

# Client FAQs -

## HSBC 100+ Series China Investment

Following are answers to some questions you may have about the HSBC 100+ Series China Investment. For more details on the investment please refer to the PDS. Alternatively if you have any further questions please contact your financial/investment adviser.

### Why invest with HSBC?

HSBC Bank Australia Limited is a member of the HSBC Group, one of the largest banking and financial services organisations in the world. The recent turbulent times have placed an unwanted spotlight on many large financial institutions. HSBC Group's global strength and diversity continue to be our key competitive advantages which help maintain our leading position in the market.

HSBC Bank Australia Limited started operations in Australia in 1965 and was granted a commercial banking licence in 1986.

### What does this investment give me access to?

This investment gives you access to the China "A" Shares market through the China A Share Fund with a volatility controlled strategy applied which is called the Strategy Value.

China "A" Shares are traded on the Shanghai and Shenzhen stock exchanges and generally foreign individuals can not directly invest in "A" shares due to Chinese government restrictions.

### What is the China A Shares Fund?

The China A Shares Fund is the iShares FTSE/Xinhua A50 China Index Exchange Traded Fund listed on the Hong Kong Stock Exchange. The fund's objective is to track the performance of the FTSE/Xinhua China A 50 Index which tracks the largest 50 "A" Share companies in China.

### What is the volatility control strategy?

The volatility control strategy is designed so that there is a target allocation between the China A Shares Fund and cash depending upon the volatility of the China A Shares Fund.

The objective of the volatility control strategy is to provide exposure to the China A Shares Fund while managing the uncertainty of returns due to volatility.

### What is the HSBC 100+ Series China Investment?

The HSBC 100+ Series China Investment provides a return linked to the growth of the Strategy Value over the five years, averaged over the last two years.

### How is the return calculated?

The HSBC 100+ Series China Investment return is calculated by measuring the gain of the Strategy Value from its starting index level to the quarterly average over the final two years. The averaging over the final two years reduces the exposure to adverse market movements on the last day of the investment term.

The return has a participation rate applied. The participation rate set will depend upon the prevailing market rates when the HSBC 100+ Series China Investment commences on 11 November 2010. If the Investment were to be issued on the date of the PDS, 12 August 2010, the Participation Rate would have been 94%<sup>1</sup>.

<sup>1</sup>If HSBC determines on the issue date that the participation rate is less than 75% then the HSBC 100+ Series China Investment will not proceed. In this case the applicants' money would be returned to them without interest within one week after the Issue Date.

### **Is there any exchange rate risk?**

There is no foreign exchange risk as the returns are calculated in Australian Dollars and are not affected by fluctuations in the exchange rate between Australian dollars and Hong Kong dollar, the currency of the Strategy Value.

### **How does the capital protection work?**

The HSBC 100+ Series S&P/ASX Linked Investment has 100% capital protection at maturity. This means that at maturity you will receive back from HSBC at least 100% of your initial investment amount.

### **How would this Investment fit into my portfolio?**

If you are looking for an investment that offers you exposure to the Chinese equities market with less risk than a direct investment, then the HSBC 100+ Series China Investment may be suitable for you.

### **What are the risks in this investment?**

There are risks in this investment and you should read the PDS which explains the risks before you make an investment. The key risk is the risk of the Strategy Value not increasing over the investment term, which would result in no return being generated for the 5-year investment term.

### **What happens if I withdraw my investment early?**

There is no early withdrawal fee, however if you do exit early, capital protection will not apply and your losses may be significant as you may receive less than the amount you initially invested.

### **How do I apply?**

Please see your adviser for a PDS and application form. Your adviser will mail your completed application, with the application amount if you are paying by cheque (payable to "HSBC Bank Australia Limited"), to HSBC. Alternatively you can complete the Direct Debit Form and send that in with the application.

### **Why is there a time limit?**

Capital protected investments provide capital protection at maturity. As such, they require clear starting and finishing dates. The investment begins on the issue date, 11 November 2010 and matures on 11 November 2015.

### **What is my worst case scenario?**

Provided you hold the Investment for the full term, in the worst case, you would receive the money you initially invested back in full. This is where the average level of the Strategy Value over the final two years of the Investment has not shown observable gains above the starting level.

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## **Act now – offer is open between 13 September and 29 October 2010**

For more information on the HSBC 100+ Series China Investment and whether it may be a suitable investment for you:

- ▶ speak to your financial/investment adviser
- ▶ call HSBC on 1300 308 008
- ▶ email [investments@hsbc.com.au](mailto:investments@hsbc.com.au)
- ▶ visit [www.hsbc.com.au/investments](http://www.hsbc.com.au/investments)

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This brochure doesn't take into account what you currently have, want or need for your financial future. You should consider these matters and read the Product Disclosure Statement (PDS) before you make an investment decision. A copy of the PDS is available at [www.hsbc.com.au](http://www.hsbc.com.au), by visiting a branch or by calling us on 1300 308 008.

**iShares FTSE/Xinhua A50 China Index Exchange Traded Fund**

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