the risk factors set out in the section headed “WHAT ARE THE KEY RISKS?” in the Key Facts Statement of this product booklet and the following additional risks:

- **Hang Seng Basket Stocks Bull ELIs with Potential Upside Cash Distribution are not capital protected and are not protected deposits**

Our Hang Seng Basket Stocks Bull ELIs with Potential Upside Cash Distribution are not capital protected and are not protected deposits under the Deposit Protection Scheme in Hong Kong. They are unlisted structured investment products embedded with derivatives and are not equivalent to time deposits. **In the worst case scenario, you could lose all of your investment.**

The potential gain or loss on our Hang Seng Basket Stocks Bull ELIs with Potential Upside Cash Distribution is linked to the performance of the worst performing stock in the basket on the final fixing date (where the final fixing date airbag feature is applicable or no airbag feature is applicable) or from time to time (where the daily airbag feature is applicable). The performance of each linked stock is dependent upon macroeconomic factors, such as interest rates and price levels on the capital markets, currency developments, political factors as well as factors specific to the linked stock such as earnings position, market position, risk situation, shareholder structure and dividend distribution policy. Depending on the performance of such worst performing stock, the market value of the settlement at maturity may be substantially less than the capital invested or worth nothing. Movements in the market price of the worst performing stock in the basket during the investment period could have an impact on (i) whether an airbag lapse event (if applicable) will occur; and (ii) the settlement at maturity.

- **Your potential gain or loss is determined by reference to the worst performing stock in the basket**

The potential gain or loss under our Hang Seng Basket Stocks Bull ELIs with Potential Upside Cash Distribution is determined by reference to the worst performing stock in the basket on the final fixing date (where the final fixing date airbag feature is applicable or no airbag feature is applicable) or from time to time (where the daily airbag feature is applicable). The worst performing stock on each scheduled trading day can be different. If the daily airbag feature is applicable, the worst performing stock that triggers the “airbag lapse event” on a scheduled trading day may or may not be the worst performing stock on the final fixing date. If any one of the linked stocks in the basket performs poorly against your expectation, you will not benefit from the performance of any other linked stocks in the basket.

- **Limited market making arrangement**

Our Hang Seng Basket Stocks Bull ELIs with Potential Upside Cash Distribution are designed to be held till maturity. However, if you try to sell our Hang Seng Basket Stocks Bull ELIs with Potential Upside Cash Distribution you hold before the final fixing date, we will provide daily market making arrangement within the time period as specified in the indicative term sheet for you to sell back the Hang Seng Basket Stocks Bull ELIs with Potential Upside Cash Distribution, but the actual sell back price that you receive may be less than or substantially less than the original amount you invested. In addition, you should note that we may not be able to provide market making arrangements on a market making day if the relevant Hang Seng Basket Stocks Bull ELI with Potential Upside Cash Distribution is affected by market disruption events.

- **No rights in the linked stocks**

Investing in our Hang Seng Basket Stocks Bull ELIs with Potential Upside Cash Distribution is not the same as investing in the linked stocks. During the investment period, you have no rights in the linked stocks in the basket (except where the worst performing stock as of the final fixing date is determined to be deliverable to you on the maturity date and you have elected physical settlement). Changes in the market price of any of the linked stocks may not lead to a corresponding change in the market value of, or your potential gain or loss under, our Hang Seng Basket Stocks Bull ELIs with Potential Upside Cash Distribution. In the case where the worst performing stock as of the final fixing date is determined to be deliverable to you on the maturity date and you have elected physical settlement, you shall become beneficially entitled to all the rights attached to such worst performing stock, including the rights to receive dividends, as from the final fixing date. However, you should be aware that, from the final fixing

date to the day on which such worst performing stock is delivered to you, neither we as the Issuer nor our agents are under any obligation to deliver to you any document received by us or our agents in the capacity as the registered holder of such worst performing stock, nor under any obligation to exercise any rights attaching to such worst performing stock, nor subject to any liability to you for any loss or damage you may sustain or suffer. As provided in condition 4(d) of the terms and conditions set out in Appendix A to this product booklet, we will notify you if we or our agents receive any dividend, rights, bonus issue, shares or units issued pursuant to a stock split or consolidation in respect of such worst performing stock during the period from the final fixing date and until such time such worst performing stock is delivered to you.

- **Post-sale cooling-off period only applies to Hang Seng Basket Stocks Bull ELIs with Potential Upside Cash Distribution with an investment period of more than 1 year**

Post-sale cooling-off period only applies to Hang Seng Basket Stocks Bull ELIs with Potential Upside Cash Distribution with an investment period of more than 1 year. If you change your mind after you have placed an order for our Hang Seng Basket Stocks Bull ELIs with Potential Upside Cash Distribution and such Hang Seng Basket Stocks Bull ELIs with Potential Upside Cash Distribution have an investment period over 1 year, you can choose to cancel or unwind (as the case may be) your purchase order (in whole but not in part) within the period starting from the day you place the order to 5 business days after the end of the offer period.

If your distributor receives your notice to cancel before any of the initial stock prices is recorded on the start date, the issue price of your whole order will not be deducted from your account on the payment date and no market value adjustment and/or issuer's handling fee will be deducted from your account.

If your distributor receives your notice to unwind after any of the initial stock prices is recorded on the start date, the issue price of your whole order will be deducted from your account on the payment date and we will arrange for the distributor to return to you the issue price of your whole order less a market value adjustment and issuer's handling fee (as specified in the indicative term sheet) on the second business day after the payment date. **You should note that if you send a notice to your distributor after the end of the offer period, the amount that we will return to you is capped at and may be substantially less than the issue price and, in that case, you will suffer a loss.** For the avoidance of doubt, if the Hang Seng Basket Stocks Bull ELIs with Potential Upside Cash Distribution are denominated in RMB and the post-sale cooling-off period arrangement is applicable, such return to you will not be subject to an RMB disruption event.

In either case, the distributor's commission (if any) will not be deducted from the amount returned to you, but your distributor may charge you a handling fee. You should ask your distributor for details.

**You should note that the above post-sale cooling-off period arrangement will not be applicable to our Hang Seng Basket Stocks Bull ELIs with Potential Upside Cash Distribution with an investment period of 1 year or less.**

Please see "Post-sale cooling-off period" on page 62 of this product booklet for further details.

- **Risks in relation to delivery of the worst performing stock**

(i) *Exposure to market price movements of the worst performing stock from the final fixing date*

Your settlement at maturity will be determined on the final fixing date but the settlement will only occur on the maturity date (being 3 business days after the final fixing date), provided that the delivery of the worst performing stock as of the final fixing date will only occur on a clearance system business day. Accordingly, if such worst performing stock is determined to be deliverable to you on the maturity date and you have elected physical settlement, you will be exposed to market risks (including but not limited to any movement in the market price of such worst performing stock) during the period between the final fixing date and the maturity date and the risk of the occurrence of settlement disruption events on or after the scheduled maturity date. Also, if you choose not to realise such worst performing stock on the maturity date, you will be further exposed to the market risks of holding such worst performing stock from the maturity date until you sell such worst performing stock.

(ii) *Settlement disruption event*

Upon the occurrence of settlement disruption events (i.e. events which the calculation agent, in its sole and absolute discretion acting in good faith and in a commercially reasonable manner, determines to be beyond our control or the control of the relevant company or the relevant fund and as a result of which the relevant clearance system cannot clear the transfer of the relevant worst performing stock), delivery of the relevant worst performing stock will be delayed as further described in “How and when will the relevant worst performing stock be delivered?” on pages 57 to 58 of this product booklet. There is no assurance of the duration of such delay in delivery of the relevant worst performing stock. If this occurs, this could result in delay for you in receiving such number of share(s)/unit(s) per ELI from the distributors or from us (where we are acting as a distributor). Where such delay occurs, movements in the market price of the relevant worst performing stock could affect the market value of such worst performing stock delivered. We will not pay any extra amount (such as interest) for any delay in delivery of such worst performing stock.

- **Risk in relation to odd lot shares**

If our Hang Seng Basket Stocks Bull ELIs with Potential Upside Cash Distribution are physically settled, board and odd lots (as the case may be) of the relevant worst performing stock will be delivered to you as settlement. If an odd lot is delivered to you, you should note that the market price of each share or unit of such odd lot may be lower than that of each share or unit of the whole board lot, and you may also have difficulty to sell such odd lot in the market.

- **Discretion of the calculation agent to make adjustments and/or substitution relating to Hang Seng Basket Stocks Bull ELIs with Potential Upside Cash Distribution**

If any potential adjustment events, merger events or tender offers affecting any of the linked stocks in the basket has occurred between the start date and the final fixing date (both dates inclusive), the calculation agent may, in its sole and absolute discretion acting in good faith and in a commercially reasonable manner, adjust the terms and conditions for that series of Hang Seng Basket Stocks Bull ELIs with Potential Upside Cash Distribution including the initial stock price, the reference stock price and airbag level (if applicable) of the affected linked stock(s) in the basket if it determines appropriate to account for the occurrence of the relevant event in order to preserve the economic equivalence of our Hang Seng Basket Stocks Bull ELIs with Potential Upside Cash Distribution.

If (i) a merger event or a tender offer, as provided in conditions 6(b) and (c) of the terms and conditions set out in Appendix A to this product booklet has occurred, whereby the calculation agent determines in its sole and absolute discretion and acting in good faith and in a commercially reasonable manner that any adjustment to the terms and conditions of our Hang Seng Basket Stocks Bull ELIs with Potential Upside Cash Distribution is unable to preserve the economic equivalence of our Hang Seng Basket Stocks Bull ELIs with Potential Upside Cash Distribution; or (ii) certain termination events, including nationalisation, insolvency, delisting, hedging disruption, additional disruption events and fund disruption event affecting any of the linked stocks in the basket, as provided in conditions 6(d), (e) and (f) of the terms and conditions set out in Appendix A to this product booklet has occurred, the calculation agent may, in its sole and absolute discretion and acting in good faith and in commercially reasonable manner, substitute the affected linked stock in the basket with a new stock selected by the calculation agent and make any further adjustments to the terms of the Hang Seng Basket Stocks Bull ELIs with Potential Upside Cash Distribution as it thinks fit (acting in good faith and in commercially reasonable manner) to account for the occurrence of the relevant event, provided that any such substitution and adjustment are not considered by the calculation agent to be prejudicial to the holders of such Hang Seng Basket Stocks Bull ELIs with Potential Upside Cash Distribution generally. If the calculation agent decides to choose a new stock to substitute the affected linked stock, the substitute stock will be, in the sole and absolute discretion of the calculation agent acting in good faith and in a commercially reasonable manner, in a similar industry as the affected linked stock (where the affected linked stock is a share) or have similar investment objectives as the affected linked stock (where the affected linked stock is a unit), and have a similar market capitalisation and volatility and listed on the same exchange as the affected linked stock.

Both the substitution and adjustment mentioned above might adversely affect your rights attached to our Hang Seng Basket Stocks Bull ELIs with Potential Upside Cash Distribution and the financial return that you may receive from them. If any substitution or adjustment has been made, you will be notified by your distributor.



Please see “When will the terms and conditions of the Hang Seng Basket Stocks Bull ELIs with Potential Upside Cash Distribution be adjusted? When will a linked stock be substituted?” on pages 58 to 59 of this product booklet for further details.

- **Risks in relation to early termination**

Upon an occurrence between the start date and the final fixing date (both dates inclusive) of certain events which include, but are not limited to, merger events, tender offers and additional disruption events in relation to any linked stock in the basket of our Hang Seng Basket Stocks Bull ELIs with Potential Upside Cash Distribution, the calculation agent may decide at its sole and absolute discretion acting in good faith and in a commercially reasonable manner to early terminate our Hang Seng Basket Stocks Bull ELIs with Potential Upside Cash Distribution with immediate effect prior to the maturity date. In such case, you will receive the early termination amount as determined by the calculation agent acting in good faith and in a commercially reasonable manner. Such early termination amount might be less than the amount that you originally invested.

Please see “Are there any situations where our Hang Seng Basket Stocks Bull ELIs with Potential Upside Cash Distribution may be terminated before maturity?” on pages 59 to 60 of this product booklet for details including how the early termination amount will be determined.

- **Hedging risks**

We as the Issuer or any affiliated entity of us may enter into hedging transactions with counterparties in the market in order to enable us to fulfil our obligations under our Hang Seng Basket Stocks Bull ELIs with Potential Upside Cash Distribution. These transactions would typically involve contracts for the purchase and/or sale of the linked stocks in the basket and the establishment of long and/or short positions in those linked stocks which may be constantly adjusted. The unwinding or adjustment of the positions in the linked stocks in the basket shortly before a relevant date under our Hang Seng Basket Stocks Bull ELIs with Potential Upside Cash Distribution may itself affect the market prices of those linked stocks on the relevant date, particularly if there is a low trading volume in those linked stocks at that time.

It is possible that this activity could:

- (a) cause the final stock price of the worst performing stock as of the final fixing date to fall below its initial stock price, resulting in no potential upside cash distribution amount being payable;
- (b) where the final fixing date airbag feature is applicable, cause the final stock price of the worst performing stock as of the final fixing date to fall to or below its airbag level, resulting in the occurrence of an airbag lapse event;
- (c) where the daily airbag feature is applicable, cause the final stock price of the worst performing stock as of the final fixing date to fall below its reference stock price and the closing price of the worst performing stock on any scheduled trading day during the observation period to fall to or below its airbag level resulting in the occurrence of an airbag lapse event; or
- (d) where no airbag feature is applicable, cause the final stock price of the worst performing stock as of the final fixing date to fall below its reference stock price.

If the counterparties default or fail to fulfil their obligations under the hedging transactions, we will bear such default risk and we will keep the same terms and payment structures of our Hang Seng Basket Stocks Bull ELIs with Potential Upside Cash Distribution.

- **Risk related to real estate investment trusts and exchange traded funds in general**

Where a linked stock is a share or unit (as applicable) in a fund which is a real estate investment trust and/or exchange traded fund, neither we nor our affiliates have the ability to control or predict the actions of the manager of the relevant fund. The manager is not involved in the offer of our Hang Seng Basket Stocks Bull ELIs with Potential Upside Cash Distribution in any way and has no obligation to consider your interests in taking any action that might affect the market price of the linked stocks in the basket and, in turn, affect our Hang Seng Basket Stocks Bull ELIs with Potential Upside Cash Distribution.

The manager is responsible for making strategic, investment and other trading decisions with respect to the management of the fund assets, consistent with its investment objectives and/or investment restrictions as set out in its constitutive documents. The performance of the fund assets is significantly dependent upon the capabilities of the management team of the manager. The manner in which the fund assets are managed and the timing of such decisions will have a significant impact on the performance of the fund assets, and hence, on the performance of linked stocks and our Hang Seng Basket Stocks Bull ELIs with Potential Upside Cash Distribution.

There is also a risk that the investment objectives and/or investment restrictions as set out in the constitutive documents in relation to the funds are materially changed after the date when our Hang Seng Basket Stocks Bull ELIs with Potential Upside Cash Distribution are offered or are not complied with or the method of calculating the net asset value of the fund assets is materially changed after the date when our Hang Seng Basket Stocks Bull ELIs with Potential Upside Cash Distribution are offered. Such changes will impact on the performance of the fund assets and on the linked stocks. The applicable laws and regulations governing the funds may restrict the operations of the funds and restrict their ability to achieve the investment objectives. In such case, the calculation agent, may decide, in its sole and absolute discretion acting in good faith and in a commercially reasonable manner, to substitute the fund so affected or to early terminate our Hang Seng Basket Stocks Bull ELIs with Potential Upside Cash Distribution in accordance with condition 6(f) or 6(g) in the terms and conditions as set out in Appendix A to this product booklet. The early termination amount that you will receive may be substantially less than the amount that you have invested. Please refer to the risk factors section “Risks in relation to early termination” for details. If the calculation agent decides to choose a new fund to substitute the affected fund, the calculation agent will choose, in its sole and absolute discretion acting in good faith and in a commercially reasonable manner, the one which has similar investment objectives as the affected fund, and have a similar market capitalisation and volatility and listed on the same exchange as the affected fund. Please refer to the risk factors section “Discretion of the calculation agent to make adjustments and/or substitution relating to Hang Seng Basket Stocks Bull ELIs with Potential Upside Cash Distribution” for details.

Please read the offering documents for the relevant fund for more details.

- **Risk factors specific to Hang Seng Basket Stocks Bull ELIs with Potential Upside Cash Distribution linked to an exchange traded fund**

Where a linked stock is a share or unit in a fund which is an exchange traded fund, you should note that an exchange traded fund is exposed to the political, economic, currency and other risks related to the underlying asset pool or index that the exchange traded fund is designed to track. There may also be a disparity between the performance of the exchange traded fund and the performance of the underlying asset pool or index which the exchange traded fund aims to track due to, for instance, failure of the tracking strategy, currency differences, fees and expenses. Furthermore, where the underlying asset pool or index that the exchange traded fund aims to track is subject to restricted access, the efficiency in share or unit creation or redemption to keep the market price of the exchange traded fund in line with its net asset value may be disrupted, causing the exchange traded fund to trade at a premium or discount to its net asset value. Such risks may have a negative impact on the performance of the exchange traded fund and may adversely affect the performance or market value of our Hang Seng Basket Stocks Bull ELIs with Potential Upside Cash Distribution in which case you may suffer a loss in your investment.

If an exchange traded fund adopts a synthetic replication investment strategy to achieve its investment objectives by investing in financial derivative instruments linked to the performance of an underlying asset pool or index that the exchange traded fund is designed to track (“**synthetic exchange traded fund**”), you should also note that:

- investments in financial derivative instruments will expose the synthetic exchange traded fund to the credit, potential contagion and concentration risks of the counterparties who issued such financial derivative instruments. As such, counterparties are predominantly international financial institutions, the failure of one such counterparty may have a negative effect on other counterparties of the synthetic exchange traded fund. Even if the synthetic exchange traded funds have collateral to reduce the counterparty risks, there may still be a risk that the market value of the collateral has fallen substantially when the synthetic exchange traded fund seeks to realise the collateral;

- (b) the synthetic exchange traded fund may be exposed to higher liquidity risk if the synthetic exchange traded fund invests in financial derivative instruments which do not have an active secondary market. Such derivatives may have to be valued or sold at a much lower price than those with an active secondary market given wider bid-offer spreads in the price of the derivatives. This may result in losses in the synthetic exchange traded fund.
- **Risk factors specific to Hang Seng Basket Stocks Bull ELIs with Potential Upside Cash Distribution linked to an exchange traded fund investing through the QFI regimes and/or China Connect (“China ETFs”)**

Where a linked stock is a share or unit of a China ETF issued and traded outside the mainland China with direct investment in the mainland China’s securities market through the Qualified Foreign Institutional Investor regime and RMB Qualified Foreign Institutional Investor regime (collectively, “**QFI regimes**”) and/or the Shanghai-Hong Kong Stock Connect and Shenzhen-Hong Kong Stock Connect (collectively, “**China Connect**”), you should note the additional risks below:

- (a) the policy and rules for the QFI regimes and China Connect prescribed by the PRC central government are subject to change, and there may be uncertainty to its implementation. Such uncertainty and potential change of the laws and regulations for the QFI regimes and China Connect may adversely impact on the performance of a China ETF, and may also have potential retrospective effect. These changes may in turn adversely affect the performance or market value of our Hang Seng Basket Stocks Bull ELIs with Potential Upside Cash Distribution;
- (b) a China ETF primarily invests in securities traded in the mainland China’s securities market and is subject to concentration risk. Investment in the mainland China’s securities market (which are inherently stock markets with restricted access) involves certain risks and special considerations as compared with investment in more developed economies or markets, such as greater political, tax, economic, foreign exchange, liquidity and regulatory risks. The operation of China ETFs may also be affected by interventions by the applicable government(s) and regulators in the financial markets. This may adversely affect the performance of the China ETF, and may in turn adversely affect the performance of our Hang Seng Basket Stocks Bull ELIs with Potential Upside Cash Distribution;
- (c) there are risks and uncertainties associated with the current mainland Chinese tax laws applicable to China ETFs investing in the mainland China through the QFI regimes and/or China Connect. Although China ETFs may have made a tax provision in respect of potential tax liability, such tax provision may be excessive or inadequate. Any shortfall between such tax provision and the actual tax liabilities may be covered by the assets of the China ETFs and may therefore adversely affect the performance of the China ETF and the potential payout of our Hang Seng Basket Stocks Bull ELIs with Potential Upside Cash Distribution; and
- (d) trading of securities invested by a China ETF under the China Connect will be subject to a daily quota which is utilised on a first-come-first-serve basis under the China Connect. In the event that the daily quota under the China Connect is reached, the manager may need to suspend creation of further shares or units of the China ETF, and therefore may affect liquidity in share or unit trading of the China ETF. In such event, the trading price of a share or unit of the China ETF is likely to be at a significant premium to its net asset value, and may be highly volatile. The People’s Bank of China and the State Administration of Foreign Exchange have published the detailed implementation rules removing the investment quota allocated to such China ETF under the QFI regimes with effect from 6 June 2020.

Although the shares or units of a China ETF are listed on The Stock Exchange of Hong Kong Limited (“**Hong Kong Stock Exchange**”), there is no guarantee that an active trading market for such shares or units will sustain or, if an active market does develop, liquidity of that market can be sustained. Also, the price and trading volume of the shares or units of China ETFs may be highly volatile subject to the market sentiment, and may be more volatile than would generally be expected for exchange traded funds with a longer trading history.

The above risks may have a significant adverse impact on the performance of the shares or units of such China ETF and the performance or market value of our Hang Seng Basket Stocks Bull ELIs with Potential Upside Cash Distribution, in which case you may sustain a loss in your investment.

Please read the offering documents of the relevant China ETF to understand its key features and risks.

- **Risk factors specific to Hang Seng Basket Stocks Bull ELIs with Potential Upside Cash Distribution linked to a real estate investment trust**

Where a linked stock is a unit in a fund which is a real estate investment trust, you should note that the investment objective of real estate investment trust is to invest in a real estate portfolio. Each real estate investment trust is exposed to risks relating to investments in real estate, including but not limited to (a) adverse changes in political or economic conditions; (b) changes in interest rates and the availability of debt or equity financing, which may result in an inability by the real estate investment trust to maintain or improve the real estate portfolio and finance future acquisitions; (c) changes in environmental, zoning and other governmental rules; (d) changes in market rents; (e) any required repair and maintenance of the portfolio properties; (f) breach of any property laws or regulations; (g) the illiquidity of real estate investment; (h) real estate taxes; (i) any hidden interests in the portfolio properties; (j) any increase in insurance premiums and (k) any uninsurable losses.

There may also be disparity between the market price of the units of a real estate investment trust and the net asset value per unit. This is because the market price of the units of a real estate investment trust also depends on many factors, including but not limited to (a) the market value and perceived prospects of the real estate portfolio; (b) changes in economic or market conditions; (c) changes in market valuations of similar companies; (d) changes in interest rates; (e) the perceived attractiveness of the units of the real estate investment trust against those of other equity securities; (f) the future size and liquidity of the market for the units and the real estate investment trust market generally; (g) any future changes to the regulatory system, including the tax system and (h) the ability of the real estate investment trust to implement its investment and growth strategies and to retain its key personnel. Such risks may have a negative impact on the performance of the linked stock and therefore the potential gain or loss of our Hang Seng Basket Stocks Bull ELIs with Potential Upside Cash Distribution. In addition, changes in the market price of units of the real estate investment trust or its real estate portfolio may not lead to a corresponding change (if any) in the market value of our Hang Seng Basket Stocks Bull ELIs with Potential Upside Cash Distribution of the same magnitude or even any increase or decrease at all.

Please read the offering documents of the relevant real estate investment trust to understand its key features and risks.

- **Risk factors specific to Hang Seng Basket Stocks Bull ELIs with Potential Upside Cash Distribution linked to a linked stock adopting the multiple counter model**

Where the issuer of a linked stock adopts the multiple counter model for trading its shares or units on the Hong Kong Stock Exchange in HKD and one or more foreign currencies (such as RMB and/or USD) (each a “**Foreign Currency**”) separately, you need to consider the following additional risks in light of the novelty and relatively untested nature of the Hong Kong Stock Exchange’s multiple counter model:

- our Hang Seng Basket Stocks Bull ELIs with Potential Upside Cash Distribution relate to either the HKD-traded or Foreign Currency-traded shares or units only. If the relevant linked stock is the shares or units traded in one currency counter, movements in the trading prices of the shares or units traded in another currency counter should not directly affect the performance or market value of our Hang Seng Basket Stocks Bull ELIs with Potential Upside Cash Distribution;
- if there is a suspension of inter-counter transfer of such shares or units between different currency counters for any reason, such shares or units will only be able to be traded in the relevant currency counter on the Hong Kong Stock Exchange, which may affect the demand and supply of the linked stock and have adverse effect on the performance or market value of our Hang Seng Basket Stocks Bull ELIs with Potential Upside Cash Distribution; and

- (c) the trading price on the Hong Kong Stock Exchange of shares or units traded in one currency counter may deviate significantly from the trading price on the Hong Kong Stock Exchange of shares or units traded in another currency counter due to different factors, such as market liquidity, foreign exchange conversion risk, supply and demand in each counter and exchange rate fluctuation. Changes in the trading price of the linked stock in the relevant currency counter may adversely affect the performance or market value of our Hang Seng Basket Stocks Bull ELIs with Potential Upside Cash Distribution.

Please read the offering documents of the relevant shares of a company or shares or units of a fund which are traded through the multiple counter model to understand its key features and risks.

- **Conflicts of interest**

You should note that conflicts of interest may arise from the different roles played by us and our subsidiaries and affiliates in connection with our Hang Seng Basket Stocks Bull ELIs with Potential Upside Cash Distribution and our economic interests in each role may be adverse to your interests in our Hang Seng Basket Stocks Bull ELIs with Potential Upside Cash Distribution. We have policies and procedures to minimise and manage such conflicts and we have regulatorily required information barriers between our different divisions or units to comply with applicable laws and regulations, and, in any case, all such transactions or dealings in relation to our Hang Seng Basket Stocks Bull ELIs with Potential Upside Cash Distribution will be transacted at arm's length. Hang Seng Bank Limited acts as the calculation agent for a series of Hang Seng Basket Stocks Bull ELIs with Potential Upside Cash Distribution. The calculation agent is a separate role of Hang Seng Bank Limited, and Hang Seng Bank Limited as the calculation agent will act in good faith and in a commercially reasonable manner.

- **The potential gain or loss is affected by charges**

The total potential gain on our Hang Seng Basket Stocks Bull ELIs with Potential Upside Cash Distribution will be reduced or the total potential loss on our Hang Seng Basket Stocks Bull ELIs with Potential Upside Cash Distribution will be increased by any physical settlement expenses (such as transferee's stamp duty, transaction levies, and registration charges) and/or any handling fee you have to pay your distributor and/or the issuer when you make your application or request under the post-sale cooling off arrangement or when your limit sell back order under the market making arrangement is executed and any fees to open and maintain your securities or investment account. Please contact your distributor for more information about the amount of the relevant charges payable.

- **Terms may only be determined after you are committed to purchase our Hang Seng Basket Stocks Bull ELIs with Potential Upside Cash Distribution**

You should note that with respect to each linked stock in the basket, the initial stock price may be (i) the official closing price of such linked stock on the Hong Kong Stock Exchange on the start date, or (ii) the market spot price of such linked stock as agreed between the Issuer and you on the start date. For the avoidance of doubt, it is possible that the initial stock price(s) of certain linked stock(s) in the basket will be determined by using method (i) while the initial stock price(s) of other linked stock(s) in the basket will be determined by using method (ii).

With respect to any linked stock(s) in the basket using method (i) in determining the initial stock price(s), the initial stock price(s) of such linked stock(s) will only be recorded after you are committed to purchase our Hang Seng Basket Stocks Bull ELIs with Potential Upside Cash Distribution. In the case that the initial stock price of any such linked stock(s) cannot be recorded on the start date due to the occurrence of a market disruption event, the issue price held by the distributor will be released in full to you on the start date and the relevant series of Hang Seng Basket Stocks Bull ELIs with Potential Upside Cash Distribution will not be issued. In addition, some of the benchmark prices (including the reference stock prices and airbag levels) that are applicable to the series of the Hang Seng Basket Stocks Bull ELIs with Potential Upside Cash Distribution you wish to purchase will be expressed in specified percentages of the initial stock prices in the indicative term sheet, therefore, the actual value of such terms will only be determined after the market close on the start date when such initial stock price(s) is/are recorded. These terms can only be determined after you have committed to purchase our Hang Seng Basket Stocks Bull ELIs with Potential Upside Cash Distribution.



- **English version of the terms and conditions may prevail over the Chinese version**

If our Hang Seng Basket Stocks Bull ELIs with Potential Upside Cash Distribution are held through international securities clearing systems, the terms and conditions of our Hang Seng Basket Stocks Bull ELIs with Potential Upside Cash Distribution are issued in English only for the purposes of lodgement with the relevant clearing systems, and shall prevail over the Chinese version of the terms and conditions contained in the Chinese version of this product booklet in the event of inconsistency. If you do not understand the English version, you should obtain independent professional advice.

- **Exposure to risk from the start date**

There is a time gap of 1 to 10 business days (for our Hang Seng Basket Stocks Bull ELIs with Potential Upside Cash Distribution with an investment period equal to or less than 1 year) or 6 to 10 business days (for our Hang Seng Basket Stocks Bull ELIs with Potential Upside Cash Distribution with an investment period over 1 year) between the start date and the issue date of our Hang Seng Basket Stocks Bull ELIs with Potential Upside Cash Distribution. **You will be exposed to the risks associated with our Hang Seng Basket Stocks Bull ELIs with Potential Upside Cash Distribution starting from the start date.**

- **Exchange rate risks**

A series of our Hang Seng Basket Stocks Bull ELIs with Potential Upside Cash Distribution may be issued and settled in a currency other than the underlying currency of the worst performing stock as of the final fixing date. If necessary, we will convert the settlement currency into such underlying currency or convert such underlying currency into the settlement currency at the exchange rate determined in accordance with the relevant term sheet in making calculations on the final fixing date. Fluctuation of the exchange rate may therefore adversely affect the potential payout of our Hang Seng Basket Stocks Bull ELIs with Potential Upside Cash Distribution.

In addition, a series of our Hang Seng Basket Stocks Bull ELIs with Potential Upside Cash Distribution may be issued in a currency other than your home currency. If you convert payments made on our Hang Seng Basket Stocks Bull ELIs with Potential Upside Cash Distribution back to your home currency, the amount you receive will be determined by reference to the exchange rate between the settlement currency and your home currency.

- **Other risk factors specific to RMB-denominated Hang Seng Basket Stocks Bull ELIs with Potential Upside Cash Distribution and/or RMB-traded linked stock**

Where the settlement currency and/or the underlying currency of a linked stock is/are RMB, you should note the following additional risks:

*(i) Offshore RMB exchange rate risks*

While both onshore Renminbi (i.e. Renminbi traded in the mainland China) (“**onshore RMB**”) and offshore Renminbi (i.e. Renminbi traded outside the mainland China) (“**offshore RMB**”) are the same currency, they are traded in different and separate markets operating under different regulations and independent liquidity pool. Onshore RMB and offshore RMB are currently traded in different markets with different exchange rates, whereby their exchange rate movements may not be in the same direction or magnitude. The offshore RMB exchange rate may deviate significantly from the onshore RMB exchange rate. In the case where: (i) the underlying currency of the worst performing stock as of the final fixing date is a currency other than RMB, such as HKD and USD but our Hang Seng Basket Stocks Bull ELIs with Potential Upside Cash Distribution are denominated in RMB, or (ii) the underlying currency of the worst performing stock as of the final fixing date is RMB but our Hang Seng Basket Stocks Bull ELIs with Potential Upside Cash Distribution are denominated in a currency other than RMB, changes in the offshore RMB exchange rate may adversely affect the market value of our Hang Seng Basket Stocks Bull ELIs with Potential Upside Cash Distribution, and the number of share(s)/units(s) per ELI deliverable to you in the case of physical settlement.

Where the underlying currency of the worst performing stock as of the final fixing date is a currency other than RMB but our Hang Seng Basket Stocks Bull ELIs with Potential Upside Cash Distribution are denominated in RMB, in case of physical delivery of such worst performing stock, if the value of RMB against such other currency on the final fixing date is lower than that as at the start date (i.e. RMB depreciates against such other currency), you will receive a fewer number of share(s)/unit(s) per ELI

because a lesser amount of such other currency can be converted from the nominal value in RMB to buy such worst performing stock at its reference stock price.

Where the underlying currency of the worst performing stock as of the final fixing date is RMB but our Hang Seng Basket Stocks Bull ELIs with Potential Upside Cash Distribution are denominated in a currency other than RMB, in case of physical delivery of such worst performing stock, if the value of RMB against such other currency on the final fixing date is higher than that as at the start date (i.e. RMB appreciates against such other currency), you will receive a fewer number of share(s)/unit(s) per ELI because a lesser amount of RMB can be converted from the nominal value in a currency other than RMB to buy the linked stock at the reference stock price.

The offshore RMB exchange rate will be affected by, amongst other things, the PRC central government's foreign exchange control, which may adversely affect your potential return under our Hang Seng Basket Stocks Bull ELIs with Potential Upside Cash Distribution when you convert RMB into such other currency, or vice versa.

Non RMB-based investors may have to convert their home currency into RMB when investing in RMB-denominated Hang Seng Basket Stocks Bull ELIs with Potential Upside Cash Distribution. Such investors may also have to convert payments made on such Hang Seng Basket Stocks Bull ELIs with Potential Upside Cash Distribution (or proceeds from selling the RMB-traded linked stock delivered to such investors under our Hang Seng Basket Stocks Bull ELIs with Potential Upside Cash Distribution) back to their home currency. During these processes, such investors will incur currency conversion costs and be exposed to risk of fluctuation in the offshore RMB exchange rate against their home currency.

Please note that like other foreign currencies, the offshore RMB exchange rate may rise or fall. There is no guarantee that RMB will not depreciate. Our Hang Seng Basket Stocks Bull ELIs with Potential Upside Cash Distribution denominated in RMB shall not be used as an investment for speculating in the appreciation of RMB.

*(ii) Limited pool of RMB outside mainland China*

RMB is subject to foreign exchange control and restrictions by the PRC central government.

There may be additional rules, regulations and restrictions under contemplation or to be issued by the relevant Hong Kong or PRC authorities that may be relevant to your investment in such Hang Seng Basket Stocks Bull ELIs with Potential Upside Cash Distribution. You should check with your distributor for updates and details.

There is currently a limited pool of RMB outside mainland China. Should the PRC central government tighten its foreign exchange control over the cross border movements between onshore RMB and offshore RMB, the liquidity in RMB is likely to be adversely affected. Such limitation on liquidity in RMB may increase our unwind cost on any hedging arrangements relating to the Hang Seng Basket Stocks Bull ELIs with Potential Upside Cash Distribution denominated in RMB or Hang Seng Basket Stocks Bull ELIs with Potential Upside Cash Distribution linked to RMB-traded linked stock which in turn may adversely affect the market value of such Hang Seng Basket Stocks Bull ELIs with Potential Upside Cash Distribution.

*(iii) Payment postponement for RMB disruption event*

In the case where the settlement currency is RMB, upon the occurrence of an RMB disruption event (i.e. an event that, in the determination of the calculation agent in its sole and absolute discretion acting in good faith and a commercially reasonable manner, makes it impossible for us (a) to obtain a firm quote of a price quoted in USD against RMB in respect of any amount due and payable in RMB under the Hang Seng Basket Stocks Bull ELIs with Potential Upside Cash Distribution in the RMB exchange market in Hong Kong (except due to issues relating to our creditworthiness), (b) to convert any amount due and payable in RMB under the Hang Seng Basket Stocks Bull ELIs with Potential Upside Cash Distribution in the RMB exchange market in Hong Kong (except due to issues relating to our creditworthiness) and/or (c) to transfer RMB between accounts inside Hong Kong) on a scheduled date of payment, payment of the settlement at maturity and/or the early termination amount in cash may be postponed up to the third business day after 10 business days following such original scheduled date of payment. If the RMB disruption event continues to exist for 10 business days after such original scheduled date of payment, we will make such payment in a HKD equivalent amount by using the offshore RMB exchange rate against



HKD as of such tenth business day as determined by the calculation agent in its sole and absolute discretion acting in good faith and in a commercially reasonable manner. Please refer to “What happens if an RMB disruption event occurs on a scheduled date of payment?” on page 60 of this product booklet for further details.

The occurrence of an RMB disruption event could delay a payment to you under the Hang Seng Basket Stocks Bull ELIs with Potential Upside Cash Distribution. We will not pay any extra amount (such as interest) for any delay in making such payment. You may suffer potential loss in interest which could otherwise be earned through placing the relevant amount in a bank deposit had there not been a delay in making such payment. In addition, if such payment is made in a HKD equivalent amount, you will also be exposed to the risk of fluctuation in the offshore RMB exchange rate against HKD. If offshore RMB depreciates significantly against HKD following the occurrence of an RMB disruption event, you will suffer a loss in HKD terms as the HKD equivalent amount paid to you will be substantially less than the value of the relevant amount payable in RMB on the original payment date in HKD terms (calculated based on the offshore RMB exchange rate against HKD prior to the occurrence of the RMB disruption event).

*(iv) RMB interest rate risk*

The interest rate for offshore RMB may be different from the interest rate for onshore RMB. The interest rate for offshore RMB and the interest rate for onshore RMB are currently traded in different markets with different rates, whereby their movements may not be in the same direction or magnitude. The interest rate for offshore RMB may deviate significantly from the interest rate for onshore RMB. Interest rates for onshore RMB are controlled by the PRC central government. The PRC central government has gradually liberalised the regulations of interest rates in recent years. In the case where there would be any further liberalisation of the interest rate for onshore RMB, such further liberalisation may affect the interest rate for offshore RMB. The market value of our Hang Seng Basket Stocks Bull ELIs with Potential Upside Cash Distribution denominated in RMB may be adversely affected by the fluctuations in the interest rate for offshore RMB.

## WHAT ARE HANG SENG BASKET STOCKS BULL ELIS WITH POTENTIAL UPSIDE CASH DISTRIBUTION?

- Our Hang Seng Basket Stocks Bull ELIs with Potential Upside Cash Distribution have three combinations of different features as follows:
  - (i) Hang Seng Non-Capital Protected Unlisted Bull Basket Stocks ELIs with Potential Upside Cash Distribution (“**CDNA ELIs**”);
  - (ii) Hang Seng Non-Capital Protected Unlisted Bull Basket Stocks ELIs with Potential Upside Cash Distribution and Final Fixing Date Airbag (“**CDDA ELIs**”); and
  - (iii) Hang Seng Non-Capital Protected Unlisted Bull Basket Stocks ELIs with Potential Upside Cash Distribution and Daily Airbag (“**CDDA ELIs**”).
- Our Hang Seng Basket Stocks Bull ELIs with Potential Upside Cash Distribution are equity-linked structured products which have a series of embedded options including embedded conditional put options over a basket of linked stocks (being shares in companies and/or shares or units of funds listed on the Hong Kong Stock Exchange and traded in HKD, RMB, USD or such other currencies as the underlying currency) whereby you will be obliged to buy a number of the worst performing stock as of the final fixing date calculated at its reference stock price through us on the final fixing date if certain conditions are met. Each series of our Hang Seng Basket Stocks Bull ELIs with Potential Upside Cash Distribution shall have a maximum of ten and a minimum of two linked stocks in the basket. Not all listed stocks or funds can be used as a linked stock; you should ask your distributor what linked stocks are available. The basket may comprise a mixture of linked stocks traded in different currencies.
- For each linked stock in the basket, reference stock price and airbag level (if applicable) will be determined based on a specified percentage of the initial stock price of that linked stock on the start date, and such percentages will be set out in the relevant term sheet.
- Settlement at maturity will be determined based on the closing price of the worst performing stock in the basket on the final fixing date (where the final fixing date airbag feature is applicable or no airbag feature is applicable) or from time to time (where the daily airbag feature is applicable). The linked stock with the lowest stock performance on the relevant scheduled trading day will be the worst performing stock for that scheduled trading day. The worst performing stock on each scheduled trading day can be different. The stock performance for each linked stock in the basket on a scheduled trading day will be calculated using the following formula:

$$\text{Stock performance of a linked stock} = \frac{\text{Closing price of that linked stock on the relevant scheduled trading day}}{\text{Initial stock price of that linked stock}} \times 100\%$$

(rounded to the nearest 0.01, with 0.005 or above being rounded upwards)

If more than one linked stock has the same lowest stock performance among all the linked stocks in the basket on a scheduled trading day, we will, in our sole and absolute discretion acting in good faith and in a commercially reasonable manner, decide which linked stock shall be the worst performing stock for that scheduled trading day.

## Settlement At Maturity

### (a) Potential Upside Cash Distribution Amount

You will receive the potential upside cash distribution amount on the maturity date if the final stock price of the worst performing stock as of the final fixing date is equal to or above its initial stock price. We will calculate such potential upside cash distribution amount according to the following formula (rounded to the nearest 0.01, with 0.005 or above being rounded upwards, save in the case of JPY, rounded to the nearest whole JPY, with 0.5 or above being rounded upwards):

Nominal value x cash distribution rate
--

Where:

Cash distribution rate is the higher of:

- (i) the floor cash distribution rate as specified in the relevant term sheet; and
- (ii) the rate calculated in accordance with the following formula:

$$\left( \frac{\text{Final stock price of the worst performing stock as of the final fixing date}}{\text{Initial stock price of the worst performing stock as of the final fixing date}} - 1 \right) \times 100\%$$

**You should note that it is possible that you will not receive any potential upside cash distribution amount on the maturity date if the final stock price of the worst performing stock as of the final fixing date is below its initial stock price.**

### (b) Airbag feature

The relevant term sheet for each series of our Hang Seng Basket Stocks Bull ELIs with Potential Upside Cash Distribution will specify if the daily airbag feature or the final fixing date airbag feature is applicable. Depending on the applicable feature, the settlement at maturity will be different.

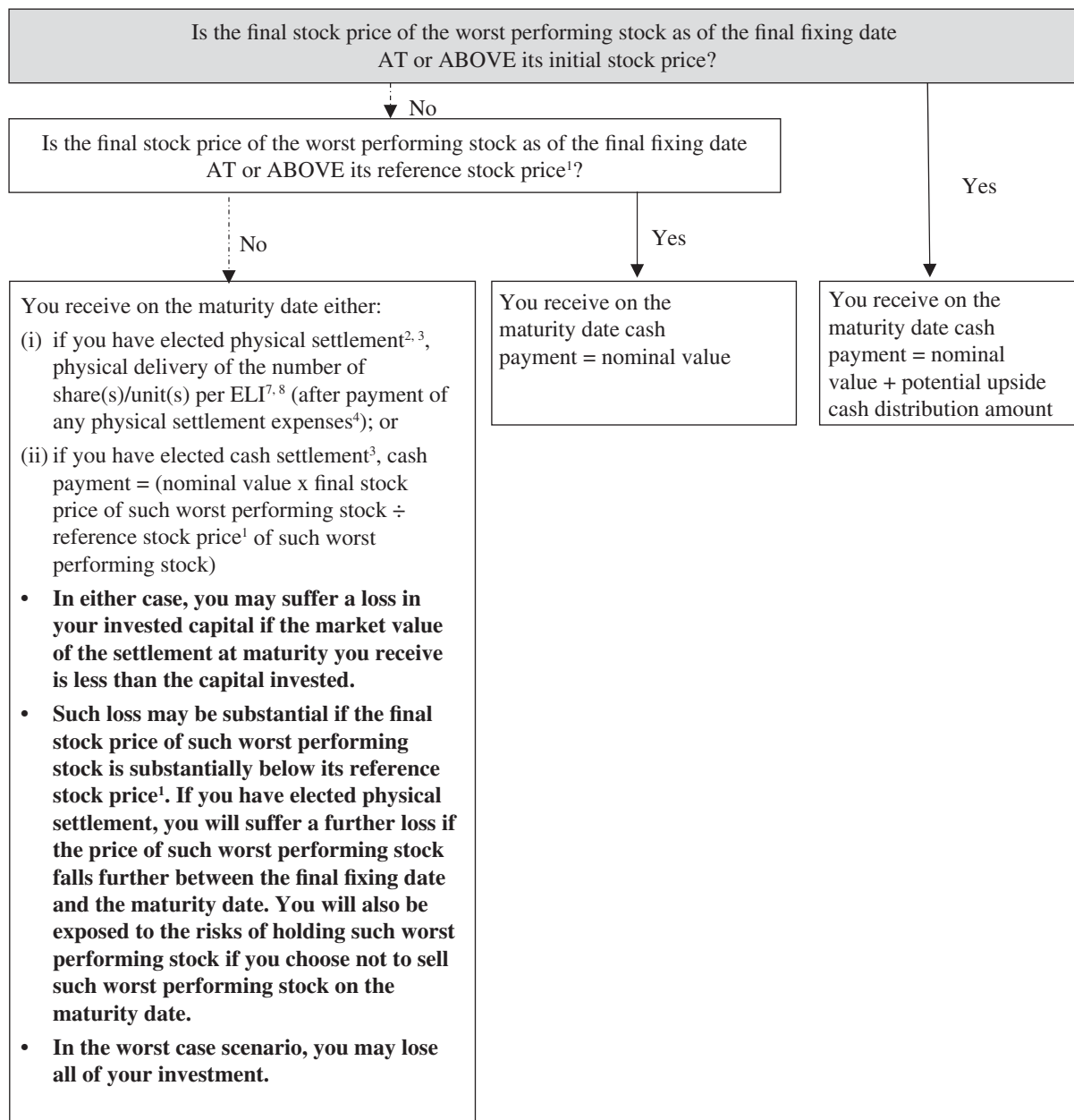
An “airbag lapse event” has occurred if:

- (i) where daily airbag feature is applicable, on any scheduled trading day during the observation period (i.e. from (but excluding) the start date to (and including) the final fixing date), the closing price of the worst performing stock on such scheduled trading day is AT or BELOW its airbag level (such airbag level will be the same throughout the observation period). If such scheduled trading day is a disrupted day in respect of a linked stock, the closing price of such affected linked stock in respect of such scheduled trading day will be determined on the Adjusted Valuation Date as described further in “Closing price” under the glossary section on page 48 of this product booklet; or
- (ii) where final fixing date airbag feature is applicable, the final stock price of the worst performing stock as of the final fixing date is AT or BELOW its airbag level.

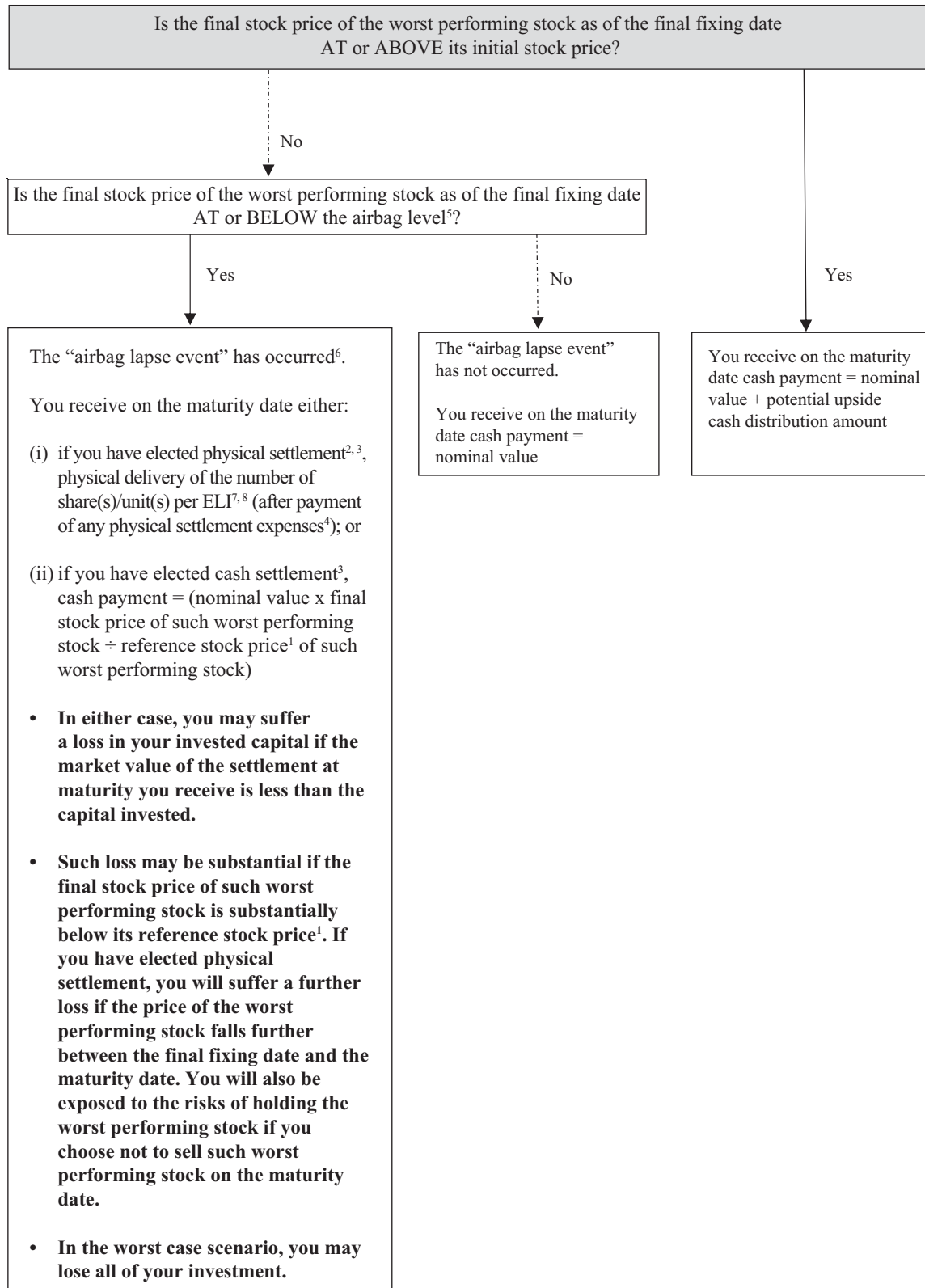
### (c) Flowchart Illustration of Settlement At Maturity

The flowcharts below illustrate the settlement at maturity:

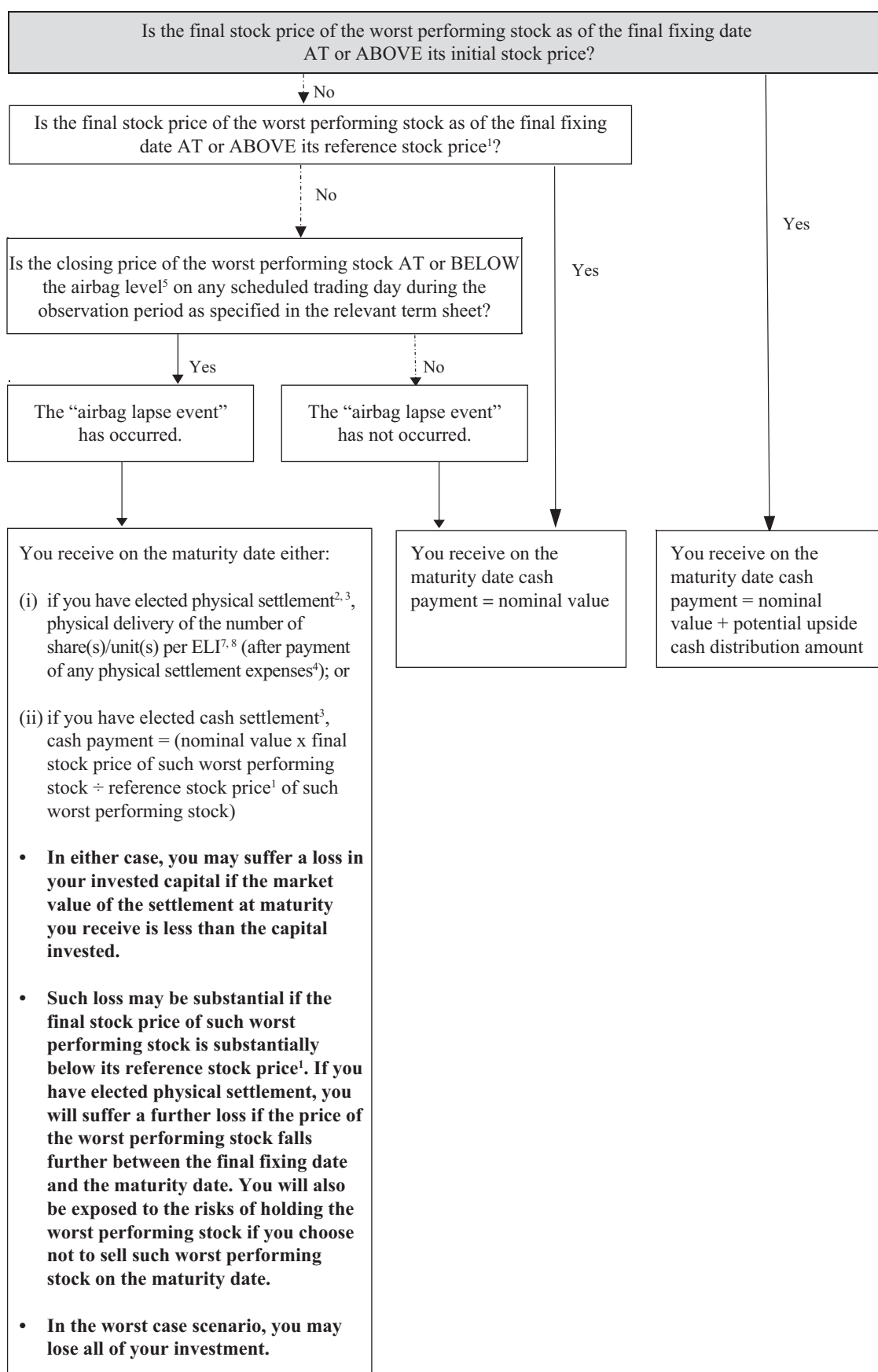
#### Hang Seng Basket Stocks Bull ELIs with Potential Upside Cash Distribution without Airbag Feature



## Hang Seng Basket Stocks Bull ELIs with Potential Upside Cash Distribution with Final Fixing Date Airbag Feature



## Hang Seng Basket Stocks Bull ELIs with Potential Upside Cash Distribution with Daily Airbag Feature



Notes:

1. For each linked stock in the basket, the reference stock price will be determined based on a specified percentage of the initial stock price of that linked stock on the start date and such percentage is specified in the relevant term sheet. The same percentage of the initial stock price will be applied to all the linked stocks in the basket on the start date to determine their respective reference stock prices.
2. For investors who have elected physical settlement, the worst performing stock as of the final fixing date will only be delivered on the maturity date (being three business days after the final fixing date). **Therefore, investors will be exposed to the market risks (including but not limited to price movement of such worst performing stock) during the period between the final fixing date and the maturity date and the risks of the occurrence and the continuing occurrence of settlement disruption events (as further described on page 78 of this product booklet) on or after the scheduled maturity date. Also, if you choose not to sell such worst performing stock on the maturity date, you will be exposed to the market risks of holding such worst performing stock.**
3. If you want to change the mode of settlement that you have elected at the time of your application, you will need to give instructions to your distributor in accordance with the normal operational procedures of such distributor. It is important that this allows sufficient time for your distributor to communicate with us (in circumstances where we are not also acting as distributor) in relation to the change of the mode of settlement. You should ask your distributor about the latest date for you to give instructions to your distributor in relation to the change of the mode of settlement, which in any event, should not be later than three business days prior to the final fixing date.
4. Your potential gain will be reduced or your potential loss will be increased by the amount of physical settlement expenses (if any) relating to the transfer and receipt of the relevant worst performing stock, such as transferee's stamp duty, transaction levies, registration charges and any other charges levied by the distributor. Please contact your distributor for details of the physical settlement expenses.
5. For each linked stock in the basket, the airbag level will be determined based on a specified percentage of the initial stock price of that linked stock on the start date and such percentage is specified in the relevant term sheet. The airbag level of each linked stock will always be set at a level which is lower than its reference stock price. If daily airbag feature is applicable, the airbag level of each linked stock will remain the same on every scheduled trading day throughout the observation period. The same percentage of the initial stock price will be applied to all the linked stocks in the basket on the start date to determine their respective airbag levels. The worst performing stock that triggers the "airbag lapse event" on a scheduled trading day may or may not be the worst performing stock on the final fixing date.
6. If final fixing date airbag feature is applicable, an "airbag lapse event" will occur if the final stock price of the worst performing stock is AT or BELOW its airbag level on the final fixing date, which also means its final stock price is below its reference stock price since the airbag level is always set at a level that is lower than the reference stock price.
7. The number of share(s)/unit(s) per ELI is a number of share(s)/unit(s) of the worst performing stock on the final fixing date which is calculated using the following formula:

$$\frac{\begin{array}{c} \text{nominal value} \\ \text{(if the settlement currency is not the same as the underlying currency of} \\ \text{such worst performing stock,} \\ \text{it will be converted into such underlying currency using the exchange rate*)} \end{array}}{\text{reference stock price of the worst performing stock as of the final fixing date}}$$

- \* The exchange rate is the foreign exchange rate between the settlement currency and the underlying currency as determined by the calculation agent based on the rate(s) obtained from such source(s) as specified in the relevant term sheet at the official closing of trading on the Hong Kong Stock Exchange on the final fixing date. Board and odd lots (as the case may be) of the worst performing stock as of the final fixing date will be delivered to you as settlement, and any fraction of such worst performing stock will be paid in cash. Please refer to "number of share(s)/unit(s) per ELI" under the glossary section on pages 56 to 57 of this product booklet.



8. If the maturity date is not a clearance system business day, physical delivery of the number of share(s)/unit(s) per ELI will take place on the following clearance system business day.

## Glossary

### A. Subscription of our Hang Seng Basket Stocks Bull ELIs with Potential Upside Cash Distribution

Hang Seng Basket Stocks Bull ELIs with Potential Upside Cash Distribution

Our Hang Seng Basket Stocks Bull ELIs with Potential Upside Cash Distribution have three combinations of different features as follows:

- (i) Hang Seng Non-Capital Protected Unlisted Bull Basket Stocks ELIs with Potential Upside Cash Distribution (“**CDNA ELIs**”);
- (ii) Hang Seng Non-Capital Protected Unlisted Bull Basket Stocks ELIs with Potential Upside Cash Distribution and Final Fixing Date Airbag (“**CDDA ELIs**”); and
- (iii) Hang Seng Non-Capital Protected Unlisted Bull Basket Stocks ELIs with Potential Upside Cash Distribution and Daily Airbag (“**CDDA ELIs**”).

Issue price

The issue price is the price that investors pay to purchase our Hang Seng Basket Stocks Bull ELIs with Potential Upside Cash Distribution on the issue date. The issue price for each Hang Seng Basket Stocks Bull ELI with Potential Upside Cash Distribution will be expressed as a percentage of the nominal value (see explanation below) and is calculated using this formula:

$$\frac{\text{the issue price}}{\text{percentage specified in the relevant term sheet}} \times \text{nominal value}$$

(rounded to the nearest 0.01, with 0.005 or above being rounded upwards, save in the case of JPY, rounded to the nearest whole JPY, with 0.5 or above being rounded upwards)

The issue price would be affected by various factors, including but not limited to the prevailing market condition, the percentage levels of the initial stock prices used to determine reference stock prices and airbag levels (if applicable) of the linked stocks, the prevailing market price and price volatility of the linked stocks, the floor cash distribution rate, our creditworthiness, investment period, commissions (if any), hedging costs and the cost of the underlying options transactions. The issue price that you need to pay will be specified in the relevant term sheet.

Subject to the operating procedures of your distributor, a cash amount equal to the issue price will be frozen in your account with your distributor from the time of your application.

Minimum investment amount

For each series of our Hang Seng Basket Stocks Bull ELIs with Potential Upside Cash Distribution, the term sheet will specify the minimum investment amount that the investors are required to purchase. Different minimum investment amounts may apply for applications made through the internet banking or other channels.

## Closing price

With respect to each linked stock in the basket, the closing price is the price as at the official closing time of a scheduled trading day of one share or one unit (as the case may be) of such linked stock as traded on the Hong Kong Stock Exchange without regard to any subsequently published correction.

If the final fixing date and any other scheduled trading day on which a closing price is to be determined (except for the start date for the purpose of determining the initial stock price, in which case please refer to “initial stock price” below) is a disrupted day (as defined in condition 2(c) of the terms and conditions set out in Appendix A to this product booklet) in respect of a linked stock, being a scheduled trading day on which the Hong Kong Stock Exchange or any related exchange fails to open for trading during its regular trading session or on which a market disruption event occurs, the closing price shall be determined on the first succeeding scheduled trading day which is not a disrupted day (such date, the “**Adjusted Final Fixing Date**” in respect of the final fixing date and the “**Adjusted Valuation Date**” in respect of such scheduled trading day), unless each of the five scheduled trading days immediately following the original final fixing date or scheduled trading day (as the case may be) is a disrupted day. In that case, (i) that fifth scheduled trading day shall be the Adjusted Final Fixing Date or Adjusted Valuation Date (as the case may be) and (ii) the calculation agent shall determine in its good faith and in a commercially reasonable manner the closing price of such linked stock (based on factors including but not limited to the latest reported price and the prevailing market conditions) notwithstanding the fact that such day is a disrupted day and such price shall be treated as the closing price of such linked stock as of that fifth scheduled trading day.

Subject to the above, if the final fixing date or the relevant scheduled trading day (as the case may be) of the other linked stocks in the basket is not a disrupted day in respect of those linked stocks, the closing prices of those linked stocks will be determined at the official closing time of the original final fixing date or scheduled trading day (as the case may be).

## Nominal value

The nominal value of an ELI is used to calculate the issue price per ELI and any potential upside cash distribution amount or any settlement at maturity. The nominal value will be specified in the relevant term sheet.

## Settlement currency

We may issue and settle our Hang Seng Basket Stocks Bull ELIs with Potential Upside Cash Distribution in RMB or any non-restricted and freely convertible currency such as HKD or USD as specified in the relevant term sheet. You will pay the issue price and receive any settlement at maturity in the same currency. When the settlement currency is not the same as the underlying currency of the worst performing stock as of the final fixing date, we may convert from the settlement currency to such underlying currency or convert such underlying currency to the settlement currency at the exchange rate in making calculations under the relevant series of Hang Seng Basket Stocks Bull ELIs with Potential Upside Cash Distribution. Our Hang Seng Basket Stocks Bull ELIs with Potential Upside Cash Distribution will be issued and settled in the same currency.

Exchange rate	<p>The exchange rate is the foreign exchange rate between the settlement currency and the underlying currency of the worst performing stock as of the final fixing date as determined by the calculation agent based on the rate(s) obtained from such source(s) at such time(s) as specified in the relevant term sheet on the final fixing date (or the Adjusted Final Fixing Date if the final fixing date is a disrupted day), or if any such rate is not available on the relevant page as at the relevant time on the relevant date, the exchange rate as determined by the calculation agent in its sole and absolute discretion acting in good faith and in a commercially reasonable manner.</p> <p>In the case where either the underlying currency or the settlement currency is RMB, we will use the offshore RMB exchange rate in making calculations under the relevant series of Hang Seng Basket Stocks Bull ELIs with Potential Upside Cash Distribution.</p>
Linked stocks	<p>Each series of Hang Seng Basket Stocks Bull ELI with Potential Upside Cash Distribution is linked to a basket of linked stocks which may be shares in companies and/or shares or units (as applicable) in funds (being exchange traded fund(s) or real estate investment trust(s)) listed on the Hong Kong Stock Exchange and traded in the underlying currency being HKD, RMB, USD or such other currency as specified in the relevant term sheet (as the case may be). The relevant term sheet will identify the linked stocks in the basket.</p> <p>Each series of our Hang Seng Basket Stocks Bull ELIs with Potential Upside Cash Distribution shall only have the maximum number of ten and a minimum of two linked stocks in the basket. Not all listed stocks or funds can be used as linked stock for our Hang Seng Basket Stocks Bull ELI with Potential Upside Cash Distribution. Please ask your distributor what linked stocks are available. The basket may comprise a mixture of linked stocks traded in different currencies.</p>
Underlying currency	<p>The underlying currency is the currency in which a linked stock is traded on the Hong Kong Stock Exchange as specified in the relevant term sheet.</p>
Initial stock price	<p>With respect to each linked stock in the basket, the initial stock price can be (i) the official closing price of such linked stock on the Hong Kong Stock Exchange on the start date, which will only be finalised after the market close on the start date; or (ii) the market spot price of the linked stock to be agreed between us and you (via your distributor) on the start date. For the avoidance of doubt, it is possible that the initial stock price(s) of certain linked stock(s) in the basket will be determined by using method (i) while the initial stock price(s) of other linked stock(s) in the basket will be determined by using method (ii).</p> <p>With respect to any linked stock(s) in the basket using method (i) in determining the initial stock price(s), if any initial stock price of such linked stock(s) cannot be recorded on the start date due to occurrence of a market disruption event, the issue price held by your distributor will be released in full to you on the start date and the relevant series of Hang Seng Basket Stocks Bull ELIs with Potential Upside Cash Distribution will not be issued.</p>
Investment period	<p>The investment period is the period of time of the investment calculated from start date to maturity date (both dates inclusive) and it will be specified in the relevant term sheet.</p>

## Offer period

The offer period is the period which our Hang Seng Basket Stocks Bull ELIs with Potential Upside Cash Distribution may be purchased from a distributor. The offer period for each series of our Hang Seng Basket Stocks Bull ELIs with Potential Upside Cash Distribution will be specified in the relevant term sheet. The offer period can be shortened or extended without prior notice.

We reserve the right to cancel the offering of a series of our Hang Seng Basket Stocks Bull ELIs with Potential Upside Cash Distribution on or before the end of the offer period. Upon such cancellation, we will notify your distributor who will in turn notify you. Please contact your distributor for details on how and when your purchase monies will be refunded to you in such circumstances. Neither we nor your distributor will charge you any fee for such cancellation and refund.

## Start date

Start date is the last day of the offer period, on which the terms of our Hang Seng Basket Stocks Bull ELIs with Potential Upside Cash Distribution are fixed upon execution of your Hang Seng Basket Stocks Bull ELI with Potential Upside Cash Distribution order. You will be exposed to the risks associated with our Hang Seng Basket Stocks Bull ELIs with Potential Upside Cash Distribution from the start date. The start date will be specified in the relevant term sheet. The initial stock prices of the linked stocks will be recorded on the start date or after the market close on the start date.

## Issue date

Issue date is the date on which our Hang Seng Basket Stocks Bull ELIs with Potential Upside Cash Distribution are issued. The issue date is a day falling either 1 to 10 business days (for our Hang Seng Basket Stocks Bull ELIs with Potential Upside Cash Distribution with an investment period equal to or less than 1 year) or 6 to 10 business days (for our Hang Seng Basket Stocks Bull ELIs with Potential Upside Cash Distribution with an investment period over 1 year) after the start date and such date will be specified in the relevant term sheet.

## Payment date

Payment date is the date on which payment for the issue price for our Hang Seng Basket Stocks Bull ELIs with Potential Upside Cash Distribution is deducted from the cash account that you hold with your distributor. Such date will be specified in the relevant term sheet. The issue date and the payment date are on the same date.

## Calculation agent

The calculation agent for each series of our Hang Seng Basket Stocks Bull ELIs with Potential Upside Cash Distribution will be specified in the relevant term sheet. The calculation agent will be responsible for the calculation of any rates and amount and making certain other determinations and adjustments in relation to our Hang Seng Basket Stocks Bull ELIs with Potential Upside Cash Distribution in accordance with the terms and conditions.

## B. Airbag Feature

Observation period	<p>If the daily airbag feature applies, the observation period will be set as the period from (but excluding) the start date to (and including) the final fixing date and it will be specified in the relevant term sheet.</p>
Daily airbag feature	<p>If the relevant term sheet specifies that the daily airbag feature is applicable, there will be a daily airbag feature for such series. If the daily airbag feature applies, the settlement at maturity will depend on whether, among others, the airbag lapse event has occurred. See “Settlement at maturity” for CDDA ELIs below.</p> <p>If on any scheduled trading day during the observation period, the closing price of the worst performing stock in respect of that scheduled trading day is at or below its airbag level, the airbag lapse event has occurred.</p> <p>If the closing price of any linked stock cannot be determined due to the reason that the relevant scheduled trading day is a disrupted day, such closing price will be determined on the Adjusted Valuation Date as described further in “Closing price” above. For other linked stocks the relevant scheduled trading day of which is not a disrupted day, the closing prices of those linked stocks will be determined on the original scheduled trading day.</p>
Final fixing date airbag feature	<p>If the relevant term sheet specifies that the final fixing date airbag feature is applicable, there will be a final fixing date airbag feature for such series. If the final fixing date airbag feature applies, the settlement at maturity will depend on whether the airbag lapse event has occurred. See “Settlement at maturity” for CDFA ELIs below.</p> <p>If the final stock price of the worst performing stock as of the final fixing date is at or below its airbag level, the airbag lapse event has occurred.</p> <p>If the final stock price of any linked stock cannot be determined due to the reason that the final fixing date is a disrupted day, such final stock price will be determined on the Adjusted Final Fixing Date as described further in “Closing price” above. For other linked stocks the final fixing date of which is not a disrupted day, the final stock prices of those linked stocks will be determined on the original final fixing date.</p>
Airbag level	<p>The airbag level of each linked stock for the purpose of the daily airbag feature or final fixing date airbag feature is expressed as a specified percentage of the initial stock price of such linked stock, and such percentage will be specified in the relevant term sheet. (The airbag level will be rounded to the nearest 0.0001, with 0.00005 or above being rounded upwards.) The airbag level will always be set at a level which is lower than the relevant reference stock price. If the daily airbag feature is applicable, the airbag level of each linked stock will be the same throughout the observation period.</p> <p>The closing price of the worst performing stock on any applicable scheduled trading day during the observation period or on the final fixing date (as the case may be) will be determined and compared against its airbag level to determine whether the airbag lapse event has occurred.</p>

## C. Settlement At Maturity

### Final fixing date

If the Hang Seng Basket Stocks Bull ELI with Potential Upside Cash Distribution is not early terminated, in respect of each linked stock in the basket, final fixing date is the date when the final stock price of such linked stock is determined and the settlement at maturity is determined. The date will be specified in the relevant term sheet, and if such date is not a scheduled trading day, the final fixing date shall be the following scheduled trading day unless such day is a disrupted day.

If the final fixing date is a disrupted day, in respect of a linked stock, the final stock price for such linked stock in respect of the final fixing date shall be determined on the Adjusted Final Fixing Date as described further in “Closing price” above.

Subject to the above, if the final fixing date of other linked stocks in the basket is not a disrupted day, the closing prices of those linked stocks will be determined at the official closing time of the original final fixing date.

### Reference stock price

The reference stock price of each linked stock is set at a specified percentage of its initial stock price. The relevant term sheet will set out the percentage. The same percentage of the initial stock price will be applied to all the linked stocks in the basket on the start date to determine their respective reference stock prices (The reference stock price will be rounded to the nearest 0.0001 with 0.00005 or above being rounded upwards).

The reference stock price of the worst performing stock will be determined and compared to its final stock price on the final fixing date in determining the settlement at maturity on the maturity date.

### Final stock price

With respect to each linked stock in the basket, the final stock price is the official closing price of such linked stock on the Hong Kong Stock Exchange on the final fixing date.

If the final stock price of any linked stock cannot be determined due to the reason that the final fixing date is a disrupted day, such final stock price will be determined on the Adjusted Final Fixing Date as described further in “Closing price” above. For other linked stocks the final fixing date of which is not a disrupted day, the final stock prices of those linked stocks will be determined on the original final fixing date.

### Potential upside cash distribution amount

If the final stock price of the worst performing stock as of the final fixing date is equal to or above its initial stock price, potential upside cash distribution amount will be paid on the maturity date according to the following formula:

$$\text{nominal value} \times \text{cash distribution rate}$$

(rounded to the nearest 0.01, with 0.005 or above being rounded upwards, save in the case of JPY, rounded to the nearest whole JPY, with 0.5 or above being rounded upwards)

### Cash distribution rate

The higher of:

- (i) the floor cash distribution rate as specified in the relevant term sheet; and

- (ii) the rate calculated in accordance with the following formula (calculated to 4 decimal places, 0.00005 being rounded upwards):

$$\left( \frac{\text{Final stock price of the worst performing stock as of the final fixing date}}{\text{Initial stock price of the worst performing stock as of the final fixing date}} - 1 \right) \times 100\%$$

#### Settlement at maturity

If a series of our Hang Seng Basket Stocks Bull ELIs with Potential Upside Cash Distribution is not terminated early, in respect of each Hang Seng Basket Stocks Bull ELI with Potential Upside Cash Distribution, you will receive on the maturity date, either:

(1) *For CDNA ELIs:*

- a) if the final stock price of the worst performing stock as of the final fixing date is at or above its initial stock price, a cash amount calculated using the formula set out below (rounded to the nearest 0.01, with 0.005 or above being rounded upwards, save in the case of JPY, rounded to the nearest whole JPY, with 0.5 or above being rounded upwards):

$$\text{nominal value} + \text{potential upside cash distribution amount}$$

or

- b) if the final stock price of the worst performing stock as of the final fixing date is below its initial stock price but at or above its reference stock price, a cash amount representing 100% of the nominal value;

or

- c) if the final stock price of the worst performing stock as of the final fixing date is below its reference stock price:

- (i) if physical settlement is elected (see “Mode of settlement” below), physical delivery of a number of share(s)/unit(s) of such worst performing stock as of the final fixing date equal to the number of share(s)/unit(s) per ELI (as described further on pages 56 to 57 below) after payment of any physical settlement expenses; or
- (ii) if cash settlement is elected (see “Mode of settlement” below), the cash equivalent of the number of share(s)/unit(s) per ELI calculated according to the formula set out below (rounded to the nearest 0.01, with 0.005 or above being rounded upwards, save in the case of JPY, rounded to the nearest whole JPY, with 0.5 or above being rounded upwards):

$$\text{nominal value} \times \frac{\text{final stock price of the worst performing stock as of the final fixing date}}{\text{reference stock price of the worst performing stock as of the final fixing date}}$$



(2) For CDDA ELIs:

- a) if the final stock price of the worst performing stock as of the final fixing date is at or above its initial stock price, a cash amount calculated using the formula set out below (rounded to the nearest 0.01, with 0.005 or above being rounded upwards, save in the case of JPY, rounded to the nearest whole JPY, with 0.5 or above being rounded upwards):

$$\text{nominal value} + \text{potential upside cash distribution amount}$$

or

- b) if:
- i) the final stock price of the worst performing stock as of the final fixing date is below its initial stock price but at or above its reference stock price; or
  - ii) the final stock price of the worst performing stock as of the final fixing date is below its reference stock price but on each scheduled trading day during the observation period the closing price of the worst performing stock in respect of that scheduled trading day is above its airbag level (i.e. no airbag lapse event has occurred),

a cash amount representing 100% of the nominal value;

or

- c) if the final stock price of the worst performing stock as of the final fixing date is below its reference stock price, and on any scheduled trading day during the observation period the closing price of the worst performing stock in respect of that scheduled trading day is at or below its airbag level (i.e. airbag lapse event has occurred):
- (i) if physical settlement is elected (see “Mode of settlement” below), physical delivery of a number of share(s)/unit(s) of the worst performing stock as of the final fixing date equal to the number of share(s)/unit(s) per ELI (as described further on pages 56 to 57 below) after payment of any physical settlement expenses; or
  - (ii) if cash settlement is elected (see “Mode of settlement” below), the cash equivalent of the number of share(s)/unit(s) per ELI calculated in accordance with the formula set out below (rounded to the nearest 0.01, with 0.005 or above being rounded upwards, save in the case of JPY, rounded to the nearest whole JPY, with 0.5 or above being rounded upwards):

$$\text{nominal value} \times \frac{\text{final stock price of the worst performing stock as of the final fixing date}}{\text{reference stock price of the worst performing stock as of the final fixing date}}$$

(3) For CDFA ELIs:

- a) if the final stock price of the worst performing stock as of the final fixing date is at or above its initial stock price, a cash amount calculated using the formula set out below (rounded to the nearest 0.01, with 0.005 or above being rounded upwards, save in the case of JPY, rounded to the nearest whole JPY, with 0.5 or above being rounded upwards):

$$\text{nominal value} + \text{potential upside cash distribution amount}$$

or

- b) if the final stock price of the worst performing stock as of the final fixing date is below its initial stock price but above its airbag level, a cash amount representing 100% of the nominal value;

or

- c) if the final stock price of the worst performing stock as of the final fixing date is at or below its airbag level (i.e. airbag lapse event has occurred):

- (i) if physical settlement is elected (see “Mode of settlement” below), physical delivery of a number of share(s)/unit(s) of the worst performing stock as of the final fixing date equal to the number of share(s)/unit(s) per ELI (as described further on pages 56 to 57 below) after payment of any physical settlement expenses; or

- (ii) if cash settlement is elected (see “Mode of settlement” below), the cash equivalent of the number of share(s)/unit(s) per ELI calculated in accordance with the formula set out below (rounded to the nearest 0.01, with 0.005 or above being rounded upwards, save in the case of JPY, rounded to the nearest whole JPY, with 0.5 or above being rounded upwards):

$$\text{nominal value} \times \frac{\text{final stock price of the worst performing stock as of the final fixing date}}{\text{reference stock price of the worst performing stock as of the final fixing date}}$$

For the avoidance of doubt, where the physical settlement has been elected, the relevant worst performing stock to be delivered to you will be calculated on the basis of each Hang Seng Basket Stocks Bull ELI with Potential Upside Cash Distribution held by you.

## Physical settlement expenses

Where the settlement at maturity consists of delivery of the worst performing stock as of the final fixing date, you are required to pay all physical settlement expenses arising from the delivery of the shares or units (as the case may be), including (but not limited to):

- the transferee's, but not the transferor's prevailing stamp duty (if applicable, subject to prevailing laws and regulations) on delivery of the worst performing stock as of the final fixing date based on its final stock price (rounded up to the nearest dollar); and
- any other charges including transaction levies, registration charges and any other costs and expenses incurred in connection with the transfer and receipt of the shares or units of such worst performing stock (as the case may be).

Please contact your distributor for details of these costs and expenses.

The settlement at maturity will be delivered after payment of all physical settlement expenses and you will be notified by your distributor of such expenses on the maturity date.

For the avoidance of doubt, no expenses are payable to us for any payment of cash amounts in respect of any fraction of a share or unit.

## Mode of settlement

Our Hang Seng Basket Stocks Bull ELIs with Potential Upside Cash Distribution can be settled by cash or physical delivery of the relevant worst performing stock as described in "Settlement at maturity" above. You are required to elect the mode of settlement when you place the order to purchase our Hang Seng Basket Stocks Bull ELIs with Potential Upside Cash Distribution.

Please note that if you have elected a mode of settlement at the time of application but subsequently would like to change the election, you will need to give instructions to your distributor in accordance with the normal operational procedures of such distributor. It is important that this allows sufficient time for your distributor to communicate with us (in circumstances where we are not also acting as distributor) in relation to the change of mode of settlement. You should ask your distributor about the latest date for you to give instructions to your distributor in relation to the change of mode of settlement, which in any event, should not be later than three business days prior to the final fixing date.

## Number of share(s)/unit(s) per ELI

If the Hang Seng Basket Stocks Bull ELIs with Potential Upside Cash Distribution are to be settled by physical delivery, the number of share(s)/unit(s) per ELI is the number of share(s)/unit(s) of the worst performing stock as of the final fixing date which you will receive in respect of each Hang Seng Basket Stocks Bull ELI with Potential Upside Cash Distribution on the maturity date. The number of share(s)/unit(s) per ELI is:

Nominal value

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Reference stock price of the worst performing  
stock as of the final fixing date

If the settlement currency is not the same as the underlying currency of such worst performing stock, the nominal value in the formula above will be converted into the underlying currency of such worst performing stock, using the exchange rate on the final fixing date. Please see “Exchange rate” above for further details.

Please note that board and odd lots (as the case may be) of the worst performing stock as of the final fixing date will be delivered to you as settlement. If an odd lot is delivered to you, you should note that the market price of each share or unit of such odd lot may be lower than that of each share or unit of the whole board lot, and you may also have difficulty to sell such odd lot in the market.

If the worst performing stock as of the final fixing date to be delivered to you does not form an integral share or unit (as the case may be), such fraction of a share or unit (as the case may be) will be paid in cash in the settlement currency (rounded down to 2 decimal places, save in the case of JPY, rounded down to the nearest whole JPY) by us no later than the maturity date, and such amount is equal to the final stock price of such worst performing stock multiplied by the number of fraction of a share or unit (as the case may be). If the settlement currency is not the same as the underlying currency of such worst performing stock, the final stock price of such worst performing stock will be converted into the settlement currency using the exchange rate.

#### Maturity date

The maturity date is three business days after the final fixing date and it will be specified in the relevant term sheet. It is the date when the investors will receive the settlement at maturity under our Hang Seng Basket Stocks Bull ELIs with Potential Upside Cash Distribution. Postponement to the final fixing date will result in the postponement to the maturity date. For physical settlement, the delivery of the relevant worst performing stock will only occur on a clearance system business day and may be postponed upon the occurrence of settlement disruption events. Please see “How and when will the relevant worst performing stock be delivered?” below for details.

If our Hang Seng Basket Stocks Bull ELIs with Potential Upside Cash Distribution are denominated in RMB, payments under such Hang Seng Basket Stocks Bull ELIs with Potential Upside Cash Distribution will be postponed and may be made in a HKD equivalent amount if an RMB disruption event occurs on a scheduled date of payment. Please see “What happens if an RMB disruption event occurs on a scheduled date of payment?” below for details.

#### Scheduled trading day

A day on which the Hong Kong Stock Exchange and each related exchange are scheduled to be open for trading.

### How and when will the relevant worst performing stock be delivered?

If the relevant worst performing stock is deliverable upon maturity, we will arrange for a number of share(s)/unit(s) of such worst performing stock equal to the number of share(s)/unit(s) per ELI to be delivered to you on the maturity date (provided you have paid all the physical settlement expenses) in the following manner:

- (i) if our Hang Seng Basket Stocks Bull ELIs with Potential Upside Cash Distribution are held outside the clearing system but you invest in our Hang Seng Basket Stocks Bull ELIs with Potential Upside Cash Distribution through a distributor other than us, or if our Hang Seng Basket Stocks Bull ELIs with Potential Upside Cash Distribution are held through the clearing system, such worst performing stock will be delivered to your distributor (or, where applicable, your distributor’s custodian(s)) through the Central Clearing and Settlement System and your distributor (or, where applicable, your distributor’s custodian(s)) will credit such worst performing stock to your account with your distributor; or

- (ii) if our Hang Seng Basket Stocks Bull ELIs with Potential Upside Cash Distribution are held outside the clearing system and you invest in our Hang Seng Basket Stocks Bull ELIs with Potential Upside Cash Distribution through us as your distributor, such worst performing stock will be credited into your account with us directly.

Upon the occurrence of settlement disruption events (i.e. events which the calculation agent, in its sole and absolute discretion acting in good faith and in a commercially reasonable manner, determines to be beyond our control or the control of the relevant company or the relevant fund and as a result of which the relevant clearance system cannot clear the transfer of such worst performing stock) as provided in condition 4(c) of the terms and conditions as set out in Appendix A to this product booklet, such worst performing stock will be delivered on the first succeeding day on which delivery of such stock can take place through the relevant clearance system. We will issue notices on the original maturity date to your distributor who will in turn forward to you specifying that the delivery of the worst performing stock will be postponed. If a settlement disruption event prevents settlement on each of the ten business days immediately following the original maturity date, in that case, such worst performing stock will be delivered by whatever means the calculation agent reasonably determines in good faith to be the most practicable on that tenth business day. However, if such worst performing stock cannot be delivered in any other means the calculation agent reasonably determines in good faith, the delivery of such worst performing stock will be postponed until delivery can be effected through the relevant clearance system or in any other means that the calculation agent reasonably determines in good faith to be most practicable. We will issue a further notice on the tenth business day following the original maturity date to your distributor who will in turn forward to you specifying the continuance of such settlement disruption event and the action to be taken. The delay may persist for a prolonged period or indefinitely and we will not pay any extra amount (such as interest) for any delay in delivery of the relevant worst performing stock.

**When will the terms and conditions of the Hang Seng Basket Stocks Bull ELIs with Potential Upside Cash Distribution be adjusted? When will a linked stock be substituted?**

The terms and conditions of our Hang Seng Basket Stocks Bull ELIs with Potential Upside Cash Distribution will be adjusted following the occurrence of a potential adjustment event in respect of any linked stock which the calculation agent determines in good faith and a commercially reasonable manner has a diluting or concentrative effect on the theoretical value of such linked stock, or a merger event or tender offer in respect of any linked stock on or after the start date but on or before the final fixing date. In such situations, the calculation agent will notify the SFC and the distributors as soon as practicable after the occurrence of such event, and your distributor will then notify you. The calculation agent will, in its sole and absolute discretion and acting in good faith and in a commercially reasonable manner, make adjustment on the settlement, payment or any other terms of our Hang Seng Basket Stocks Bull ELIs with Potential Upside Cash Distribution as it determines appropriate to account for the occurrence of such events in order to preserve the economic equivalence of our Hang Seng Basket Stocks Bull ELIs with Potential Upside Cash Distribution (such adjustment will include, where the relevant company has merged with another entity, deeming the shares of the surviving entity in the merger to be the new linked stock). The calculation agent will determine in its sole and absolute discretion (acting in good faith and in a commercially reasonable manner) the effective date of such adjustment. In determining the effective date of such adjustment, the calculation agent shall observe and use, to the extent reasonably practicable, any such ex-date or other relevant date as provided by the Hong Kong Stock Exchange or any other related exchange as the effective date of such adjustment.

In determining such adjustment:

- (i) if options contracts or futures contracts of the relevant linked stock are traded on the Hong Kong Stock Exchange or any other related exchange, the calculation agent will follow any adjustment to the terms of the relevant options contract or futures contract made and announced by the Hong Kong Stock Exchange or such other exchange, unless following such adjustment is not able to preserve the economic equivalence of our Hang Seng Basket Stocks Bull ELIs with Potential Upside Cash Distribution. In such case, the calculation agent will determine the aforesaid adjustment in its sole and absolute discretion acting in good faith and in a commercially reasonable manner so as to preserve the economic equivalence of our Hang Seng Basket Stocks Bull ELIs with Potential Upside Cash Distribution; or

- (ii) if there are no options contracts or futures contracts of the relevant linked stock traded on the Hong Kong Stock Exchange or any other related exchange, the calculation agent will take into account and (where, and to the extent, applicable) follow the relevant rules as set out in the Operational Trading Procedures for Options Trading Exchange Participants of the Stock Exchange so as to preserve the economic equivalence of our Hang Seng Basket Stocks Bull ELIs with Potential Upside Cash Distribution.

Upon an occurrence of (i) a merger event or tender offer in respect of any linked stock on or after the start date but on or before the final fixing date and the calculation agent determines in good faith and a commercially reasonable manner that the foregoing adjustment is unable to preserve the economic equivalence of our Hang Seng Basket Stocks Bull ELIs with Potential Upside Cash Distribution, or (ii) certain termination events in respect of any linked stock as set out in condition 6 in Appendix A on or after the start date but on or before the final fixing date, such as nationalisation, insolvency, delisting, hedging disruption, additional disruption event and fund disruption event, the calculation agent may, in its sole and absolute discretion and acting in good faith and in a commercially reasonable manner, substitute the affected linked stock in the basket with a new stock and make any further adjustment to the terms and conditions for that series of Hang Seng Basket Stocks Bull ELIs with Potential Upside Cash Distribution to account for the occurrence of the relevant events. If the calculation agent decides to choose a new stock to substitute the affected linked stock, the substitute stock will be, in the sole and absolute discretion of the calculation agent acting in good faith and in a commercially reasonable manner, in a similar industry as the affected linked stock (where the affected linked stock is a share) or have similar investment objectives as the affected linked stock (where the affected linked stock is a unit), and have a similar market capitalization and volatility and listed on the same exchange as the affected linked stock.

Notice of any adjustment and/or substitution and the date from which such adjustment and/or substitution is effective will be given by the calculation agent as soon as practicable. Your distributor will then notify you and you may check with the distributor for more information about such adjustment and/or substitution. You should refer to condition 6 in Appendix A to this product booklet for details.

**Are there any situations where our Hang Seng Basket Stocks Bull ELIs with Potential Upside Cash Distribution may be terminated before maturity?**

Upon an occurrence on or after the start date but on or before the final fixing date of (i) a merger event or a tender offer (each as further described in condition 6 in Appendix A to this product booklet) in respect of any linked stock whereby the calculation agent determines in its sole and absolute discretion and acting in good faith and in a commercially reasonable manner that any adjustment to the terms and conditions of our Hang Seng Basket Stocks Bull ELIs with Potential Upside Cash Distribution is unable to preserve the economic equivalence of our Hang Seng Basket Stocks Bull ELIs with Potential Upside Cash Distribution and the calculation agent is unable to substitute the affected linked stock with a new stock; or (ii) certain termination events as set out in condition 6 in Appendix A to this product booklet, such as nationalisation, insolvency, delisting, hedging disruption, additional disruption event and fund disruption event, whereby the calculation agent is unable to substitute the affected linked stock with a new stock, our Hang Seng Basket Stocks Bull ELIs with Potential Upside Cash Distribution will be terminated prior to the maturity date at the early termination amount as determined by the calculation agent (in its sole and absolute discretion acting in good faith and in a commercially reasonable manner) to be the fair market value of our Hang Seng Basket Stocks Bull ELIs with Potential Upside Cash Distribution in the circumstances. The calculation agent will be responsible for the calculation of the early termination amount, for the purpose of which, it will take into account factors such as the prevailing market conditions including (without limitation) the value of the relevant embedded derivatives, market interest rate movements, price volatility and dividend yield of the linked stocks, the reference stock prices, the remaining investment period of our Hang Seng Basket Stocks Bull ELIs with Potential Upside Cash Distribution, our creditworthiness and our unwind cost on any hedging arrangements relating to the Hang Seng Basket Stocks Bull ELIs with Potential Upside Cash Distribution (such as, but not limited to, any market bid/offer spread and any ancillary cost in relation to such unwinding), all as determined by the calculation agent acting in good faith and in a commercially reasonable manner. Such costs could be substantial and could result in zero return or even a loss in the capital that you have invested in our Hang Seng Basket Stocks Bull ELIs with Potential Upside Cash Distribution. If our Hang Seng Basket Stocks Bull ELIs with Potential Upside Cash Distribution are early terminated, your distributor will so notify you by notice as soon as practicable after the early termination is determined but no later than the second business day after the effective date of such early termination and specify in the notice the occurrence of the relevant event and the early termination date and briefly explain in the notice how the early



termination amount is determined. You will receive the early termination amount no later than the third business day after the effective date of such early termination.

### **Can the dates referred to above be subject to adjustments?**

The final fixing date and a day counted towards the observation period (if applicable) could be postponed (as determined by the calculation agent) (i) if the relevant date is not a day on which the Hong Kong Stock Exchange and each related exchange are scheduled to be open for trading or (ii) if the relevant date is a disrupted day, being a scheduled trading day on which the Hong Kong Stock Exchange or any related exchange fails to open for trading during its regular trading session on the relevant date, or on which a market disruption event occurs. See “Closing price” under the glossary section on page 48 of this product booklet and condition 2(c) of the terms and conditions set out in Appendix A to this product booklet for more details about these possible postponements and situations where the calculation agent may need to determine in good faith and a commercially reasonable manner the closing price of the linked stock(s) affected by such postponement. Such postponement will in turn result in a postponement to the maturity date and no compensation will be made by us for the postponement. If the final fixing date is postponed and as a result of which the maturity date is postponed, we will issue notice on or before the original maturity date to your distributor who will in turn forward to you specifying such postponement. For the avoidance of doubt, we will postpone these dates (including the start date, issue date and payment date) if the offer period of a series is extended, but we will not reschedule these dates if the offer period of a series is closed early.

Scheduled dates for the delivery of the relevant worst performing stock must be days on which the relevant clearance system is open for the acceptance and execution of settlement instructions and will be postponed if there is an event beyond our control or the control of the relevant company or the relevant fund which makes the delivery of such stock impracticable (such as the failure of the relevant clearance system to clear the transfer of such linked stock) as further described in “How and when will the relevant worst performing stock be delivered?” on pages 57 to 58 of this product booklet. The scheduled date for payment of any settlement at maturity (in the case where settlement at maturity consists of a cash payment) must be a day (other than a Saturday or Sunday) on which banks and foreign exchange markets are open for business in Hong Kong and/or any place specified in the relevant term sheet and will be postponed to the next day on which this is the case if necessary. We will not pay any extra amount (such as interest) for the delay in payment of any amount or delivery of the relevant worst performing stock.

### **What happens if an RMB disruption event occurs on a scheduled date of payment?**

In the case where the settlement currency is RMB, upon the occurrence of an RMB disruption event (i.e. an event that, in the determination of the calculation agent in its sole and absolute discretion acting in good faith and a commercially reasonable manner, makes it impossible for us (a) to obtain a firm quote of a price quoted in USD against RMB in respect of any amount due and payable in RMB under the Hang Seng Basket Stocks Bull ELIs with Potential Upside Cash Distribution in the RMB exchange market in Hong Kong (except due to issues relating to our creditworthiness), (b) to convert any amount due and payable in RMB under the Hang Seng Basket Stocks Bull ELIs with Potential Upside Cash Distribution in the RMB exchange market in Hong Kong (except due to issues relating to our creditworthiness) and/or (c) to transfer RMB between accounts inside Hong Kong) as provided in condition 2(c) of the terms and conditions as set out in Appendix A to this product booklet on a scheduled date of payment (being the maturity date, the date on which you receive the early termination amount or the date on which you receive the cash proceeds from selling back the Hang Seng Basket Stocks Bull ELIs with Potential Upside Cash Distribution under the market making arrangements), such payment may be postponed to the third business day after the date on which the RMB disruption event ceases to exist, unless the RMB disruption event continues to exist for ten business days after such original scheduled date of payment. We will issue notices on such original scheduled date of payment to your distributor who will in turn forward to you specifying that such payment will be postponed.

If the RMB disruption event continues to exist for ten business days after such original scheduled date of payment, in that case, payment will be made in an amount in HKD determined by the calculation agent acting in good faith and in a commercially reasonable manner by converting the original amount payable in RMB into HKD using the offshore RMB exchange rate against HKD as of such tenth business day based on (i) the foreign exchange rate of HKD per one USD as at 16:00 (Hong Kong time) on such tenth business day as displayed on Reuters page <HKD=> divided by (ii) the offshore foreign exchange rate of RMB per one USD as at 16:00 (Hong Kong time) on such tenth business day as displayed on Reuters page <CNH=> (or if such rate is not available, the exchange rate as determined by the calculation agent in its sole and absolute discretion acting in good faith and in a commercially reasonable manner). Your distributor will notify you by notice as soon as practicable after such HKD equivalent amount is determined but no later than the second business day after such tenth business day. You will receive such HKD equivalent amount no later than the third business day after such tenth business day.



## **MORE INFORMATION ABOUT OUR HANG SENG BASKET STOCKS BULL ELIS WITH POTENTIAL UPSIDE CASH DISTRIBUTION**

### **How can you buy the Hang Seng Basket Stocks Bull ELIs with Potential Upside Cash Distribution?**

You cannot purchase our Hang Seng Basket Stocks Bull ELIs with Potential Upside Cash Distribution directly from us (in our capacity as the Issuer). If you wish to purchase any of our Hang Seng Basket Stocks Bull ELIs with Potential Upside Cash Distribution, you must contact one of the distributors specified in the relevant term sheet during the offer period for that series. Your distributor will apply for the relevant series of Hang Seng Basket Stocks Bull ELIs with Potential Upside Cash Distribution from us (as the Issuer) directly on your behalf. If Hang Seng is specified as one of or the sole distributor for that series, you can purchase our Hang Seng Basket Stocks Bull ELIs with Potential Upside Cash Distribution from us as the distributor as explained below. The names and contact details of the distributors are specified in the relevant term sheet.

When you purchase our Hang Seng Basket Stocks Bull ELIs with Potential Upside Cash Distribution, you will need to complete an order form provided by your distributors. Once you place your Hang Seng Basket Stocks Bull ELIs with Potential Upside Cash Distribution order, you are committed to purchase our Hang Seng Basket Stocks Bull ELIs with Potential Upside Cash Distribution unless

- (i) a post-sale cooling-off period applies to our Hang Seng Basket Stocks Bull ELIs with Potential Upside Cash Distribution and you exercise such right to cancel or unwind your order (see “post-sale cooling-off period” below); or
- (ii) where an updated financial disclosure document and/or an addendum to the information memorandum, the financial disclosure document and/or this product booklet is published during the offer period after you have placed your order, you exercise your right to cancel your order within the specified period of time as notified by your distributor. In this case, you will not be required to pay any fees for such cancellation.

You should note that with respect to each linked stock in the basket, the initial stock price may be (i) the official closing price of such linked stock on the Hong Kong Stock Exchange on the start date, or (ii) the market spot price of such linked stock as agreed between us and you (via your distributor) on the start date. For the avoidance of doubt, it is possible that the initial stock price(s) of certain linked stock(s) in the basket will be determined by using method (i) while the initial stock price(s) of other linked stock(s) in the basket will be determined by using method (ii). In case (i) above, the initial stock price(s) of such linked stock(s) will only be recorded after you are committed to purchase our Hang Seng Basket Stocks Bull ELIs with Potential Upside Cash Distribution. In that case, the benchmark prices (such as the reference stock price and airbag level (if applicable)) of the relevant linked stock(s) will only be determined after the market close on the start date when the initial stock price of such linked stock(s) is recorded after you have committed to purchase our Hang Seng Basket Stocks Bull ELIs with Potential Upside Cash Distribution. In case (ii) above, the benchmark prices of such linked stock(s) will be agreed before you have committed to purchase our Hang Seng Basket Stocks Bull ELIs with Potential Upside Cash Distribution. Contract note with all these terms will be sent to you 2 business days after the start date.

### **Do you need an RMB cash account and a HKD cash account if you purchase our Hang Seng Basket Stocks Bull ELIs with Potential Upside Cash Distribution denominated in RMB?**

If you wish to purchase our Hang Seng Basket Stocks Bull ELIs with Potential Upside Cash Distribution denominated in RMB, you must have, or open, an RMB cash account with your distributor (including the case where we also act as a distributor) for settling any RMB payment in respect of such Hang Seng Basket Stocks Bull ELIs with Potential Upside Cash Distribution from or to you.

You should be aware of the lead time required for opening the RMB cash account as the distributor may not be able to process your request immediately. You should check with your distributor for the account opening procedures as well as terms and conditions of the RMB cash account.

Different distributor could have different and/or additional restrictions. There may be additional rules, regulations and restrictions under contemplation or to be issued by the relevant Hong Kong or PRC authorities that may be relevant to your investment in such Hang Seng Basket Stocks Bull ELIs with Potential Upside Cash Distribution. You should check with your distributor for updates and details.

In addition, you must have, or open, a HKD cash account with your distributor as payments under such Hang Seng Basket Stocks Bull ELIs with Potential Upside Cash Distribution may be made in a HKD equivalent amount if an RMB disruption event occurs.

### **Post-sale cooling-off period**

If you change your mind after you have placed an order for our Hang Seng Basket Stocks Bull ELIs with Potential Upside Cash Distribution and such Hang Seng Basket Stocks Bull ELIs with Potential Upside Cash Distribution have an investment period over 1 year, you can give a notice to your distributor within the period starting from the day you place the order to 5 business days after the end of the offer period. We will only accept cancellation or unwinding of your order in whole (but not in part). Please ask your distributor for details including how you can give such notice.

If your distributor receives your notice to cancel before any of the initial stock prices is recorded on the start date, the issue price of your whole order will not be deducted from your account on the payment date and no market value adjustment and/or issuer's handling fee will be deducted from your account.

If your distributor receives your notice to unwind after any of the initial stock prices is recorded on the start date, the issue price of your whole order will be deducted from your account on the payment date and we will arrange for the distributor to return to you the issue price of your whole order less a market value adjustment and issuer's handling fee (as specified in the indicative term sheet) on the second business day after the payment date. The market value adjustment is calculated based on many factors, including (without limitation) the value of the relevant embedded derivatives, market interest rate movements, price volatility and dividend yield of the linked stocks, the reference stock prices of the linked stocks, the remaining investment period of our Hang Seng Basket Stocks Bull ELIs with Potential Upside Cash Distribution, our creditworthiness and our unwind cost on hedging (such as, but not limited to, any market bid/offer spread and any ancillary cost in relation to such unwinding). You should note that if you send a notice to your distributor after the end of the offer period, the amount that we will return to you is capped at and may be substantially less than the issue price and, in that case, you will suffer a loss. For the avoidance of doubt, if the Hang Seng Basket Stocks Bull ELIs with Potential Upside Cash Distribution are denominated in RMB and the post-sale cooling-off period arrangement is applicable, such return to you will not be subject to an RMB disruption event.

In either case, the distributor's commission (if any) will not be deducted from the amount returned to you, but your distributor may charge you a handling fee. You should ask your distributor for details.

The above post-sale cooling-off period arrangement will not be applicable to our Hang Seng Basket Stocks Bull ELIs with Potential Upside Cash Distribution with an investment period of 1 year or less and the indicative term sheet will specify if the post-sale cooling-off period arrangement is applicable or not.

### **Market making arrangements**

If you intend to purchase any Hang Seng Basket Stocks Bull ELIs with Potential Upside Cash Distribution you should be willing to hold such Hang Seng Basket Stocks Bull ELIs with Potential Upside Cash Distribution until maturity. The Hang Seng Basket Stocks Bull ELIs with Potential Upside Cash Distribution are not listed on any exchange. Hang Seng Bank Limited in its capacity as market agent will make a market for all of our Hang Seng Basket Stocks Bull ELIs with Potential Upside Cash Distribution on each exchange business day (as defined in condition 2(c) of the terms and conditions set out in Appendix A to this product booklet) from but excluding the issue date to and including the third exchange business day before the final fixing date (each a **"market making day"**) subject to the provisions set out below. The market making arrangements are available to all our Hang Seng Basket Stocks Bull ELIs with Potential Upside Cash Distribution regardless of the length of the investment period. We may not be able to provide market making arrangements on a market making day if the relevant series of Hang Seng Basket Stocks Bull ELIs with Potential Upside Cash Distribution are affected by market disruption events (as defined in condition 2(c) of the terms and conditions set out in Appendix A to this product booklet) (for example, the suspension of trading in the relevant linked stocks).

On each market making day, the market agent will (i) make available to you (via your distributor) indicative bid prices (on a per Hang Seng Basket Stocks Bull ELI with Potential Upside Cash Distribution basis) during normal business hours; and (ii) provide a firm bid price to you through your distributor if you request for such price from your distributor on such market making day specifying the amount of the Hang Seng Basket Stocks Bull ELIs with Potential Upside Cash Distribution that you intend to sell (such amount has to be equal to, or a multiple of, the minimum transfer amount being the nominal value) before 3:00 p.m. on that market making day.

The indicative bid prices are subject to changes due to the changing market condition within the market making day and will vary depending on many factors, including (without limitation), the value of the relevant embedded derivatives, market interest rate movements, price volatility and dividend yield of the linked stocks, the reference stock prices of the linked stocks, the remaining investment period of our Hang Seng Basket Stocks Bull ELIs with Potential Upside Cash Distribution, our creditworthiness and the unwind costs on hedging (such as, but not limited to, any market bid/offer spread and any ancillary cost in relation to such unwinding). The indicative bid prices are provided for your reference only as they may not be equal to the firm bid price at which you choose to sell the Hang Seng Basket Stocks Bull ELIs with Potential Upside Cash Distribution back to us before maturity.

If you agree to sell the Hang Seng Basket Stocks Bull ELIs with Potential Upside Cash Distribution at the quoted firm bid price, you can place a limit sell back order with your distributor with such price before 3:00 p.m. on that market making day. Please note that in order for your limit sell back order to be executed at the quoted firm bid price, you must place such order immediately upon the receipt of the quoted firm bid price without any delay. Otherwise, your limit sell back order will not be executed if the prevailing firm bid price of the Hang Seng Basket Stocks Bull ELIs with Potential Upside Cash Distribution falls below the quoted firm bid price. In such case, your distributor will notify you within a commercially reasonable period of time and follow-up action will be done by your distributor. You should contact your distributor for details in relation to such arrangement. If the prevailing firm bid price of the Hang Seng Basket Stocks Bull ELIs with Potential Upside Cash Distribution goes above the quoted firm bid price and your limit sell back order is executed based on this higher prevailing firm bid price, such executed firm bid price will be given to you by your distributor. The firm bid price is based on the indicative bid price and is subject to changes due to the changing market condition within the market making day and the firm bid price may be equal to, higher or lower than the issue price of any series of Hang Seng Basket Stocks Bull ELIs with Potential Upside Cash Distribution, and you may as a result lose all or part of your investment in the Hang Seng Basket Stocks Bull ELIs with Potential Upside Cash Distribution. The executed firm bid price will be set out in the contract note which will be sent to you by your distributor within 2 business days after the relevant market making day. The cash received from selling back the Hang Seng Basket Stocks Bull ELIs with Potential Upside Cash Distribution will be credited to your account on the third business day after the relevant market making day. You can contact your distributor to enquire about the sell back order any time before you receive the contract note.

If our Hang Seng Basket Stocks Bull ELIs with Potential Upside Cash Distribution are denominated in RMB, payments under such Hang Seng Basket Stocks Bull ELIs with Potential Upside Cash Distribution will be postponed and may be made in a HKD equivalent amount if an RMB disruption event occurs. Please see “What happens if an RMB disruption event occurs on a scheduled date of payment?” on page 60 of this product booklet for details.

The firm bid prices for our Hang Seng Basket Stocks Bull ELIs with Potential Upside Cash Distribution will only be quoted by the market agent to your distributor or directly to you if the market agent itself is your distributor. Given the same prevailing market conditions and other relevant factors described in this section, all the prices quoted by the market agent to your distributor or directly to you will be the same.

**The firm bid prices for our Hang Seng Basket Stocks Bull ELIs with Potential Upside Cash Distribution which will be quoted by a distributor to any person wishing to sell our Hang Seng Basket Stocks Bull ELIs with Potential Upside Cash Distribution may be different to the firm bid prices quoted by another distributor, as individual distributor may charge fees and deduct such fees from the firm bid prices. Furthermore, if you have purchased Hang Seng Basket Stocks Bull ELIs with Potential Upside Cash Distribution from a distributor but wish to sell back such Hang Seng Basket Stocks Bull ELIs with Potential Upside Cash Distribution to a different distributor, you may need to have, or open, an investment account with such other distributor, including the case where the distributor is the Issuer itself before you are able to do so.**

On the monthly statement provided by your distributor in relation to our Hang Seng Basket Stocks Bull ELIs with Potential Upside Cash Distribution you hold, you will be provided with the market value of the relevant series of Hang Seng Basket Stocks Bull ELIs with Potential Upside Cash Distribution as at the date when the statement is issued. The market value is provided for your reference only. The evaluation of the market value is based on the same factors as the indicative bid price but the relevant costs (i.e. the unwind costs on hedging) have not been reflected on such market value so it may not be equal to the firm bid price at which you choose to sell the Hang Seng Basket Stocks Bull ELIs with Potential Upside Cash Distribution back to us before maturity.

If you would like to know the firm bid price of our Hang Seng Basket Stocks Bull ELIs with Potential Upside Cash Distribution from time to time and/or if you would like to sell any Hang Seng Basket Stocks Bull ELI with Potential Upside Cash Distribution prior to their expiry, you should contact the distributors.

**You should note that the firm bid price at which you can sell your Hang Seng Basket Stocks Bull ELIs with Potential Upside Cash Distribution may be substantially less than the issue price.**

**Who are the Hang Seng Basket Stocks Bull ELIs with Potential Upside Cash Distribution designed for?**

- Our Hang Seng Basket Stocks Bull ELIs with Potential Upside Cash Distribution are only designed for investors who have experience in unlisted equity-linked structured products and take a stable or moderately bullish view of the linked stocks comprising the basket, and are looking for an opportunity to have potential cash distribution with reference to the performance of the worst performing stock on the final fixing date. They are not designed for inexperienced investors who (i) are not familiar with or have no knowledge in derivative instruments, (ii) do not want to take the credit risk of the Issuer, (iii) do not want to invest for the whole investment period of our Hang Seng Basket Stocks Bull ELIs with Potential Upside Cash Distribution, or (iv) do not want to take risk on any part of their capital.
- The investors must understand that they may receive the relevant worst performing stock as of the final fixing date or its cash equivalent as settlement at maturity and the market value of which may be much lower than the capital invested.

#### **FATCA Withholding Tax for Non-U.S. Investors**

Under the United States legislation commonly known as the Foreign Account Tax Compliance Act (“**FATCA**”) and official guidance issued thereunder, we may be required to withhold moneys on account of U.S. federal tax on all, or a portion of:

- (a) any payments made in respect of the Hang Seng Basket Stocks Bull ELIs with Potential Upside Cash Distribution that constitute “dividend equivalents”<sup>1</sup> for U.S. federal income tax purposes (such payments, “**U.S. Source Payments**”) — under the applicable U.S. federal income tax rules, payments made under the Hang Seng Basket Stocks Bull ELIs with Potential Upside Cash Distribution that are linked to the value of, or dividends on, stock issued by an entity that is treated as a U.S. corporation (or by any other entity the dividends of which would be U.S. source), unless otherwise constitute “dividend equivalents”, will not be treated as U.S. Source Payments because the payments will be made by us, being a non-U.S. entity; or
- (b) any “foreign passthru payments” (regardless of whether such payments have any connection to a U.S. Source Payment) made after 31 December 2018 in respect of the Hang Seng Basket Stocks Bull ELIs with Potential Upside Cash Distribution, subject to the exceptions described below.

Subject to the discussion below regarding the withholding on gross proceeds under the Proposed Regulations (as defined below), FATCA withholding tax can affect both coupon or periodic payments and “gross proceeds” (including any payment of the settlement at maturity).

<sup>1</sup> Under section 871(m) of the U.S. Internal Revenue Code of 1986, as amended, regulations promulgated thereunder and applicable administrative guidance, payments or deemed payments with respect to equity-linked instruments (“**ELIs**”) that are “specified ELIs” (as defined in the applicable U.S. Treasury regulations) may be treated as “dividend equivalents”, if such specified ELIs reference the value of one or more “underlying securities”, which generally mean 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.



Based on the provisions of FATCA, current regulations under FATCA and other related official guidance issued by the U.S. Internal Revenue Service, payments made with respect to a Hang Seng Basket Stocks Bull ELI with Potential Upside Cash Distribution that are not U.S. Source Payments will not be subject to FATCA withholding tax if such Hang Seng Basket Stocks Bull ELI with Potential Upside Cash Distribution is issued on or before (and is not materially modified after) the Grandfather Date (as defined below). For these purposes, the “**Grandfather Date**” is the date that is six months after the date on which final regulations defining the term “foreign passthru payment” are filed with the U.S. Federal Register. As of the date of this Product Booklet, no final regulation defining the term “foreign passthru payment” has been filed with the U.S. Federal Register.

Recently issued proposed regulations (the “**Proposed Regulations**”) would eliminate FATCA withholding tax on “gross proceeds” and delay the withholding on “foreign passthru payments” until the date that is two years after the date of publication in the Federal Register of final regulations defining the term “foreign passthru payment” (the “**Delayed Withholding Effective Date**”). As of the date of this Product Booklet, no such final regulation has been published in the U.S. Federal Register. Taxpayers generally may rely on the Proposed Regulations until the final regulations are issued. There is no assurance, however, that the final regulations, once issued, will not reinstate this withholding obligation (or otherwise modify the Proposed Regulations), possibly with retroactive effect.

We will neither offer nor issue any Hang Seng Basket Stocks Bull ELI with Potential Upside Cash Distribution providing for payments that are U.S. Source Payments. Additionally, any Hang Seng Basket Stocks Bull ELI with Potential Upside Cash Distribution offered or issued by us either will be issued on or before (and will not be materially modified after) the Grandfather Date or will not provide for any payments on or after the Delayed Withholding Effective Date. Therefore, on the basis of the current regulations, the Proposed Regulations, official guidance and the above analysis, payments made with respect to the Hang Seng Basket Stocks Bull ELIs with Potential Upside Cash Distribution will not be subject to FATCA withholding tax.

The FATCA provisions are particularly complex, and their application is uncertain at this time. You should consult your own tax adviser as to the application of FATCA to the Hang Seng Basket Stocks Bull ELIs with Potential Upside Cash Distribution, including the possibility of meeting certain documentation requirements to be exempt from FATCA withholding tax.

The above summary only applies to you if you are a non-U.S. investor. You are a non-U.S. investor unless you are: (1) an individual citizen or resident of the United States, (2) a corporation that is formed or organized under the laws of the United States, any state thereof or the District of Columbia, or any entity that is taxable as a corporation so formed or organized, (3) an estate that is subject to U.S. federal income taxation regardless of its source, or (4) a trust that is subject to the jurisdiction of a U.S. court and for which one or more “United States persons” (as defined in the U.S. Internal Revenue Code) control all of the substantial decisions, or has otherwise made an appropriate election under the U.S. Treasury regulations. If you are an investor treated as a partnership for U.S. federal income tax purposes, FATCA withholding tax may apply to you and your beneficial owners based on your and your beneficial owners’ activities and status and you should consult your own tax adviser regarding any FATCA withholding tax consideration arising from your investment in the Hang Seng Basket Stocks Bull ELIs with Potential Upside Cash Distribution.

#### **Who will determine the settlement at maturity and adjustments (if any) to the reference stock price etc?**

We will act as the calculation agent for the relevant series of Hang Seng Basket Stocks Bull ELIs with Potential Upside Cash Distribution. The calculation agent will make determinations in connection with our Hang Seng Basket Stocks Bull ELIs with Potential Upside Cash Distribution. The calculation agent has sole and absolute discretion and acts in good faith and in a commercially reasonable manner in making certain determinations based on the prevailing market conditions under the legal documentation and any decision it makes is (save in the case of manifest error) final and binding on you and on us as the Issuer. The calculation agent may adjust certain terms and conditions (including the reference stock price) of our Hang Seng Basket Stocks Bull ELIs with Potential Upside Cash Distribution in certain circumstances. See “When will the terms and conditions of the Hang Seng Basket Stocks Bull ELIs with Potential Upside Cash Distribution be adjusted? When will a linked stock be substituted?” on pages 58 to 59 of this product booklet for further details. The calculation agent is our agent: it owes no duties to you as an investor in our Hang Seng Basket Stocks Bull ELIs with Potential Upside Cash Distribution.

#### **How will you know what the settlement at maturity and (if applicable) number of share(s)/unit(s) per ELI etc will be?**

We will notify the distributors as soon as the determination has been made. You will be notified by your distributor of such information on the maturity date.

**Where can you find more information about us and the Hang Seng Basket Stocks Bull ELIs with Potential Upside Cash Distribution and where to obtain the offering documents of the Hang Seng Basket Stocks Bull ELIs with Potential Upside Cash Distribution?**

Our Hang Seng Basket Stocks Bull ELIs with Potential Upside Cash Distribution are issued under the Programme, which is described in our information memorandum dated 9 August 2024. Please read and understand the information memorandum including any addendum as specified in the indicative term sheet, together with the financial disclosure document including any addendum as specified in the indicative term sheet, this product booklet including any addendum as specified in the indicative term sheet, and the indicative term sheet (together, the “**Offering Documents**”) carefully before you decide whether to buy our Hang Seng Basket Stocks Bull ELIs with Potential Upside Cash Distribution.

The information memorandum contains important information about the Programme, including information about:

- the general information about us;
- the general risks of buying the structured products issued under the Programme, including our Hang Seng Basket Stocks Bull ELIs with Potential Upside Cash Distribution;
- taxation issues in relation to our unlisted structured products in general; and
- the general procedure for buying our unlisted structured products through a distributor, how your distributor will hold your unlisted structured products and receive notices, shares or units (as the case may be) and payments from us on your behalf, and how you must rely on your distributor to forward such notices, shares or units (as the case may be) and payments to you.

The financial disclosure document contains:

- the latest public financial information about us, including the audited consolidated financial statements and unaudited condensed consolidated financial statements (if any).

This product booklet contains:

- the key facts statements of our Hang Seng Basket Stocks Bull ELIs with Potential Upside Cash Distribution;
- the features and key elements of our Hang Seng Basket Stocks Bull ELIs with Potential Upside Cash Distribution;
- product risks in relation to our Hang Seng Basket Stocks Bull ELIs with Potential Upside Cash Distribution;
- the terms and conditions that apply to our Hang Seng Basket Stocks Bull ELIs with Potential Upside Cash Distribution;
- form of the term sheet for our Hang Seng Basket Stocks Bull ELIs with Potential Upside Cash Distribution; and
- scenario analysis of our Hang Seng Basket Stocks Bull ELIs with Potential Upside Cash Distribution.

The indicative term sheet for a specific series of Hang Seng Basket Stocks Bull ELIs with Potential Upside Cash Distribution contains information about:

- terms of that particular series of Hang Seng Basket Stocks Bull ELIs with Potential Upside Cash Distribution.

In respect of any Hang Seng Basket Stocks Bull ELI with Potential Upside Cash Distribution, the following Offering Documents can be obtained free of charge during the offer period through the following methods of distribution as specified in the indicative term sheet:

Offering Documents	Method of Distribution
<ul style="list-style-type: none"> <li>• The information memorandum (including any addenda);</li> <li>• The financial disclosure document (including any addenda); and</li> <li>• This product booklet (including any addenda).</li> </ul>	<p>(i) Printed copies from the distributors; and/or</p> <p>(ii) Electronic copies at our website (<a href="http://www.hangseng.com">www.hangseng.com</a>) and/or via the QR Code as set out in the relevant indicative term sheet</p> <p>(whether or not printed copies and/or electronic copies are being made available for any particular series of Hang Seng Basket Stocks Bull ELI with Potential Upside Cash Distribution will be specified in the indicative term sheet).</p>
The indicative term sheets	<p>(i) Printed copies from the distributors; and/or</p> <p>(ii) Electronic copies at our website (<a href="http://www.hangseng.com">www.hangseng.com</a>) and/or via the QR Code as set out in the relevant indicative term sheet</p> <p>(whether or not printed copies and/or electronic copies are being made available for any particular series of Hang Seng Basket Stocks Bull ELI with Potential Upside Cash Distribution will be specified in the indicative term sheet).</p>

The offer of each series of Hang Seng Basket Stocks Bull ELIs with Potential Upside Cash Distribution is made only on the basis of the Offering Documents.

Except for the marketing materials issued by us (if any) as the Issuer (which, although do not form part of the Offering Documents for our Hang Seng Basket Stocks Bull ELIs with Potential Upside Cash Distribution, contain information about our Hang Seng Basket Stocks Bull ELIs with Potential Upside Cash Distribution), we have not authorised anyone to give you any information about our Hang Seng Basket Stocks Bull ELIs with Potential Upside Cash Distribution other than the information in the Offering Documents.

### Legal terms and conditions of our Hang Seng Basket Stocks Bull ELIs with Potential Upside Cash Distribution

The binding legal terms for the relevant series of Hang Seng Basket Stocks Bull ELIs with Potential Upside Cash Distribution are constituted by the terms and conditions of Hang Seng Basket Stocks Bull ELIs with Potential Upside Cash Distribution set out in Appendix A to this product booklet, as varied, amended or supplemented by the final term sheet for the relevant series of Hang Seng Basket Stocks Bull ELIs with Potential Upside Cash Distribution.

If the initial stock price is set as the official closing price of the relevant linked stock on the Hong Kong Stock Exchange on the start date, certain details about the relevant series of our Hang Seng Basket Stocks Bull ELIs with Potential Upside Cash Distribution (such as the reference stock price and airbag level (if applicable)) can only be ascertained after the market close on the start date, and will be set out in the final term sheet. The final term sheet will be made available for inspection from the issue date during normal business hours at the Arrangers' office at 83 Des Voeux Road Central, Hong Kong. A contract note with all these finalised terms will be sent to you two business days after the start date.



## **Who takes responsibility for the Offering Documents of our Hang Seng Basket Stocks Bull ELIs with Potential Upside Cash Distribution?**

We (as the Issuer and the Product Arranger) accept full responsibility for the contents of, and the completeness and accuracy of the information contained in the Offering Documents for our Hang Seng Basket Stocks Bull ELIs with Potential Upside Cash Distribution and confirm, having made all reasonable enquiries, that to the best of our knowledge and belief there is no untrue or misleading statement, or other facts the omission of which would make any statement therein untrue or misleading.

Information included on a third party's website referred to in this product booklet does not form part of this product booklet. We do not accept any responsibility for information included on third parties' websites.

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

Except where we are acting as a distributor, none of the distributors which sell our Hang Seng Basket Stocks Bull ELIs with Potential Upside Cash Distribution is responsible in any way to ensure the accuracy of the Offering Documents.

## **Where can you read copies of the legal documentation for the Hang Seng Basket Stocks Bull ELIs with Potential Upside Cash Distribution?**

During the offer period for our Hang Seng Basket Stocks Bull ELIs with Potential Upside Cash Distribution or while any of our Hang Seng Basket Stocks Bull ELIs with Potential Upside Cash Distribution remains outstanding, you can read copies of the documents listed as documents that will be kept on display in the section headed "Where you can read copies of our legal documentation for our Programme" on pages 26 to 27 of our information memorandum by going to the office of the Arrangers at 83 Des Voeux Road Central, Hong Kong. This office is 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 whilst they are on display.

You can find out more about how the legal documentation works by reading our information memorandum.

## **Are the Offering Documents a prospectus?**

The Offering Documents do not constitute a prospectus under the Companies (Winding up and Miscellaneous Provisions) Ordinance (Cap. 32, Laws of Hong Kong).

## **On-going disclosure obligations**

We (as the Issuer and the Product Arranger) will keep the SFC and the distributor(s) informed as soon as reasonably practicable if (a) we (as the Issuer) cease to meet any eligibility requirements applicable to issuers under the Code; (b) we (as the Product Arranger) cease to meet any eligibility requirements applicable to product arrangers under the Code; and (c) to the extent permitted by any applicable law, there are any changes in our financial condition or other circumstances which could reasonably be expected to have a material adverse effect on our ability (as the Issuer) to fulfill our commitments in connection with our Hang Seng Basket Stocks Bull ELIs with Potential Upside Cash Distribution. Your distributor will in turn inform you. Please contact your distributor for further details.

## **Governing law**

Hong Kong law governs our Hang Seng Basket Stocks Bull ELIs with Potential Upside Cash Distribution.

## APPENDIX A

### TERMS AND CONDITIONS OF HANG SENG BASKET STOCKS BULL ELIS WITH POTENTIAL UPSIDE CASH DISTRIBUTION

*These terms and conditions of Hang Seng Basket Stocks Bull ELIs with Potential Upside Cash Distribution (“Terms and Conditions”) will, together with the supplemental provisions contained in the applicable Term Sheet and subject to completion and amendment, be incorporated by reference into each Global Certificate (as defined below) and definitive certificate (if applicable). The applicable Term Sheet in relation to the issue of any series of ELIs may specify additional terms and conditions which shall, to the extent so specified or to the extent inconsistent with the Terms and Conditions, vary, amend or supplement the Terms and Conditions for the purpose of such series of ELIs. Capitalised terms used in the Terms and Conditions and not otherwise defined herein shall have the meaning given to them in the final Term Sheet. References to the “applicable Term Sheet” in the Terms and Conditions are to the final Term Sheet attached to the Global Certificate.*

*If the ELIs are held through international securities clearing systems, the ELIs (in global and definitive form) and related terms and conditions will be issued in English only for the purpose of lodgement with the relevant clearing systems, and shall prevail over any Chinese version in the event of discrepancy.*

*The SFC takes no responsibility as to the contents of the Terms and Conditions. The SFC’s authorisation of this product booklet does not imply the SFC’s endorsement to the Terms and Conditions.*

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

- (a) *Form.* The Equity Linked Investments (“ELI”, collectively “ELIs”) (which expression shall, unless the context otherwise requires, include any further ELIs issued pursuant to Condition 10) relating to a basket of Linked Stocks 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 Hang Seng Bank Limited (the “**Issuer**”) and a registrar’s and structured product agency agreement (such agreement as amended and/or supplemented and/or restated from time to time, the “**Agency Agreement**”) dated 31 July 2009 made between the Issuer, Hang Seng Bank Limited, Singapore Branch as registrar (in such capacity, the “**Registrar**”, which expressions shall include any successors) and the Issuer as agent (in such capacity, the “**Agent**” which expressions shall include any successors). The ELI holders (as defined below) are entitled to the benefit of the Deed of Covenant (the “**Deed of Covenant**”) dated 31 July 2009 made by the Issuer, under the terms of which either: (i) accountholders in Euroclear Bank S.A./N.V., as operator of the Euroclear system (“**Euroclear**”) and/or Clearstream Banking société anonyme (“**Clearstream, Luxembourg**”) if Euroclear and/or Clearstream, Luxembourg, is specified as the applicable clearing system; or (ii) the accountholders with the Issuer if it is specified that the ELIs will be held through an account directly with the Issuer, are given directly enforceable rights against the Issuer under the ELIs. The original of the Deed of Covenant is held by the Agent.

ELIs in definitive form will only be issued in exchange for the Global Certificate: (i) in the case of ELIs for which Euroclear and/or Clearstream, Luxembourg are specified as the applicable clearing system, if both Euroclear and Clearstream, Luxembourg 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; or (ii) in the case of ELIs held through an account with the Issuer, the Issuer is declared insolvent, or announces its intention to 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 Terms and Conditions to the Global Certificate shall be deemed to be, as appropriate, references to such definitive certificates. The Global Certificate has been registered in the name of a nominee (the “**Nominee**”) either common to Euroclear and/or Clearstream, Luxembourg or as appointed by the Issuer.

The applicable Term Sheet for the ELIs is attached to the Global Certificate and supplements the Terms and Conditions and may specify other terms and conditions which shall, to the extent so specified or to the extent inconsistent with the Terms and Conditions, vary, amend or supplement the Terms and Conditions for the purposes of the ELIs. References herein to the “**applicable Term Sheet**” are to the final Term Sheet attached to the Global Certificate.

Copies of the applicable Term Sheet, the Deed of Covenant and the Agency Agreement are available for inspection at the specified office of the Arrangers during the period beginning on the Issue Date and ending on the Maturity Date.

The ELI 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 Term Sheet, the Deed of Covenant and the Agency Agreement.

- (b) *Status.* The ELIs represent 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 obligations of the Issuer.
- (c) *Transfer.* The ELIs will be transferable only by means of delivery of the relevant Global Certificate to the Registrar in accordance with the provisions of the Agency Agreement. Transfers of beneficial interests in the ELIs will 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 either Euroclear and/or Clearstream, Luxembourg (if Euroclear and/or Clearstream, Luxembourg, are specified as the applicable clearing system) or the Issuer (if the ELIs are held through an account with the Issuer), as the case may be.
- (d) *Title.* Each person who is for the time being shown in the register (the “**Register**”) kept by the Registrar as entitled to a particular number of ELIs shall be treated by the Issuer and the Registrar as the absolute owner and holder of such number of ELIs. The expression “**ELI holder**” shall be construed accordingly.

## 2. ELI Rights and Expenses

- (a) *ELI Rights.* Each ELI represents a Nominal Value as specified in the applicable Term Sheet and gives each ELI holder, upon due exercise and compliance with Condition 4, the right to receive the Settlement At Maturity (as defined below), if any, on the Maturity Date.
- (b) *Expenses.* In the case where the Settlement At Maturity is such Number of Share(s)/Unit(s) per ELI, the following provisions will apply:

ELI holders entitled to delivery of the Number of Share(s)/Unit(s) per ELI will be required to pay to the Issuer a sum, as determined by the Calculation Agent, equal to all charges incurred in respect of the transfer and receipt of the Number of Share(s)/Unit(s) per ELI, including, without limitation, any stamp duty, agent’s expenses, levies, registration charges and other expenses payable on or in respect of or in connection with the receipt of, or agreement to receive, the Number of Share(s)/Unit(s) per ELI provided that the ELI holder shall not be liable for the transferor’s share of any stamp duty (the above charges and expenses incurred by ELI holders are together referred to as the “**Physical Settlement Expenses**”).

An amount equivalent to the Physical Settlement Expenses must be paid by the ELI holder in accordance with Condition 4.

- (c) *Definitions.* For the purposes of these Terms and Conditions:

“**Airbag Level**”, in respect of each Linked Stock, shall be a specific percentage of its Initial Stock Price as specified in the applicable Term Sheet, subject to adjustment in accordance with Condition 6;

“**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 and/or settlement systems as specified in the applicable Term Sheet;

“**Clearance System**” means, in relation to a series of ELIs, Central Clearing and Settlement System or such other applicable clearance system (through which transfers of the Worst Performing Stock as of the Final Fixing Date which form the Number of Share(s)/Unit(s) per ELI, as the case may be 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, in respect of each Linked Stock, and in respect of a Scheduled Trading Day, the price as at the Valuation Time on such day of one share or one unit (as the case may be) of such Linked Stock as traded on the Exchange without regard to any subsequently published correction provided that, for the purposes of determining the Closing Price of such Linked Stock on the Final Fixing Date or any other Scheduled Trading Day (other than determining the Initial Stock Prices on the Start Date), and if the Final Fixing Date or such Scheduled Trading Day is a Disrupted Day in respect of such Linked Stock, the Closing Price of such Linked Stock in respect of the Final Fixing Date or such Scheduled Trading Day (as the case may be) shall be determined on the first succeeding Scheduled Trading Day which is not a Disrupted Day (such date, the “**Adjusted Final Fixing Date**” in respect of the Final Fixing Date and the “**Adjusted Valuation Date**” in respect of such Scheduled Trading Day), unless each of the five Scheduled Trading Days immediately following the original Final Fixing Date or Scheduled Trading Day (as the case may be) is a Disrupted Day. In that case, (i) the Closing Price of such Linked Stock shall be determined on that fifth Scheduled Trading Day, notwithstanding the fact that such day is also a Disrupted Day, (ii) the fifth Scheduled Trading Day shall be the Adjusted Final Fixing Date or Adjusted Valuation Date (as the case may be) and (iii) the Calculation Agent shall determine in its good faith and in a commercially reasonable manner the Closing Price of such Linked Stock (based on factors including but not limited to the latest reported price and the prevailing market conditions) and such price shall be treated as the Closing Price as of that fifth Scheduled Trading Day;

“**Company**” and “**Companies**” shall have the meaning given to it in the applicable Term Sheet;

“**Disrupted Day**” means any Scheduled Trading Day, in respect of a Linked Stock, 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;

“**Early Termination Amount**” means such cash amount in the Settlement Currency (subject to Condition 4(b)(ii) where applicable) calculated on a per ELI basis as in the opinion of the Calculation Agent (such opinion to be made in its sole and absolute discretion acting in good faith and in a commercially reasonable manner) is the fair market value of the ELI in the circumstances, taking into account all information which it deems relevant such as the prevailing market conditions, which include, without limitation, the value of the relevant embedded derivatives, market interest rate movements, price volatility and dividend yield of the Linked Stocks, the Reference Stock Prices, the remaining investment period of the ELIs, the creditworthiness of the Issuer and the cost to the Issuer of unwinding any related underlying hedging arrangements entered into in respect of such ELI (such as, but not limited to, any market bid/offer spread and any ancillary cost in relation to such unwinding), whether such hedge is held directly by the Issuer or indirectly through an affiliate, all as determined by the Calculation Agent acting in good faith and in a commercially reasonable manner;

**“Exchange”** means, in respect of each Linked Stock, each exchange or quotation system specified as such for such Linked Stock in the applicable Term Sheet, any successor to such exchange or quotation system or any substitute exchange or quotation system to which trading in such Linked Stock has temporarily relocated (provided that the Calculation Agent has determined that there is comparable liquidity relative to such Linked Stock 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”** has the meaning as specified in the applicable Term Sheet;

**“Final Fixing Date”** means, in respect of each Linked Stock, the date specified in the applicable Term Sheet or, if such date is not a Scheduled Trading Day for a Linked Stock, the following Scheduled Trading Day for such Linked Stock unless such day is a Disrupted Day for such Linked Stock. If such day is a Disrupted Day for such Linked Stock, the Closing Price of such Linked Stock in respect of the Final Fixing Date shall be determined on the Adjusted Final Fixing Date in accordance with the definition of “Closing Price” above. For the avoidance of doubt, valuation for any other Linked Stock on such day which is not a Disrupted Day for such Linked Stock shall not be affected by the foregoing;

**“Final Stock Price”** in respect of each Linked Stock has the meaning as specified in the applicable Term Sheet;

**“Fund”** shall have the meaning given to it in the applicable Term Sheet;

**“HKD”** means Hong Kong dollars, the lawful currency of Hong Kong;

**“HKD Equivalent Amount”** means, following the occurrence of an RMB Disruption Event and in respect of an amount payable in RMB on the relevant affected date of payment, an amount in HKD determined by the Calculation Agent acting in good faith and in a commercially reasonable manner, by converting such amount into HKD using such exchange rate as of the tenth Business Day after the original date that, but for the occurrence of the RMB Disruption Event, would have been the date for such payment, based on (i) the foreign exchange rate of HKD per one USD as at 16:00 (Hong Kong time) on such tenth Business Day as displayed on Reuters Page <HKD=> (or such replacement page) divided by (ii) the offshore foreign exchange rate of RMB per one USD as at 16:00 (Hong Kong time) on such tenth Business Day as displayed on Reuters page <CNH=> (or such replacement page and if any such rate is not available, the exchange rate as determined by the Calculation Agent in its sole and absolute discretion acting in good faith and in a commercially reasonable manner);

**“Initial Stock Price”** in respect of each Linked Stock has the meaning as specified in the applicable Term Sheet;

**“Issue Price”** has the meaning as specified in the applicable Term Sheet;

**“JPY”** means Japanese Yen, the lawful currency of Japan;

**“Linked Stock”** means, subject to adjustment in accordance with Condition 6, the securities (which may be shares of a company or shares or units (as applicable) of a fund (being an exchange traded fund or a real estate investment trust)) specified as such in the applicable Term Sheet which are listed on the Exchange and traded in the Underlying Currency and related expressions shall be construed accordingly and all the Linked Stocks together, the **“Basket”**, and each series of ELI shall only have the maximum number of ten and a minimum of two Linked Stocks in the Basket;



**“Market Disruption Event”** means, in respect of each Linked Stock:

- (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 (which is determined by the Calculation Agent in its sole and absolute discretion acting in good faith and in a commercially reasonable manner to be material) 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 Linked Stock on the Exchange; or
    - (ii) in futures or options contracts relating to such Linked Stock on any relevant Related Exchange; or
  - (b) any event (other than an event described in (2) below) that disrupts or impairs (in a way which is determined by the Calculation Agent in its sole and absolute discretion acting in good faith and in a commercially reasonable manner to be material) the ability of market participants in general (i) to effect transactions in, or obtain market values for, such Linked Stock on the Exchange, or (ii) to effect transactions in, or obtain market values for, futures or options contracts relating to such Linked Stock on any relevant Related Exchange; 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;

**“Maturity Date”** means the date specified in the applicable Term Sheet, subject to postponement in accordance with (i) Condition 4(c) upon the occurrence of a Settlement Disruption Event and (ii) (where the Settlement Currency is RMB) Condition 4(b)(ii) upon the occurrence of an RMB Disruption Event. If the Final Fixing Date is a Disrupted Day in respect of a Linked Stock and as a result of which the Maturity Date is postponed, a notice of such postponement will be given to the ELI holders in accordance with Condition 9 on or before the original Maturity Date;

**“Minimum Investment Amount”** has the meaning as specified in the applicable Term Sheet;

**“Mode of Settlement”** means the form of settlement that the ELI holder elects to receive upon maturity of the ELI where (i) “Daily Airbag Feature” or “Final Fixing Date Airbag Feature” is not specified to be applicable in the applicable Term Sheet and the Final Stock Price of the Worst Performing Stock as of the Final Fixing Date is below its Reference Stock Price; or (ii) “Daily Airbag Feature” is specified to be applicable in the applicable Term Sheet and the Final Stock Price of the Worst Performing Stock as of the Final Fixing Date is below its Reference Stock Price and, on any Scheduled Trading Day during the Observation Period, the Closing Price of the Worst Performing Stock in respect of such Scheduled Trading Day is at or below its Airbag Level; or (iii) “Final Fixing Date Airbag Feature” is specified to be applicable in the applicable Term Sheet and the Final Stock Price of the Worst Performing Stock as of the Final Fixing Date is at or below its Airbag Level. The ELI holder can elect either cash settlement or physical settlement of the relevant Settlement At Maturity;

**“Nominal Value”** has the meaning as specified in the applicable Term Sheet;

**“Number of Share(s)/Unit(s) per ELI”** means, in respect of each ELI, the number of shares (where such Worst Performing Stock is a share of a company), or the number of shares or units (where such Worst Performing Stock is a share or unit of a fund) of the Worst Performing Stock as of the Final Fixing Date as specified in the applicable Term Sheet, subject to adjustments in accordance with Condition 6;

“**Observation Period**” has the meaning as set out in the applicable Term Sheet;

“**Potential Upside Cash Distribution Amount**” shall have the meaning given to it in the applicable Term Sheet;

“**Reference Stock Price**”, in respect of each Linked Stock, shall be a specific percentage of its Initial Stock Price as specified in the applicable Term Sheet, subject to adjustments in accordance with Condition 6;

“**Related Exchange**” means, in respect of each Linked Stock, each exchange or quotation system on which futures or options contracts relating to such Linked Stock are traded or quoted, as determined by the Issuer (acting in good faith and in a commercially reasonable manner);

“**RMB**” means Renminbi or Chinese Yuan, the lawful currency of the People’s Republic of China (“**PRC**”);

“**RMB Disruption Event**” means the occurrence of any event that, in the determination of the Calculation Agent in its sole and absolute discretion acting in good faith and a commercially reasonable manner, makes it impossible:

- (1) **RMB Illiquidity** — for the Issuer to obtain a firm quote of a price (quoted in USD against RMB) in respect of any amount due and payable in RMB under the ELIs on the relevant scheduled date of payment in the RMB exchange market in Hong Kong in order to perform its obligations under the ELIs;
- (2) **RMB Inconvertibility** — for the Issuer to convert any amount due and payable in RMB under the ELIs in the RMB exchange market in Hong Kong, other than where such impossibility is due to the failure of the Issuer to comply with any law, rule or regulation enacted by any government authority (unless such law, rule or regulation is enacted after the Start Date and it is impossible for the Issuer, due to an event beyond its control, to comply with such law, rule or regulation); or
- (3) **RMB Non-transferability** — for the Issuer to transfer RMB between accounts inside Hong Kong, other than where such impossibility is due to the failure of the Issuer to comply with any law, rule or regulation enacted by any government authority (unless such law, rule or regulation is enacted after the Start Date and it is impossible for the Issuer, due to an event beyond its control, to comply with such law, rule or regulation).

For the avoidance of doubt, the following events shall not constitute an RMB Disruption Event:

- (A) the inability for the Issuer to obtain such firm quote due to issues relating to its creditworthiness; and
- (B) the inability for the Issuer to convert RMB due to issues relating to its creditworthiness;

“**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 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 At Maturity**” means, in respect of each ELI and where the ELI has not been early terminated:

- (A) if the Final Stock Price of the Worst Performing Stock as of the Final Fixing Date is at or above its Initial Stock Price, a cash amount in the Settlement Currency (subject to Condition 4(b)(ii) where applicable) calculated by the Calculation Agent as equal to the sum of the Nominal Value and the Potential Upside Cash Distribution Amount;



(B) if:

- (1) the Final Stock Price of the Worst Performing Stock as of the Final Fixing Date is below its Initial Stock Price but at or above its Reference Stock Price; or
- (2) where “Daily Airbag Feature” is specified to be applicable in the applicable Term Sheet, the Final Stock Price of the Worst Performing Stock as of the Final Fixing Date is below its Reference Stock Price but, on each Scheduled Trading Day during the Observation Period, the Closing Price of the Worst Performing Stock on each such Scheduled Trading Day is above its Airbag Level; or
- (3) where “Final Fixing Date Airbag Feature” is specified to be applicable in the applicable Term Sheet, the Final Stock Price of the Worst Performing Stock as of the Final Fixing Date is below its Initial Stock Price but above its Airbag Level,

a cash amount in the Settlement Currency (subject to Condition 4(b)(ii) where applicable) as equal to the Nominal Value; or

(C) where:

- (1) “Daily Airbag Feature” or “Final Fixing Date Airbag Feature” is not specified to be applicable in the applicable Term Sheet and the Final Stock Price of the Worst Performing Stock as of the Final Fixing Date is below its Reference Stock Price; or
- (2) “Daily Airbag Feature” is specified to be applicable in the applicable Term Sheet and the Final Stock Price of the Worst Performing Stock as of the Final Fixing Date is below its Reference Stock Price and, on any Scheduled Trading Day during the Observation Period, the Closing Price of the Worst Performing Stock in respect of such Scheduled Trading Day is at or below its Airbag Level; or
- (3) “Final Fixing Date Airbag Feature” is specified to be applicable in the applicable Term Sheet and the Final Stock Price of the Worst Performing Stock as of the Final Fixing Date is at or below its Airbag Level,

if physical settlement is elected as the Mode of Settlement, physical delivery of the Number of Share(s)/Unit(s) per ELI (subject to payment of the Physical Settlement Expenses); or

if cash settlement is elected as the Mode of Settlement, the cash equivalent of the Number of Share(s)/Unit(s) per ELI in the Settlement Currency (subject to Condition 4(b)(ii) where applicable) equal to:

$$\text{Nominal Value} \quad \times \quad \frac{\text{Final Stock Price of the Worst Performing Stock as of the Final Fixing Date}}{\text{Reference Stock Price of the Worst Performing Stock as of the Final Fixing Date}}$$

“**Settlement Currency**” has the meaning as specified in the applicable Term Sheet;

“**Start Date**” has the meaning as set out in the applicable Term Sheet, provided that if any of the Initial Stock Prices cannot be recorded on the Start Date due to the occurrence of a Market Disruption Event, the ELIs will not be issued;

“**Stock Performance**” in respect of each Linked Stock in the Basket on a Scheduled Trading Day, means an amount calculated in accordance with the following formula:

$$\text{Stock Performance of a Linked Stock} = \frac{\text{Closing Price of that Linked Stock on that Scheduled Trading Day}}{\text{Initial Stock Price of that Linked Stock}} \times 100\%$$

“**T2**” means the real time gross settlement system for the settlement of Euro transactions within the Eurozone and its successor;

“**Underlying Currency**” means the currency in which such Linked Stock is traded on the Exchange as specified in the applicable Term Sheet;

“**USD**” means United States dollars, the lawful currency of the United States of America;

“**Valuation Time**” means, in respect of a Scheduled Trading Day and in relation to each Linked Stock, the Scheduled Closing Time on that Scheduled Trading Day in relation to such Linked Stock, or if the relevant Exchange closes prior to or after its Scheduled Closing Time, the actual closing time for its regular trading session; and

“**Worst Performing Stock**” means, in respect of a Scheduled Trading Day, the Linked Stock with the lowest Stock Performance on that Scheduled Trading Day. If more than one Linked Stock has the same lowest Stock Performance on a Scheduled Trading Day, the Issuer will, in its sole and absolute discretion acting in good faith and in a commercially reasonable manner, decide which of such Linked Stocks shall be the Worst Performing Stock on that Scheduled Trading Day.

### 3. Expiry of ELIs

- (a) *Expiry of ELIs.* The ELIs shall only expire in an amount equal to the Nominal Value or integral multiples thereof. If the ELIs have not been early terminated prior to the Final Fixing Date, the ELIs will automatically expire on the Final Fixing Date.
- (b) *Procedures for Expiry on the Final Fixing Date.* If the ELIs are not early terminated, the ELIs will automatically expire on the Final Fixing Date (without notice being given to the ELI holders). The ELI holders will not be required to deliver any notice and the Issuer or the Agent will pay to the ELI holders the Settlement At Maturity in cash (if any) or will deliver to the ELI holders the Number of Share(s)/Unit(s) per ELI, all in accordance with Condition 4. For the avoidance of doubt, where the ELIs have expired on the Final Fixing Date, payment of the Settlement At Maturity in cash on the Maturity Date or delivery of the Number of Share(s)/Unit(s) per ELI on the Maturity Date to the ELI holders, as the case may be, shall constitute full and final settlement of the obligations of the Issuer with respect to the ELIs. Subject to such payment or delivery, as the case may be, having been made, the Issuer shall have no obligation towards the relevant ELI holder under the ELIs subsequent to the Maturity Date.
- (c) *Cancellation.* The Issuer will procure that the Registrar will, with effect from the Business Day following the Maturity Date, remove from its register the name of the person in respect of the ELIs which has expired in accordance with these Terms and Conditions and thereby cancel the relevant ELIs.

### 4. Settlement of ELIs

- (a) *Settlement.* Subject to automatic expiry of ELIs in accordance with these Terms and Conditions, the Issuer will make a payment or delivery (as the case may be), in respect of each ELI, to the relevant ELI holder of the Settlement At Maturity.
- (b) *Cash Settlement.*
  - (i) Subject as provided in Condition 4(b)(ii) below in the case of the RMB Disruption Event which is applicable where the Settlement Currency is RMB only, in the case where:
    - (1) the Settlement At Maturity consists of a cash payment, the Settlement At Maturity shall be despatched not later than the Maturity Date, by crediting that amount to the relevant bank account designated by the relevant ELI holder; and
    - (2) the ELIs are early terminated pursuant to Condition 6, the Early Termination Amount shall be despatched not later than the third Business Day after the effective date of such early termination.

- (ii) In the case where the Settlement Currency is RMB, if the Calculation Agent has determined, in its sole and absolute discretion acting in good faith and in a commercially reasonable manner, that an RMB Disruption Event has occurred on any date on which payment of the Settlement At Maturity and/or the Early Termination Amount in cash is scheduled to be made, such payment will be postponed to the third Business Day after the date on which the RMB Disruption Event ceases to exist, unless the RMB Disruption Event continues to exist for 10 Business Days after the original date that, but for the occurrence of the RMB Disruption Event, would have been the date for such payment. In such case, the Issuer shall make payment of the HKD Equivalent Amount no later than the third Business Day after such tenth Business Day. Any such payment made by the Issuer shall be in full and final settlement of its obligations to pay the relevant amount payable in RMB on the affected date of payment in respect of the ELIs.

A notice of such postponement of such payment will be given to the ELI holders on the relevant affected date of payment in accordance with Condition 9 and, if applicable, a further notice of the determination of the HKD Equivalent Amount will be given to the ELI holders as soon as practicable after such HKD Equivalent Amount is determined but no later than the second Business Day after such tenth Business Day.

(c) *Delivery of the Linked Stock.*

- (i) *Share Purchase Option.* Where the Settlement at Maturity consists of physical delivery of the Number of Share(s)/Unit(s) per ELI and physical settlement is elected as the Mode of Settlement, a cash payment equal to the cash equivalent of the Number of Share(s)/Unit(s) per ELI shall be deemed to be payable by the Issuer to the ELI holder, and the ELI holder shall be deemed to have appointed and authorised the Issuer as the ELI holder's agent and on its behalf (and/or such other persons as the Issuer may appoint for this purpose as sub-agent for the relevant ELI holder and on behalf of the relevant ELI holder) to use such cash equivalent of the Number of Share(s)/Unit(s) per ELI to purchase, on the Final Fixing Date, the number of share(s) or unit(s) of the Worst Performing Stock as of the Final Fixing Date comprising the Number of Share(s)/Unit(s) per ELI. The Issuer will procure delivery of the relevant Worst Performing Stock comprising the Number of Share(s)/Unit(s) per ELI to the ELI holder on the Maturity Date by way of electronic settlement through the Clearance System.
- (ii) In order to obtain delivery of the relevant Worst Performing Stock comprising the Number of Share(s)/Unit(s) per ELI, (a) all Physical Settlement Expenses must be paid by the ELI holders to the Issuer and (b) the relevant ELI holder must notify the Issuer of such details as are required by the Issuer for the delivery of the Number of Share(s)/Unit(s) per ELI (if any) which may include account details and/or the name and address of any person(s) into whose name evidence of the Number of Share(s)/Unit(s) per ELI is to be registered and/or any bank or agent to whom documents evidencing the Number of Share(s)/Unit(s) per ELI are to be delivered.
- (iii) Subject as provided below in the case of a Settlement Disruption Event, the Issuer will procure:
- (a) the delivery of the relevant Worst Performing Stock comprising the Number of Share(s)/Unit(s) per ELI to the ELI holders no later than the Maturity Date or, if such date is not a Clearance System Business Day, the following Clearance System Business Day; and
  - (b) the despatch of any payment to which the ELI holder is entitled pursuant to Condition 4(f), if applicable, no later than the Maturity Date.

The Calculation Agent 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 the relevant Worst Performing Stock on the original day that but for such Settlement Disruption Event would have been the Maturity Date, then the Maturity Date will be the first succeeding day on which delivery of the relevant Worst Performing Stock can take place through the relevant Clearance System unless a Settlement Disruption Event prevents

settlement on each of the ten relevant Clearance System Business Days immediately following the original date that, but for the Settlement Disruption Event, would have been the Maturity Date. In that case, (a) if such Worst Performing Stock can be delivered in any other commercially reasonable manner (as determined by the Calculation Agent in its sole and absolute discretion acting in good faith), then the Maturity Date will be the first day on which physical delivery of such Worst Performing Stock can be effected through the use of such other commercially reasonable manner after that tenth relevant Clearance System Business Day (which other manner of delivery will be deemed the relevant Clearance System for the purposes of delivery of such Worst Performing Stock), and (b) if such Worst Performing Stock cannot be delivered in any other commercially reasonable manner (as determined by the Calculation Agent in its sole and absolute discretion acting in good faith), then the Maturity Date will be postponed until delivery can be effected through the relevant Clearance System or in any other commercially reasonable manner.

A notice of such postponement of the delivery of the relevant Worst Performing Stock will be given to the ELI holders on the original Maturity Date in accordance with Condition 9 and a further notice of the continuance of the Settlement Disruption Event and the action to be taken will be given to the ELI holders on the tenth Clearance System Business Day following the original Maturity Date.

For the purposes of this Condition 4(c):

“**Settlement Disruption Event**” in relation to the relevant Worst Performing Stock means an event which the Calculation Agent, in its sole and absolute discretion acting in good faith and in a commercially reasonable manner, determines to be beyond the control of the Issuer or the control of the relevant Company or the relevant Fund and to be an event as a result of which the relevant Clearance System cannot clear the transfer of such Worst Performing Stock.

- (d) *Intervening Period.* Where the Settlement at Maturity consists of physical delivery of the Number of Share(s)/Unit(s) per ELI, starting from the Final Fixing Date, an ELI holder (or such person as he may have directed) shall become beneficially entitled to all those rights attaching to the relevant Worst Performing Stock to be delivered in respect of such exercise to which he would have become entitled if he had been registered as the holder of the relevant Worst Performing Stock on the Final Fixing Date.

Notwithstanding the foregoing, as from the Final Fixing Date and until such time as the ELI holder (or such person as he may have directed) is delivered the relevant Worst Performing Stock using the method specified in the applicable Term Sheet (the “**Intervening Period**”), neither the Issuer nor the Agent or their nominee shall:

- (i) be under any obligation to deliver to such ELI holder or any subsequent beneficial owner of the relevant Worst Performing Stock any letter, certificate, notice, circular or any other document whatsoever received by the Issuer or the Agent or nominee in its capacity as the registered holder of such Worst Performing Stock; or
- (ii) exercise any or all rights (including voting rights) attaching to the relevant Worst Performing Stock during the Intervening Period without the prior written consent of the relevant ELI 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 ELI holder or any subsequent beneficial owner of the relevant Worst Performing Stock in respect of any loss or damage which such ELI 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 the relevant Worst Performing Stock.

Notwithstanding anything in this Condition 4(d), the Issuer shall notify each relevant ELI holder (or where there are joint ELI holders, the first named ELI holder) appearing in the register kept by the Registrar by post (by airmail 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, rights, bonus issue, shares or units issued pursuant to a stock split or consolidation in respect of the relevant Worst Performing Stock beneficially owned by such ELI holder or a subsequent beneficial owner of such Worst Performing Stock which the ELI holder is entitled to under these Terms and Conditions.

The Issuer shall also make available as soon as reasonably practicable such dividend payment or the relevant Worst Performing Stock, as the case may be, for collection by the ELI holder or such subsequent beneficial owner of the relevant Worst Performing Stock 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 so notified to the ELI holder by the Issuer.

The Issuer shall also notify each relevant ELI holder (or where there are joint ELI holders, the first named ELI 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 ELI holder is entitled to exercise or accept under these Terms and Conditions as beneficial owner of the relevant Worst Performing Stock during the Intervening Period and shall make available any document relating to such right, entitlement or offer for collection by the ELI holder, or the person to whom the ELI holder directed the relevant Worst Performing Stock 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 so notified to the ELI holder by the Issuer 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 ELI holder or the person to whom the ELI holder directed the relevant Worst Performing Stock to be delivered, the Issuer shall on behalf of the relevant ELI holder, or the person to whom the ELI holder directed the relevant Worst Performing Stock to be delivered, exercise or accept such right, entitlement or offer.

Notwithstanding anything in this Condition 4(d), in the case of the receipt by the Issuer during the Intervening Period of an entitlement (in respect of the relevant Worst Performing Stock deliverable to or at the direction of the ELI holder) which takes the form of securities issued by the Company or the Fund by way of rights (to which the entitlement the ELI holder is entitled under these Terms and Conditions), the Issuer shall, as soon as reasonably practicable and:

- (i) in any event by no later than three Business Days following receipt of the relevant entitlement from the Company or the Fund, where necessary; post to the Company or the Fund or its stock registrar an application for the entitlement to be split as appropriate as between the relevant Worst Performing Stock deliverable to different ELI holders (or subsequent ELI holders); and
  - (ii) in any event no later than three Business Days following receipt of the relevant entitlement duly split as referred to in (i) above, post (by airmail in the case of an address outside Hong Kong) all documentation (duly renounced where appropriate) received by it relating to such entitlement to the ELI holder, or the person to whom the ELI holder directed the relevant Worst Performing Stock to be delivered, or (if the ELI holder shall have so directed in the relevant exercise notice) make available such documentation for collection by the ELI holder, or the person to whom the ELI holder directed the relevant Worst Performing Stock to be delivered, from the office of the Issuer upon production of such evidence of entitlement and identification as may reasonably be required.
- (e) *Relationship of agency or trust.* These Terms and 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 ELI holder in its capacity as beneficial owner of the relevant Worst Performing Stock, or any subsequent beneficial owner of the relevant Worst Performing Stock, 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 ELI holder or such beneficial owner in respect of the relevant Worst Performing Stock.



- (f) *Fraction of Share/Unit.* In the case where the Settlement At Maturity is equal to the delivery of the Number of Share(s)/Unit(s) per ELI to the ELI holder the following provision will apply:

In respect of each ELI, if an expiry of such ELI would (if not for the provisions of this Condition 4(f)) result in the relevant ELI holder becoming entitled to delivery of a certain number of share(s) or unit(s) of the relevant Worst Performing Stock (which may include a fraction of a share or a unit of the relevant Worst Performing Stock) which do not form an integral share or unit of the relevant Worst Performing Stock (the “**Fraction of Share/Unit**”):

- (i) the Issuer shall not deliver to the relevant ELI holder and the ELI holder shall cease to be entitled to receive such Fraction of Share/Unit (as the case may be) in respect of the expiry of such ELI; and
- (ii) the relevant ELI holder shall be entitled to receive a cash amount calculated on a per ELI basis (rounded down to 2 decimal places, save in the case of JPY, rounded down to the nearest whole JPY) from the Issuer (to be paid no later than the Maturity Date in accordance with Condition 4(b)) equal to the Final Stock Price (converted into the Settlement Currency at the Exchange Rate if necessary) multiplied by the number of such Fraction of Share/Unit (as the case may be).

## 5. Registrar and Agent

- (a) The initial Registrar and Agent and their respective specified offices are set out below. 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 ELI holders in accordance with Condition 9.
- (b) Each of the Registrar and the Agent will be acting as agents of the Issuer in respect of any ELI and will not assume any obligation or duty to or any relationship of agency or trust for the ELI holders.
- (c) The register of ELI holders will be maintained outside Hong Kong by the Registrar and the Registrar will enter the name, address and banking details of the ELI holders, the details of the ELIs held by any ELI holder including the number of ELIs of each series held and any other particulars which it thinks proper.

## 6. Adjustments, Substitution and Early Termination

- (a) *Potential Adjustment Events.* If the Calculation Agent determines, in its sole and absolute discretion acting in good faith and in a commercially reasonable manner, a Potential Adjustment Event has occurred on or after the Start Date but on or before the Final Fixing Date, the Calculation Agent 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 any Linked Stock and, if so, the ELI holder(s) shall be notified as soon as practicable after the occurrence of such Potential Adjustment Event. The Calculation Agent 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 Reference Stock Price, to the Number of Share(s)/Unit(s) per ELI, and/or any other adjustment and, in any case, any other variable relevant to the settlement or payment terms of the relevant ELIs as the Calculation Agent determines, in its sole and absolute discretion acting in good faith and in a commercially reasonable manner, to be appropriate to account for that diluting or concentrative effect on the theoretical value of the Linked Stock in order to preserve the economic equivalence of the ELIs and the ELI holder(s) shall be notified as soon as practicable after such adjustments. The Calculation Agent 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).

In determining such adjustment(s):

- (i) if options contracts or futures contracts of the relevant Linked Stock are traded on the Exchange or the Related Exchange, the Calculation Agent will follow any adjustment to the terms of the relevant options contract or futures contract made and announced by the Exchange or the Related Exchange, unless following such adjustment is not able to preserve the economic equivalence of the ELI. In such case, the Calculation Agent will determine the aforesaid 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 ELI; or
- (ii) if there are no options contracts or futures contracts of the relevant Linked Stock traded on the Exchange or the Related Exchange, the Calculation Agent will take into account and (where, and to the extent, applicable) follow the relevant rules as set out in the Operational Trading Procedures for Options Trading Exchange Participants of the Stock Exchange so as to preserve the economic equivalence of the ELI.

In determining the effective date(s) of such adjustment(s), the Calculation Agent shall observe and use, to the extent reasonably practicable, any such ex-date(s) or other relevant date(s) as provided by the Exchange or the Related Exchange as the effective date(s) of such adjustment(s).

For the purposes of this Condition 6(a) and in respect of each Linked Stock, “**Potential Adjustment Event**” means:

- (1) a subdivision, consolidation or reclassification of the Linked Stock (unless resulting in a Merger Event) or a free distribution or dividend of such Linked Stock to existing holders whether by way of bonus, capitalisation or similar issue; or
- (2) a distribution or dividend to existing holders of the Linked Stock of (a) such Linked Stock or (b) other stock capital or securities granting the right to payment of dividends and/or the proceeds of liquidation of the Company or the Fund equally or proportionately with such payments to holders of any such Linked Stock or (c) stock capital or other securities of another issuer acquired or owned (directly or indirectly) by the Company or the Fund 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 Linked Stock that are not fully paid; or
- (5) a repurchase by the Company or the Fund or any of its subsidiaries of the Linked Stock 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 Calculation Agent, 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 Linked Stock.



- (b) *Merger Event*. Following the occurrence of any Merger Event in relation to which the Merger Date is on or after the Start Date but on or before the Final Fixing Date, the Calculation Agent may (i) 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 settlement, payment or any other terms of the ELIs to preserve the economic equivalence on the ELIs of such Merger Event, which shall include, where the Company of a Linked Stock has merged with another entity, deeming the shares of the surviving entity to be the new Linked Stock; and (ii) determine the effective date of that adjustment. In determining such adjustment:
- (i) if options contracts or futures contracts of the relevant Linked Stock are traded on the Exchange or the Related Exchange, the Calculation Agent will follow any adjustment to the terms of the relevant options contract or futures contract made and announced by the Exchange or the Related Exchange, unless following such adjustment is not able to preserve the economic equivalence of the ELI. In such case, the Calculation Agent will determine the aforesaid adjustment 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 ELI; or
  - (ii) if there are no options contracts or futures contracts of the relevant Linked Stock traded on the Exchange or the Related Exchange, the Calculation Agent will take into account and (where, and to the extent, applicable) follow the relevant rules as set out in the Operational Trading Procedures for Options Trading Exchange Participants of the Stock Exchange so as to preserve the economic equivalence of the ELI.

In determining the effective date of such adjustment, the Calculation Agent shall observe and use, to the extent reasonably practicable, any such ex-date or other relevant date as provided by the Exchange or the Related Exchange as the effective date of such adjustment.

If the Calculation Agent determines in its sole and absolute discretion acting in good faith and in a commercially reasonable manner that the foregoing adjustment is unable to preserve the economic equivalence of the ELIs, the Calculation Agent may, in its sole and absolute discretion, substitute the affected Linked Stock(s) as contemplated in Condition 6(g). If the Calculation Agent determines in its sole and absolute discretion and acting in good faith and in a commercially reasonable manner that any of the foregoing adjustments is unable to preserve the economic equivalence of the ELIs and the Calculation Agent is unable to substitute the affected Linked Stock(s) as contemplated in Condition 6(g), then the ELIs shall be terminated as of the date determined by the Calculation Agent in its sole and absolute discretion acting in good faith and in a commercially reasonable manner and entitlement of the ELI holders to each receive the Settlement At Maturity shall cease and the Issuer's obligations under the ELIs shall be satisfied in full upon payment of the Early Termination Amount. The Calculation Agent shall notify the ELI holder(s) as soon as practicable regarding the occurrence of such Merger Event and such adjustment, substitution or termination (as the case may be).

For the purposes of this Condition 6(b):

**"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 Calculation Agent; and

**"Merger Event"** means in respect of each Linked Stock, any:

- (1) reclassification or change of such Linked Stock that results in a transfer of or an irrevocable commitment to transfer all of such Linked Stock outstanding to another entity or person; or
- (2) consolidation, amalgamation, merger or binding stock exchange of the Company with or into another entity or person (other than a consolidation, amalgamation, merger or binding stock exchange in which such Company is the continuing entity and which does not result in any such reclassification or change of all of such Linked Stock 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% of the outstanding Linked Stock of the Company that results in a transfer of or an irrevocable commitment to transfer all such Linked Stock (other than such Linked Stock owned or controlled by such other entity or person); or
  - (4) consolidation, amalgamation, merger or binding stock 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 Linked Stock outstanding but results in the outstanding Linked Stock (other than Linked Stock owned or controlled by such other entity) immediately prior to such event collectively representing less than 50% of the outstanding Linked Stock immediately following such event.
- (c) *Tender Offer.* Following the occurrence of any Tender Offer in relation to which the Tender Offer Date is on or after the Start Date but on or before the Final Fixing Date, the Calculation Agent may (i) 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 settlement, payment or any other terms of the ELIs to preserve the economic equivalence on the ELIs of such Tender Offer; and (ii) determine the effective date of that adjustment. In determining such adjustment:
- (i) if options contracts or futures contracts of the relevant Linked Stock are traded on the Exchange or the Related Exchange, the Calculation Agent will follow any adjustment to the terms of the relevant options contract or futures contract made and announced by the Exchange or the Related Exchange, unless following such adjustment is not able to preserve the economic equivalence of the ELI. In such case, the Calculation Agent will determine the aforesaid adjustment 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 ELI; or
  - (ii) if there are no options contracts or futures contracts of the relevant Linked Stock traded on the Exchange or the Related Exchange, the Calculation Agent will take into account and (where, and to the extent, applicable) follow the relevant rules as set out in the Operational Trading Procedures for Options Trading Exchange Participants of the Stock Exchange so as to preserve the economic equivalence of the ELI.

In determining the effective date of such adjustment, the Calculation Agent shall observe and use, to the extent reasonably practicable, any such ex-date or other relevant date as provided by the Exchange or the Related Exchange as the effective date of such adjustment.

If the Calculation Agent determines in its sole and absolute discretion acting in good faith and in a commercially reasonable manner that the foregoing adjustment is unable to preserve the economic equivalence of the ELIs, the Calculation Agent may, in its sole and absolute discretion, substitute the affected Linked Stock(s) as contemplated in Condition 6(g). If the Calculation Agent determines in its sole and absolute discretion acting in good faith and in a commercially reasonable manner that any of the foregoing adjustments is unable to preserve the economic equivalence of the ELIs and the Calculation Agent is unable to substitute the affected Linked Stock(s) as contemplated in Condition 6(g), then the ELIs shall be terminated as of the date determined by the Calculation Agent in its sole and absolute discretion acting in good faith and in a commercially reasonable manner and the entitlement of the ELI holders to each receive the Settlement At Maturity shall cease and the Issuer's obligations under the ELIs shall be satisfied in full upon payment of the Early Termination Amount. The Calculation Agent shall notify the ELI holder(s) as soon as practicable regarding the occurrence of such Tender Offer and such adjustment, substitution or termination (as the case may be).

For the purposes of this Condition 6(c):

**“Tender Offer”** in respect of each Linked Stock means a takeover, 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% and less than 100% of the outstanding voting shares of the Company or shares or units of the Fund, as determined by the Calculation Agent, based upon the making

of filings with governmental or self-regulatory agencies or such other information as the Calculation Agent deems relevant; and

“**Tender Offer Date**” means, in respect of a Tender Offer, the date on which voting shares or units in the amount of the applicable percentage threshold are actually purchased or otherwise obtained (as determined by the Calculation Agent acting in good faith and in a commercially reasonable manner).

- (d) *Nationalisation, Insolvency, Delisting or Hedging Disruption.* If, on or after the Start Date but on or before the Final Fixing Date, any of the following events occurs in respect of each Linked Stock:
- (i) all the shares or units or all or substantially all the assets of the relevant Company or the relevant Fund are nationalised, expropriated or are otherwise required to be transferred to any governmental agency, authority, entity or instrumentality thereof (“**Nationalisation**”); or
  - (ii) by reason of the voluntary or involuntary liquidation, bankruptcy, insolvency, dissolution or winding-up of or any analogous proceeding affecting the Company or Fund (A) the entire shares or units of the relevant Company or the relevant Fund are required to be transferred to a trustee, liquidator or other similar official or (B) holders of the Linked Stock become legally prohibited from transferring them (“**Insolvency**”); or
  - (iii) the Exchange announces that pursuant to the rules of such Exchange, such Linked Stock cease (or will cease) to be listed, traded or publicly quoted on the 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 Exchange (“**Delisting**”); or
  - (iv) the Issuer or any of its affiliates are unable, after using commercially reasonable efforts, to (a) acquire, establish, re-establish, substitute, maintain, unwind or dispose of any transaction(s) or asset(s) it deems necessary to hedge the asset price risk of entering into and performing its obligations with respect to any hedging arrangements entered into by the Issuer or its relevant affiliate in relation to the ELIs, or (b) realise, recover or remit the proceeds of any such transaction(s) or asset(s) (“**Hedging Disruption**”), provided that any such inability that results due to the deterioration of the creditworthiness of the Issuer shall not be deemed a Hedging Disruption,

then the Calculation Agent may, in its sole and absolute discretion, substitute the affected Linked Stock as contemplated in Condition 6(g). If the Calculation Agent determines, in its sole and absolute discretion acting in good faith and in a commercially reasonable manner, that the Calculation Agent is unable to substitute the affected Linked Stock as contemplated in Condition 6(g), then the ELIs shall be terminated as of the date determined by the Calculation Agent in its sole and absolute discretion acting in good faith and in a commercially reasonable manner and the entitlement of the ELI holders to each receive the Settlement At Maturity shall cease and the Issuer’s obligations under the ELIs shall be satisfied in full upon payment of the Early Termination Amount.

The Calculation Agent shall notify the ELI holder(s) as soon as practicable regarding the occurrence of such Nationalisation, Insolvency, Delisting or Hedging Disruption (as the case may be) and such substitution or termination (as the case may be).

- (e) *Additional Disruption Event.* If an Additional Disruption Event occurs on or after the Start Date but on or before the Final Fixing Date, then the Calculation Agent may, in its sole and absolute discretion, substitute the affected Linked Stock as contemplated in Condition 6(g). If the Calculation Agent determines, in its sole and absolute discretion acting in good faith and in a commercially reasonable manner, that the Calculation Agent is unable to substitute the affected Linked Stock as contemplated in Condition 6(g), then the ELIs shall be terminated as of the date determined by the Calculation Agent in its sole and absolute discretion acting in good faith and in a commercially reasonable manner and the entitlement of the ELI holders to each receive the Settlement At Maturity shall cease and the Issuer’s obligations under the ELIs shall be satisfied in full upon payment of the Early Termination Amount.

The Calculation Agent shall notify the ELI holder(s) as soon as practicable regarding the occurrence of such Additional Disruption Event and such substitution or termination (as the case may be).

For the purposes of this Condition 6(e) and in respect of the relevant Company:

“**Additional Disruption Event**” means each of Change in Law and Insolvency Filing;

“**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 Calculation Agent determines in good faith that (a) it has become illegal to hold, acquire or dispose of the Linked Stock, or (b) the Issuer will incur a materially increased cost in performing its obligations under the ELIs (including, without limitation, due to any increase in tax liability, decrease in tax benefit or other adverse effect on its tax position); and

“**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 Linked Stock shall not be deemed an Insolvency Filing.

- (f) *Fund Disruption Event.* If a Fund Disruption Event occurs on or after the Start Date but on or before the Final Fixing Date, the Calculation Agent may, in its sole and absolute discretion and acting in good faith and in a commercially reasonable manner, substitute the Linked Stock which is affected by the relevant Fund Disruption Event as contemplated in Condition 6(g) below. If the Calculation Agent determines, in its sole and absolute discretion acting in good faith and in a commercially reasonable manner, that the Calculation Agent is unable to substitute the affected Linked Stock as aforesaid, then the ELIs shall be early terminated as of the date determined by the Calculation Agent in its sole and absolute discretion acting in good faith and in a commercially reasonable manner and the entitlement of the ELI holders to each receive the Settlement At Maturity shall cease and the Issuer’s obligations under the ELIs shall be satisfied in full upon payment of the Early Termination Amount.

The Calculation Agent shall notify the ELI holder(s) as soon as practicable regarding the occurrence of such Fund Disruption Event and such substitution or termination (as the case may be).

For the purpose of this Condition 6(f), “**Fund Disruption Event**” means any of the following with respect to the affected Fund:

- (1) it ceases to exist, or
- (2) the shares or units in the Fund are reclassified or the index that the Fund tracks changes or it is acquired by or aggregated to another fund, whose mandate, risk-profile and/or benchmarks is deemed by the Calculation Agent to be different from the mandate, risk-profile and/or benchmark of the Fund stated as at the Start Date (or any proposal for the foregoing occurs); or
- (3) there is a material change in its mandate, risk profile, prospectus, statement of additional information, articles of incorporation, investment management agreement or annual and semi-annual report, or there is a material change in any other rule, law, regulation, similar guideline, constitutional document, report or other document governing the investment by the Fund of its assets since the Start Date; or

- (4) any proposal to wind up the Fund or any substantive litigation by the investors in the Fund; or
  - (5) any breach or violation of any strategy or investment guidelines stated in its mandate, risk profile, prospectus, statement of additional information, articles of incorporation, investment management agreement or annual and semi-annual report or other document governing the investment by the Fund of its assets that is reasonably likely to affect the value of the Linked Stock or the rights or remedies of any holder thereof; or
  - (6) (i) any cancellation, suspension or revocation of the registration or approval of the Fund by any governmental, legal or regulatory entity with authority over such Fund,
  - (ii) any change in the legal, tax, accounting, or regulatory treatments of the Fund or any person appointed in the role of discretionary investment manager or non-discretionary investment adviser (including a non-discretionary investment adviser to a discretionary investment manager or to another non-discretionary investment adviser) for the Fund (the “**Fund Adviser**”) that is reasonably likely to have an adverse impact on the value of such Fund or any investors therein, or
  - (iii) the Fund, the Fund Adviser or any of the fund administrator, manager, trustee or similar person with the primary administrative responsibilities for the Fund (the “**Fund Administrator**”) becoming subject to any investigation, proceeding or litigation by any relevant governmental, legal or regulatory authority involving the alleged violation of applicable law for any activities relating to or resulting from the operation of the Fund, the Fund Adviser or the Fund Administrator; or
  - (7) there is the occurrence or existence on any Exchange Business Day of any event, circumstance or cause beyond the control of Issuer that has had or would be expected to have (as determined by Calculation Agent in its sole and absolute discretion acting in good faith and in a commercially reasonable manner) materially increased the cost of hedging its position with respect of the Fund, provided that any such materially increased amount that is incurred due to the deterioration of the creditworthiness of Issuer shall not be deemed an increased cost of hedging.
- (g) *Substitutions.* Where any of the Companies or Funds is subject to any of the events under Condition 6(b), (c), (d), (e) or (f) (as the case may be) (each an “**Adjustment Event**”), the Calculation Agent may, in its sole and absolute discretion and acting in good faith and in a commercially reasonable manner, include a stock selected by the Calculation Agent (the “**Substitute Stock**”) in place of the Linked Stock which is affected by the relevant Adjustment Event, and the Substitute Stock and its issuer will be deemed to be a “**Linked Stock**” and a “**Company**” or “**Fund**” (as the case may be), respectively, and make any further adjustments to the terms of the ELIs as the Calculation Agent thinks fit (acting in good faith and in a commercially reasonable manner) to account for the occurrence of such Adjustment Event, provided that any such substitution and adjustment are not considered by the Calculation Agent to be prejudicial to the ELI holders generally (without considering the circumstances of any individual ELI holder or the tax or other consequences of such adjustment in any particular jurisdiction). The Substitute Stock shall be, in the sole and absolute discretion of the Calculation Agent acting in good faith and in a commercially reasonable manner, in a similar industry as the affected Linked Stock (where the affected Linked Stock is a share) or have similar investment objectives as the affected Linked Stock (where the affected Linked Stock is a unit), and have a similar market capitalisation and volatility and listed on the same Exchange as the affected Linked Stock.
- (h) *Notice of Adjustments or Early Termination.* All determinations made by the Calculation Agent pursuant hereto will be (save in the case of manifest error) final and binding on the ELI holders and the Issuer. The Issuer will give, or procure that there is given, notice as soon as practicable regarding the occurrence of the relevant event and any adjustment or termination (as the case may be) and of the date from which such adjustment or termination (as the case may be) is effective and of the determination of the Early Termination Amount (in the case of early termination) in accordance with Condition 9. In the case of early termination, the Issuer will give, or procure that there is given, notice no later than the second Business Day after the effective date of such early termination.



## 7. Purchases

The Issuer and/or any of its affiliates may at any time purchase the ELIs at any price in the open market or by private arrangement. Any ELI so purchased may be held or resold or surrendered for cancellation. In the case where the Settlement Currency is RMB, if the Calculation Agent has determined, in its sole and absolute discretion acting in good faith and in a commercially reasonable manner, that an RMB Disruption Event has occurred on any date on which payment of the purchase price pursuant to this Condition 7 in cash is scheduled to be made, such payment will be postponed to the third Business Day after the date on which the RMB Disruption Event ceases to exist, unless the RMB Disruption Event continues to exist for 10 Business Days after the original date that, but for the occurrence of the RMB Disruption Event, would have been the date for such payment. In such case, the Issuer shall make payment of the HKD Equivalent Amount no later than the third Business Day after such tenth Business Day. Any such payment made by the Issuer shall be in full and final settlement of its obligations to pay the relevant amount payable in RMB on the affected date of payment in respect of the ELIs.

## 8. Meetings of ELI holders; Modification

- (a) *Meetings of ELI holders.* The Agency Agreement contains provisions for convening meetings of the ELI holders to consider any matter affecting their interests, including the sanctioning by Extraordinary Resolution (as defined in the Agency Agreement) of a modification of the provisions of the ELIs or of the Global Certificate.

Such a meeting may be convened by the Issuer or by ELI holders holding not less than 10% of the ELIs for the time being remaining unexercised. The quorum at any such meeting for passing an Extraordinary Resolution will be two or more persons holding or representing not less than 25% of the ELIs for the time being remaining unexercised, or at any adjourned meeting two or more persons being or representing ELI holders whatever the number of ELIs 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 ELI holders as, being entitled to do so, vote in person or by proxy.

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

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

- (b) *Modification.* The Issuer may, without the consent of the ELI holders, effect any modification of the provisions of the ELIs or the Global Certificate which is, in the reasonable opinion of the Issuer, 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 or regulations of Hong Kong (as defined below). Any such modification shall be binding on the ELI holders and the Issuer. The Issuer shall notify the ELI holder(s) of such modifications before the effective date or as soon as practicable thereafter in accordance with Condition 9.

## 9. Notices

- (a) All documents required or permitted by these Terms and Conditions to be sent to an ELI holder or to which an ELI holder is entitled or which the Issuer shall have agreed to deliver to the ELI holder may be delivered by hand or sent by post addressed to the ELI holder to the ELI holder's address (or, in the case of joint ELI holders, to the address of the first named ELI 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 Condition 9(a) shall be delivered or sent at the risk of the relevant ELI holder.
- (b) All notices to ELI holders will be validly given if sent by mail to the holders of ELIs at their addresses appearing in the register of ELI 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 such publication.



## 10. Further Issues

The Issuer shall be at liberty from time to time, without the consent of the ELI holders, to create and issue further ELIs so as to form a single series with the issued ELIs.

## 11. Modification of the Terms and Conditions of the ELIs in the applicable Term Sheet

The Terms and Conditions applicable to the ELIs may be varied, amended or supplemented as set forth in the applicable Term Sheet.

## 12. Governing Law

The programme which offers the ELIs, the Global Certificate, the Terms and Conditions applicable to the ELIs, the applicable Term Sheet, the Deed of Covenant and the Agency Agreement will be governed by and construed in accordance with laws of Hong Kong Special Administrative Region of the People's Republic of China ("**Hong Kong**"). The Issuer and each ELI holder (by its purchase of the ELIs) shall be deemed to have submitted for all purposes in connection with the ELIs, the Global Certificate, the Deed of Covenant and the Agency Agreement to the non-exclusive jurisdiction of the courts of Hong Kong.

## 13. Rights of Third Parties

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

## 14. Language

In the case of ELIs for which Euroclear and/or Clearstream, Luxembourg are specified as the applicable clearing system, in the event of any inconsistency between the Chinese version of these Terms and Conditions and the English version of these Terms and Conditions, the English version of these Terms and Conditions shall prevail.

### **Specified Office of the Agent**

Hang Seng Bank Limited  
83 Des Voeux Road Central  
Hong Kong

### **Transfer Office and Specified Office of the Registrar**

Hang Seng Bank Limited, Singapore Branch  
9 Battery Road, #07-01  
MYP Centre  
Singapore 049910

## **APPENDIX B**

### **FORM OF TERM SHEET FOR HANG SENG BASKET STOCKS BULL ELIS WITH POTENTIAL UPSIDE CASH DISTRIBUTION**

We set out below the form of the term sheet for our Hang Seng Basket Stocks Bull ELIs with Potential Upside Cash Distribution. Each term sheet covers one series of Hang Seng Basket Stocks Bull ELIs with Potential Upside Cash Distribution only. We may issue more than one series of Hang Seng Basket Stocks Bull ELIs with Potential Upside Cash Distribution on any issue date. You must read the indicative term sheet for the relevant series together with other offering documents before applying for a Hang Seng Basket Stocks Bull ELI with Potential Upside Cash Distribution.

During the offer period for a series of Hang Seng Basket Stocks Bull ELIs with Potential Upside Cash Distribution, you can obtain a copy of the indicative term sheet from the distributors. Certain details about the relevant series of our Hang Seng Basket Stocks Bull ELIs with Potential Upside Cash Distribution may only be ascertained after the market close on the start date: for example, the initial stock price. These details are noted with asterisks(\*) in the indicative term sheet, and will be completed in the final term sheet issued by us by the issue date.

The binding legal terms for the relevant series of Hang Seng Basket Stocks Bull ELIs with Potential Upside Cash Distribution are constituted by the terms and conditions of Hang Seng Basket Stocks Bull ELIs with Potential Upside Cash Distribution set out in this product booklet, as varied, amended or supplemented by the final term sheet.

**Term Sheet for [CDNA]<sup>1</sup> [CDFA]<sup>2</sup> [CDDA]<sup>3</sup> ELIs  
(the “ELIs”, each an “ELI”)**

**issued by**

**Hang Seng Bank Limited**

*(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 of Hong Kong for types 1, 4, 7 and 9 regulated activities)*

**(The ELI is not traded on any markets operated by Hong Kong Exchanges and Clearing Limited or any other stock exchanges)**

- [1.] [Hang Seng Non-Capital Protected Unlisted Basket Stocks Bull ELIs with Potential Upside Cash Distribution and no Airbag]
- [2.] [Hang Seng Non-Capital Protected Unlisted Basket Stocks Bull ELIs with Potential Upside Cash Distribution and Final Fixing Date Airbag]
- [3.] [Hang Seng Non-Capital Protected Unlisted Basket Stocks Bull ELIs with Potential Upside Cash Distribution and Daily Airbag]

Series Number: [●]

Date: [●]

[[For indicative Term Sheet only:]]

**IMPORTANT RISK WARNING**

**Investment involves risks. The following risk factors are not exhaustive and should be read together with other risk factors contained in the “Risk Factors” sections in the Information Memorandum and in the Product Booklet.**

- **Not capital protected** — Our ELIs are not capital protected: you could lose all of your investment.
- **No collateral** — Our ELIs are not collateralised and are not secured on any of our assets.
- **Unlisted structured products and NOT protected deposits** — Our ELIs are unlisted structured products embedded with derivatives and are not equivalent to nor should they be treated as time deposits. They are NOT protected deposits for the purposes of the Deposit Protection Scheme. **In the worst case scenario, you could lose all of your investment.**
- **Potential payout is determined by reference to the worst performing stock in the basket [on the final fixing date] [from time to time]** — The potential payout under our ELIs is determined by reference to the worst performing stock in the basket [on the final fixing date] [from time to time]. If any one of the linked stocks in the basket performs poorly against your expectation, you will not benefit from the performance of any other linked stocks in the basket.
- **Limited market making arrangement** — Our ELIs are designed to be held till maturity. However, if you try to sell our ELIs you hold before the final fixing date, we will provide daily market making arrangement within the time period as specified in this Term Sheet for you to sell back the ELIs, but the actual sell back price that you receive may be less than or substantially less than the original amount you invested. In addition, you should note that we may not be able to provide market making arrangements on a market making day if the relevant ELI is affected by market disruption events.

- **You rely on our creditworthiness** — Our ELIs constitute general unsecured and unsubordinated contractual obligations of Hang Seng Bank Limited as the Issuer. When you buy our ELIs, you will be relying on the creditworthiness of Hang Seng Bank Limited as the Issuer and of no other person. You have no rights under the terms and conditions of our ELIs against any issuer of any linked stock. **If we become insolvent or default on our obligations under our ELIs, in the worst case scenario, you could lose all of your investment.**
- **You rely on the creditworthiness of your distributor or its custodian(s)** — When you invest in our ELIs, you rely on the creditworthiness of your distributor or its custodian(s). If your distributor becomes insolvent or defaults on its obligations, you will have a right to claim against such distributor. If your distributor's custodian becomes insolvent or defaults on its obligations, you will not have any direct contractual rights against such custodian and will have to rely on your distributor to take action against such custodian. **In the worst case scenario, you could lose all of your investment.**
- **May not have direct enforcement rights** — If our ELIs are held either (i) through the clearing system or (ii) outside the clearing system through a distributor other than us, you will have to rely on your distributor or its custodian(s) to take action to assert your rights as an investor in our ELIs on your behalf and you will not have direct contractual rights of enforcement against us as the Issuer. **In the worst case scenario, you could lose all of your investment.**
- **Not the same as investing in linked stocks** — Investing in our ELIs is not the same as investing in the linked stocks. During the investment period, you have no rights in any of the linked stocks (except where the worst performing stock as of the final fixing date is deliverable to you upon maturity, you will be entitled to the rights in such worst performing stock as from the final fixing date as described in the terms and conditions). Changes in the market price of any of the linked stocks may not lead to a corresponding change in the market value of, or your potential gain or loss under, our ELIs.
- **Not covered by Investor Compensation Fund** — Our ELIs are not listed on any stock exchange and are not covered by the Investor Compensation Fund.
- **Conflicts of interest** — You should note that conflicts of interest may arise from the different roles played by us and our subsidiaries and affiliates in connection with our ELIs and our economic interests in each role may be adverse to your interests in our ELIs.
- **English version of the terms and conditions may prevail** — If our ELIs are held through international securities clearing systems, the terms and conditions of our ELIs are issued in English only for the purposes of lodgement with the relevant clearing systems, and shall prevail over the Chinese version of the terms and conditions contained in the Chinese version of the Product Booklet in the event of inconsistency. If you do not understand the English version, you should obtain independent professional advice.
- **Exposure to risk from the start date** — You will be exposed to the risks associated with our ELIs starting from the start date.
- [• **Additional risks for RMB-denominated ELIs and/or RMB-traded linked stock** — Where the settlement currency of our ELIs is RMB, and/or any linked stock is denominated and traded in RMB, the performance of our ELIs may be adversely affected due to risks relating to RMB, such as the current limited pool of RMB outside the mainland China, offshore RMB exchange rate risk and RMB interest rate risk. Our payment under any RMB-denominated ELIs may also be postponed, or delivered in a HKD equivalent amount upon occurrence of an RMB disruption event.]]

This [indicative] Term Sheet must be read in conjunction with

- the information memorandum dated 9 August 2024 [together with the [addendum/addenda] dated [date]] ([together,] the “**Information Memorandum**”),
- the financial disclosure document dated [date] [together with the [addendum/addenda] dated [date]] ([together,] the “**Financial Disclosure Document**”), and
- the product booklet for ELI dated 9 August 2024 [together with the [addendum/addenda] dated [date]] ([together,] the “**Product Booklet**”),

each issued by Hang Seng Bank Limited (the “**Issuer**”). In this Term Sheet, capitalised terms have the meanings given in “Appendix A — Terms and Conditions of Hang Seng Basket Stocks Bull ELIs with Potential Upside Cash Distribution” in the Product Booklet unless this Term Sheet specifies otherwise.

[[*For indicative Term Sheet only:*] The distributor(s) has an obligation to distribute all of the above documents to you. You should read all of these documents before deciding whether to invest in our ELIs. If you are in any doubt about any of the contents of the documents, you should take independent professional advice. [Hard copies of the Information Memorandum, Financial Disclosure Document and Product Booklet (including any addendum to these documents as specified in this Term Sheet) are available from the Issuer or the Distributors set out below and] [[E][e]lectronic copies of these documents are available for download from [the QR Code set out below and] the Issuer’s website [www.hangseng.com](http://www.hangseng.com)]. [Hard copies of this Term Sheet are available from the Issuer or the Distributors set out below and] [[E][e]lectronic copies of this Term Sheet are available for download from [the QR Code set out below and] the Issuer’s website [www.hangseng.com](http://www.hangseng.com)].



### Type of investment return

The ELIs are designed for investors who have experience in unlisted equity-linked structured products and take a stable or moderately bullish view of the linked stocks, and are looking for an opportunity to have potential cash distribution with reference to the performance of the worst performing stock on the final fixing date. They are not designed for inexperienced investors who (i) are not familiar with or have no knowledge in derivative instruments, (ii) do not want to take the credit risk of the issuer, (iii) do not want to invest for the whole investment period of our ELIs, or (iv) do not want to take risk on any part of their capital. The investors must understand that they may receive the worst performing stock as of the final fixing date or its cash equivalent as settlement and the market value of which may be much lower than the capital invested.]

## General Terms

Investment Period <sup>1</sup> :	[number] months
Linked Stocks/Companies/Funds:	See Table below
Exchange:	The Stock Exchange of Hong Kong Limited (“ <b>Hong Kong Stock Exchange</b> ”)
Worst Performing Stock:	<p>In respect of a Scheduled Trading Day, the Linked Stock within the Basket which generates the lowest percentage calculated in accordance with the formula of Stock Performance set out below.</p> <p>If more than one Linked Stock has the same lowest Stock Performance on a Scheduled Trading Day, the Issuer shall select, in its sole and absolute discretion acting in good faith and in a commercially reasonable manner, any one of such Linked Stocks to be the Worst Performing Stock for that Scheduled Trading Day.</p> $\text{Stock Performance} = \frac{\text{Closing Price of a Linked Stock on such Scheduled Trading Day}}{\text{Initial Stock Price of such Linked Stock}} \times 100\%$ <p>(rounded to the nearest 0.01, with 0.005 or above being rounded upwards)</p>
Initial Stock Price[*]:	<p>See Table below</p> <p>[[<i>For indicative Term Sheet only:</i>] If any of the Initial Stock Prices cannot be recorded on the Start Date due to the occurrence of a Market Disruption Event, the Issue Price held by the Distributor will be released in full to you on the Start Date and the ELIs will not be issued.]</p>
Start Date:	[date] [[ <i>For indicative Term Sheet only:</i> ] (this is the date when the terms noted with asterisks (*) herein are fixed)]
Issue Date and Payment Date:	[date]
Final Fixing Date:	[date] (subject to adjustment made in accordance with the definition of Final Fixing Date in the Terms and Conditions in page 72 of the Product Booklet)
Maturity Date:	<p>3 Business Days immediately after the Final Fixing Date, which is expected to be on or about [date], if as a result of the occurrence of a Disrupted Day there is more than one Final Fixing Date with respect to the Linked Stocks in the Basket, then the Maturity Date shall be determined by reference to the Final Fixing Date which is the last to occur.</p> <p>For the avoidance of doubt, if the Final Fixing Date is a Disrupted Day, the Final Fixing Date referred to here means the Adjusted Final Fixing Date.</p>
Valuation Time:	The Scheduled Closing Time of the Exchange or a Related Exchange, or if the Exchange or such Related Exchange closes prior to or after its Scheduled Closing Time, the actual closing time for its regular trading session.

<sup>1</sup> Being the period from the Start Date to the Maturity Date (both dates inclusive).



Offer Period:	[time] on [date] to [time] on [date] (may change without prior notice)
Issue Size[*]:	[number] ELI[s]
Issue Price:	[percentage]% of the Nominal Value
Settlement Currency:	[currency]
Nominal Value:	[currency and amount] per ELI
Minimum Investment Amount:	[currency and amount] ([number] ELIs) [(for applications made through the internet banking)]
	[[currency and amount] ([number] ELIs) [(for applications made through channels other than internet banking)]]
Minimum Transfer Amount:	Nominal Value (being 1 ELI)
[Exchange Rate <sup>2</sup> :	<p>[Where any Underlying Currency is USD] [If the Underlying Currency of the Worst Performing Stock as of the Final Fixing Date is USD,]<sup>3</sup> [ [t][T]he [mid] [arithmetic average of the] [bid][and][offer] price[s] as at [16:00 (Hong Kong time)] of the foreign exchange rate of [the Settlement Currency] [USD] per one [USD] [Settlement Currency], as displayed on Reuters Page [settlement currency page] on the Final Fixing Date (or the Adjusted Final Fixing Date if the Final Fixing Date is a Disrupted Day), or if such rate is not available on the relevant page as at the relevant time on the relevant date, the exchange rate as determined by the Calculation Agent in its sole and absolute discretion acting in good faith and in a commercially reasonable manner.]</p> <p>[Where any Underlying Currency is not USD]</p> <p>[If the Underlying Currency of the Worst Performing Stock as of the Final Fixing Date is not USD,]<sup>3</sup> [(i) [t][T]he [mid] [arithmetic average of the] [bid][and][offer] price[s] as at [16:00 (Hong Kong time)] of the foreign exchange rate of the Underlying Currency of the Worst Performing Stock as of the Final Fixing Date per one USD, as displayed on Reuters Page [underlying currency page], [(multiplied by (ii) the [mid] [arithmetic average of the] [bid][and][offer] price[s] as at [16:00 (Hong Kong time)] of the foreign exchange rate of USD per one Settlement Currency] [divided by (ii) the [mid] [arithmetic average of the] [bid][and][offer] price[s] as at [16:00 (Hong Kong time)] of the foreign exchange rate of the Settlement Currency per one USD], as displayed on Reuters Page [settlement currency page]] on the Final Fixing Date (or the Adjusted Final Fixing Date if the Final Fixing Date is a Disrupted Day), or if [any] such rate is not available on the relevant page as at the relevant time on the relevant date, the exchange rate as determined by the Calculation Agent in its sole and absolute discretion acting in good faith and in a commercially reasonable manner.]</p> <p>If the Underlying Currency or Settlement Currency is Renminbi, the offshore foreign exchange rate of Renminbi will be used.]</p>

<sup>2</sup> Applicable only of the Underlying Currency of any Linked Stock is different from the Settlement Currency.

<sup>3</sup> Applicable only if the Basket comprises of a mixture of Linked Stocks traded in USD and other Underlying Currency(ies).

## Settlement at Maturity Terms

Final Stock Price:	For each Linked Stock, the Closing Price of such Linked Stock on the Exchange at the Valuation Time on the Final Fixing Date. If the Final Stock Price of any Linked Stock cannot be determined due to the reason that the Final Fixing Date is a Disrupted Day, such Final Stock Price will be determined on the Adjusted Final Fixing Date. For other Linked Stocks the Final Fixing Date of which is not a Disrupted Day, the Final Stock Prices of those Linked Stocks will be determined on the original Final Fixing Date.
Reference Stock Price:	For each Linked Stock, percentage of the Initial Stock Price, which will be stated in Table below. (The Reference Stock Price will be rounded to the nearest 0.0001, with 0.00005 or above being rounded upwards)
Number of Share(s)/Unit(s) per ELI:	The number of shares/units of the Worst Performing Stock as of the Final Fixing Date determined in accordance with the following formula: <div style="text-align: center; margin: 10px 0;"> <math display="block">\frac{\text{Nominal Value}}{\text{Reference Stock Price of the Worst Performing Stock as of the Final Fixing Date}}</math> </div> <p>If the Settlement Currency is not the same as the Underlying Currency of such Worst Performing Stock, the Nominal Value will be converted into the Underlying Currency of such Worst Performing Stock using the Exchange Rate.</p> <p>The number of shares or units of such Worst Performing Stock (as the case may be) to be delivered to the ELI holders will be calculated on a per ELI basis and shall be an integral number of shares or units of such Worst Performing Stock (as the case may be). In relation to amounts which do not form an integral number, such fraction of a share or unit of such Worst Performing Stock will be settled in cash in the Settlement Currency in an amount payable by the Issuer, being the Final Stock Price (converted into the Settlement Currency at the Exchange Rate if the Settlement Currency is not the same as the Underlying Currency of such Worst Performing Stock) multiplied by the number of such fraction of share or unit (rounded down to 2 decimal places, save in the case of JPY, rounded down to the nearest whole JPY).</p>
[Final Fixing Date] [Daily] Airbag Feature:	[Applicable][Not applicable]
[Airbag Level:]	[For each Linked Stock, percentage of the Initial Stock Price, which will be stated in Table below (The Airbag Level will be rounded to the nearest 0.0001, with 0.00005 or above being rounded upwards)]
[Observation Period:]	[The period from but excluding the Start Date to and including the Final Fixing Date.]
Settlement At Maturity:	[For ELIs without Daily Airbag Feature and without Final Fixing Date Airbag Feature]

[Provided that the ELIs have not been terminated early in respect of each ELI, the following will be paid or delivered (as the case may be) to the ELI holder:

- (a) if the Final Stock Price of the Worst Performing Stock as of the Final Fixing Date is at or above its Initial Stock Price, cash payment of the sum of 100% of Nominal Value and the Potential Upside Cash Distribution Amount; or
- (b) if the Final Stock Price of the Worst Performing Stock as of the Final Fixing Date is below its Initial Stock Price but at or above its Reference Stock Price, cash payment of 100% of Nominal Value; or
- (c) if the Final Stock Price of the Worst Performing Stock as of the Final Fixing Date is below its Reference Stock Price; and
  - (i) if physical settlement is elected as the Mode of Settlement, physical delivery of the Number of Share(s)/Unit(s) per ELI (subject to the payment of any Physical Settlement Expenses). If there is any Fraction of Share/Unit, instead of physical delivery of such Fraction of Share/Unit, ELI holders will be entitled to receive a cash amount calculated in accordance with the Condition 4(f); or
  - (ii) if cash settlement is elected as the Mode of Settlement, the cash equivalent of the Number of Share(s)/Unit(s) per ELI calculated according to the formula set out below:

$$\text{Nominal Value} \times \frac{\text{Final Stock Price of the Worst Performing Stock as of the Final Fixing Date}}{\text{Reference Stock Price of the Worst Performing Stock as of the Final Fixing Date}}$$

(rounded to the nearest 0.01, with 0.005 or above being rounded upwards, save in the case of JPY, rounded to the nearest whole JPY, with 0.5 or above being rounded upwards).]

*[For ELIs with Daily Airbag Feature]*

[Provided that the ELIs have not been terminated early, in respect of each ELI, the following will be paid or delivered (as the case may be) to the ELI holder:

- (a) if the Final Stock Price of the Worst Performing Stock as of the Final Fixing Date is at or above its Initial Stock Price, cash payment of the sum of 100% of Nominal Value and the Potential Upside Cash Distribution Amount; or
- (b) (i) if the Final Stock Price of the Worst Performing Stock as of the Final Fixing Date is below its Initial Stock Price but at or above its Reference Stock Price; or

- (ii) if the Final Stock Price of the Worst Performing Stock as of the Final Fixing Date is below its Reference Stock Price but on each Scheduled Trading Day during the Observation Period the Closing Price of the Worst Performing Stock in respect of that Scheduled Trading Day is above its Airbag Level,

cash payment of 100% of Nominal Value; or

- (c) if the Final Stock Price of the Worst Performing Stock as of the Final Fixing Date is below its Reference Stock Price and on any Scheduled Trading Day during the Observation Period the Closing Price of the Worst Performing Stock in respect of that Scheduled Trading Day is at or below its Airbag Level; and

- (i) if physical settlement is elected as the Mode of Settlement, physical delivery of the Number of Share(s)/Unit(s) per ELI (subject to the payment of any Physical Settlement Expenses). If there is any Fraction of Share/Unit, instead of physical delivery of such Fraction of Share/Unit, ELI holders will be entitled to receive a cash amount calculated in accordance with the Condition 4(f); or

- (ii) if cash settlement is elected as the Mode of Settlement, the cash equivalent of the Number of Share(s)/Unit(s) per ELI calculated in accordance with the formula set out below:

$$\text{Nominal Value} \times \frac{\text{Final Stock Price of the Worst Performing Stock as of the Final Fixing Date}}{\text{Reference Stock Price of the Worst Performing Stock as of the Final Fixing Date}}$$

(rounded to the nearest 0.01 with 0.005 or above being rounded upwards, save in the case of JPY, rounded to the nearest whole JPY, with 0.5 or above being rounded upwards).]

*[For ELIs with Final Fixing Date Airbag Feature]*

[Provided that the ELIs have not been terminated early, in respect of each ELI, the following will be paid or delivered (as the case may be) to the ELI holder:

- (a) if the Final Stock Price of the Worst Performing Stock as of the Final Fixing Date is at or above its Initial Stock Price, cash payment of the sum of 100% of Nominal Value and the Potential Upside Cash Distribution Amount; or
- (b) if the Final Stock Price of the Worst Performing Stock as of the Final Fixing Date is below its Initial Stock Price but above its Airbag Level, cash payment of 100% of Nominal Value; or
- (c) if the Final Stock Price of the Worst Performing Stock as of the Final Fixing Date is at or below its Airbag Level; and

- (i) if physical settlement is elected as the Mode of Settlement, physical delivery of the Number of Share(s)/Unit(s) per ELI (subject to the payment of any Physical Settlement Expenses). If there is any Fraction of Share/Unit, instead of physical delivery of such Fraction of Share/Unit, ELI holders will be entitled to receive a cash amount calculated in accordance with the Condition 4(f); or
- (ii) if cash settlement is elected as the Mode of Settlement, the cash equivalent of the Number of Share(s)/Unit(s) per ELI calculated in accordance with the formula set out below:

$$\text{Nominal Value} \times \frac{\text{Final Stock Price of the Worst Performing Stock as of the Final Fixing Date}}{\text{Reference Stock Price of the Worst Performing Stock as of the Final Fixing Date}}$$

(rounded to the nearest 0.01 with 0.005 or above being rounded upwards, save in the case of JPY, rounded to the nearest whole JPY, with 0.5 or above being rounded upwards).]

Potential Upside Cash Distribution Amount:

An amount in the Settlement Currency calculated in accordance with the following formula, rounded to the nearest 0.01, with 0.005 or above being rounded upwards, save in the case of JPY, rounded to the nearest whole JPY, with 0.5 or above being rounded upwards:

$$\text{Nominal Value} \times \text{Cash Distribution Rate}$$

Cash Distribution Rate:

The higher of:

- (i) Floor Cash Distribution Rate; and
- (ii) The rate calculated in accordance with the following formula (calculated to 4 decimal places, 0.00005 being rounded upwards):

$$\left( \frac{\text{Final Stock Price of the Worst Performing Stock as of the Final Fixing Date}}{\text{Initial Stock Price of the Worst Performing Stock as of the Final Fixing Date}} - 1 \right) \times 100\%$$

Floor Cash Distribution Rate:

[percentage]%

Mode of Settlement:

Either cash settlement or physical settlement is required to be elected by the investors upon placing the purchase order [*For indicative Term Sheet only*:], subject to the investor's right to change by giving instructions to the Distributor in accordance with its normal operational procedures. Please contact the Distributor about the latest date to give such instructions, which in any event, should not be later than 3 Business Days prior to the Final Fixing Date].

For the avoidance of doubt, the Mode of Settlement will only be applicable if the conditions specified above in paragraph (b) under “Settlement At Maturity” are met.

**Physical Settlement Expenses:**

ELI holders will be required to pay the transferee’s, but not the transferor’s, stamp duty (if applicable, subject to the laws and regulations in Hong Kong (including the Stamp Duty Ordinance (Cap. 117) of the Laws of Hong Kong) prevailing at the time of such transfer) in relation to the delivery of the Number of Share(s)/Unit(s) per ELI, calculated and determined by the Issuer in accordance with the prescribed rate and provisions for stamp duty payable by a transferee in respect of the Worst Performing Stock as of the Final Fixing Date.

*[other charges and fees]*

*[[For indicative Term Sheet only:] Please contact the Distributor for details of these charges and fees.]*

**Other Terms**

**Terms and Conditions:**

See “Terms and Conditions of Hang Seng Basket Stocks Bull ELIs with Potential Upside Cash Distribution” in Appendix A to the Product Booklet and the final Term Sheet *[[For indicative Term Sheet only:]* available for inspection from the Arrangers (at 83 Des Voeux Road Central, Hong Kong) or the relevant Distributor(s) during business hours].

**Business Day Centre(s):**

[Hong Kong] [city(ies) required to be open to facilitate payment] [settlement system(s)] [T2]

**Issuer *[[For indicative Term Sheet only:]* and sole Distributor]:**

Hang Seng Bank Limited (incorporated in Hong Kong with limited liability) and Issuer’s inquiries or complaints hotline is 2822-0228.

***[[For indicative Term Sheet only:]* Distributor(s):**

*[Distributors’ names and inquiries hotline]*

**Arrangers:**

Hang Seng Bank Limited, Hang Seng Investment Management Limited and Hang Seng Securities Limited

**Registrar:**

Hang Seng Bank Limited, Singapore Branch

**Calculation Agent:**

Hang Seng Bank Limited

**ISIN:**

*[Number]* [Not applicable]

**Form of ELI:**

Registered ELI.

**Any clearing system(s) other than Euroclear and/or Clearstream, Luxembourg:**

[The ELIs will be settled directly with the Issuer. The Global Certificate for the Series will be registered in the name of and deposited with Hang Seng (Nominee) Limited, the nominee of the Issuer. The ELIs must be held through an account with the Issuer as further described in the Information Memorandum.] [Not applicable and the clearing system[s] [is][are][Euroclear][and] [Clearstream, Luxembourg] as further described in the Information Memorandum.]

**Listing:**

Unlisted



Governing Law of the Hang Seng  
Basket Stocks Bull ELIs with  
Potential Upside Cash Distribution:

Laws of Hong Kong Special Administrative Region of the  
People's Republic of China.

[[*For indicative Term Sheet only:*]  
Internet Banking Application:

[Applicable. Please ask your Distributor for details] [Not  
applicable]]

#### Table:

Linked Stock/ Company or Fund	Stock Code	Underlying Currency	Initial Stock Price[*]	Reference Stock Price (% of Initial Stock Price)	[Airbag Level (% of Initial Stock Price)]
[name]	[code]	[HKD] [RMB] [other currency]	[the Closing Price of the Linked Stock on the Exchange at the Valuation Time on the Start Date] [the market spot price of the Linked Stock as agreed between the Issuer and the investor on the Start Date] [, being [number]]	[number%]	[number%]
[name]	[code]	[HKD] [RMB] [other currency]	[the Closing Price of the Linked Stock on the Exchange at the Valuation Time on the Start Date] [the market spot price of the Linked Stock as agreed between the Issuer and the investor on the Start Date] [, being [number]]	[number%]	[number%]

[[*For indicative Term Sheet only:*]

#### Commission

Except where we also act as a Distributor, we allow a discount or may pay a commission to the Distributors. We may revise the commission in light of market conditions in the future and any such revision will be disclosed in this Term Sheet. Distributor(s)' commissions and other transaction costs including our cost of hedging are subsumed in the issue price.

#### Cancellation of offer

We reserve the right to cancel the offering of this series of ELIs on or before the end of the Offer Period. Upon such cancellation, we will notify the Distributors who will in turn notify you. Please contact the Distributors for details on how and when your purchase monies will be refunded to you in such circumstances. Neither we nor your Distributor will charge you any fee for such cancellation and refund.

#### Information relating to the Linked Stocks

All the Linked Stocks are listed on the Exchange and each Company or Fund (as the case may be) is required by the Exchange to continuously disclose information that has a material impact on market activity in and the price of their securities. You can also find information (including its published audited consolidated financial statements and interim financial statements (if any)) about the relevant Company and/or the relevant Fund (as the case may be) on the website operated by the Exchange: <http://www.hkexnews.hk>. You may obtain historic stock price information of the relevant Company and/or the relevant Fund (as the case may be) on the website operated by the Exchange at <http://www.hkex.com.hk>.

Information included on these third parties' websites in the paragraph above does not form part of the offering documents for the ELIs. We do not accept any responsibility for information on those third parties' websites.

*[[Risk factor to be inserted where a Linked Stock is a newly listed share or fund with less than 60 consecutive Business Days of trading history on The Stock Exchange of Hong Kong Limited:]]* **Newly Listed Stocks]**

*[[Each of] [insert Linked Stock] [and [insert Linked Stock]]* (the “**Newly Listed Stock[s]**”) was listed on The Stock Exchange of Hong Kong Limited on *[date]* *[and [date] respectively]*. Prior to the listing of the Newly Listed Stock[s], there had been no public market for the Newly Listed Stock[s] and an active public market for the Newly Listed Stock[s] may not develop or be sustained in the future. You will not be able to analyse or compare the trading history of the Newly Listed Stock[s], particularly in relation to either the volatility or liquidity which may have an impact on the return on your investment.

Although the Newly Listed Stock[s] *[is][are]* listed on The Stock Exchange of Hong Kong Limited, there is no guarantee that a trading market for the Newly Listed Stock[s] will develop or, if a market does develop, the liquidity of that market. Also, the price and trading volume of the Newly Listed Stock[s] may be highly volatile subject to the market sentiment, and may be more volatile than would generally be expected for a stock that has a longer trading history.]

*[Risk Factor to be inserted where a Linked Stock is a share or unit in a fund:]*

#### **[Risk related to ELIs linked to a fund]**

*[Each of] [insert Linked Stock] [and [insert Linked Stock]]* is a share or unit in a fund. Neither we nor our affiliates have the ability to control or predict the actions of the manager of such fund. The performance of the fund assets is significantly dependent upon the capabilities of the management team of the manager. The manner in which the fund assets are managed and the timing of such decisions will have a significant impact on the performance of the fund assets, and hence, on the performance of Linked Stock and the ELIs. The manager is not involved in the offer of the ELIs in any way and has no obligation to consider your interests in taking any action that might affect the market price of the Linked Stock and, in turn, affect the ELIs.

*[[Risk factor to be inserted where Linked Stock is a share or unit of an exchange traded fund:]]* In addition, an exchange traded fund is exposed to the political, economic, currency and other risks related to the underlying asset pool or index that the exchange traded fund is designed to track. There may be disparity between the performance of the exchange traded fund and the performance of the underlying asset pool or index. The exchange traded fund may trade at a higher premium or discount to its net asset value.]

*[[Insert where the exchange traded fund adopts a synthetic replication investment strategy:]]* The exchange traded fund adopts a synthetic replication investment strategy to achieve its investment objectives by investing in financial derivative instruments linked to the performance of an underlying asset pool or index that the exchange traded fund is designed to track (“**synthetic exchange traded fund**”). You should also note that:

- (a) investments in financial derivative instruments will expose the synthetic exchange traded fund to the credit, potential contagion and concentration risks of the counterparties who issued such financial derivative instruments. As such counterparties are predominantly international financial institutions, the failure of one such counterparty may have a negative effect on other counterparties of the synthetic exchange traded fund. Even if the synthetic exchange traded fund has collateral to reduce the counterparty risk, there may still be a risk that the market value of the collateral has fallen substantially when the synthetic exchange traded fund seeks to realise the collateral;
- (b) the synthetic exchange traded fund may be exposed to higher liquidity risk if the synthetic exchange traded fund invests in financial derivative instruments which do not have an active secondary market. Such derivatives may have to be valued or sold at a much lower price than those with an active secondary market given a wider bid-offer spread in the price of the derivatives. This may result in losses in the synthetic exchange traded fund.]

[[Risk factor to be inserted where a Linked Stock is shares or units of an exchange traded fund investing through the QFI regimes and/or China Connect:] [Each of] [insert Linked Stock] [and [insert Linked Stock]] is shares or units of an exchange traded fund issued and traded outside the mainland China with direct investment in the securities market in the mainland China through the Qualified Foreign Institutional Investor regime and RMB Qualified Foreign Institutional Investor regime (collectively, “QFI regimes”) and/or the Shanghai-Hong Kong Stock Connect and Shenzhen-Hong Kong Stock Connect (collectively, “China Connect”) (“China ETFs”). You should note the additional risks below:

- (a) the policy and rules for the QFI regimes and China Connect prescribed by the PRC central government are subject to change, and there may be uncertainty to its implementation. Such uncertainty and potential change of the laws and regulations for the QFI regimes and China Connect may adversely impact on the performance of a China ETF, and may also have potential retrospective effect. These changes may in turn adversely affect the performance or market value of our ELIs;
- (b) a China ETF primarily invests in securities traded in the securities markets in the mainland China and is subject to concentration risk. Investment in the securities markets in the mainland China (which are inherently stock markets with restricted access) involves certain risks and special considerations as compared with investment in more developed economies or markets, such as greater political, tax, economic, foreign exchange, liquidity and regulatory risks. The operation of China ETF may also be affected by interventions by the applicable government(s) and regulators in the financial markets. This may adversely affect the performance of the China ETF, and may in turn adversely affect the performance of our ELIs;
- (c) there are risks and uncertainties associated with the current mainland Chinese tax laws applicable to China ETFs investing in the mainland China through the QFI regimes and/or China Connect. Although China ETFs may have made a tax provision in respect of potential tax liability, such tax provision may be excessive or inadequate. Any shortfall between such tax provision and the actual tax liabilities may be covered by the assets of the China ETFs and may therefore adversely affect the performance of the China ETF and the potential payout of our ELIs; and
- (d) trading of securities invested by a China ETF under the China Connect will be subject to a daily quota which is utilised on a first-come-first-serve basis under the China Connect. In the event that the daily quota under the China Connect is reached, the manager may need to suspend creation of further shares or units of the China ETF, and therefore may affect liquidity in share or unit trading of the China ETF. In such event, the trading price of a share or unit of the China ETF is likely to be at a significant premium to its net asset value, and may be highly volatile. The People’s Bank of China and the State Administration of Foreign Exchange have published the detailed implementation rules removing the investment quota allocated to such China ETF under the QFI regimes with effect from 6 June 2020.

Although the shares or units of a China ETF are listed on the Hong Kong Stock Exchange, there is no guarantee that an active trading market for such shares or units will sustain or, if an active market does develop, liquidity of that market can be sustained. Also, the price and trading volume of the shares or units of China ETFs may be highly volatile subject to the market sentiment, and may be more volatile than would generally be expected for exchange traded funds with a longer trading history.

The above risks may have a significant adverse impact on the performance of the shares or units of China ETF and the performance or market value of our ELIs, in which case you may sustain a loss in your investment.

Please read the offering documents of the relevant China ETF to understand its key features and risks.]

[[Risk factor to be inserted where a Linked Stock is a real estate investment trust:] [Each of] [insert Linked Stock] [and [insert Linked Stock]] is a real estate investment trust. The investment objective of a real estate investment trust is to invest in a real estate portfolio. The real estate investment trust is exposed to the risks relating to investments in real estate, including but not limited to (a) adverse changes in political or economic conditions; (b) changes in interest rates and the availability of debt or equity financing and (c) any uninsurable losses. There may also be disparity between the market price of the units of the real estate investment trust and the net asset value per unit. This is because the market price of the units of the real estate investment trust also depends on many factors, including but not limited to (a) the market value and perceived prospects of the real estate portfolio; (b) changes in economic or market conditions; and (c) changes in market valuations of similar companies.]

Please read the offering documents for the relevant Fund for more details. Please refer to the section headed “Risk Factors” on page 30 in the Product Booklet for further information.]

[Risk factor to be inserted where a Linked Stock is traded through the multiple counter model:]

**[Risk factors specific to Linked Stock consisting of shares of a company or shares or units of a fund which are traded through the multiple counter model]**

[Each of] [insert Linked Stock] [and [insert Linked Stock]] consists of shares of a Company or shares or units of a Fund which are traded in HKD and one or more foreign currencies (such as RMB and/or USD) (each a “**Foreign Currency**”) separately through the multiple counter model of the Exchange. Please see the Underlying Currency(ies) of our ELIs under the section headed “General Terms” of this Term Sheet. You need to consider the following additional risks in light of the novelty and relatively untested nature of the Hong Kong Stock Exchange’s multiple counter model:

- (a) the ELIs may relate to the HKD-traded or Foreign Currency-traded shares or units. If the Linked Stock is the shares or units traded in one currency counter, movements in the trading prices of the shares or units traded in another currency counter should not directly affect the performance or market value of the ELIs;
- (b) if there is a suspension of inter-counter transfer of such shares or units between different currency counters for any reason, such shares or units will only be able to be traded in the relevant currency counter on the Hong Kong Stock Exchange, which may affect the demand and supply of the Linked Stock and have adverse effect on the performance or market value of the ELIs; and
- (c) the trading price on the Hong Kong Stock Exchange of shares or units traded in one currency counter may deviate significantly from the trading price on the Hong Kong Stock Exchange of shares or units traded in another currency counter due to different factors, such as market liquidity, foreign exchange conversion risk, supply and demand in each counter and exchange rate fluctuation. Changes in the trading price of the Linked Stock in the relevant currency counter may adversely affect the performance or market value of the ELIs.

Please read the offering documents of the relevant shares of a company or shares or units of a fund which are traded through the multiple counter model to understand its key features and risks.]

[Risk factor to be inserted where our ELIs are denominated in RMB and/or linked to a Linked Stock that is traded in RMB:]

**[Other risk factors specific to RMB-denominated ELIs and/or RMB-traded Linked Stock]**

You should note the following additional risks:

*(i) Offshore RMB exchange rate risks*

While both onshore Renminbi (i.e. Renminbi traded in the mainland China) (“**onshore RMB**”) and offshore Renminbi (i.e. Renminbi traded outside the mainland China) (“**offshore RMB**”) are the same currency, they are traded in different and separate markets operating under different regulations and independent liquidity pool. Onshore RMB and offshore RMB are currently traded in different markets with different exchange rates, whereby their exchange rate movements may not be in the same direction or magnitude. The offshore RMB exchange rate may deviate significantly from the onshore RMB exchange rate. In the case where: (i) the underlying currency of the worst performing stock as of the final fixing date is a currency other than RMB, such as HKD and USD but our ELIs are denominated in RMB, or (ii) the underlying currency of the worst performing stock as of the final fixing date is RMB but our ELIs are denominated in a currency other than RMB, changes in the offshore RMB exchange rate may adversely affect the Number of Share(s)/Units(s) per ELI deliverable to you (and the value of such Number of Share(s)/Unit(s) per ELI in the Underlying Currency) in the case of physical settlement.

Where the underlying currency of the worst performing stock as of the final fixing date is a currency other than RMB but our ELIs are denominated in RMB, in case of physical delivery of such worst performing stock, if the value of RMB against such other currency on the final fixing date is lower than that as at the start date (i.e. RMB depreciates against such other currency), you will receive a fewer number of share(s)/unit(s) per ELI because a lesser amount of such other currency can be converted from the nominal value in RMB to buy the such worst performing stock at its reference stock price.

Where the underlying currency of the worst performing stock as of the final fixing date is RMB but our ELIs are denominated in a currency other than RMB, in case of physical delivery of such worst performing stock, if the value of RMB against such other currency on the final fixing date is higher than that as at the start date (i.e. RMB appreciates against such other currency), you will receive a fewer number of share(s)/unit(s) per ELI because a lesser amount of RMB can be converted from the nominal value in a currency other than RMB to buy such worst performing stock at its reference stock price.

The offshore RMB exchange rate will be affected by, amongst other things, the PRC central government's foreign exchange control, which may adversely affect your potential return under our ELIs when you convert RMB into such other currency, or vice versa. Non RMB-based investors may have to convert their home currency into RMB when investing in RMB-denominated ELIs. Such investors may also have to convert payments made on such ELIs (or proceeds from selling the RMB-traded Linked Stock delivered to such investors under our ELIs) back to their home currency. During these processes, such investors will incur currency conversion costs and be exposed to risk of fluctuation in the offshore RMB exchange rate against their home currency.

Please note that like other foreign currencies, the offshore RMB exchange rate may rise or fall. There is no guarantee that RMB will not depreciate. Our ELIs denominated in RMB shall not be used as an investment for speculating in the appreciation of RMB.

(ii) *Limited pool of RMB outside mainland China*

RMB is subject to foreign exchange control and restrictions by the PRC central government.

There may be additional rules, regulations and restrictions under contemplation or to be issued by the relevant Hong Kong or PRC authorities that may be relevant to your investment in such ELIs. You should check with your distributor for updates and details.

There is currently a limited pool of RMB outside mainland China. Should the PRC central government tighten its foreign exchange control over the cross border movements between onshore RMB and offshore RMB, the liquidity in RMB is likely to be adversely affected. Such limitation on liquidity in RMB may increase our unwind cost on any hedging arrangements relating to the ELIs denominated in RMB or the ELIs linked to RMB-traded linked stock which in turn may adversely affect the market value of such ELIs.

(iii) *Payment postponement for RMB disruption event*

In the case where the Settlement Currency is RMB, upon the occurrence of an RMB disruption event (i.e. an event that, in the determination of the Calculation Agent in its sole and absolute discretion acting in good faith and a commercially reasonable manner, makes it impossible for us (a) to obtain a firm quote of a price quoted in USD against RMB in respect of any amount due and payable in RMB under the ELIs in the RMB exchange market in Hong Kong (except due to issues relating to our creditworthiness), (b) to convert any amount due and payable in RMB under the ELIs in the RMB exchange market in Hong Kong (except due to issues relating to our creditworthiness) and/or (c) to transfer RMB between accounts inside Hong Kong) on a scheduled date of payment, payment of the settlement at maturity and/or the early termination amount in cash may be postponed up to the third business day after 10 business days following such original scheduled date of payment. If the RMB disruption event continues to exist for 10 business days after such original scheduled date of payment, we will make such payment in a HKD equivalent amount by using the offshore RMB exchange rate against HKD as of such tenth business day as determined by the Calculation Agent in its sole and absolute discretion acting in good faith and in a commercially reasonable manner. Please refer to "What happens if an RMB disruption event occurs on a scheduled date of payment?" on page 60 of the Product Booklet for further details.



The occurrence of an RMB disruption event could delay a payment to you under the ELIs. We will not pay any extra amount (such as interest) for any delay in making such payment. You may suffer potential loss in interest which could otherwise be earned through placing the relevant amount in a bank deposit had there not been a delay in making such payment. In addition, if such payment is made in a HKD equivalent amount, you will also be exposed to the risk of fluctuation in the offshore RMB exchange rate against HKD. If offshore RMB depreciates significantly against HKD following the occurrence of an RMB disruption event, you will suffer a loss in HKD terms as the HKD equivalent amount paid to you will be substantially less than the value of the relevant amount payable in RMB on the original payment date in HKD terms (calculated based on the offshore RMB exchange rate against HKD prior to the occurrence of the RMB disruption event).

(iv) *RMB interest rate risk*

The interest rate for offshore RMB may be different from the interest rate for onshore RMB. The interest rate for offshore RMB and the interest rate for onshore RMB are currently traded in different markets with different rates, whereby their movements may not be in the same direction or magnitude. The interest rate for offshore RMB may deviate significantly from the interest rate for onshore RMB. Interest rates for onshore RMB are controlled by the PRC central government. The PRC central government has gradually liberalised the regulations of interest rates in recent years. In the case where there would be any further liberalisation of the interest rate for onshore RMB, such further liberalisation may affect the interest rate for offshore RMB. The market value of the ELIs may be adversely affected by the fluctuations in the interest rate for offshore RMB.]

## **Fees and Charges**

Although there are no explicit charges, transaction costs, any fees and charges incurred by the Issuer, whether to enter into linked investments or hedging agreements or for operational or administrative purposes and profit margins, if any, are already indirectly contained in and subsumed into the calculation of the issue price and sell back price under the ELIs.

## **Offering Documents**

The offer of this series of ELIs is made solely on the basis of the information contained in the Information Memorandum, the Financial Disclosure Document, the Product Booklet, any addendum to these documents and this indicative Term Sheet. The information contained in the Information Memorandum, the Financial Disclosure Document, and the Product Booklet and any addendum to these documents (taken together with, and as updated by, the indicative Term Sheet) is accurate at the date of the indicative Term Sheet.

Hang Seng Bank Limited as the Issuer and the Product Arranger accepts full responsibility for the contents of, and the completeness and accuracy of the information contained in the offering documents and confirms, having made all reasonable enquiries, that to the best of our knowledge and belief there is no untrue or misleading statement, or other facts the omission of which would make any statement therein untrue or misleading.

As at the date of this Term Sheet, Hang Seng Bank Limited (as the Issuer and the Product Arranger) confirms that it meets all eligibility requirements applicable to issuers and product arrangers under the Code on Unlisted Structured Investment Products (“**Code**”) issued by the SFC respectively and the ELIs comply with the Code.

## **On-going Disclosure Obligations**

We (as the Issuer and the Product Arranger) will keep the SFC and the Distributors of our ELIs informed as soon as reasonably practicable if (a) we (as the Issuer) cease to meet any eligibility requirements applicable to issuers under the Code; (b) we (as the Product Arranger) cease to meet any eligibility requirements applicable to product arrangers under the Code and (c) to the extent permitted by any applicable law, there are any changes in our financial condition or other circumstances which could reasonably be expected to have a material adverse effect on our ability (as the Issuer) to fulfil our commitments in connection with our ELIs. Your distributor will in turn inform you. Please contact your distributor for further details.



## Market Making Arrangements

If you intend to purchase the ELIs, you should be willing to hold such ELIs until maturity. The ELIs are not listed on any exchange. The Issuer acting as the market agent will make a market for the ELIs on each exchange business day from and excluding the Issue Date to and including the third exchange business day before the Final Fixing Date (each such day shall be known as a “**Market Making Day**”). The minimum transfer amount under our market making arrangements is the Nominal Value (being 1 ELI). Please refer to the section headed “**Market making arrangements**” on pages 62 to 64 in the Product Booklet.

For an application for sell-back order to be dealt with on a particular Market Making Day, the application must be received by the Distributor prior to 3:00 p.m. on that Market Making Day. In order for your limit sell back order to be executed at the quoted firm bid price, you must place such order immediately upon the receipt of the quoted firm bid price without any delay. Otherwise, your limit sell back order will not be executed if the prevailing firm bid price falls below the quoted firm bid price.

The executed firm bid price will be set out in the contract note which will be sent to you within 2 business days after the relevant Market Making Day. The amount will be credited to your account on the third business day after the relevant Market Making Day. You can contact your distributor to enquire about the sell back order any time before you receive the contract note.

## Post-Sale Cooling-off Period

[If you change your mind after you have placed an order for our ELIs with an investment period over 1 year, you can send a notice to your distributor within the period starting from the day you place the order to 5 business days after the end of the Offer Period. The distributor will only accept cancellation or unwinding of your order in whole (but not in part). If your distributor receives your notice after any of the Initial Stock Prices is recorded on the Start Date, the Issuer will charge HKD500 as handling fee. Your distributor may also charge you additional handling fee, and you should ask your distributor for details.]

[Post-Sale Cooling-off period arrangement is not applicable.]

Please refer to the section headed “Post-sale cooling-off period” on page 62 in the Product Booklet.

## Risk Factors

ELIs involve various investment risks. Please refer to the section headed “IMPORTANT RISK WARNING” provided in this Term Sheet and the sections headed “Risk Factors” in each of the Information Memorandum and the Product Booklet.

## SFC Disclaimer Statement

The SFC has authorised the ELIs under Section 104A(1) of the Securities and Futures Ordinance (Cap. 571, Laws of Hong Kong) (“**SFO**”) and the issue of the indicative Term Sheet based on the standard format set out in Appendix B to the Product Booklet as part of the offering documents for ELIs under Section 105(1) of the SFO. The SFC takes no responsibility for the ELIs 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 its endorsement or recommendation of the ELIs referred to in this document nor does it imply that the SFC guarantees the commercial merits of the ELIs or their performance. The SFC’s authorisation does not mean the ELIs 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 advice before investing in the ELIs.

## [Updated information and] [No/no] material adverse change and material litigation

[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]

[Save as disclosed above,] [t][T]here has been (i) no change in the financial position or other circumstances; and (ii) no litigation proceeding against us, nor are we aware of any claims pending or, to our knowledge, threatened against us, which could reasonably be expected to have a materially adverse effect on the ability of the Issuer to fulfill its commitments in connection with the ELIs, in each case since the date of our latest financial statements in the Financial Disclosure Document and any addendum thereto.]

[[*For final Term Sheet only:*] **SFC Disclaimer Statement**

The SFC takes no responsibility as to the contents of this document, the standard format of which is set out in Appendix B to the Product Booklet. The SFC's authorisation does not imply the SFC's endorsement of the Terms and Conditions (as varied, amended or supplemented by this document).]

## APPENDIX C

### SCENARIO ANALYSIS

The following examples are purely hypothetical and do not reflect a complete analysis of all possible gain or loss scenarios. They are included only for illustrating how our Hang Seng Basket Stocks Bull ELIs with Potential Upside Cash Distribution work, and you must not rely on them as any indication of the expected performance of any linked stock or what the return on our Hang Seng Basket Stocks Bull ELIs with Potential Upside Cash Distribution might actually be upon maturity of our Hang Seng Basket Stocks Bull ELIs with Potential Upside Cash Distribution. The following scenarios do not take into account any settlement or delivery expenses payable by the investors and any exchange rate fluctuations between the currency in which our Hang Seng Basket Stocks Bull ELIs with Potential Upside Cash Distribution are denominated and your home currency. Capitalised terms used in this Appendix C shall have the meanings as set out in the terms and conditions in Appendix A.

This scenario analysis is based on the following terms:

<b>Basket</b>	Stock A and Stock B
<b>Investment Period</b>	3 months
<b>Nominal Value</b>	HKD30,000 per Hang Seng Basket Stocks Bull ELI with Potential Upside Cash Distribution (for all scenarios)  RMB30,000 per Hang Seng Basket Stocks Bull ELI with Potential Upside Cash Distribution (for scenarios I(iii), I(iv), II(iv) and III(iii))
<b>Issue Price</b>	100% of the Nominal Value
<b>Floor Cash Distribution Rate</b>	3.84%
<b>Settlement Currency</b>	Hong Kong dollars (“ <b>HKD</b> ”) for all scenarios  Renminbi (“ <b>RMB</b> ”) for scenarios I(iii) and (iv), II(iv) and III(iii)
<b>Underlying Currency</b>	HKD
<b>Exchange Rate</b>	1.25 (in the case where the Settlement Currency is RMB)

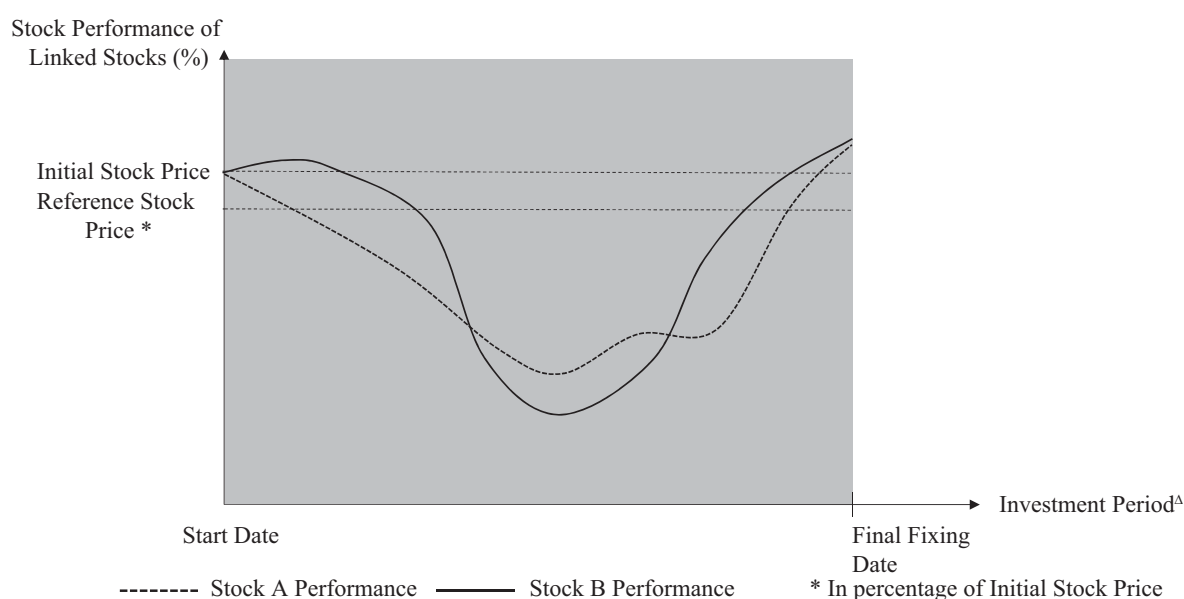
Linked Stock (Stock code)	Initial Stock Price	Reference Stock Price (96% of the Initial Stock Price)	Airbag Level (80% of the Initial Stock Price)
Stock A	HKD62.5000	HKD60.0000	HKD50.0000
Stock B	HKD31.2500	HKD30.0000	HKD25.0000

$$\text{Stock performance of a linked stock} = \frac{\text{Closing price of the linked stock on the relevant scheduled trading day}}{\text{Initial stock price of that linked stock}} \times 100\%$$

(rounded to the nearest 0.01, with 0.005 or above being rounded upwards)

# **I. Where the Daily Airbag Feature and Final Fixing Date Airbag Feature are not applicable**

## (i) Gain Case Scenario



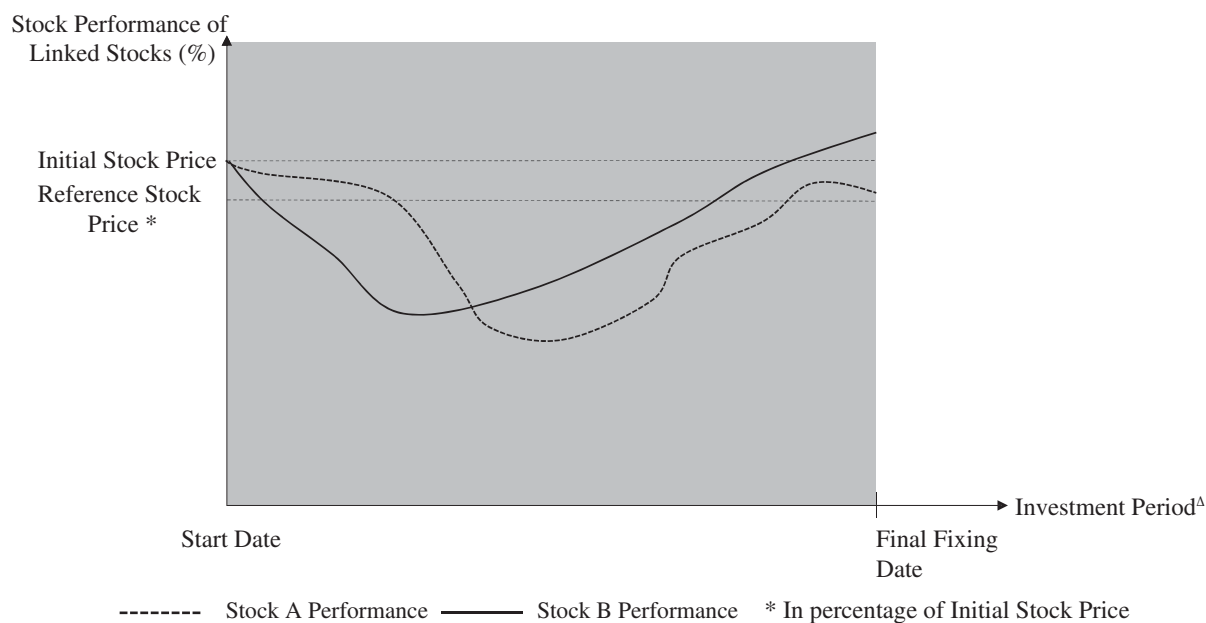
Scenarios	Is the Final Stock Price of the Worst Performing Stock at or above its Initial Stock Price?	Election of Mode of Settlement?	Settlement At Maturity (per ELI)
<p>On Final Fixing Date, Stock Performance of:</p> <p>Stock A = <math>\text{HKD}67.50^{\#} \div \text{HKD}62.5000 \times 100\% = 108\%</math></p> <p>Stock B = <math>\text{HKD}34.00^{\#} \div \text{HKD}31.2500 \times 100\% = 108.8\%</math></p>	Yes, and the Worst Performing Stock on the Final Fixing Date is Stock A	N/A	HKD30,000 + Potential Upside Cash Distribution Amount of HKD2,400 <sup>+</sup>

Notes: <sup>Δ</sup> Being the period from the Start Date to the Maturity Date (both dates inclusive).

<sup>+</sup> In the above scenario analysis, the Cash Distribution Rate is 8%, being the higher of (i) the Floor Cash Distribution Rate (being 3.84%) and (ii)  $(67.50 \div 62.50 - 1) \times 100\% = 8\%$ . Accordingly, the Potential Upside Cash Distribution Amount =  $\text{HKD}30,000 \times 8\% = \text{HKD}2,400$ .

<sup>#</sup> Assuming that on the Final Fixing Date, the Closing Price of Stock A is HKD67.50 and that of Stock B is HKD34.00.

(ii) Break-even Scenario

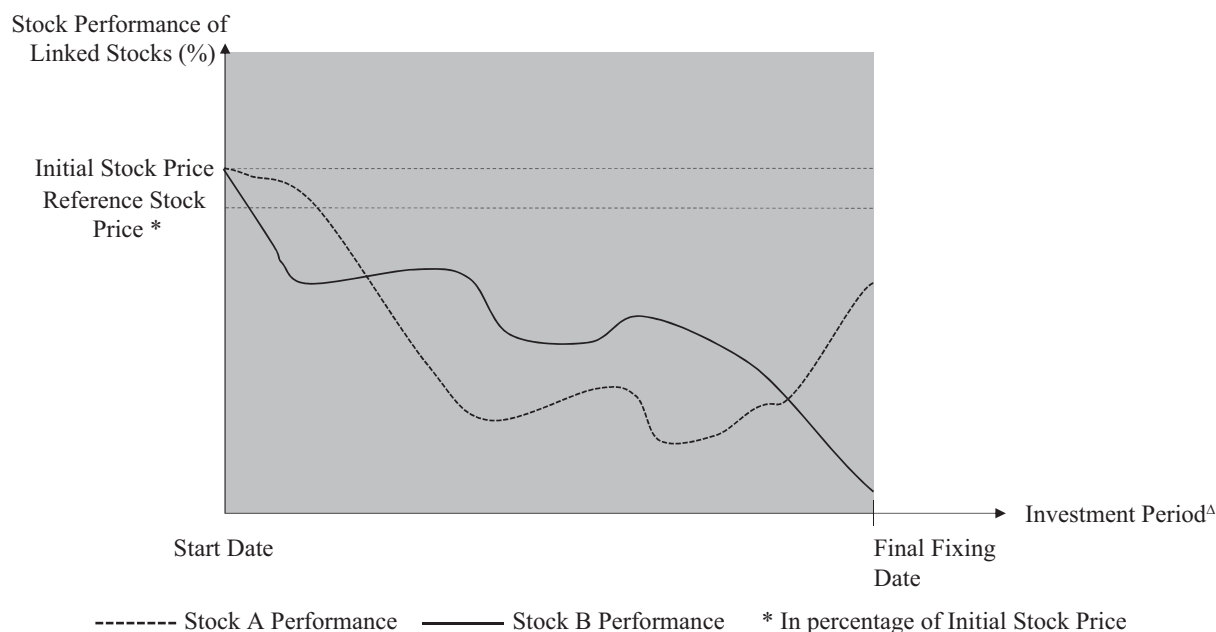


Scenarios	Is the Final Stock Price of the Worst Performing Stock at or above its Initial Stock Price?	Is the Final Stock Price of the Worst Performing Stock at or above its Reference Stock Price?	Election of Mode of Settlement?	Settlement At Maturity (per ELI)
On Final Fixing Date, Stock Performance of:  Stock A = $\text{HKD}61.00^{\#} \div \text{HKD}62.5000 \times 100\% = 97.6\%$  Stock B = $\text{HKD}34.00^{\#} \div \text{HKD}31.2500 \times 100\% = 108.8\%$	No, and the Worst Performing Stock on the Final Fixing Date is Stock A	Yes	N/A	HKD30,000

Notes: <sup>Δ</sup> Being the period from the Start Date to the Maturity Date (both dates inclusive).

<sup>#</sup> Assuming that on the Final Fixing Date, the Closing Price of Stock A is HKD61.00 and that of Stock B is HKD34.00.

(iii) Loss Case Scenario



Scenarios	Is the Final Stock Price of the Worst Performing Stock at or above its Reference Stock Price?	Election of Mode of Settlement?	Settlement At Maturity (per ELI)
On Final Fixing Date, Stock Performance of:  Stock A = $\text{HKD}48.00^{\#} \div \text{HKD}62.5000 \times 100\% = 76.8\%$  Stock B = $\text{HKD}2.00^{\#} \div \text{HKD}31.2500 \times 100\% = 6.4\%$	No, and the Worst Performing Stock on the Final Fixing Date is Stock B	Physical settlement	<b>If the Settlement Currency is HKD:</b> 1,000 shares of the Worst Performing Stock <sup>Remark 1</sup> — Physical Settlement Expenses (if any) <b>If the Settlement Currency is RMB:</b> 1,250 shares of the Worst Performing Stock <sup>Remark 1</sup> — Physical Settlement Expenses (if any)
		Cash settlement	<b>If the Settlement Currency is HKD:</b> HKD2,000 <sup>Remark 2</sup> <b>If the Settlement Currency is RMB:</b> RMB2,000 <sup>Remark 2</sup>

Please note that if the Final Stock Price of the Worst Performing Stock is substantially lower than its Reference Stock Price, the investor will suffer a substantial loss in the investment. In the worst case scenario, if the Final Stock Price of the Worst Performing Stock is HKD0 (and, where physical settlement is elected as the mode of settlement, the stock price of the Worst Performing Stock remains at HKD0 till the Maturity Date), the Settlement At Maturity will be worthless.

Notes: <sup>Δ</sup> Being the period from the Start Date to the Maturity Date (both dates inclusive).

<sup>#</sup> Assuming that on the Final Fixing Date, the Closing Price of Stock A is HKD48.00 and that of Stock B is HKD2.00.



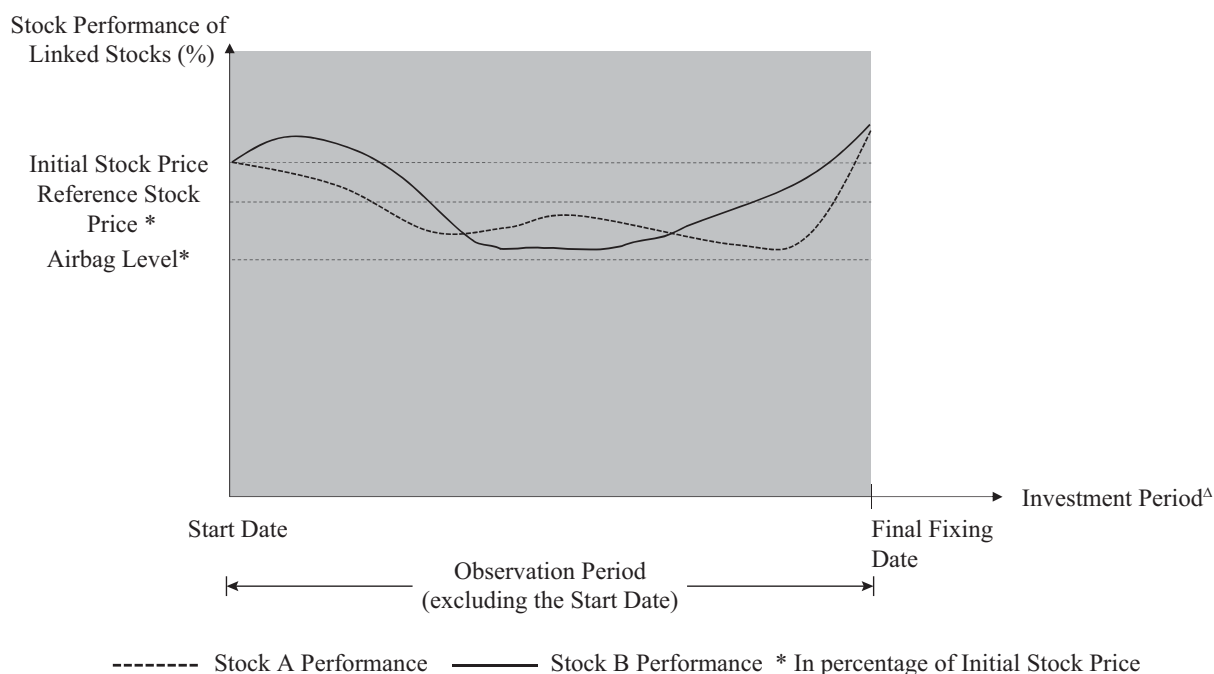
- (iv) Where an RMB Disruption Event occurs and continues to exist for 10 Business Days after the Maturity Date

Taking the loss case scenario above with cash settlement in RMB, if an RMB Disruption Event occurs and continues to exist for 10 Business Days after the Maturity Date, payment will be made in an amount in HKD determined by the Calculation Agent by converting the original amount payable in RMB into HKD using the offshore RMB exchange rate against HKD as of such tenth Business Day as determined by the Calculation Agent in its sole and absolute discretion acting in good faith.

Assuming that the offshore RMB exchange rate against HKD prior to the occurrence of an RMB Disruption Event is 1.25 and RMB depreciates significantly against HKD following the occurrence of an RMB Disruption Event and the offshore RMB exchange rate against HKD as of such tenth Business Day is 0.8, the HKD equivalent amount you will receive is HKD1,600 (being RMB2,000 x 0.8). Therefore, you will suffer a loss of HKD900 in HKD terms, as the HKD equivalent amount (i.e. HKD1,600) you will receive is substantially less than the value of the relevant amount payable in RMB on the original payment date in HKD terms (calculated based on the offshore RMB exchange rate against HKD prior to the occurrence of an RMB Disruption Event), being HKD2,500 (being RMB2,000 x 1.25).

## II. Where the Daily Airbag Feature is applicable

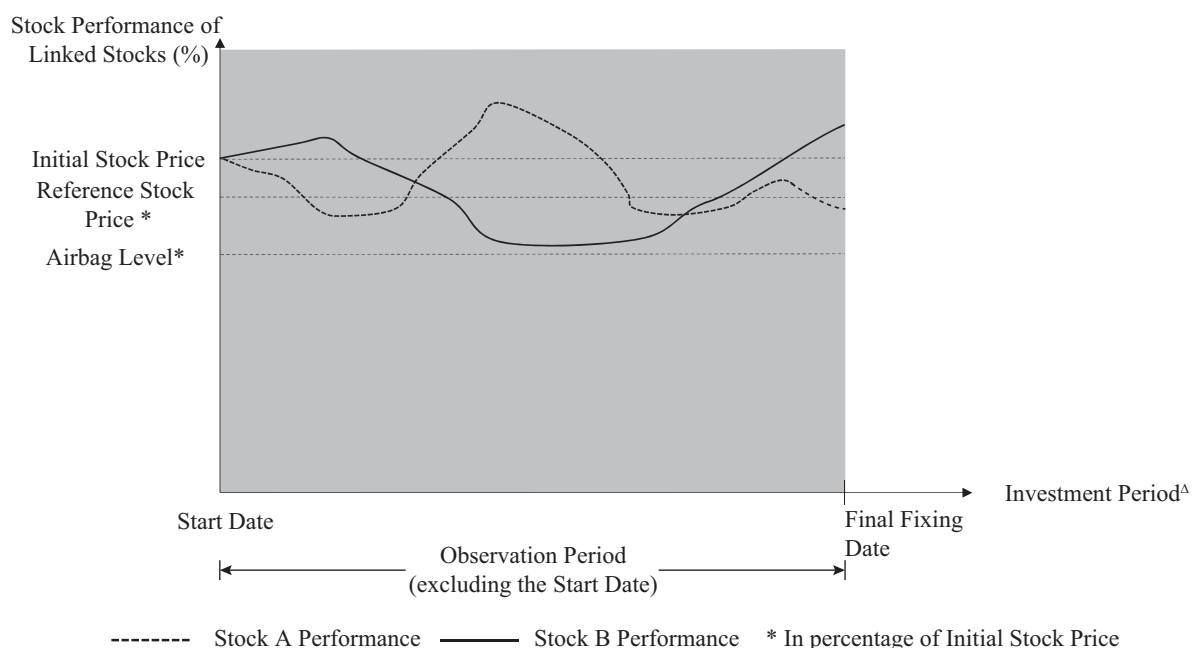
### (i) Gain Case Scenario



Scenarios	Is the Final Stock Price of the Worst Performing Stock at or above its Initial Stock Price?	Has the Airbag Lapse Event occurred <sup>Δ</sup> ?	Election of Mode of Settlement?	Settlement At Maturity (per ELI)
On Final Fixing Date, Stock Performance of:  Stock A = HKD67.50 <sup>#</sup> ÷ HKD62.5000 x 100% = 108%  Stock B = HKD34.00 <sup>#</sup> ÷ HKD31.2500 x 100% = 108.8%	Yes, and the Worst Performing Stock on the Final Fixing Date is Stock A	No	N/A	HKD30,000 + Potential Upside Cash Distribution Amount of HKD2,400 <sup>+</sup>

- Notes: <sup>△</sup> Being the period from the Start Date to the Maturity Date (both dates inclusive).
- <sup>+</sup> In the above scenario analysis, the Cash Distribution Rate is 8%, being the higher of (i) the Floor Cash Distribution Rate (being 3.84%) and (ii)  $(67.50 \div 62.50 - 1) \times 100\% = 8\%$ . Accordingly, the Potential Upside Cash Distribution Amount = HKD30,000  $\times$  8% = HKD2,400.
- <sup>^</sup> In the above scenario analysis, the Airbag Lapse Event occurs if the Closing Price of the Worst Performing Stock of the relevant Scheduled Trading Day is AT or BELOW its Airbag Level on any Scheduled Trading Day from (but excluding) the Start Date to (and including) the Final Fixing Date.
- <sup>#</sup> Assuming that on the Final Fixing Date, the Closing Price of Stock A is HKD67.50 and that of Stock B is HKD34.00.

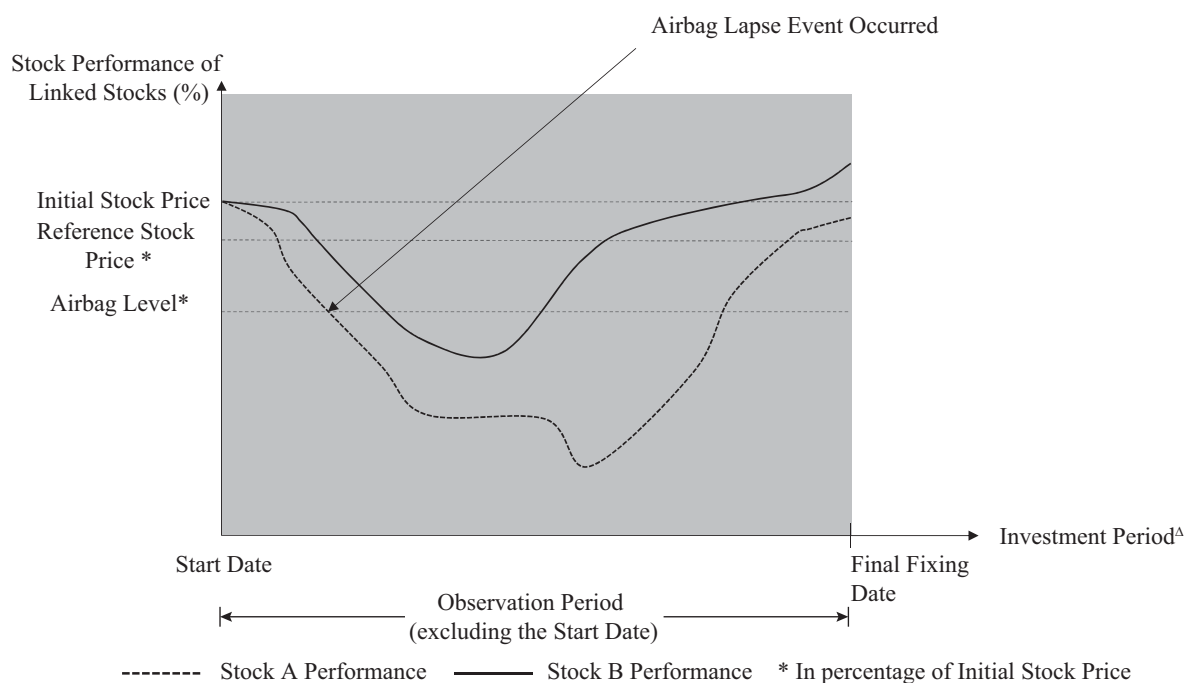
(ii) Break-even Scenario I



Scenarios	Is the Final Stock Price of the Worst Performing Stock at or above its Reference Stock Price?	Has the Airbag Lapse Event occurred <sup>^</sup> ?	Election of Mode of Settlement?	Settlement At Maturity (per ELI)
On Final Fixing Date, Stock Performance of:  Stock A = HKD59.00 <sup>#</sup> $\div$ HKD62.5000 $\times$ 100% = 94.4%  Stock B = HKD34.00 <sup>#</sup> $\div$ HKD31.2500 $\times$ 100% = 108.8%	No, and the Worst Performing Stock on the Final Fixing Date is Stock A	No	N/A	HKD30,000

- Notes: <sup>Δ</sup> Being the period from the Start Date to the Maturity Date (both dates inclusive).
- <sup>Λ</sup> In the above scenario analysis, the Airbag Lapse Event occurs if the Closing Price of the Worst Performing Stock of the relevant Scheduled Trading Day is AT or BELOW its Airbag Level on any Scheduled Trading Day from (but excluding) the Start Date to (and including) the Final Fixing Date.
- <sup>#</sup> Assuming that on the Final Fixing Date, the Closing Price of Stock A is HKD59.00 and that of Stock B is HKD34.00.

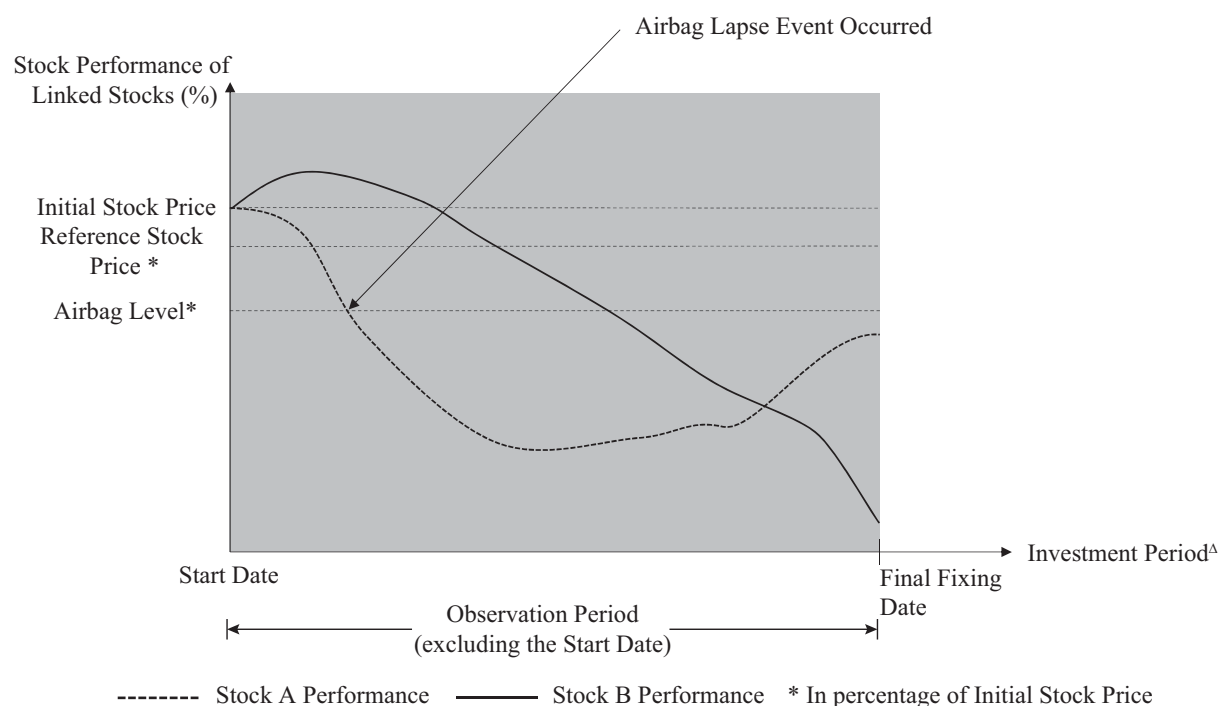
(iii) Break-even Scenario II



Scenarios	Is the Final Stock Price of the Worst Performing Stock at or above its Initial Stock Price?	Is the Final Stock Price of the Worst Performing Stock at or above its Reference Stock Price?	Has the Airbag Lapse Event occurred <sup>Λ</sup> ?	Election of Mode of Settlement?	Settlement At Maturity (per ELI)
On Final Fixing Date, Stock Performance of:  Stock A = $\text{HKD}61.00^{\#} \div \text{HKD}62.5000 \times 100\% = 97.6\%$  Stock B = $\text{HKD}34.00^{\#} \div \text{HKD}31.2500 \times 100\% = 108.8\%$	No, and the Worst Performing Stock on the Final Fixing Date is Stock A	Yes	Yes, but you still receive the Nominal Value as Settlement At Maturity since the Final Stock Price of the Worst Performing Stock is above its Reference Stock Price	N/A	HKD30,000

- Notes: <sup>Δ</sup> Being the period from the Start Date to the Maturity Date (both dates inclusive).
- <sup>Λ</sup> In the above scenario analysis, the Airbag Lapse Event occurs if the Closing Price of the Worst Performing Stock of the relevant Scheduled Trading Day is AT or BELOW its Airbag Level on any Scheduled Trading Day from (but excluding) the Start Date to (and including) the Final Fixing Date.
- <sup>#</sup> Assuming that on the Final Fixing Date, the Closing Price of Stock A is HKD61.00 and that of Stock B is HKD34.00.

(iv) Loss Case Scenario



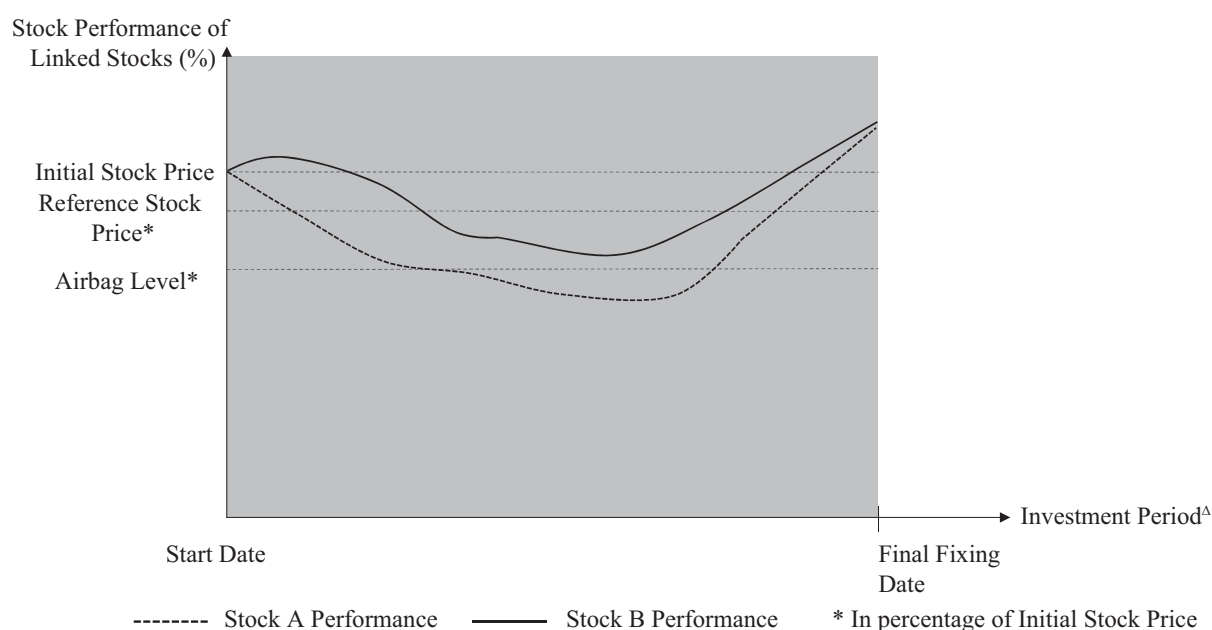
Scenarios	Is the Final Stock Price of the Worst Performing Stock at or above its Reference Stock Price?	Has the Airbag Lapse Event occurred <sup>Λ</sup> ?	Election of Mode of Settlement?	Settlement At Maturity (per ELI)
On Final Fixing Date, Stock Performance of:  Stock A = $\text{HKD}48.00^{\#} \div \text{HKD}62.5000 \times 100\% = 76.8\%$  Stock B = $\text{HKD}2.00^{\#} \div \text{HKD}31.2500 \times 100\% = 6.4\%$	No, and the Worst Performing Stock on the Final Fixing Date is Stock B	Yes	Physical settlement	<b>If the Settlement Currency is HKD:</b> 1,000 shares of the Worst Performing Stock <sup>Remark 1</sup> — Physical Settlement Expenses (if any) <b>If the Settlement Currency is RMB:</b> 1,250 shares of the Worst Performing Stock <sup>Remark 1</sup> — Physical Settlement Expenses (if any)
			Cash settlement	<b>If the Settlement Currency is HKD:</b> HKD2,000 <sup>Remark 2</sup> <b>If the Settlement Currency is RMB:</b> RMB2,000 <sup>Remark 2</sup>

- Notes: <sup>Δ</sup> Being the period from the Start Date to the Maturity Date (both dates inclusive).
- <sup>Λ</sup> In the above scenario analysis, the Airbag Lapse Event occurs if the Closing Price of the Worst Performing Stock of the relevant Scheduled Trading Day is AT or BELOW its Airbag Level on any Scheduled Trading Day from (but excluding) the Start Date to (and including) the Final Fixing Date.
- <sup>#</sup> Assuming that on the Final Fixing Date, the Closing Price of Stock A is HKD48.00 and that of Stock B is HKD2.00.

**Please note that if the Airbag Lapse Event has occurred and the Final Stock Price of the Worst Performing Stock is substantially lower than its Reference Stock Price, the investor will suffer a substantial loss in the investment. In the worst case scenario, if the Final Stock Price of the Worst Performing Stock is HKD0 (and, where physical settlement is elected as the mode of settlement, the stock price of the Worst Performing Stock remains at HKD0 till the Maturity Date), the Settlement At Maturity will be worthless.**

### III. Where the Final Fixing Date Airbag Feature is applicable

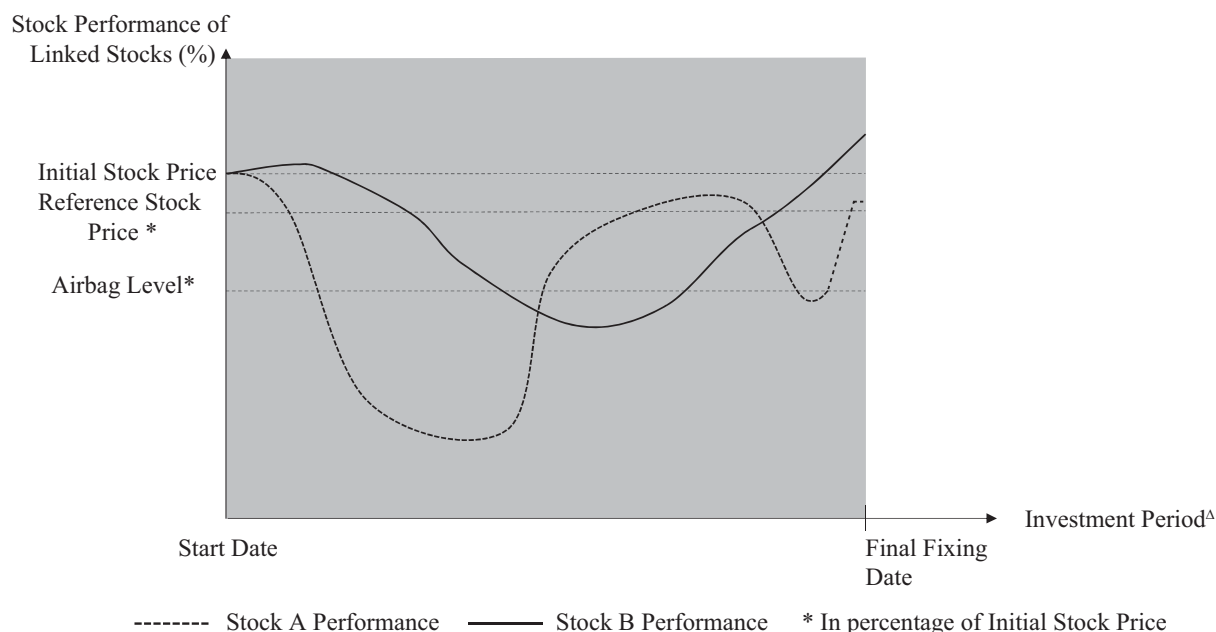
#### (i) Gain Case Scenario



Scenarios	Is the Final Stock Price of the Worst Performing Stock at or above its Initial Stock Price?	Election of Mode of Settlement?	Settlement At Maturity (per ELI)
On Final Fixing Date, Stock Performance of:  Stock A = $\text{HKD}67.50^{\#} \div \text{HKD}62.5000 \times 100\% = 108\%$  Stock B = $\text{HKD}34.00^{\#} \div \text{HKD}31.2500 \times 100\% = 108.8\%$	Yes, and the Worst Performing Stock on the Final Fixing Date is Stock A	N/A	HKD30,000 + Potential Upside Cash Distribution Amount of HKD2,400 <sup>+</sup>

- Notes: <sup>Δ</sup> Being the period from the Start Date to the Maturity Date (both dates inclusive).
- <sup>+</sup> In the above scenario analysis, the Cash Distribution Rate is 8%, being the higher of (i) the Floor Cash Distribution Rate (being 3.84%) and (ii)  $(67.50 \div 62.50 - 1) \times 100\% = 8\%$ . Accordingly, the Potential Upside Cash Distribution Amount = HKD30,000 x 8% = HKD2,400.
- <sup>#</sup> Assuming that on the Final Fixing Date, the Closing Price of Stock A is HKD67.50 and that of Stock B is HKD34.00.

(ii) Break-even Scenario

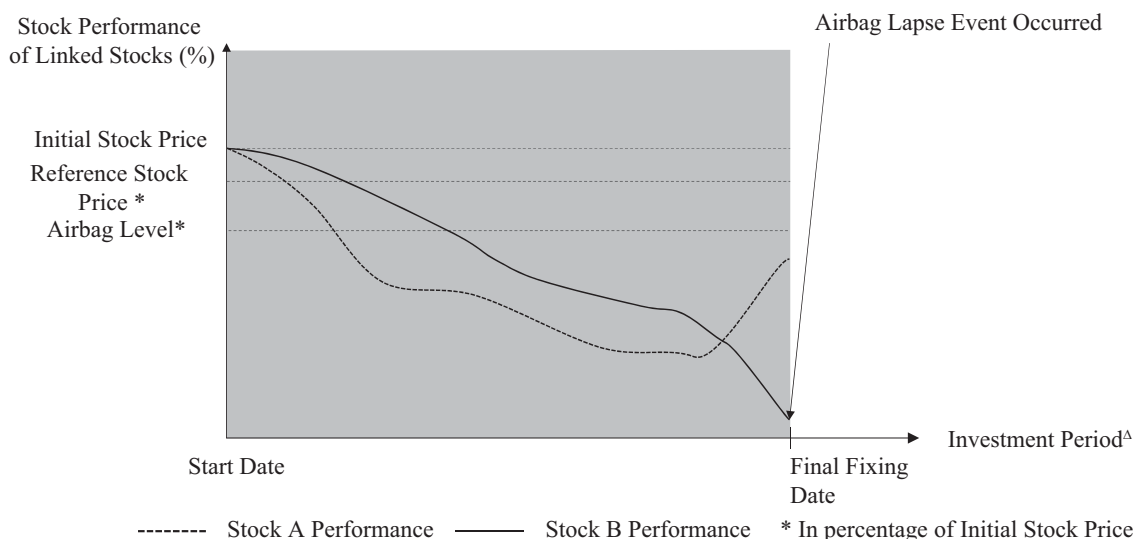


Scenarios	Is the Final Stock Price of the Worst Performing Stock at or above its Initial Stock Price?	Has the Airbag Lapse Event occurred <sup>Δ</sup> ?	Election of Mode of Settlement?	Settlement At Maturity (per ELI)
On Final Fixing Date, Stock Performance of:  Stock A = $\text{HKD}61.00^{\#} \div \text{HKD}62.5000 \times 100\% = 97.6\%$  Stock B = $\text{HKD}34.00^{\#} \div \text{HKD}31.2500 \times 100\% = 108.8\%$	No, and the Worst Performing Stock on the Final Fixing Date is Stock A	No	N/A	HKD30,000

- Notes: <sup>Δ</sup> Being the period from the Start Date to the Maturity Date (both dates inclusive).
- <sup>Δ</sup> In the above scenario analysis, the Airbag Lapse Event occurs if the Closing Price of the Worst Performing Stock is AT or BELOW its Airbag Level on the Final Fixing Date.
- <sup>#</sup> Assuming that on the Final Fixing Date, the Closing Price of Stock A is HKD61.00 and that of Stock B is HKD34.00.



(iii) Loss Case Scenario



Scenarios	Has the Airbag Lapse Event occurred <sup>^</sup> ?	Election of Mode of Settlement?	Settlement At Maturity (per ELI)
On Final Fixing Date, Stock Performance of:  Stock A = $\text{HKD}48.00^{\#} \div \text{HKD}62.5000 \times 100\% = 76.8\%$  Stock B = $\text{HKD}2.00^{\#} \div \text{HKD}31.2500 \times 100\% = 6.4\%$	Yes	Physical settlement	<b>If the Settlement Currency is HKD:</b> 1,000 shares of the Worst Performing Stock <sup>Remark 1</sup> — Physical Settlement Expenses (if any) <b>If the Settlement Currency is RMB:</b> 1,250 shares of the Worst Performing Stock <sup>Remark 1</sup> — Physical Settlement Expenses (if any)
		Cash settlement	<b>If the Settlement Currency is HKD:</b> HKD2,000 <sup>Remark 2</sup> <b>If the Settlement Currency is RMB:</b> RMB2,000 <sup>Remark 2</sup>

Notes: <sup>^</sup> Being the period from the Start Date to the Maturity Date (both dates inclusive).

<sup>^</sup> In the above scenario analysis, the Airbag Lapse Event occurs if the Closing Price of the Worst Performing Stock is AT or BELOW its Airbag Level on the Final Fixing Date.

<sup>#</sup> Assuming that on the Final Fixing Date, the Closing Price of Stock A is HKD48.00 and that of Stock B is HKD2.00.

**Please note that if the Airbag Lapse Event has occurred and the Final Stock Price of the Worst Performing Stock is substantially lower than its Reference Stock Price, the investor will suffer a substantial loss in the investment. In the worst case scenario, if the Final Stock Price of the Worst Performing Stock drops to HKD0 (and, where physical settlement is elected as the mode of settlement, the stock price of the Worst Performing Stock remains at HKD0 till the Maturity Date), the Settlement At Maturity will be worthless.**

*Remarks:*

1. Where the physical settlement is elected as the Mode of Settlement:

If the Settlement Currency is HKD:

$$\begin{aligned}\text{Number of shares per ELI} &= \text{Nominal Value / Reference Stock Price of the Worst Performing Stock as of the Final Fixing Date} \\ &= \text{HKD30,000 / HKD30} \\ &= 1,000 \text{ shares of the Worst Performing Stock}\end{aligned}$$

If the Settlement Currency is RMB:

$$\begin{aligned}\text{Number of shares per ELI} &= (\text{Nominal Value} \times \text{Exchange Rate}) / \text{Reference Stock Price of the Worst Performing Stock as of the Final Fixing Date} \\ &= (\text{RMB30,000} \times 1.25) / \text{HKD30} \\ &= 1,250 \text{ shares of the Worst Performing Stock}\end{aligned}$$

We will deliver board and odd lots (as the case may be) of the Worst Performing Stock to you as the settlement. If the Worst Performing Stock to be delivered to you does not form an integral share or unit (as the case may be), such a fraction of a share or unit (as the case may be) will be paid in cash (rounded down to 2 decimal places).

2. Where cash settlement is elected as the Mode of Settlement:

If the Settlement Currency is HKD:

$$\begin{aligned}\text{Cash payment} &= \text{Nominal Value} \times (\text{Final Stock Price of the Worst Performing Stock as of the Final Fixing Date} / \text{Reference Stock Price of the Worst Performing Stock as of the Final Fixing Date}) \\ &= \text{HKD30,000} \times (\text{HKD2} / \text{HKD30}) \\ &= \text{HKD2,000}\end{aligned}$$

If the Settlement Currency is RMB:

$$\begin{aligned}\text{Cash payment} &= \text{Nominal Value} \times (\text{Final Stock Price} / \text{Reference Stock Price}) \\ &= \text{RMB30,000} \times (\text{HKD2} / \text{HKD30}) \\ &= \text{RMB2,000}\end{aligned}$$

The cash payment is denominated in RMB. HKD-based investors are exposed to fluctuations in the exchange rate between HKD and RMB if they convert such payment back to HKD. If investors convert such RMB payment back to their home currency, they are exposed to fluctuations in the exchange rate between such currency and RMB.

#### IV. The Issuer becomes insolvent during the investment period and fails to honour its obligations

- If the Issuer becomes insolvent during the investment period and fails to honour its obligations under the Hang Seng Basket Stocks Bull ELIs with Potential Upside Cash Distribution, investors WILL NOT receive any settlement amount on the Maturity Date.
- If the Hang Seng Basket Stocks Bull ELIs with Potential Upside Cash Distribution are held either (i) through the clearing system or (ii) outside the clearing system through a distributor other than the Issuer, the investor will have to rely on the distributor to take action on his or her behalf to claim as an unsecured creditor of the Issuer. In the worst case scenario, the investor may get nothing back and **the potential maximum loss could be 100% of the original amount invested.**

Please note that these are only hypothetical assumptions and you should not rely on the hypothetical return above as the expected return.

**REGISTERED OFFICE OF THE ISSUER AND THE PRODUCT ARRANGER**

**Hang Seng Bank Limited**  
83 Des Voeux Road Central  
Hong Kong

**ARRANGERS**

**Hang Seng Bank Limited**  
**Hang Seng Investment Management Limited**  
**Hang Seng Securities Limited**  
83 Des Voeux Road Central  
Hong Kong

**SPECIFIED OFFICE OF THE AGENT**

**Hang Seng Bank Limited**  
83 Des Voeux Road Central  
Hong Kong

**REGISTRAR AND TRANSFER OFFICE**

**Hang Seng Bank Limited, Singapore Branch**  
9 Battery Road, #07-01  
MYP Centre  
Singapore 049910

**LEGAL ADVISER**

*To the Issuer as to Hong Kong law*

**King & Wood Mallesons**  
13th Floor  
Gloucester Tower  
The Landmark  
15 Queen's Road Central  
Central  
Hong Kong