Product Booklet dated 24 July 2023

THE HONGKONG AND SHANGHAI BANKING CORPORATION LIMITED

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

as Issuer

Product Booklet for Unlisted Equity Linked Investments Linked to a Single Security with Full or Partial Principal Protection at Expiry and Knock-out Performance (Knock-out Performance ELIs)

The Hongkong and Shanghai Banking Corporation Limited

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

Our Knock-out Performance ELIs are investments issued under our Programme. Our Knock-out Performance ELIs are NOT equivalent to time deposits. They are structured investment products embedded with derivatives. You may sustain a total loss in your investment.

If you are in any doubt about any of the contents of the Knock-out Performance ELI offering documents or your investment in the Knock-out Performance ELIs, you should consult a licensed securities dealer, bank manager, solicitor, certified public accountant or other professional adviser to seek independent professional advice.

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

The SFC takes no responsibility for our Knock-out Performance ELIs or the contents of this product booklet, makes no representation as to its accuracy or completeness and expressly disclaims any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this product booklet. The SFC's authorisation does not imply its endorsement or recommendation of our Knock-out Performance ELIs referred to in this product booklet, nor does it imply that the SFC guarantees the commercial merits of our Knock-out Performance ELIs or their performance. The SFC's authorisation does not mean our Knock-out Performance 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 professional advice before investing in our Knock-out Performance ELIs.

IMPORTANT

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

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

Our Knock-out Performance ELIs constitute general, unsecured and unsubordinated contractual obligations of HSBC (as issuer) and of no other person. If you invest in our Knock-out Performance ELIs, you are relying upon HSBC's creditworthiness and have no rights under the terms and conditions of the Knock-out Performance ELIs against the issuer of the reference asset.

Post-sale cooling-off period pursuant to Part IV of the Code applies to our Knock-out Performance ELIs with an investment period of more than one year. For further details, please refer to pages 152 to 153 of this product booklet.

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

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

For the purpose of this product booklet and where the context requires, references to "**Renminbi**" or "**CNY**" are to the lawful currency of the People's Republic of China, to "**Hong Kong**" are to the Hong Kong Special Administrative Region of the People's Republic of China, to "**Macau**" are to the Macau Special Administrative Region of the People's Republic of China, to the "**PRC**" are to The People's Republic of China (which for the purposes of this document shall exclude Hong Kong, Macau and Taiwan).

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

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

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Key Facts Statement (A)

Unlisted Equity Linked Investments Linked to a Single Security with Full or Partial Principal Protection at Expiry and Knock-out Performance with Bull Knock-out Feature (Bull Knock-out Performance ELIs)

issued by

The Hongkong and Shanghai Banking Corporation Limited (HSBC)

We may issue three variations of Knock-out Performance ELIs. This key facts statement provides you with the key information about one variation of Knock-out Performance ELIs that we may issue: Bull Knock-out Performance ELIs.

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

IMPORTANT RISK WARNINGS

- **Full or partial principal protection at expiry only**
  Our Bull Knock-out Performance ELIs are fully or partially principal protected at expiry only, provided that you hold your Bull Knock-out Performance ELIs until expiry and our Bull Knock-out Performance ELIs are not otherwise early terminated. **You must hold your Bull Knock-out Performance ELIs until expiry to realise any full or partial principal protection**. Our Bull Knock-out Performance ELIs will be fully principal protected if the floor rate is set at 100%. If the floor rate is set at a level below 100%, our Bull Knock-out Performance ELIs will only be partially principal protected. The floor rate will be set at a level equal to or greater than 70% as set out in the relevant term sheet. The level of principal protection will depend on the floor rate: the higher the floor rate, the higher the principal protection you will receive for your Bull Knock-out Performance ELIs. However, the higher the level of principal protection, the lower the potential return. The relevant term sheet will set out whether your Bull Knock-out Performance ELIs are fully or partially principal protected at expiry. Please refer to the relevant term sheet for further details.

- **Structured investment product**
  Our Bull Knock-out Performance ELIs are NOT equivalent to time deposits and are NOT protected deposits for the purposes of the Deposit Protection Scheme. They are structured investment products embedded with derivatives.

- **You may suffer a loss if our Bull Knock-out Performance ELIs are partially principal protected**
  The final settlement payout that you receive at expiry may be less than your initial investment amount but is subject to a minimum final settlement payout, being the sum of: (i) the floor amount; and (ii) the fixed cash distribution amount (if any), provided that you hold your Bull Knock-out Performance ELIs until expiry and our Bull Knock-out Performance ELIs are not otherwise early terminated. The minimum final settlement payout you will receive at expiry is dependent on the floor rate, which will be set at a level equal to or greater than 70% as set out in the relevant term sheet. The higher the floor rate, the higher the floor amount and the higher the minimum final settlement payout. **You may suffer a loss if our Bull Knock-out Performance ELIs are partially principal protected (i.e. the floor rate is set at a level below 100%). Depending on the level of the floor rate, you may receive an amount which is substantially less than your initial investment amount.**

- **No principal protection if you sell your Bull Knock-out Performance ELIs before expiry or if we early terminate our Bull Knock-out Performance ELIs**
  Our Bull Knock-out Performance ELIs are NOT principal protected if you sell your Bull Knock-out Performance ELIs to us (as market agent) prior to expiry via market making arrangements or if we early terminate our Bull Knock-out Performance ELIs due to the occurrence of certain extraordinary unforeseeable events or if we determine in good faith and in a commercially reasonable manner that the performance of any of our absolute or contingent obligations under the Bull Knock-out Performance ELIs has become illegal or impracticable in whole or in part for any reason beyond our control. **In such circumstances, you will not be able to realise any full or partial principal protection and you may receive an amount which is substantially less than your initial investment amount.**

- **You may not receive any potential performance return and payment of a potential performance return does not automatically result in a gain scenario**
  The potential performance return will only be paid if certain conditions are met. You will **NOT** receive the potential performance return if (i) the bull knock-out event **has occurred** on any knock-out event date; or (ii) the bull knock-out event **has NOT occurred but** the closing price of the reference asset on the expiry date is **at or below** the initial spot price. **It is possible that you may not receive any potential performance return for the Bull Knock-out Performance ELIs. In this case, you may receive an amount which is substantially less than your initial investment amount. You should also note that payment of a potential performance return does not automatically result in a gain scenario. You will still suffer a loss if the floor rate is set at a level below 100% and the sum of (i) the potential performance return and (ii) the fixed cash distribution amount (if any) is less than the difference between the nominal amount and the floor amount.**

- **Limited maximum potential performance return**
  Any potential performance return payable will be **capped** at an amount calculated based on the difference between the knock-out barrier and the initial spot price, multiplied by the nominal amount and the participation rate. If the participation rate is set at a percentage which is below 100%, the potential performance return will be lower than the actual performance of the reference asset on the expiry date compared to the initial spot price.

- **No collateral**
  Our Bull Knock-out Performance ELIs are not secured on any of our assets or any collateral.

- **Limited market making arrangements are available and you may suffer a loss if you sell your Bull Knock-out Performance ELIs before expiry**
  Our Bull Knock-out Performance ELIs are designed to be held to their settlement date. Limited market making arrangements are available on a bi-weekly basis for all our Bull Knock-out Performance ELIs. If you try to sell your Bull Knock-out Performance ELIs before expiry, the amount you receive for each Bull Knock-out Performance ELI may be substantially less than the issue price you paid for each Bull Knock-out Performance ELI.

- **Not the same as investing in the reference asset**
  Investing in our Bull Knock-out Performance ELIs is not the same as investing in the reference asset. Changes in the market price of the reference asset may not lead to a corresponding change in the market value of, or your potential payout under, the Bull Knock-out Performance ELIs.

- **Not covered by Investor Compensation Fund**
  Our Bull Knock-out Performance ELIs are not listed on any stock exchange and are not covered by the Investor Compensation Fund.

- **Maximum loss upon HSBC's default or insolvency**
  Our Bull Knock-out Performance ELIs constitute general, unsecured and unsubordinated contractual obligations of HSBC as issuer and of no other person (including the ultimate holding company of our group, HSBC Holdings plc). When you buy our Bull Knock-out Performance ELIs, you will be relying on HSBC's creditworthiness. If HSBC becomes insolvent or defaults on its obligations under the Bull Knock-out Performance ELIs, in the worst case scenario, **you could lose all of your investment**.

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

- **You will be exposed to risk associated with our Bull Knock-out Performance ELIs from the trade date**
  As all the commercial variables of our Bull Knock-out Performance ELIs are determined on the trade date, you will be exposed to risk associated with our Bull Knock-out Performance ELIs and the price movement of the reference asset from the trade date which may affect the market value and the potential payout of the Bull Knock-out Performance ELIs.

- **Conflicts of interest**
  We and our subsidiaries may engage in transactions involving the reference asset which may have a negative impact on the market value and the potential payout of our Bull Knock-out Performance ELIs. We (HSBC) may act in different capacities in respect of the Bull Knock-out Performance ELIs which may lead to potential and actual conflicts of interest. Our economic interests in each capacity may be adverse to your interests in our Bull Knock-out Performance ELIs.

- **You do not have direct contractual rights to enforce our Bull Knock-out Performance ELIs against us as issuer**
  You do not have direct contractual rights to enforce our Bull Knock-out Performance ELIs against us as issuer. To assert your rights as an investor in our Bull Knock-out Performance ELIs, you will have to rely on your distributor (directly or indirectly via its custodian) to take action on your behalf. If your distributor or its custodian fails to take action against us on your behalf, you may only have a claim as an unsecured creditor of such distributor, its custodian or us as the issuer. In the worst case scenario, **you could lose all your investment**.

- **Additional risk warnings applicable to our Renminbi-denominated Bull Knock-out Performance ELIs**
  Our Renminbi-denominated Bull Knock-out Performance ELIs will be settled in Renminbi outside the PRC. Renminbi is not freely convertible and is subject to PRC exchange control policies and restrictions. Various factors may affect the market value, and the potential return, of our Renminbi-denominated Bull Knock-out Performance ELIs, including: (i) the limited availability and liquidity of Renminbi outside the PRC; (ii) any Renminbi exchange rate fluctuation; and (iii) any fluctuation in interest rates for Renminbi outside the PRC.

  If the settlement currency is Renminbi and a CNY disruption event occurs, we will settle any payment obligations in Hong Kong dollars on a postponed payment date and no interest will be payable for any such delay.

Commissions:

We may pay a commission to the distributor(s). Distributor(s)' commissions and other transaction costs including our cost of hedging are factored into the pricing of the Bull Knock-out Performance ELIs.

What are Bull Knock-out Performance ELIs?

A. Overview

- Bull Knock-out Performance ELIs are structured investment products which contain a series of embedded options including an embedded **conditional call option** over the reference asset.

- Payout under the Bull Knock-out Performance ELI is linked to the price performance of the reference asset on each scheduled trading day during the period between the trade date and the expiry date (the "**investment period**"). The reference asset can be shares in a company or units or shares of a fund (including an exchange traded fund or a real estate investment trust) listed on The Stock Exchange of Hong Kong Limited (the "**Hong Kong Stock Exchange**") and quoted in either Hong Kong dollars or Renminbi (as the case may be). Not all Hong Kong-listed shares or funds can be used as a reference asset – please ask your distributor what kind of reference asset is available.

- Our Bull Knock-out Performance ELIs will be denominated and settled in Hong Kong dollars, United States dollars or other non-restricted and freely convertible currencies or Renminbi as specified in the relevant term sheet. Our Bull Knock-out Performance ELIs will be cash settled only. Physical settlement is not applicable to our Bull Knock-out Performance ELIs.

- You can buy a Bull Knock-out Performance ELI at the issue price (as specified in the relevant term sheet), which is equal to or below the nominal amount of the Bull Knock-out Performance ELI as specified in the relevant term sheet. The minimum investment amount is HKD100,000 (or its equivalent in foreign currency).

- The key features of our Bull Knock-out Performance ELIs are set out below:

A. Principal protection at expiry	Full or partial principal protection at the floor rate upon expiry only, provided that you hold your Bull Knock-out Performance ELIs until expiry and our Bull Knock-out Performance ELIs are not otherwise early terminated
B. Potential Performance Return	May receive a potential performance return upon expiry if certain conditions are met
C. Knock-out Event	Bull knock-out event applies

- You should note that while you place your purchase order(s) during the offer period, all of the commercial variables in relation to the reference asset (including the initial spot price and the knock-out barrier of the reference asset) that are used to determine the payout of your Bull Knock-out Performance ELI will only be recorded and determined on the trade date after you have purchased the Bull Knock-out Performance ELI.

- The initial spot price of the reference asset is set as either (i) the closing price of the reference asset on the trade date or (ii) the prevailing market price of the reference asset as quoted by the Hong Kong Stock Exchange on the trade date when your purchase order is executed or (iii) the price of the reference asset as agreed between you and us at the time your purchase order for the Bull Knock-out Performance ELI is executed.

B. At Expiry

- If the Bull Knock-out Performance ELIs have not been early terminated due to an extraordinary unforeseeable event, we will determine the final settlement payout on the expiry date. The final settlement payout for the Bull Knock-out Performance ELIs will depend on (i) whether a bull knock-out event has occurred; and (ii) the closing price of the reference asset on the expiry date compared to the initial spot price.

- A bull knock-out event occurs if the closing price of the reference asset is **above** the knock-out barrier on **any** knock-out event date, which is set as each scheduled trading day during the period from (but excluding) the trade date to (and including) the expiry date. The knock-out barrier is set at a specified percentage of the initial spot price and will be set at a level above the initial spot price. The specified percentage used to calculate the knock-out barrier for each knock-out event date will be the same and such specified percentage will be set out in the relevant term sheet. **If a bull knock-out event has occurred, you may receive an amount which is substantially less than your initial investment amount, depending on the level of the floor rate.** For further details, please refer to the sub-section headed "A bull knock-out event has occurred" below.

A bull knock-out event has not occurred

If a bull knock-out event **has not occurred**, we will pay you on the settlement date a cash amount equal to the sum of: (i) the floor amount; and (ii) the fixed cash distribution amount (if any); and (iii) the potential performance return (if any).

- The floor amount will be calculated according to the following formula:

Nominal amount x Floor rate

- The floor rate will be set at a level equal to or greater than 70% as set out in the relevant term sheet. Our Bull Knock-out Performance ELIs will be fully principal protected if the floor rate is set at 100%. If the floor rate is set at a level below 100%, our Bull Knock-out Performance ELIs will only be partially principal protected. The level of principal protection will depend on the floor rate: the higher the floor rate, the higher the principal protection you will receive for your Bull Knock-out Performance ELIs. However, the higher the level of principal protection, the lower the potential return. The relevant term sheet will set out whether your Bull Knock-out Performance ELIs are fully or partially principal protected at expiry. Please refer to the relevant term sheet for further details.

- The fixed cash distribution amount will be calculated according to the following formula:

Nominal amount x Fixed cash dividend rate

- The fixed cash dividend rate will be set out in the relevant term sheet and may be set at 0%, in which case you will not receive any fixed cash distribution amount.

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

Nominal amount x Performance*

* The performance is the rate determined based on the difference between the closing price of the reference asset on the expiry date and the initial spot price, subject to a minimum of zero and multiplied by the participation rate. The performance will be calculated according to the following formula:

$$\text{Max}\left(\frac{\text{Closing price of the reference asset on the expiry date}}{\text{Initial spot price of the reference asset}} - 1, 0\right) \text{x participation rate}$$

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

- The potential performance return will only be paid if (i) the bull knock-out event **has not occurred**; and (ii) the closing price of the reference asset on the expiry date is **above** the initial spot price. If such conditions are not met, **you will not receive the potential performance return. It is possible that you may not receive any potential performance return for the Bull Knock-out Performance ELIs. You should note that payment of a potential performance return does not automatically result in a gain scenario. You may still suffer a loss if the floor rate is set at a level below 100% and the sum of: (i) the potential performance return and (ii) the fixed cash distribution amount (if any) is less than the difference between the nominal amount and the floor amount.**

  If the bull knock-out event **has NOT occurred but** the closing price of the reference asset on the expiry date is **at or below** the initial spot price, you **will not** receive the potential performance return. **In this case, you will suffer a *loss* if the sum of: (i) the floor amount; and (ii) the fixed cash distribution amount (if any) is less than the issue price you paid for each Bull Knock-out Performance ELI.**

A bull knock-out event has occurred

If a bull knock-out event **has occurred**, you will not receive the potential performance return. You will receive on the settlement date a cash amount equal to the sum of: (i) the floor amount; and (ii) the fixed cash distribution amount (if any); and (iii) the rebate amount (if any).

- The rebate amount will be calculated according to the following formula:

Nominal amount x Rebate rate

- The rebate rate will be set out in the relevant term sheet and may be set at 0%, in which case you will not receive any rebate amount.

In this case, you will suffer a *loss* if the sum of: (i) the floor amount; (ii) the fixed cash distribution amount (if any); and (iii) the rebate amount (if any) is less than the issue price you paid for each Bull Knock-out Performance ELI.

- You should note that your payout under the Bull Knock-out Performance ELIs will be reduced by any distributor's charges and any cash settlement expenses payable on settlement of the Bull Knock-out Performance ELIs.

- To help you understand how the final settlement payout is determined, we have included several hypothetical examples on pages 47 to 70 of this product booklet. We have also included on pages 130 to 133 of this product booklet a flowchart description to help you understand how our Bull Knock-out Performance ELIs work.

A flowchart illustration of the determination of the final settlement payout at expiry:

During the period from (but excluding) the Trade Date to (and including) the Expiry Date

Has the bull knock-out event* occurred?

Yes

Investors receive on the settlement date the final settlement payout (less cash settlement expenses (if any)), being:

(i) the FLOOR AMOUNT; plus

(ii) the FIXED CASH DISTRIBUTION AMOUNT (if any); plus

(iii) the REBATE AMOUNT (if any).

No

Investors receive on the settlement date the final settlement payout (less cash settlement expenses (if any)), being:

(i) the FLOOR AMOUNT; plus

(ii) the FIXED CASH DISTRIBUTION AMOUNT (if any); plus

(iii) the POTENTIAL PERFORMANCE RETURN (if any).

The potential performance return will be calculated on the expiry date as follows:

$$\text{Nominal amount} \times \text{Performance}^{\triangle}$$

The performance is calculated as follows:

$$\text{Max}\left(\frac{\text{Closing price of the reference asset on the expiry date}}{\text{Initial spot price of the reference asset}} - 1, 0\right) \times \text{Participation rate}$$

The participation rate will be a percentage as set out in the relevant term sheet.

The potential performance return will only be paid if (i) the bull knock-out event **has not occurred**; and (ii) the closing price of the reference asset on the expiry date is **above** the initial spot price. If such conditions are not met, you will not receive the potential performance return. **It is possible that you may not receive any potential performance return for the Bull Knock-out Performance ELIs.**

Settlement Date

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* A **bull knock-out event** occurs if the closing price of the reference asset is **above** the knock-out barrier on **any knock-out event date**, which is set as each scheduled trading day during the period from (but excluding) the trade date to (and including) the expiry date.

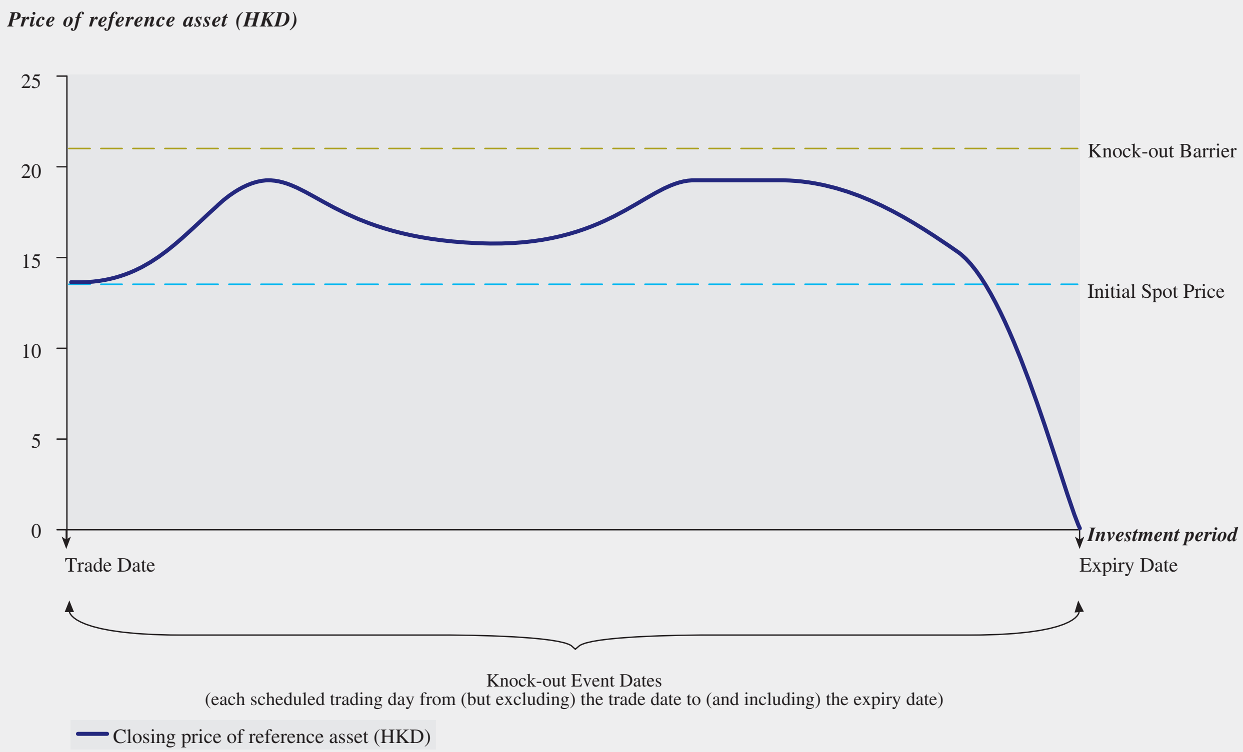
△ The performance is the rate determined based on the difference between the closing price of the reference asset on the expiry date and the initial spot price, subject to a minimum of zero and multiplied by the participation rate, as calculated according to the above formula.

Worst Case Scenario

The hypothetical example below does not reflect a complete analysis of all possible gain or loss scenarios. You must not rely on it as an indication of the price performance of the reference asset or the payout on the Bull Knock-out Performance ELIs.

The example below illustrates the worst case scenario where a bull knock-out event **has NOT occurred** during the investment period of the Bull Knock-out Performance ELIs but the **potential performance return is not payable** as the closing price of the reference asset on the expiry date is **below** the initial spot price.

This example assumes that (i) the issue price is 100% of the nominal amount; (ii) the floor rate is set at 70% – i.e. partial principal protection at 70% of the nominal amount is applicable; and (iii) the fixed cash dividend rate is 0% – i.e. no fixed cash distribution amount is payable.



At Expiry: Bull Knock-out Event has NOT occurred and the closing price of the reference asset on the expiry date is below the initial spot price

As shown in the above diagram, a bull knock-out event **has not occurred** but the closing price of the reference asset has dropped to zero, which is below the initial spot price. As a bull knock-out event **has not occurred**, you will receive on the settlement date a cash payment in the settlement currency equal to the sum of: (i) the floor amount; and (ii) the fixed cash distribution amount (if any); and (iii) the potential performance return (if any).

In this case, you will not receive any potential performance return on the settlement date as the closing price of the reference asset on the expiry date is below the initial spot price. In addition, you will not receive any fixed cash distribution amount. Therefore, you will only receive the floor amount on the settlement date. As the floor rate is set at 70%, you will suffer a *loss* of 30% of the nominal amount, which is equal to the difference between (A) the issue price you paid for each Bull Knock-out Performance ELI; and (B) the floor amount (being 70% of the nominal amount), less any cash settlement expenses and distributor's charges (if applicable).

Please also refer to the section headed "Hypothetical Examples for Bull Knock-out Performance ELIs" on pages 47 to 70 of this product booklet for more illustrative examples of how the Bull Knock-out Performance ELIs work.

Additional Worst Case Scenario – if HSBC as issuer becomes insolvent or defaults on its obligations under the Bull Knock-out Performance ELIs

Assume further that HSBC as issuer becomes insolvent or defaults on its obligations under the Bull Knock-out Performance ELIs during the scheduled tenor of the Bull Knock-out Performance ELIs. In such case, you may get nothing back (including the final settlement payout of the Bull Knock-out Performance ELIs) regardless of the price performance of the reference asset and **you could lose 100% of the initial investment amount**.

Adjustment and Disruption Events affecting our Bull Knock-out Performance ELIs

Upon the occurrence of a potential adjustment event or certain extraordinary unforeseeable events (such as a merger event or a tender offer) affecting the reference asset or the issuer of the reference asset, we can adjust some of the terms and conditions of our Bull Knock-out Performance ELIs to account for that event to preserve the economic equivalence of the Bull Knock-out Performance ELIs. If we determine that any such adjustments is not able to preserve the economic equivalence of the Bull Knock-out Performance ELIs, or the performance of our obligations under the Bull Knock-out Performance ELIs has become illegal or impracticable for any reason beyond our control, we will early terminate our Bull Knock-out Performance ELIs. If certain market disruption events occur, we may postpone some of the key dates relevant to the terms of our Bull Knock-out Performance ELIs.

Please refer to the summary table on pages 120 to 129 of this product booklet for further details.

What charges do you have to pay?

- **Cash settlement expenses** if applicable, will be deducted from any settlement amount in cash you may receive. Currently, no cash settlement expenses are payable.

- **Distributor's charges**. Please contact your distributor for details of any charges you need to pay if you buy our Bull Knock-out Performance ELIs from your distributor.

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

How can you buy the Bull Knock-out Performance ELIs?

If you would like to buy our Bull Knock-out Performance ELIs, you can contact the appointed distributor(s) to enquire about the range of Bull Knock-out Performance ELIs we offer and the application procedures. Please also refer to the sub-section headed "How Can You Buy the Knock-out Performance ELIs?" on page 151 of this product booklet for further details.

Is there a post-sale cooling-off period for our Bull Knock-out Performance ELIs?

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

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

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

Please note that the post-sale cooling-off period is not applicable to Bull Knock-out Performance ELIs with an investment period of one year or less.

Please refer to pages 152 to 153 for further details.

Is there any market making arrangement for our Bull Knock-out Performance ELIs before expiry?

We (as market agent) will provide limited market making arrangements for all our Bull Knock-out Performance ELIs on each market making day falling every other Tuesday after the issue date up to the third exchange business day (being a day on which the Hong Kong Stock Exchange is open for trading) before the expiry date. On each market making day, we (as market agent) will (via the distributor(s)) (i) make available indicative bid prices (on a per-Bull Knock-out Performance ELI basis) during normal business hours; and (ii) provide a firm bid price (on a per- Bull Knock-out Performance ELI basis) for your Bull Knock-out Performance ELIs upon your request, provided that your request for a firm bid price is submitted to your distributor during a specified timeframe on such market making day.

We will determine the firm bid price at which we are willing to buy back your Bull Knock-out Performance ELIs based on the indicative bid price and prevailing market conditions and **such firm bid price may be substantially less than the issue price you paid for each Bull Knock-out Performance ELI**. **The firm bid price provided to you by your distributor will only be valid for a limited period of time as notified to you by your distributor. Your distributor may also charge you a fee when you sell your Bull Knock-out Performance ELIs back to us on a market making day and such fees will reduce the amount you receive when you sell your Bull Knock-out Performance ELIs back to us before expiry.**

Please also note that indicative bid prices and/or firm bid prices may not be available on a market making day if certain events occur.

Please refer to pages 154 to 155 for further details.

Additional Information

A. Knock-out Performance ELI offering documents

The following Knock-out Performance ELI offering documents contain detailed information about HSBC as issuer and product arranger, the Programme and the Bull Knock-out Performance ELIs. You should read all of these documents before deciding whether to invest in our Bull Knock-out Performance ELIs:

(i) the relevant indicative term sheet for the series of the Bull Knock-out Performance ELIs you would like to buy;

(ii) the programme memorandum dated 24 July 2023 together with any addendum as stated in the relevant indicative term sheet;

(iii) the financial disclosure document together with any addendum as stated in the relevant indicative term sheet; and

(iv) this product booklet together with any addendum as stated in the relevant indicative term sheet.

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

B. Ongoing disclosure by HSBC

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

If you would like to enquire about our Bull Knock-out Performance ELIs, visit any designated branches of the appointed distributor(s) for the Bull Knock-out Performance ELIs.

Key Facts Statement (B)

Unlisted Equity Linked Investments Linked to a Single Security with Full or Partial Principal Protection at Expiry and Knock-out Performance with Bear Knock-out Feature (Bear Knock-out Performance ELIs)

issued by

The Hongkong and Shanghai Banking Corporation Limited (HSBC)

We may issue three variations of Knock-out Performance ELIs. This key facts statement provides you with the key information about one variation of Knock-out Performance ELIs that we may issue: Bear Knock-out Performance ELIs.

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

IMPORTANT RISK WARNINGS

- **Full or partial principal protection at expiry only**
  Our Bear Knock-out Performance ELIs are fully or partially principal protected at expiry only, provided that you hold your Bear Knock-out Performance ELIs until expiry and our Bear Knock-out Performance ELIs are not otherwise early terminated. **You must hold your Bear Knock-out Performance ELIs until expiry to realise any full or partial principal protection**. Our Bear Knock-out Performance ELIs will be fully principal protected if the floor rate is set at 100%. If the floor rate is set at a level below 100%, our Bear Knock-out Performance ELIs will only be partially principal protected. The floor rate will be set at a level equal to or greater than 70% as set out in the relevant term sheet. The level of principal protection will depend on the floor rate: the higher the floor rate, the higher the principal protection you will receive for your Bear Knock-out Performance ELIs. However, the higher the level of principal protection, the lower the potential return. The relevant term sheet will set out whether your Bear Knock-out Performance ELIs are fully or partially principal protected at expiry. Please refer to the relevant term sheet for further details.

- **Structured investment product**
  Our Bear Knock-out Performance ELIs are NOT equivalent to time deposits and are NOT protected deposits for the purposes of the Deposit Protection Scheme. They are structured investment products embedded with derivatives.

- **You may suffer a loss if our Bear Knock-out Performance ELIs are partially principal protected**
  The final settlement payout that you receive at expiry may be less than your initial investment amount but is subject to a minimum final settlement payout, being the sum of: (i) the floor amount; and (ii) the fixed cash distribution amount (if any), provided that you hold your Bear Knock-out Performance ELIs until expiry and our Bear Knock-out Performance ELIs are not otherwise early terminated. The minimum final settlement payout you will receive at expiry is dependent on the floor rate, which will be set at a level equal to or greater than 70% as set out in the relevant term sheet. The higher the floor rate, the higher the floor amount and the higher the minimum final settlement payout. **You may suffer a loss if our Bear Knock-out Performance ELIs are partially principal protected (i.e. the floor rate is set at a level below 100%). Depending on the level of the floor rate, you may receive an amount which is substantially less than your initial investment amount.**

- **No principal protection if you sell your Bear Knock-out Performance ELIs before expiry or if we early terminate our Bear Knock-out Performance ELIs**
  Our Bear Knock-out Performance ELIs are NOT principal protected if you sell your Bear Knock-out Performance ELIs to us (as market agent) prior to expiry via market making arrangements or if we early terminate our Bear Knock-out Performance ELIs due to the occurrence of certain extraordinary unforeseeable events or if we determine in good faith and in a commercially reasonable manner that the performance of any of our absolute or contingent obligations under the Bear Knock-out Performance ELIs has become illegal or impracticable in whole or in part for any reason beyond our control. **In such circumstances, you will not be able to realise any full or partial principal protection and you may receive an amount which is substantially less than your initial investment amount.**

- **You may not receive any potential performance return and payment of a potential performance return does not automatically result in a gain scenario**
  The potential performance return will only be paid if certain conditions are met. You will **NOT** receive the potential performance return if (i) the bear knock-out event **has occurred** on any knock-out event date; or (ii) the bear knock-out event **has NOT occurred but** the closing price of the reference asset on the expiry date is **at or above** the initial spot price. **It is possible that you may not receive any potential performance return for the Bear Knock-out Performance ELIs. In this case, you may receive an amount which is substantially less than your initial investment amount. You should also note that payment of a potential performance return does not automatically result in a gain scenario. You will still suffer a loss if the floor rate is set at a level below 100% and the sum of (i) the potential performance return and (ii) the fixed cash distribution amount (if any) is less than the difference between the nominal amount and the floor amount.**

- **Limited maximum potential performance return**
  Any potential performance return payable will be **capped** at an amount calculated based on the difference between the knock-out barrier and the initial spot price, multiplied by the nominal amount and the participation rate. If the participation rate is set at a percentage which is below 100%, the potential performance return will be lower than the actual performance of the reference asset on the expiry date compared to the initial spot price.

- **No collateral**
  Our Bear Knock-out Performance ELIs are not secured on any of our assets or any collateral.

- **Limited market making arrangements are available and you may suffer a loss if you sell your Bear Knock-out Performance ELIs before expiry**
  Our Bear Knock-out Performance ELIs are designed to be held to their settlement date. Limited market making arrangements are available on a bi-weekly basis for all our Bear Knock-out Performance ELIs. If you try to sell your Bear Knock-out Performance ELIs before expiry, the amount you receive for each Bear Knock-out Performance ELI may be substantially less than the issue price you paid for each Bear Knock-out Performance ELI.

- **Not the same as investing in the reference asset**
  Investing in our Bear Knock-out Performance ELIs is not the same as investing in the reference asset. Changes in the market price of the reference asset may not lead to a corresponding change in the market value of, or your potential payout under, the Bear Knock-out Performance ELIs.

- **Not covered by Investor Compensation Fund**
  Our Bear Knock-out Performance ELIs are not listed on any stock exchange and are not covered by the Investor Compensation Fund.

- **Maximum loss upon HSBC's default or insolvency**
  Our Bear Knock-out Performance ELIs constitute general, unsecured and unsubordinated contractual obligations of HSBC as issuer and of no other person (including the ultimate holding company of our group, HSBC Holdings plc). When you buy our Bear Knock-out Performance ELIs, you will be relying on HSBC's creditworthiness. If HSBC becomes insolvent or defaults on its obligations under the Bear Knock-out Performance ELIs, in the worst case scenario, **you could lose all of your investment**.

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

- **You will be exposed to risk associated with our Bear Knock-out Performance ELIs from the trade date**
  As all the commercial variables of our Bear Knock-out Performance ELIs are determined on the trade date, you will be exposed to risk associated with our Bear Knock-out Performance ELIs and the price movement of the reference asset from the trade date which may affect the market value and the potential payout of the Bear Knock-out Performance ELIs.

- **Conflicts of interest**
  We and our subsidiaries may engage in transactions involving the reference asset which may have a negative impact on the market value and the potential payout of our Bear Knock-out Performance ELIs. We (HSBC) may act in different capacities in respect of the Bear Knock-out Performance ELIs which may lead to potential and actual conflicts of interest. Our economic interests in each capacity may be adverse to your interests in our Bear Knock-out Performance ELIs.

- **You do not have direct contractual rights to enforce our Bear Knock-out Performance ELIs against us as issuer**
  You do not have direct contractual rights to enforce our Bear Knock-out Performance ELIs against us as issuer. To assert your rights as an investor in our Bear Knock-out Performance ELIs, you will have to rely on your distributor (directly or indirectly via its custodian) to take action on your behalf. If your distributor or its custodian fails to take action against us on your behalf, you may only have a claim as an unsecured creditor of such distributor, its custodian or us as the issuer. In the worst case scenario, **you could lose all your investment**.

- **Additional risk warnings applicable to our Renminbi-denominated Bear Knock-out Performance ELIs**
  Our Renminbi-denominated Bear Knock-out Performance ELIs will be settled in Renminbi outside the PRC. Renminbi is not freely convertible and is subject to PRC exchange control policies and restrictions. Various factors may affect the market value, and the potential return, of our Renminbi-denominated Bear Knock-out Performance ELIs, including: (i) the limited availability and liquidity of Renminbi outside the PRC; (ii) any Renminbi exchange rate fluctuation; and (iii) any fluctuation in interest rates for Renminbi outside the PRC.

  If the settlement currency is Renminbi and a CNY disruption event occurs, we will settle any payment obligations in Hong Kong dollars on a postponed payment date and no interest will be payable for any such delay.

Commissions:

We may pay a commission to the distributor(s). Distributor(s)' commissions and other transaction costs including our cost of hedging are factored into the pricing of the Bear Knock-out Performance ELIs.

What are Bear Knock-out Performance ELIs?

A. Overview

- Bear Knock-out Performance ELIs are structured investment products which contain a series of embedded options including an embedded **conditional put option** over the reference asset.

- Payout under the Bear Knock-out Performance ELIs is linked to the price performance of the reference asset on each scheduled trading day during the period between the trade date and the expiry date (the "**investment period**"). The reference asset can be shares in a company or units or shares of a fund (including an exchange traded fund or a real estate investment trust) listed on The Stock Exchange of Hong Kong Limited (the "**Hong Kong Stock Exchange**") and quoted in either Hong Kong dollars or Renminbi (as the case may be). Not all Hong Kong-listed shares or funds can be used as a reference asset – please ask your distributor what kind of reference asset is available.

- Our Bear Knock-out Performance ELIs will be denominated and settled in Hong Kong dollars, United States dollars or other non-restricted and freely convertible currencies or Renminbi as specified in the relevant term sheet. Our Bear Knock-out Performance ELIs will be cash settled only. Physical settlement is not applicable to our Bear Knock-out Performance ELIs.

- You can buy a Bear Knock-out Performance ELI at the issue price (as specified in the relevant term sheet), which is equal to or below the nominal amount of the Bear Knock-out Performance ELI as specified in the relevant term sheet. The minimum investment amount is HKD100,000 (or its equivalent in foreign currency).

- The key features of our Bear Knock-out Performance ELIs are set out below:

A. Principal protection at expiry	Full or partial principal protection at the floor rate upon expiry only, provided that you hold your Bear Knock-out Performance ELIs until expiry and our Bear Knock-out Performance ELIs are not otherwise early terminated
B. Potential Performance Return	May receive a potential performance return upon expiry if certain conditions are met
C. Knock-out Event	Bear knock-out event applies

- You should note that while you place your purchase order(s) during the offer period, all of the commercial variables in relation to the reference asset (including the initial spot price and the knock-out barrier of the reference asset) that are used to determine the payout of your Bear Knock-out Performance ELI will only be recorded and determined on the trade date after you have purchased the Bear Knock-out Performance ELI.

- The initial spot price of the reference asset is set as either (i) the closing price of the reference asset on the trade date or (ii) the prevailing market price of the reference asset as quoted by the Hong Kong Stock Exchange on the trade date when your purchase order is executed or (iii) the price of the reference asset as agreed between you and us at the time your purchase order for the Bear Knock-out Performance ELIs is executed.

B. At Expiry

- If the Bear Knock-out Performance ELIs have not been early terminated due to an extraordinary unforeseeable event, we will determine the final settlement payout on the expiry date. The final settlement payout for the Bear Knock-out Performance ELIs will depend on (i) whether a bear knock-out event has occurred; and (ii) the closing price of the reference asset on the expiry date compared to the initial spot price.

- A bear knock-out event occurs if the closing price of the reference asset is **below** the knock-out barrier on **any** knock-out event date, which is set as each scheduled trading day during the period from (but excluding) the trade date to (and including) the expiry date. The knock-out barrier is set at a specified percentage of the initial spot price and will be set at a level below the initial spot price. The specified percentage used to calculate the knock-out barrier for each knock-out event date will be the same and such specified percentage will be set out in the relevant term sheet. **If a bear knock-out event has occurred, you may receive an amount which is substantially less than your initial investment amount, depending on the level of the floor rate.** For further details, please refer to the sub-section headed "A bear knock-out event has occurred" below.

A bear knock-out event has not occurred

If a bear knock-out event **has not occurred**, we will pay you on the settlement date a cash amount equal to the sum of: (i) the floor amount; and (ii) the fixed cash distribution amount (if any); and (iii) the potential performance return (if any).

- The floor amount will be calculated according to the following formula:

$$\boxed{\text{Nominal amount x Floor rate}}$$

- The floor rate will be set at a level equal to or greater than 70% as set out in the relevant term sheet. Our Bear Knock-out Performance ELIs will be fully principal protected if the floor rate is set at 100%. If the floor rate is set at a level below 100%, our Bear Knock-out Performance ELIs will only be partially principal protected. The level of principal protection will depend on the floor rate: the higher the floor rate, the higher the principal protection you will receive for your Bear Knock-out Performance ELIs. However, the higher the level of principal protection, the lower the potential return. The relevant term sheet will set out whether your Bear Knock-out Performance ELIs are fully or partially principal protected at expiry. Please refer to the relevant term sheet for further details.

- The fixed cash distribution amount will be calculated according to the following formula:

Nominal amount x Fixed cash dividend rate

- The fixed cash dividend rate will be set out in the relevant term sheet and may be set at 0%, in which case you will not receive any fixed cash distribution amount.

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

Nominal amount x Performance*

* The performance is the rate determined based on the difference between the closing price of the reference asset on the expiry date and the initial spot price, subject to a minimum of zero and multiplied by the participation rate. The performance will be calculated according to the following formula:

$$\text{Max}\left(1 - \frac{\text{Closing price of the reference asset on the expiry date}}{\text{Initial spot price of the reference asset}}, 0\right) \text{ x participation rate}$$

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

- The potential performance return will only be paid if (i) the bear knock-out event **has not occurred**; and (ii) the closing price of the reference asset on the expiry date is **below** the initial spot price. If such conditions are not met, **you will not receive the potential performance return. It is possible that you may not receive any potential performance return for the Bear Knock-out Performance ELIs. You should note that payment of a potential performance return does not automatically result in a gain scenario. You may still suffer a loss if the floor rate is set at a level below 100% and the sum of: (i) the potential performance return and (ii) the fixed cash distribution amount (if any) is less than the difference between the nominal amount and the floor amount.**

  If the bear knock-out event **has NOT occurred but** the closing price of the reference asset on the expiry date is **at or above** the initial spot price, you **will not** receive the potential performance return. **In this case, you will suffer a *loss* if the sum of: (i) the floor amount; and (ii) the fixed cash distribution amount (if any) is less than the issue price you paid for each Bear Knock-out Performance ELI.**

A bear knock-out event has occurred

If a bear knock-out event **has occurred**, you will not receive the potential performance return. You will receive on the settlement date a cash amount equal to the sum of: (i) the floor amount; and (ii) the fixed cash distribution amount (if any); and (iii) the rebate amount (if any).

- The rebate amount will be calculated according to the following formula:

Nominal amount x Rebate rate

- The rebate rate will be set out in the relevant term sheet and may be set at 0%, in which case you will not receive any rebate amount.

In this case, you will suffer a *loss* if the sum of: (i) the floor amount; (ii) the fixed cash distribution amount (if any); and (iii) the rebate amount (if any) is less than the issue price you paid for each Bear Knock-out Performance ELI.

- You should note that your payout under the Bear Knock-out Performance ELIs will be reduced by any distributor's charges and any cash settlement expenses payable on settlement of the Bear Knock-out Performance ELIs.

- To help you understand how the final settlement payout is determined, we have included several hypothetical examples on pages 71 to 94 of this product booklet. We have also included on pages 130 to 133 of this product booklet a flowchart description to help you understand how our Bear Knock-out Performance ELIs work.

A flowchart illustration of the determination of the final settlement payout at expiry:

During the period from (but excluding) the Trade Date to (and including) the Expiry Date

Has the bear knock-out event* occurred?

Settlement Date

Yes

Investors receive on the settlement date the final settlement payout (less cash settlement expenses (if any)), being:

(i) the FLOOR AMOUNT; plus

(ii) the FIXED CASH DISTRIBUTION AMOUNT (if any); plus

(iii) the REBATE AMOUNT (if any).

No

Investors receive on the settlement date the final settlement payout (less cash settlement expenses (if any)), being:

(i) the FLOOR AMOUNT; plus

(ii) the FIXED CASH DISTRIBUTION AMOUNT (if any); plus

(iii) the POTENTIAL PERFORMANCE RETURN (if any).

The potential performance return will be calculated on the expiry date as follows:

$$\text{Nominal amount} \times \text{Performance}^{\triangle}$$

The performance is calculated as follows:

$$\text{Max}\left(1 - \frac{\text{Closing price of the reference asset on the expiry date}}{\text{Initial spot price of the reference asset}}, 0\right) \times \text{Participation rate}$$

The participation rate will be a percentage as set out in the relevant term sheet.

The potential performance return will only be paid if (i) the bear knock-out event **has not occurred**; and (ii) the closing price of the reference asset on the expiry date is **below** the initial spot price. If such conditions are not met, you will not receive the potential performance return. **It is possible that you may not receive any potential performance return for the Bear Knock-out Performance ELIs.**

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* A **bear knock-out event** occurs if the closing price of the reference asset is **below** the knock-out barrier on **any knock-out event date**, which is set as each scheduled trading day during the period from (but excluding) the trade date to (and including) the expiry date.

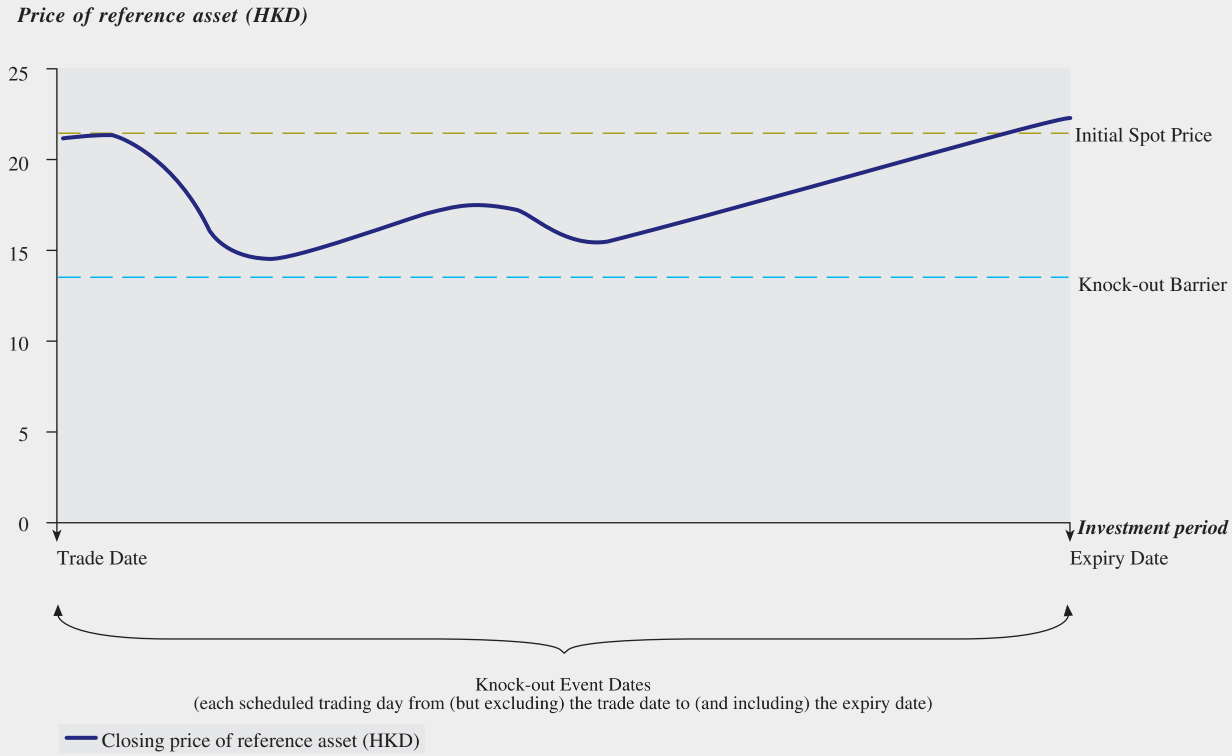
△ The performance is the rate determined based on the difference between the closing price of the reference asset on the expiry date and the initial spot price, subject to a minimum of zero and multiplied by the participation rate, as calculated according to the above formula.

Worst Case Scenario

The hypothetical example below does not reflect a complete analysis of all possible gain or loss scenarios. You must not rely on it as an indication of the price performance of the reference asset or the payout on the Bear Knock-out Performance ELIs.

The example below illustrates the worst case scenario where a bear knock-out event **has NOT occurred** during the investment period of the Bear Knock-out Performance ELIs but the **potential performance return is not payable** as the closing price of the reference asset on the expiry date is **above** the initial spot price.

This example assumes that (i) the issue price is 100% of the nominal amount; (ii) the floor rate is set at 70% – i.e. partial principal protection at 70% of the nominal amount is applicable; and (iii) the fixed cash dividend rate is 0% – i.e. no fixed cash distribution amount is payable.



At Expiry: Bear Knock-out Event has NOT occurred and the closing price of the reference asset on the expiry date is above the initial spot price

As shown in the above diagram, a bear knock-out event **has not occurred** but the closing price of the reference asset is above the initial spot price. As a bear knock-out event **has not occurred**, you will receive on the settlement date a cash payment in the settlement currency equal to the sum of: (i) the floor amount; and (ii) the fixed cash distribution amount (if any); and (iii) the potential performance return (if any).

In this case, you will not receive any potential performance return on the settlement date as the closing price of the reference asset on the expiry date is above the initial spot price. In addition, you will not receive any fixed cash distribution amount. Therefore, you will only receive the floor amount on the settlement date. As the floor rate is set at 70%, you will suffer a *loss* of 30% of the nominal amount, which is equal to the difference between (A) the issue price you paid for each Bear Knock-out Performance ELI; and (B) the floor amount (being 70% of the nominal amount), less any cash settlement expenses and distributor's charges (if applicable).

Please also refer to the section headed "Hypothetical Examples for Bear Knock-out Performance ELIs" on pages 71 to 94 of this product booklet for more illustrative examples of how the Bear Knock-out Performance ELIs work.

Additional Worst Case Scenario – if HSBC as issuer becomes insolvent or defaults on its obligations under the Bear Knock-out Performance ELIs

Assume further that HSBC as issuer becomes insolvent or defaults on its obligations under the Bear Knock-out Performance ELIs during the scheduled tenor of the Bear Knock-out Performance ELIs. In such case, you may get nothing back (including the final settlement payout of the Bear Knock-out Performance ELIs) regardless of the price performance of the reference asset and **you could lose 100% of the initial investment amount**.

Adjustment and Disruption Events affecting our Bear Knock-out Performance ELIs

Upon the occurrence of a potential adjustment event or certain extraordinary unforeseeable events (such as a merger event or a tender offer) affecting the reference asset or the issuer of the reference asset, we can adjust some of the terms and conditions of our Bear Knock-out Performance ELIs to account for that event to preserve the economic equivalence of the Bear Knock-out Performance ELIs. If we determine that any such adjustments is not able to preserve the economic equivalence of the Bear Knock-out Performance ELIs, or the performance of our obligations under the Bear Knock-out Performance ELIs has become illegal or impracticable for any reason beyond our control, we will early terminate our Bear Knock-out Performance ELIs. If certain market disruption events occur, we may postpone some of the key dates relevant to the terms of our Bear Knock-out Performance ELIs.

Please refer to the summary table on pages 120 to 129 of this product booklet for further details.

What charges do you have to pay?

- **Cash settlement expenses** if applicable, will be deducted from any settlement amount in cash you may receive. Currently, no cash settlement expenses are payable.

- **Distributor's charges**. Please contact your distributor for details of any charges you need to pay if you buy our Bear Knock-out Performance ELIs from your distributor.

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

How can you buy the Bear Knock-out Performance ELIs?

If you would like to buy our Bear Knock-out Performance ELIs, you can contact the appointed distributor(s) to enquire about the range of Bear Knock-out Performance ELIs we offer and the application procedures. Please also refer to the sub-section headed "How Can You Buy the Knock-out Performance ELIs?" on page 151 of this product booklet for further details.

Is there a post-sale cooling-off period for our Bear Knock-out Performance ELIs?

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

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

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

Please note that the post-sale cooling-off period is not applicable to Bear Knock-out Performance ELIs with an investment period of one year or less.

Please refer to pages 152 to 153 for further details.

Is there any market making arrangement for our Bear Knock-out Performance ELIs before expiry?

We (as market agent) will provide limited market making arrangements for all our Bear Knock-out Performance ELIs on each market making day falling every other Tuesday after the issue date up to the third exchange business day (being a day on which the Hong Kong Stock Exchange is open for trading) before the expiry date. On each market making day, we (as market agent) will (via the distributor(s)) (i) make available indicative bid prices (on a per-Bear Knock-out Performance ELI basis) during normal business hours; and (ii) provide a firm bid price (on a per-Bear Knock-out Performance ELI basis) for your Bear Knock-out Performance ELIs upon your request, provided that your request for a firm bid price is submitted to your distributor during a specified timeframe on such market making day.

We will determine the firm bid price at which we are willing to buy back your Bear Knock-out Performance ELIs based on the indicative bid price and prevailing market conditions and **such firm bid price may be substantially less than the issue price you paid for each Bear Knock-out Performance ELI**. **The firm bid price provided to you by your distributor will only be valid for a limited period of time as notified to you by your distributor. Your distributor may also charge you a fee when you sell your Bear Knock-out Performance ELIs back to us on a market making day and such fees will reduce the amount you receive when you sell your Bear Knock-out Performance ELIs back to us before expiry.**

Please also note that indicative bid prices and/or firm bid prices may not be available on a market making day if certain events occur.

Please refer to pages 154 to 155 for further details.

Additional Information

A. Knock-out Performance ELI offering documents

The following Knock-out Performance ELI offering documents contain detailed information about HSBC as issuer and product arranger, the Programme and the Bear Knock-out Performance ELIs. You should read all of these documents before deciding whether to invest in our Bear Knock-out Performance ELIs:

(i) the relevant indicative term sheet for the series of the Bear Knock-out Performance ELIs you would like to buy;

(ii) the programme memorandum dated 24 July 2023 together with any addendum as stated in the relevant indicative term sheet;

(iii) the financial disclosure document together with any addendum as stated in the relevant indicative term sheet; and

(iv) this product booklet together with any addendum as stated in the relevant indicative term sheet.

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

B. Ongoing disclosure by HSBC

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

If you would like to enquire about our Bear Knock-out Performance ELIs, visit any designated branches of the appointed distributor(s) for the Bear Knock-out Performance ELIs.

Key Facts Statement (C)

Unlisted Equity Linked Investments Linked to a Single Security with Full or Partial Principal Protection at Expiry and Knock-out Performance with Double Knock-out Feature (Double Knock-out Performance ELIs)

issued by

The Hongkong and Shanghai Banking Corporation Limited (HSBC)

We may issue three variations of Knock-out Performance ELIs. This key facts statement provides you with the key information about one variation of Knock-out Performance ELIs that we may issue: Double Knock-out Performance ELIs.

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

IMPORTANT RISK WARNINGS

- **Full or partial principal protection at expiry only**
  Our Double Knock-out Performance ELIs are fully or partially principal protected at expiry only, provided that you hold your Double Knock-out Performance ELIs until expiry and our Double Knock-out Performance ELIs are not otherwise early terminated. **You must hold your Double Knock-out Performance ELIs until expiry to realise any full or partial principal protection**. Our Double Knock-out Performance ELIs will be fully principal protected if the floor rate is set at 100%. If the floor rate is set at a level below 100%, our Double Knock-out Performance ELIs will only be partially principal protected. The floor rate will be set at a level equal to or greater than 70% as set out in the relevant term sheet. The level of principal protection will depend on the floor rate: the higher the floor rate, the higher the principal protection you will receive for your Double Knock-out Performance ELIs. However, the higher the level of principal protection, the lower the potential return. The relevant term sheet will set out whether your Double Knock-out Performance ELIs are fully or partially principal protected at expiry. Please refer to the relevant term sheet for further details.

- **Structured investment product**
  Our Double Knock-out Performance ELIs are NOT equivalent to time deposits and are NOT protected deposits for the purposes of the Deposit Protection Scheme. They are structured investment products embedded with derivatives.

- **You may suffer a loss if our Double Knock-out Performance ELIs are partially principal protected**
  The final settlement payout that you receive at expiry may be less than your initial investment amount but is subject to a minimum final settlement payout, being the sum of: (i) the floor amount; and (ii) the fixed cash distribution amount (if any), provided that you hold your Double Knock-out Performance ELIs until expiry and our Double Knock-out Performance ELIs are not otherwise early terminated. The minimum final settlement payout you will receive at expiry is dependent on the floor rate, which will be set at a level equal to or greater than 70% as set out in the relevant term sheet. The higher the floor rate, the higher the floor amount and the higher the minimum final settlement payout. **You may suffer a loss if our Double Knock-out Performance ELIs are partially principal protected (i.e. the floor rate is set at a level below 100%). Depending on the level of the floor rate, you may receive an amount which is substantially less than your initial investment amount.**

- **No principal protection if you sell your Double Knock-out Performance ELIs before expiry or if we early terminate our Double Knock-out Performance ELIs**
  Our Double Knock-out Performance ELIs are NOT principal protected if you sell your Double Knock-out Performance ELIs to us (as market agent) prior to expiry via market making arrangements or if we early terminate our Double Knock-out Performance ELIs due to the occurrence of certain extraordinary unforeseeable events or if we determine in good faith and in a commercially reasonable manner that the performance of any of our absolute or contingent obligations under the Double Knock-out Performance ELIs has become illegal or impracticable in whole or in part for any reason beyond our control. **In such circumstances, you will not be able to realise any full or partial principal protection and you may receive an amount which is substantially less than your initial investment amount.**

- **You may not receive any potential performance return and payment of a potential performance return does not automatically result in a gain scenario**
  The potential performance return will only be paid if certain conditions are met. You will **NOT** receive the potential performance return if (i) the double knock-out event **has occurred** on any knock-out event date; or (ii) the double knock-out event **has NOT occurred but** the closing price of the reference asset on the expiry date is **at the same level** as the initial spot price. **It is possible that you may not receive any potential performance return for the Double Knock-out Performance ELIs. In this case, you may receive an amount which is substantially less than your initial investment amount. You should also note that payment of a potential performance return does not automatically result in a gain scenario. You will still suffer a loss if the floor rate is set at a level below 100% and the sum of (i) the potential performance return and (ii) the fixed cash distribution amount (if any) is less than the difference between the nominal amount and the floor amount.**

- **Limited maximum potential performance return**
  Any potential performance return payable will be **capped** at an amount calculated based on the higher of (i) the difference between the upper knock-out barrier and the initial spot price or (ii) the difference between the lower knock-out barrier and the initial spot price, multiplied by the nominal amount and the participation rate. If the participation rate is set at a percentage which is below 100%, the potential performance return will be lower than the actual performance of the reference asset on the expiry date compared to the initial spot price.

- **No collateral**
  Our Double Knock-out Performance ELIs are not secured on any of our assets or any collateral.

- **Limited market making arrangements are available and you may suffer a loss if you sell your Double Knock-out Performance ELIs before expiry**
  Our Double Knock-out Performance ELIs are designed to be held to their settlement date. Limited market making arrangements are available on a bi-weekly basis for all our Double Knock-out Performance ELIs. If you try to sell your Double Knock-out Performance ELIs before expiry, the amount you receive for each Double Knock-out Performance ELI may be substantially less than the issue price you paid for each Double Knock-out Performance ELI.

- **Not the same as investing in the reference asset**
  Investing in our Double Knock-out Performance ELIs is not the same as investing in the reference asset. Changes in the market price of the reference asset may not lead to a corresponding change in the market value of, or your potential payout under, the Double Knock-out Performance ELIs.

- **Not covered by Investor Compensation Fund**
  Our Double Knock-out Performance ELIs are not listed on any stock exchange and are not covered by the Investor Compensation Fund.

- **Maximum loss upon HSBC's default or insolvency**
  Our Double Knock-out Performance ELIs constitute general, unsecured and unsubordinated contractual obligations of HSBC as issuer and of no other person (including the ultimate holding company of our group, HSBC Holdings plc). When you buy our Double Knock-out Performance ELIs, you will be relying on HSBC's creditworthiness. If HSBC becomes insolvent or defaults on its obligations under the Double Knock-out Performance ELIs, in the worst case scenario, **you could lose all of your investment**.

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

- **You will be exposed to risk associated with our Double Knock-out Performance ELIs from the trade date**
  As all the commercial variables of our Double Knock-out Performance ELIs are determined on the trade date, you will be exposed to risk associated with our Double Knock-out Performance ELIs and the price movement of the reference asset from the trade date which may affect the market value and the potential payout of the Double Knock-out Performance ELIs.

- **Conflicts of interest**
  We and our subsidiaries may engage in transactions involving the reference asset which may have a negative impact on the market value and the potential payout of our Double Knock-out Performance ELIs. We (HSBC) may act in different capacities in respect of the Double Knock-out Performance ELIs which may lead to potential and actual conflicts of interest. Our economic interests in each capacity may be adverse to your interests in our Double Knock-out Performance ELIs.

- **You do not have direct contractual rights to enforce our Double Knock-out Performance ELIs against us as issuer**
  You do not have direct contractual rights to enforce our Double Knock-out Performance ELIs against us as issuer. To assert your rights as an investor in our Double Knock-out Performance ELIs, you will have to rely on your distributor (directly or indirectly via its custodian) to take action on your behalf. If your distributor or its custodian fails to take action against us on your behalf, you may only have a claim as an unsecured creditor of such distributor, its custodian or us as the issuer. In the worst case scenario, **you could lose all your investment**.

- **Additional risk warnings applicable to our Renminbi-denominated Double Knock-out Performance ELIs**
  Our Renminbi-denominated Double Knock-out Performance ELIs will be settled in Renminbi outside the PRC. Renminbi is not freely convertible and is subject to PRC exchange control policies and restrictions. Various factors may affect the market value, and the potential return, of our Renminbi-denominated Double Knock-out Performance ELIs, including: (i) the limited availability and liquidity of Renminbi outside the PRC; (ii) any Renminbi exchange rate fluctuation; and (iii) any fluctuation in interest rates for Renminbi outside the PRC.

  If the settlement currency is Renminbi and a CNY disruption event occurs, we will settle any payment obligations in Hong Kong dollars on a postponed payment date and no interest will be payable for any such delay.

Commissions:

We may pay a commission to the distributor(s). Distributor(s)' commissions and other transaction costs including our cost of hedging are factored into the pricing of the Double Knock-out Performance ELIs.

What are Double Knock-out Performance ELIs?

A. Overview

- Double Knock-out Performance ELIs are structured investment products which contain a series of embedded options including embedded **conditional put and call options** over the reference asset.

- Payout under the Double Knock-out Performance ELI is linked to the price performance of the reference asset on each scheduled trading day during the period between the trade date and the expiry date (the "**investment period**"). The reference asset can be shares in a company or units or shares of a fund (including an exchange traded fund or a real estate investment trust) listed on The Stock Exchange of Hong Kong Limited (the "**Hong Kong Stock Exchange**") and quoted in either Hong Kong dollars or Renminbi (as the case may be). Not all Hong Kong-listed shares or funds can be used as a reference asset – please ask your distributor what kind of reference asset is available.

- Our Double Knock-out Performance ELIs will be denominated and settled in Hong Kong dollars, United States dollars or other non-restricted and freely convertible currencies or Renminbi as specified in the relevant term sheet. Our Double Knock-out Performance ELIs will be cash settled only. Physical settlement is not applicable to our Double Knock-out Performance ELIs.

- You can buy a Double Knock-out Performance ELI at the issue price (as specified in the relevant term sheet), which is equal to or below the nominal amount of the Double Knock-out Performance ELI as specified in the relevant term sheet. The minimum investment amount is HKD100,000 (or its equivalent in foreign currency).

- The key features of our Double Knock-out Performance ELIs are set out below:

A. Principal protection at expiry	Full or partial principal protection at the floor rate upon expiry only, provided that you hold your Double Knock-out Performance ELIs until expiry and our Double Knock-out Performance ELIs are not otherwise early terminated
B. Potential Performance Return	May receive a potential performance return upon expiry if certain conditions are met
C. Knock-out Event	Double knock-out event applies

- You should note that while you place your purchase order(s) during the offer period, all of the commercial variables in relation to the reference asset (including the initial spot price, the lower knock-out barrier and the upper knock-out barrier of the reference asset) that are used to determine the payout of your Double Knock-out Performance ELI will only be recorded and determined on the trade date after you have purchased the Double Knock-out Performance ELI.

- The initial spot price of the reference asset is set as either (i) the closing price of the reference asset on the trade date or (ii) the prevailing market price of the reference asset as quoted by the Hong Kong Stock Exchange on the trade date when your purchase order is executed or (iii) the price of the reference asset as agreed between you and us at the time your purchase order for the Double Knock-out Performance ELIs is executed.

B. At Expiry

- If the Double Knock-out Performance ELIs have not been early terminated due to an extraordinary unforeseeable event, we will determine the final settlement payout on the expiry date. The final settlement payout for the Double Knock-out Performance ELIs will depend on whether a double knock-out event has occurred.

- A double knock-out event occurs if the closing price of the reference asset is either (i) **below** the lower knock-out barrier; or (ii) **above** the upper knock-out barrier on **any** knock-out event date, which is set as each scheduled trading day during the period from (but excluding) the trade date to (and including) the expiry date. The lower knock-out barrier is set at a specified percentage of the initial spot price and will be set at a level below the initial spot price and the upper knock-out barrier is set at a specified percentage of the initial spot price and will be set at a level above the initial spot price. The specified percentage used to calculate the lower knock-out barrier for each knock-out event date will be the same and the specified percentage used to calculate the upper knock-out barrier for each knock-out event date will be the same and such specified percentages will be set out in the relevant term sheet. **If a double knock-out event has occurred, you may receive an amount which is substantially less than your initial investment amount, depending on the level of the floor rate.** For further details, please refer to the sub-section headed "A double knock-out event has occurred" below.

A double knock-out event has not occurred

If a double knock-out event **has not occurred**, we will pay you on the settlement date a cash amount equal to the sum of: (i) the floor amount; and (ii) the fixed cash distribution amount (if any); and (iii) the potential performance return (if any).

- The floor amount will be calculated according to the following formula:

$$\boxed{\text{Nominal amount x Floor rate}}$$

- The floor rate will be set at a level equal to or greater than 70% as set out in the relevant term sheet. Our Double Knock-out Performance ELIs will be fully principal protected if the floor rate is set at 100%. If the floor rate is set at a level below 100%, our Double Knock-out Performance ELIs will only be partially principal protected. The level of principal protection will depend on the floor rate: the higher the floor rate, the higher the principal protection you will receive for your Double Knock-out Performance ELIs. However, the higher the level of principal protection, the lower the potential return. The relevant term sheet will set out whether your Double Knock-out Performance ELIs are fully or partially principal protected at expiry. Please refer to the relevant term sheet for further details.

- The fixed cash distribution amount will be calculated according to the following formula:

Nominal amount x Fixed cash dividend rate

- The fixed cash dividend rate will be set out in the relevant term sheet and may be set at 0%, in which case you will not receive any fixed cash distribution amount.

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

Nominal amount x Performance*

* The performance is the rate determined based on the absolute value of the difference between the closing price of the reference asset on the expiry date and the initial spot price and multiplied by the participation rate. The performance will be calculated according to the following formula:

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

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

- The potential performance return will only be paid if (i) the double knock-out event **has not occurred**; and (ii) the closing price of the reference asset on the expiry date is **not at the same level** as the initial spot price. If such conditions are not met, **you will not receive the potential performance return. It is possible that you may not receive any potential performance return for the Double Knock-out Performance ELIs. You should note that payment of a potential performance return does not automatically result in a gain scenario. You may still suffer a loss if the floor rate is set at a level below 100% and the sum of: (i) the potential performance return and (ii) the fixed cash distribution amount (if any) is less than the difference between the nominal amount and the floor amount.**

  If the double knock-out event **has NOT occurred but** the closing price of the reference asset on the expiry date is **at the same level** as the initial spot price, you **will not** receive the potential performance return. **In this case, you will suffer a *loss* if the sum of: (i) the floor amount; and (ii) the fixed cash distribution amount (if any) is less than the issue price you paid for each Double Knock-out Performance ELI.**

A double knock-out event has occurred

If a double knock-out event **has occurred**, you will not receive the potential performance return. You will receive on the settlement date a cash amount equal to the sum of: (i) the floor amount; and (ii) the fixed cash distribution amount (if any); and (iii) the rebate amount (if any).

- The rebate amount will be calculated according to the following formula:

Nominal amount x Rebate rate

- The rebate rate will be set out in the relevant term sheet and may be set at 0%, in which case you will not receive any rebate amount.

In this case, you will suffer a *loss* if the sum of: (i) the floor amount; (ii) the fixed cash distribution amount (if any); and (iii) the rebate amount (if any) is less than the issue price you paid for each Double Knock-out Performance ELI.

- You should note that your payout under the Double Knock-out Performance ELIs will be reduced by any distributor's charges and any cash settlement expenses payable on settlement of the Double Knock-out Performance ELIs.

- To help you understand how the final settlement payout is determined, we have included several hypothetical examples on pages 95 to 119 of this product booklet. We have also included on pages 130 to 133 of this product booklet a flowchart description to help you understand how our Double Knock-out Performance ELIs work.

A flowchart illustration of the determination of the final settlement payout at expiry:

During the period from (but excluding) the Trade Date to (and including) the Expiry Date

Has the double knock-out event* occurred?

Yes

Investors receive on the settlement date the final settlement payout (less cash settlement expenses (if any)), being:

(i) the FLOOR AMOUNT; plus

(ii) the FIXED CASH DISTRIBUTION AMOUNT (if any); plus

(iii) the REBATE AMOUNT (if any).

No

Investors receive on the settlement date the final settlement payout (less cash settlement expenses (if any)), being:

(i) the FLOOR AMOUNT; plus

(ii) the FIXED CASH DISTRIBUTION AMOUNT (if any); plus

(iii) the POTENTIAL PERFORMANCE RETURN (if any).

The potential performance return will be calculated on the expiry date as follows:

$$\text{Nominal amount} \times \text{Performance}^{\triangle}$$

The performance is calculated as follows:

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

The participation rate will be a percentage as set out in the relevant term sheet.

The potential performance return will only be paid if (i) the double knock-out event **has not occurred**; and (ii) the closing price of the reference asset on the expiry date is **not at the same level** as the initial spot price. **It is possible that you may not receive any potential performance return for the Double Knock-out Performance ELIs.**

Settlement Date

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* A **double knock-out event** occurs if the closing price of the reference asset is either (i) **below** the lower knock-out barrier or (ii) **above** the upper knock-out barrier on **any knock-out event date**, which is set as each scheduled trading day during the period from (but excluding) the trade date to (and including) the expiry date.

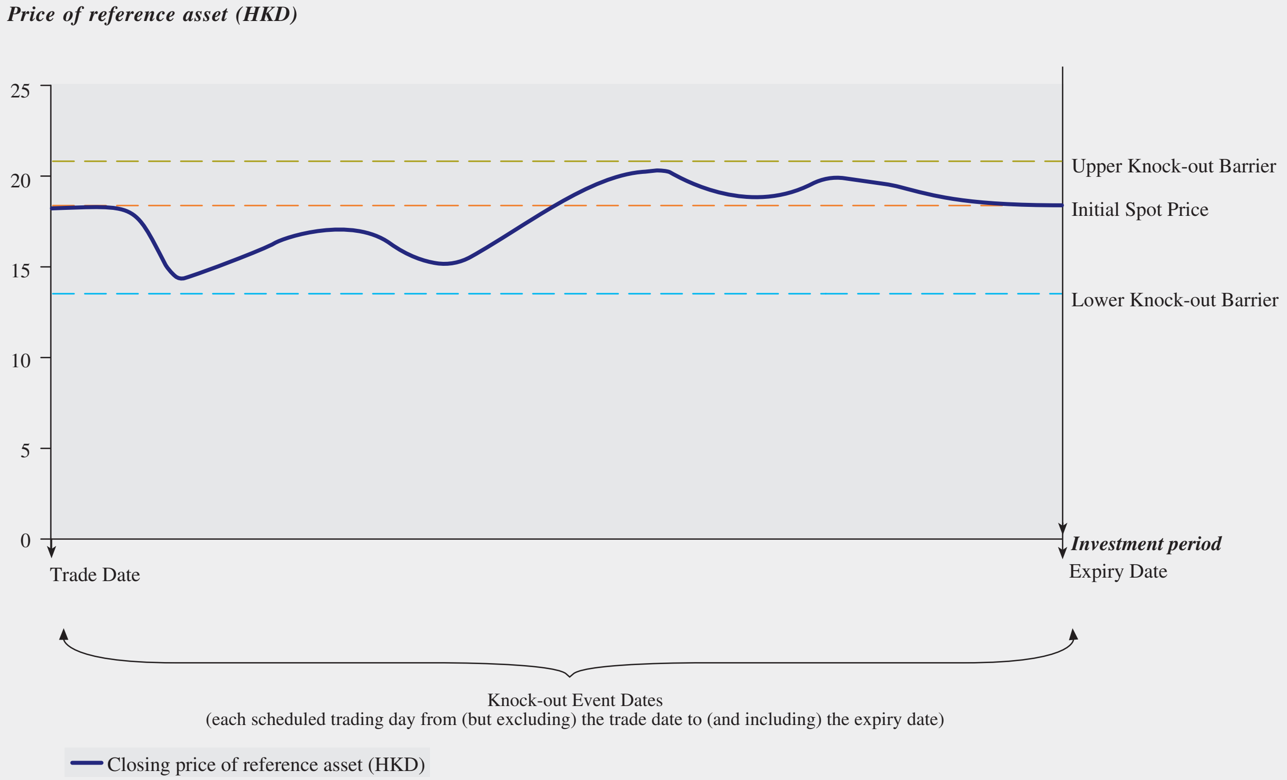
△ The performance is the rate determined based on the absolute value of the difference between the closing price of the reference asset on the expiry date and the initial spot price and multiplied by the participation rate, as calculated according to the above formula.

Worst Case Scenario

The hypothetical example below does not reflect a complete analysis of all possible gain or loss scenarios. You must not rely on it as an indication of the price performance of the reference asset or the payout on the Double Knock-out Performance ELIs.

The example below illustrates the worst case scenario where a double knock-out event **has NOT occurred** during the investment period of the Double Knock-out Performance ELIs but the **potential performance return is not payable** as the closing price of the reference asset on the expiry date is **at the same level** as the initial spot price.

This example assumes that (i) the issue price is 100% of the nominal amount; (ii) the floor rate is set at 70% – i.e. partial principal protection at 70% of the nominal amount is applicable; and (iii) the fixed cash dividend rate is 0% – i.e. no fixed cash distribution amount is payable.



At Expiry: Double Knock-out Event has NOT occurred and the closing price of the reference asset on the expiry date is at the same level as the initial spot price

As shown in the above diagram, a double knock-out event **has not occurred** but the closing price of the reference asset is at the same level as the initial spot price. As a double knock-out event **has not occurred**, you will receive on the settlement date a cash payment in the settlement currency equal to the sum of: (i) the floor amount; and (ii) the fixed cash distribution amount (if any); and (iii) the potential performance return (if any).

In this case, you will not receive any potential performance return on the settlement date as the closing price of the reference asset on the expiry date is at the same level as the initial spot price. In addition, you will not receive any fixed cash distribution amount. Therefore, you will only receive the floor amount on the settlement date. As the floor rate is set at 70%, you will suffer a *loss* of 30% of the nominal amount, which is equal to the difference between (A) the issue price you paid for each Double Knock-out Performance ELI; and (B) the floor amount (being 70% of the nominal amount), less any cash settlement expenses and distributor's charges (if applicable).

Please also refer to the section headed "Hypothetical Examples for Double Knock-out Performance ELIs" on pages 95 to 119 of this product booklet for more illustrative examples of how the Double Knock-out Performance ELIs work.

Additional Worst Case Scenario – if HSBC as issuer becomes insolvent or defaults on its obligations under the Double Knock-out Performance ELIs

Assume further that HSBC as issuer becomes insolvent or defaults on its obligations under the Double Knock-out Performance ELIs during the scheduled tenor of the Double Knock-out Performance ELIs. In such case, you may get nothing back (including the final settlement payout of the Double Knock-out Performance ELIs) regardless of the price performance of the reference asset and **you could lose 100% of the initial investment amount**.

Adjustment and Disruption Events affecting our Double Knock-out Performance ELIs

Upon the occurrence of a potential adjustment event or certain extraordinary unforeseeable events (such as a merger event or a tender offer) affecting the reference asset or the issuer of the reference asset, we can adjust some of the terms and conditions of our Double Knock-out Performance ELIs to account for that event to preserve the economic equivalence of the Double Knock-out Performance ELIs. If we determine that any such adjustments is not able to preserve the economic equivalence of the Double Knock-out Performance ELIs, or the performance of our obligations under the Double Knock-out Performance ELIs has become illegal or impracticable for any reason beyond our control, we will early terminate our Double Knock-out Performance ELIs. If certain market disruption events occur, we may postpone some of the key dates relevant to the terms of our Double Knock-out Performance ELIs.

Please refer to the summary table on pages 120 to 129 of this product booklet for further details.

What charges do you have to pay?

- **Cash settlement expenses** if applicable, will be deducted from any settlement amount in cash you may receive. Currently, no cash settlement expenses are payable.

- **Distributor's charges**. Please contact your distributor for details of any charges you need to pay if you buy our Double Knock-out Performance ELIs from your distributor.

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

How can you buy the Double Knock-out Performance ELIs?

If you would like to buy our Double Knock-out Performance ELIs, you can contact the appointed distributor(s) to enquire about the range of Double Knock-out Performance ELIs we offer and the application procedures. Please also refer to the sub-section headed "How Can You Buy the Knock-out Performance ELIs?" on page 151 of this product booklet for further details.

Is there a post-sale cooling-off period for our Double Knock-out Performance ELIs?

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

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

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

Please note that the post-sale cooling-off period is not applicable to Double Knock-out Performance ELIs with an investment period of one year or less.

Please refer to pages 152 to 153 for further details.

Is there any market making arrangement for our Double Knock-out Performance ELIs before expiry?

We (as market agent) will provide limited market making arrangements for all our Double Knock-out Performance ELIs on each market making day falling every other Tuesday after the issue date up to the third exchange business day (being a day on which the Hong Kong Stock Exchange is open for trading) before the expiry date. On each market making day, we (as market agent) will (via the distributor(s)) (i) make available indicative bid prices (on a per- Double Knock-out Performance ELI basis) during normal business hours; and (ii) provide a firm bid price (on a per-Double Knock-out Performance ELI basis) for your Double Knock-out Performance ELIs upon your request, provided that your request for a firm bid price is submitted to your distributor during a specified timeframe on such market making day.

We will determine the firm bid price at which we are willing to buy back your Double Knock-out Performance ELIs based on the indicative bid price and prevailing market conditions and **such firm bid price may be substantially less than the issue price you paid for each Double Knock-out Performance ELI**. **The firm bid price provided to you by your distributor will only be valid for a limited period of time as notified to you by your distributor. Your distributor may also charge you a fee when you sell your Double Knock-out Performance ELIs back to us on a market making day and such fees will reduce the amount you receive when you sell your Double Knock-out Performance ELIs back to us before expiry.**

Please also note that indicative bid prices and/or firm bid prices may not be available on a market making day if certain events occur.

Please refer to pages 154 to 155 for further details.

Additional Information

A. Knock-out Performance ELI offering documents

The following Knock-out Performance ELI offering documents contain detailed information about HSBC as issuer and product arranger, the Programme and the Double Knock-out Performance ELIs. You should read all of these documents before deciding whether to invest in our Double Knock-out Performance ELIs:

(i) the relevant indicative term sheet for the series of the Double Knock-out Performance ELIs you would like to buy;

(ii) the programme memorandum dated 24 July 2023 together with any addendum as stated in the relevant indicative term sheet;

(iii) the financial disclosure document together with any addendum as stated in the relevant indicative term sheet; and

(iv) this product booklet together with any addendum as stated in the relevant indicative term sheet.

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

B. Ongoing disclosure by HSBC

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

If you would like to enquire about our Double Knock-out Performance ELIs, visit any designated branches of the appointed distributor(s) for the Double Knock-out Performance ELIs.

RISK WARNINGS

- **Our Knock-out Performance ELIs are fully or partially principal protected at expiry only**

  Our Knock-out Performance ELIs are fully or partially principal protected at expiry only, provided that you hold your Knock-out Performance ELIs until expiry and our Knock-out Performance ELIs are not otherwise early terminated. **You must hold your Knock-out Performance ELIs until expiry to realise any full or partial principal protection**. Our Knock-out Performance ELIs will be fully principal protected if the floor rate is set at 100%. If the floor rate is set at a level below 100%, our Knock-out Performance ELIs will only be partially principal protected. The floor rate will be set at a level equal to or greater than 70% as set out in the relevant term sheet. The level of principal protection will depend on the floor rate: the higher the floor rate, the higher the principal protection you will receive for your Knock-out Performance ELIs. However, the higher the level of principal protection, the lower the potential return. The relevant term sheet will set out whether your Knock-out Performance ELIs are fully or partially principal protected at expiry. Please refer to the relevant term sheet for further details.

- **Our Knock-out Performance ELIs are structured investment products**

  Our Knock-out Performance ELIs are complex products and you should exercise caution in relation to the products; they are unlisted structured investment products embedded with derivatives. Our Knock-out Performance ELIs are not equivalent to time deposits.

- **No principal protection if you sell your Knock-out Performance ELIs before expiry or if we early terminate our Knock-out Performance ELIs**

  Our Knock-out Performance ELIs are NOT principal protected if you sell your Knock-out Performance ELIs to us (as market agent) prior to expiry via market making arrangements or if we early terminate our Knock-out Performance ELIs due to the occurrence of certain extraordinary unforeseeable events or if we determine in good faith and in a commercially reasonable manner that the performance of any of our absolute or contingent obligations under the Knock-out Performance ELIs has become illegal or impracticable in whole or in part for any reason beyond our control. **In such circumstances, you will not be able to realise any full or partial principal protection and you may receive an amount which is substantially less than your initial investment amount.** For further details, please refer to the risk factors headed "*There will be limited market making arrangements for all our Knock-out Performance ELIs and you may suffer a loss if you sell your Knock-out Performance ELIs before expiry*" and "*We may make adjustments to the terms and conditions of the Knock-out Performance ELIs or early terminate the Knock-out Performance ELIs at the fair market value which may be substantially less than your initial investment amount*" below.

- **The potential payout under our Knock-out Performance ELIs will be determined by the performance of the reference asset during the investment period and you may suffer a loss if our Knock-out Performance ELIs are partially principal protected**

  The potential gain or loss on our Knock-out Performance ELIs is linked to the performance of the reference asset during the investment period. The performance of the reference asset 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 reference asset such as earnings position, market position, risk situation, shareholder structure and dividend distribution policy. If our Knock-out Performance ELIs have not been early terminated during the investment period, our Knock-out Performance ELIs will expire on the expiry date. The final settlement payout that you receive at expiry may be less than your initial investment amount but is subject to a minimum final settlement payout, being the sum of: (i) the floor amount; and (ii) the fixed cash distribution amount (if any), provided that you hold your Knock-out Performance ELIs until expiry and our Knock-out Performance ELIs are not otherwise early terminated. The minimum final settlement payout you will receive at expiry is dependent on the floor rate, which will be set at a level equal to or greater than 70% as set out in the relevant term sheet. The higher the floor rate, the higher the floor amount and the higher the minimum final settlement payout. **You may suffer a loss if our Knock-out Performance ELIs are partially principal protected (i.e. the floor rate is set at a level below 100%). Depending on the level of the floor rate, you may receive an amount which is substantially less than your initial investment amount.** For further details, please refer to the risk factor headed "*You may not receive any potential performance return and payment of a potential performance return does not automatically result in a gain scenario*" below.

You should note that your payout under the Knock-out Performance ELIs will be reduced by any distributor's charges and any cash settlement expenses payable on settlement of the Knock-out Performance ELIs. For further details, please refer to the risk factor headed "*Your potential gain/loss on our Knock-out Performance ELIs is affected by distributor's charges and any cash settlement expenses*" below.

- **You may not receive any potential performance return and payment of a potential performance return does not automatically result in a gain scenario**

The potential performance return will only be paid if certain conditions are met. In respect of the Bull Knock-out Performance ELIs, the potential performance return will **NOT** be paid if (i) the bull knock-out event **has occurred** on any knock-out event date; or (ii) the bull knock-out event **has NOT occurred but** the closing price of the reference asset on the expiry date is **at or below** the initial spot price. In respect of the Bear Knock-out Performance ELIs, the potential performance return will **NOT** be paid if (i) the bear knock-out event **has occurred** on any knock-out event date; or (ii) the bear knock-out event **has NOT occurred but** the closing price of the reference asset on the expiry date is **at or above** the initial spot price. In respect of the Double Knock-out Performance ELIs, the potential performance return will **NOT** be paid if (i) the double knock-out event **has occurred** on any knock-out event date; or (ii) the double knock-out event **has NOT occurred but** the closing price of the reference asset on the expiry date is **at the same level** as the initial spot price. **It is possible that you may not receive any potential performance return for the Knock-out Performance ELIs. In such case, you will suffer a *loss* if the sum of: (i) the floor amount; and (ii) the fixed cash distribution amount (if any) and (iii) the rebate amount (if any) is less than your initial investment amount. Depending on the level of the floor rate, you may receive an amount which is substantially less than your initial investment amount. You should also note that payment of a potential performance return does not automatically result in a gain scenario. You will still suffer a *loss* if the floor rate is set at a level below 100% and the sum of (i) the potential performance return and (ii) the fixed cash distribution amount (if any) is less than the difference between the nominal amount and the floor amount.**

- **Limited maximum potential performance return**

The potential performance return is calculated by reference to the performance of the reference asset on the expiry date.

In respect of the Bull Knock-out Performance ELIs and the Bear Knock-out Performance ELIs, the maximum potential performance return will be paid if the relevant knock-out event **has NOT occurred and** the closing price of the reference asset on the expiry date is **equal to** the relevant knock-out barrier. Hence, any potential performance return payable will be **capped** at an amount calculated based on the price difference between the knock-out barrier and the initial spot price, multiplied by the nominal amount and the applicable participation rate.

In respect of the Double Knock-out Performance ELIs, the maximum potential performance return will be paid if the double knock-out event **has NOT occurred and** the closing price of the reference asset on the expiry date is **equal to either** the upper knock-out barrier **or** the lower knock-out barrier. Hence, any potential performance return payable will be **capped** at an amount calculated based on the higher of: (a) the price difference between the upper knock-out barrier and the initial spot price; and (b) the price difference between the lower knock-out barrier and the initial spot price, in each case multiplied by the nominal amount and the participation rate.

Any potential performance return payable will also depend on the participation rate. If the participation rate is set at a percentage which is below 100%, the potential performance return will be lower than the actual performance of the reference asset on the expiry date compared to the initial spot price.

- **There will be limited market making arrangements for all our Knock-out Performance ELIs and you may suffer a loss if you sell your Knock-out Performance ELIs before expiry**

  Our Knock-out Performance ELIs are designed to be held to their settlement date. You should be prepared to invest your funds for the entire scheduled tenor of the Knock-out Performance ELIs. There will be limited market making arrangements for all our Knock-out Performance ELIs (regardless of the length of the investment period and scheduled tenor of the Knock-out Performance ELIs). If you try to sell your Knock-out Performance ELIs before expiry, the amount you receive for each Knock-out Performance ELI may be substantially less than the issue price you paid for each Knock-out Performance ELI. Please refer to the section headed "Is there any market making arrangement for your Knock-out Performance ELIs before Expiry?" on pages 154 to 155 of this product booklet for further details. Also, your distributor may charge you a handling fee if you sell your Knock-out Performance ELIs back to us on a market making day and such fees or charges will reduce the amount you receive when you sell your Knock-out Performance ELIs back to us before the expiry date. Please contact your distributor for details.

- **Mandatory buy back price you receive for unwinding may be substantially less than the issue price you paid for each Knock-out Performance ELI**

  If you have purchased a Knock-out Performance ELI with an investment period of more than one year and you wish to unwind your purchase order on or after the trade date after your purchase order is executed during the post-sale cooling-off period, we will unwind your purchase order and return to you the mandatory buy back price. **The mandatory buy back price is capped at the issue price and may be substantially less than the issue price you paid for each Knock-out Performance ELI as we need to take into account any market value adjustments (the value of which will be determined by us in good faith and in a commercially reasonable manner, and will depend on factors such as market interest rate movements, HSBC's financial condition, the market's view of HSBC's credit quality, the value of the embedded options including the conditional call option (for our Bull Knock-out Performance ELIs), the conditional put option (for our Bear Knock-out Performance ELIs) and the conditional put and call options (for our Double Knock-out Performance ELIs) and the price performance and price volatility of the reference asset) and our costs for unwinding the hedging and funding arrangements relating to your Knock-out Performance ELIs. In addition, your distributor may charge you a handling fee for the cancellation or unwinding of your purchase order and such charge will further increase your loss.** Please refer to page 138 of this product booklet for further details of how the mandatory buy back price is calculated and contact your distributor for details of such handling fee for the cancellation or unwind.

- **Investing in our Knock-out Performance ELIs is not the same as investing in the reference asset**

  Investing in our Knock-out Performance ELIs is not the same as investing in the reference asset. Changes in the market price of the reference asset may not lead to a corresponding change in the market value of, or your potential payout under, the Knock-out Performance ELIs.

- **Our Knock-out Performance ELIs are not listed on any stock exchange, they are not covered by the Investor Compensation Fund**

  As our Knock-out Performance ELIs are not listed, they are not covered by the Investor Compensation Fund if your distributor or any other intermediary defaults.

- **When you buy our Knock-out Performance ELIs, you will be relying on HSBC's creditworthiness**

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

  If we become insolvent or default on our obligations under the Knock-out Performance ELIs, you will have to rely on your distributor (directly or indirectly via its custodian) to take action on your behalf to claim as our unsecured creditor regardless of the performance of the reference asset. **In the worst case scenario, you may get nothing back and you could lose 100% of your initial investment amount.**

  We are not the ultimate holding company of the group to which we belong and with which our name is identified. The ultimate holding company of our group is HSBC Holdings plc. There is no guarantee given by HSBC Holdings plc in respect of our obligations under the terms and conditions of the Knock-out Performance ELIs.

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

- **The Financial Institutions (Resolution) Ordinance may adversely affect the Knock-out Performance ELIs; you could lose all of your investment**

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

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

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

- **You do not have direct contractual rights to enforce our Knock-out Performance ELIs against us as issuer**

Our Knock-out Performance ELIs will be represented by a single global certificate in registered form (which will be registered in the name of the nominee for the relevant clearing system). As a result, the legal holder of our Knock-out Performance ELIs will be the relevant nominee of the relevant clearing system.

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

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

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

- **You will be exposed to default risk of your distributor, its custodian (if any), the relevant clearing system through which you hold your Knock-out Performance ELIs**

Your distributor will hold the Knock-out Performance ELIs you have purchased for you, directly or through its custodian, in accounts at the relevant clearing system(s). We, as issuer, will make cash payment under the Knock-out Performance ELIs to the relevant clearing system through which you hold your Knock-out Performance ELIs. You will have to rely on the relevant clearing system(s), your distributor's custodian (if any) and your distributor to credit the relevant payment to your account.

There is no assurance of protection against a default by your distributor or, where applicable, such custodian or the relevant clearing system, in respect of their obligations under the terms of the relevant account keeping or custodian agreement.

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

- **You will be exposed to the risks associated with our Knock-out Performance ELIs and price movement of the reference asset from the trade date**

  You should note that as all the commercial variables of our Knock-out Performance ELIs are determined on the trade date, you will be subject to the terms and conditions of our Knock-out Performance ELIs from the trade date and you will be exposed to the risks associated with our Knock-out Performance ELIs and the price movement of the reference asset from the trade date, which may affect the market value and the potential payout of the Knock-out Performance ELIs.

- **The market value of our Knock-out Performance ELIs will fluctuate**

  Changes in the market price of the reference asset may not lead to any corresponding change in the market value of our Knock-out Performance ELIs. The market value of our Knock-out Performance ELIs will fluctuate depending on factors such as market interest rate movements, HSBC's financial condition, the market's view of HSBC's credit quality, the value of the embedded options including the conditional call option (for our Bull Knock-out Performance ELIs), the conditional put option (for our Bear Knock-out Performance ELIs) and the conditional put and call options (for our Double Knock-out Performance ELIs), the price performance and price volatility of the reference asset. **In extreme circumstances, you may lose 100% of your initial investment amount.**

- **Your potential gain/loss on our Knock-out Performance ELIs is affected by distributor's charges and any cash settlement expenses**

  Your potential gain/loss on our Knock-out Performance ELIs will be affected by any handling fee your distributor charges when you make your application 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. Your potential gain/loss on our Knock-out Performance ELIs will also be affected by any cash settlement expenses payable on settlement. For further details on the cash settlement expenses payable for our Knock-out Performance ELIs, please refer to the relevant term sheet.

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

- **The English version of the terms and conditions of our Knock-out Performance ELIs prevails over the Chinese version**

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

- **There could be conflicts of interest arising out of our other activities which may affect our Knock-out Performance ELIs**

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

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

- **Investing in Knock-out Performance ELIs may involve exchange rate risk**

  If the Knock-out Performance ELIs are not issued in your home currency, you will be exposed to fluctuations in the prevailing exchange rate when you convert any payments you receive under the Knock-out Performance ELIs back to your home currency.

  You should note that fluctuations in the exchange rate may have an adverse impact on your potential gain/loss on our Knock-out Performance ELIs.

- **Some of the terms of the Knock-out Performance ELIs will only be determined after you have purchased the Knock-out Performance ELIs**

  You should note that while you place your purchase order(s) during the offer period, all of the commercial variables in relation to the reference asset (including the initial spot price and the knock-out barrier (for Bull Knock-out Performance ELIs and Bear Knock-out Performance ELIs) and the upper knock-out barrier and lower knock-out barrier (for Double Knock-out Performance ELIs) of the reference asset) that are used to determine the payout of your Knock-out Performance ELIs, will, however, only be recorded and determined on the trade date after you have purchased the Knock-out Performance ELIs. Therefore, once you have purchased the Knock-out Performance ELIs, you will have to bear the risk of changing market conditions between the date you purchased your Knock-out Performance ELIs and the trade date, which will affect the determination of the commercial variables in relation to the reference asset that are applicable to your Knock-out Performance ELIs and the payout on your Knock-out Performance ELIs.

- **We may make adjustments to the terms and conditions of the Knock-out Performance ELIs or early terminate the Knock-out Performance ELIs at the fair market value which may be substantially less than your initial investment amount**

  During the investment period, we will determine in our sole and absolute discretion, acting in good faith and in a commercially reasonable manner, whether a potential adjustment event (including but not limited to, a subdivision or consolidation of the reference asset(s), a bonus or rights issue) (details of which are set out on pages 190 to 191 of this product booklet) has occurred, whether the occurrence of such potential adjustment event has a diluting or concentrative effect on the theoretical value of the reference asset and if so, will make such adjustments to the terms and conditions of the Knock-out Performance ELIs as we determine to be appropriate to account for that diluting or concentrative effect so as to preserve the economic equivalence of the relevant Knock-out Performance ELIs.

  If a merger event or a tender offer affecting the reference share or the reference fund has occurred (details of which are set out on page 191 of this product booklet), we will determine any corresponding adjustments to the terms and conditions of the Knock-out Performance ELIs to account for that merger event or tender offer so as to preserve the economic equivalence of the relevant Knock-out Performance ELI.

  If (i) we determine that any adjustments to the terms and conditions of the Knock-out Performance ELIs in the case of the occurrence of a merger event or tender offer (as described above) is not able to preserve the economic equivalence of the Knock-out Performance ELIs; or (ii) a nationalisation, an insolvency, a delisting or an additional disruption event affecting the reference share or the company issuing the reference share or the reference fund has occurred (details of which are set out on pages 191 to 192 of this product booklet); or (iii) we determine in good faith and in a commercially reasonable manner that the performance of any of our absolute or contingent obligations under the Knock-out Performance ELIs has become illegal or impracticable in whole or in part for any reason beyond our control, we will early terminate our Knock-out Performance ELIs and pay you as soon as practicable a fair market value of our Knock-out Performance ELIs as of the date of termination of our Knock-out Performance ELIs (determined by us in our sole and absolute discretion, acting in good faith and in a commercially reasonable manner). No cash settlement expenses will be payable for the payment of the fair market value of the Knock-out Performance ELIs. The fair market value of the Knock-out Performance ELIs will depend on factors such as market interest rate movements, HSBC's financial condition, the market's view of HSBC's credit quality, the value of the embedded options including the conditional call option (for our Bull Knock-out Performance ELIs), the conditional put option (for our Bear Knock-out Performance ELIs) and the conditional put and call options (for our Double Knock-out Performance ELIs), the price performance and price volatility of the reference asset. It will also take into account any cost which is, or would be, incurred by us in unwinding our hedging and funding arrangements relating to the Knock-out Performance ELIs. **Depending on the then prevailing market conditions, this fair market value may be less, or substantially less, than your initial investment amount.**

You should refer to the section headed "Our Knock-out Performance ELIs – Adjustments to Terms and Conditions, Early Termination Upon Occurrence of Extraordinary Unforeseeable Events, Adjustments to Key Dates And Occurrence of a CNY Disruption Event for Our Renminbi-Denominated Knock-out Performance ELIs" on pages 120 to 129 of this product booklet and the general terms and conditions of the Knock-out Performance ELIs (in particular, condition 6) as set out in Appendix B to this product booklet for further details.

Any adjustments to the terms and conditions of our Knock-out Performance ELIs or determination to early terminate the Knock-out Performance ELIs will be made by us in our sole and absolute discretion, acting in good faith and in a commercially reasonable manner. If the Knock-out Performance ELIs are early terminated, the fair market value of the Knock-out Performance ELIs you receive upon termination may be substantially less than your initial investment amount.

- **Our activities and/or transactions involving the reference asset and/or the unwinding of hedging arrangements relating to our Knock-out Performance ELIs could itself affect the market price of the reference asset**

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

(a) affect the closing price of the reference asset on the expiry date to be at or below the initial spot price, resulting in no potential performance return payable upon expiry of the Bull Knock-out Performance ELIs; or

(b) affect the closing price of the reference asset on the expiry date to be at or above the initial spot price, resulting in no potential performance return payable upon expiry of the Bear Knock-out Performance ELIs; or

(c) affect the closing price of the reference asset on the expiry date to be at the same level as the initial spot price, resulting in no potential performance return payable upon expiry of the Double Knock-out Performance ELIs; or

(d) cause the closing price of the reference asset to (i) rise **above** the knock-out barrier on any knock-out event date (for Bull Knock-out Performance ELIs) or (ii) fall **below** the knock-out barrier on any knock-out event date (for Bear Knock-out Performance ELIs) or (iii) either rise **above** the upper knock-out barrier or fall **below** the lower knock-out barrier on any knock-out event date (for Double Knock-out Performance ELIs), resulting in the occurrence of the relevant knock-out event and no potential performance return payable upon expiry of the Knock-out Performance ELIs.

In all of the cases mentioned above, no potential performance return will be paid and you will suffer a *loss* if the sum of: (i) the floor amount; and (ii) the fixed cash distribution amount (if any); and (iii) the rebate amount (if any) is less than your initial investment amount. Depending on the level of the floor rate, you may receive an amount which is substantially less than your initial investment amount. For further details, please refer to the risk factor headed "*You may not receive any potential performance return and payment of a potential performance return does not automatically result in a gain scenario*" above.

- **Investing in our Knock-out Performance ELIs may have United States tax consequences**

If any of our Knock-out Performance ELIs are issued after the Grandfather Date (as defined in the section headed "Are our Knock-out Performance ELIs subject to U.S. Foreign Account Tax Compliance Act Withholding Tax?" on pages 156 to 158 of this product booklet), in certain circumstances, payments made under the Knock-out Performance ELIs may be subject to a 30 per cent. United States withholding tax ("**FATCA withholding**").

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

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

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

You are urged to consult with your own independent tax advisor regarding the possible implications of FATCA on your investment in our Knock-out Performance ELIs. You should also refer to the section headed "Are our Knock-out Performance ELIs subject to U.S. Foreign Account Tax Compliance Act Withholding Tax?" on pages 156 to 158 of this product booklet for further details.

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

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

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

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

- **The reference assets of our Knock-out Performance ELIs may include securities that are restricted under Executive Order 13959 (as amended)**

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

- **Risks related to Knock-out Performance ELIs linked to a fund or a real estate investment trust ("REIT") in general**

  A reference fund or REIT, as the case may be, is managed by its manager and the investment objectives and investment restrictions of the reference fund or REIT may change from time to time. Neither we nor the investors have any control over the decisions made by the manager regarding the reference fund or REIT and have no rights against the manager for its decisions. Such decisions may have an adverse impact on the potential gain/loss of the Knock-out Performance ELIs.

  In addition, the applicable laws and regulations governing the reference fund and REIT may also restrict the operations of the reference fund and REIT and restrict their ability to achieve the investment objectives. Such risks may have a negative impact on the performance of the reference fund and REIT and therefore on the potential return of our Knock-out Performance ELIs.

  You should read the offering documents of the reference fund and REIT for further information about the risks applicable to the reference fund and REIT.

- **Risk factors specific to Knock-out Performance ELIs linked to an exchange traded fund**

  The investment objective of most exchange traded funds is to track the performance of the equity(ies) or assets underlying the exchange traded funds or, as the case may be, a specified index. However, increases in the price performance of the equity(ies), assets underlying the exchange traded funds or specified index may not lead to an increase in the market price of the exchange traded funds. Also, any increases in the market prices of the exchange traded funds or the equity(ies) or assets underlying the exchange traded funds or the level of the related index (as the case may be) may not lead to an increase in the market value of our Knock-out Performance ELIs of the same magnitude or even any increase at all.

In addition, where the index or equity(ies) or assets that the exchange traded fund tracks is subject to restricted access, the efficiency in the unit creation or redemption to keep the 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 therefore on the potential return of our Knock-out Performance ELIs.

Some exchange traded funds may not invest directly in the equities, underlying assets or constituents of the specified index which they track, but instead may synthetically replicate the performance of the referenced equities, underlying assets or specified index by investing in derivatives issued by market counterparties that are linked to the referenced equities, underlying assets, specified index or constituents of the specified index. For these synthetic exchange traded funds, you are exposed to the credit risk of the counterparties which issue the derivatives, in addition to the risks relating to the referenced equities, underlying assets or specified index. Potential contagion and concentration risks of these counterparties which issue the derivatives should also be taken into account (for example, since these counterparties are predominantly international financial institutions, the failure of one derivative counterparty of a synthetic exchange traded fund may have a "knock-on" effect on other derivative counterparties of the synthetic exchange traded fund). Some synthetic exchange traded funds have collateral to reduce counterparty risk, but there may be a risk that the market value of the collateral has fallen substantially when the synthetic exchange traded fund seeks to realise the collateral.

In addition, a higher liquidity risk is involved if a synthetic exchange traded fund involves derivatives which do not have an active secondary market, and wider bid-offer spreads in the price of the derivatives may result in losses in the exchange traded fund. There may also be a disparity between the performance of the synthetic exchange traded fund and the performance of the underlying index due to, for instance, failure of the tracking strategy of the synthetic exchange traded fund, currency differences, fees and expenses. Furthermore, where the index/market that the synthetic exchange traded fund tracks is subject to restricted access, the efficiency in unit creation or termination to keep the price of the synthetic exchange traded fund in line with its net asset value may be disrupted, causing the synthetic exchange traded fund to trade at a premium or discount to such net asset value. The market value of the derivatives and the synthetic exchange traded fund may drop substantially in these circumstances and may adversely affect the value of the Knock-out Performance ELIs in which case you may suffer a loss in your investment. Please refer to the relevant fund offering documents for more details.

- **Risk factors specific to Knock-out Performance ELIs linked to a REIT**

The investment objective of REITs is to invest in a portfolio of real estate. Each REIT 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 REIT 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 investments compared to other asset classes such as equities, (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 REIT and the net asset value per unit. This is because the market price of the units of a REIT also depends on many factors, including but not limited to (i) the market value and perceived prospects of the real estate portfolio, (ii) changes in economic or market conditions, (iii) changes in market valuations of similar companies,

(iv) changes in interest rates, (v) the perceived attractiveness of the units of the REIT against those of other equity securities, (vi) the future size and liquidity of the market for the units and the REIT market generally, (vii) any future changes to the regulatory system, including the tax system and (viii) the ability of the REIT 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 units of the REIT and therefore on the potential gain/loss of our Knock-out Performance ELIs.

- **Risk factors specific to Knock-out Performance ELIs linked to an exchange traded fund investing through QFI regimes and/or China Connect ("China ETF")**

Where the Knock-out Performance ELIs are linked to units or shares (as the case may be) of a China ETF issued and traded outside mainland China with direct investment in the mainland Chinese securities markets through the Qualified Foreign Institutional Investor regime and the Renminbi Qualified Foreign Institutional Investor regime (collectively, the "**QFI**" regimes) and/or the Shanghai-Hong Kong Stock Connect and Shenzhen-Hong Kong Stock Connect (collectively, "**China Connect**"), such Knock-out Performance ELIs entail certain additional risks:

(a) the novelty and untested nature of China Connect make China ETFs riskier than traditional ETFs investing directly in more developed markets. The policy and rules for the QFI regimes and China Connect prescribed by the mainland Chinese government are relatively new and subject to change, and there may be uncertainty as to their interpretation and/or implementation. Such uncertainty and any change of the laws and regulations in mainland China may adversely impact on the performance of the China ETFs which may also have a potential retrospective effect. These changes may in turn adversely affect the market value and/or any potential gain/loss of the Knock-out Performance ELIs;

(b) a China ETF primarily invests in securities traded in the mainland Chinese securities markets and is subject to concentration risk. Investment in the mainland Chinese securities markets (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 a China ETF may also be affected by interventions by the applicable government(s) and regulators in the financial markets;

(c) trading of securities invested by a China ETF under China Connect will be subject to a daily quota ("**Daily Quota**") which is utilised on a first-come-first-serve basis under China Connect. In the event that the Daily Quota under China Connect is reached, the manager may need to suspend creation of further units or shares (as the case may be) of such China ETF, and therefore may affect the liquidity in trading of the units or shares (as the case may be) of such China ETF. In such event, the trading price of the units or shares (as the case may be) of such 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 jointly published detailed implementation rules removing the investment quota under the QFI regimes with effect from 6 June 2020;

(d) although there is no longer an aggregate quota limitation, trading eligible mainland Chinese securities through China Connect is still subject to the Daily Quota. The Daily Quota under China Connect is applicable to the whole market and limits the maximum net buy value of cross-boundary trades under China Connect each day. Daily Quota limitations may prevent such China ETF from purchasing the eligible mainland Chinese securities when it is otherwise advantageous to do so. In particular, once the remaining balance of the relevant Daily Quota drops to zero or the Daily Quota is exceeded, buy orders will be rejected (although such China ETF will be permitted to sell its eligible mainland Chinese securities regardless of the quota balance). If such China ETF becomes unable to invest directly in or alternatively hold the eligible mainland Chinese securities, the value of the units or shares (as the case may be) of such China ETF may be adversely affected which in turn may have an adverse effect on the market value and/or any potential gain or loss of our Knock-out Performance ELIs; and

(e) there are risks and uncertainties associated with the current mainland Chinese tax laws applicable to China ETFs investing in mainland China through the QFI regimes and/or China Connect. The general tax laws and regulations in mainland China are under constant development and often subject to change as a result of a shift in policy of the mainland Chinese government. As such, there is a possibility that the current tax laws, rules, regulations and practice in mainland China and/or the current interpretation or understanding of such laws may change in the future and such change(s) may have retrospective effect. It is possible that units or shares (as the case may be) of such China ETF could become subject to additional taxation that is not anticipated at the trade date of the Knock-out Performance ELIs. Although such China ETF may have made a tax provision in respect of potential tax liability, however, any such provision may be excessive or inadequate. Any shortfall between the provisions and actual tax liabilities may be covered by the assets of such China ETF and may therefore adversely affect the net asset value of such China ETF and the market value and/or potential payout of our Knock-out Performance ELIs. In addition, any changes in tax policies of the mainland Chinese government may reduce the after-tax profits of the companies in mainland China which a China ETF invests in. Any of these changes may adversely affect the net asset value of such China ETF which in turn may adversely affect the market value and/or any potential gain or loss of our Knock-out Performance ELIs.

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

The above risks may have a significant adverse impact on the performance of the units or shares (as the case may be) of a China ETF and the market value and/or potential gain or loss of our Knock-out Performance ELIs. Please read the offering documents of the relevant China ETF to understand its key features and risks.

- **Risk related to Knock-out Performance ELIs linked to shares of a company or units or shares of a fund traded through the multiple counter model**

If our Knock-out Performance ELIs are linked to shares of a company or units or shares of a fund that adopt the multiple counter model for trading on the Hong Kong Stock Exchange in Hong Kong dollars and one or more other currencies (such as Renminbi and U.S. dollars) separately, you need to consider the following additional risks relating to the Hong Kong Stock Exchange's multiple counter model:

(i) our Knock-out Performance ELIs may be linked to the Hong Kong dollar-traded or the Renminbi-traded units or shares (as the case may be). If the reference asset is the Hong Kong dollar-traded units or shares (as the case may be), movements in the trading prices of the Renminbi-traded or U.S. dollar-traded or other currency-traded units or shares (as the case may be) should not directly affect the price of our Knock-out Performance ELIs. Similarly, if the reference asset is the Renminbi-traded units or shares (as the case may be), movements in the trading prices of the Hong Kong dollar-traded or other currency-traded units or shares (as the case may be) should not directly affect the price of our Knock-out Performance ELIs;

(ii) If there is a suspension of the inter-counter transfer of such units or shares (as the case may be) between different currency counters for any reason, such units or shares (as the case may be) will only be able to be traded in the relevant currency counter on the Hong Kong Stock Exchange and this may affect the demand and supply of such units or shares (as the case may be) which may have an adverse effect on the market value of our Knock-out Performance ELIs; and

(iii) The trading prices on the Hong Kong Stock Exchange of units or shares (as the case may be) traded in one currency counter may deviate significantly from the trading prices on the Hong Kong Stock Exchange of units or shares (as the case may be) traded in another currency counter due to different factors including market liquidity, Renminbi conversion risk (if applicable), supply and demand in each currency counter and exchange rate fluctuation. Changes in the trading price of the units or shares (as the case may be) in the relevant currency counter may adversely affect the market value of our Knock-out Performance ELIs.

Additional risks warnings relating to Renminbi-denominated Knock-out Performance ELIs

We may from time to time issue Renminbi-denominated Knock-out Performance ELIs. You should also carefully study the following additional risk warnings in considering an investment in our Renminbi-denominated Knock-out Performance ELIs.

- **Renminbi is not freely convertible and there is limited availability of Renminbi outside the PRC which may adversely affect the market value of our Renminbi-denominated Knock-out Performance ELIs**

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

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

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

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

- **Your investment in our Renminbi-denominated Knock-out Performance ELIs is subject to exchange rate risk**

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

Our Renminbi-denominated Knock-out Performance ELIs will be settled in Renminbi outside the PRC that is freely deliverable between accounts in Hong Kong in accordance with Hong Kong laws and applicable regulations and guidelines issued by relevant authorities in Hong Kong prevailing as of the trade date of the relevant series of Renminbi-denominated Knock-out Performance ELIs. Apart from its own supply and demand, the exchange rate of Renminbi outside the PRC may be influenced by the exchange rate of Renminbi in the PRC market (which currently trades within a band set by authorities in the onshore interbank market), and the two rates may converge with or diverge from each other. The PRC government may further liberalise the regulation of foreign exchange control in the PRC and further progress on Renminbi internationalisation may occur which may increase exchange rate volatility of Renminbi outside the PRC. Any fluctuation in the exchange rate of Renminbi outside the PRC may affect the market value of our Renminbi-denominated Knock-out Performance ELIs.

- **Your investment in our Renminbi-denominated Knock-out Performance ELIs is subject to interest rate risk**

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

- **Renminbi payment risk**

In respect of our Renminbi-denominated Knock-out Performance ELIs, if we are not able, or it is impracticable for us, to satisfy our Renminbi payment obligations on the relevant due date for such payments as a result of a CNY disruption event (details of which are set out on page 128 of this product booklet and condition 4(d) of the terms and conditions of our Knock-out Performance ELIs), such payments will be postponed to the third Hong Kong business day after the date on which the CNY disruption event ceases to exist (as determined by us in our sole and absolute discretion, acting in good faith and in a commercially reasonable manner) (the "**postponed payment date**"); ***provided that*** if the CNY disruption event continues to exist for twelve consecutive Hong Kong business days following the original due date for payment, we shall be entitled to pay you the CNY disruption event settlement amount in Hong Kong dollars (details of which are set out in the terms and conditions of our Knock-out Performance ELIs) by no later than the third Hong Kong business day after such twelfth Hong Kong business day following the original due date for payment and the "postponed payment date" shall be deemed to be such date. Such payment will be a complete discharge of our obligations in respect of the relevant amount(s) under our Renminbi-denominated Knock-out Performance ELIs. Upon the occurrence of a CNY disruption event, there may be a delay in payments under our Renminbi-denominated Knock-out Performance ELIs. No interest will be payable in respect of any such delay in payment and no compensation will be made for the fact that the relevant amount(s) will be paid in Hong Kong dollars instead of Renminbi. It is possible that upon the occurrence of a CNY disruption event, Renminbi will depreciate significantly against Hong Kong dollars. In the event that Renminbi depreciates significantly against Hong Kong dollars following the occurrence of a CNY disruption event, you will suffer a loss in Hong Kong dollar terms as the CNY disruption event settlement amount paid to you (which will be converted from Renminbi into Hong Kong dollars at the prevailing exchange rate between Renminbi outside the PRC and Hong Kong dollars two Hong Kong business days prior to the postponed payment date) will be substantially less than the value of the relevant Renminbi amount payable on the original due date in Hong Kong dollar terms (calculated based on the exchange rate between Renminbi outside the PRC and Hong Kong dollars prior to the occurrence of the CNY disruption event).

HYPOTHETICAL EXAMPLES
FOR BULL KNOCK-OUT PERFORMANCE ELIS

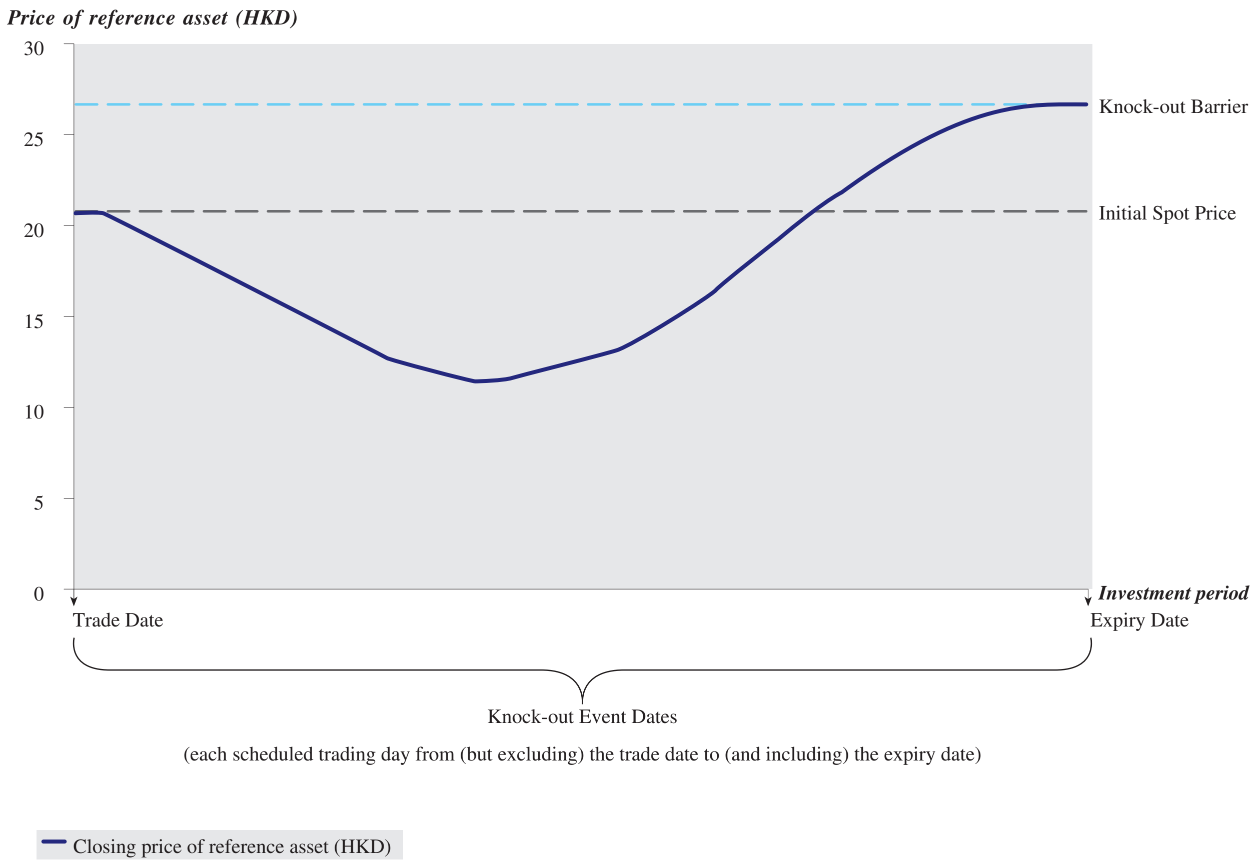
A. *The following hypothetical examples are for illustrative purposes only and do not reflect a complete analysis of all possible gain or loss scenarios. You must not rely on them as an indication of the price performance of the reference asset or the payout on the Knock-out Performance ELIs.* ***They do not take into account any expenses payable by the investor.***

In this example, suppose an investor bought 10 Knock-out Performance ELIs with partial principal protection with the following terms:

Full or partial principal protection upon expiry*	Partial principal protection at 70% of the nominal amount upon expiry. In the worst case scenario, the investor will receive 70% of the nominal amount of the Knock-out Performance ELIs upon expiry and will lose 30% of the initial investment amount.
Scheduled tenor of the Knock-out Performance ELIs (being the period from (and including) the issue date to (and including) the settlement date)	360 days
Investment period of the Knock-out Performance ELIs (being the period from (and including) the trade date to (and including) the expiry date)	365 days
Settlement currency	Hong Kong dollars (HKD)
Initial spot price on trade date	HKD20.80
Issue price for each Knock-out Performance ELI (100% of nominal amount)	HKD10,000
Nominal amount for each Knock-out Performance ELI	HKD10,000
Total issue price for 10 Knock-out Performance ELIs	HKD100,000
Total nominal amount for 10 Knock-out Performance ELIs	HKD100,000
Knock-out barrier (125% of the initial spot price)	HKD26.00
Floor rate*	70%
Fixed cash dividend rate	0%
Participation rate	200%
Rebate rate	19%

* Our Knock-out Performance ELIs will be fully principal protected if the floor rate is set at 100%. Since the floor rate is set at 70%, our Knock-out Performance ELIs will only be partially principal protected. The level of principal protection will depend on the floor rate: the higher the floor rate, the higher the principal protection you will receive for your Knock-out Performance ELIs. However, the higher the level of principal protection, the lower the potential return.

Scenario A1 – The bull knock-out event has NOT occurred and the closing price of reference asset on the expiry date is at the same level as the knock-out barrier, which is above the initial spot price (Best case scenario)



Final settlement payout on the settlement date – The above diagram illustrates that the reference asset closes at the same level as the knock-out barrier (i.e. HKD26.00) on the expiry date, which is above its initial spot price.

– Investor receives the final settlement payout equal to the sum of: (i) the floor amount; (ii) the fixed cash distribution amount (if any); and (iii) the potential performance return (if any) on the settlement date, each calculated as follows (rounded to 2 decimal places, with $0.005 or above being rounded upwards):

For each Knock-out Performance ELI:

(1) the floor amount:

nominal amount x floor rate

= HKD10,000 x 70% = HKD7,000

(2) the fixed cash distribution amount:

nominal amount x fixed cash dividend rate

= HKD10,000 x 0% = HKD0

(3) the potential performance return:

nominal amount x performance[#]

The performance is calculated as follows:

$$\text{Max}\left(\frac{\text{Closing price of the reference asset on the expiry date}}{\text{Initial spot price of the reference asset}} - 1,\ 0\right) \text{ x participation rate}$$

$$= \text{Max}\left(\frac{\text{HKD26.00}}{\text{HKD20.80}} - 1,\ 0\right) \text{ x } 200\%^{\triangle}$$

Since $\frac{\text{HKD26.00}}{\text{HKD20.80}} - 1 = 0.25$, which is greater than 0, therefore, the performance will be equal to:

0.25 x 200%

= 50%

The potential performance return will be equal to:

HKD10,000 x 50%

= HKD5,000

The final settlement payout for 1 Knock-out Performance ELI: HKD7,000 (floor amount) + HKD0 (fixed cash distribution amount) + HKD5,000 (potential performance return) = HKD12,000

For 10 Knock-out Performance ELIs: HKD12,000 x 10 = HKD120,000

Total payout on investment

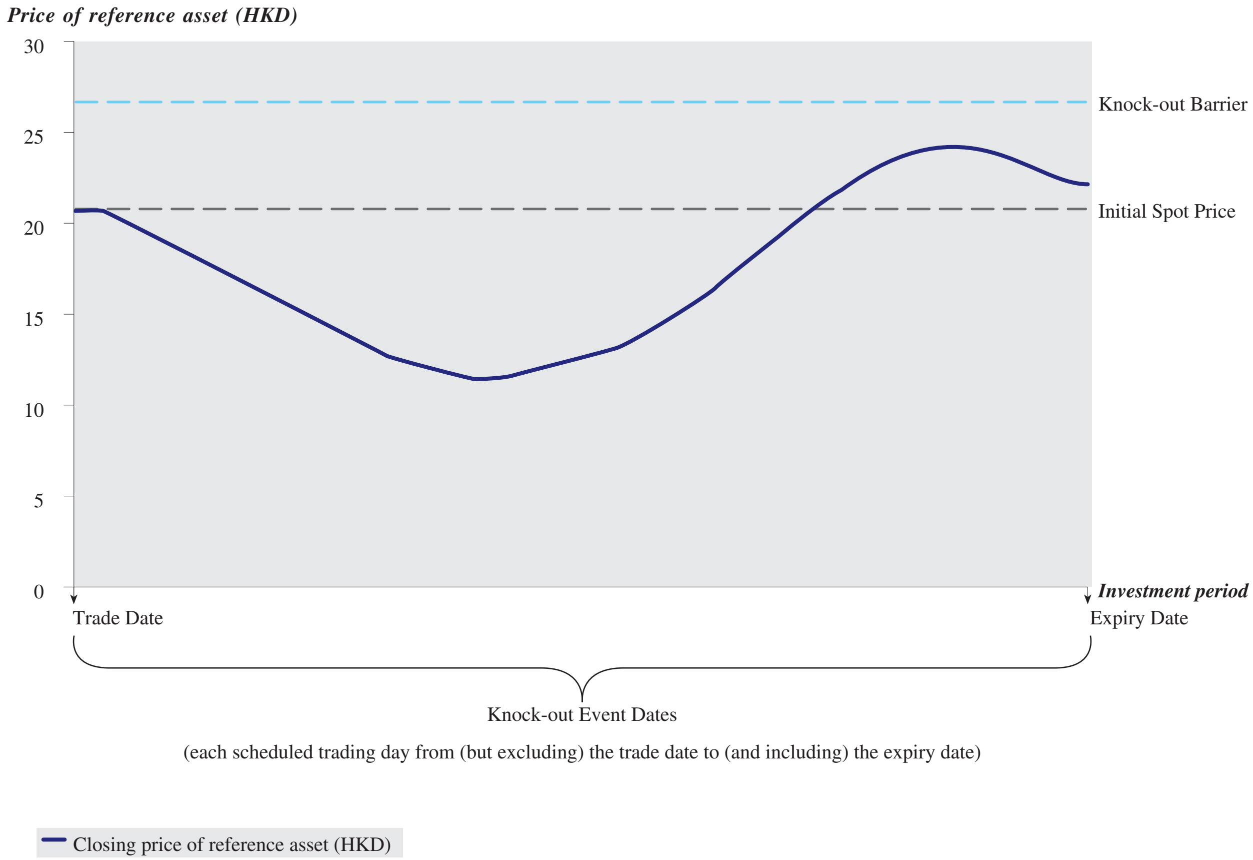
– Investor receives a total payout of HKD120,000 and makes a gain of HKD20,000, which is equal to a gain of 20% (calculated as: (HKD120,000 – HKD100,000) ÷ HKD100,000 x 100%), compared to the total issue price paid on the issue date.

– In this scenario, the bull knock-out event **has NOT occurred** and the potential performance return is paid. **The investor makes a gain as the potential performance return (being HKD5,000 for each Knock-out Performance ELI) is greater than the difference between the nominal amount and the floor amount (i.e. HKD10,000 – HKD7,000, being HKD3,000 for each Knock-out Performance ELI).**

△ The participation rate is set at 200% in this example. The participation rate may be set at 100%, above 100% or below 100%. You should note that where the participation rate is set at a percentage which is below 100%, the performance calculated according to the formula above will be lower than the actual performance of the reference asset on the expiry date compared to the initial spot price of the reference asset.

The calculation of the performance according to the formula above is rounded to 2 decimal places in this example for illustrative purposes. The actual calculation of the performance according to the formula above will not be rounded.

Scenario A2 – The bull knock-out event has NOT occurred and the closing price of reference asset on the expiry date is above the initial spot price (a loss scenario)



Final settlement payout on the settlement date

– The above diagram illustrates that the reference asset closes at HKD21.84 on the expiry date, which is above its initial spot price.

– Investor receives the final settlement payout equal to the sum of: (i) the floor amount; (ii) the fixed cash distribution amount (if any); and (iii) the potential performance return (if any) on the settlement date, each calculated as follows (rounded to 2 decimal places, with $0.005 or above being rounded upwards):

For each Knock-out Performance ELI:

(1) the floor amount:

nominal amount x floor rate

= HKD10,000 x 70% = HKD7,000

(2) the fixed cash distribution amount:

nominal amount x fixed cash dividend rate

= HKD10,000 x 0% = HKD0

(3) the potential performance return:

nominal amount x performance[#]

The performance is calculated as follows:

$$\text{Max}\left(\frac{\text{Closing price of the reference asset on the expiry date}}{\text{Initial spot price of the reference asset}} - 1,\ 0\right) \text{ x participation rate}$$

$$= \text{Max}\left(\frac{\text{HKD21.84}}{\text{HKD20.80}} - 1,\ 0\right) \text{ x } 200\%^{\triangle}$$

Since $\frac{\text{HKD21.84}}{\text{HKD20.80}} - 1 = 0.05$, which is greater than 0, therefore, the performance will be equal to:

0.05 x 200%

= 10%

The potential performance return will be equal to:

HKD10,000 x 10%

= HKD1,000

The final settlement payout for 1 Knock-out Performance ELI: HKD7,000 (floor amount) + HKD0 (fixed cash distribution amount) + HKD1,000 (potential performance return) = HKD8,000

For 10 Knock-out Performance ELIs: HKD8,000 x 10 = HKD80,000

Total payout on investment

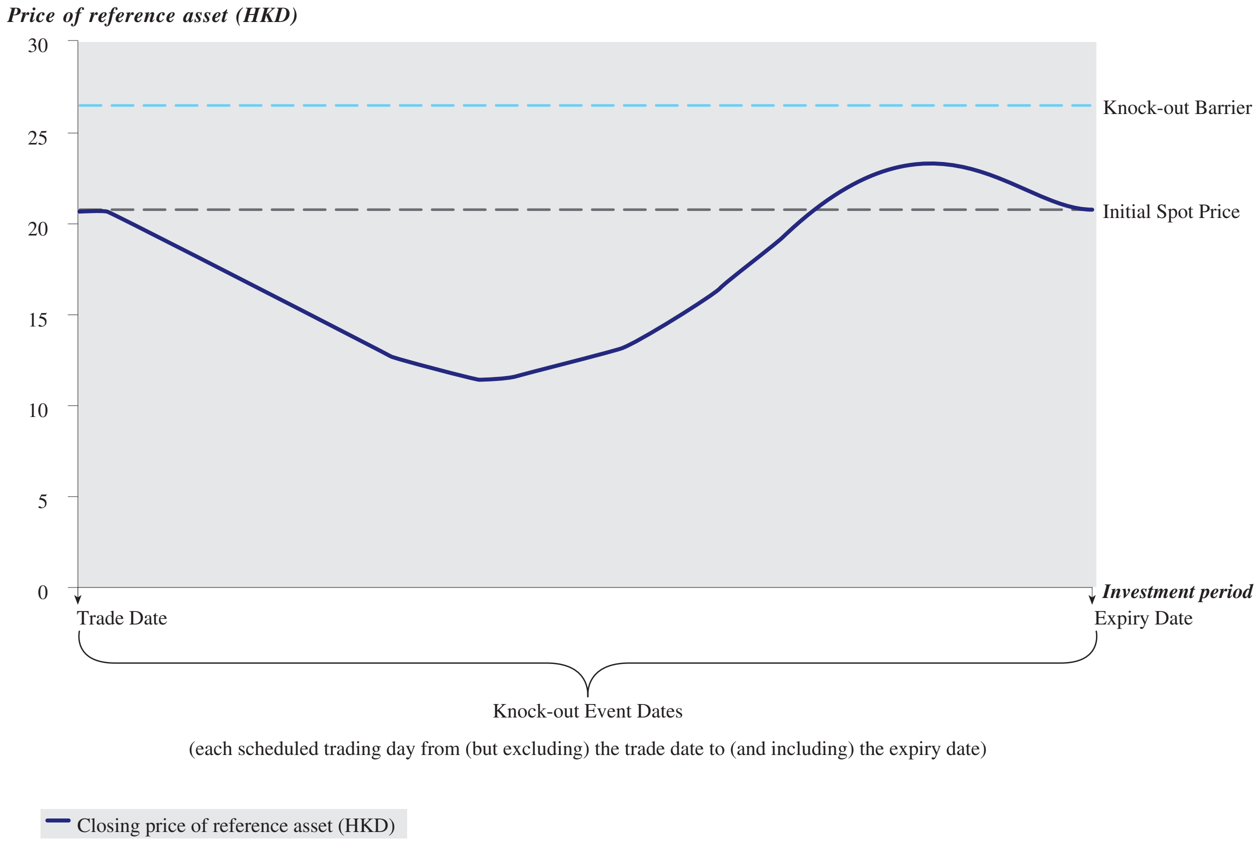
– Investor receives a total payout of HKD80,000 and suffers a loss of HKD20,000, which is equal to a loss of 20% (calculated as: (HKD100,000 – HKD80,000) ÷ HKD100,000 x 100%), compared to the total issue price paid on the issue date.

– In this scenario, the bull knock-out event **has NOT occurred** and the potential performance return is paid. **However, the investor still suffered a loss as the floor rate is set at 70% (which is below 100%) and the potential performance return (being HKD1,000 for each Knock-out Performance ELI) is less than the difference between the nominal amount and the floor amount (i.e. HKD10,000 – HKD7,000, being HKD3,000 for each Knock-out Performance ELI).**

△ The participation rate is set at 200% in this example. The participation rate may be set at 100%, above 100% or below 100%. You should note that where the participation rate is set at a percentage which is below 100%, the performance calculated according to the formula above will be lower than the actual performance of the reference asset on the expiry date compared to the initial spot price of the reference asset.

The calculation of the performance according to the formula above is rounded to 2 decimal places in this example for illustrative purposes. The actual calculation of the performance according to the formula above will not be rounded.

Scenario A3 – The bull knock-out event has NOT occurred and the closing price of reference asset on the expiry date is equal to the initial spot price (Worst case scenario)



Final settlement payout on the settlement date

– The above diagram illustrates that the reference asset closes at HKD20.80 on the expiry date, which is equal to its initial spot price.

– Investor receives the final settlement payout equal to the sum of: (i) the floor amount; (ii) the fixed cash distribution amount (if any); and (iii) the potential performance return (if any) on the settlement date, each calculated as follows (rounded to 2 decimal places, with $0.005 or above being rounded upwards):

For each Knock-out Performance ELI:

(1) the floor amount:

nominal amount x floor rate

= HKD10,000 x 70% = HKD7,000

(2) the fixed cash distribution amount:

nominal amount x fixed cash dividend rate

= HKD10,000 x 0% = HKD0

(3) the potential performance return:

nominal amount x performance[#]

The performance is calculated as follows:

$$\text{Max}\left(\frac{\text{Closing price of the reference asset on the expiry date}}{\text{Initial spot price of the reference asset}} - 1, 0\right) \text{ x participation rate}$$

$$= \text{Max}\left(\frac{\text{HKD20.80}}{\text{HKD20.80}} - 1, 0\right) \text{ x } 200\%^{\triangle}$$

Since $\frac{\text{HKD20.80}}{\text{HKD20.80}} - 1 = 0$, therefore, the performance will be equal to:

0 x 200%

= 0%

The potential performance return will be equal to:

HKD10,000 x 0%

= HKD0

The final settlement payout for 1 Knock-out Performance ELI: HKD7,000 (floor amount) + HKD0 (fixed cash distribution amount) + HKD0 (potential performance return) = HKD7,000

For 10 Knock-out Performance ELIs: HKD7,000 x 10 = HKD70,000

Total payout on investment

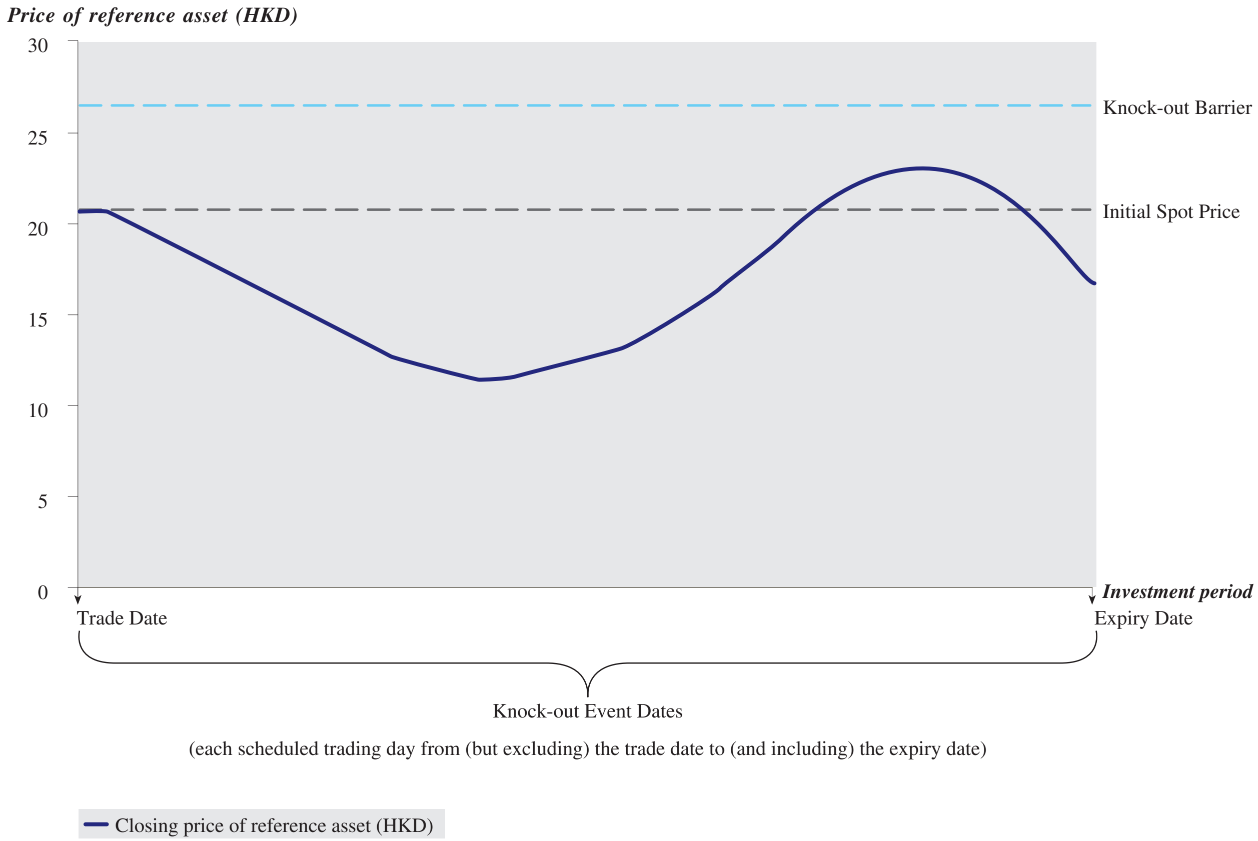
– Investor receives a total payout of HKD70,000 and suffers a loss of HKD30,000, which is equal to a loss of 30% (calculated as: (HKD100,000 – HKD70,000) ÷ HKD100,000 x 100%), compared to the total issue price paid on the issue date.

– In this scenario, the bull knock-out event **has NOT occurred** but no potential performance return is paid. **As the floor rate is set at 70% (which is below 100%), the investor suffered a loss of HKD3,000 for each Knock-out Performance ELI (i.e. HKD10,000 – HKD7,000, being the difference between the nominal amount and the floor amount for each Knock-out Performance ELI).**

△ The participation rate is set at 200% in this example. The participation rate may be set at 100%, above 100% or below 100%. You should note that where the participation rate is set at a percentage which is below 100%, the performance calculated according to the formula above will be lower than the actual performance of the reference asset on the expiry date compared to the initial spot price of the reference asset.

As the closing price of the reference asset on the expiry date is **equal to** the initial spot price, investor will **not** receive any potential performance return.

Scenario A4 – The bull knock-out event has NOT occurred and the closing price of reference asset on the expiry date is below the initial spot price (Worst case scenario)



Final settlement payout on the settlement date

– The above diagram illustrates that the reference asset closes at HKD15.60 on the expiry date, which is below its initial spot price.

– Investor receives the final settlement payout equal to the sum of: (i) the floor amount; (ii) the fixed cash distribution amount (if any); and (iii) the potential performance return (if any) on the settlement date, each calculated as follows (rounded to 2 decimal places, with $0.005 or above being rounded upwards):

For each Knock-out Performance ELI:

(1) the floor amount:

nominal amount x floor rate

= HKD10,000 x 70% = HKD7,000

(2) the fixed cash distribution amount:

nominal amount x fixed cash dividend rate

= HKD10,000 x 0% = HKD0

(3) the potential performance return:

nominal amount x performance[#]

The performance is calculated as follows:

$$\text{Max}\left(\frac{\text{Closing price of the reference asset on the expiry date}}{\text{Initial spot price of the reference asset}} - 1,\ 0\right) \text{ x participation rate}$$

$$= \text{Max}\left(\frac{\text{HKD15.60}}{\text{HKD20.80}} - 1,\ 0\right) \text{ x } 200\%^{\triangle}$$

Since $\frac{\text{HKD15.60}}{\text{HKD20.80}} - 1 = -0.25$, which is less than 0, therefore, the performance will be equal to:

0 x 200%

= 0%

The potential performance return will be equal to:

HKD10,000 x 0%

= HKD0

The final settlement payout for 1 Knock-out Performance ELI: HKD7,000 (floor amount) + HKD0 (fixed cash distribution amount) + HKD0 (potential performance return) = HKD7,000

For 10 Knock-out Performance ELIs: HKD7,000 x 10 = HKD70,000

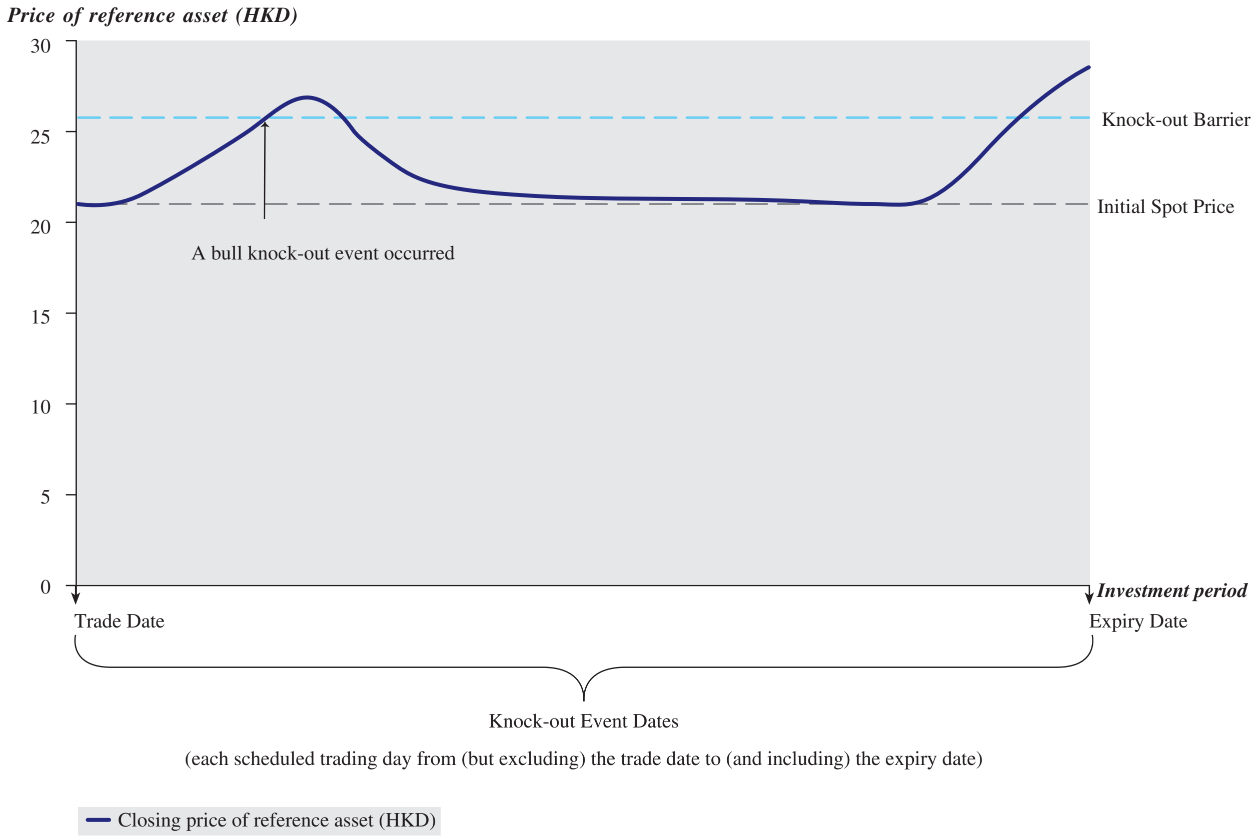
Total payout on investment – Investor receives a total payout of HKD70,000 and suffers a loss of HKD30,000, which is equal to a loss of 30% (calculated as: (HKD100,000 – HKD70,000) ÷ HKD100,000 x 100%), compared to the total issue price paid on the issue date.

– In this scenario, the bull knock-out event **has NOT occurred** but no potential performance return is paid. **As the floor rate is set at 70% (which is below 100%), the investor suffered a loss of HKD3,000 for each Knock-out Performance ELI (i.e. HKD10,000 – HKD7,000, being the difference between the nominal amount and the floor amount for each Knock-out Performance ELI).**

△ The participation rate is set at 200% in this example. The participation rate may be set at 100%, above 100% or below 100%. You should note that where the participation rate is set at a percentage which is below 100%, the performance calculated according to the formula above will be lower than the actual performance of the reference asset on the expiry date compared to the initial spot price of the reference asset.

As the closing price of the reference asset on the expiry date is **below** the initial spot price, investor will **not** receive any potential performance return.

Scenario A5 – The bull knock-out event has occurred and the closing price of the reference asset on the expiry date is above the initial spot price (a loss scenario)



Final settlement payout on the settlement date

– The above diagram illustrates that a bull knock-out event **has occurred** as the closing price of the reference asset is above the knock-out barrier on a knock-out event date. The reference asset closes at HKD28.00 on the expiry date, which is above its initial spot price.

– Investor receives the final settlement payout equal to the sum of: (i) the floor amount; (ii) the fixed cash distribution amount (if any); and (iii) the rebate amount (if any) on the settlement date, each calculated as follows (rounded to 2 decimal places, with $0.005 or above being rounded upwards):

For each Knock-out Performance ELI:

(1) the floor amount:

nominal amount x floor rate

= HKD10,000 x 70% = HKD7,000

(2) the fixed cash distribution amount:

nominal amount x fixed cash dividend rate

= HKD10,000 x 0% = HKD0

(3) the rebate amount:

nominal amount x rebate rate*

= HKD10,000 x 19% = HKD1,900

The final settlement payout for 1 Knock-out Performance ELI: HKD7,000 (floor amount) + HKD0 (fixed cash distribution amount) + HKD1,900 (rebate amount) = HKD8,900

For 10 Knock-out Performance ELIs: HKD8,900 x 10 = HKD89,000

Total payout on investment

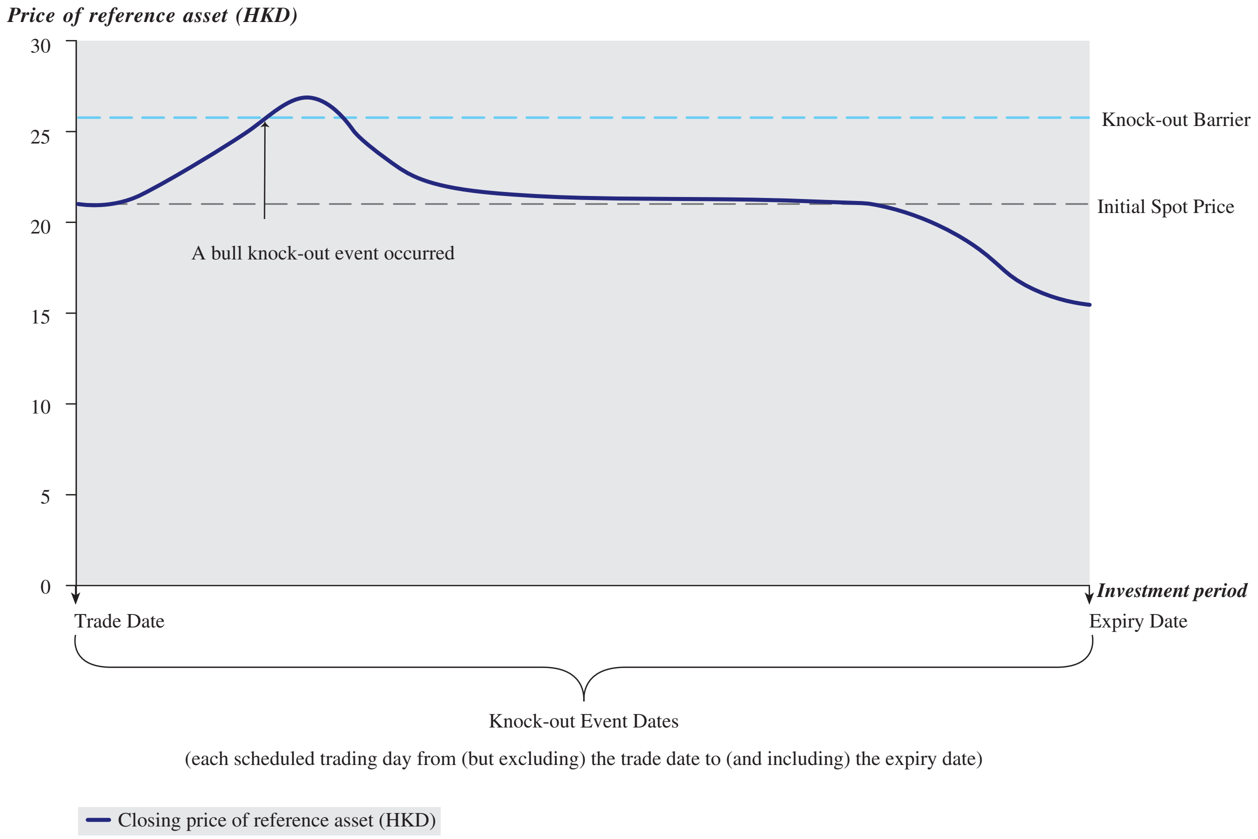
– Investor receives a total payout of HKD89,000 and suffers a loss of HKD11,000, which is equal to a loss of 11% (calculated as: (HKD100,000 - HKD89,000) ÷ HKD100,000 x 100%), compared to the total issue price paid on the issue date.

– In this scenario, the bull knock-out event **has occurred** and hence, no potential performance return is paid. **The investor received the final settlement payout which is a fixed sum equals to (i) the floor amount; plus (ii) the rebate amount regardless of how well the reference asset performed on the expiry date.**

– In this scenario, although the reference asset performed well on the expiry date (the closing price of the reference asset on the expiry date rose to HKD28.00, which represents an increase of around 34.6% compared to the initial spot price), the investor still suffered a loss of 11% as shown in the above calculations as the floor rate is set at 70% (which is below 100%) and the sum of (i) the floor amount (being 70% of the nominal amount) and (ii) the rebate amount (being 19% of the nominal amount) is less than 100% of the nominal amount.

* The rebate rate is set at 19% in this example. The rebate rate may be set at 0%, in which case you will not receive any rebate amount.

Scenario A6 – The bull knock-out event has occurred and the closing price of the reference asset on the expiry date is below the initial spot price (a loss scenario)



Final settlement payout on the settlement date

– The above diagram illustrates that a bull knock-out event **has occurred** as the closing price of the reference asset is above the knock-out barrier on a knock-out event date. The reference asset closes at HKD15.60 on the expiry date, which is below its initial spot price.

– Investor receives the final settlement payout equal to the sum of: (i) the floor amount; (ii) the fixed cash distribution amount (if any); and (iii) the rebate amount (if any) on the settlement date, each calculated as follows (rounded to 2 decimal places, with $0.005 or above being rounded upwards):

For each Knock-out Performance ELI:

(1) the floor amount:

nominal amount x floor rate

= HKD10,000 x 70% = HKD7,000

(2) the fixed cash distribution amount:

nominal amount x fixed cash dividend rate

= HKD10,000 x 0% = HKD0

(3) the rebate amount:

nominal amount x rebate rate*

= HKD10,000 x 19% = HKD1,900

The final settlement payout for 1 Knock-out Performance ELI: HKD7,000 (floor amount) + HKD0 (fixed cash distribution amount) + HKD1,900 (Rebate amount) = HKD8,900

For 10 Knock-out Performance ELIs: HKD8,900 x 10 = HKD89,000

Total payout on investment

– Investor receives a total payout of HKD89,000 and suffers a loss of HKD11,000, which is equal to a loss of 11% (calculated as: (HKD100,000 - HKD89,000) ÷ HKD100,000 x 100%), compared to the total issue price paid on the issue date.

– In this scenario, the bull knock-out event **has occurred** and hence, no potential performance return is paid. **The investor received the final settlement payout which is a fixed sum equals to (i) the floor amount; plus (ii) the rebate amount regardless of how poorly the reference asset performed on the expiry date.**

– In this scenario, the investor suffered a loss of 11% as shown in the above calculations as the floor rate is set at 70% (which is below 100%) and the sum of (i) the floor amount (being 70% of the nominal amount) and (ii) the rebate amount (being 19% of the nominal amount) is less than 100% of the nominal amount.

Scenario A7 – if HSBC as issuer becomes insolvent or defaults on its obligations under the Knock-out Performance ELIs

– Assume further that HSBC as issuer becomes insolvent or defaults on its obligations under the Knock-out Performance ELIs during the scheduled tenor of the Knock-out Performance ELIs.

– In the worst case scenario, the investor may get nothing back (including the final settlement payout of the Knock-out Performance ELIs) regardless of the price performance of the reference asset and **you could lose 100% of the initial investment amount.**

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* The rebate rate is set at 19% in this example. The rebate rate may be set at 0%, in which case you will not receive any rebate amount.

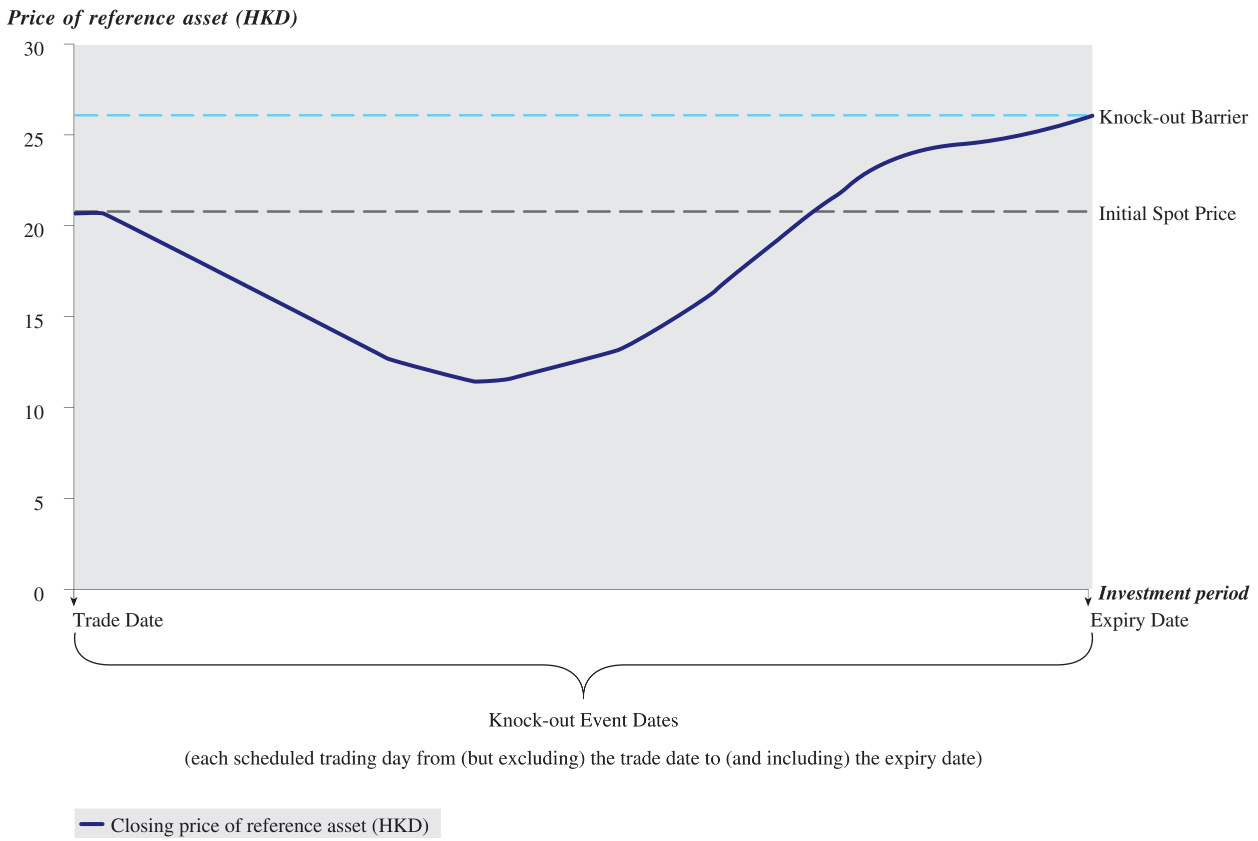
B. *The following hypothetical examples are for illustrative purposes only and do not reflect a complete analysis of all possible gain or loss scenarios. You must not rely on them as an indication of the price performance of the reference asset or the payout on the Knock-out Performance ELIs.* ***They do not take into account any expenses payable by the investor.***

In this example, suppose an investor bought 10 Knock-out Performance ELIs with full principal protection with the following terms:

Full or partial principal protection upon expiry*	Full principal protection at 100% of the nominal amount upon expiry.
Scheduled tenor of the Knock-out Performance ELIs (being the period from (and including) the issue date to (and including) the settlement date)	360 days
Investment period of the Knock-out Performance ELIs (being the period from (and including) the trade date to (and including) the expiry date)	365 days
Settlement currency	Hong Kong dollars (HKD)
Initial spot price on trade date	HKD20.80
Issue price for each Knock-out Performance ELI (100% of nominal amount)	HKD10,000
Nominal amount for each Knock-out Performance ELI	HKD10,000
Total issue price for 10 Knock-out Performance ELIs	HKD100,000
Total nominal amount for 10 Knock-out Performance ELIs	HKD100,000
Knock-out barrier (125% of the initial spot price)	HKD26.00
Floor rate*	100%
Fixed cash dividend rate	0%
Participation rate	100%
Rebate rate	1%

* Our Knock-out Performance ELIs will be fully principal protected if the floor rate is set at 100%. The level of principal protection will depend on the floor rate: the higher the floor rate, the higher the principal protection you will receive for your Knock-out Performance ELIs. However, the higher the level of principal protection, the lower the potential return.

Scenario B1 – The bull knock-out event has NOT occurred and the closing price of reference asset on the expiry date is at the same level as the knock-out barrier, which is above the initial spot price (Best case scenario)



Final settlement payout on the settlement date

– The above diagram illustrates that the reference asset closes at the same level as the knock-out barrier (i.e. HKD26.00) on the expiry date, which is above its initial spot price.

– Investor receives the final settlement payout equal to the sum of: (i) the floor amount; (ii) the fixed cash distribution amount (if any); and (iii) the potential performance return (if any) on the settlement date, each calculated as follows (rounded to 2 decimal places, with $0.005 or above being rounded upwards):

For each Knock-out Performance ELI:

(1) the floor amount:

nominal amount x floor rate

= HKD10,000 x 100% = HKD10,000

(2) the fixed cash distribution amount:

nominal amount x fixed cash dividend rate

= HKD10,000 x 0% = HKD0

(3) the potential performance return:

nominal amount x performance#

The performance is calculated as follows:

$$\text{Max}\left(\frac{\text{Closing price of the reference asset on the expiry date}}{\text{Initial spot price of the reference asset}} - 1,\ 0\right) \text{ x participation rate}$$

$$= \text{Max}\left(\frac{\text{HKD26.00}}{\text{HKD20.80}} - 1,\ 0\right) \text{ x } 100\%^{\triangle}$$

Since $\frac{\text{HKD26.00}}{\text{HKD20.80}} - 1$ = 0.25, which is greater than 0, therefore, the performance will be equal to:

0.25 x 100%

= 25%

The potential performance return will be equal to:

HKD10,000 x 25%

= HKD2,500

The final settlement payout for 1 Knock-out Performance ELI: HKD10,000 (floor amount) + HKD0 (fixed cash distribution amount) + HKD2,500 (potential performance return) = HKD12,500

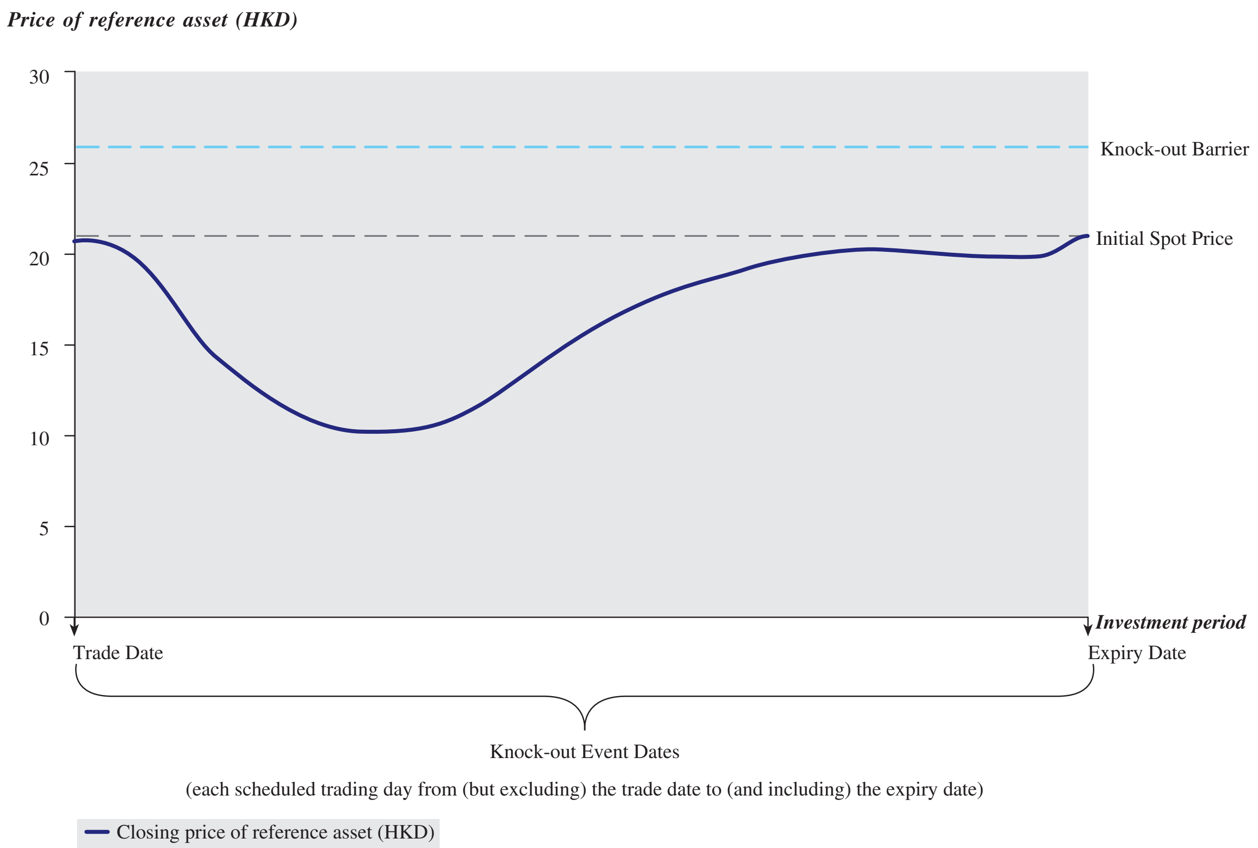
For 10 Knock-out Performance ELIs: HKD12,500 x 10 = HKD125,000

Total payout on investment – Investor receives a total payout of HKD125,000, and makes a gain of HKD25,000, which is equal to a gain of 25% (calculated as: (HKD125,000 – HKD100,000) ÷ HKD100,000 x 100%), compared to the total issue price paid on the issue date.

△ The participation rate is set at 100% in this example. The participation rate may be set at 100%, above 100% or below 100%. You should note that where the participation rate is set at a percentage which is below 100%, the performance calculated according to the formula above will be lower than the actual performance of the reference asset on the expiry date compared to the initial spot price of the reference asset.

The calculation of the performance according to the formula above is rounded to 2 decimal places in this example for illustrative purposes. The actual calculation of the performance according to the formula above will not be rounded.

Scenario B2 – The bull knock-out event has NOT occurred and the closing price of reference asset on the expiry date is equal to the initial spot price (Worst case scenario)



Final settlement payout on the settlement date

– The above diagram illustrates that the reference asset closes at HKD20.80 on the expiry date, which is equal to its initial spot price.

– Investor receives the final settlement payout equal to the sum of: (i) the floor amount; (ii) the fixed cash distribution amount (if any); and (iii) the potential performance return (if any) on the settlement date, each calculated as follows (rounded to 2 decimal places, with $0.005 or above being rounded upwards):

For each Knock-out Performance ELI:

(1) the floor amount:

nominal amount x floor rate

= HKD10,000 x 100% = HKD10,000

(2) the fixed cash distribution amount:

nominal amount x fixed cash dividend rate

= HKD10,000 x 0% = HKD0

(3) the potential performance return:

nominal amount x performance[#]

The performance is calculated as follows:

$$\text{Max}\left(\frac{\text{Closing price of the reference asset on the expiry date}}{\text{Initial spot price of the reference asset}} - 1, 0\right) \text{ x participation rate}$$

$$= \text{Max}\left(\frac{\text{HKD20.80}}{\text{HKD20.80}} - 1, 0\right) \text{ x } 100\%^{\triangle}$$

Since $\frac{\text{HKD20.80}}{\text{HKD20.80}} - 1 = 0$, therefore, the performance will be equal to:

0 x 100%

= 0%

The potential performance return will be equal to:

HKD10,000 x 0%

= HKD0

The final settlement payout for 1 Knock-out Performance ELI: HKD10,000 (floor amount) + HKD0 (fixed cash distribution amount) + HKD0 (potential performance return) = HKD10,000

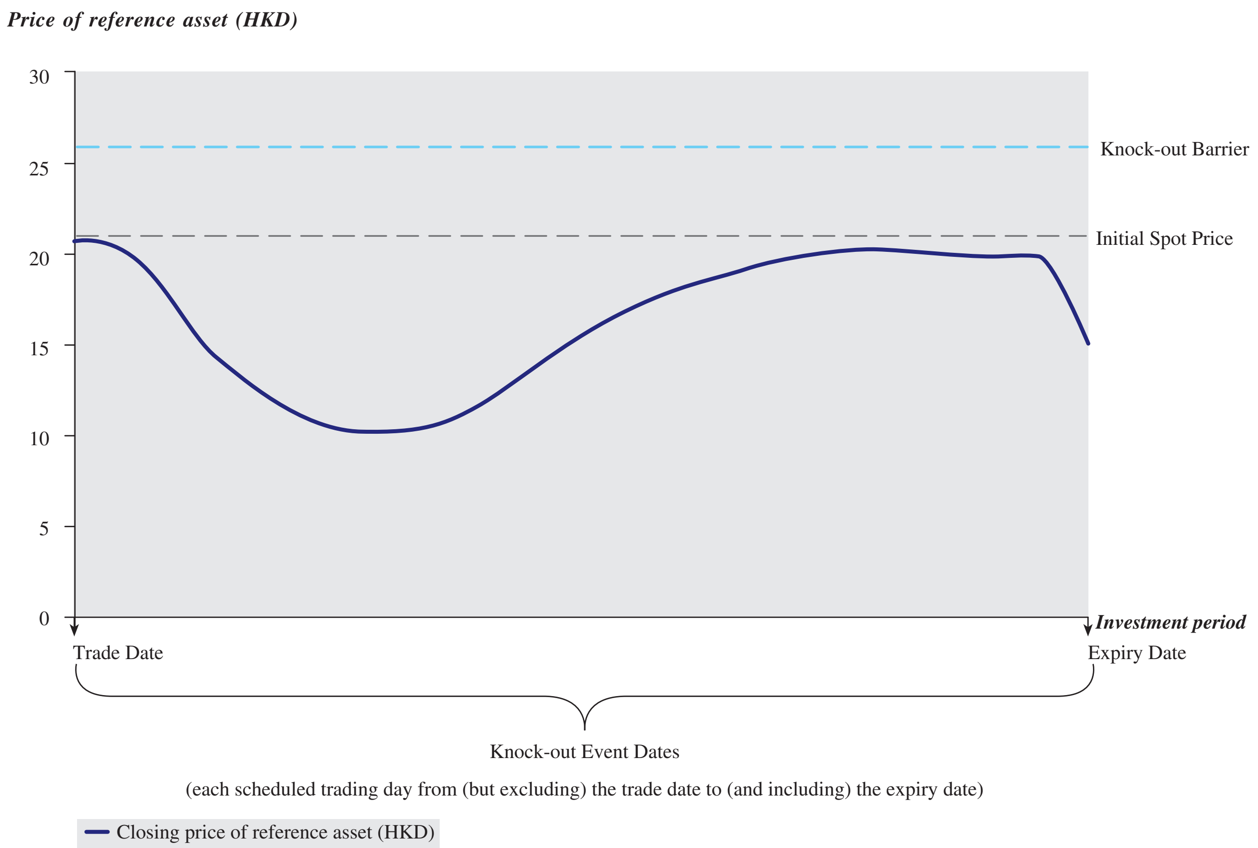
For 10 Knock-out Performance ELIs: HKD10,000 x 10 = HKD100,000

Total payout on investment – Investor receives a total payout of HKD100,000 as no fixed cash distribution amount and no potential performance return have been paid. As the floor rate is set at 100%, the investor receives full principal protection at 100% of the nominal amount upon expiry.

△ The participation rate is set at 100% in this example. The participation rate may be set at 100%, above 100% or below 100%. You should note that where the participation rate is set at a percentage which is below 100%, the performance calculated according to the formula above will be lower than the actual performance of the reference asset on the expiry date compared to the initial spot price of the reference asset.

As the closing price of the reference asset on the expiry date is **equal to** the initial spot price, investor will **not** receive any potential performance return.

Scenario B3 – The bull knock-out event has NOT occurred and the closing price of reference asset on the expiry date is below the initial spot price (Worst case scenario)



Final settlement payout on the settlement date

– The above diagram illustrates that the reference asset closes at HKD15.60 on the expiry date, which is below its initial spot price.

– Investor receives the final settlement payout equal to the sum of: (i) the floor amount; (ii) the fixed cash distribution amount (if any); and (iii) the potential performance return (if any) on the settlement date, each calculated as follows (rounded to 2 decimal places, with $0.005 or above being rounded upwards):

For each Knock-out Performance ELI:

(1) the floor amount:

nominal amount x floor rate

= HKD10,000 x 100% = HKD10,000

(2) the fixed cash distribution amount:

nominal amount x fixed cash dividend rate

= HKD10,000 x 0% = HKD0

(3) the potential performance return:

nominal amount x performance[#]

The performance is calculated as follows:

$$\text{Max}\left(\frac{\text{Closing price of the reference asset on the expiry date}}{\text{Initial spot price of the reference asset}} - 1, 0\right) \text{ x participation rate}$$

$$= \text{Max}\left(\frac{\text{HKD15.60}}{\text{HKD20.80}} - 1, 0\right) \text{ x } 100\%^{\triangle}$$

Since $\frac{\text{HKD15.60}}{\text{HKD20.80}} - 1 = -0.25$, which is less than 0, therefore, the performance will be equal to:

0 x 100%

= 0%

The potential performance return will be equal to:

HKD10,000 x 0%

= HKD0

The final settlement payout for 1 Knock-out Performance ELI: HKD10,000 (floor amount) + HKD0 (fixed cash distribution amount) + HKD0 (potential performance return) = HKD10,000

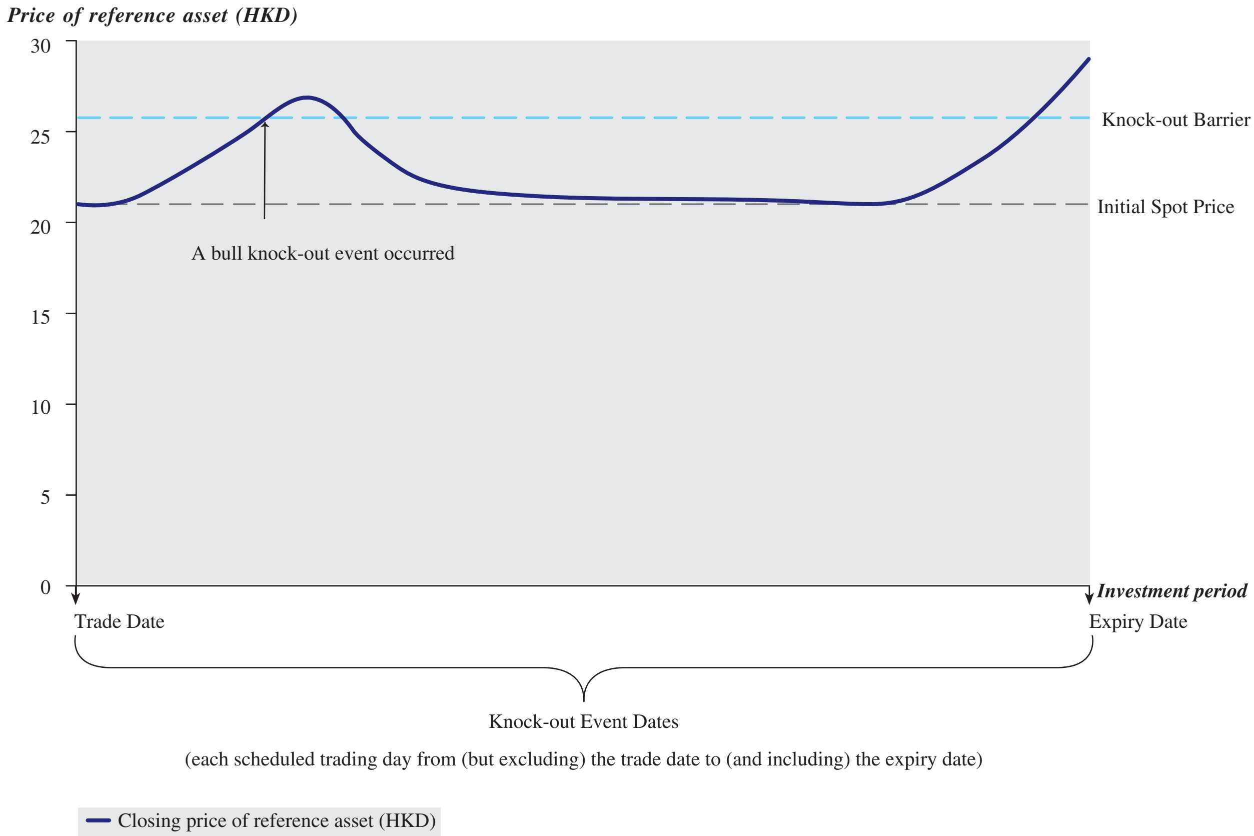
For 10 Knock-out Performance ELIs: HKD10,000 x 10 = HKD100,000

Total payout on investment – Investor receives a total payout of HKD100,000 as no fixed cash distribution amount and no potential performance return have been paid. As the floor rate is set at 100%, the investor receives full principal protection at 100% of the nominal amount upon expiry.

△ The participation rate is set at 100% in this example. The participation rate may be set at 100%, above 100% or below 100%. You should note that where the participation rate is set at a percentage which is below 100%, the performance calculated according to the formula above will be lower than the actual performance of the reference asset on the expiry date compared to the initial spot price of the reference asset.

As the closing price of the reference asset on the expiry date is **below** the initial spot price, investor will **not** receive any potential performance return.

Scenario B4 – The bull knock-out event has occurred and the closing price of the reference asset on the expiry date is above the initial spot price (a gain scenario)



Final settlement payout on the settlement date

– The above diagram illustrates that a bull knock-out event **has occurred** as the closing price of the reference asset is above the knock-out barrier on a knock-out event date. The reference asset closes at HKD28.00 on the expiry date, which is above its initial spot price.

– Investor receives the final settlement payout equal to the sum of: (i) the floor amount; (ii) the fixed cash distribution amount (if any); and (iii) the rebate amount (if any) on the settlement date, each calculated as follows (rounded to 2 decimal places, with $0.005 or above being rounded upwards):

For each Knock-out Performance ELI:

(1) the floor amount:

nominal amount x floor rate

= HKD10,000 x 100% = HKD10,000

(2) the fixed cash distribution amount:

nominal amount x fixed cash dividend rate

= HKD10,000 x 0% = HKD0

(3) the rebate amount:

nominal amount x rebate rate*

= HKD10,000 x 1% = HKD100

The final settlement payout for 1 Knock-out Performance ELI: HKD10,000 (floor amount) + HKD0 (fixed cash distribution amount) + HKD100 (rebate amount) = HKD10,100

For 10 Knock-out Performance ELIs: HKD10,100 x 10 = HKD101,000

Total payout on investment

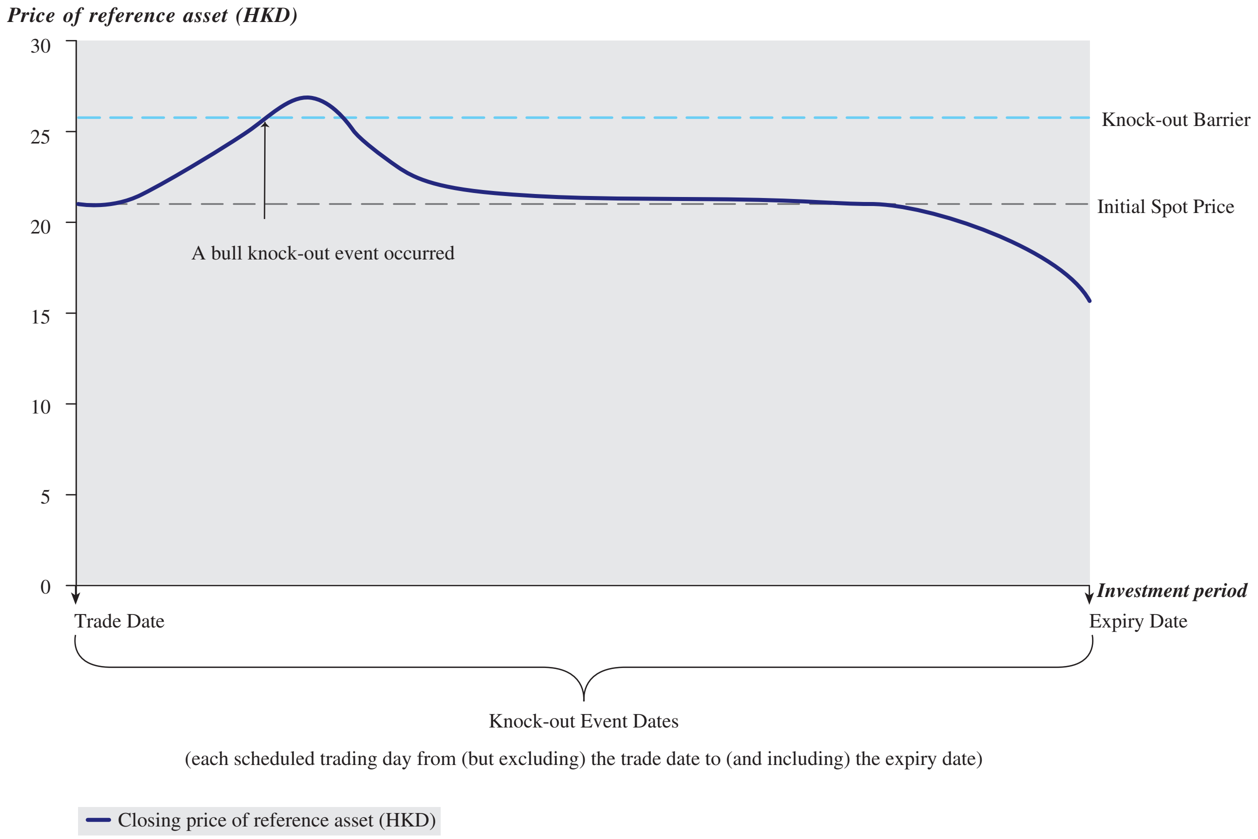
– Investor receives a total payout of HKD101,000 and makes a gain of HKD1,000, which is equal to a gain of 1% (calculated as: (HKD101,000 – HKD100,000) ÷ HKD100,000 x 100%), compared to the total issue price paid on the issue date.

– In this scenario, the bull knock-out event **has occurred** and hence, no potential performance return is paid. **The investor received the final settlement payout which is a fixed sum equals to (i) the floor amount; plus (ii) the fixed cash distribution amount; plus (iii) the rebate amount regardless of how well the reference asset performed on the expiry date.**

– In this scenario, although the reference asset performed well on the expiry date (the closing price of the reference asset on the expiry date rose to HKD28.00, which represents an increase of around 34.6% compared to the initial spot price), the investor only made a gain of 1% as shown in the above calculations.

* The rebate rate is set at 1% in this example. The rebate rate may be set at 0%, in which case you will not receive any rebate amount.

Scenario B5 – The bull knock-out event has occurred and the closing price of the reference asset on the expiry date is below the initial spot price (a gain scenario)



Final settlement payout on the settlement date

– The above diagram illustrates that a bull knock-out event **has occurred** as the closing price of the reference asset is above the knock-out barrier on a knock-out event date. The reference asset closes at HKD15.60 on the expiry date, which is below its initial spot price.

– Investor receives the final settlement payout equal to the sum of: (i) the floor amount; (ii) the fixed cash distribution amount (if any); and (iii) the rebate amount (if any) on the settlement date, each calculated as follows (rounded to 2 decimal places, with $0.005 or above being rounded upwards):

For each Knock-out Performance ELI:

(1) the floor amount:

nominal amount x floor rate

= HKD10,000 x 100% = HKD10,000

(2) the fixed cash distribution amount:

nominal amount x fixed cash dividend rate

= HKD10,000 x 0% = HKD0

(3) the rebate amount:

nominal amount x rebate rate*

= HKD10,000 x 1% = HKD100

The final settlement payout for 1 Knock-out Performance ELI: HKD10,000 (floor amount) + HKD0 (fixed cash distribution amount) + HKD100 (rebate amount) = HKD10,100

For 10 Knock-out Performance ELIs: HKD10,100 x 10 = HKD101,000

Total payout on investment

– Investor receives a total payout of HKD101,000 and makes a gain of HKD1,000, which is equal to a gain of 1% (calculated as: (HKD101,000 – HKD100,000) ÷ HKD100,000 x 100%), compared to the total issue price paid on the issue date.

– In this scenario, the bull knock-out event **has occurred** and hence, no potential performance return is paid. **The investor received the final settlement payout which is a fixed sum equals to (i) the floor amount; plus (ii) the fixed cash distribution amount; plus (iii) the rebate amount regardless of how poorly the reference asset performed on the expiry date.**

– In this scenario, although the reference asset performed poorly on the expiry date (the closing price of the reference asset on the expiry date dropped to HKD15.60, which represents a decrease of 25% compared to the initial spot price), the investor made a gain of 1% as shown in the above calculations.

Scenario B6 – if HSBC as issuer becomes insolvent or defaults on its obligations under the Knock-out Performance ELIs

– Assume further that HSBC as issuer becomes insolvent or defaults on its obligations under the Knock-out Performance ELIs during the scheduled tenor of the Knock-out Performance ELIs.

– In the worst case scenario, the investor may get nothing back (including the final settlement payout of the Knock-out Performance ELIs) regardless of the price performance of the reference asset and **you could lose 100% of the initial investment amount**.

* The rebate rate is set at 1% in this example. The rebate rate may be set at 0%, in which case you will not receive any rebate amount.

HYPOTHETICAL EXAMPLES
FOR BEAR KNOCK-OUT PERFORMANCE ELIS

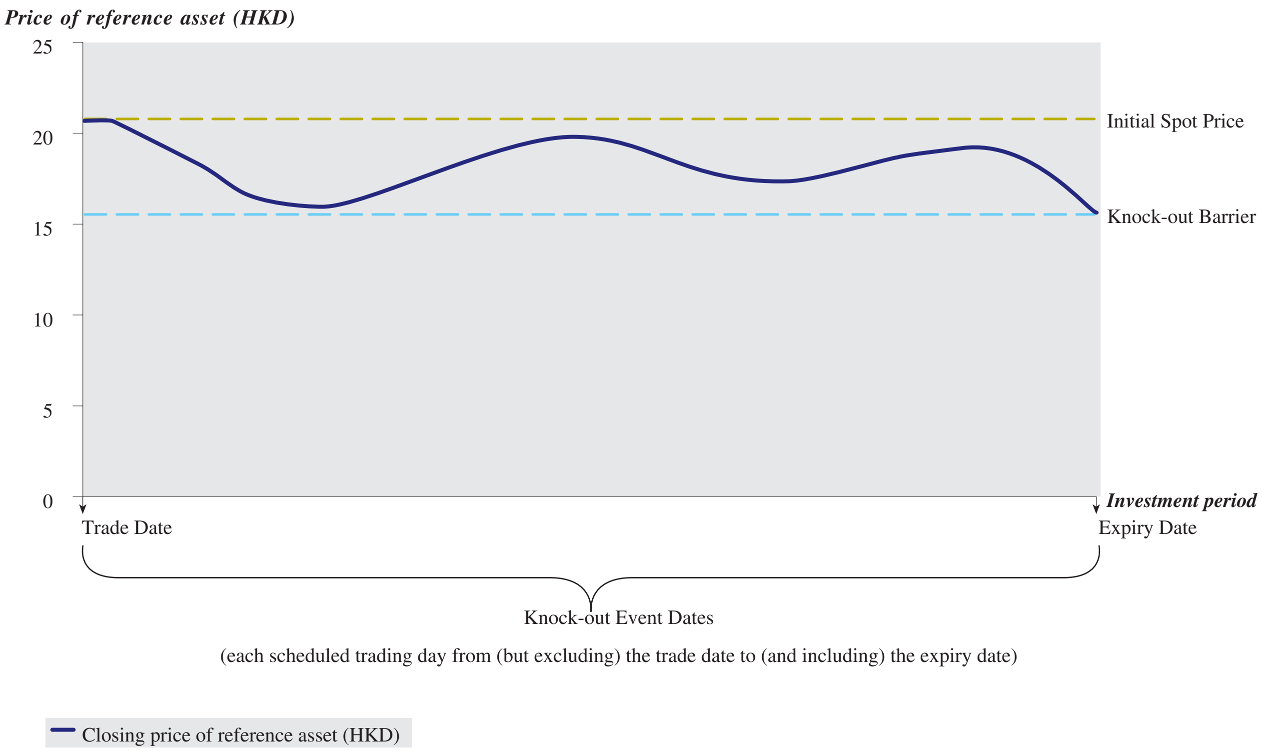
A. *The following hypothetical examples are for illustrative purposes only and do not reflect a complete analysis of all possible gain or loss scenarios. You must not rely on them as an indication of the price performance of the reference asset or the payout on the Knock-out Performance ELIs.* ***They do not take into account any expenses payable by the investor.***

In this example, suppose an investor bought 10 Knock-out Performance ELIs with partial principal protection with the following terms:

Full or partial principal protection upon expiry*	Partial principal protection at 70% of the nominal amount upon expiry. In the worst case scenario, the investor will receive 70% of the nominal amount of the Knock-out Performance ELIs upon expiry and will lose 30% of the initial investment amount.
Scheduled tenor of the Knock-out Performance ELIs (being the period from (and including) the issue date to (and including) the settlement date)	360 days
Investment period of the Knock-out Performance ELIs (being the period from (and including) the trade date to (and including) the expiry date)	365 days
Settlement currency	Hong Kong dollars (HKD)
Initial spot price on trade date	HKD20.80
Issue price for each Knock-out Performance ELI (100% of nominal amount)	HKD10,000
Nominal amount for each Knock-out Performance ELI	HKD10,000
Total issue price for 10 Knock-out Performance ELIs	HKD100,000
Total nominal amount for 10 Knock-out Performance ELIs	HKD100,000
Knock-out barrier (75% of the initial spot price)	HKD15.60
Floor rate*	70%
Fixed cash dividend rate	0%
Participation rate	200%
Rebate rate	19%

* Our Knock-out Performance ELIs will be fully principal protected if the floor rate is set at 100%. Since the floor rate is set at 70%, our Knock-out Performance ELIs will only be partially principal protected. The level of principal protection will depend on the floor rate: the higher the floor rate, the higher the principal protection you will receive for your Knock-out Performance ELIs. However, the higher the level of principal protection, the lower the potential return.

Scenario A1 – The bear knock-out event has NOT occurred and the closing price of reference asset on the expiry date is at the same level as the knock-out barrier, which is below the initial spot price (Best case scenario)



Final settlement payout on the settlement date

– The above diagram illustrates that the reference asset closes at the same level as the knock-out barrier (i.e. HKD15.60) on the expiry date, which is below its initial spot price.

– Investor receives the final settlement payout equal to the sum of: (i) the floor amount; (ii) the fixed cash distribution amount (if any); and (iii) the potential performance return (if any) on the settlement date, each calculated as follows (rounded to 2 decimal places, with $0.005 or above being rounded upwards):

For each Knock-out Performance ELI:

(1) the floor amount:

nominal amount x floor rate

= HKD10,000 x 70% = HKD7,000

(2) the fixed cash distribution amount:

nominal amount x fixed cash dividend rate

= HKD10,000 x 0% = HKD0

(3) the potential performance return:

nominal amount x performance#

The performance is calculated as follows:

$$\text{Max}\left(1 - \frac{\text{Closing price of the reference asset on the expiry date}}{\text{Initial spot price of the reference asset}}, 0\right) \text{ x participation rate}$$

$$= \text{Max}\left(1 - \frac{\text{HKD15.60}}{\text{HKD20.80}}, 0\right) \text{ x } 200\%^{\triangle}$$

Since $1 - \frac{\text{HKD15.60}}{\text{HKD20.80}}$ = 0.25, which is greater than 0, therefore, the performance will be equal to:

0.25 x 200%

= 50%

The potential performance return will be equal to:

HKD10,000 x 50%

= HKD5,000

The final settlement payout for 1 Knock-out Performance ELI: HKD7,000 (floor amount) + HKD0 (fixed cash distribution amount) + HKD5,000 (potential performance return) = HKD12,000

For 10 Knock-out Performance ELIs: HKD12,000 x 10 = HKD120,000

Total payout on investment

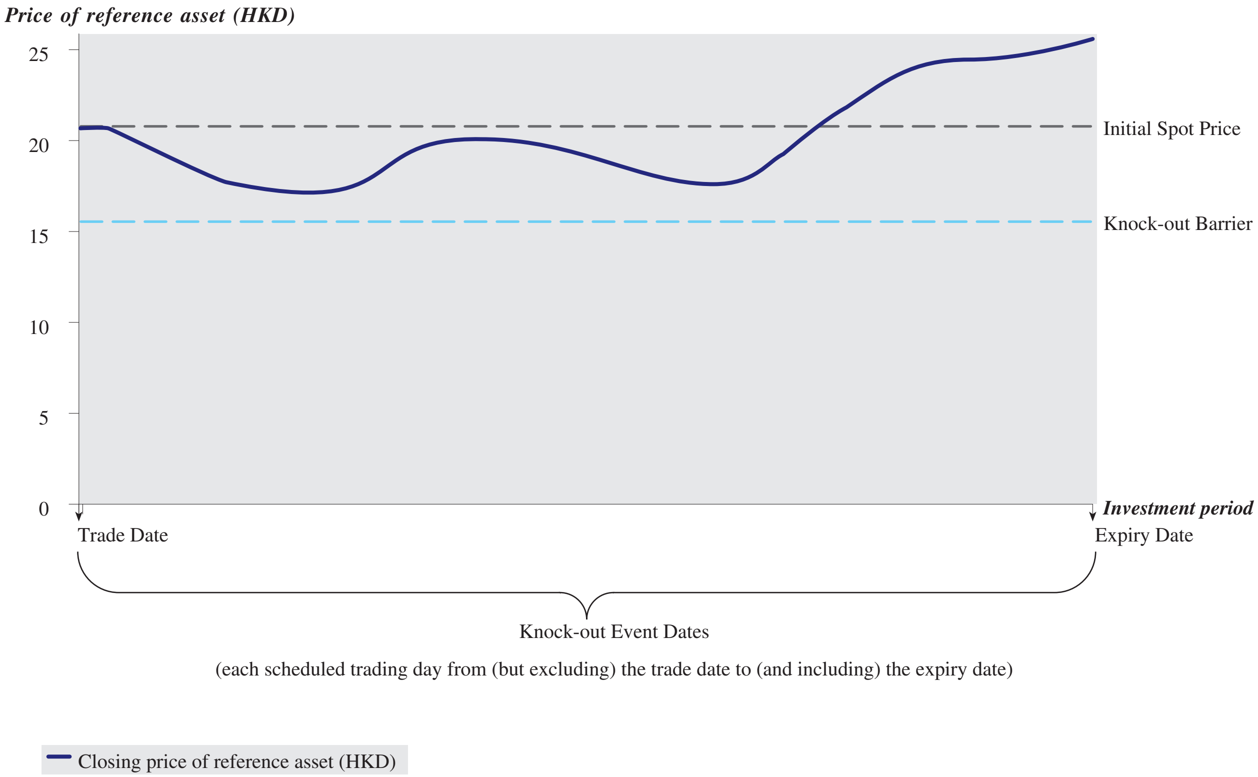
– Investor receives a total payout of HKD120,000 and makes a gain of HKD20,000, which is equal to a gain of 20% (calculated as: (HKD120,000 – HKD100,000) ÷ HKD100,000 x 100%), compared to the total issue price paid on the issue date.

– In this scenario, the bear knock-out event **has NOT occurred** and the potential performance return is paid. **The investor makes a gain as the potential performance return (being HKD5,000 for each Knock-out Performance ELI) is greater than the difference between the nominal amount and the floor amount (i.e. HKD10,000 – HKD7,000, being HKD3,000 for each Knock-out Performance ELI).**

△ The participation rate is set at 200% in this example. The participation rate may be set at 100%, above 100% or below 100%. You should note that where the participation rate is set at a percentage which is below 100%, the performance calculated according to the formula above will be lower than the actual performance of the reference asset on the expiry date compared to the initial spot price of the reference asset.

\# The calculation of the performance according to the formula above is rounded to 2 decimal places in this example for illustrative purposes. The actual calculation of the performance according to the formula above will not be rounded.

Scenario A2 – The bear knock-out event has NOT occurred and the closing price of reference asset on the expiry date is above the initial spot price (Worst case scenario)



Final settlement payout on the settlement date	–	The above diagram illustrates that the reference asset closes at HKD26.00 on the expiry date, which is above its initial spot price.
	–	Investor receives the final settlement payout equal to the sum of: (i) the floor amount; (ii) the fixed cash distribution amount (if any); and (iii) the potential performance return (if any) on the settlement date, each calculated as follows (rounded to 2 decimal places, with $0.005 or above being rounded upwards):

For each Knock-out Performance ELI:

(1) the floor amount:

nominal amount x floor rate

= HKD10,000 x 70% = HKD7,000

(2) the fixed cash distribution amount:

nominal amount x fixed cash dividend rate

= HKD10,000 x 0% = HKD0

(3) the potential performance return:

nominal amount x performance#

The performance is calculated as follows:

$$\text{Max}\left(1 - \frac{\text{Closing price of the reference asset on the expiry date}}{\text{Initial spot price of the reference asset}}, 0\right) \text{ x participation rate}$$

$$= \text{Max}\left(1 - \frac{\text{HKD26.00}}{\text{HKD20.80}}, 0\right) \text{ x } 200\%^{\triangle}$$

Since $1 - \frac{\text{HKD26.00}}{\text{HKD20.80}}$ = -0.25, which is less than 0, therefore, the performance will be equal to:

0 x 200%

= 0%

The potential performance return will be equal to:

HKD10,000 x 0%

= HKD0

The final settlement payout for 1 Knock-out Performance ELI: HKD7,000 (floor amount) + HKD0 (fixed cash distribution amount) + HKD0 (potential performance return) = HKD7,000

For 10 Knock-out Performance ELIs: HKD7,000 x 10 = HKD70,000

Total payout on investment

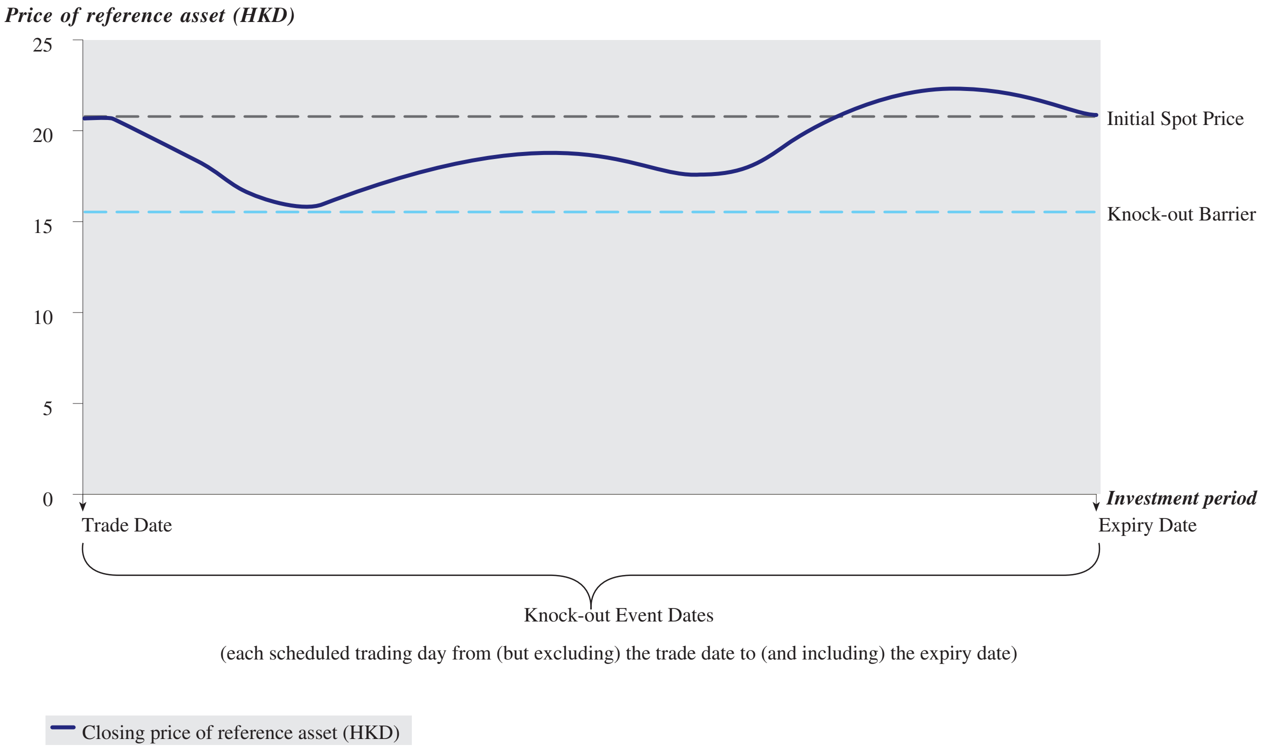
– Investor receives a total payout of HKD70,000 and suffers a loss of HKD30,000, which is equal to a loss of 30% (calculated as: (HKD100,000 – HKD70,000) ÷ HKD100,000 x 100%), compared to the total issue price paid on the issue date.

– In this scenario, the bear knock-out event **has NOT occurred** but no potential performance return is paid. **Although the reference asset performed well on the expiry date (the closing price of the reference asset on the expiry date rose to HKD26.00, which represents an increase of 25% compared to the initial spot price), the investor suffered a loss of HKD3,000 (i.e. 30%) for each Knock-out Performance ELI as the floor rate is set at 70% (which is below 100%) (i.e. HKD10,000 – HKD7,000, being the difference between the nominal amount and the floor amount for each Knock-out Performance ELI).**

△ The participation rate is set at 200% in this example. The participation rate may be set at 100%, above 100% or below 100%. You should note that where the participation rate is set at a percentage which is below 100%, the performance calculated according to the formula above will be lower than the actual performance of the reference asset on the expiry date compared to the initial spot price of the reference asset.

As the closing price of the reference asset on the expiry date is **above** the initial spot price, investor will **not** receive any potential performance return.

Scenario A3 – The bear knock-out event has NOT occurred and the closing price of reference asset on the expiry date is equal to the initial spot price (Worst case scenario)



Final settlement payout on the settlement date	–	The above diagram illustrates that the reference asset closes at HKD20.80 on the expiry date, which is equal to its initial spot price.
	–	Investor receives the final settlement payout equal to the sum of: (i) the floor amount; (ii) the fixed cash distribution amount (if any); and (iii) the potential performance return (if any) on the settlement date, each calculated as follows (rounded to 2 decimal places, with $0.005 or above being rounded upwards):

For each Knock-out Performance ELI:

(1) the floor amount:

nominal amount x floor rate

= HKD10,000 x 70% = HKD7,000

(2) the fixed cash distribution amount:

nominal amount x fixed cash dividend rate

= HKD10,000 x 0% = HKD0

(3) the potential performance return:

nominal amount x performance[#]

The performance is calculated as follows:

$$\text{Max}\left(1 - \frac{\text{Closing price of the reference asset on the expiry date}}{\text{Initial spot price of the reference asset}}, 0\right) \text{ x participation rate}$$

$$= \text{Max}\left(1 - \frac{\text{HKD20.80}}{\text{HKD20.80}}, 0\right) \text{ x } 200\%^{\triangle}$$

Since $1 - \frac{\text{HKD20.80}}{\text{HKD20.80}} = 0$, therefore, the performance will be equal to:

0 x 200%

= 0%

The potential performance return will be equal to:

HKD10,000 x 0%

= HKD0

The final settlement payout for 1 Knock-out Performance ELI: HKD7,000 (floor amount) + HKD0 (fixed cash distribution amount) + HKD0 (potential performance return) = HKD7,000

For 10 Knock-out Performance ELIs: HKD7,000 x 10 = HKD70,000

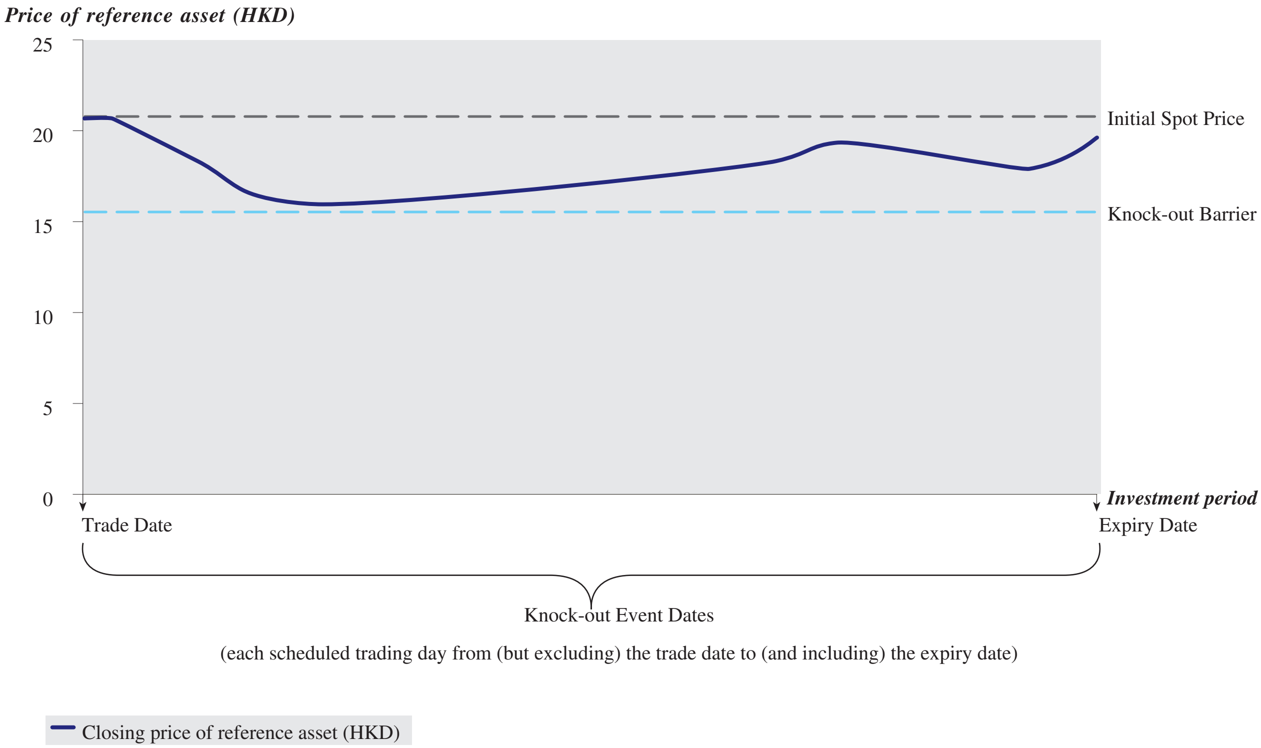
Total payout on investment – Investor receives a total payout of HKD70,000 and suffers a loss of HKD30,000, which is equal to a loss of 30% (calculated as: (HKD100,000 – HKD70,000) ÷ HKD100,000 x 100%), compared to the total issue price paid on the issue date.

– In this scenario, the bear knock-out event **has NOT occurred** but no potential performance return is paid. **As the floor rate is set at 70% (which is below 100%), the investor suffered a loss of HKD3,000 for each Knock-out Performance ELI (i.e. HKD10,000 – HKD7,000, being the difference between the nominal amount and the floor amount for each Knock-out Performance ELI).**

△ The participation rate is set at 200% in this example. The participation rate may be set at 100%, above 100% or below 100%. You should note that where the participation rate is set at a percentage which is below 100%, the performance calculated according to the formula above will be lower than the actual performance of the reference asset on the expiry date compared to the initial spot price of the reference asset.

As the closing price of the reference asset on the expiry date is **equal to** the initial spot price, investor will **not** receive any potential performance return.

Scenario A4 – The bear knock-out event has NOT occurred and the closing price of reference asset on the expiry date is below the initial spot price (a loss scenario)



Final settlement payout on the settlement date

– The above diagram illustrates that the reference asset closes at HKD19.70 on the expiry date, which is below its initial spot price.

– Investor receives the final settlement payout equal to the sum of: (i) the floor amount; (ii) the fixed cash distribution amount (if any); and (iii) the potential performance return (if any) on the settlement date, each calculated as follows (rounded to 2 decimal places, with $0.005 or above being rounded upwards):

For each Knock-out Performance ELI:

(1) the floor amount:

nominal amount x floor rate

= HKD10,000 x 70% = HKD7,000

(2) the fixed cash distribution amount:

nominal amount x fixed cash dividend rate

= HKD10,000 x 0% = HKD0

(3) the potential performance return:

nominal amount x performance[#]

The performance is calculated as follows:

$$\text{Max}\left(1 - \frac{\text{Closing price of the reference asset on the expiry date}}{\text{Initial spot price of the reference asset}}, 0\right) \text{ x participation rate}$$

$$= \text{Max}\left(1 - \frac{\text{HKD19.70}}{\text{HKD20.80}}, 0\right) \text{ x } 200\%^{\triangle}$$

Since $1 - \frac{\text{HKD19.70}}{\text{HKD20.80}}$ = 0.05 (rounded to 2 decimal places), which is greater than 0, therefore, the performance will be equal to:

0.05 x 200%

= 10%

The potential performance return will be equal to:

HKD10,000 x 10%

= HKD1,000

The final settlement payout for 1 Knock-out Performance ELI: HKD7,000 (floor amount) + HKD0 (fixed cash distribution amount) + HKD1,000 (potential performance return) = HKD8,000

For 10 Knock-out Performance ELIs: HKD8,000 x 10 = HKD80,000

Total payout on investment

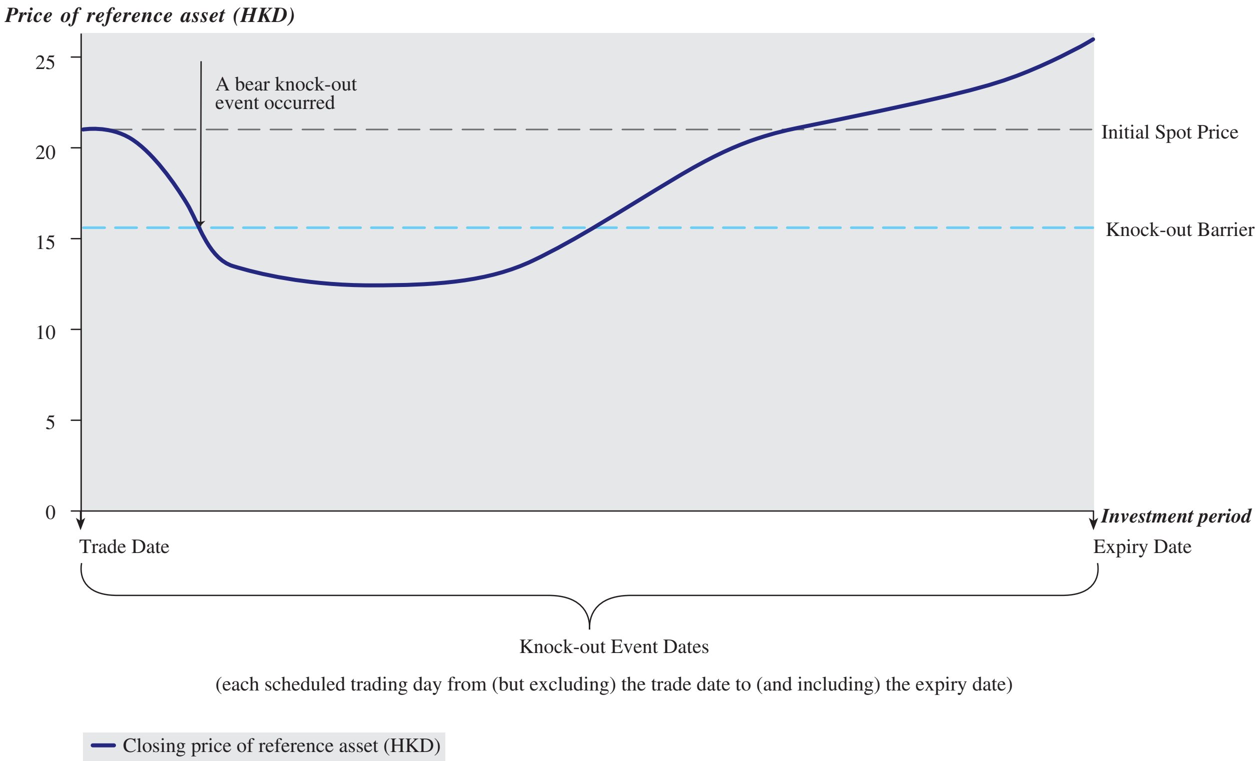
– Investor receives a total payout of HKD80,000 and suffers a loss of HKD20,000, which is equal to a loss of 20% (calculated as: (HKD100,000 – HKD80,000) ÷ HKD100,000 x 100%), compared to the total issue price paid on the issue date.

– In this scenario, the bear knock-out event **has NOT occurred** and the potential performance return is paid. **However, the investor still suffered a loss as the floor rate is set at 70% (which is below 100%) and the potential performance return (being HKD1,000 for each Knock-out Performance ELI) is less than the difference between the nominal amount and the floor amount (i.e. HKD10,000 – HKD7,000, being HKD3,000 for each Knock-out Performance ELI).**

△ The participation rate is set at 200% in this example. The participation rate may be set at 100%, above 100% or below 100%. You should note that where the participation rate is set at a percentage which is below 100%, the performance calculated according to the formula above will be lower than the actual performance of the reference asset on the expiry date compared to the initial spot price of the reference asset.

\# The calculation of the performance according to the formula above is rounded to 2 decimal places in this example for illustrative purposes. The actual calculation of the performance according to the formula above will not be rounded.

Scenario A5 – The bear knock-out event has occurred and the closing price of the reference asset on the expiry date is above the initial spot price (a loss scenario)



Final settlement payout on the settlement date

– The above diagram illustrates that a bear knock-out event **has occurred** as the closing price of the reference asset is below the knock-out barrier on a knock-out event date. The reference asset closes at HKD26.00 on the expiry date, which is above its initial spot price.

– Investor receives the final settlement payout equal to the sum of: (i) the floor amount; (ii) the fixed cash distribution amount (if any); and (iii) the rebate amount (if any) on the settlement date, each calculated as follows (rounded to 2 decimal places, with $0.005 or above being rounded upwards):

For each Knock-out Performance ELI:

(1) the floor amount:

nominal amount x floor rate

= HKD10,000 x 70% = HKD7,000

(2) the fixed cash distribution amount:

nominal amount x fixed cash dividend rate

= HKD10,000 x 0% = HKD0

(3) the rebate amount:

nominal amount x rebate rate*

= HKD10,000 x 19% = HKD1,900

The final settlement payout for 1 Knock-out Performance ELI: HKD7,000 (floor amount) + HKD0 (fixed cash distribution amount) + HKD1,900 (rebate amount) = HKD8,900

For 10 Knock-out Performance ELIs: HKD8,900 x 10 = HKD89,000

Total payout on investment

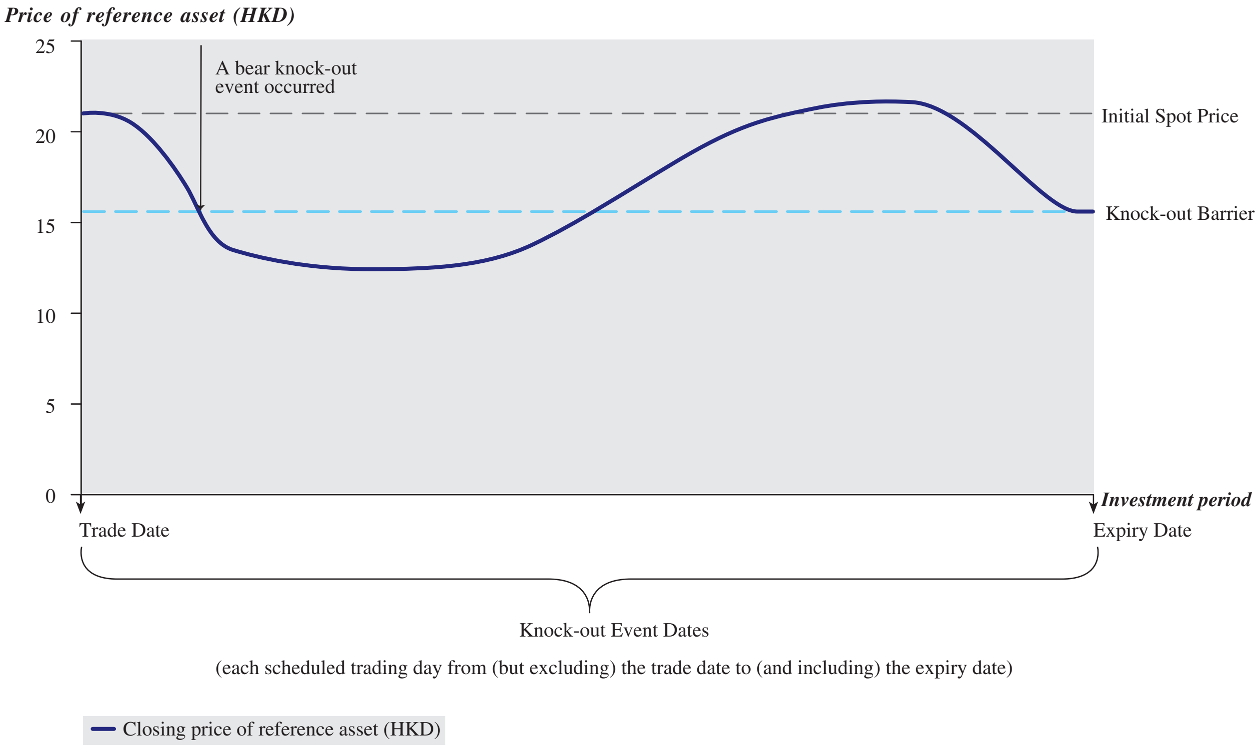
– Investor receives a total payout of HKD89,000 and suffers a loss of HKD11,000, which is equal to a loss of 11% (calculated as: (HKD100,000 - HKD89,000) ÷ HKD100,000 x 100%), compared to the total issue price paid on the issue date.

– In this scenario, the bear knock-out event **has occurred** and hence, no potential performance return is paid. **The investor received the final settlement payout which is a fixed sum equals to (i) the floor amount; plus (ii) the rebate amount regardless of how well the reference asset performed on the expiry date.**

– In this scenario, although the reference asset performed well on the expiry date (the closing price of the reference asset on the expiry date rose to HKD26.00, which represents an increase of 25% compared to the initial spot price), the investor suffered a loss of 11% as shown in the above calculations as the floor rate is set at 70% (which is below 100%) and the sum of (i) the floor amount (being 70% of the nominal amount) and (ii) the rebate amount (being 19% of the nominal amount) is less than 100% of the nominal amount.

* The rebate rate is set at 19% in this example. The rebate rate may be set at 0%, in which case you will not receive any rebate amount.

Scenario A6 – The bear knock-out event has occurred and the closing price of the reference asset on the expiry date is below the initial spot price (a loss scenario)



Final settlement payout on the settlement date

– The above diagram illustrates that a bear knock-out event **has occurred** as the closing price of the reference asset is below the knock-out barrier on a knock-out event date. The reference asset closes at HKD15.60 on the expiry date, which is below its initial spot price.

– Investor receives the final settlement payout equal to the sum of: (i) the floor amount; (ii) the fixed cash distribution amount (if any); and (iii) the rebate amount (if any) on the settlement date, each calculated as follows (rounded to 2 decimal places, with $0.005 or above being rounded upwards):

For each Knock-out Performance ELI:

(1) the floor amount:

nominal amount x floor rate

= HKD10,000 x 70% = HKD7,000

(2) the fixed cash distribution amount:

nominal amount x fixed cash dividend rate

= HKD10,000 x 0% = HKD0

(3) the rebate amount:

nominal amount x rebate rate*

= HKD10,000 x 19% = HKD1,900

The final settlement payout for 1 Knock-out Performance ELI: HKD7,000 (floor amount) + HKD0 (fixed cash distribution amount) + HKD1,900 (rebate amount) = HKD8,900

For 10 Knock-out Performance ELIs: HKD8,900 x 10 = HKD89,000

Total payout on investment

– Investor receives a total payout of HKD89,000 and suffers a loss of HKD11,000, which is equal to a loss of 11% (calculated as: (HKD100,000 - HKD89,000) ÷ HKD100,000 x 100%), compared to the total issue price paid on the issue date.

– In this scenario, the bear knock-out event **has occurred** and hence, no potential performance return is paid. **The investor received the final settlement payout which is a fixed sum equals to (i) the floor amount; plus (ii) the rebate amount regardless of how poorly the reference asset performed on the expiry date.**

– In this scenario, although the reference asset performed poorly on the expiry date (the closing price of the reference asset on the expiry date dropped to HKD15.60, which represents a decrease of 25% compared to the initial spot price), the investor still suffered a loss of 11% as shown in the above calculations as the floor rate is set at 70% (which is below 100%) and the sum of (i) the floor amount (being 70% of the nominal amount) and (ii) the rebate amount (being 19% of the nominal amount) is less than 100% of the nominal amount.

Scenario A7 – if HSBC as issuer becomes insolvent or defaults on its obligations under the Knock-out Performance ELIs

– Assume further that HSBC as issuer becomes insolvent or defaults on its obligations under the Knock-out Performance ELIs during the scheduled tenor of the Knock-out Performance ELIs.

– In the worst case scenario, the investor may get nothing back (including the final settlement payout of the Knock-out Performance ELIs) regardless of the price performance of the reference asset and **you could lose 100% of the initial investment amount**.

* The rebate rate is set at 19% in this example. The rebate rate may be set at 0%, in which case you will not receive any rebate amount.

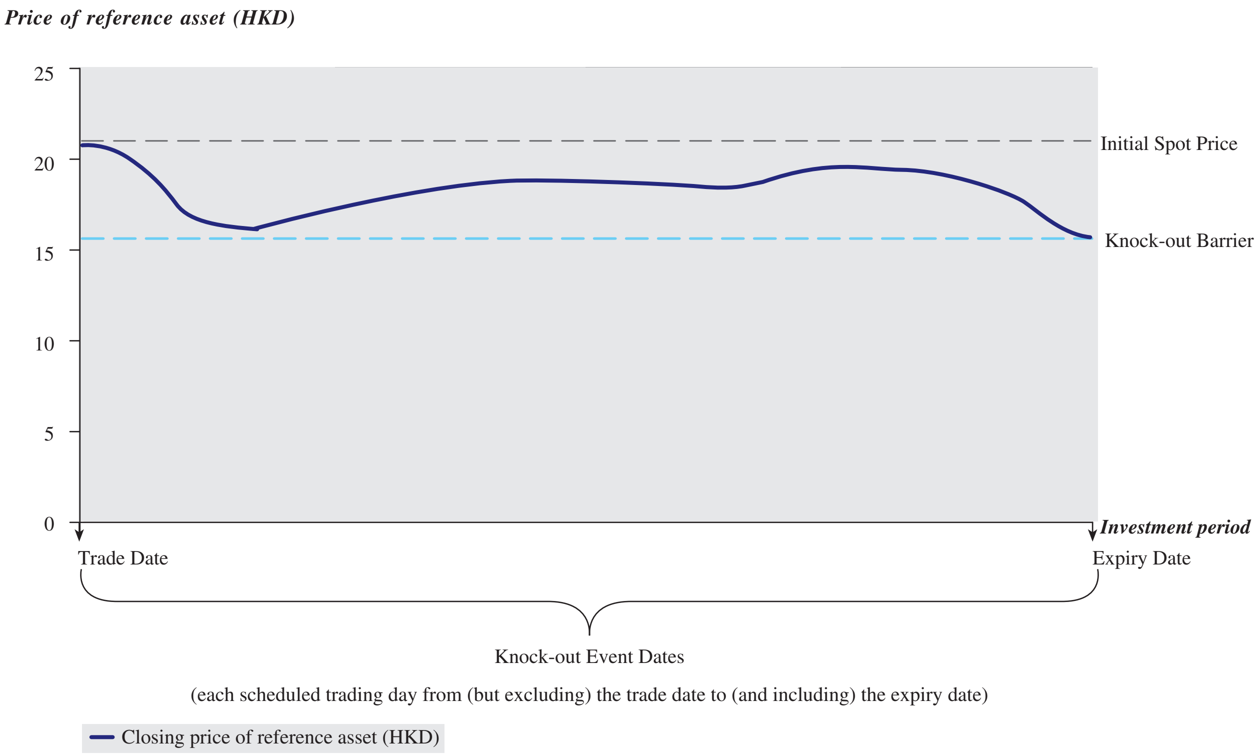
B. *The following hypothetical examples are for illustrative purposes only and do not reflect a complete analysis of all possible gain or loss scenarios. You must not rely on them as an indication of the price performance of the reference asset or the payout on the Knock-out Performance ELIs.* ***They do not take into account any expenses payable by the investor.***

In this example, suppose an investor bought 10 Knock-out Performance ELIs with full principal protection with the following terms:

Full or partial principal protection upon expiry*	Full principal protection at 100% of the nominal amount upon expiry.
Scheduled tenor of the Knock-out Performance ELIs (being the period from (and including) the issue date to (and including) the settlement date)	360 days
Investment period of the Knock-out Performance ELIs (being the period from (and including) the trade date to (and including) the expiry date)	365 days
Settlement currency	Hong Kong dollars (HKD)
Initial spot price on trade date	HKD20.80
Issue price for each Knock-out Performance ELI (100% of nominal amount)	HKD10,000
Nominal amount for each Knock-out Performance ELI	HKD10,000
Total issue price for 10 Knock-out Performance ELIs	HKD100,000
Total nominal amount for 10 Knock-out Performance ELIs	HKD100,000
Knock-out barrier (75% of the initial spot price)	HKD15.60
Floor rate*	100%
Fixed cash dividend rate	0%
Participation rate	100%
Rebate rate	1%

* Our Knock-out Performance ELIs will be fully principal protected if the floor rate is set at 100%. The level of principal protection will depend on the floor rate: the higher the floor rate, the higher the principal protection you will receive for your Knock-out Performance ELIs. However, the higher the level of principal protection, the lower the potential return.

Scenario B1 – The bear knock-out event has NOT occurred and the closing price of reference asset on the expiry date is at the same level as the knock-out barrier, which is below the initial spot price (Best case scenario)



Final settlement payout on the settlement date

– The above diagram illustrates that the reference asset closes at the same level as the knock-out barrier (i.e. HKD15.60) on the expiry date, which is below its initial spot price.

– Investor receives the final settlement payout equal to the sum of: (i) the floor amount; (ii) the fixed cash distribution amount (if any); and (iii) the potential performance return (if any) on the settlement date, each calculated as follows (rounded to 2 decimal places, with $0.005 or above being rounded upwards):

For each Knock-out Performance ELI:

(1) the floor amount:

nominal amount x floor rate

= HKD10,000 x 100% = HKD10,000

(2) the fixed cash distribution amount:

nominal amount x fixed cash dividend rate

= HKD10,000 x 0% = HKD0

(3) the potential performance return:

nominal amount x performance[#]

The performance is calculated as follows:

$$\text{Max}\left(1 - \frac{\text{Closing price of the reference asset on the expiry date}}{\text{Initial spot price of the reference asset}}, 0\right) \text{ x participation rate}$$

$$= \text{Max}\left(1 - \frac{\text{HKD15.60}}{\text{HKD20.80}}, 0\right) \text{ x } 100\%^{\triangle}$$

Since $1 - \frac{\text{HKD15.60}}{\text{HKD20.80}}$ = 0.25, which is greater than 0, therefore, the performance will be equal to:

0.25 x 100%

= 25%

The potential performance return will be equal to:

HKD10,000 x 25%

= HKD2,500

The final settlement payout for 1 Knock-out Performance ELI: HKD10,000 (floor amount) + HKD0 (fixed cash distribution amount) + HKD2,500 (potential performance return) = HKD12,500

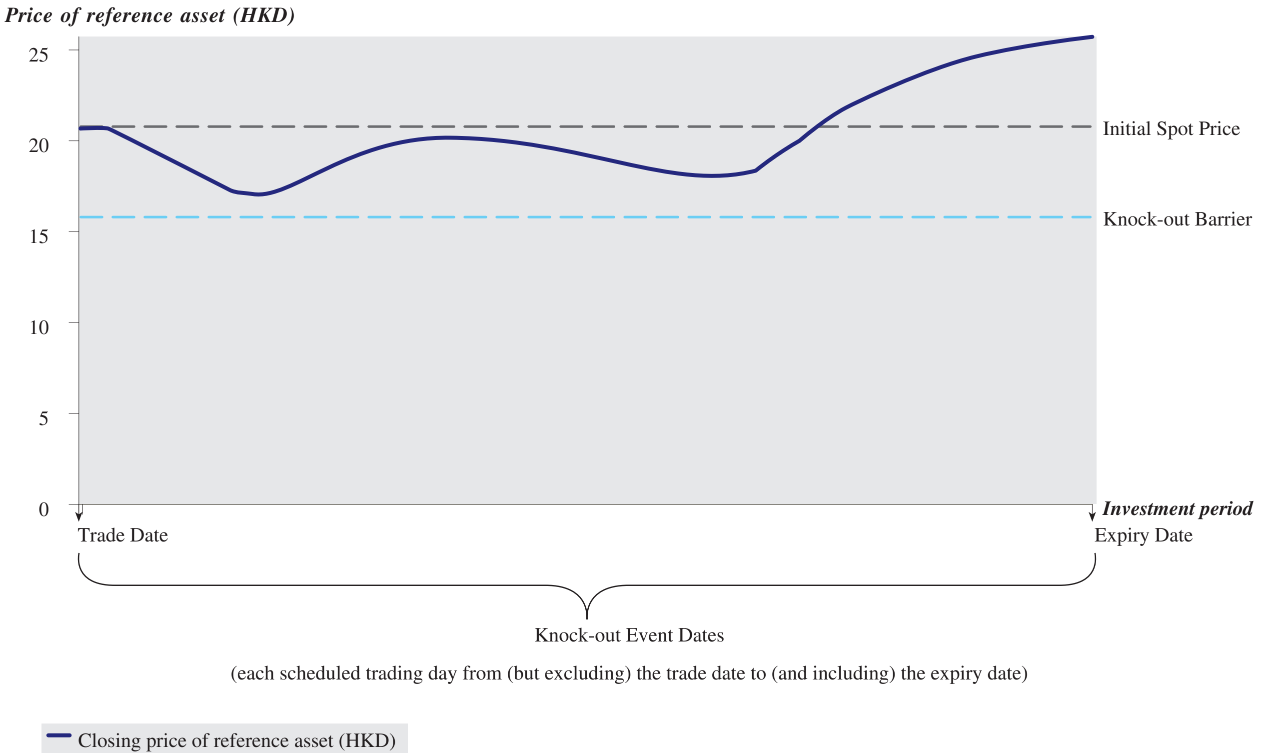
For 10 Knock-out Performance ELIs: HKD12,500 x 10 = HKD125,000

Total payout on investment – Investor receives a total payout of HKD125,000 and makes a gain of HKD25,000, which is equal to a gain of 25% (calculated as: (HKD125,000 – HKD100,000) ÷ HKD100,000 x 100%), compared to the total issue price paid on the issue date.

△ The participation rate is set at 100% in this example. The participation rate may be set at 100%, above 100% or below 100%. You should note that where the participation rate is set at a percentage which is below 100%, the performance calculated according to the formula above will be lower than the actual performance of the reference asset on the expiry date compared to the initial spot price of the reference asset.

The calculation of the performance according to the formula above is rounded to 2 decimal places in this example for illustrative purposes. The actual calculation of the performance according to the formula above will not be rounded.

Scenario B2 – The bear knock-out event has NOT occurred and the closing price of reference asset on the expiry date is above the initial spot price (Worst case scenario)



Final settlement payout on the settlement date

– The above diagram illustrates that the reference asset closes at HKD26.00 on the expiry date, which is above its initial spot price.

– Investor receives the final settlement payout equal to the sum of: (i) the floor amount; (ii) the fixed cash distribution amount (if any); and (iii) the potential performance return (if any) on the settlement date, each calculated as follows (rounded to 2 decimal places, with $0.005 or above being rounded upwards):

For each Knock-out Performance ELI:

(1) the floor amount:

nominal amount x floor rate

= HKD10,000 x 100% = HKD10,000

(2) the fixed cash distribution amount:

nominal amount x fixed cash dividend rate

= HKD10,000 x 0% = HKD0

(3) the potential performance return:

nominal amount x performance#

The performance is calculated as follows:

$$\text{Max}\left(1 - \frac{\text{Closing price of the reference asset on the expiry date}}{\text{Initial spot price of the reference asset}}, 0\right) \text{ x participation rate}$$

$$= \text{Max}\left(1 - \frac{\text{HKD26.00}}{\text{HKD20.80}}, 0\right) \text{ x } 100\%^{\triangle}$$

Since $1 - \frac{\text{HKD26.00}}{\text{HKD20.80}}$ = -0.25, which is less than 0, therefore, the performance will be equal to:

0 x 100%

= 0%

The potential performance return will be equal to:

HKD10,000 x 0%

= HKD0

The final settlement payout for 1 Knock-out Performance ELI: HKD10,000 (floor amount) + HKD0 (fixed cash distribution amount) + HKD0 (potential performance return) = HKD10,000

For 10 Knock-out Performance ELIs: HKD10,000 x 10 = HKD100,000

Total payout on investment

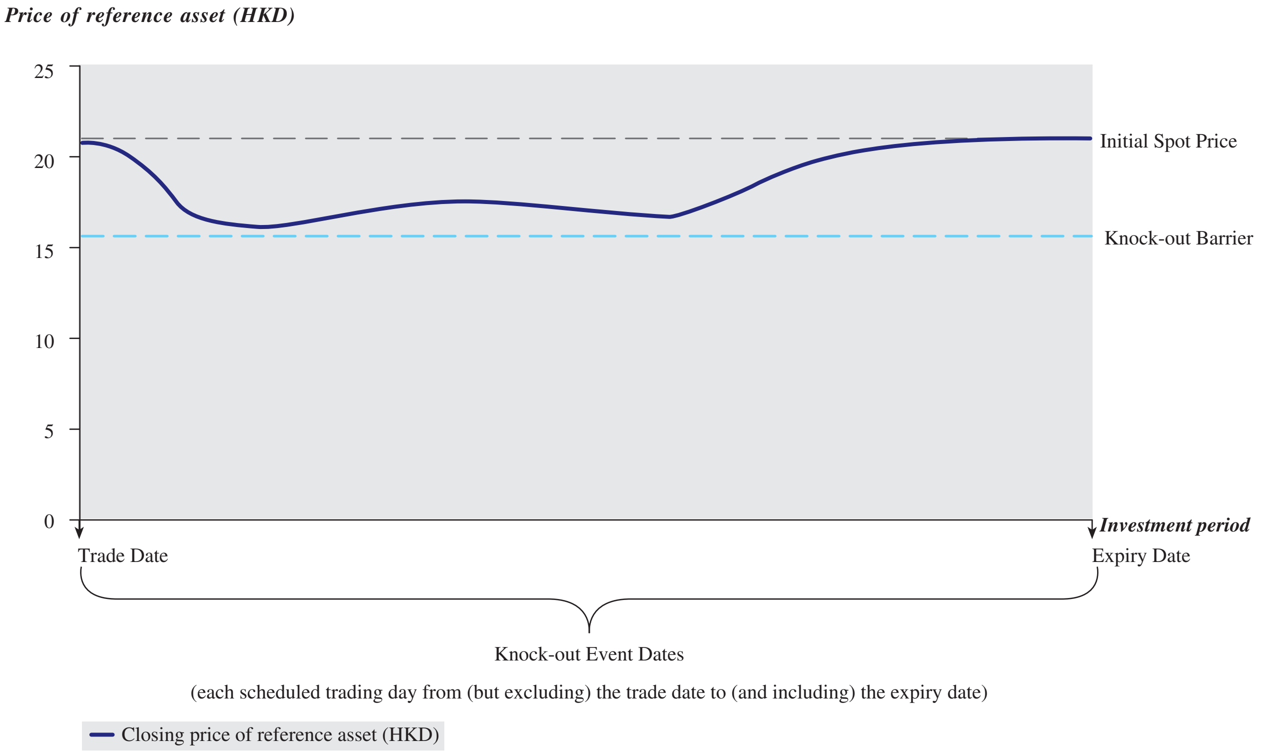
– Investor receives a total payout of HKD100,000 as no fixed cash distribution amount and no potential performance return have been paid. As the floor rate is set at 100%, the investor receives full principal protection at 100% of the nominal amount upon expiry.

– In this scenario, although the reference asset performed well on the expiry date (the closing price of the reference asset on the expiry date rose to HKD26.00, which represents an increase of 25% compared to the initial spot price), the investor did not make a gain as shown in the above calculations.

△ The participation rate is set at 100% in this example. The participation rate may be set at 100%, above 100% or below 100%. You should note that where the participation rate is set at a percentage which is below 100%, the performance calculated according to the formula above will be lower than the actual performance of the reference asset on the expiry date compared to the initial spot price of the reference asset.

As the closing price of the reference asset on the expiry date is **above** the initial spot price, investor will **not** receive any potential performance return.

Scenario B3 – The bear knock-out event has NOT occurred and the closing price of reference asset on the expiry date is equal to the initial spot price (Worst case scenario)



Final settlement payout on the settlement date	–	The above diagram illustrates that the reference asset closes at HKD20.80 on the expiry date, which is equal to its initial spot price.
	–	Investor receives the final settlement payout equal to the sum of: (i) the floor amount; (ii) the fixed cash distribution amount (if any); and (iii) the potential performance return (if any) on the settlement date, each calculated as follows (rounded to 2 decimal places, with $0.005 or above being rounded upwards):

For each Knock-out Performance ELI:

(1) the floor amount:

nominal amount x floor rate

= HKD10,000 x 100% = HKD10,000

(2) the fixed cash distribution amount:

nominal amount x fixed cash dividend rate

= HKD10,000 x 0% = HKD0

(3) the potential performance return:

nominal amount x performance[#]

The performance is calculated as follows:

$$\text{Max}\left(1 - \frac{\text{Closing price of the reference asset on the expiry date}}{\text{Initial spot price of the reference asset}}, 0\right) \text{ x participation rate}$$

$$= \text{Max}\left(1 - \frac{\text{HKD20.80}}{\text{HKD20.80}}, 0\right) \text{ x } 100\%^{\triangle}$$

Since $1 - \frac{\text{HKD20.80}}{\text{HKD20.80}} = 0$, therefore, the performance will be equal to:

0 x 100%

= 0%

The potential performance return will be equal to:

HKD10,000 x 0%

= HKD0

The final settlement payout for 1 Knock-out Performance ELI: HKD10,000 (floor amount) + HKD0 (fixed cash distribution amount) + HKD0 (potential performance return) = HKD10,000

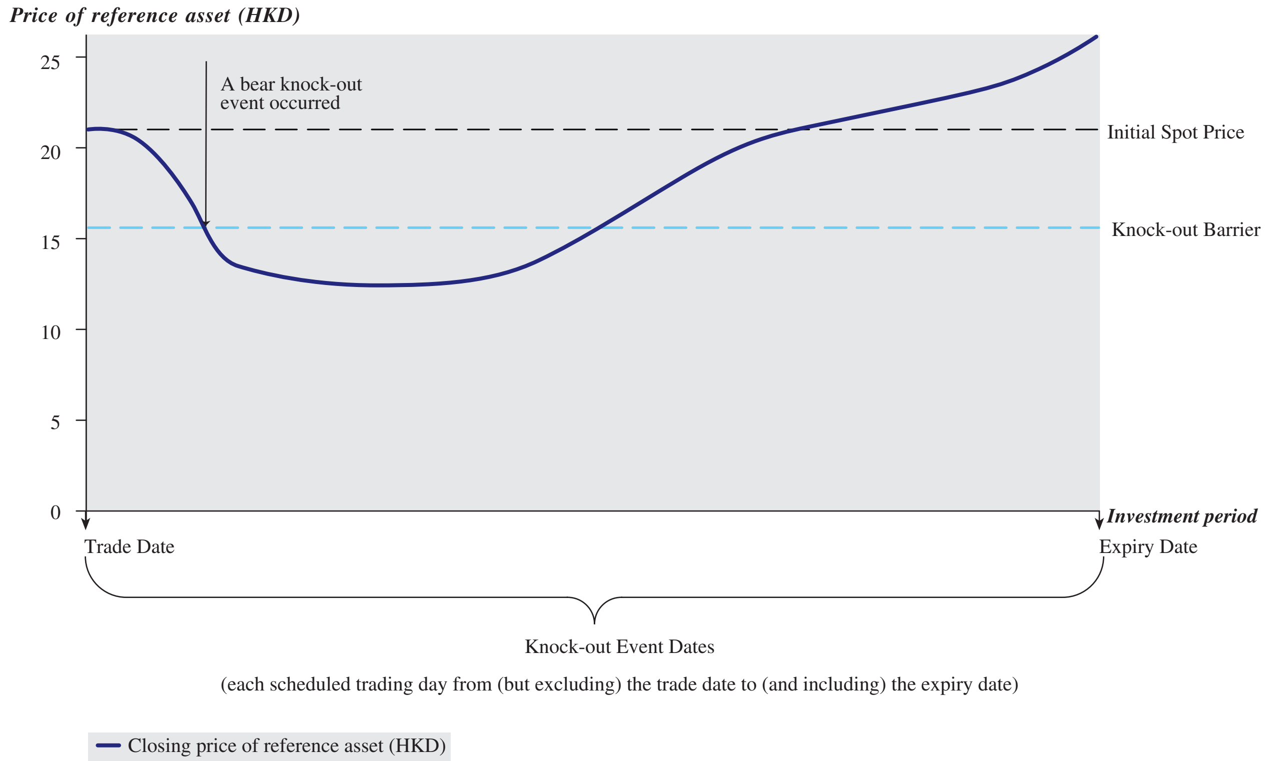
For 10 Knock-out Performance ELIs: HKD10,000 x 10 = HKD100,000

Total payout on investment – Investor receives a total payout of HKD100,000 as no fixed cash distribution amount and no potential performance return have been paid. As the floor rate is set at 100%, the investor receives full principal protection at 100% of the nominal amount upon expiry.

△ The participation rate is set at 100% in this example. The participation rate may be set at 100%, above 100% or below 100%. You should note that where the participation rate is set at a percentage which is below 100%, the performance calculated according to the formula above will be lower than the actual performance of the reference asset on the expiry date compared to the initial spot price of the reference asset.

\# As the closing price of the reference asset on the expiry date is **equal to** the initial spot price, investor will **not** receive any potential performance return.

Scenario B4 – The bear knock-out event has occurred and the closing price of the reference asset on the expiry date is above the initial spot price (a gain scenario)



Final settlement payout on the settlement date	–	The above diagram illustrates that a bear knock-out event **has occurred** as the closing price of the reference asset is below the knock-out barrier on a knock-out event date. The reference asset closes at HKD26.00 on the expiry date, which is above its initial spot price.
	–	Investor receives the final settlement payout equal to the sum of: (i) the floor amount; (ii) the fixed cash distribution amount (if any); and (iii) the rebate amount (if any) on the settlement date, each calculated as follows (rounded to 2 decimal places, with \$0.005 or above being rounded upwards):

For each Knock-out Performance ELI:

(1) the floor amount:

nominal amount x floor rate

= HKD10,000 x 100% = HKD10,000

(2) the fixed cash distribution amount:

nominal amount x fixed cash dividend rate

= HKD10,000 x 0% = HKD0

(3) the rebate amount:

nominal amount x rebate rate*

= HKD10,000 x 1% = HKD100

The final settlement payout for 1 Knock-out Performance ELI: HKD10,000 (floor amount) + HKD0 (fixed cash distribution amount) + HKD100 (rebate amount) = HKD10,100

For 10 Knock-out Performance ELIs: HKD10,100 x 10 = HKD101,000

Total payout on investment

– Investor receives a total payout of HKD101,000 and makes a gain of HKD1,000, which is equal to a gain of 1% (calculated as: (HKD101,000 – HKD100,000) ÷ HKD100,000 x 100%), compared to the total issue price paid on the issue date.

– In this scenario, the bear knock-out event **has occurred** and hence, no potential performance return is paid. **The investor received the final settlement payout which is a fixed sum equals to (i) the floor amount; plus (ii) the fixed cash distribution amount; plus (iii) the rebate amount regardless of how well the reference asset performed on the expiry date.**

– In this scenario, although the reference asset performed well on the expiry date (the closing price of the reference asset on the expiry date rose to HKD26.00, which represents an increase of 25% compared to the initial spot price), the investor only made a gain of 1% as shown in the above calculations.

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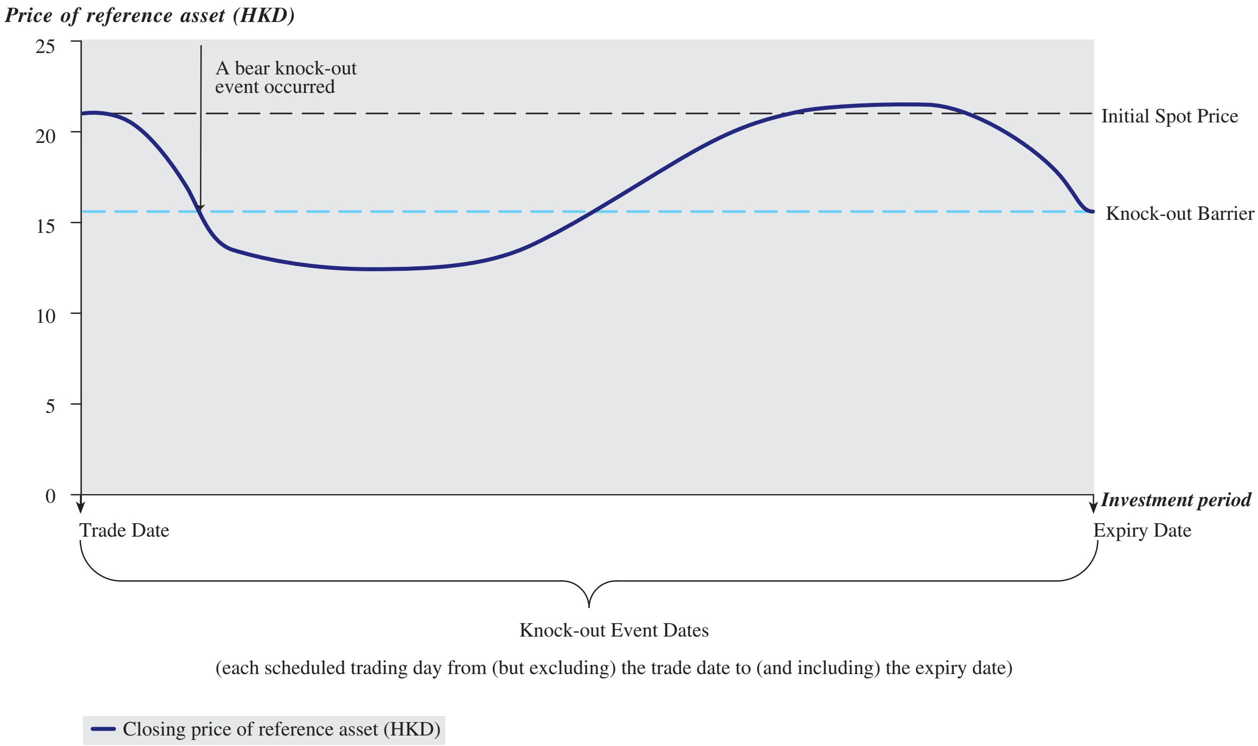
* The rebate rate is set at 1% in this example. The rebate rate may be set at 0%, in which case you will not receive any rebate amount.

Scenario B5 – The bear knock-out event has occurred and the closing price of the reference asset on the expiry date is below the initial spot price (a gain scenario)



Final settlement payout on the settlement date

– The above diagram illustrates that a bear knock-out event **has occurred** as the closing price of the reference asset is below the knock-out barrier on a knock-out event date. The reference asset closes at HKD15.60 on the expiry date, which is below its initial spot price.

– Investor receives the final settlement payout equal to the sum of: (i) the floor amount; (ii) the fixed cash distribution amount (if any); and (iii) the rebate amount (if any) on the settlement date, each calculated as follows (rounded to 2 decimal places, with $0.005 or above being rounded upwards):

For each Knock-out Performance ELI:

(1) the floor amount:

nominal amount x floor rate

= HKD10,000 x 100% = HKD10,000

(2) the fixed cash distribution amount:

nominal amount x fixed cash dividend rate

= HKD10,000 x 0% = HKD0

(3) the rebate amount:

nominal amount x rebate rate*

= HKD10,000 x 1% = HKD100

The final settlement payout for 1 Knock-out Performance ELI: HKD10,000 (floor amount) + HKD0 (fixed cash distribution amount) + HKD100 (rebate amount) = HKD10,100

For 10 Knock-out Performance ELIs: HKD10,100 x 10 = HKD101,000

Total payout on investment

– Investor receives a total payout of HKD101,000 and makes a gain of HKD1,000, which is equal to a gain of 1% (calculated as: (HKD101,000 – HKD100,000) ÷ HKD100,000 x 100%), compared to the total issue price paid on the issue date.

– In this scenario, the bear knock-out event **has occurred** and hence, no potential performance return is paid. **The investor received the final settlement payout which is a fixed sum equals to (i) the floor amount; plus (ii) the fixed cash distribution amount; plus (iii) the rebate amount regardless of how poorly the reference asset performed on the expiry date.**

– In this scenario, although the reference asset performed poorly on the expiry date (the closing price of the reference asset on the expiry date dropped to HKD15.60, which represents a decrease of 25% compared to the initial spot price), the investor only made a gain of 1% as shown in the above calculations.

Scenario B6 – if HSBC as issuer becomes insolvent or defaults on its obligations under the Knock-out Performance ELIs

– Assume further that HSBC as issuer becomes insolvent or defaults on its obligations under the Knock-out Performance ELIs during the scheduled tenor of the Knock-out Performance ELIs.

– In the worst case scenario, the investor may get nothing back (including the final settlement payout of the Knock-out Performance ELIs) regardless of the price performance of the reference asset and **you could lose 100% of the initial investment amount**.

* The rebate rate is set at 1% in this example. The rebate rate may be set at 0%, in which case you will not receive any rebate amount.

HYPOTHETICAL EXAMPLES FOR DOUBLE KNOCK-OUT PERFORMANCE ELIS

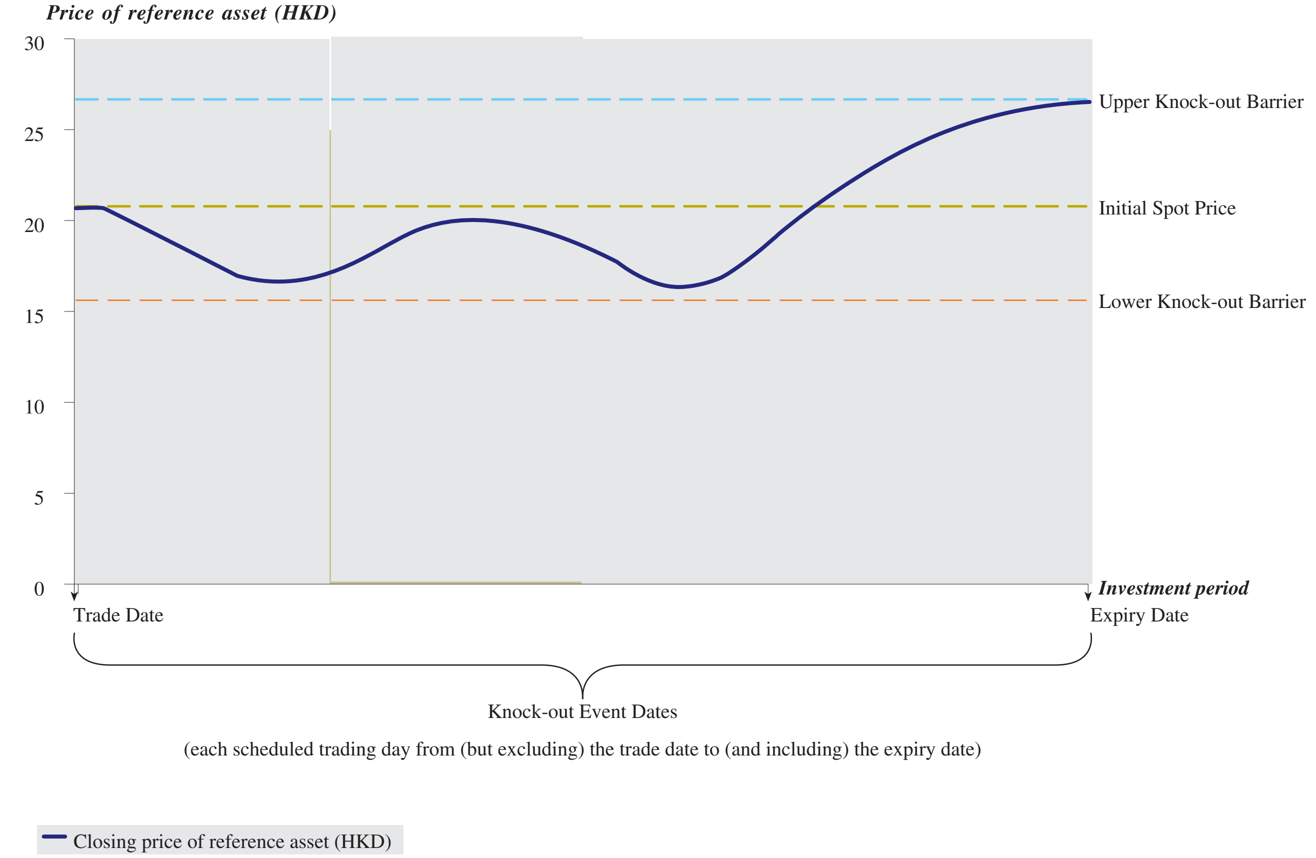
A. *The following hypothetical examples are for illustrative purposes only and do not reflect a complete analysis of all possible gain or loss scenarios. You must not rely on them as an indication of the price performance of the reference asset or the payout on the Knock-out Performance ELIs.* ***They do not take into account any expenses payable by the investor.***

In this example, suppose an investor bought 10 Knock-out Performance ELIs with partial principal protection with the following terms:

Full or partial principal protection upon expiry*	Partial principal protection at 70% of the nominal amount upon expiry. In the worst case scenario, the investor will receive 70% of the nominal amount of the Knock-out Performance ELIs upon expiry and will lose 30% of the initial investment amount.
Scheduled tenor of the Knock-out Performance ELIs (being the period from (and including) the issue date to (and including) the settlement date)	360 days
Investment period of the Knock-out Performance ELIs (being the period from (and including) the trade date to (and including) the expiry date)	365 days
Settlement currency	Hong Kong dollars (HKD)
Initial spot price on trade date	HKD20.80
Issue price for each Knock-out Performance ELI (100% of nominal amount)	HKD10,000
Nominal amount for each Knock-out Performance ELI	HKD10,000
Total issue price for 10 Knock-out Performance ELIs	HKD100,000
Total nominal amount for 10 Knock-out Performance ELIs	HKD100,000
Upper knock-out barrier (125% of the initial spot price)	HKD26.00
Lower knock-out barrier (75% of the initial spot price)	HKD15.60
Floor rate*	70%
Fixed cash dividend rate	0%
Participation rate	200%
Rebate rate	19%

* Our Knock-out Performance ELIs will be fully principal protected if the floor rate is set at 100%. Since the floor rate is set at 70%, our Knock-out Performance ELIs will only be partially principal protected. The level of principal protection will depend on the floor rate: the higher the floor rate, the higher the principal protection you will receive for your Knock-out Performance ELIs. However, the higher the level of principal protection, the lower the potential return.

Scenario A1 – The double knock-out event has NOT occurred and the closing price of reference asset on the expiry date is at the same level as the upper knock-out barrier, which is above the initial spot price (Best case scenario)



Final settlement payout on the settlement date

– The above diagram illustrates that the reference asset closes at the same level as the upper knock-out barrier (i.e. HKD26.00) on the expiry date which is above its initial spot price.

– Investor receives the final settlement payout equal to the sum of: (i) the floor amount; (ii) the fixed cash distribution amount (if any); and (iii) the potential performance return (if any) on the settlement date, each calculated as follows (rounded to 2 decimal places, with $0.005 or above being rounded upwards):

For each Knock-out Performance ELI:

(1) the floor amount:

nominal amount x floor rate

= HKD10,000 x 70% = HKD7,000

(2) the fixed cash distribution amount:

nominal amount x fixed cash dividend rate

= HKD10,000 x 0% = HKD0

(3) the potential performance return:

nominal amount x performance[#]

The performance is calculated as follows:

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

$$= \text{Abs}\left(\frac{\text{HKD26.00}}{\text{HKD20.80}} - 1\right) \text{ x } 200\%^{\triangle}$$

Since $\text{Abs}\left(\frac{\text{HKD26.00}}{\text{HKD20.80}} - 1\right) = 0.25$, therefore, the performance will be equal to:

0.25 x 200%

= 50%

The potential performance return will be equal to:

HKD10,000 x 50%

= HKD5,000

The final settlement payout for 1 Knock-out Performance ELI: HKD7,000 (floor amount) + HKD0 (fixed cash distribution amount) + HKD5,000 (potential performance return) = HKD12,000

For 10 Knock-out Performance ELIs: HKD12,000 x 10 = HKD120,000

Total payout on investment

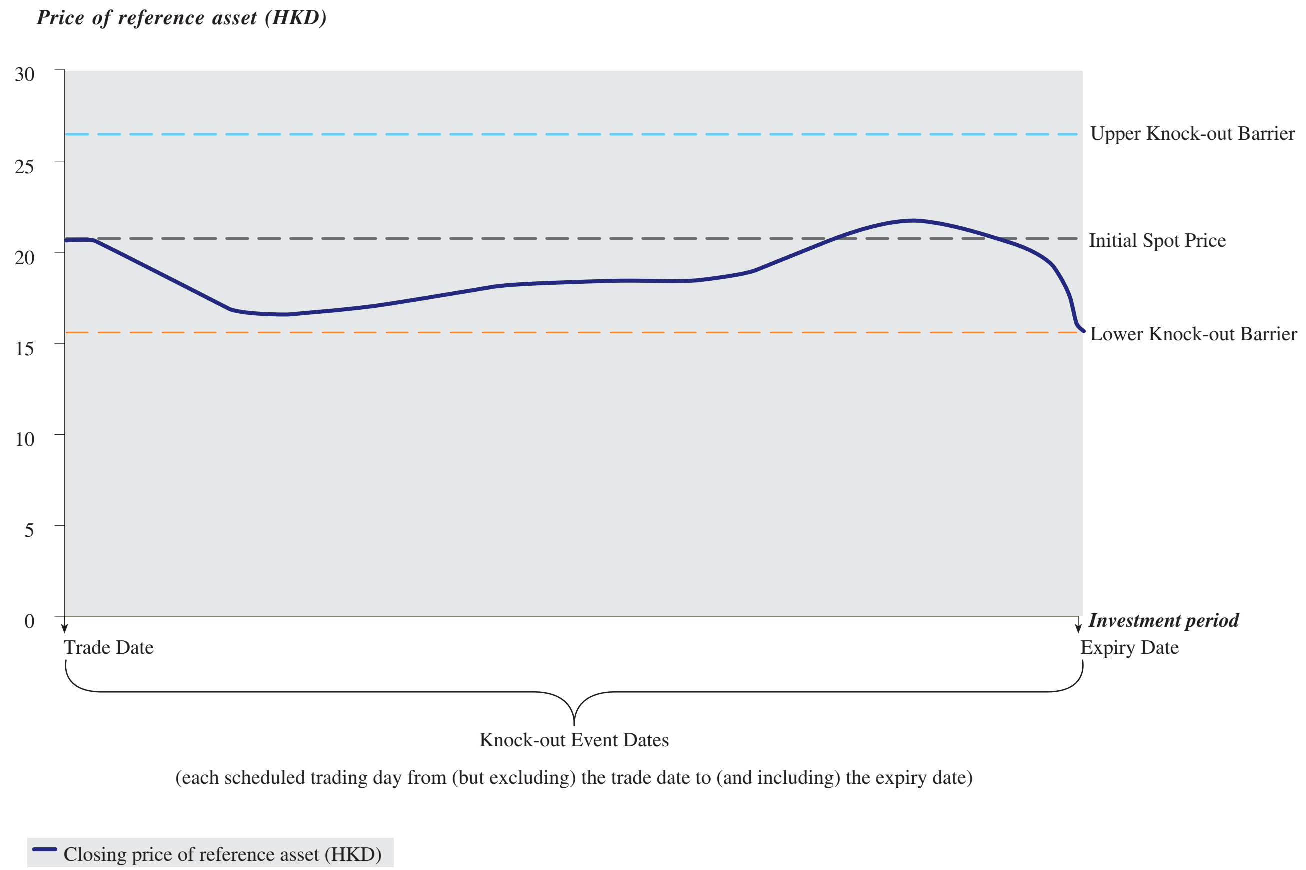
– Investor receives a total payout of HKD120,000 and makes a gain of HKD20,000, which is equal to a gain of 20% (calculated as: (HKD120,000 - HKD100,000) ÷ HKD100,000 x 100%), compared to the total issue price paid on the issue date.

– In this scenario, the double knock-out event **has NOT occurred** and the potential performance return is paid. **The investor makes a gain as the potential performance return (being HKD5,000 for each Knock-out Performance ELI) is greater than the difference between the nominal amount and the floor amount (i.e. HKD10,000 – HKD7,000, being HKD3,000 for each Knock-out Performance ELI).**

△ The participation rate is set at 200% in this example. The participation rate may be set at 100%, above 100% or below 100%. You should note that where the participation rate is set at a percentage which is below 100%, the performance calculated according to the formula above will be lower than the actual performance of the reference asset on the expiry date compared to the initial spot price of the reference asset.

The calculation of the performance according to the formula above is rounded to 2 decimal places in this example for illustrative purposes. The actual calculation of the performance according to the formula above will not be rounded.

Scenario A2 – The double knock-out event has NOT occurred and the closing price of reference asset on the expiry date is at the same level as the lower knock-out barrier, which is below the initial spot price (Best case scenario)



Final settlement payout on the settlement date

– The above diagram illustrates that the reference asset closes at the same level as the lower knock-out barrier (i.e. HKD15.60) on the expiry date which is below its initial spot price.

– Investor receives the final settlement payout equal to the sum of: (i) the floor amount; (ii) the fixed cash distribution amount (if any); and (iii) the potential performance return (if any) on the settlement date, each calculated as follows (rounded to 2 decimal places, with $0.005 or above being rounded upwards):

For each Knock-out Performance ELI:

(1) the floor amount:

nominal amount x floor rate

= HKD10,000 x 70% = HKD7,000

(2) the fixed cash distribution amount:

nominal amount x fixed cash dividend rate

= HKD10,000 x 0% = HKD0

(3) the potential performance return:

nominal amount x performance[#]

The performance is calculated as follows:

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

$$= \text{Abs}\left(\frac{\text{HKD15.60}}{\text{HKD20.80}} - 1\right) \text{ x } 200\%^{\triangle}$$

$$\text{Since Abs}\left(\frac{\text{HKD15.60}}{\text{HKD20.80}} - 1\right) = $$ 0.25, therefore, the performance will be equal to:

0.25 x 200%

= 50%

The potential performance return will be equal to:

HKD10,000 x 50%

= HKD5,000

The final settlement payout for 1 Knock-out Performance ELI: HKD7,000 (floor amount) + HKD0 (fixed cash distribution amount) + HKD5,000 (potential performance return) = HKD12,000

For 10 Knock-out Performance ELIs: HKD12,000 x 10 = HKD120,000

Total payout on investment

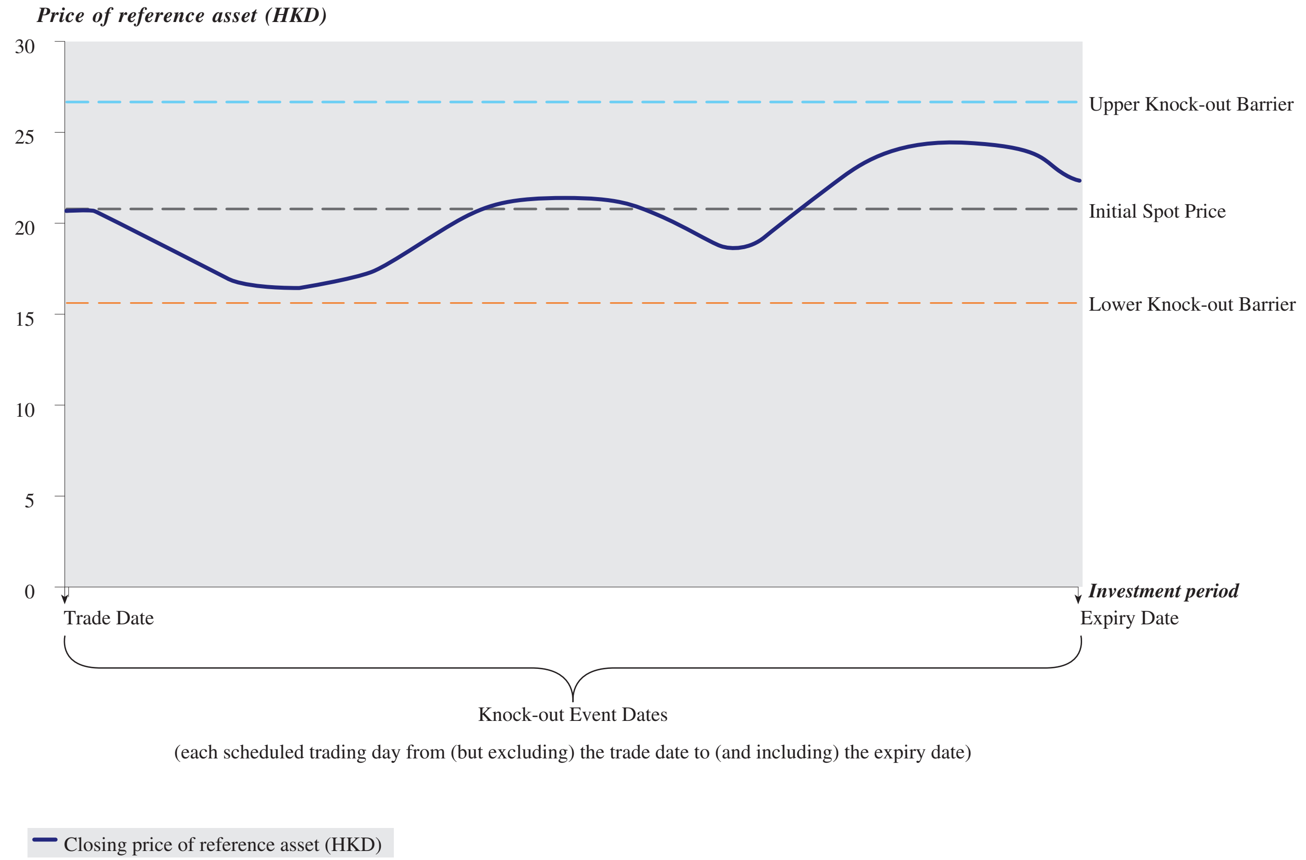
– Investor receives a total payout of HKD120,000 and makes a gain of HKD20,000, which is equal to a gain of 20% (calculated as: (HKD120,000 - HKD100,000) ÷ HKD100,000 x 100%), compared to the total issue price paid on the issue date.

– In this scenario, the double knock-out event **has NOT occurred** and the potential performance return is paid. **The investor makes a gain as the potential performance return (being HKD5,000 for each Knock-out Performance ELI) is greater than the difference between the nominal amount and the floor amount (i.e. HKD10,000 – HKD7,000, being HKD3,000 for each Knock-out Performance ELI).**

△ The participation rate is set at 200% in this example. The participation rate may be set at 100%, above 100% or below 100%. You should note that where the participation rate is set at a percentage which is below 100%, the performance calculated according to the formula above will be lower than the actual performance of the reference asset on the expiry date compared to the initial spot price of the reference asset.

The calculation of the performance according to the formula above is rounded to 2 decimal places in this example for illustrative purposes. The actual calculation of the performance according to the formula above will not be rounded.

Scenario A3 – The double knock-out event has NOT occurred and the closing price of reference asset on the expiry date is above the initial spot price (a loss scenario)



Final settlement payout on the settlement date	–	The above diagram illustrates that the reference asset closes at HKD21.84 on the expiry date, which is above its initial spot price.
	–	Investor receives the final settlement payout equal to the sum of: (i) the floor amount; (ii) the fixed cash distribution amount (if any); and (iii) the potential performance return (if any) on the settlement date, each calculated as follows (rounded to 2 decimal places, with $0.005 or above being rounded upwards):

For each Knock-out Performance ELI:

(1) the floor amount:

nominal amount x floor rate

= HKD10,000 x 70% = HKD7,000

(2) the fixed cash distribution amount:

nominal amount x fixed cash dividend rate

= HKD10,000 x 0% = HKD0

(3) the potential performance return:

nominal amount x performance[#]

The performance is calculated as follows:

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

$$= \text{Abs}\left(\frac{\text{HKD21.84}}{\text{HKD20.80}} - 1\right) \text{x } 200\%^{\triangle}$$

Since $\text{Abs}\left(\frac{\text{HKD21.84}}{\text{HKD20.80}} - 1\right)$ = 0.05, therefore, the performance will be equal to:

0.05 x 200%

= 10%

The potential performance return will be equal to:

HKD10,000 x 10%

= HKD1,000

The final settlement payout for 1 Knock-out Performance ELI: HKD7,000 (floor amount) + HKD0 (fixed cash distribution amount) + HKD1,000 (potential performance return) = HKD8,000

For 10 Knock-out Performance ELIs: HKD8,000 x 10 = HKD80,000

Total payout on investment

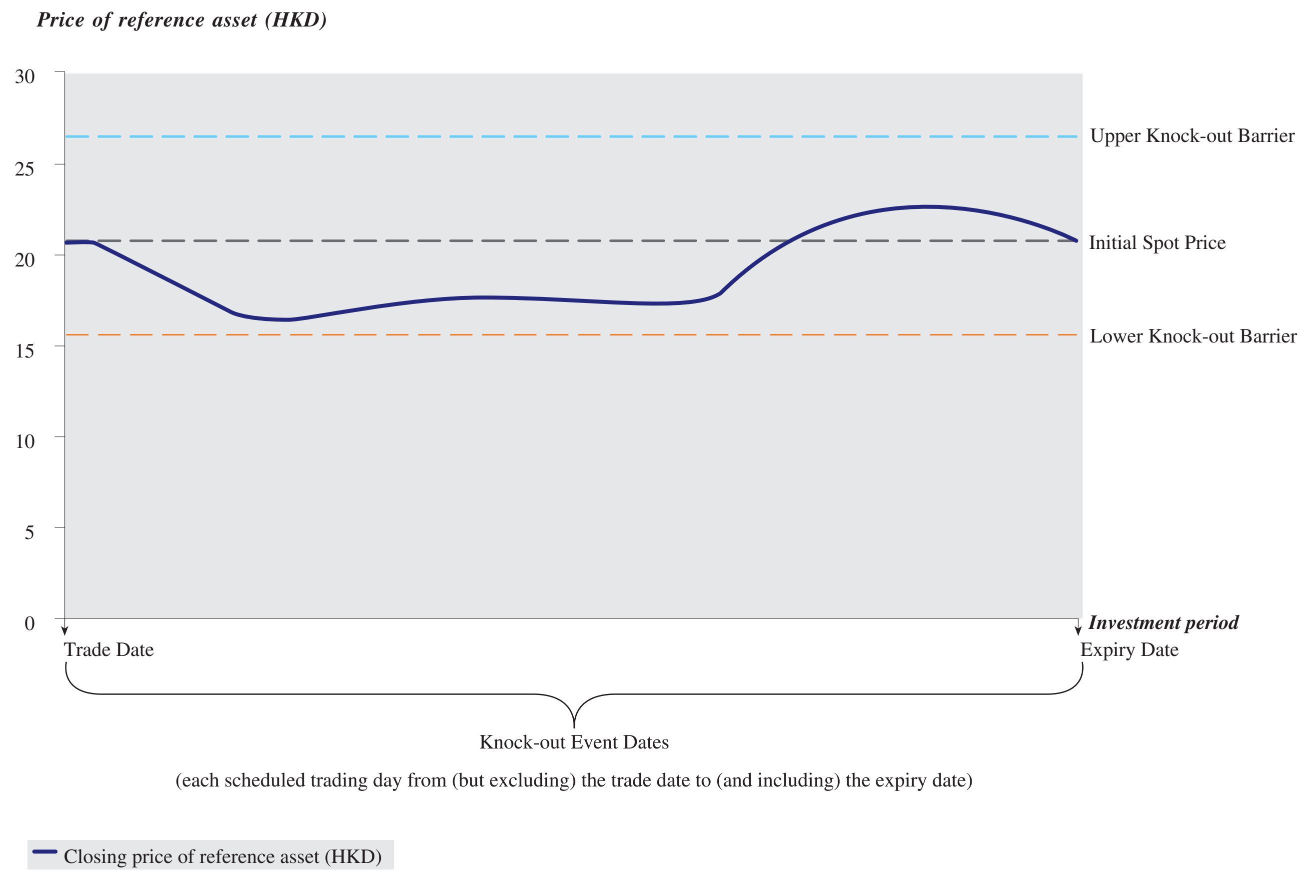
– Investor receives a total payout of HKD80,000 and suffers a loss of HKD20,000, which is equal to a loss of 20% (calculated as: (HKD100,000 - HKD80,000) ÷ HKD100,000 x 100%), compared to the total issue price paid on the issue date.

– In this scenario, the double knock-out event **has NOT occurred** and the potential performance return is paid. **However, the investor still suffered a loss as the floor rate is set at 70% (which is below 100%) and the potential performance return (being HKD1,000 for each Knock-out Performance ELI) is less than the difference between the nominal amount and the floor amount (i.e. HKD10,000 – HKD7,000, being HKD3,000 for each Knock-out Performance ELI).**

△ The participation rate is set at 200% in this example. The participation rate may be set at 100%, above 100% or below 100%. You should note that where the participation rate is set at a percentage which is below 100%, the performance calculated according to the formula above will be lower than the actual performance of the reference asset on the expiry date compared to the initial spot price of the reference asset.

The calculation of the performance according to the formula above is rounded to 2 decimal places in this example for illustrative purposes. The actual calculation of the performance according to the formula above will not be rounded.

Scenario A4 – The double knock-out event has NOT occurred and the closing price of reference asset on the expiry date is equal to the initial spot price (Worst case scenario)



Final settlement payout on the settlement date

– The above diagram illustrates that the reference asset closes at HKD20.80 on the expiry date which is equal to its initial spot price.

– Investor receives the final settlement payout equal to the sum of: (i) the floor amount; (ii) the fixed cash distribution amount (if any); and (iii) the potential performance return (if any) on the settlement date, each calculated as follows (rounded to 2 decimal places, with $0.005 or above being rounded upwards):

For each Knock-out Performance ELI:

(1) the floor amount:

nominal amount x floor rate

= HKD10,000 x 70% = HKD7,000

(2) the fixed cash distribution amount:

nominal amount x fixed cash dividend rate

= HKD10,000 x 0% = HKD0

(3) the potential performance return:

nominal amount x performance[#]

The performance is calculated as follows:

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

$$= \text{Abs}\left(\frac{\text{HKD20.80}}{\text{HKD20.80}} - 1\right) \text{ x } 200\%^{\triangle}$$

Since $\text{Abs}\left(\frac{\text{HKD20.80}}{\text{HKD20.80}} - 1\right) = 0$, therefore, the performance will be equal to:

0 x 200%

= 0%

The potential performance return will be equal to:

HKD10,000 x 0%

= HKD0

The final settlement payout for 1 Knock-out Performance ELI: HKD7,000 (floor amount) + HKD0 (fixed cash distribution amount) + HKD0 (potential performance return) = HKD7,000

For 10 Knock-out Performance ELIs: HKD7,000 x 10 = HKD70,000

Total payout on investment

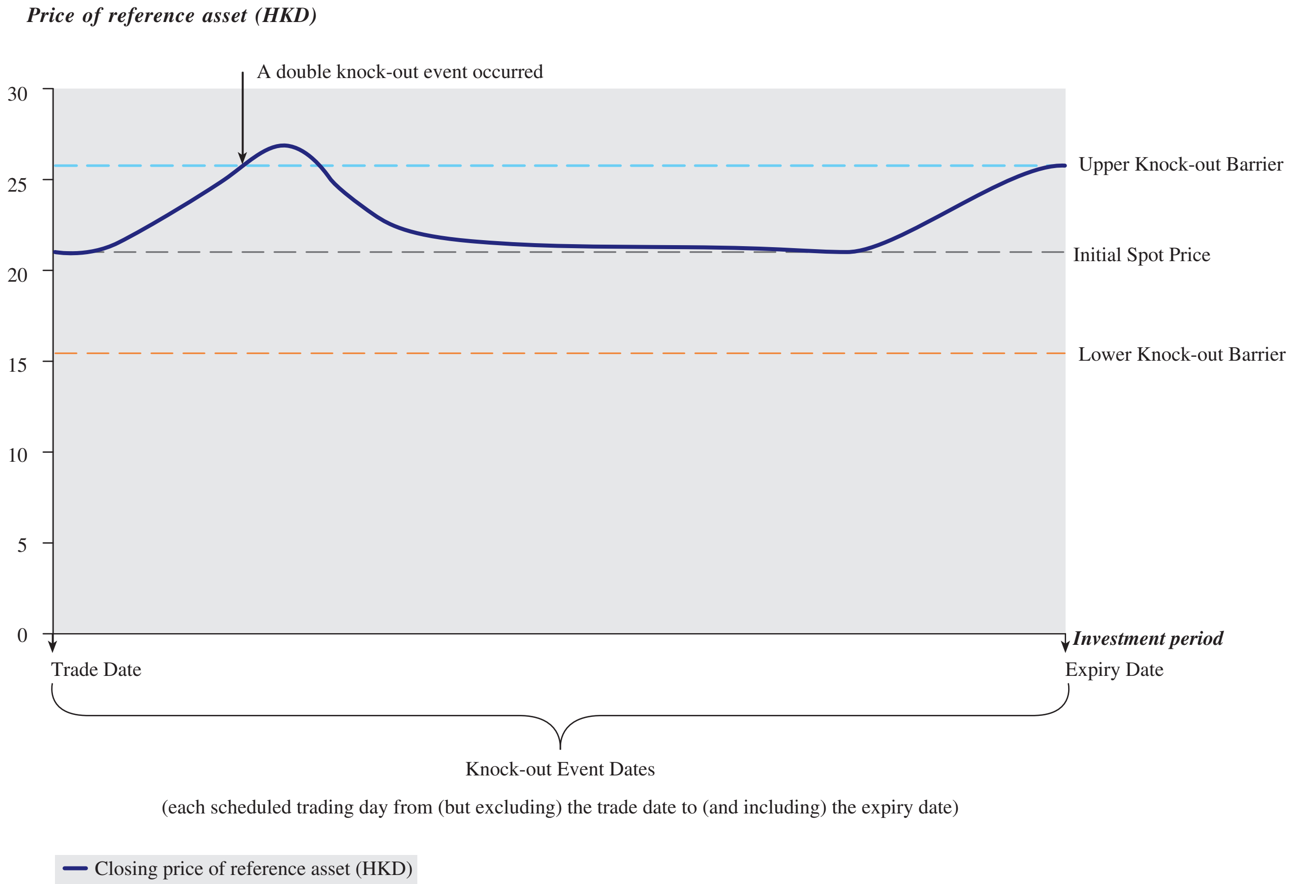
– Investor receives a total payout of HKD70,000 and suffers a loss of HKD30,000, which is equal to a loss of 30% (calculated as: (HKD100,000 - HKD70,000) ÷ HKD100,000 x 100%), compared to the total issue price paid on the issue date.

– In this scenario, the double knock-out event **has NOT occurred** but no potential performance return is paid. **As the floor rate is set at 70% (which is below 100%), the investor suffered a loss of HKD3,000 for each Knock-out Performance ELI (i.e. HKD10,000 – HKD7,000, being the difference between the nominal amount and the floor amount for each Knock-out Performance ELI).**

△ The participation rate is set at 200% in this example. The participation rate may be set at 100%, above 100% or below 100%. You should note that where the participation rate is set at a percentage which is below 100%, the performance calculated according to the formula above will be lower than the actual performance of the reference asset on the expiry date compared to the initial spot price of the reference asset.

As the closing price of the reference asset on the expiry date is **equal to** the initial spot price, investor will **not** receive any potential performance return.

Scenario A5 – The double knock-out event has occurred and the closing price of the reference asset on the expiry date is above the initial spot price (a loss scenario)



Final settlement payout on the settlement date

– The above diagram illustrates that a double knock-out event **has occurred** as the closing price of the reference asset is above the upper knock-out barrier on a knock-out event date. The reference asset closes at HKD26.00 on the expiry date, which is above its initial spot price.

– Investor receives the final settlement payout equal to the sum of: (i) the floor amount; (ii) the fixed cash distribution amount (if any); and (iii) the rebate amount (if any) on the settlement date, each calculated as follows (rounded to 2 decimal places, with $0.005 or above being rounded upwards):

For each Knock-out Performance ELI:

(1) the floor amount:

nominal amount x floor rate

= HKD10,000 x 70% = HKD7,000

(2) the fixed cash distribution amount:

nominal amount x fixed cash dividend rate

= HKD10,000 x 0% = HKD0

(3) the rebate amount:

nominal amount x rebate rate*

= HKD10,000 x 19% = HKD1,900

The final settlement payout for 1 Knock-out Performance ELI: HKD7,000 (floor amount) + HKD0 (fixed cash distribution amount) + HKD1,900 (rebate amount) = HKD8,900

For 10 Knock-out Performance ELIs: HKD8,900 x 10 = HKD89,000

Total payout on investment

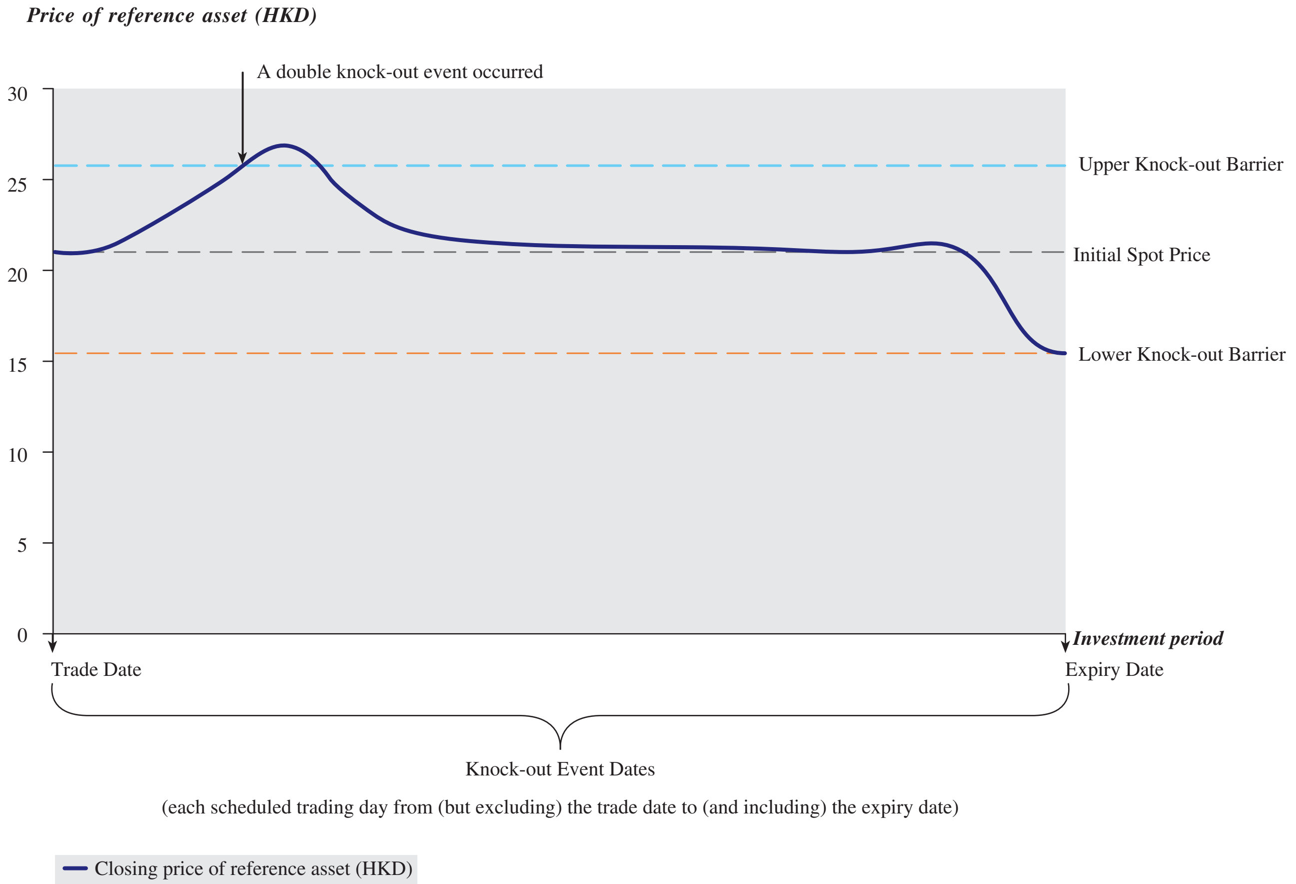
– Investor receives a total payout of HKD89,000 and suffers a loss of HKD11,000, which is equal to a loss of 11% (calculated as: (HKD100,000 - HKD89,000) ÷ HKD100,000 x 100%), compared to the total issue price paid on the issue date.

– In this scenario, the double knock-out event **has occurred** and hence, no potential performance return is paid. **The investor received the final settlement payout which is a fixed sum equals to (i) the floor amount; plus (ii) the rebate amount regardless of how well the reference asset performed on the expiry date.**

– In this scenario, although the reference asset performed well on the expiry date (the closing price of the reference asset on the expiry date rose to HKD26.00, which represents an increase of 25% compared to the initial spot price), the investor still suffered a loss of 11% as shown in the above calculations as the floor rate is set at 70% (which is below 100%) and the sum of (i) the floor amount (being 70% of the nominal amount) and (ii) the rebate amount (being 19% of the nominal amount) is less than 100% of the nominal amount.

* The rebate rate is set at 19% in this example. The rebate rate may be set at 0%, in which case you will not receive any rebate amount.

Scenario A6 – The double knock-out event has occurred and the closing price of the reference asset on the expiry date is below the initial spot price (a loss scenario)



Final settlement payout on the settlement date

– The above diagram illustrates that a double knock-out event **has occurred** as the closing price of the reference asset is above the upper knock-out barrier on a knock-out event date. The reference asset closes at HKD15.60 on the expiry date, which is below its initial spot price.

– Investor receives the final settlement payout equal to the sum of: (i) the floor amount; (ii) the fixed cash distribution amount (if any); and (iii) the rebate amount (if any) on the settlement date, each calculated as follows (rounded to 2 decimal places, with $0.005 or above being rounded upwards):

For each Knock-out Performance ELI:

(1) the floor amount:

nominal amount x floor rate

= HKD10,000 x 70% = HKD7,000

(2) the fixed cash distribution amount:

nominal amount x fixed cash dividend rate

= HKD10,000 x 0% = HKD0

(3) the rebate amount:

nominal amount x rebate rate*

= HKD10,000 x 19% = HKD1,900

The final settlement payout for 1 Knock-out Performance ELI: HKD7,000 (floor amount) + HKD0 (fixed cash distribution amount) + HKD1,900 (rebate amount) = HKD8,900

For 10 Knock-out Performance ELIs: HKD8,900 x 10 = HKD89,000

Total payout on investment

– Investor receives a total payout of HKD89,000 and suffers a loss of HKD11,000, which is equal to a loss of 11% (calculated as: (HKD100,000 - HKD89,000) ÷ HKD100,000 x 100%), compared to the total issue price paid on the issue date.

– In this scenario, the double knock-out event **has occurred** and hence, no potential performance return is paid. **The investor received the final settlement payout which is a fixed sum equals to (i) the floor amount; plus (ii) the rebate amount regardless of how poorly the reference asset performed on the expiry date.**

– In this scenario, although the reference asset performed poorly on the expiry date (the closing price of the reference asset on the expiry date dropped to HKD15.60, which represents a decrease of 25% compared to the initial spot price), the investor still suffered a loss of 11% as shown in the above calculations as the floor rate is set at 70% (which is below 100%) and the sum of (i) the floor amount (being 70% of the nominal amount) and (ii) the rebate amount (being 19% of the nominal amount) is less than 100% of the nominal amount.

Scenario A7 – if HSBC as issuer becomes insolvent or defaults on its obligations under the Knock-out Performance ELIs

– Assume further that HSBC as issuer becomes insolvent or defaults on its obligations under the Knock-out Performance ELIs during the scheduled tenor of the Knock-out Performance ELIs.

– In the worst case scenario, the investor may get nothing back (including the final settlement payout of the Knock-out Performance ELIs) regardless of the price performance of the reference asset and **you could lose 100% of the initial investment amount**.

* The rebate rate is set at 19% in this example. The rebate rate may be set at 0%, in which case you will not receive any rebate amount.

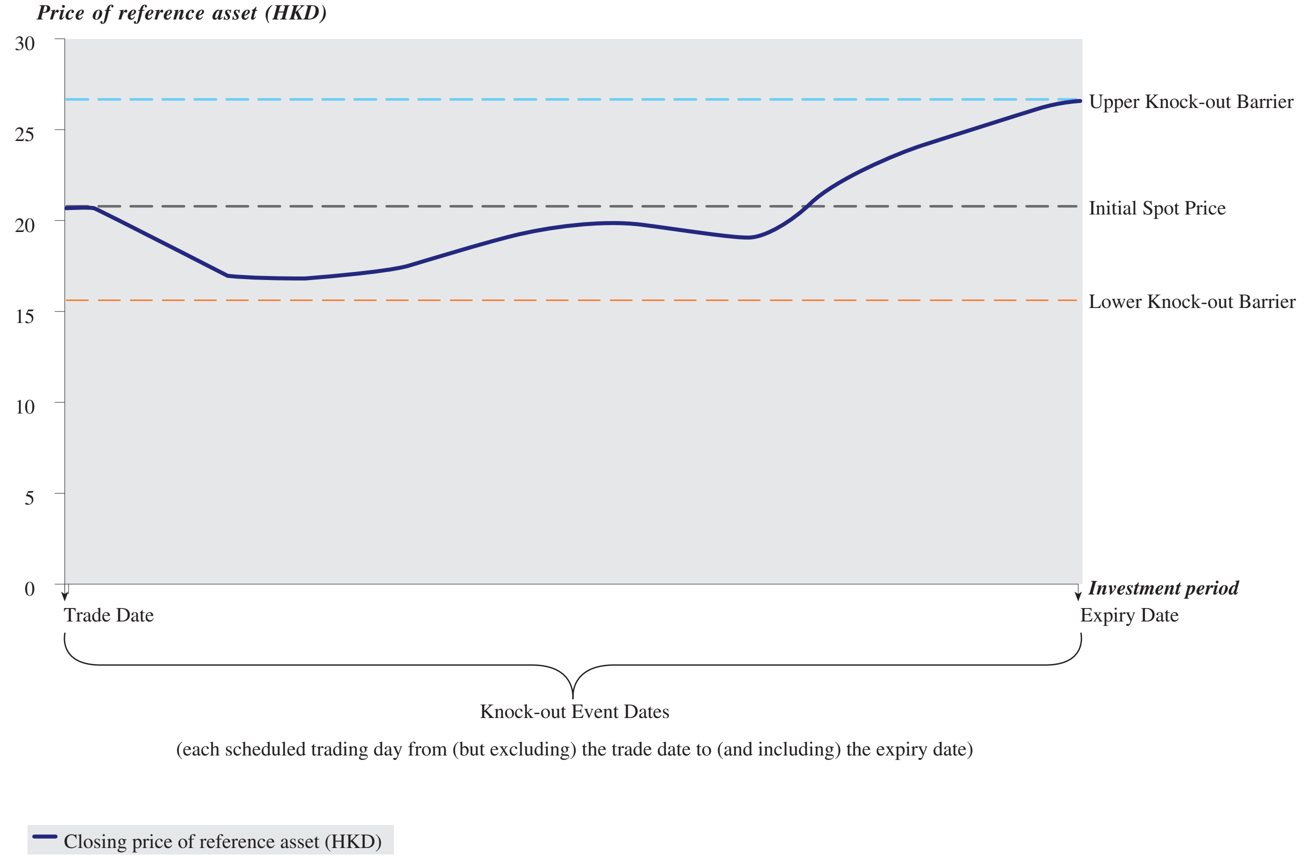
B. *The following hypothetical examples are for illustrative purposes only and do not reflect a complete analysis of all possible gain or loss scenarios. You must not rely on them as an indication of the price performance of the reference asset or the payout on the Knock-out Performance ELIs.* ***They do not take into account any expenses payable by the investor.***

In this example, suppose an investor bought 10 Knock-out Performance ELIs with full principal protection with the following terms:

Full or partial principal protection upon expiry*	Full principal protection at 100% of the nominal amount upon expiry.
Scheduled tenor of the Knock-out Performance ELIs (being the period from (and including) the issue date to (and including) the settlement date)	360 days
Investment period of the Knock-out Performance ELIs (being the period from (and including) the trade date to (and including) the expiry date)	365 days
Settlement currency	For scenarios B1 to B5: Hong Kong dollars (HKD) For scenario B6: Renminbi (CNY)
Initial spot price on trade date	HKD20.80
Issue price for each Knock-out Performance ELI (100% of nominal amount)	For scenarios B1 to B5: HKD10,000 For scenario B6: CNY10,000
Nominal amount for each Knock-out Performance ELI	For scenarios B1 to B5: HKD10,000 For scenario B6: CNY10,000
Total issue price for 10 Knock-out Performance ELIs	For scenarios B1 to B5: HKD100,000 For scenario B6: CNY100,000
Total nominal amount for 10 Knock-out Performance ELIs	For scenarios B1 to B5: HKD100,000 For scenario B6: CNY100,000
Upper knock-out barrier (125% of the initial spot price)	HKD26.00
Lower knock-out barrier (75% of the initial spot price)	HKD15.60
Floor rate*	100%
Fixed cash dividend rate	0%
Participation rate	100%
Rebate rate	1%

* Our Knock-out Performance ELIs will be fully principal protected if the floor rate is set at 100%. The level of principal protection will depend on the floor rate: the higher the floor rate, the higher the principal protection you will receive for your Knock-out Performance ELIs. However, the higher the level of principal protection, the lower the potential return.

Scenario B1 – The double knock-out event has NOT occurred and the closing price of reference asset on the expiry date is at the same level as the upper knock-out barrier, which is above the initial spot price (Best case scenario)



Final settlement payout on the settlement date

– The above diagram illustrates that the reference asset closes at the same level as the upper knock-out barrier (i.e. HKD26.00) on the expiry date which is above its initial spot price.

– Investor receives the final settlement payout equal to the sum of: (i) the floor amount; (ii) the fixed cash distribution amount (if any); and (iii) the potential performance return (if any) on the settlement date, each calculated as follows (rounded to 2 decimal places, with $0.005 or above being rounded upwards):

For each Knock-out Performance ELI:

(1) the floor amount:

nominal amount x floor rate

= HKD10,000 x 100% = HKD10,000

(2) the fixed cash distribution amount:

nominal amount x fixed cash dividend rate

= HKD10,000 x 0% = HKD0

(3) the potential performance return:

nominal amount x performance[#]

The performance is calculated as follows:

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

$$= \text{Abs}\left(\frac{\text{HKD26.00}}{\text{HKD20.80}} - 1\right) \text{x } 100\%^{\triangle}$$

Since $\text{Abs}\left(\frac{\text{HKD26.00}}{\text{HKD20.80}} - 1\right) = 0.25$, the performance will be equal to:

0.25 x 100%

= 25%

The potential performance return will be equal to:

HKD10,000 x 25%

= HKD2,500

The final settlement payout for 1 Knock-out Performance ELI: HKD10,000 (floor amount) + HKD0 (fixed cash distribution amount) + HKD2,500 (potential performance return) = HKD12,500

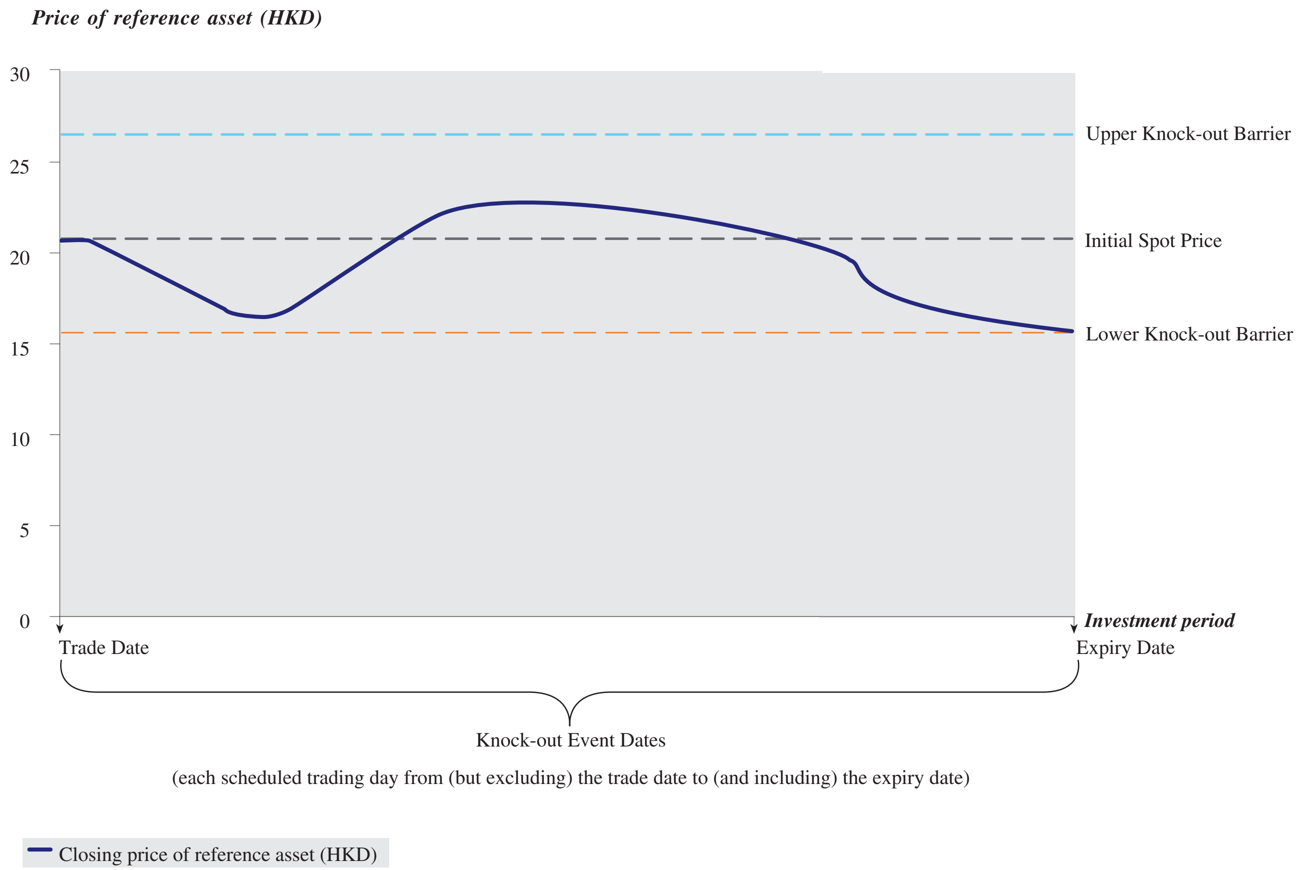
For 10 Knock-out Performance ELIs: HKD12,500 x 10 = HKD125,000

Total payout on investment – Investor receives a total payout of HKD125,000 and makes a gain of HKD25,000, which is equal to a gain of 25% (calculated as: (HKD125,000 - HKD100,000) ÷ HKD100,000 x 100%), compared to the total issue price paid on the issue date.

△ The participation rate is set at 100% in this example. The participation rate may be set at 100%, above 100% or below 100%. You should note that where the participation rate is set at a percentage which is below 100%, the performance calculated according to the formula above will be lower than the actual performance of the reference asset on the expiry date compared to the initial spot price of the reference asset.

The calculation of the performance according to the formula above is rounded to 2 decimal places in this example for illustrative purposes. The actual calculation of the performance according to the formula above will not be rounded.

Scenario B2 – The double knock-out event has NOT occurred and the closing price of reference asset on the expiry date is at the same level as the lower knock-out barrier, which is below the initial spot price (Best case scenario)



Final settlement payout on the settlement date

– The above diagram illustrates that the reference asset closes at the same level as the lower knock-out barrier (i.e. HKD15.60) on the expiry date which is below its initial spot price.

– Investor receives the final settlement payout equal to the sum of: (i) the floor amount; (ii) the fixed cash distribution amount (if any); and (iii) the potential performance return (if any) on the settlement date, each calculated as follows (rounded to 2 decimal places, with $0.005 or above being rounded upwards):

For each Knock-out Performance ELI:

(1) the floor amount:

nominal amount x floor rate

= HKD10,000 x 100% = HKD10,000

(2) the fixed cash distribution amount:

nominal amount x fixed cash dividend rate

= HKD10,000 x 0% = HKD0

(3) the potential performance return:

nominal amount x performance[#]

The performance is calculated as follows:

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

$$= \text{Abs}\left(\frac{\text{HKD15.60}}{\text{HKD20.80}} - 1\right) \text{x } 100\%^{\triangle}$$

Since $\text{Abs}\left(\frac{\text{HKD15.60}}{\text{HKD20.80}} - 1\right)$ = 0.25, therefore, the performance will be equal to:

0.25 x 100%

= 25%

The potential performance return will be equal to:

HKD10,000 x 25%

= HKD2,500

The final settlement payout for 1 Knock-out Performance ELI: HKD10,000 (floor amount) + HKD0 (fixed cash distribution amount) + HKD2,500 (potential performance return) = HKD12,500

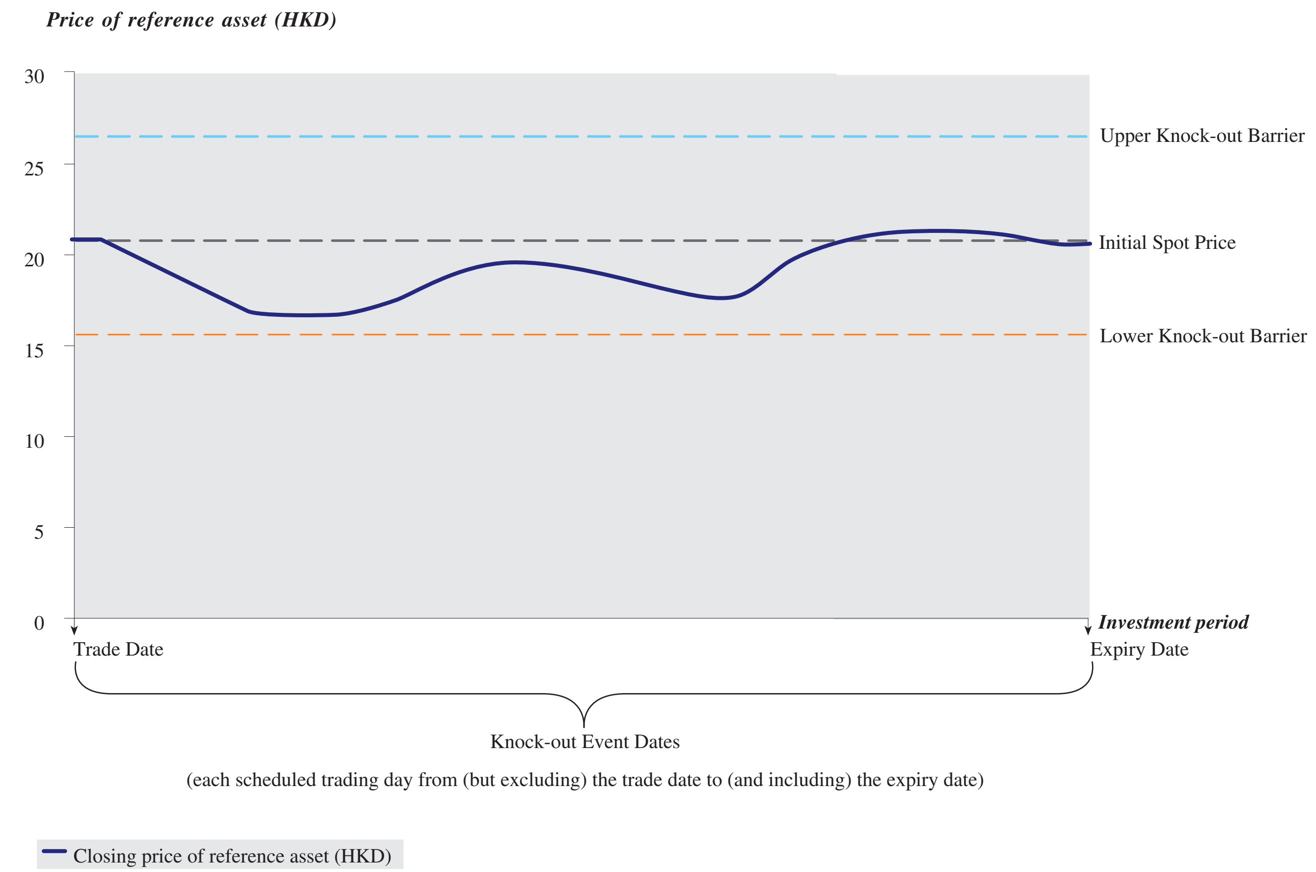
For 10 Knock-out Performance ELIs: HKD12,500 x 10 = HKD125,000

Total payout on investment	–	Investor receives a total payout of HKD125,000 and makes a gain of HKD25,000, which is equal to a gain of 25% (calculated as: (HKD125,000 - HKD100,000) ÷ HKD100,000 x 100%), compared to the total issue price paid on the issue date.

△ The participation rate is set at 100% in this example. The participation rate may be set at 100%, above 100% or below 100%. You should note that where the participation rate is set at a percentage which is below 100%, the performance calculated according to the formula above will be lower than the actual performance of the reference asset on the expiry date compared to the initial spot price of the reference asset.

The calculation of the performance according to the formula above is rounded to 2 decimal places in this example for illustrative purposes. The actual calculation of the performance according to the formula above will not be rounded.

Scenario B3 – The double knock-out event has NOT occurred and the closing price of reference asset on the expiry date is equal to the initial spot price (Worst case scenario)



Final settlement payout on the settlement date	–	The above diagram illustrates that the reference asset closes at HKD20.80 on the expiry date, which is equal to its initial spot price.
	–	Investor receives the final settlement payout equal to the sum of: (i) the floor amount; (ii) the fixed cash distribution amount (if any); and (iii) the potential performance return (if any) on the settlement date, each calculated as follows (rounded to 2 decimal places, with $0.005 or above being rounded upwards): For each Knock-out Performance ELI: (1) the floor amount: nominal amount x floor rate = HKD10,000 x 100% = HKD10,000 (2) the fixed cash distribution amount: nominal amount x fixed cash dividend rate = HKD10,000 x 0% = HKD0

(3) the potential performance return:

nominal amount x performance[#]

The performance is calculated as follows:

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

$$= \text{Abs}\left(\frac{\text{HKD20.80}}{\text{HKD20.80}} - 1\right) \text{x } 100\%^{\triangle}$$

Since $\text{Abs}\left(\frac{\text{HKD20.80}}{\text{HKD20.80}} - 1\right) = 0$, therefore, the performance will be equal to:

0 x 100%

= 0%

The potential performance return will be equal to:

HKD10,000 x 0%

= HKD0

The final settlement payout for 1 Knock-out Performance ELI: HKD10,000 (floor amount) + HKD0 (fixed cash distribution amount) + HKD0 (potential performance return) = HKD10,000

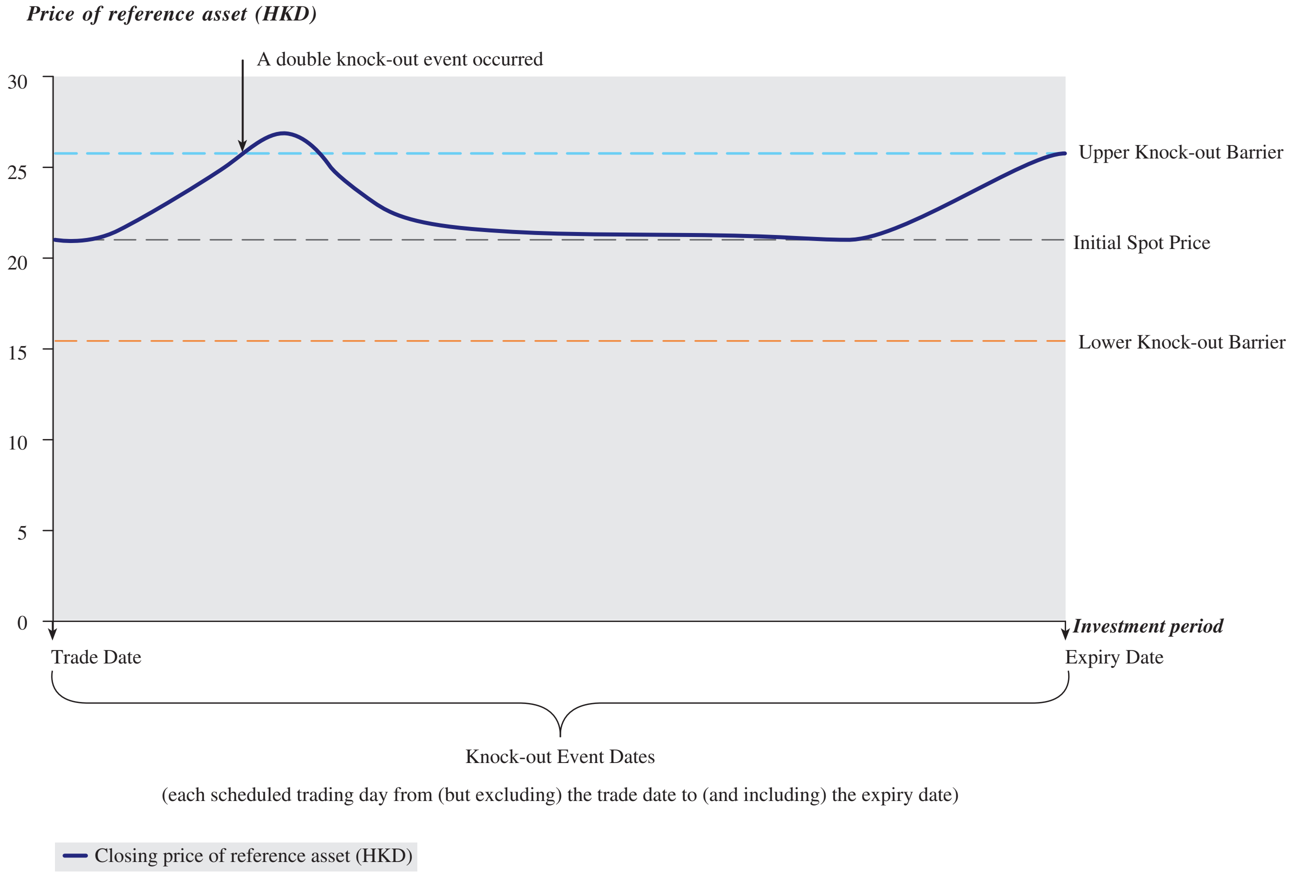
For 10 Knock-out Performance ELIs: HKD10,000 x 10 = HKD100,000

Total payout on investment	–	Investor receives a total payout of HKD100,000 as no fixed cash distribution amount and no potential performance return have been paid. As the floor rate is set at 100%, the investor receives full principal protection at 100% of the nominal amount upon expiry.

△ The participation rate is set at 100% in this example. The participation rate may be set at 100%, above 100% or below 100%. You should note that where the participation rate is set at a percentage which is below 100%, the performance calculated according to the formula above will be lower than the actual performance of the reference asset on the expiry date compared to the initial spot price of the reference asset.

As the closing price of the reference asset on the expiry date is **equal to** the initial spot price, investor will **not** receive any potential performance return.

Scenario B4 – The double knock-out event has occurred and the closing price of the reference asset on the expiry date is above the initial spot price (a gain scenario)



Final settlement payout on the settlement date

– The above diagram illustrates that a double knock-out event **has occurred** as the closing price of the reference asset is above the upper knock-out barrier on a knock-out event date. The reference asset closes at HKD26.00 on the expiry date, which is above its initial spot price.

– Investor receives the final settlement payout equal to the sum of: (i) the floor amount; (ii) the fixed cash distribution amount (if any); and (iii) the rebate amount (if any) on the settlement date, each calculated as follows (rounded to 2 decimal places, with $0.005 or above being rounded upwards):

For each Knock-out Performance ELI:

(1) the floor amount:

nominal amount x floor rate

= HKD10,000 x 100% = HKD10,000

(2) the fixed cash distribution amount:

nominal amount x fixed cash dividend rate

= HKD10,000 x 0% = HKD0

(3) the rebate amount:

nominal amount x rebate rate*

= HKD10,000 x 1% = HKD100

The final settlement payout for 1 Knock-out Performance ELI: HKD10,000 (floor amount) + HKD0 (fixed cash distribution amount) + HKD100 (rebate amount) = HKD10,100

For 10 Knock-out Performance ELIs: HKD10,100 x 10 = HKD101,000

Total payout on investment

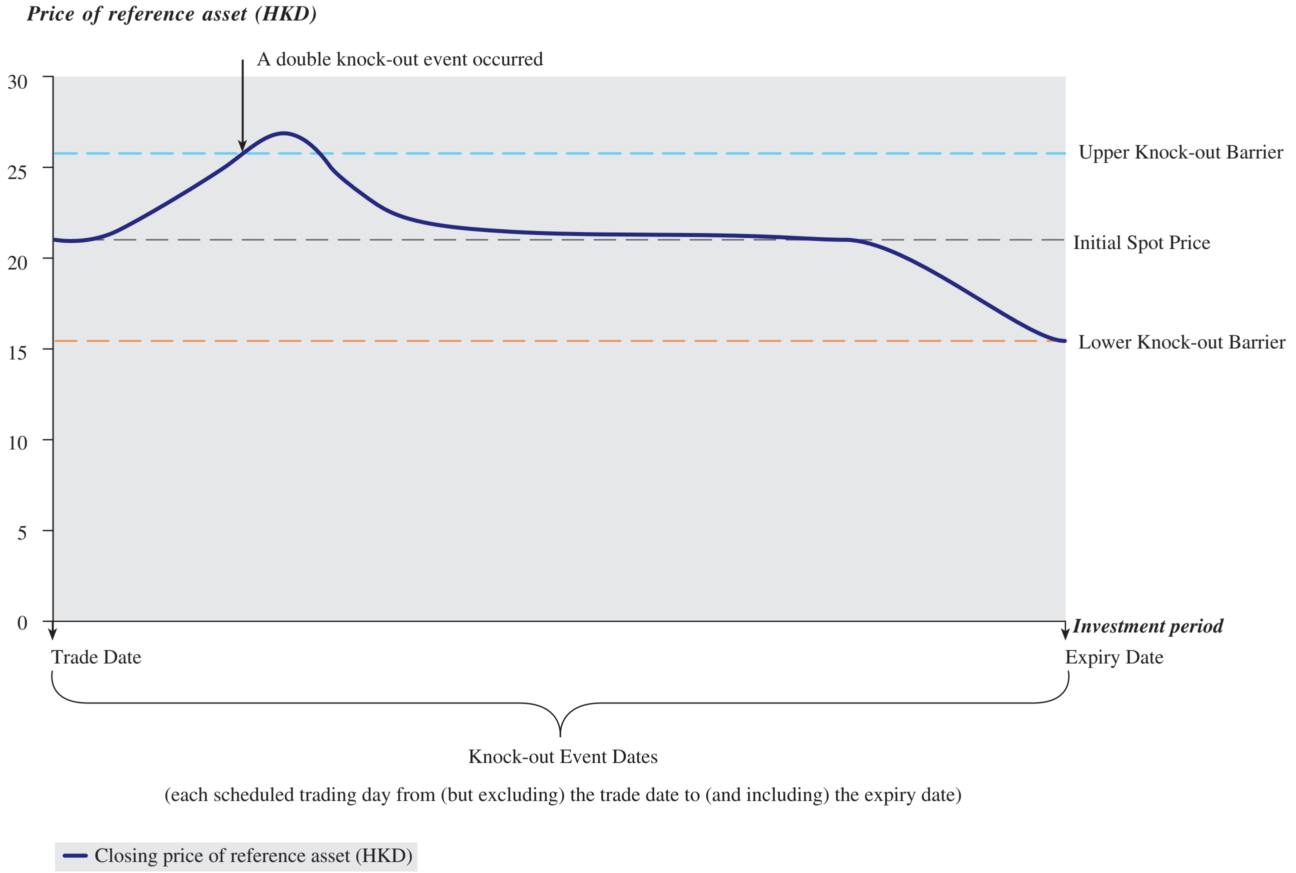
– Investor receives a total payout of HKD101,000 and makes a gain of HKD1,000, which is equal to a gain of 1% (calculated as: (HKD101,000 - HKD100,000) ÷ HKD100,000 x 100%), compared to the total issue price paid on the issue date.

– In this scenario, the double knock-out event **has occurred** and hence, no potential performance return is paid. **The investor received the final settlement payout which is a fixed sum equals to (i) the floor amount; plus (ii) the fixed cash distribution amount; plus (iii) the rebate amount regardless of how well the reference asset performed on the expiry date.**

– In this scenario, although the reference asset performed well on the expiry date (the closing price of the reference asset on the expiry date rose to HKD26.00, which represents an increase of 25% compared to the initial spot price), the investor only made a gain of 1% as shown in the above calculations.

* The rebate rate is set at 1% in this example. The rebate rate may be set at 0%, in which case you will not receive any rebate amount.

Scenario B5 – The double knock-out event has occurred and the closing price of the reference asset on the expiry date is below the initial spot price (a gain scenario)



Final settlement payout on the settlement date

– The above diagram illustrates that a double knock-out event **has occurred** as the closing price of the reference asset is above the upper knock-out barrier on a knock-out event date. The reference asset closes at HKD15.60 on the expiry date, which is below its initial spot price.

– Investor receives the final settlement payout equal to the sum of: (i) the floor amount; (ii) the fixed cash distribution amount (if any); and (iii) the rebate amount (if any) on the settlement date, each calculated as follows (rounded to 2 decimal places, with $0.005 or above being rounded upwards):

For each Knock-out Performance ELI:

(1) the floor amount:

nominal amount x floor rate

= HKD10,000 x 100% = HKD10,000

(2) the fixed cash distribution amount:

nominal amount x fixed cash dividend rate

= HKD10,000 x 0% = HKD0

(3) the rebate amount:

nominal amount x rebate rate*

= HKD10,000 x 1% = HKD100

The final settlement payout for 1 Knock-out Performance ELI: HKD10,000 (floor amount) + HKD0 (fixed cash distribution amount) + HKD100 (rebate amount) = HKD10,100

For 10 Knock-out Performance ELIs: HKD10,100 x 10 = HKD101,000

Total payout on investment

– Investor receives a total payout of HKD101,000 and makes a gain of HKD1,000, which is equal to a gain of 1% (calculated as: (HKD101,000 - HKD100,000) ÷ HKD100,000 x 100%), compared to the total issue price paid on the issue date.

– In this scenario, the double knock-out event **has occurred** and hence, no potential performance return is paid. **The investor received the final settlement payout which is a fixed sum equals to (i) the floor amount; plus (ii) the fixed cash distribution amount; plus (iii) the rebate amount regardless of how poorly the reference asset performed on the expiry date.**

– In this scenario, although the reference asset performed poorly on the expiry date (the closing price of the reference asset on the expiry date dropped to HKD15.60, which represents a decrease of 25% compared to the initial spot price), the investor only made a gain of 1% as shown in the above calculations.

* The rebate rate is set at 1% in this example. The rebate rate may be set at 0%, in which case you will not receive any rebate amount.

Scenario B6 – The Knock-out Performance ELIs are issued in Renminbi and a CNY disruption event occurs on the settlement date and continues to exist for twelve consecutive Hong Kong business days following the settlement date (CNY disruption event scenario)

For this scenario B6, the settlement currency is Renminbi and the nominal amount for each Knock-out Performance ELI is CNY10,000, the total issue price for 10 Knock-out Performance ELIs is CNY100,000 and the total nominal amount for 10 Knock-out Performance ELIs is CNY100,000.

Assuming that the final settlement payout on the settlement date is:CNY110,000 (being the sum of (i) the floor amount of CNY100,000; (ii) the fixed cash distribution amount of CNY5,000; and (iii) the potential performance return of CNY5,000). If a CNY disruption event occurs on the settlement date and continues to exist for twelve consecutive Hong Kong business days following the settlement date, investor will receive, by no later than the third Hong Kong business day after such twelfth Hong Kong business day following the settlement date (the "**postponed payment date**"), payment of the final settlement payout (i.e. CNY110,000) in an equivalent amount in Hong Kong dollars calculated by the Issuer acting in good faith and in a commercially reasonable manner by converting such amount payable in Renminbi into Hong Kong dollars using the prevailing exchange rate on the second Hong Kong business day prior to the postponed payment date. Investor will therefore be exposed to the risk of fluctuation in the exchange rate of Renminbi against Hong Kong dollars.

Assuming that the exchange rate for Hong Kong dollars per Renminbi prior to the occurrence of the CNY disruption event is 1.2700 and Renminbi depreciated significantly against Hong Kong dollars following the occurrence of the CNY disruption event and the exchange rate on the second Hong Kong business day prior to the postponed payment date is 0.50. In such case, investor will suffer a loss of HKD84,700 in Hong Kong dollar terms as the equivalent amount of the final settlement payout converted into Hong Kong dollars and paid to investor on the postponed payment date, being HKD55,000 (calculated as: CNY110,000 x 0.50), is substantially less than the value of the final settlement payout payable in Renminbi on the original settlement date in Hong Kong dollar terms (calculated based on the exchange rate for Hong Kong dollars per Renminbi prior to the occurrence of the CNY disruption event), being HKD139,700 (calculated as: CNY110,000 x 1.27).

Scenario B7 – if HSBC as issuer becomes insolvent or defaults on its obligations under the Knock-out Performance ELIs

- Assume further that HSBC as issuer becomes insolvent or defaults on its obligations under the Knock-out Performance ELIs during the scheduled tenor of the Knock-out Performance ELIs.
- In the worst case scenario, the investor may get nothing back (including the final settlement payout of the Knock-out Performance ELIs) regardless of the price performance of the reference asset and **you could lose 100% of the initial investment amount**.

OUR KNOCK-OUT PERFORMANCE ELIS – ADJUSTMENTS TO TERMS AND CONDITIONS, EARLY TERMINATION UPON OCCURRENCE OF EXTRAORDINARY UNFORESEEABLE EVENTS, ADJUSTMENTS TO KEY DATES AND OCCURRENCE OF A CNY DISRUPTION EVENT FOR OUR RENMINBI-DENOMINATED KNOCK-OUT PERFORMANCE ELIS

A. Adjustments to terms and conditions and early termination upon occurrence of extraordinary unforeseeable events

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

(b)	During the investment period, we will determine in our sole and absolute discretion, acting in good faith and in a commercially reasonable manner (i) whether a potential adjustment event (including but not limited to, a subdivision or consolidation of the reference asset, a bonus or rights issue) (as more particularly set out in condition 6(a) of the general terms and conditions in Appendix B) has occurred, (ii) whether the occurrence of such potential adjustment event has a diluting or concentrative effect on the theoretical value of the reference asset, and (iii) if such potential adjustment event has a diluting or concentrative effect on the theoretical value of the reference asset, what adjustment will be made to the terms and conditions of the Knock-out Performance ELIs to account for such effect:	→	We will determine (in our sole and absolute discretion, acting in good faith and in a commercially reasonable manner), any adjustment to be made to the terms and conditions of our Knock-out Performance ELIs (including, for example, adjusting the initial spot price and the knock-out barrier (for Bull Knock-out Performance ELIs and Bear Knock-out Performance ELIs) and the upper knock-out barrier and/or lower knock-out barrier (for Double Knock-out Performance ELIs) of the reference asset) to account for that diluting or concentrative effect so as to preserve the economic equivalence of the relevant Knock-out Performance ELIs. If options contracts on the reference asset are traded on the Hong Kong Stock Exchange, we shall follow any adjustment to the terms and conditions of the relevant options contract made and announced by the Hong Kong Stock Exchange. If no such options contracts are traded, we shall determine the appropriate adjustments by following the relevant rules set out in the Operational Trading Procedures for Options Trading Exchange Participants of the Stock Exchange published by the Hong Kong Stock Exchange in respect of such event. We shall also determine, in our sole and absolute discretion, acting in good faith and in a commercially reasonable manner, the effective date(s) of such adjustment(s) and shall observe and use, to the extent reasonably practicable, any such ex-date(s) or other relevant date(s) as provided by the Hong Kong Stock Exchange as the effective date(s) of such adjustment(s).
(c)	During the investment period, if any of the following extraordinary unforeseeable events occurs in relation to (1) a company issuing the reference shares, (2) the reference shares or (3) the reference fund. This would include: i the merging of the company issuing the reference shares with another company or the acquisition of the company issuing the reference shares by another entity; or ii a tender offer by another entity to purchase the reference shares or the units or shares of the reference fund (as the case may be).	→	We will determine in our sole and absolute discretion, acting in good faith and in a commercially reasonable manner, any adjustment to be made to the terms and conditions of our Knock-out Performance ELIs to account for such extraordinary unforeseeable event so as to preserve the economic equivalence of the relevant Knock-out Performance ELIs. If options contracts on the reference asset are traded on the Hong Kong Stock Exchange, we shall follow any adjustment to the terms and conditions of the relevant options contract made and announced by the Hong Kong Stock Exchange. If no such options contracts are traded, we shall determine the appropriate adjustments by following the relevant rules set out in the Operational Trading Procedures for Options Trading Exchange Participants of the Stock Exchange published by the Hong Kong Stock Exchange in respect of such event. We shall also determine, in our sole and absolute discretion, acting in good faith and in a commercially reasonable manner, the effective date(s) of such adjustment(s) and shall observe and use, to the extent reasonably practicable, any such ex-date(s) or other relevant date(s) as provided by the Hong Kong Stock Exchange as the effective date(s) of such adjustment(s).

If we determine (in our sole and absolute discretion, acting in good faith and in a commercially reasonable manner) that any of the foregoing adjustments is not able to preserve the economic equivalence of our Knock-out Performance ELIs, we will early terminate our Knock-out Performance ELIs as of the date determined by us in our sole and absolute discretion, acting in good faith and in a commercially reasonable manner, and pay you as soon as practicable a fair market value for your Knock-out Performance ELIs as of such termination date. The fair market value of the Knock-out Performance ELIs will depend on factors such as market interest rate movements, HSBC's financial condition, the market's view of HSBC's credit quality, the value of the embedded options including the conditional call option (for our Bull Knock-out Performance ELIs), the conditional put option (for our Bear Knock-out Performance ELIs) and the conditional put and call options (for our Double Knock-out Performance ELIs) and the price performance and price volatility of the reference asset. It will also take into account any cost which is, or would be, incurred by us in unwinding our hedging and funding arrangements relating to the Knock-out Performance ELIs. No cash settlement expenses will be payable for the payment of the fair market value of the Knock-out Performance ELI. **Depending on the then prevailing market conditions, this fair market value may be less, or substantially less, than the initial investment amount.** For further details, please refer to condition 6 of the general terms and conditions of the Knock-out Performance ELIs as set out on pages 190 to 194 of this product booklet.

(d) During the investment period, if any of the following extraordinary unforeseeable events occurs in relation to (1) a company issuing the reference shares, (2) the reference shares or (3) the reference fund. This would include: i. the insolvency of the company or fund; ii. the nationalisation of the reference shares or reference fund; iii. the delisting of the reference shares or reference fund on the Hong Kong Stock Exchange; iv. a change in law with the result that it becomes illegal for us to hold or dispose of the reference shares or units or shares of the reference fund (as the case may be) or will cause us to incur a materially increased cost in performing our obligations under the Knock-out Performance ELIs; v. our inability to hedge our exposure under the Knock-out Performance ELIs or a material increase in the cost of hedging our exposure under the Knock-out Performance ELIs after the issue date (provided that such an inability or increase of cost is not incurred because of the deterioration of our creditworthiness); vi. the institution of proceedings against or the petition by the regulator of the company for the company's winding-up or liquidation; and vii. a fund termination event occurs in relation to the reference fund. (each of (iv) to (vii) above is referred to as an '**additional disruption event**')	→	We will early terminate our Knock-out Performance ELIs as of the date determined by us in our sole and absolute discretion acting in good faith and in a commercially reasonable manner, and pay you as soon as practicable a fair market value for your Knock-out Performance ELIs as of such termination date. The fair market value of the Knock-out Performance ELIs will depend on factors such as market interest rate movements, HSBC's financial condition, the market's view of HSBC's credit quality, the value of the embedded options including the conditional call option (for our Bull Knock-out Performance ELIs), the conditional put option (for our Bear Knock-out Performance ELIs) and the conditional put and call options (for our Double Knock-out Performance ELIs) and the price performance and price volatility of the reference asset. It will also take into account any cost which is, or would be, incurred by us in unwinding our hedging and funding arrangements relating to the Knock-out Performance ELIs. No cash settlement expenses will be payable for the payment of the fair market value of the Knock-out Performance ELI. **Depending on the then prevailing market conditions, this fair market value may be less, or substantially less, than your initial investment amount.** For further details, please refer to condition 6 of the general terms and conditions of the Knock-out Performance ELIs as set out on pages 190 to 194 of this product booklet.

(e)	If we determine in good faith and in a commercially reasonable manner that the performance of any of our absolute or contingent obligations under the Knock-out Performance ELIs has become illegal or impracticable in whole or in part for any reason beyond our control:	→	We will early terminate our Knock-out Performance ELIs as of the date determined by us in our sole and absolute discretion, acting in good faith and in a commercially reasonable manner, and pay you as soon as practicable a fair market value for your Knock-out Performance ELIs as of such termination date. The fair market value of the Knock-out Performance ELIs will depend on factors such as market interest rate movements, HSBC's financial condition, the market's view of HSBC's credit quality, the value of the embedded options including the conditional call option (for our Bull Knock-out Performance ELIs), the conditional put option (for our Bear Knock-out Performance ELIs) and the conditional put and call options (for our Double Knock-out Performance ELIs) and the price performance and price volatility of the reference asset. It will also take into account any cost which is, or would be, incurred by us in unwinding our hedging and funding arrangements relating to the Knock-out Performance ELIs. No cash settlement expenses will be payable for the payment of the fair market value of the Knock-out Performance ELIs. **Depending on the then prevailing market conditions, this fair market value may be less, or substantially less, than your initial investment amount.** For further details, please refer to condition 6 of the general terms and conditions of the Knock-out Performance ELIs as set out on pages 190 to 194 of this product booklet.

B. Adjustment to key dates

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

(d) If the trade date or any knock-out event date or the expiry date falls on a 'disrupted day' which means: i. a scheduled trading day on which the Hong Kong Stock Exchange fails to open for trading during its regular trading session; or ii. a day on which a market disruption event occurred. "**market disruption event**" means (1) the occurrence or existence at any time during the one hour period that ends at the relevant valuation time of (a) any suspension of or limitation imposed on trading by the Hong Kong Stock Exchange or related exchange or otherwise (i) relating to the reference asset on the Hong Kong Stock Exchange; or (ii) in futures or options contracts relating to the reference asset on any relevant related exchange; or (b) any event (other than an event described in (2) below) that disrupts or impairs (as determined by us in good faith and in a commercially reasonable manner) the ability of market participants in general (i) to effect transactions in, or obtain market values for the reference asset, or (ii) to effect transactions in, or obtain market values for, futures or options contracts relating to the reference asset on any relevant related exchange, which in either case as determined in our sole and absolute discretion, acting in good faith and in a commercially reasonable manner, is material; or	→ If the trade date falls on a disrupted day and the relevant disruption occurs before your Knock-out Performance ELI purchase order has been executed on the trade date, we will cancel your purchase order. → However, if the relevant disruption occurs after your Knock-out Performance ELI purchase order has been executed on the trade date (i.e. all the terms of the Knock-out Performance ELIs you bought have been finalised), your purchase order of the Knock-out Performance ELIs will **not** be cancelled and the trade date will not be rescheduled. → If any knock-out event date or the expiry date falls on a 'disrupted day', the affected date in respect of the reference asset will be postponed to the following day which is not a disrupted day (up to a maximum of eight scheduled trading days). → If the relevant disruption persists on the eighth scheduled trading day, we will treat that eighth scheduled trading day as the relevant knock-out event date or the expiry date (as the case may be) and we will estimate in good faith and in a commercially reasonable manner the closing price of the reference asset on such eighth scheduled trading day based on, among other things, the last reported price of the reference asset and prevailing market conditions.

(2) the closure on any exchange business day of the Hong Kong Stock Exchange or related exchange(s) prior to its scheduled closing time unless such earlier closing time is announced by the Hong Kong Stock Exchange or such related exchange(s), as the case may be, at least one hour prior to the earlier of (a) the actual closing time for the regular trading session on the Hong Kong Stock Exchange or such related exchange(s) on such exchange business day and (b) the submission deadline for orders to be entered into the Hong Kong Stock Exchange or related exchange system for execution at the valuation time on such exchange business day.	If the expiry date is postponed, the corresponding settlement date will be postponed accordingly. We will not pay any extra amount for any postponement of the settlement date.

C. Occurrence of a CNY disruption event for our Renminbi-denominated Knock-out Performance ELIs

What do you get if a CNY disruption event occurs in respect of our Renminbi-denominated Knock-out Performance ELIs?
In respect of our Renminbi-denominated Knock-out Performance ELIs, if we are not able, or it is impracticable for us, to satisfy our Renminbi payment obligations on the relevant due date for such payments as a result of a CNY disruption event, such payments will be postponed to the third Hong Kong business day after the date on which the CNY disruption event ceases to exist (as determined by us in our sole and absolute discretion, acting in good faith and in a commercially reasonable manner) (referred to in this product booklet as the "**postponed payment date**"); ***provided that*** if the CNY disruption event continues to exist for twelve consecutive Hong Kong business days following the original due date for payment, we shall be entitled to pay you the CNY disruption event settlement amount in Hong Kong dollars by no later than the third Hong Kong business day after such twelfth Hong Kong business day following the original due date for payment and the "postponed payment date" shall be deemed to be such date. The payment of the CNY disruption event settlement amount will be a complete discharge of our obligations in respect of the relevant amount(s) under our Renminbi-denominated Knock-out Performance ELIs. A "**CNY disruption event**" means the occurrence of an event which makes it impossible for us (as we shall determine in our sole and absolute discretion, acting in good faith and in a commercially reasonable manner) to (i) convert any foreign currency amount into Renminbi outside the PRC in the foreign exchange market in Hong Kong; or (ii) transfer Renminbi between accounts inside Hong Kong, in each case, other than where such impossibility is due to (a) our failure to comply with any law, rule or regulation enacted by any relevant governmental authority (unless such law, rule or regulation is enacted after the issue date and it is impossible for us, due to an event beyond our control, to comply with such law, rule or regulation); or (b) deterioration of our creditworthiness. The "**CNY disruption event settlement amount**" means the relevant Renminbi amount converted into Hong Kong dollars using the exchange rate for Renminbi outside the PRC per 1 U.S. dollar as per Reuters Page "CNH=" and the exchange rate for Hong Kong dollar per 1 U.S. dollar as per Reuters Page "HKD=" at 11:00 a.m. Hong Kong time on the day which is two Hong Kong business days prior to the postponed payment date; provided that if any such exchange rate cannot be determined, we shall select another applicable Reuters page or determine in good faith such exchange rate by reference to such sources as we may select in our sole and absolute discretion. Upon the occurrence of a CNY disruption event, there may be a delay in payments under our Renminbi-denominated Knock-out Performance ELIs. No interest will be payable in respect of any such delay in payment and no compensation will be made for the fact that the relevant amount(s) will be paid in Hong Kong dollars instead of Renminbi. You may also suffer a loss in Hong Kong dollar terms if Renminbi depreciates against the Hong Kong dollar following the occurrence of a CNY disruption event. For further details, please refer to condition 4(d) of the general terms and conditions of the Knock-out Performance ELIs as set out on page 189 of this product booklet.

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

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

HOW DO OUR KNOCK-OUT PERFORMANCE ELIS WORK? – A FLOWCHART DESCRIPTION

Offer Period*

Purchase a Knock-out Performance ELI at the issue price in the settlement currency

↓

Trade Date* (Last Day of Offer Period)**

Your purchase order of our Knock-out Performance ELIs will be executed on the trade date. All terms finalised; initial spot price recorded and relevant knock-out barrier determined on the trade date.

↓

Up to 10 business days after the trade date

Issue Date

Knock-out Performance ELI issued. The total issue price for the Knock-out Performance ELIs you purchased deducted from your designated cash account.

↓

The final settlement payout of the Knock-out Performance ELIs will depend on (i) whether the relevant knock-out event has occurred; and (ii) the closing price of the reference asset on the expiry date compared to the initial spot price. See the flowcharts on the following pages.

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* **You should note that as the initial spot price of the reference asset will only be recorded on the trade date, the knock-out barrier (for Bull Knock-out Performance ELIs and Bear Knock-out Performance ELIs) and the upper knock-out barrier and lower knock-out barrier (for the Double Knock-out Performance ELIs) that is/are applicable to the series of Knock-out Performance ELIs you wish to buy will only be determined on the trade date after you have purchased the Knock-out Performance ELIs. A contract note prepared by your distributor containing all the final commercial terms of the Knock-out Performance ELIs you purchased will be sent to you by your distributor within 2 Hong Kong business days after the trade date. The final term sheet containing all the finalised commercial terms applicable to your Knock-out Performance ELIs will be available for inspection after the relevant trade date and will be made available to investor upon request. Please contact your distributor for details.**

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

Final settlement payout as determined on the expiry date

a) ***If the bull knock-out event is applicable***:

During the period from (but excluding) the Trade Date to (and including) the Expiry Date

Has the bull knock-out event* occurred?

Yes

Investors receive on the settlement date the final settlement payout (less cash settlement expenses (if any)), being:

(i) the FLOOR AMOUNT; plus

(ii) the FIXED CASH DISTRIBUTION AMOUNT (if any); plus

(iii) the REBATE AMOUNT (if any).

Settlement Date

No

Investors receive on the settlement date the final settlement payout (less cash settlement expenses (if any)), being:

(i) the FLOOR AMOUNT; plus

(ii) the FIXED CASH DISTRIBUTION AMOUNT (if any); plus

(iii) the POTENTIAL PERFORMANCE RETURN (if any).

The potential performance return will be calculated on the expiry date as follows:

$$\text{Nominal amount} \times \text{Performance}^{\triangle}$$

The performance is calculated as follows:

$$\text{Max}\left(\frac{\text{Closing price of the reference asset on the expiry date}}{\text{Initial spot price of the reference asset}} - 1, 0\right) \times \text{Participation rate}$$

The participation rate will be a percentage as set out in the relevant term sheet.

The potential performance return will only be paid if (i) the bull knock-out event **has not occurred**; and (ii) the closing price of the reference asset on the expiry date is **above** the initial spot price. If such conditions are not met, you will not receive the potential performance return. **It is possible that you may not receive any potential performance return for the Bull Knock-out Performance ELIs.**

* A **bull knock-out event** occurs if the closing price of the reference asset is **above** the knock-out barrier on **any knock-out event date**, which is set as each scheduled trading day during the period from (but excluding) the trade date to (and including) the expiry date.

△ The performance is the rate determined based on the difference between the closing price of the reference asset on the expiry date and the initial spot price, subject to a minimum of zero and multiplied by the participation rate, as calculated according to the above formula.

***b) If the bear knock-out event is applicable*:**

During the period from (but excluding) the Trade Date to (and including) the Expiry Date

Has the bear knock-out event* occurred?

Yes

Investors receive on the settlement date the final settlement payout (less cash settlement expenses (if any)), being:

(i) the FLOOR AMOUNT; plus

(ii) the FIXED CASH DISTRIBUTION AMOUNT (if any); plus

(iii) the REBATE AMOUNT (if any).

No

Investors receive on the settlement date the final settlement payout (less cash settlement expenses (if any)), being:

(i) the FLOOR AMOUNT; plus

(ii) the FIXED CASH DISTRIBUTION AMOUNT (if any); plus

(iii) the POTENTIAL PERFORMANCE RETURN (if any).

The potential performance return will be calculated on the expiry date as follows:

$$\text{Nominal amount} \times \text{Performance}^{\triangle}$$

The performance is calculated as follows:

$$\text{Max}\left(1 - \frac{\text{Closing price of the reference asset on the expiry date}}{\text{Initial spot price of the reference asset}}, 0\right) \times \text{Participation rate}$$

The participation rate will be a percentage as set out in the relevant term sheet.

The potential performance return will only be paid if (i) the bear knock-out event **has not occurred**; and (ii) the closing price of the reference asset on the expiry date is **below** the initial spot price. If such conditions are not met, you will not receive the potential performance return. **It is possible that you may not receive any potential performance return for the Bear Knock-out Performance ELIs.**

Settlement Date

* A **bear knock-out event** occurs if the closing price of the reference asset is **below** the knock-out barrier on **any knock-out event date**, which is set as each scheduled trading day during the period from (but excluding) the trade date to (and including) the expiry date.

△ The performance is the rate determined based on the difference between the closing price of the reference asset on the expiry date and the initial spot price, subject to a minimum of zero and multiplied by the participation rate, as calculated according to the above formula.

c) ***If the double knock-out event is applicable***:

During the period from (but excluding) the Trade Date to (and including) the Expiry Date

Has the double knock-out event* occurred?

Yes

Investors receive on the settlement date the final settlement payout (less cash settlement expenses (if any)), being:

(i) the FLOOR AMOUNT; plus

(ii) the FIXED CASH DISTRIBUTION AMOUNT (if any); plus

(iii) the REBATE AMOUNT (if any).

No

Investors receive on the settlement date the final settlement payout (less cash settlement expenses (if any)), being:

(i) the FLOOR AMOUNT; plus

(ii) the FIXED CASH DISTRIBUTION AMOUNT (if any); plus

(iii) the POTENTIAL PERFORMANCE RETURN (if any).

The potential performance return will be calculated on the expiry date as follows:

$$\text{Nominal amount} \times \text{Performance}^{\triangle}$$

The performance is calculated as follows:

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

The participation rate will be a percentage as set out in the relevant term sheet.

The potential performance return will only be paid if (i) the double knock-out event **has not occurred**; and (ii) the closing price of the reference asset on the expiry date is **not at the same level** as the initial spot price. **It is possible that you may not receive any potential performance return for the Double Knock-out Performance ELIs.**

Settlement Date

* A **double knock-out event** occurs if the closing price of the reference asset is either (i) **below** the lower knock-out barrier or (ii) **above** the upper knock-out barrier on **any knock-out event date**, which is set as each scheduled trading day during the period from (but excluding) the trade date to (and including) the expiry date.

△ The performance is the rate determined based on the absolute value of the difference between the closing price of the reference asset on the expiry date and the initial spot price and multiplied by the participation rate, as calculated according to the above formula.

GLOSSARY – THE MEANING OF THE KEY TERMS OF OUR KNOCK-OUT PERFORMANCE ELIS

The meaning of the key terms of our Knock-out Performance ELIs are summarised in the following table. Please note that we are issuing our Knock-out Performance ELIs in series under our Programme and the following terms should be read as applying to each series separately.

A. SUBSCRIPTION OF OUR KNOCK-OUT PERFORMANCE ELIS

Offer period

- This is the period during which you can buy a Knock-out Performance ELI of a particular series as specified in the relevant indicative term sheet.
- We may choose to extend or close the offer period prior to the last day of the scheduled offer period, or decide not to issue any Knock-out Performance ELIs at any time.
- If the offer period is extended, you can submit your instruction to cancel your purchase order to your distributor before your purchase order is executed on the trade date. Your distributor will not charge you a handling fee if you cancel your purchase order.
- If the offer period is extended, we will reschedule the trade date (which will be the last day of the amended offer period) and any or all of the other key dates (i.e. the issue date, the relevant knock-out event dates, the expiry date and the settlement date).
- We will inform your distributor if the dates mentioned above are rescheduled and your distributor will inform you as soon as practicable before the postponed trade date of any such rescheduled dates. Your distributor will provide you with a copy of the updated indicative term sheet with the rescheduled dates.
- The trade date and all of the other key dates will not change once we close the offer period on or before the last day of the scheduled offer period.

Issue price

- This is the price you have to pay for a Knock-out Performance ELI. Once your Knock-out Performance ELI order is executed on the trade date, the total issue price for the Knock-out Performance ELIs you purchase will be deducted from your designated cash account on the issue date.
- The issue price for a Knock-out Performance ELI may be equal to or below its nominal amount and will be specified in the relevant term sheet.
- Distributor(s)' commissions and other transaction costs including our cost of hedging are factored into the pricing of the Knock-out Performance ELIs.

Nominal amount

- This is equivalent to the face value of one Knock-out Performance ELI.
- The nominal amount may be equal to or higher than the issue price and will be specified in the relevant term sheet.

- The nominal amount will be used to calculate: (i) the potential performance return (if any) payable upon expiry of the Knock-out Performance ELIs; and (ii) the final settlement payout.

Minimum transfer amount

- The minimum transfer amount is one Knock-out Performance ELI and is the minimum amount which you can (i) transfer your Knock-out Performance ELIs to a third party; or (ii) sell back your Knock-out Performance ELIs to us on a market making day.
- Please check with your distributor on how you can transfer your Knock-out Performance ELIs to a third party.

Trade date

- This is the last day of the offer period (except where we close the offer prior to the last day of the original scheduled offer period, in which case the trade date will be the last day of the original scheduled offer period) and the date on which your Knock-out Performance ELI purchase order will be executed by us and all the terms of the Knock-out Performance ELIs you bought are finalised. We will specify the trade date in the relevant indicative term sheet. You will be subject to the terms and conditions of the Knock-out Performance ELIs from the trade date.
- We will record the initial spot price of the reference asset and determine all the commercial variables (including the knock-out barrier (for Bull Knock-out Performance ELIs and Bear Knock-out Performance ELIs) and the upper knock-out barrier and lower knock-out barrier (for Double Knock-out Performance ELIs) of the reference asset) of the Knock-out Performance ELI you bought on the trade date.
- You should note that as all the commercial variables of our Knock-out Performance ELIs are determined on the trade date, you will be subject to the terms and conditions of our Knock-out Performance ELIs from the trade date and you will be exposed to the market risk and the price movement of the reference asset from the trade date which may affect the market value and the potential payout of the Knock-out Performance ELIs.
- You should note that although all the commercial variables of our Knock-out Performance ELIs are determined on the trade date, our Knock-out Performance ELIs will only be issued on the issue date.
- The issue price and each of the commercial variables in relation to the reference asset (including the knock-out barrier (for Bull Knock-out Performance ELIs and Bear Knock-out Performance ELIs) and the upper knock-out barrier and lower knock-out barrier (for Double Knock-out Performance ELIs)) and the floor rate is set by us for each series based on a number of factors, including:

  (i) the choice of the reference asset;

  (ii) the expected price volatility of the reference asset;

  (iii) the prevailing market interest rate;

(iv) the length of the investment period (i.e. the period between the trade date and the expiry date);

(v) the scheduled tenor (i.e. the period between the issue date and the settlement date); and

(vi) the value of the embedded options including the conditional call option (for our Bull Knock-out Performance ELIs), the conditional put option (for our Bear Knock-out Performance ELIs) and the conditional put and call options (for our Double Knock-out Performance ELIs).

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

  However, if the relevant disruption occurs after your Knock-out Performance ELI purchase order has been executed on the trade date, your purchase order of the Knock-out Performance ELIs will **not** be cancelled and the trade date will not be rescheduled.

Settlement currency

- This is the currency in which our Knock-out Performance ELIs are issued. You will pay the issue price and, where applicable, receive any cash amount payable to you under our Knock-out Performance ELIs in the settlement currency.
- We may choose any freely tradable and non-restricted foreign currency or Renminbi as the settlement currency. The settlement currency will be specified in the relevant term sheet.

Reference asset

- Each series of Knock-out Performance ELIs is linked to a reference asset (shares of a company or units or shares of a fund (being a real estate investment trust or an exchange traded fund)) listed on the Hong Kong Stock Exchange and quoted in either Hong Kong dollars or Renminbi (as the case may be).
- Information on such company or fund (including its published audited consolidated financial statements and interim consolidated financial statements (if any)) may be obtained from the website operated by the Hong Kong Stock Exchange at *www.hkexnews.hk*.
- Not all Hong Kong-listed shares or funds can be used as a reference asset for our Knock-out Performance ELIs – please ask your distributor what reference asset(s) are available.
- The reference asset will be specified in the relevant term sheet.

Initial spot price	•	We will record an initial spot price for the reference asset. The initial spot price of the reference asset in respect of a particular series of the Knock-out Performance ELI is set as either (i) the closing price of the reference asset on the trade date or (ii) the prevailing market price of the reference asset as quoted by the Hong Kong Stock Exchange on the trade date when your Knock-out Performance ELI purchase order is executed or (iii) the price of the reference asset as agreed between you and us at the time your purchase order for the Knock-out Performance ELIs is executed, as specified in the relevant indicative term sheet.
	•	The initial spot price will be specified in the relevant final term sheet.
Closing price	•	When we refer to the closing price of the reference asset on a particular day, we mean the closing price of the reference asset as quoted on the Hong Kong Stock Exchange as at the valuation time on that day without regard to any correction subsequently published by the Hong Kong Stock Exchange, subject to adjustment in accordance with the terms and conditions of the Knock-out Performance ELIs.
Issue date	•	This is the date our Knock-out Performance ELIs are issued and the date on which the purchase consideration will be deducted from your designated cash account.
	•	The issue date is a day falling up to 10 business days after the trade date and will be specified in the relevant term sheet.
Scheduled tenor of the Knock-out Performance ELIs	•	This is the period from and including the issue date to and including the settlement date and is the duration for which you have to hold a Knock-out Performance ELI before it is terminated and settled. The scheduled tenor of the Knock-out Performance ELIs normally ranges from one month to two years and will be specified in the relevant term sheet.
Investment period	•	This is the duration between the date on which all the terms of the Knock-out Performance ELI you wish to purchase are finalised and the date on which the final settlement amount is determined, i.e. the period from and including the trade date to and including the expiry date.
Order date	•	This is the day you place your Knock-out Performance ELI purchase order to your distributor.
	•	Depending on when you decide to place your Knock-out Performance ELI purchase order to your distributor, the order date may fall on or before the trade date and will fall before the issue date.
Post-sale cooling-off period	•	This is the period from (and including) the order date to (and including) the fifth Hong Kong business day after the order date, during which you have the right to cancel or unwind (as the case may be) your Knock-out Performance ELI purchase order.
	•	The post-sale cooling-off period is only applicable in respect of Knock-out Performance ELIs with an investment period of **more than one year**.

- For further details on how you can cancel or unwind your Knock-out Performance ELI purchase order during the post-sale cooling-off period, please refer to the section headed "Is there a post-sale cooling-off period for our Knock-out Performance ELIs?" on pages 152 to 153 of this product booklet.

Mandatory buy back price

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

  (I) issue price

  MINUS

  (II) any market value adjustments (the value of which will be determined by us in good faith and in a commercially reasonable manner and will depend on factors such as market interest rate movements, HSBC's financial condition, the market's view of HSBC's credit quality, the value of the embedded options including the conditional call option (for our Bull Knock-out Performance ELIs), the conditional put option (for our Bear Knock-out Performance ELIs) and the conditional put and call options (for our Double Knock-out Performance ELIs), the price performance and price volatility of the reference asset). Our transaction costs (if any), including any cost which has been incurred by us in unwinding the hedging and funding arrangements relating to the relevant Knock-out Performance ELI will also be included in the calculation of the market value adjustments.

- **The mandatory buy back price in respect of each Knock-out Performance ELI is capped at the issue price and may be substantially less than the issue price you paid in respect of each Knock-out Performance ELI.**

  Please refer to the section headed "Is there a post-sale cooling-off period for our Knock-out Performance ELIs?" on pages 152 to 153 of this product booklet for further details.

Market making day

- The market making days applicable to your Knock-out Performance ELIs will be the days falling every other Tuesday after the issue date up to the third exchange business day (being a day on which the Hong Kong Stock Exchange is open for trading) before the expiry date, or if any such market making day is not an exchange business day, that market making day will be postponed to the next exchange business day.

  Please refer to the section headed "Is there any market making arrangement for your Knock-out Performance ELIs before their expiry?" on pages 154 to 155 of this product booklet for further details.

Business day

- A day (other than Saturdays and Sundays) on which banks and foreign exchange markets are open for business in Hong Kong and the major currency business centre(s) of the settlement currency.

Scheduled trading day

- A day on which the Hong Kong Stock Exchange is scheduled to open for trading.
- For the purposes of determining a knock-out event date and the expiry date, if a scheduled trading day is a disrupted day for the reference asset, the relevant scheduled trading day shall be the first succeeding scheduled trading day which is not a disrupted day for the reference asset, unless each of the eight scheduled trading days immediately following the original scheduled trading day is a disrupted day for the reference asset. In that case, (i) that eighth scheduled trading day shall be deemed to be the relevant scheduled trading day, notwithstanding the fact that such day is a disrupted day; and (ii) we shall determine (based on, among other things, the last reported price of the reference asset and prevailing market conditions) the price of the reference asset on that eighth scheduled trading day in accordance with its good faith estimate and acting in a commercially reasonable manner and such price shall be used as the "closing price" of the reference asset.

Disrupted day

- This includes:

  (i) a day on which the Hong Kong Stock Exchange fails to open for trading during its regular trading session; or

  (ii) a day on which suspension or limitation on trading is imposed by the Hong Kong Stock Exchange on the reference asset or futures or options contracts relating to the reference asset; or trading of the reference asset or futures or options contracts relating to the reference asset on the Hong Kong Stock Exchange is disrupted or impaired, in each case, during the one hour period before the closing time of the Hong Kong Stock Exchange (as determined by us in our sole and absolute discretion, acting in good faith and in a commercially reasonable manner to be material); or

  (iii) a day on which the Hong Kong Stock Exchange closes prior to its scheduled closing time (unless there is prior announcement by the exchange of such early closure).

B. AT EXPIRY OF OUR KNOCK-OUT PERFORMANCE ELIS

Principal protection

- Our Knock-out Performance ELIs will be fully or partially principal protected at expiry only. Our Knock-out Performance ELIs will be fully principal protected if the floor rate is set at 100%. If the floor rate is set at a level below 100%, our Knock-out Performance ELIs will only be partially principal protected. The floor rate will be set at a level equal to or greater than 70% as set out in the relevant term sheet. The level of principal protection will depend on the floor rate: the higher the floor rate, the higher the principal protection you will receive for your Knock-out Performance ELIs. However, the higher the level of principal protection, the lower the potential return. The relevant term sheet will set out whether your Knock-out Performance ELIs are fully or partially principal protected at expiry. Please refer to the relevant term sheet for further details.

Expiry date

- If our Knock-out Performance ELIs are not early terminated due to an extraordinary unforeseeable event (see pages 120 to 124 of this product booklet for further details), our Knock-out Performance ELIs will terminate on the expiry date as specified in the relevant term sheet.
- Our Knock-out Performance ELIs will be cash settled only. Physical settlement is not applicable to our Knock-out Performance ELIs.
- You should note that although the final settlement payout will be determined on the expiry date, the final settlement payout will only be paid to you on the settlement date.
- If the expiry date falls on a 'disrupted day', the expiry date will be postponed in accordance with the terms and conditions of the Knock-out Performance ELIs (see pages 126 to 127 of this product booklet for further details).

Knock-out event

- The relevant term sheet will specify which type of knock-out event applies to a series of Knock-out Performance ELIs. The payout of the Knock-out Performance ELIs on the settlement date will depend on whether the relevant knock-out event has occurred.
- There are three types of knock-out event: (i) bull knock-out event; (ii) bear knock-out event; and (iii) double knock-out event (see also "Knock-out event date" below).
- A "bull knock-out event" occurs if the closing price of the reference asset is **above** the knock-out barrier on **any** knock-out event date.
- A "bear knock-out event" occurs if the closing price of the reference asset is **below** the knock-out barrier on **any** knock-out event date.
- A "double knock-out event" occurs if the closing price of the reference asset is either (i) **above** the upper knock-out barrier; or (ii) **below** the lower knock-out barrier on **any** knock-out event date.

Knock-out barrier

- If a bull knock-out event or a bear knock-out event is applicable, we will stipulate a knock-out barrier for the reference asset. The knock-out barrier of the reference asset is expressed as a specified percentage of the initial spot price in the relevant indicative term sheet. For our Knock-out Performance ELIs with bull knock-out feature, the knock-out barrier will be set at a level above the initial spot price. For our Knock-out Performance ELIs with bear knock-out feature, the knock-out barrier will be set at a level below the initial spot price. The specified percentage used to calculate the knock-out barrier for each knock-out event date will be the same. The final knock-out barrier will be rounded to 4 decimal places, as set out in the relevant final term sheet.

- If a bull knock-out event or a bear knock-out event is applicable, we will observe the closing price of the reference asset on each knock-out event date and compare it against the knock-out barrier to determine whether the relevant knock-out event has occurred.

- If a double knock-out event is applicable, we will stipulate a lower knock-out barrier and an upper knock-out barrier for the reference asset. Each of the lower knock-out barrier and upper knock-out barrier of the reference asset is expressed as a specified percentage of the initial spot price in the relevant indicative term sheet. For our Double Knock-out Performance ELIs, the lower knock-out barrier will be set at a level below the initial spot price and the upper knock-out barrier will be set at a level above the initial spot price. The specified percentage used to calculate the lower knock-out barrier for each knock-out event date will be the same and the specified percentage used to calculate the upper knock-out barrier for each knock-out event date will be the same. The final lower knock-out barrier and the final upper-knock-out barrier will be rounded to 4 decimal places, as set out in the relevant final term sheet.

- If a double knock-out event is applicable, we will observe the closing price of the reference asset on each knock-out event date and compare it against the lower knock-out barrier and upper knock-out barrier to determine whether the double knock-out event has occurred.

Knock-out event date

- The knock-out event date(s) will be set as each scheduled trading day during the period from (but excluding) the trade date to (and including) the expiry date.

- If a knock-out event date falls on a 'disrupted day', the affected knock-out event date will be postponed in accordance with the terms and conditions of the Knock-out Performance ELIs (see pages 126 to 127 of this product booklet for further details).

Final settlement payout (for each Knock-out Performance ELI)

(A) For our Bull Knock-out Performance ELIs:

If the Knock-out Performance ELIs have not been early terminated upon the occurrence of an extraordinary unforeseeable event and:

(i) If a bull knock-out event **has not occurred**, you will receive on the settlement date an amount equal to the sum of (i) the floor amount; (ii) the fixed cash distribution amount (if any); and (iii) the potential performance return (if any), ***less*** any cash settlement expenses (please see "Potential performance return" on pages 144 to 145 of this product booklet) (currently, no cash settlement expenses are payable). **In this case, you will suffer a *loss* if the sum of: (i) the floor amount; and (ii) the fixed cash distribution amount (if any); and (iii) the potential performance return (if any) is less than your initial investment amount. Depending on the level of the floor rate, you may receive an amount which is substantially less than your initial investment amount.**

(ii) If a bull knock-out event **has occurred**, you will receive on the settlement date an amount equal to the sum of (i) the floor amount; (ii) the fixed cash distribution amount (if any); and (iii) the rebate amount (if any), ***less*** any cash settlement expenses (currently, no cash settlement expenses are payable). **In this case, you will suffer a *loss* if the sum of: (i) the floor amount; and (ii) the fixed cash distribution amount (if any); and (iii) the rebate amount (if any) is less than your initial investment amount. Depending on the level of the floor rate, you may receive an amount which is substantially less than your initial investment amount.**

(B) For our Bear Knock-out Performance ELIs:

If the Knock-out Performance ELIs have not been early terminated upon the occurrence of an extraordinary unforeseeable event and:

(i) If a bear knock-out event **has not occurred**, you will receive on the settlement date an amount equal to the sum of (i) the floor amount; (ii) the fixed cash distribution amount (if any); and (iii) the potential performance return (if any), ***less*** any cash settlement expenses (please see "Potential performance return" on pages 144 to 145 of this product booklet) (currently, no cash settlement expenses are payable). **In this case, you will suffer a *loss* if the sum of: (i) the floor amount; and (ii) the fixed cash distribution amount (if any); and (iii) the potential performance return (if any) is less than your initial investment amount. Depending on the level of the floor rate, you may receive an amount which is substantially less than your initial investment amount.**

(ii) If a bear knock-out event **has occurred**, you will receive on the settlement date an amount equal to the sum of (i) the floor amount; (ii) the fixed cash distribution amount (if any); and (iii) the rebate amount (if any), ***less*** any cash settlement expenses (currently, no cash settlement expenses are payable). **In this case, you will suffer a *loss* if the sum of: (i) the floor amount; and (ii) the fixed cash distribution amount (if any); and (iii) the rebate amount (if any) is less than your initial investment amount. Depending on the level of the floor rate, you may receive an amount which is substantially less than your initial investment amount.**

(C) For our Double Knock-out Performance ELIs:

If the Knock-out Performance ELIs have not been early terminated upon the occurrence of an extraordinary unforeseeable event and:

(i) If a double knock-out event **has not occurred**, you will receive on the settlement date an amount equal to the sum of (i) the floor amount; (ii) the fixed cash distribution amount (if any); and (iii) the potential performance return (if any), ***less*** any cash settlement expenses (please see "Potential performance return" on pages 144 to 145 of this product booklet) (currently, no cash settlement expenses are payable). **In this case, you will suffer a *loss* if the sum of: (i) the floor amount; and (ii) the fixed cash distribution amount (if any); and (iii) the potential performance return (if any) is less than your initial investment amount. Depending on the level of the floor rate, you may receive an amount which is substantially less than your initial investment amount.**

(ii) If a double knock-out event **has occurred**, you will receive on the settlement date an amount equal to the sum of (i) the floor amount; (ii) the fixed cash distribution amount (if any); and (iii) the rebate amount (if any), ***less*** any cash settlement expenses (currently, no cash settlement expenses are payable). **In this case, you will suffer a *loss* if the sum of: (i) the floor amount; and (ii) the fixed cash distribution amount (if any); and (iii) the rebate amount (if any) is less than your initial investment amount. Depending on the level of the floor rate, you may receive an amount which is substantially less than your initial investment amount.**

You should note that your final settlement payout under the Knock-out Performance ELIs will be reduced by any distributor's charges and any cash settlement expenses payable on settlement of the Knock-out Performance ELIs. Please refer to "Cash settlement expenses" and "Distributor's charges" below.

Floor amount	•	The floor amount will be calculated as follows, rounded to 2 decimal places, with 0.005 or above rounded upwards: Nominal amount x Floor rate The floor rate will be set at a level equal to or greater than 70% as specified in the relevant term sheet.
Fixed cash distribution amount	•	The fixed cash distribution amount will be calculated as follows, rounded to 2 decimal places, with 0.005 or above rounded upwards: Nominal amount x Fixed cash dividend rate The fixed cash dividend rate will be specified in the relevant term sheet and may be set at 0%, in which case you will not receive any fixed cash distribution amount.
Rebate amount	•	The rebate amount will be calculated as follows, rounded to 2 decimal places, with 0.005 or above rounded upwards: Nominal amount x Rebate rate The rebate rate will be specified in the relevant term sheet and may be set at 0%, in which case you will not receive any rebate amount.
Potential performance return	•	You should note that you will only receive the potential performance return if certain conditions are met. In respect of the Bull Knock-out Performance ELIs, the potential performance return will only be paid if (i) the bull knock-out event **has not occurred**; **AND** (ii) the closing price of the reference asset on the expiry date is **above** the initial spot price. In respect of the Bear Knock-out Performance ELIs, the potential performance return will only be paid if (i) the bear knock-out event **has not occurred**; **AND** (ii) the closing price of the reference asset on the expiry date is **below** the initial spot price. In respect of the Double Knock-out Performance ELIs, the potential performance return will only be paid if (i) the double knock-out event **has not occurred**; **AND** (ii) the closing price of the reference asset on the expiry date is **not at the same level** as the initial spot price. If the abovementioned conditions are not met, you will **NOT** receive any potential performance return upon expiry of the Knock-out Performance ELIs. **It is possible that you will not receive any potential performance return for the Knock-out Performance ELIs.**

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

  Nominal amount x Performance

  Where:

  (i) if a **bull knock-out event** is applicable, the performance is the rate determined based on the difference between the closing price of the reference asset on the expiry date and the initial spot price, subject to a minimum of zero and multiplied by the participation rate. The performance will be calculated according to the following formula:

$$\text{Max}\left(\frac{\text{Closing price of the reference asset on the expiry date}}{\text{Initial spot price of the reference asset}} - 1, 0\right) \text{ x Participation rate}$$

  (ii) if a **bear knock-out event** is applicable, the performance is the rate determined based on the difference between the closing price of the reference asset on the expiry date and the initial spot price, subject to a minimum of zero and multiplied by the participation rate. The performance will be calculated according to the following formula:

$$\text{Max}\left(1 - \frac{\text{Closing price of the reference asset on the expiry date}}{\text{Initial spot price of the reference asset}}, 0\right) \text{ x Participation rate}$$

  (iii) if a **double knock-out event** is applicable, the performance is the rate determined based on the absolute value of the difference between the closing price of the reference asset on the expiry date and the initial spot price and multiplied by the participation rate. The performance will be calculated according to the following formula:

$$\text{Abs}\left(\frac{\text{Closing price of the reference asset on the expiry date}}{\text{Initial spot price of the reference asset}} - 1\right) \text{ x Participation rate}$$

  The calculation of the performance according to the formulae above will not be rounded.

  You should also note that payment of a potential performance return does not automatically result in a gain scenario. You may still suffer a loss if the floor rate is set at a level below 100% and the sum of (i) the potential performance return and (ii) the fixed cash distribution amount (if any) is less than the difference between the nominal amount and the floor amount.

Participation rate	•	The participation rate will be a percentage as set out in the relevant term sheet and may be set at 100%, above 100% or below 100%. The participation rate is used to calculate the performance. You should note that where the participation rate is set at a percentage which is below 100%, the performance calculated according to the formula under "Potential performance return" above will be lower than the actual performance of the reference asset on the expiry date compared to the initial spot price of the reference asset.
Settlement date	•	This is the date on which you will receive the final settlement payout (see also "Final settlement payout" on pages 142 to 143 of this product booklet) upon expiry of the Knock-out Performance ELIs if the Knock-out Performance ELIs have not been early terminated due to an extraordinary unforeseeable event.
	•	The settlement date is the third business day after the expiry date, as specified in the relevant term sheet.
	•	If the expiry date is postponed as a result of a 'disrupted day', the settlement date will be postponed accordingly (see pages 126 to 127 of this product booklet for further details).
Cash settlement expenses	•	If a settlement amount in cash is payable to you, you will have to pay for all cash settlement expenses.
	•	Cash settlement expenses are all charges or expenses, including any taxes and duties that are incurred by us in connection with making the payment of the relevant settlement amount in cash to you. Currently there are no such charges or expenses.
	•	If any cash settlement expenses are payable in the future, we will inform the distributor(s) as soon as practicable and your distributor will in turn inform you in advance.
Distributor's charges	•	You should check with your distributor how much they charge if you buy Knock-out Performance ELIs from them, if you cancel or unwind your order for the purchase of the Knock-out Performance ELIs; or if you sell your Knock-out Performance ELIs back to us on a market making day (where applicable).

NOTES

1. This is a summary of the meaning of the key terms of our Knock-out Performance ELIs. You should read all of this product booklet and the relevant indicative term sheet, as well as our programme memorandum and our financial disclosure document (together with any addendum to the programme memorandum, the financial disclosure document and/or this product booklet as specified in the relevant term sheet) before deciding whether or not to buy any of our Knock-out Performance ELIs.

2. Some of the terms which we have used in this summary could be subject to change as provided in the legal documentation. We have prepared a summary table on pages 120 to 129 of this product booklet to give you a ready reference of: (i) the possible adjustments that we may make to the terms and conditions of our Knock-out Performance ELIs; (ii) the circumstances under which we may early terminate our Knock-out Performance ELIs due to the occurrence of certain extraordinary unforeseeable events or if we determine in good faith and in a commercially reasonable manner that the performance of any of our absolute or contingent obligations under the Knock-out Performance ELIs has become illegal or impracticable in whole or in part for any reason beyond our control; (iii)

adjustments that we may make to the key dates due to market disruption events or settlement disruption; and (iv) the consequences of the occurrence of a CNY disruption event in respect of our Renminbi-denominated Knock-out Performance ELIs. You should also refer to the general terms and conditions of the Knock-out Performance ELIs (in particular, conditions 4(d) and 6) as set out in Appendix B to this product booklet for more details.

3. We will make all determinations, and exercise all discretion, under the terms and conditions of our Knock-out Performance ELIs. We have the sole and absolute discretion in making all determinations and exercising all discretion under the legal documentation. Any decision we make will be made in good faith and in a commercially reasonable manner and is final and binding on you and on us and any other parties involved in our Knock-out Performance ELIs.

MORE INFORMATION ABOUT OUR KNOCK-OUT PERFORMANCE ELIS

WHAT IS INCLUDED IN OUR KNOCK-OUT PERFORMANCE ELI DOCUMENTATION?

Knock-out Performance ELI offering documents

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

Name of offering document	Content of document
(i) Programme memorandum	The programme memorandum contains an overview of our Programme, including: • a summary of certain taxation issues relating to structured products that we can issue under our Programme; • the general procedure of buying our structured products through a distributor, how your distributor will hold your structured products and receive notices and payments from us on your behalf; • a description of the form of our structured products (in the form of note or investment) and the difference between a note and an investment; • the general risks associated with investing in our structured products and the risks relating to the issuer; and • a description of our business and financial condition.
(ii) Financial disclosure document (together with any addendum to the financial disclosure document)	The financial disclosure document, together with the addendum to the financial disclosure document (if any), contain our latest financial information, including our audited consolidated financial statements and unaudited interim condensed consolidated financial statements (if any) and a description of our risk management system.
(iii) Product booklet	This product booklet contains the general terms and conditions that apply to one type of structured products that we can issue under our Programme, namely, Unlisted Equity Linked Investments Linked to a Single Security with Full or Partial Principal Protection at Expiry and Knock-out Performance. This product booklet also explains how our Knock-out Performance ELIs work and sets out the product features and risk factors relating to our Knock-out Performance ELIs. To help your understanding, we have also included three key facts statements on pages 4 to 30 of this product booklet and several hypothetical examples on pages 47 to 119 to illustrate how our Knock-out Performance ELIs with bull knock-out feature or bear knock-out feature or double knock-out feature work.

(iv) Indicative term sheet

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

The final term sheet containing all the finalised commercial terms applicable to a series of Knock-out Performance ELIs will be available for inspection at the offices of the product arranger and the distributor(s) after the relevant trade date. A copy of the final term sheet will be made available to the investor upon request.

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

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

Legal terms and conditions of our Knock-out Performance ELIs

The following documents set out the legally binding terms and conditions of our Knock-out Performance ELIs:

(i) General terms and conditions of the Unlisted Equity Linked Investments Linked to a Single Security with Full or Partial Principal Protection at Expiry and Knock-out Performance: the general terms and conditions of the Knock-out Performance ELIs that are applicable to all our Knock-out Performance ELIs are set out in Appendix B to this product booklet. These general terms and conditions may be amended and supplemented by the specific terms that are applicable to a series of Knock-out Performance ELIs, as set out in the relevant pricing supplement.

(ii) Pricing supplement for the Knock-out Performance ELIs: we have set out in Appendix C to this product booklet a form of pricing supplement. For each series of our Knock-out Performance ELIs, we will prepare a pricing supplement. The commercial terms contained in the pricing supplement will reflect the same commercial terms as set out in the relevant term sheet for that series. The pricing supplement of each series of Knock-out Performance ELIs will be available for inspection at the offices of the product arranger and the relevant distributor(s) on or after the relevant issue date.

When read together, the general terms and conditions of the Knock-out Performance ELIs as set out in Appendix B to this product booklet and the relevant pricing supplement will constitute the legally binding terms and conditions applicable to the relevant series of Knock-out Performance ELI.

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

Offering Documents	Method of distribution
• The programme memorandum (including any addenda in respect thereof) • The financial disclosure document (including any addenda in respect thereof) • This product booklet (including any addenda in respect thereof)	(i) Printed copies from the distributor(s); and (ii) Electronic copies at our website (*https://www.hsbcnet.com/gbm/structured-investments/asia-pacific/unlisted-structured-products-programme* or such other website address as set out in the relevant indicative term sheet) and/or via the QR Code as set out in the relevant indicative term sheet and/or from the distributor(s) by email (via a hyperlink to our website) (whether or not electronic copies are being made available for any particular series of Knock-out Performance ELI will be specified in the relevant indicative term sheet).
The relevant indicative term sheets	(i) Printed copies from the distributor(s); and (ii) Electronic copies at our website (*https://www.hsbcnet.com/gbm/structured-investments/asia-pacific/unlisted-structured-products-programme* or such other website address as set out in the relevant indicative term sheet) and/or from the distributor(s) by email (via a hyperlink to our website) (whether or not electronic copies are being made available for any particular series of Knock-out Performance ELI will be specified in the relevant indicative term sheet).

Other legal documentation relating to our Knock-out Performance ELIs

(i) Global certificate - each series of our Knock-out Performance ELIs will be represented by a single global certificate registered in the name of the nominee for the relevant clearing system(s). The applicable pricing supplement will be attached to the global certificate and lodged with the relevant clearing system(s). As we do not issue individual certificates to you with respect to your holding of the Knock-out Performance ELIs, to assert your right as an investor in our Knock-out Performance ELIs, you will have to rely on your distributor (directly or indirectly via its custodian) to take action on your behalf. (See also "(ii) Deed of covenant" below.)

(ii) Deed of covenant - your distributor or its custodian which is a participant or accountholder with the relevant clearing system, will be given direct rights of enforcement against us as issuer under a deed of covenant executed by us if we fail to pay any cash amount to the legal holder of our Knock-out Performance ELIs in accordance with the terms and conditions of our Knock-out Performance ELIs.

(iii) Registrars' and structured product agency agreement - administrative matters relating to our Knock-out Performance ELIs (including but not limited to, making payment due under our Knock-out Performance ELIs and arrangements for giving notices to the holders of our Knock-out Performance ELIs) are dealt with in the registrars' and structured product agency agreement.

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

HOW CAN YOU BUY THE KNOCK-OUT PERFORMANCE ELIS?

- If you wish to purchase our Knock-out Performance ELIs, you can enquire about the range of Knock-out Performance ELIs we offer by contacting the appointed distributor(s) specified in the relevant term sheet.

- Once you have made your investment decision, you will need to complete a Knock-out Performance ELI subscription form which can be obtained at any designated branches of the appointed distributor(s) for the Knock-out Performance ELIs. Unless (i) you have exercised your right to cancel or unwind your purchase order during the post-sale cooling-off period for Knock-out Performance ELIs with an investment period of more than one year or (ii) you have cancelled your purchase order during the offer period before your purchase order is executed on the trade date for Knock-out Performance ELIs with an investment period of one year or less (see section on the next page on "Is there a post-sale cooling-off period for our Knock-out Performance ELIs?") or (iii) you have cancelled your order within the specified period of time as notified by your distributor following the publication of an updated financial disclosure document and/or an addendum to the programme memorandum, the financial disclosure document and/or this product booklet during the offer period after you have placed your order (see section on page 153 of this product booklet on "Can I cancel my purchase order as a result of publication of an addendum and/or an updated financial disclosure document?"), you are committed to purchase the Knock-out Performance ELIs once you have placed the relevant purchase order with your distributor.

- Your distributor will make the application with us directly on your behalf. You cannot purchase the Knock-out Performance ELIs directly from us (in our capacity as issuer). You must already have, or must open, an investment account and a cash account with the appointed distributor(s). Your distributor will hold your Knock-out Performance ELIs for you in your investment account – you will not be holding the Knock-out Performance ELIs directly as we will not be issuing individual certificates for our Knock-out Performance ELIs. Your distributor will inform you the amount you have to pay and any applicable fees (including handling fees) it charges to make your application and to open and maintain your investment account and cash account. Please contact your distributor for further details.

- Once you place your Knock-out Performance ELI purchase order on the order date, your Knock-out Performance ELI purchase order will be executed by us on the trade date. Once your Knock-out Performance ELI purchase order is executed, the purchase consideration (being the total issue price) will be deducted from your designated cash account on the issue date which is a day falling up to 10 business days after the trade date and a contract note prepared by your distributor containing all the finalised commercial terms that apply to your Knock-out Performance ELIs will be sent to you by your distributor within 2 Hong Kong business days after the trade date.

ADDITIONAL INFORMATION RELATING TO RENMINBI-DENOMINATED KNOCK-OUT PERFORMANCE ELIS

Our Renminbi-denominated Knock-out Performance ELIs will be settled in Renminbi outside the PRC that is freely deliverable between accounts in Hong Kong in accordance with Hong Kong laws and applicable regulations and guidelines issued by relevant authorities in Hong Kong prevailing as of the trade date of the relevant series of Renminbi-denominated Knock-out Performance ELIs. All Renminbi payments under our Renminbi-denominated Knock-out Performance ELIs will be made solely by credit to your Renminbi bank account maintained at banks in Hong Kong in accordance with applicable Hong Kong laws and applicable regulations and guidelines issued by the relevant authorities in Hong Kong. Therefore, if you wish to invest in our Renminbi-denominated Knock-out Performance ELIs, you need to have a Renminbi bank account with your distributor. You will also need to maintain a Renminbi bank account to receive any Renminbi payments made by us under our Renminbi-denominated Knock-out Performance ELIs which will be credited to your Renminbi bank account by your distributor.

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

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

IS THERE A POST-SALE COOLING-OFF PERIOD FOR OUR KNOCK-OUT PERFORMANCE ELIS?

The relevant term sheet will specify whether a post-sale cooling-off period applies to your Knock-out Performance ELIs.

Knock-out Performance ELIs with an investment period of more than one year

- If you have purchased a Knock-out Performance ELI with an investment period of more than one year, you can cancel or unwind (as the case may be) the whole (but not part) of your Knock-out Performance ELI purchase order during the period from (and including) the date you place your purchase order (the "**order date**") to (and including) the fifth Hong Kong business day after the order date (this period is referred to as the "**post-sale cooling-off period**"). If you choose to do so, you will need to submit your instructions to your distributor between 10:00 a.m. and 12:00 noon on any Hong Kong business day during the post-sale cooling-off period. Any exercise of your right to cancel or unwind your purchase order shall be irrevocable.

- No distributor's commission will be chargeable if you exercise your right to cancel or unwind your Knock-out Performance ELI purchase order during the post-sale cooling-off period.

Cancellation before your purchase order is executed on the trade date

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

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

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

- In respect of our Knock-out Performance ELIs denominated in Renminbi, if we are not able, or it is impracticable for us, to pay you the mandatory buy back price in Renminbi on the original due date for payment as a result of a CNY disruption event, such payment will be postponed to the third Hong Kong business day after the date on which the CNY disruption event ceases to exist (as determined by us in our sole and absolute discretion, acting in good faith and in a commercially reasonable manner); ***provided that*** if the CNY disruption event continues to exist for twelve consecutive Hong Kong business days following the original due date for payment, we shall be entitled to pay you the mandatory buy back price in Hong Kong dollars by no later than the third Hong Kong business day after such twelfth Hong Kong business day following the original due date for payment.

- The mandatory buy back price will be converted at the exchange rate for Renminbi outside the PRC per 1 U.S. dollar as per Reuters Page "CNH=" and the exchange rate for Hong Kong dollar per 1 U.S. dollar as per Reuters Page "HKD=" at 11:00 a.m. Hong Kong time on the day which is two Hong Kong business days prior to the relevant postponed date for payment; provided that if any such exchange rate cannot be determined, we shall select another applicable Reuters page or determine in good faith such exchange rate by reference to such sources as we may select in our sole and absolute discretion, acting in good faith and in a commercially reasonable manner.

- The mandatory buy back price is determined in accordance with the formula stated on page 138 of this product booklet. Any market value adjustments will be factored into the mandatory buy back price. Our transaction costs (if any), including any cost which has been incurred by us in unwinding the hedging and funding arrangements relating to such Knock-out Performance ELI, will also be included in the calculation of the market value adjustments.

- In addition, in order for you to exercise the right to cancel or unwind your Knock-out Performance ELI purchase order during the post-sale cooling-off period, the following conditions have to be satisfied:

  (i) you have not sold or otherwise transferred the relevant Knock-out Performance ELI you wish to cancel or unwind;

  (ii) if the Knock-out Performance ELI has been issued, the Knock-out Performance ELI is subsisting and has not otherwise expired or terminated; and

  (iii) you can only choose to cancel or unwind the whole (but not part) of your purchase order of Knock-out Performance ELIs.

Knock-out Performance ELIs with an investment period of one year or less

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

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

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

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

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

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

IS THERE ANY MARKET MAKING ARRANGEMENT FOR YOUR KNOCK-OUT PERFORMANCE ELIS BEFORE THEIR EXPIRY?

- We (as market agent) will provide limited market making arrangements for all our Knock-out Performance ELIs (regardless of the length of the investment period and the scheduled tenor of the Knock-out Performance ELIs) on each market making day falling every other Tuesday after the issue date up to the third exchange business day before the expiry date, or if any such market making day is not an exchange business day, that market making day will be postponed to the next exchange business day.

- On each market making day, we (as market agent) will (i) make available (via the distributor(s)) indicative bid prices (on a per-Knock-out Performance ELI basis) during normal business hours; and (ii) provide (via the distributor(s)) a firm bid price (on a per- Knock-out Performance ELI basis) for your Knock-out Performance ELIs upon your request, provided that your request for a firm bid price is submitted to your distributor between 10:00 a.m. and 12:00 noon on such market making day. You may choose to sell part of or the entire holding of your Knock-out Performance ELIs provided that the minimum sell back order is equal to one Knock-out Performance ELI and the total amount of Knock-out Performance ELIs you wish to sell is an integral multiple of one Knock-out Performance ELI.

- The indicative bid prices will be determined by us at our sole and absolute discretion, acting in good faith and in a commercially reasonable manner, and taking into account certain factors such as market interest rate movements, HSBC's financial condition, the market's view of HSBC's credit quality, the value of the embedded options including the conditional call option (for our Bull Knock-out Performance ELIs), the conditional put option (for our Bear Knock-out Performance ELIs) and the conditional put and call options (for our Double Knock-out Performance ELIs), the price performance and price volatility of the reference asset and any cost which is, or would be, incurred by us in unwinding our hedging and funding arrangements relating to the Knock-out Performance ELIs. Such indicative bid prices will be subject to intra-day change, depending on the prevailing market conditions.

- The indicative bid prices are provided for your reference only as they may not be the same as the firm bid price at which we are willing to buy back your Knock-out Performance ELIs.

- Upon your request for a firm bid price, we (as market agent) will determine the firm bid price at which we are willing to buy back your Knock-out Performance ELIs based on the indicative bid price and, depending on the prevailing market conditions at the time you request for the firm bid price, adjusted for any intra-day market changes. We will notify your distributor of such firm bid price and your distributor will in turn inform you. **You should note that the firm bid price provided to you by your distributor will only be valid for a limited period of time as notified to you by your distributor.** Upon acceptance of the firm bid price by you within that specified period of time, we will buy back your Knock-out Performance ELIs at that firm bid price on that market making day.

- In respect of our Renminbi-denominated Knock-out Performance ELIs, if we are not able, or it is impracticable for us, to pay you the firm bid price in Renminbi on the original due date for payment as a result of a CNY disruption event, such payment will be postponed to the third Hong Kong business day after the date on which the CNY disruption event ceases to exist (as determined by us in our sole and absolute discretion, acting in good faith and in a commercially reasonable manner); ***provided that*** if the CNY disruption event continues to exist for twelve consecutive Hong Kong business days following the original due date for payment, we shall be entitled to pay you the firm bid price in Hong Kong dollars by no later than the third Hong Kong business day after such twelfth Hong Kong business day following the original due date for payment.

- The firm bid price will be converted at the exchange rate for Renminbi outside the PRC per 1 U.S. dollar as per Reuters Page "CNH=" and the exchange rate for Hong Kong dollar per 1 U.S. dollar as per Reuters Page "HKD=" at 11:00 a.m. Hong Kong time on the day which is two Hong Kong business days prior to the relevant postponed date for payment; provided that if any such exchange rate cannot be determined, we shall select another applicable Reuters page or determine in good faith such exchange rate by reference to such sources as we may select in our sole and absolute discretion, acting in good faith and in a commercially reasonable manner.

- **You should note that the firm bid price at which you sell your Knock-out Performance ELIs back to us on a market making day may be substantially less than the issue price you paid for each Knock-out Performance ELI**. Also, your distributor may charge you a handling fee when you sell your Knock-out Performance ELIs back to us on a market making day and such fees or charges will reduce the amount you receive when you sell your Knock-out Performance ELIs back to us before expiry. Please contact your distributor for details.

- If you choose to sell your Knock-out Performance ELIs back to us on a market making day, we will deliver the sale proceeds of your Knock-out Performance ELIs to you via your distributor no later than the third business day after that market making day. Your distributor will deliver such proceeds to you in accordance with its normal operating procedures. Please check with your distributor for details.

- **In addition, you should note that indicative bid prices and/or firm bid prices may not be available on a market making day if the relevant Knock-out Performance ELI is affected by market disruption events and/or suspension of trading in the reference asset or if we (as market agent) experience any technical problems beyond our control affecting our ability to provide a bid price for our Knock-out Performance ELIs, including any power failure or breakdown of our computer system (in which case the affected market making day will be postponed to the next exchange business day which is not affected by any of these events or problems).**

HOW CAN YOU FIND OUT THE INDICATIVE BID PRICE OF OUR KNOCK-OUT PERFORMANCE ELIS?

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

ARE OUR KNOCK-OUT PERFORMANCE ELIS DESIGNED FOR EVERYONE?

Our Knock-out Performance ELIs are designed for experienced investors who:

- have experience in investing in structured investment products and are looking for more tailored ways of investing in accordance with their market views. Investors can choose from the range of Knock-out Performance ELIs on offer to suit their investment view, risk appetite and return requirements;

- take a moderately bullish view on the market price of the reference asset (for our Bull Knock-out Performance ELIs) or take a moderately bearish view on the market price of the reference asset (for our Bear Knock-out Performance ELIs) or take a moderately bullish view or a moderately bearish view on the market price of the reference asset (for our Double Knock-out Performance ELIs);

- accept that our Knock-out Performance ELIs are (i) fully principal protected at expiry only if the floor rate is set at 100% or (ii) partially principal protected at expiry only if the floor rate is set at a level below 100%. The floor rate will be set at a level equal to or greater than 70% as set out in the relevant term sheet. The level of principal protection will depend on the floor rate: the higher the floor rate, the higher the principal protection for the Knock-out Performance ELIs. However, the higher the level of principal protection, the lower the potential return. In addition, **investors should accept that they must hold their Knock-out Performance ELIs until expiry to realise any full or partial principal protection.** Our Knock-out Performance ELIs are NOT principal protected if investors sell their Knock-out Performance ELIs to us (as market agent) prior to expiry via market making arrangements or if we early terminate our Knock-out Performance ELIs due to circumstances as mentioned in this product booklet;

- understand that the payout on the Knock-out Performance ELI is linked to the performance of the reference asset during the investment period;

- understand that a Knock-out Performance ELI is a structured investment product which has embedded derivatives and is not equivalent to a time deposit or a direct investment in the reference asset;

- accept that in certain circumstances they will suffer a ***loss*** on their initial investment amount if the final settlement payout (being the sum of: (i) the floor amount; (ii) the fixed cash distribution amount (if any); and (iii) the rebate amount (if any)) is less than their initial investment amount. **Depending on the level of the floor rate, investors may receive an amount which is substantially less than their initial investment amount;**

- accept that even where a potential performance return is paid, they will suffer a ***loss*** on their initial investment amount if the final settlement payout (being the sum of: (i) the floor amount; (ii) the fixed cash distribution amount (if any); and (iii) the potential performance return) is less than their initial investment amount. **Depending on the level of the floor rate, investors may receive an amount which is substantially less than their initial investment amount;**

- understand that there will only be limited market making arrangements for all our Knock-out Performance ELIs and therefore are prepared to hold them to their settlement date;

- accept that our Knock-out Performance ELIs will be cash settled only and physical settlement is not applicable to our Knock-out Performance ELIs; and

- understand that when they buy the Knock-out Performance ELIs, they will be relying on HSBC's creditworthiness. If HSBC (as issuer) becomes insolvent or defaults on its obligations under the Knock-out Performance ELIs, in the worst case scenario, investors could lose all of their investment.

Our Knock-out Performance ELIs are not designed for inexperienced investors who are not familiar with structured investment products. You should not buy this product if:

- you do not have knowledge or experience investing in structured investment products embedded with derivatives;

- you do not want to take HSBC's credit risk;

- you do not want to risk any part of your capital; or

- you may need to sell your Knock-out Performance ELIs before the end of the scheduled tenor of the Knock-out Performance ELIs for liquidity needs.

ARE OUR KNOCK-OUT PERFORMANCE ELIS SUBJECT TO U.S. FOREIGN ACCOUNT TAX COMPLIANCE ACT WITHHOLDING TAX?

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

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

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

As stated above, we will not issue any Knock-out Performance ELIs that provide for Withholdable Payments. Thus, payments under our Knock-out Performance ELIs generally will not be subject to FATCA Withholding to the extent (i) they are made before the second anniversary of the date on which final regulations defining the term "foreign passthru payments" are published in the U.S. Federal Register or (ii) our Knock-out Performance ELIs are executed on or before the Grandfather Date and are not materially modified thereafter.

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

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

(i) such Appointed Distributor, and any custodian used by such Appointed Distributor to hold any Knock-out Performance ELIs, is entitled to receive all payments free from any FATCA Withholding (by qualifying, for example, as a "Participating Foreign Financial Institution", a compliant "Deemed Compliant Foreign Financial Institution" or a compliant "Reporting Financial Institution" under an applicable FATCA intergovernmental agreement, in each case for purposes of FATCA, and satisfying the requirements pursuant thereto) ("**FATCA Compliant**");

(ii) upon request by HSBC, such Appointed Distributor and any custodian used by such Appointed Distributor shall provide HSBC with such forms and/or other documentation to establish, to the satisfaction of HSBC, that such Appointed Distributor or any custodian used by such Appointed Distributor is FATCA Compliant; and

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

If any of our Knock-out Performance ELIs are issued after the Grandfather Date and any payment made with respect to any Knock-out Performance ELI is subject to FATCA Withholding as a result of:

(i) the existence of any present or former connection between an investor (or between a fiduciary, settlor, beneficiary, partner of, member or shareholder of, or possessor of power over, such investor, if the investor is an estate, trust, nominee, partnership, limited liability company or corporation) and the United States (including being or having been a citizen, resident, or national thereof or being or having been present or engaged in a trade or business therein or having or having had a permanent establishment therein); or

(ii) any misrepresentation by an investor (or the applicable beneficial owner) to us, any distributor, any custodian or any applicable payor; or

(iii) the failure of an investor (or the applicable beneficial owner) to fully comply with its obligations under FATCA (including obligations to comply with reasonable requests for information and/or other documentation by an applicable payor); or

(iv) an investor's appointment of an intermediary (other than an Appointed Distributor or any custodian used by such Appointed Distributor) to hold its interest in any structured products where such intermediary fails to be FATCA Compliant; or

(v) the failure of the applicable clearing system to be FATCA Compliant,

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

You are urged to consult with your own independent tax advisor regarding the possible implications of FATCA on your investment in our Knock-out Performance ELIs.

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

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

HOW CAN YOU TRANSFER YOUR KNOCK-OUT PERFORMANCE ELIS TO A THIRD PARTY?

Please check with your distributor on how you can transfer your Knock-out Performance ELIs to a third party.

You should note that transfer of any interests in the Knock-out Performance ELIs will be effected only in an amount equal to the minimum transfer amount of the Knock-out Performance ELIs as specified in the relevant term sheet or integral multiples thereof.

IS THERE A LIMIT ON THE TOTAL PROGRAMME SIZE?

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

WHERE CAN YOU FIND MORE INFORMATION ABOUT THE ISSUER AND THE KNOCK-OUT PERFORMANCE ELIS?

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

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

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

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

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

CONTINUING DISCLOSURE OBLIGATIONS

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

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

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

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

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

WHEN WERE THE KNOCK-OUT PERFORMANCE ELIS AUTHORISED BY OUR EXECUTIVE COMMITTEE?

The offer and issue of the Knock-out Performance ELIs under our programme were authorised by resolutions of our executive committee on 2 May 2012.

WHERE CAN YOU READ THE LEGAL DOCUMENTATION FOR THE KNOCK-OUT PERFORMANCE ELIS?

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

- certified true copy of the relevant global certificate (in English version only) in respect of the relevant series of the Knock-out Performance ELIs (which is available on or after the issue date of the relevant series of the Knock-out Performance ELIs);

- certified true copy of the relevant pricing supplement (in English and Chinese versions) (which is available on or after the issue date of the relevant series of the Knock-out Performance ELIs) which, when read together with the general terms and conditions of the Knock-out Performance ELIs as set out in Appendix B to this product booklet, constitutes the legally binding terms and conditions of the relevant series of Knock-out Performance ELIs;

- the documents listed as documents that will be kept on display in our programme memorandum;

- this product booklet and any addendum to this product booklet (English and Chinese versions);

- the relevant indicative term sheet in respect of the relevant series of the Knock-out Performance ELIs (English and Chinese versions); and

- the relevant final term sheet in respect of the relevant series of Knock-out Performance ELIs (English and Chinese versions) (which is available after the trade date of the relevant series of the Knock-out Performance ELIs),

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

These offices are open only during normal business hours and not on Saturdays, Sundays or public holidays.

A reasonable fee will be charged if you want to take photocopies of any of the documents.

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

ARE THE OFFERING DOCUMENTS PROSPECTUSES?

This product booklet (and any addendum to this product booklet), any term sheet, the financial disclosure document and the programme memorandum (and any addendum to the programme memorandum and the financial disclosure document) do not constitute a prospectus under the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Cap. 32, Laws of Hong Kong) (the "**Companies Ordinance**") and are not registered with the Companies Registry under the Companies Ordinance.

OUR KNOCK-OUT PERFORMANCE ELIS ARE GOVERNED BY HONG KONG LAW

Our Knock-out Performance ELIs, the terms and conditions of our Knock-out Performance ELIs and all our Programme documentation are governed by Hong Kong law.

APPENDIX A
FORM OF INDICATIVE AND FINAL TERM SHEET FOR THE KNOCK-OUT PERFORMANCE ELIS

We set out below the form of indicative and final term sheet for the Knock-out Performance ELIs. We may issue more than one series of Knock-out Performance ELIs on any issue date. You must read the programme memorandum dated 24 July 2023, the financial disclosure document, the product booklet for the Knock-out Performance ELIs (together with any addendum to these documents as specified in the relevant indicative term sheet) and the relevant indicative term sheet for the series you are interested in before applying for a Knock-out Performance ELI. The final term sheet with all the finalised commercial terms inserted will be available on display after the trade date.

Issuer: THE HONGKONG AND SHANGHAI BANKING CORPORATION LIMITED

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

HSBC

[*Date*]
[*company*] [*fund*] – [*stock code*].HK
[*currency*] Unlisted Equity Linked Investments linked to a Single Security With [Full][Partial] Principal Protection at [100%] [*percentage%*] at Expiry and Knock-out Performance (the "Knock-out Performance ELIs") (with [Bull] [Bear] [Double] Knock-out Feature) to be issued pursuant to the Unlisted Structured Products Programme (the "Programme")
(The Knock-out Performance ELIs are not traded on any markets operated by Hong Kong Exchanges and Clearing Limited or any other stock exchanges)
[Final] [Indicative] Term Sheet

IMPORTANT RISK WARNINGS

- **Full or partial principal protection at expiry only**
  Our Knock-out Performance ELIs are fully or partially principal protected at expiry only, provided that you hold your Knock-out Performance ELIs until expiry and our Knock-out Performance ELIs Knock-out Feature are not otherwise early terminated. **You must hold your Knock-out Performance ELIs until expiry to realise any full or partial principal protection.** Our Knock-out Performance ELIs will be fully principal protected if the floor rate is set at 100%. If the floor rate is set at a level below 100%, our Knock-out Performance ELIs will only be partially principal protected. The floor rate will be set at a level equal to or greater than 70% as set out in the relevant term sheet. The level of principal protection will depend on the floor rate: the higher the floor rate, the higher the principal protection you will receive for your Knock-out Performance ELIs. However, the higher the level of principal protection, the lower the potential return. The relevant term sheet will set out whether your Knock-out Performance ELIs are fully or partially principal protected at expiry. Please refer to the relevant term sheet for further details.

- **Structured investment product**
  Our Knock-out Performance ELIs are NOT equivalent to time deposits and are NOT protected deposits for the purposes of the Deposit Protection Scheme. They are structured investment products embedded with derivatives.

- **You may suffer a loss if our Knock-out Performance ELIs are partially principal protected**
  The final settlement payout that you receive at expiry may be less than your initial investment amount but is subject to a minimum final settlement payout, being the sum of: (i) the floor amount; and (ii) the fixed cash distribution amount (if any), provided that you hold your Knock-out Performance ELIs until expiry and our Knock-out Performance ELIs are not otherwise early terminated. The minimum final settlement payout you will receive at expiry is dependent on the floor rate, which will be set at a level equal to or greater than 70% as set out in the relevant term sheet. The higher the floor rate, the higher the floor amount and the higher the minimum final settlement payout. **You may suffer a loss if our Knock-out Performance ELIs are partially principal protected (i.e. the floor rate is set at a level below 100%). Depending on the level of the floor rate, you may receive an amount which is substantially less than your initial investment amount.**

- **No principal protection if you sell your Knock-out Performance ELIs before expiry or if we early terminate our Knock-out Performance ELIs**
  Our Knock-out Performance ELIs are NOT principal protected if you sell your Knock-out Performance ELIs to us (as market agent) prior to expiry via market making arrangements or if we early terminate our Knock-out Performance ELIs due to the occurrence of certain extraordinary unforeseeable events or if we determine in good faith and in a commercially reasonable manner that the performance of any of our absolute or contingent obligations under the Knock-out Performance ELIs has become illegal or impracticable in whole or in part for any reason beyond our control. **In such circumstances, you will not be able to realise any full or partial principal protection and you may receive an amount which is substantially less than your initial investment amount.**

- **You may not receive any potential performance return and payment of a potential performance return does not automatically result in a gain scenario**
  The potential performance return will only be paid if certain conditions are met. You will **NOT** receive the potential performance return if [(i) the bull knock-out event **has occurred** on any knock-out event date; or (ii) the bull knock-out event **has NOT occurred but** the closing price of the reference asset on the expiry date is **at or below** the initial spot price] [(i) the bear knock-out event **has occurred** on any knock-out event date; or (ii) the bear knock-out event **has NOT occurred but** the closing price of the reference asset on the expiry date is **at or above** the initial spot price] [(i) the double knock-out event **has occurred** on any knock-out event date; or (ii) the double knock-out event **has NOT occurred but** the closing price of the reference asset on the expiry date is at the same level as the initial spot price]. **It is possible that you may not receive any potential performance return for the Knock-out Performance ELIs. In this case, you may receive an amount which is substantially less than your initial investment amount. You should also note that payment of a potential performance return does not automatically result in a gain scenario. You may still suffer a loss if the floor rate is set at a level below 100% and the sum of (i) the potential performance return and (ii) the fixed cash distribution amount (if any) is less than the difference between the nominal amount and the floor amount.**

- **Limited maximum potential performance return**
  Any potential performance return payable will be **capped** at an amount calculated based on [the difference between the knock-out barrier and the initial spot price] [the higher of (i) the difference between the upper knock-out barrier and the initial spot price or (ii) the difference between the lower knock-out barrier and the initial spot price], multiplied by the nominal amount and the participation rate. If the participation rate is set at a percentage which is below 100%, the potential performance return will be lower than the actual performance of the reference asset on the expiry date compared to the initial spot price.

- **No collateral**
  Our Knock-out Performance ELIs are not secured on any of our assets or any collateral.

- **Limited market making arrangements are available and you may suffer a loss if you sell your Knock-out Performance ELIs before expiry**
  Our Knock-out Performance ELIs are designed to be held to their settlement date. Limited market making arrangements are available on a bi-weekly basis for all our Knock-out Performance ELIs. If you try to sell your Knock-out Performance ELIs before expiry, the amount you receive for each Knock-out Performance ELI may be substantially less than the issue price you paid for each Knock-out Performance ELI.

- **Not the same as investing in the reference asset**
  Investing in our Knock-out Performance ELIs is not the same as investing in the reference asset. Changes in the market price of the reference asset may not lead to a corresponding change in the market value of, or your potential payout under, the Knock-out Performance ELIs.

- **Not covered by Investor Compensation Fund**
  Our Knock-out Performance ELIs are not listed on any stock exchange and are not covered by the Investor Compensation Fund.

- **Maximum loss upon HSBC's default or insolvency**
  Our Knock-out Performance ELIs constitute general, unsecured and unsubordinated contractual obligations of HSBC as issuer and of no other person (including the ultimate holding company of our group, HSBC Holdings plc). When you buy our Knock-out Performance ELIs, you will be relying on HSBC's creditworthiness. If HSBC becomes insolvent or defaults on its obligations under the Knock-out Performance ELIs, in the worst case scenario, **you could lose all of your investment**.

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

- **You will be exposed to risk associated with our Knock-out Performance ELIs from the trade date**
  As all the commercial variables of our Knock-out Performance ELIs are determined on the trade date, you will be exposed to risk associated with our Knock-out Performance ELIs and the price movement of the reference asset from the trade date which may affect the market value and the potential payout of the Knock-out Performance ELIs.

- **Conflicts of interest**
  We and our subsidiaries may engage in transactions involving the reference asset which may have a negative impact on the market value and the potential payout of our Knock-out Performance ELIs. We (HSBC) may act in different capacities in respect of the Knock-out Performance ELIs which may lead to potential and actual conflicts of interest. Our economic interests in each capacity may be adverse to your interests in our Knock-out Performance ELIs.

- **You do not have direct contractual rights to enforce our Knock-out Performance ELIs against us as issuer**
  You do not have direct contractual rights to enforce our Knock-out Performance ELIs against us as issuer. To assert your rights as an investor in our Knock-out Performance ELIs, you will have to rely on your distributor (directly or indirectly via its custodian) to take action on your behalf. If your distributor or its custodian fails to take action against us on your behalf, you may only have a claim as an unsecured creditor of such distributor, its custodian or us as the issuer. In the worst case scenario, **you could lose all your investment**.

[• **Additional risk warnings applicable to our Renminbi-denominated Knock-out Performance ELIs**

Our Renminbi-denominated Knock-out Performance ELIs will be settled in Renminbi outside the PRC. Renminbi is not freely convertible and is subject to PRC exchange control policies and restrictions. Various factors may affect the market value, and the potential return, of our Renminbi-denominated Knock-out Performance ELIs, including: (i) the limited availability and liquidity of Renminbi outside the PRC; (ii) any Renminbi exchange rate fluctuation; and (iii) any fluctuation in interest rates for Renminbi outside the PRC.

If the settlement currency is Renminbi and a CNY disruption event occurs, we will settle any payment obligations in Hong Kong dollars on a postponed payment date and no interest will be payable for any such delay.]

Commissions:

We may pay a commission to the distributor(s). Distributor(s)' commissions and other transaction costs including our cost of hedging are factored into the pricing of the Knock-out Performance ELIs.

Terms which are not defined in this Term Sheet shall have the same meanings as set out in "Appendix B – General Terms and Conditions of the Knock-out Performance ELIs" in the Product Booklet.

[Indicative] Summary Terms

Issuer: The Hongkong and Shanghai Banking Corporation Limited ("**HSBC**")

Principal protection upon expiry: [Full] [Partial] principal protection at [100%] [*percentage%*] upon expiry

Reference Asset: [Shares of [*company*] (the "**Company**")] [CNY/HKD traded] [Units or shares (as the case may be) (the "**Fund Unit/Share**") of [*fund*] (the "**Fund**")] as shown in the table below:

[Company] [Fund]	**Stock Code**	**Initial Spot Price▲**	**Currency in which [Share] [Fund Unit/Share] is traded**
[*name*]	[*stock code*]	[*CNY/HKD*] [*amount*] [Please refer to "Initial Spot Price" below.]	[*CNY/HKD*]

Offer Period: [*time*] on [*date*] to [*time*] on [*date*] (subject to change)

Post-sale Cooling-off Period: [Applicable, being the period from (and including) the date you place your purchase order to (and including) the fifth Hong Kong business day after the order date. To exercise your right to cancel or unwind your Knock-out Performance ELI purchase order during the post-sale cooling-off period, you will need to submit your instructions to your distributor between 10:00 a.m. and 12:00 noon on any Hong Kong business day during the post-sale cooling-off period. Please note that your distributor may charge you a handling fee for such cancellation or unwind.] [Not applicable]

[Cancellation of order during the offer period for Knock-out Performance ELIs with an investment period of one year or less: You can cancel your purchase order before your Knock-out Performance ELI purchase order is executed on the trade date by submitting an instruction to your distributor between 10:00 a.m. and 12:00 noon on any Hong Kong business day during the offer period. Upon receipt of your instruction to cancel your purchase order, we will cancel your purchase order. The issue price will not be deducted from your designated cash account on the issue date. Please note that your distributor may charge you a handling fee for such cancellation. No distributor's commission will be chargeable. You cannot unwind your purchase order after your purchase order has been executed on the trade date.]

▲ *To be fixed on Trade Date*

Market making arrangements:	Applicable. On each market making day, we (as market agent) will (i) make available (via the distributor(s)) indicative bid prices (on a per-Knock-out Performance ELI basis) during normal business hours; and (ii) provide (via the distributor(s)) a firm bid price (on a per-Knock-out Performance ELI basis) for your Knock-out Performance ELIs upon your request, provided that your request for a firm bid price is submitted to your distributor between 10:00 a.m. and 12:00 noon on such market making day. You may choose to sell part of or the entire holding of your Knock-out Performance ELIs provided that the minimum sell back order is equal to one Knock-out Performance ELI and the total amount of Knock-out Performance ELIs you wish to sell is an integral multiple of one Knock-out Performance ELI.
Market making days:	Every other Tuesday after the Issue Date up to the third Exchange Business Day before the Expiry Date, or if any such day is not an Exchange Business Day, that market making day will be postponed to the next Exchange Business Day.
Issue Size for this series of Knock-out Performance ELIs:	[[*number*] Knock-out Performance ELIs] [This will be available on or after the Issue Date]
Series Number:	[*number*]
Issue Price:	[*currency*] [*amount*] ([*number*]% of the Nominal Amount)
Trade Date:	The last day of the Offer Period (except where we close the Offer Period prior to the last day of the original scheduled Offer Period, the Trade Date will be the last day of the original scheduled Offer Period) (This is the date on which the terms marked with symbol "▲" in this Term Sheet [will be] [are] fixed). If the Trade Date falls on a Disrupted Day and the relevant disruption occurs before your Knock-out Performance ELI purchase order has been executed on the trade date, we will cancel your purchase order of the Knock-out Performance ELIs on the Trade Date. However, if the relevant disruption occurs after your Knock-out Performance ELI purchase order has been executed on the Trade Date, your purchase order of the Knock-out Performance ELIs will **not** be cancelled and the Trade Date will not be rescheduled.
Issue Date:	[*date*]
Expiry Date:	[*date*], or if such day is not a Scheduled Trading Day, the following Scheduled Trading Day, unless such day is a Disrupted Day (in which event such day will be postponed as provided in Condition 2(d) of the General Terms and Conditions)
Scheduled tenor of the Knock-out Performance ELIs:	The period from and including [*Issue Date*] to and including [*Settlement Date*]
Investment Period:	The period from and including [*Trade Date*] to and including [*Expiry Date*]
Settlement Currency:	[*currency*] [CNY*]

	[*The Knock-out Performance ELI will be settled in Renminbi outside the People's Republic of China (the "PRC", which for the purposes of this document shall exclude Hong Kong, Macau and Taiwan). All Renminbi payments under the Knock-out Performance ELI will be made solely by credit to Renminbi bank accounts maintained at banks in Hong Kong in accordance with applicable Hong Kong laws and applicable regulations and guidelines issued by the relevant authorities in Hong Kong.]
Nominal Amount:	[*currency*] [*amount*]
Initial Spot Price:	[*currency*] [*amount*] [The Closing Price of the [Share] [Fund Unit/Share] on the Trade Date] [The prevailing market price of the [Share] [Fund Unit/Share] at the time your order for the Knock-out Performance ELIs is executed on the Trade Date] [The price of the [Share] [Fund Unit/Share] as agreed between you and the Issuer at the time your order for the Knock-out Performance ELIs is executed].
Fixed Cash Dividend Rate:	[*percentage*]%
Floor Rate:	[*percentage*]% The Knock-out Performance ELIs will be fully principal protected if the Floor Rate is set at 100%. If the Floor Rate is set at a level below 100%, our Knock-out Performance ELIs will only be partially principal protected. The level of principal protection will depend on the Floor Rate: the higher the Floor Rate, the higher the principal protection you will receive for your Knock-out Performance ELIs. However, the higher the level of principal protection, the lower the potential return.
Rebate Rate:	[*percentage*]%
Participation Rate:	[*percentage*]%
Knock-out Event:	The [Bull] [Bear] [Double] Knock-out Event is applicable. [A Bull Knock-out Event occurs if the Closing Price of the [Share] [Fund Unit/Share] is **above** the Knock-out Barrier on **any** Knock-out Event Date.] [A Bear Knock-out Event occurs if the Closing Price of the [Share] [Fund Unit/Share] is **below** the Knock-out Barrier on **any** Knock-out Event Date.] [A Double Knock-out Event occurs if the Closing Price of the [Share] [Fund Unit/Share] is either (i) **below** the Lower Knock-out Barrier; or (ii) **above** the Upper Knock-out Barrier on **any** Knock-out Event Date.]
Knock-out Event Date:	Each Scheduled Trading Day during the period from (but excluding) the Trade Date to (and including) the Expiry Date, provided that if any such day is a Disrupted Day, such day will be adjusted as provided in Condition 2(d) of the General Terms and Conditions.

[Knock-out Barrier:	[*currency*] [*amount*] [*number*]% of the Initial Spot Price, rounded to 4 decimal places, with 0.00005 or above being rounded upwards.][1]
[Lower Knock-out Barrier:	[*currency*] [*amount*] [*number*]% of the Initial Spot Price, rounded to 4 decimal places, with 0.00005 or above being rounded upwards.
Upper Knock-out Barrier:	[*currency*] [*amount*] [*number*]% of the Initial Spot Price, rounded to 4 decimal places, with 0.00005 or above being rounded upwards.][2]

Final Settlement Payout:

Upon the expiry of the Knock-out Performance ELIs, the investor will receive on the Settlement Date the Final Settlement Payout determined by the Issuer as follows:

[Where a Bull Knock-out Event is applicable]

[1) If a Bull Knock-out Event **has not occurred,** investors will receive on the Settlement Date a cash amount in the Settlement Currency equal to the sum of (i) the Floor Amount; (ii) the Fixed Cash Distribution Amount (if any); and (iii) the Potential Performance Return (if any), ***less*** Cash Settlement Expenses (if any). Please refer to "Potential Performance Return" below for further details. **[In this case, you will suffer a *loss* if the sum of: (i) the Floor Amount; and (ii) the Fixed Cash Distribution Amount (if any); and (iii) the Potential Performance Return (if any) is less than your initial investment amount. Depending on the level of the Floor Rate, you may receive an amount which is substantially less than your initial investment amount]***; or

2) If a Bull Knock-out Event **has occurred,** investors will receive on the Settlement Date a cash amount in the Settlement Currency equal to the sum of (i) the Floor Amount; (ii) the Fixed Cash Distribution Amount (if any); and (iii) the Rebate Amount (if any), ***less*** Cash Settlement Expenses (if any). **[In this case, you will suffer a *loss* if the sum of: (i) the Floor Amount; and (ii) the Fixed Cash Distribution Amount (if any); and (iii) the Rebate Amount (if any) is less than your initial investment amount. Depending on the level of the Floor Rate, you may receive an amount which is substantially less than your initial investment amount.**]*]

1 Applicable if bull or bear knock-out event applies.
2 Applicable if the double knock-out event applies.
* Applicable if the Knock-out Performance ELIs are partially principal protected.

[Where a Bear Knock-out Event is applicable]

[1) If a Bear Knock-out Event **has not occurred,** investors will receive on the Settlement Date a cash amount in the Settlement Currency equal to the sum of (i) the Floor Amount; (ii) the Fixed Cash Distribution Amount (if any); and (iii) the Potential Performance Return (if any), ***less*** Cash Settlement Expenses (if any). Please refer to "Potential Performance Return" below for further details. **[In this case, you will suffer a *loss* if the sum of: (i) the Floor Amount; and (ii) the Fixed Cash Distribution Amount (if any); and (iii) the Potential Performance Return (if any) is less than your initial investment amount. Depending on the level of the Floor Rate, you may receive an amount which is substantially less than your initial investment amount]***; or

2) If a Bear Knock-out Event **has occurred,** investors will receive on the Settlement Date a cash amount in the Settlement Currency equal to the sum of (i) the Floor Amount; (ii) the Fixed Cash Distribution Amount (if any); and (iii) the Rebate Amount (if any), ***less*** Cash Settlement Expenses (if any). **[In this case, you will suffer a *loss* if the sum of: (i) the Floor Amount; and (ii) the Fixed Cash Distribution Amount (if any); and (iii) the Rebate Amount (if any) is less than your initial investment amount. Depending on the level of the Floor Rate, you may receive an amount which is substantially less than your initial investment amount.**]*]

[Where a Double Knock-out Event is applicable]

[1) If a Double Knock-out Event **has not occurred,** investors will receive on the Settlement Date a cash amount in the Settlement Currency equal to the sum of (i) the Floor Amount; (ii) the Fixed Cash Distribution Amount (if any); and (iii) the Potential Performance Return (if any), ***less*** Cash Settlement Expenses (if any). Please refer to "Potential Performance Return" below for further details. **[In this case, you will suffer a *loss* if the sum of: (i) the Floor Amount; and (ii) the Fixed Cash Distribution Amount (if any); and (iii) the Potential Performance Return (if any) is less than your initial investment amount. Depending on the level of the Floor Rate, you may receive an amount which is substantially less than your initial investment amount]***; or

* Applicable if the Knock-out Performance ELIs are partially principal protected.

2) If a Double Knock-out Event **has occurred,** investors will receive on the Settlement Date a cash amount in the Settlement Currency equal to the sum of (i) the Floor Amount; (ii) the Fixed Cash Distribution Amount (if any); and (iii) the Rebate Amount (if any), ***less*** Cash Settlement Expenses (if any). **[In this case, you will suffer a *loss* if the sum of: (i) the Floor Amount; and (ii) the Fixed Cash Distribution Amount (if any); and (iii) the Rebate Amount (if any) is less than your initial investment amount. Depending on the level of the Floor Rate, you may receive an amount which is substantially less than your initial investment amount.**]*]

You should note that your Final Settlement Payout under the Knock-out Performance ELIs will be reduced by any distributor's charges and any Cash Settlement Expenses payable on settlement of the Knock-out Performance ELIs. Please refer to "Cash Settlement Expenses" and "Distributor Charges" below.

Fixed Cash Distribution Amount: Nominal Amount x Fixed Cash Dividend Rate

The Fixed Cash Distribution Amount will be rounded to 2 decimal places, with 0.005 or above rounded upwards.

The Fixed Cash Dividend Rate may be set at 0%, in which case you will not receive any Fixed Cash Distribution Amount.

Floor Amount: Nominal Amount x Floor Rate

The Floor Amount will be rounded to 2 decimal places, with 0.005 or above rounded upwards.

Rebate Amount: Nominal Amount x Rebate Rate

The Rebate Amount will be rounded to 2 decimal places, with 0.005 or above rounded upwards.

The Rebate Rate may be set at 0%, in which case you will not receive any Rebate Amount.

* Applicable if the Knock-out Performance ELIs are partially principal protected.

Potential Performance Return: If [the Bull Knock-out Event] [the Bear Knock-out Event] [the Double Knock-out Event] **has not occurred** [and the Closing Price of the [Share][Fund Unit/Share] on the Expiry Date is [**above**] [**below**] [**not at the same level as**] the Initial Spot Price], investors will receive on the Settlement Date the Potential Performance Return, which will be an amount in the Settlement Currency calculated by the Issuer in accordance with the following formula:

Nominal Amount x Performance

The Potential Performance Return will be rounded to 2 decimal places, with 0.005 or above being rounded upwards.

Where:

The Performance is the rate calculated according to the following formula:

$$[\text{Max}\left(\frac{\text{Closing Price of the [Share] [Fund Unit/Share] on the Expiry Date}}{\text{Initial Spot Price}} - 1, 0\right) \times \text{Participation Rate}]$$ [3]

$$[\text{Max}\left(1 - \frac{\text{Closing Price of the [Share] [Fund Unit/Share] on the Expiry Date}}{\text{Initial Spot Price}}, 0\right) \times \text{Participation Rate}]$$ [4]

$$[\text{Abs}\left(\frac{\text{Closing Price of the [Share] [Fund Unit/Share] on the Expiry Date}}{\text{Initial Spot Price}} - 1\right) \times \text{Participation Rate}]$$ [5]

The calculation of the Performance according to the formula above will not be rounded.

Investors should note that where the Participation Rate is set at a percentage which is below 100%, the Performance calculated according to the formula above will be lower than the actual performance of the [Share] [Fund Unit/Share] on the Expiry Date compared to the Initial Spot Price of the [Share] [Fund Unit/Share].

Investors will only receive the Potential Performance Return if the [Bull] [Bear] [Double] Knock-out Event **has not occurred** [and the Closing Price of the [Share] [Fund Unit/Share] on the Expiry Date is [**above**] [**below**] [**not at the same level as**] the Initial Spot Price]. If such conditions are not met, investors will not receive any Potential Performance Return.

It is possible that investors will not receive any Potential Performance Return for the Knock-out Performance ELIs.

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3 Applicable if the bull knock-out event applies.
4 Applicable if the bear knock-out event applies.
5 Applicable if the double knock-out event applies.

You should also note that payment of a Potential Performance Return does not automatically result in a gain scenario. You may still suffer a loss if the Floor Rate is set at a level below 100% and the sum of (i) the Potential Performance Return and (ii) the Fixed Cash Distribution Amount (if any) is less than the difference between the Nominal Amount and the Floor Amount.

Settlement Date:	The third Business Day following the Expiry Date, which is expected to be on [*date*]. For the avoidance of doubt, if the Issuer is unable to obtain the Closing Price on the Expiry Date as a result of it being a Disrupted Day, the Expiry Date will be adjusted as provided in Condition 2(d) of the General Terms and Conditions and the Settlement Date shall be the third Business Day following the adjusted Expiry Date; provided that no extra amount shall be payable in respect of the period between the date scheduled as the original Expiry Date and the Settlement Date in such circumstances. [The Settlement Date will be postponed as provided in Condition 4(d) of the General Terms and Conditions upon the occurrence of a CNY Disruption Event. For further details, please refer to the section "Additional provisions relating to Renminbi-denominated Knock-out Performance ELIs" below.]
Minimum Investment Amount (calculated by reference to the total Issue Price paid):	[HKD100,000 (*or its equivalent in foreign currency*)]
Minimum Transfer Amount:	Nominal Amount of one Knock-out Performance ELI
Exchange:	The Stock Exchange of Hong Kong Limited
Related Exchange:	[*Exchange*] [Each exchange or quotation system where trading has a material effect on the overall market for futures or options contracts relating to the Share or Fund Unit/Share as determined by the Issuer in its good faith acting in a commercially reasonable manner.]
Valuation Time:	The official close of trading on the Exchange.
Closing Price:	In respect of a Scheduled Trading Day, the closing price of the [Share] [Fund Unit/Share] on the Exchange at the Valuation Time on such Scheduled Trading Day as quoted on the Exchange.
Cash Settlement Expenses:	All charges or expenses, including any taxes and duties that are incurred upon the payment of any cash settlement amount to you. [Currently there are no such charges or expenses. If any Cash Settlement Expenses are payable in the future, we will inform the Distributor(s) as soon as practicable and your Distributor will in turn inform you in advance.] [Please contact your Distributor for details.]
Distributor Charges:	You should contact your Distributor for details.

[Additional provisions relating to Renminbi-denominated Knock-out Performance ELIs:	In respect of Knock-out Performance ELIs that are denominated and settled in Renminbi, if the Issuer shall determine, in its sole and absolute discretion, acting in good faith and in a commercially reasonable manner, that a CNY Disruption Event has occurred and so has prevented payment of any amount(s) payable under the Knock-out Performance ELIs in Renminbi on the due date for such payment, such payment will be postponed to the third Hong Kong business day after the date on which the CNY Disruption Event ceases to exist (as determined by the Issuer in its sole and absolute discretion, acting in good faith and in a commercially reasonable manner) (the "**Postponed Payment Date**"); ***provided that*** if the CNY Disruption Event continues to exist for twelve consecutive Hong Kong business days following the original due date for payment, the Issuer shall be entitled to pay the relevant CNY Disruption Event Settlement Amount in Hong Kong dollars by no later than the third Hong Kong business day after such twelfth Hong Kong business day following the original due date for payment and the Postponed Payment Date shall be deemed to be such date. In such case, the entitlements of each Investment holder to receive the relevant amount in Renminbi shall cease and the Issuer's obligations under the Knock-out Performance ELIs shall be satisfied in full upon payment of the relevant CNY Disruption Event Settlement Amount. The relevant CNY Disruption Event Settlement Amount shall be dispatched on the Postponed Payment Date by crediting that amount to the relevant bank account designated by the relevant Investment holder. Please also refer to the section headed "Risk Warnings" on pages 31 to 46 of the Product Booklet for the additional risk warnings relating to our Renminbi-denominated Knock-out Performance ELIs and our Knock-out Performance ELIs linked to a reference asset denominated in Renminbi.
CNY Disruption Event:	The occurrence of any event which renders it impossible for the Issuer (as determined by the Issuer in its sole and absolute discretion, acting in good faith and in a commercially reasonable manner) to (i) convert any foreign currency amount into Renminbi outside the PRC in the foreign exchange market in Hong Kong; or (ii) transfer Renminbi between accounts inside Hong Kong, in each case, other than where such impossibility is due to (a) the failure of the Issuer to comply with any law, rule or regulation enacted by any relevant governmental authority (unless such law, rule or regulation is enacted after the Issue Date and it is impossible for the Issuer, due to an event beyond its control, to comply with such law, rule or regulation); or (b) deterioration of the Issuer's creditworthiness.
CNY Disruption Event Settlement Amount:	The relevant Renminbi amount converted into Hong Kong dollars using the exchange rate for Renminbi outside the PRC per 1 U.S. dollar as per Reuters Page "CNH=" and the exchange rate for Hong Kong dollar per 1 U.S. dollar as per Reuters Page "HKD=" at 11:00 a.m. Hong Kong time on the day which is two Hong Kong business days prior to the Postponed Payment Date; provided that if any such exchange rate cannot be determined, the Issuer shall select another applicable Reuters page or determine in good faith such exchange rate by reference to such sources as it may select in its sole and absolute discretion.]

Terms and Conditions:	See the section entitled "General Terms and Conditions of the Knock-out Performance ELIs" in Appendix B of the Product Booklet (the "**General Terms and Conditions**") and the Pricing Supplement available for inspection at the offices of the Product Arranger and the Distributor(s). When read together, the General Terms and Conditions of the Knock-out Performance ELIs and the Pricing Supplement will constitute the legally binding terms and conditions applicable to this series of Knock-out Performance ELIs.
Pricing Supplement:	The Pricing Supplement will be issued on the Issue Date. The Pricing Supplement will amend and supplement the General Terms and Conditions. The Pricing Supplement will be available for inspection at the offices of the Product Arranger and the Distributor(s).
Business Day Centre(s):	[*city(ies)*] in relation to the Settlement Date and [*city(ies)*] for all other dates.
Product Arranger and Market Agent:	The Hongkong and Shanghai Banking Corporation Limited
Distributor(s):	[The Hongkong and Shanghai Banking Corporation Limited (852) [*number*]/*Distributor(s)' names and numbers*]
Registrar:	The Hongkong and Shanghai Banking Corporation Limited, Singapore Branch
ISIN:	[*number*] [(This will be available on or after the Issue Date)]
Form of Knock-out Performance ELI:	Registered Investment
Clearing:	[Euroclear and/or Clearstream, Luxembourg] [[*name*] as the Additional Clearing System[s]]
Listing:	Unlisted
Governing Law of the Terms and Conditions of the Knock-out Performance ELIs	Hong Kong
[*For indicative Term Sheet only*:] Internet Banking Application:	Our Knock-out Performance ELIs may be available for purchase via internet banking. Please check with your Distributor whether internet banking application is available.
Selling Restrictions:	No sales to [USA, USA citizens, Canada and Canadian residents]

You should note that the dates stated in this Term Sheet may be adjusted in accordance with the general terms and conditions of the Knock-out Performance ELIs as set out in Appendix B to the Product Booklet. Notice will be given to the Distributor(s) for any such change.

[Updated information

[The [[NUMBER][st/nd/rd/th] paragraph under the] [sub-]section headed [TITLE] on page[s] [NUMBER] [to [NUMBER]] of [DOCUMENT] shall be [deleted/replaced/amended/supplemented by the following:]/ [deleted/replaced/amended/supplemented, the details of which are set out in an addendum dated [DATE]]/[The following shall be added after the [[NUMBER][st/nd/rd/th] paragraph under the] [sub-]section headed [TITLE] on page[s] [NUMBER] [to [NUMBER]] of [DOCUMENT]:]

[DETAILS OF CHANGES]

Cancellation of offer

We reserve the right to cancel the offering of this series of Knock-out Performance ELIs on or before the end of the Offer Period. Upon such cancellation, we will notify the Distributor(s) who will in turn notify you. If the offering of this series of Knock-out Performance ELIs has been cancelled, your Distributor(s) will not pay the issue price to us on your behalf on the issue date. Neither we nor your Distributor(s) will charge you any fees if we cancel the offering of this series of Knock-out Performance ELIs.

Information relating to the [Share] [Fund Unit/Share]

[Risk related to an exchange traded fund investing through QFI regimes and/or China Connect ("China ETF")

[FUND] (the "**Fund**") is a China ETF issued and traded outside mainland China with direct investment in the mainland Chinese securities markets through the Qualified Foreign Institutional Investor regime and the Renminbi Qualified Foreign Institutional Investor regime (collectively, the "**QFI**" regimes) and/or the Shanghai-Hong Kong Stock Connect and Shenzhen-Hong Kong Stock Connect (collectively, "**China Connect**"). Investing in our Knock-out Performance ELIs entail certain additional risks:

(a) the novelty and untested nature of China Connect make China ETFs riskier than traditional ETFs investing directly in more developed markets. The policy and rules for the QFI regimes and China Connect prescribed by the mainland Chinese government are relatively new and subject to change, and there may be uncertainty as to their interpretation and/or implementation. Such uncertainty and any change of the laws and regulations in mainland China may adversely impact on the performance of the China ETFs which may also have a potential retrospective effect. These changes may in turn adversely affect the market value and/or any potential gain/loss of the Knock-out Performance ELIs;

(b) a China ETF primarily invests in securities traded in the mainland Chinese securities markets and is subject to concentration risk. Investment in the mainland Chinese securities markets (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 a China ETF may also be affected by interventions by the applicable government(s) and regulators in the financial markets;

(c) trading of securities invested by a China ETF under China Connect will be subject to a daily quota ("**Daily Quota**") which is utilised on a first-come-first-serve basis under China Connect. In the event that the Daily Quota under China Connect is reached, the manager may need to suspend creation of further units or shares (as the case may be) of such China ETF, and therefore may affect the liquidity in trading of the units or shares (as the case may be) of such China ETF. In such event, the trading price of the units or shares (as the case may be) of such 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 jointly published detailed implementation rules removing the investment quota under the QFI regimes with effect from 6 June 2020;

(d) although there is no longer an aggregate quota limitation, trading eligible mainland Chinese securities through China Connect is still subject to the Daily Quota. The Daily Quota under China Connect is applicable to the whole market and limits the maximum net buy value of cross-boundary trades under China Connect each day. Daily Quota limitations may prevent such China ETF from purchasing the eligible mainland Chinese securities when it is otherwise advantageous to do so. In particular, once the remaining balance of the relevant Daily Quota drops to zero or the Daily Quota is exceeded, buy orders will be rejected (although such China ETF will be permitted to sell its eligible mainland Chinese securities regardless of the quota balance). If such China ETF becomes unable to invest directly in or alternatively hold the eligible mainland Chinese securities, the value of the units or shares (as the case may be) of such China ETF may be adversely affected which in turn may have an adverse effect on the market value and/or any potential gain or loss of our Knock-out Performance ELIs; and

(e) there are risks and uncertainties associated with the current mainland Chinese tax laws applicable to China ETFs investing in mainland China through the QFI regimes and/or China Connect. The general tax laws and regulations in mainland China are under constant development and often subject to change as a result of a shift in policy of the mainland Chinese government. As such, there is a possibility that the current tax laws, rules, regulations and practice in mainland China and/or the current interpretation or understanding of such laws may change in the future and such change(s) may have retrospective effect. It is possible that units or shares (as the case may be) of such China ETF could become subject to additional taxation that is not anticipated at the trade date of the Knock-out Performance ELIs. Although such China ETF may have made a tax provision in respect of potential tax liability, however, any such provision may be excessive or inadequate. Any shortfall between the provisions and actual tax liabilities may be covered by the assets of such China ETF and may therefore adversely affect the net asset value of such China ETF and the market value and/or potential payout of our Knock-out Performance ELIs. In addition, any changes in tax policies of the mainland Chinese government may reduce the after-tax profits of the companies in mainland China which a China ETF invests in. Any of these changes may adversely affect the net asset value of such China ETF which in turn may adversely affect the market value and/or any potential gain or loss of our Knock-out Performance ELIs.

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

The above risks may have a significant adverse impact on the performance of the units or shares (as the case may be) of a China ETF and the market value and/or potential gain or loss of our Knock-out Performance ELIs. Please read the offering documents of the relevant China ETF to understand its key features and risks.][5]

[Risk related to shares of a company or units or shares of a fund traded through the multiple counter model

Our Knock-out Performance ELIs are linked to [units or shares of [*Name of fund*] (the "**Fund**")] [shares of [*Name of Company*] (the "**Company**")], which is traded through the Exchange's multiple counter model. You need to consider the following additional risks relating to the Exchange's multiple counter model:

(i) our Knock-out Performance ELIs are linked to the [Hong Kong dollar-traded] [Renminbi-traded] [units or shares of [*Name of fund*]] [shares of [*Name of Company*]] only. Any movement in the trading prices of the other currency-traded [units or shares of [*Name of fund*]] [shares of [*Name of Company*]] should not directly affect the market value of our Knock-out Performance ELIs;

(ii) if there is a suspension of the inter-counter transfer of such units or shares (as the case may be) between different currency counters for any reason, such units or shares (as the case may be) will only be able to be traded in the relevant currency counter on the Exchange and this may affect the demand and supply of such units or shares (as the case may be) which may have an adverse effect on the market value of our Knock-out Performance ELIs; and

(iii) the trading prices on the Exchange of units or shares (as the case may be) traded in one currency counter may deviate significantly from the trading prices on the Exchange of units or shares (as the case may be) traded in another currency counter due to different factors including market liquidity, Renminbi conversion risk (if applicable), supply and demand in each currency counter and exchange rate fluctuation. Changes in the trading price of the units or shares (as the case may be) in the relevant currency counter may adversely affect the market value of our Knock-out Performance ELIs.][6]

5 Insert if the reference asset is a China ETF investing through QFI regimes and/or China Connect.
6 Insert if the reference asset is traded through the multiple counter model.

[Risk of having synthetic ETFs that aim to track the performance of an index

The Fund may not invest directly in the index constituents but instead they may synthetically replicate the performance of the index by investing in derivatives issued by market counterparties that are linked to the index constituents or the index. You are exposed to the credit risk and potential contagion and concentration risks of the counterparties; risk that the market value of any collateral to reduce counterparty risk has fallen substantially; and higher liquidity risk if the Fund involves derivatives which do not have an active secondary market. There may be disparity between the performance of the Fund and the performance of the underlying index. The Fund may trade at a higher premium or discount to its net asset value. The market value of the derivatives and the Fund may drop substantially in the circumstances described above and may adversely affect the value of the Knock-out Performance ELIs in which case you may suffer a loss in your investment. Please refer to the sections headed "Risk Warnings" in the Product Booklet and the relevant Fund offering documents for further information.][7]

[[[SHARE] (the "**Newly Listed Share**")] [[[Hong Kong dollar][Renminbi] traded units or shares (as the case may be) of][FUND] (the "**Newly Listed Fund**")] was listed on the Exchange on [*date*]. Prior to the listing of the [Newly Listed Share] [Newly Listed Fund], there had been no public market for the [Newly Listed Share] [Newly Listed Fund] and an active public market for the [Newly Listed Share] [Newly Listed Fund] 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 Share] [Newly Listed Fund], particularly in relation to either the price volatility or liquidity which may have an impact on the return on your investment.

Although the [Newly Listed Share] [Newly Listed Fund] is listed on the Exchange, there is no guarantee that a trading market for the [Newly Listed Share] [Newly Listed Fund] will develop or, if a market does develop, the liquidity of that market. Also, the price and trading volume of the [Newly Listed Share] [Newly Listed Fund] may be highly volatile subject to the market sentiment, and may be more volatile than would generally be expected for a [share] [fund] that has a longer trading history.][8]

The [Share] [Fund Unit/Share] is listed on the Exchange and the [Company] [Fund] 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 find information about the [Company] [Fund] on the website: *http://www.hkexnews.hk* operated by the Exchange in addition to the [Company's] [Fund's] website: *http://www.[website address]*. You may obtain historic price information of the [Company] [Fund] on the website operated by the Exchange at *http://www.hkexnews.hk/index.htm*.

Information contained in the websites referred to in this Term Sheet does not form part of the Knock-out Performance ELI offering documents (as defined below). We do not accept any responsibility for information contained in such third party websites.

Offer documentation

Hard copies of the Programme Memorandum, the Financial Disclosure Document and the Product Booklet (including any addendum to any of these documents as set out in this Term Sheet) will be available (free of charge) from the distributor(s) [and electronic copies of these documents are available [for download from [the QR Code below and] our website ([*https://www.hsbcnet.com/gbm/structured-investments/asia-pacific/unlisted-structured-products-programme*])] [and] from the distributor(s) by email [via a hyperlink to our website]]]. [Electronic copies of this indicative Term Sheet are available [for download from our website ([*https://www.hsbcnet.com/gbm/structured-investments/asia-pacific/unlisted-structured-products-programme*])] [and] from the distributor(s) by email].

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7 Insert if the reference asset is a synthetic ETF.

8 Insert if the reference asset is a share or fund listed on the Exchange with a trading history of less than 60 consecutive business days.

[*Insert QR Code*]

The offer of this series of Knock-out Performance ELIs is made solely on the basis of the information contained in the Programme Memorandum dated 24 July 2023 [(as supplemented by an addendum dated [*date*])] (the "**Programme Memorandum**"), the Financial Disclosure Document dated [*date*] [(as supplemented by an addendum dated [*date*])] (the "**Financial Disclosure Document**"), the Product Booklet dated 24 July 2023 [(as supplemented by an addendum dated [*date*])] (the "**Product Booklet**") and [this] [the] indicative Term Sheet (together, the "**Knock-out Performance ELI offering documents**"). Accordingly, you should exercise an appropriate degree of caution when assessing the value of other sources of information relating to us, the Knock-out Performance ELIs or the [Company] [Fund]. If you are in any doubt about any of the Knock-out Performance ELI offering documents, you should obtain independent professional advice.

Responsibility Statement

The information contained in the Programme Memorandum, the Financial Disclosure Document and the Product Booklet (taken together with, and as updated by, this Term Sheet) is accurate at the date of this Term Sheet. The Knock-out Performance ELI offering documents include particulars given in compliance with the Code on Unlisted Structured Investment Products issued by the Securities and Futures Commission (the "**Code**") for the purpose of giving information with regard to The Hongkong and Shanghai Banking Corporation Limited ("**HSBC**") as the issuer, HSBC as the product arranger, the Programme and our Knock-out Performance ELIs. The issuer and the product arranger collectively and individually accept full responsibility for the contents of, and the completeness and accuracy of, the information contained in the Knock-out Performance ELI offering documents and confirm, having made all reasonable enquiries, that to the best of the knowledge and belief of the issuer and the product arranger there is no untrue or misleading statement, or other facts the omission of which would make any statement herein untrue or misleading. The issuer and the product arranger confirm that the Knock-out Performance ELIs comply with the Code. The issuer also confirms that it meets the eligibility requirements applicable to issuers set out in the Code and the product arranger also confirms that it meets the eligibility requirements applicable to product arrangers set out in the Code.

[No] [M][m]aterial adverse change

Taking into account the nature of the Knock-out Performance ELIs being offered and save as disclosed in the sections headed "Other Information about our Programme" and "Information about The Hongkong and Shanghai Banking Corporation Limited" in the Programme Memorandum [and in an addendum to the Programme Memorandum dated [*date*]] [and] [in the section[s] headed [*title*] [and [*title*]]] in the Financial Disclosure Document [and in an addendum to the Financial Disclosure Document dated [*date*]] [and in this Term Sheet], there has been no material adverse change in our financial or trading position since the date of our latest financial statements contained in the Financial Disclosure Document [and in an addendum to the Financial Disclosure Document dated [*date*]].

[No] [M][m]aterial litigation

[Save as disclosed in the sections headed "Other Information about our Programme" and "Information about The Hongkong and Shanghai Banking Corporation Limited" in the Programme Memorandum [and in an addendum to the Programme Memorandum dated [*date*]] [and] [in the section[s] headed [*title*] [and [*title*]]] in the Financial Disclosure Document [and in an addendum to the Financial Disclosure Document dated [*date*]] [and in this Term Sheet],] [T][t]here are no litigation or arbitration proceedings against or affecting us, nor are we aware of any claims pending or, to our knowledge, threatened against us, which are material in the context of the issue of the Knock-out Performance ELIs.

Not investment advice

Structured products are complex products and may involve a high risk of loss. Knock-out Performance ELIs are complex products and you should exercise caution in relation to the products. Prior to entering into a transaction you should consult with your own independent legal, regulatory, tax, financial and accounting advisers to the extent you consider it necessary, and make your own investment, hedging and trading decisions based upon your own judgment and advice from those advisers you consider necessary.

This Term Sheet should not be treated as giving any investment advice. The information in this Term Sheet is communicated by HSBC. This Term Sheet shall not be copied or reproduced without HSBC's prior written permission.

[SFC disclaimer statement

The Securities and Futures Commission ("**SFC**") has authorised the Knock-out Performance ELIs under section 104A(1) of the Securities and Futures Ordinance and the issue of the indicative term sheet based on the standard template as set out in Appendix A to the Product Booklet under section 105(1) of the Securities and Futures Ordinance. The SFC takes no responsibility for the Knock-out Performance 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 the SFC's endorsement or recommendation of the Knock-out Performance ELIs referred to in this Term Sheet nor does it imply that the SFC guarantees the commercial merits of our Knock-out Performance ELIs or their performance. The SFC's authorisation does not mean our Knock-out Performance 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 professional advice before investing in the Knock-out Performance ELIs.][#]

[SFC disclaimer statement

The Securities and Futures Commission ("**SFC**") takes no responsibility as to the contents of this final Term Sheet. The SFC's authorisation does not imply the SFC's endorsement or recommendation of the Knock-out Performance ELIs referred to in this final Term Sheet.][▾]

Insert for indicative term sheet.

▾ Insert for final term sheet.

[Annex
INFORMATION SUPPLEMENTAL TO
THE PROGRAMME MEMORANDUM

The Hongkong and Shanghai Banking Corporation Limited ("**HSBC**") [held its annual general meeting ("**AGM**") on [*DATE*]] [and] [published [a media release/[*DOCUMENT*]] on [*DATE*]]. Selected relevant parts of the [media release dated [*DATE*] [and] [[*DOCUMENT*] relating to the AGM] [and] [*DOCUMENT*]] is set out below. The selected relevant parts of the [media release [and] [*DOCUMENT*] relating to the AGM] [and] [*DOCUMENT*]] supplement certain information contained in the Programme Memorandum.

[*To be inserted*]]

APPENDIX B
GENERAL TERMS AND CONDITIONS OF THE KNOCK-OUT PERFORMANCE ELIS

The SFC takes no responsibility as to the contents of the general terms and conditions of the Knock-out Performance ELIs as set out in this Appendix B (the "Conditions"). SFC authorisation does not imply SFC's endorsement of the Conditions.

The relevant Conditions will, together with the supplemental provisions contained in the applicable Pricing Supplement and subject to completion and amendment, be incorporated by reference into each Global Certificate (as defined below). The applicable Pricing Supplement in relation to the issue of any series of Investments may specify additional terms and conditions which shall amend and supplement the relevant Conditions for the purpose of such series of Investments. The applicable Pricing Supplement (or the relevant provisions thereof) will be endorsed upon, or attached to, each Global Certificate. Capitalised terms used in the relevant Conditions and not otherwise defined therein shall have the meaning given to them in the applicable Pricing Supplement. The relevant term sheet will contain a summary of the terms and conditions applicable to the relevant series of Investments.

The Global Certificate will be issued in the English language and the English version of the general terms and conditions, as amended and supplemented by the English version of the applicable pricing supplement, will be incorporated by reference into each Global Certificate, which shall prevail over any Chinese language version in the event of conflict or discrepancy.

1. Form, Status, Transfer and Title

(a) *Form*. The unlisted equity linked investments linked to a single security with full or partial principal protection at expiry and knock-out performance (the "**Investments**") relating to the Shares of the Company or, as the case may be, Fund Units/Shares of the Fund, are issued in registered form subject to and with the benefit of a global certificate by way of deed poll (the "**Global Certificate**") made by The Hongkong and Shanghai Banking Corporation Limited (the "**Issuer**") and a registrars' and structured product agency agreement (such agreement as amended and/or supplemented and/or restated from time to time, the "**Registrars' Agreement**") dated 23 July 2012 made between the Issuer, The Hongkong and Shanghai Banking Corporation Limited, Singapore Branch as principal registrar (in such capacity, the "**Principal Registrar**", which expression shall include any successors) and The Hongkong and Shanghai Banking Corporation Limited as alternative registrar and agent (in such capacity, the "**Alternative Registrar**" and the "**Agent**", respectively, which expression shall include any successors). The Investment holders (as defined in Condition 1(d)) are entitled to the benefit of the Deed of Covenant (the "**Deed of Covenant**") dated 23 July 2012 and made by the Issuer under the terms of which accountholders in Euroclear Bank SA/NV, as operator of the Euroclear system ("**Euroclear**") and Clearstream Banking, société anonyme ("**Clearstream, Luxembourg**") or other additional clearing system or systems as specified in the applicable pricing supplement (each an "**Additional Clearing System**") are given directly enforceable rights against the Issuer under the Investments. The original of the Deed of Covenant is held by the Agent. For the purposes of these Conditions, "**Registrar**" means the Principal Registrar.

The Global Certificate will be registered in the name of a nominee (the "**Nominee**") of the relevant clearing system. Investments in definitive form will only be issued in exchange for the Global Certificate if Euroclear and/or Clearstream, Luxembourg or the Additional Clearing System (as the case may be) are closed for business for a continuous period of 14 days (other than by reason of holidays, statutory or otherwise) or announce an intention permanently to cease business and do so cease business and no alternative clearing system satisfactory to the Issuer, the Registrar and the Agent is available. In the event of any such exchange, references in these Conditions to the Global Certificate shall be deemed to be, as appropriate, references to such definitive certificates. The Global Certificate and the definitive certificates (if any) shall be executed manually or in facsimile by a person duly authorised by the Issuer on behalf of the Issuer and shall be authenticated by the Agent in accordance with the Registrar's Agreement. The Issuer may use the facsimile signature of any person who at the date such signature is affixed is a person duly authorised by the Issuer notwithstanding that at the time of issue of the relevant

Global Certificate or any definitive certificate, as the case may be, he may have ceased for any reason to be so authorised. Each Global Certificate and definitive certificate (if any) so executed and authenticated shall be binding and valid obligations of the Issuer.

The applicable pricing supplement for the Investments is attached to the Global Certificate and supplements the Conditions and may specify other terms and conditions which shall amend and supplement the Conditions for the purposes of the Investments. References herein to the "**applicable Pricing Supplement**" are to the pricing supplement attached to the Global Certificate.

Certified copies of the applicable Pricing Supplement, the Deed of Covenant and the Registrars' Agreement are available for inspection at the specified office of the Issuer during the period beginning on the Issue Date and ending on the Expiry Date.

The Investment holders are entitled to the benefit of, are bound by and are deemed to have notice of all the provisions of the Global Certificate, the applicable Pricing Supplement, the Deed of Covenant and the Registrars' Agreement.

(b) *Status*. The Investments constitute general, unsecured and unsubordinated contractual obligations of the Issuer and of no other person and rank *pari passu* among themselves and (save for certain obligations required to be preferred by law) equally with all other unsecured and unsubordinated contractual obligations of the Issuer.

(c) *Transfer*. Investments will be transferable only by means of delivery of the relevant Global Certificate to the Registrar in accordance with the provisions of the Registrars' Agreement, with the form of transfer endorsed on it duly completed and executed. Transfers of beneficial interests in the Investments may be effected only in an amount equal to the Minimum Transfer Amount or integral multiples thereof in accordance with the rules and procedures for the time being of Euroclear and/or Clearstream, Luxembourg or the Additional Clearing System, as the case may be.

(d) *Title*. Each person who is for the time being shown in the register kept by the Registrar as entitled to a particular number of Investments shall be treated by the Issuer and the Registrar as the absolute owner and holder of such number of Investments. The expression "**Investment holder**" shall be construed accordingly.

2. Investment Rights and Exercise Expenses

(a) *Investment Rights*. Every Nominal Amount of Investments gives each Investment holder, upon compliance with Condition 4, the right to receive the Final Settlement Payout (as defined in Condition 2(d)), if any.

(b) *Exercise Expenses*.

In the case where a settlement amount in cash is payable to an Investment holder, including payment of the Final Settlement Payout upon expiry of the Investments, the following provisions will apply:

> The relevant Investment holders will be required to pay all charges or expenses including any taxes or duties which are incurred in respect of the payment of such cash settlement amount ("**Cash Settlement Expenses**"). The payment of such Cash Settlement Expenses is reflected in the calculation of the Final Settlement Payout.

(c) Notwithstanding any other provision in these Conditions, the Issuer shall be permitted to withhold or deduct any amounts required to be withheld or deducted by the rules of U.S. Internal Revenue Code Sections 1471 through 1474 (or any amended or successor provisions), pursuant to any inter-governmental agreement, or implementing legislation adopted by another jurisdiction in connection with these provisions, or pursuant to any agreement with the U.S. Internal Revenue Service ("**FATCA withholding**") including FATCA withholding imposed as a result of:

(i) the existence of any present or former connection between an Investment holder (or between a fiduciary, settlor, beneficiary, partner of, member or shareholder of, or possessor of power over, such Investment holder, if the Investment holder is an estate, trust, nominee, partnership, limited liability company or corporation) and the United States (including being or having been a citizen, resident, or national thereof or being or having been present or engaged in a trade or business therein or having or having had a permanent establishment therein); or

(ii) any misrepresentation by an Investment holder (or the applicable beneficial owner) to the Issuer, any distributor, any custodian or any applicable payor; or

(iii) the failure of an Investment holder (or the applicable beneficial owner) to fully comply with its obligations under FATCA (including obligations to comply with reasonable requests for information and/or other documentation by an applicable payor); or

(iv) an Investment holder's appointment of an intermediary (other than a distributor appointed by the Issuer in respect of a series of Investments as specified in the relevant term sheet for such series (each an "**Appointed Distributor**") or any custodian used by such Appointed Distributor) to hold its interest in any Investment where such intermediary is, or subsequently becomes, not entitled to receive all payments free from any FATCA withholding taxes (by qualifying, for example, as a "Participating Foreign Financial Institution", a compliant "Deemed Compliant Foreign Financial Institution" or a compliant "Reporting Financial Institution" under an applicable FATCA intergovernmental agreement, in each case for purposes of FATCA, and satisfying the requirements pursuant thereto ("**FATCA Compliant**")); or

(v) the failure of the applicable clearing system to be FATCA Compliant,

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

For the purposes of this Condition 2(c) only, an "**Investment holder**" shall mean (i) each investor holding an interest in one or more Investment(s) (via an Appointed Distributor or otherwise), in the case the Investments are represented by the Global Certificate; or (ii) each person who is for the time being shown in the register kept by the Registrar as entitled to a particular number of Investments, in the case the Investments are in definitive form.

(d) *Definitions*. For the purposes of these Conditions:

A "**Bear Knock-out Event**" occurs if the Closing Price of the Share or, as the case may be, the Fund Unit/Share is below the Knock-out Barrier on any Knock-out Event Date. The applicable Pricing Supplement will specify whether a Bear Knock-out Event is applicable. If the Knock-out Event Date is a Disrupted Day in respect of the Share or, as the case may be, the Fund Unit/Share, the Knock-out Event Date shall be the first succeeding Scheduled Trading Day that is not a Disrupted Day, unless each of the eight Scheduled Trading Days immediately following the originally scheduled Knock-out Event Date is a Disrupted Day. In that case, (i) that eighth Scheduled Trading Day shall be deemed to be the Knock-out Event Date, notwithstanding the fact that such day is a Disrupted Day, and (ii) the Issuer shall determine (based on, among other things, the last reported price of the Share or Fund Unit/Share (as the case may be) and prevailing market conditions) the price of the Share or Fund Unit/Share (as the case may be) on the

Knock-out Event Date in accordance with its good faith estimate and acting in a commercially reasonable manner and such price shall be the Closing Price of that Share or Fund Unit/Share (as the case may be) as of the Valuation Time on that eighth Scheduled Trading Day;

A "**Bull Knock-out Event**" occurs if the Closing Price of the Share or, as the case may be, the Fund Unit/Share is above the Knock-out Barrier on any Knock-out Event Date. The applicable Pricing Supplement will specify whether a Bull Knock-out Event is applicable. If the Knock-out Event Date is a Disrupted Day in respect of the Share or, as the case may be, the Fund Unit/Share, the Knock-out Event Date shall be the first succeeding Scheduled Trading Day that is not a Disrupted Day, unless each of the eight Scheduled Trading Days immediately following the originally scheduled Knock-out Event Date is a Disrupted Day. In that case, (i) that eighth Scheduled Trading Day shall be deemed to be the Knock-out Event Date, notwithstanding the fact that such day is a Disrupted Day, and (ii) the Issuer shall determine (based on, among other things, the last reported price of the Share or Fund Unit/Share (as the case may be) and prevailing market conditions) the price of the Share or Fund Unit/Share (as the case may be) on the Knock-out Event Date in accordance with its good faith estimate and acting in a commercially reasonable manner and such price shall be the Closing Price of that Share or Fund Unit/Share (as the case may be) as of the Valuation Time on that eighth Scheduled Trading Day;

"**Business Day**" means a day (excluding Saturdays and Sundays) on which commercial banks and foreign exchange markets are open for business in the relevant Business Day Centre(s);

"**Business Day Centre(s)**" means such cities as specified in the applicable Pricing Supplement;

"**Closing Price**" means, subject to adjustment in accordance with Condition 6 and whether a Knock-out Event Date or Expiry Date is a Disrupted Day, in respect of a Scheduled Trading Day, the closing price as at the Valuation Time on such day of one Share or, as the case may be, one Fund Unit/Share as quoted on the Exchange without regard to any correction subsequently published by the Exchange;

A "**Double Knock-out Event**" occurs if the Closing Price of the Share or, as the case may be, the Fund Unit/Share is either (i) above the Upper Knock-out Barrier or (ii) below the Lower Knock-out Barrier on any Knock-out Event Date. The applicable Pricing Supplement will specify whether a Double Knock-out Event is applicable. If the Knock-out Event Date is a Disrupted Day in respect of the Share or, as the case may be, the Fund Unit/Share, the Knock-out Event Date shall be the first succeeding Scheduled Trading Day that is not a Disrupted Day, unless each of the eight Scheduled Trading Days immediately following the originally scheduled Knock-out Event Date is a Disrupted Day. In that case, (i) that eighth Scheduled Trading Day shall be deemed to be the Knock-out Event Date, notwithstanding the fact that such day is a Disrupted Day, and (ii) the Issuer shall determine (based on, among other things, the last reported price of the Share or Fund Unit/Share (as the case may be) and prevailing market conditions) the price of the Share or Fund Unit/Share (as the case may be) on the Knock-out Event Date in accordance with its good faith estimate and acting in a commercially reasonable manner and such price shall be the Closing Price of that Share or Fund Unit/Share (as the case may be) as of the Valuation Time on that eighth Scheduled Trading Day;

"**Disrupted Day**" means any Scheduled Trading Day on which a relevant Exchange or any Related Exchange fails to open for trading during its regular trading session or on which a Market Disruption Event has occurred;

"**Exchange**" means, in respect of the Share or, as the case may be, the Fund Unit/Share, each exchange or quotation system specified as such for such Share or Fund Unit/Share (as the case may be) in the applicable Pricing Supplement, any successor to such exchange or quotation system or any substitute exchange or quotation system to which trading in the Share or, as the case may be, the Fund Unit/Share has temporarily relocated (provided that the Issuer has determined in good faith and in a commercially reasonable manner that there is comparable liquidity relative to such Share or Fund Unit/Share (as the case may be) 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;

"**Expiry Date**" means the date the Investment is scheduled to terminate as specified in the applicable Pricing Supplement, or if such day is not a Scheduled Trading Day, the immediately succeeding Scheduled Trading Day. Provided that, if such day is a Disrupted Day, the Expiry Date shall be the first succeeding Scheduled Trading Day that is not a Disrupted Day, unless each of the eight Scheduled Trading Days immediately following the Scheduled Expiry Date is a Disrupted Day. In that case:

(i) that eighth Scheduled Trading Day shall be deemed to be the Expiry Date, notwithstanding the fact that such day is a Disrupted Day; and

(ii) the Issuer shall determine (based on, among other things, the last reported price of the Share or the Fund Unit/Share (as the case may be) and prevailing market conditions) the price of the Share or the Fund Unit/Share (as the case may be) on the Expiry Date in accordance with its good faith estimate and acting in a commercially reasonable manner and such price shall be the Closing Price of that Share or that Fund Unit/Share (as the case may be) as of the Valuation Time on that eighth Scheduled Trading Day;

"**Final Settlement Payout**" means, in respect of each Investment and the Expiry Date, the following:

(A) **Where a Bull Knock-out Event is applicable (as specified in the applicable Pricing Supplement):**

(i) if a Bull Knock-out Event **has not occurred**, an amount in the Settlement Currency calculated by the Issuer as equal to the sum of (1) the Floor Amount; (2) the Fixed Cash Distribution Amount (if any); and (3) the Potential Performance Return (if any), less Cash Settlement Expenses (if any); or

(ii) if a Bull Knock-out Event **has occurred**, an amount in the Settlement Currency calculated by the Issuer as equal to the sum of (1) the Floor Amount; (2) the Fixed Cash Distribution Amount (if any); and (3) the Rebate Amount (if any), less Cash Settlement Expenses (if any);

(B) **Where a Bear Knock-out Event is applicable (as specified in the applicable Pricing Supplement):**

(i) if a Bear Knock-out Event **has not occurred**, an amount in the Settlement Currency calculated by the Issuer as equal to the sum of (1) the Floor Amount; (2) the Fixed Cash Distribution Amount (if any); and (3) the Potential Performance Return (if any), less Cash Settlement Expenses (if any); or

(ii) a Bear Knock-out Event **has occurred**, an amount in the Settlement Currency calculated by the Issuer as equal to the sum of (1) the Floor Amount; (2) the Fixed Cash Distribution Amount (if any); and (3) the Rebate Amount (if any), less Cash Settlement Expenses (if any); or

(C) **Where a Double Knock-out Event is applicable (as specified in the applicable Pricing Supplement):**

(i) if a Double Knock-out Event **has not occurred**, an amount in the Settlement Currency calculated by the Issuer as equal to the sum of (1) the Floor Amount; (2) the Fixed Cash Distribution Amount (if any); and (3) the Potential Performance Return (if any), less Cash Settlement Expenses (if any); or

(ii) if a Double Knock-out Event **has occurred**, an amount in the Settlement Currency calculated by the Issuer as equal to the sum of (1) the Floor Amount; (2) the Fixed Cash Distribution Amount (if any); and (3) the Rebate Amount (if any), less Cash Settlement Expenses (if any);

"**Fixed Cash Distribution Amount**" means an amount calculated by the Issuer in accordance with the following formula (rounded to 2 decimal places, with 0.005 or above being rounded upwards):

Fixed Cash Dividend Rate x Nominal Amount

"**Fixed Cash Dividend Rate**" means such rate as specified in the applicable Pricing Supplement;

"**Floor Amount**" means an amount calculated by the Issuer in accordance with the following formula (rounded to 2 decimal places, with 0.005 or above being rounded upwards):

Floor Rate x Nominal Amount

"**Floor Rate**" means such rate as specified in the applicable Pricing Supplement;

"**Fund Unit/Share**" or "**Fund Units/Shares**" means, subject to adjustment in accordance with Condition 6, the units or shares (as the case may be) issued by the Fund (including an exchange traded fund or a real estate investment trust) specified as such in the applicable Pricing Supplement and related expressions shall be construed accordingly;

"**Initial Spot Price**" means, in respect of the Share or, as the case may be, the Fund Unit/Share, such price as specified in the applicable Pricing Supplement;

"**Issue Date**" means such date as specified in the applicable Pricing Supplement;

"**Knock-out Barrier**" means, subject to adjustments in accordance with Condition 6, in respect of the Share or, as the case may be, the Fund Unit/Share, a specified percentage of the Initial Spot Price of the Share or the Fund Unit/Share as set out in the applicable Pricing Supplement. The specified percentage used to calculate the Knock-out Barrier for each Knock-out Event Date will be the same;

"**Knock-out Event**" means a Bull Knock-out Event or a Bear Knock-out Event or a Double Knock-out Event (as the case may be) as specified in the applicable Pricing Supplement;

A "**Knock-out Event Date**" means each Scheduled Trading Day from (but excluding) the Trade Date to (and including) the Expiry Date, provided that if a Knock-out Event Date is a Disrupted Day, such Knock-out Event Date shall be the first succeeding Scheduled Trading Day that is not a Disrupted Day, unless each of the eight Scheduled Trading Days immediately following the originally scheduled Knock-out Event Date is a Disrupted Day. In that case, (i) that eighth Scheduled Trading Day shall be deemed to be such Knock-out Event Date, notwithstanding the fact that such day is a Disrupted Day; and (ii) the Issuer shall determine (based on, among other things, the last reported price of the Share or Fund Unit/Share (as the case may be) and prevailing market conditions) the price of the Share or Fund Unit/Share (as the case may be) on the Knock-out Event Date in accordance with its good faith estimate and acting in a commercially reasonable manner and such price shall be the Closing Price of that Share or Fund Unit/Share as of the Valuation Time on that eighth Scheduled Trading Day;

"**Lower Knock-out Barrier**" means, subject to adjustments in accordance with Condition 6, in respect of the Share or, as the case may be, the Fund Unit/Share, a specified percentage of the Initial Spot Price of the Share or the Fund Unit/Share as set out in the applicable Pricing Supplement. The specified percentage used to calculate the Lower Knock-out Barrier for each Knock-out Event Date will be the same;

"**Market Disruption Event**" means, in respect of the Share or, as the case may be, the Fund Unit/Share:

(1) the occurrence or existence at any time during the one hour period that ends at the relevant Valuation Time of:

(a) any suspension of or limitation imposed on trading by the relevant Exchange or Related Exchange or otherwise and whether by reason of movements in price exceeding limits permitted by the relevant Exchange or Related Exchange or otherwise:

(i) relating to the Share or, as the case may be, the Fund Unit/Share on the Exchange; or

(ii) in futures or options contracts relating to the Share or, as the case may be, the Fund Unit/Share on any relevant Related Exchange; or

(b) any event (other than an event described in (2) below) that disrupts or impairs (as determined by the Issuer in good faith and in a commercially reasonable manner) the ability of market participants in general (i) to effect transactions in, or obtain market values for, the Share or, as the case may be, the Fund Unit/Share on the Exchange, or (ii) to effect transactions in, or obtain market values for, futures or options contracts relating to the Share or, as the case may be, the Fund Unit/Share on any relevant Related Exchange,

which in either case the Issuer determines in its sole and absolute discretion, acting in good faith and in a commercially reasonable manner, is material; or

(2) the closure on any Exchange Business Day of any relevant Exchange(s) or Related Exchange(s) prior to its Scheduled Closing Time unless such earlier closing time is announced by such Exchange(s) or such Related Exchange(s), as the case may be, at least one hour prior to the earlier of (a) the actual closing time for the regular trading session on such Exchange(s) or such Related Exchange(s) on such Exchange Business Day and (b) the submission deadline for orders to be entered into the Exchange or Related Exchange system for execution at the Valuation Time on such Exchange Business Day;

"**Minimum Transfer Amount**" means such number of Investment(s) as set out in the applicable Pricing Supplement;

"**Nominal Amount**" means such amount as specified in the applicable Pricing Supplement;

"**Potential Performance Return**" means such amount as specified in Condition 7;

"**Participation Rate**" means such rate as specified in the applicable Pricing Supplement;

"**Rebate Rate**" means such rate as specified in the applicable Pricing Supplement;

"**Rebate Amount**" means an amount calculated by the Issuer in accordance with the following formula (rounded to 2 decimal places, with 0.005 or above being rounded upwards):

Rebate Rate x Nominal Amount

"**Reference Asset**" means the Share or Fund Unit/Share as specified in the applicable Pricing Supplement;

"**Related Exchange**" means, in relation to the Share or, as the case may be, the Fund Unit/Share, each exchange or quotation system specified as such in relation to such Share or Fund Unit/Share (as the case may be) in the applicable Pricing Supplement, any successor to such exchange or quotation system or any substitute exchange or quotation system to which trading in futures or options contracts relating to such Share or Fund Unit/Share (as the case may be) has temporarily relocated (provided that the Issuer has determined in its sole and absolute discretion, acting in good faith and in a commercially reasonable manner, that there is comparable liquidity relative to the futures or options contracts relating to such Share or Fund Unit/Share (as the case may be) on such temporary substitute exchange or quotation system as on the original Related Exchange), provided that where "All Exchanges" is specified as the Related Exchange in the applicable Pricing Supplement, "**Related Exchange**" shall mean each exchange or quotation system where trading has a material effect (as determined by the Issuer in good faith and in a commercially reasonable manner) on the overall market for futures or options contracts relating to the Share or, as the case may be, the Fund Unit/Share;

"**Scheduled Closing Time**" means, in respect of an Exchange or Related Exchange and a Scheduled Trading Day, the scheduled weekday closing time of such Exchange or Related Exchange on such Scheduled Trading Day, without regard to after hours or any other trading outside of the regular trading session hours;

"**Scheduled Expiry Date**" means any original date that, but for the occurrence of an event causing a Disrupted Day, would have been the Expiry Date;

"**Scheduled Trading Day**" means any day on which each Exchange and each Related Exchange are scheduled to be open for trading for their respective regular trading sessions;

"**Settlement Currency**" means such currency as specified in the applicable Pricing Supplement;

"**Settlement Date**" means such date as specified in the applicable Pricing Supplement. In respect of Investments that are denominated and settled in Renminbi, the Settlement Date will be postponed as provided in Condition 4(d) upon the occurrence of a CNY Disruption Event;

"**Share**" or "**Shares**" means, subject to adjustment in accordance with Condition 6, the equity securities issued by the Company specified as such in the applicable Pricing Supplement and related expressions shall be construed accordingly;

"**Trade Date**" means the date on which the terms of the Investment are fixed as specified in the applicable Pricing Supplement;

"**Upper Knock-out Barrier"** means, subject to adjustments in accordance with Condition 6, in respect of the Share or, as the case may be, the Fund Unit/Share, a specified percentage of the Initial Spot Price of the Share or the Fund Unit/Share as set out in the applicable Pricing Supplement. The specified percentage used to calculate the Upper Knock-out Barrier for each Knock-out Event Date will be the same; and

"**Valuation Time**" means, in relation to the Share or, as the case may be, the Fund Unit/Share, the Scheduled Closing Time on the relevant Exchange on the relevant Scheduled Trading Day. If the relevant Exchange closes prior to its Scheduled Closing Time and the specified Valuation Time is after the actual closing time for its regular trading session, then the Valuation Time shall be such actual closing time.

3. Termination of Investments

(a) *Termination of Investments.* The Investments will be terminated on the Expiry Date.

(b) *Procedures for Termination.* The Investments will automatically be terminated on the Expiry Date without notice being given to the Investment holders. The Investment holders will not be required to deliver any exercise notice and the Issuer or the Agent will pay the Final Settlement Payout (if any) on the Settlement Date.

For the avoidance of doubt, where the Investments have been terminated on the Expiry Date, payment of the Final Settlement Payout on the Settlement Date shall constitute full and final settlement of the obligations of the Issuer with respect to the Investments. Subject to such payment having been made, the Issuer shall have no obligation towards the relevant Investment holder under the Investments subsequent to the Expiry Date.

4. Settlement of Investments

(a) *No requirement to deliver any notice*. The Investment holders will not be required to deliver any notice for any purpose in relation to the termination of the Investments.

(b) *Cancellation*. The Issuer will procure that the Registrar will, with effect from the Business Day following the Expiry Date or such date as the Investment has been early terminated pursuant to Condition 6 (as the case may be), remove from its register the name of the person in respect of the Investments which are the subject of a termination in accordance with these Conditions, and thereby cancel the relevant Investments.

(c) *Settlement*. Subject to termination of Investments in accordance with these Conditions, the Issuer will make a payment to the relevant Investment holder of the Final Settlement Payout on the Settlement Date.

(d) *Cash Settlement*. The Final Settlement Payout shall be despatched on the Settlement Date by crediting that amount to the relevant bank account designated by the relevant Investment holder.

In respect of Investments that are denominated and settled in Renminbi, if the Issuer shall determine, in its sole and absolute discretion, acting in good faith and in a commercially reasonable manner that a CNY Disruption Event has occurred and so has prevented payment of any amount(s) payable under the Investments in Renminbi on the due date for such payment, such payment shall be postponed to the third Hong Kong business day after the date on which the CNY Disruption Event ceases to exist (as determined by the Issuer in its sole and absolute discretion, acting in good faith and in a commercially reasonable manner) (the "**Postponed Payment Date**"); ***provided that*** if the CNY Disruption Event continues to exist for twelve consecutive Hong Kong business days following the original due date for payment, the Issuer shall be entitled to pay the relevant CNY Disruption Event Settlement Amount in Hong Kong dollars by no later than the third Hong Kong business day after such twelfth Hong Kong business day following the original due date for payment and the Postponed Payment Date shall be deemed to be such date. In such case, the entitlements of each Investment holder to receive the relevant amount in Renminbi shall cease and the Issuer's obligations under the Investments shall be satisfied in full upon payment of the relevant CNY Disruption Event Settlement Amount. The relevant CNY Disruption Event Settlement Amount shall be dispatched on the Postponed Payment Date by crediting that amount to the relevant bank account designated by the relevant Investment holder.

For the purposes of this Condition 4(d),

"**Renminbi**" or "**CNY**" means, the lawful currency of the People's Republic of China;

"**CNY Disruption Event**" means, the occurrence of any event which renders it impossible for the Issuer (as determined by the Issuer in its sole and absolute discretion, acting in good faith and in a commercially reasonable manner) to (i) convert any foreign currency amount into Renminbi outside the PRC in the foreign exchange market in Hong Kong; or (ii) transfer Renminbi between accounts inside Hong Kong, in each case, other than where such impossibility is due to (a) the failure of the Issuer to comply with any law, rule or regulation enacted by any relevant governmental authority (unless such law, rule or regulation is enacted after the Issue Date and it is impossible for the Issuer, due to an event beyond its control, to comply with such law, rule or regulation); or (b) deterioration of the Issuer's creditworthiness; and

"**CNY Disruption Event Settlement Amount**" means, the relevant Renminbi amount converted into Hong Kong dollars using the exchange rate for Renminbi outside the PRC per 1 U.S. dollar as per Reuters Page "CNH=" and the exchange rate for Hong Kong dollar per 1 U.S. dollar as per Reuters Page "HKD=" at 11:00 a.m. (Hong Kong time) on the day which is two Hong Kong business days prior to the Postponed Payment Date; provided that if any such exchange rate cannot be determined, the Issuer shall select another applicable Reuters page or determine in good faith such exchange rate by reference to such sources as it may select in its sole and absolute discretion.

5. Registrar and Agent

(a) The initial Registrar and the Agent and the specified office of the Registrar (the "**Transfer Office**") and the Agent are set out at the end of these Conditions. The Issuer reserves the right, subject to the appointment of a successor, at any time to vary or terminate the appointment of the Registrar or Agent and to appoint another Registrar or Agent provided that it will at all times maintain a Registrar and an Agent. Notice of any such termination or appointment and of any change in the offices will be given to the Investment holders in accordance with Condition 11.

(b) Each of the Registrar and the Agent will be acting as agents of the Issuer in respect of any Investments and will not assume any obligation or duty to or any relationship of agency or trust for the Investment holders.

(c) The register of Investment holders will be maintained outside Hong Kong by the Registrar and the Registrar will enter or cause to be entered the name, address and banking details of the Investment holders, the details of the Investments held by any Investment holder including the number of Investments of each series held and any other particulars which it thinks proper.

6. Adjustments and Early Termination

(a) *Potential Adjustment Events*. The Issuer shall determine, in its sole and absolute discretion, acting in good faith and in a commercially reasonable manner, whether or not a Potential Adjustment Event has occurred during the period between the Trade Date and the Expiry Date and where it determines that such an event has occurred, the Issuer will, in its sole and absolute discretion, acting in good faith and in a commercially reasonable manner, determine whether such Potential Adjustment Event has a diluting or concentrative effect on the theoretical value of the relevant Shares or Fund Units/Shares (as the case may be) and, if so, will make such adjustment as it in its sole and absolute discretion, acting in good faith and in a commercially reasonable manner, determines to be appropriate, if any, to the terms and conditions of the relevant Investments as the Issuer determines to account for that diluting or concentrative effect so as to preserve the economic equivalence of the relevant Investments. If options contracts on the relevant Shares or, as the case may be, the Fund Units/Shares of the Fund are traded on The Stock Exchange of Hong Kong Limited (the "**Hong Kong Stock Exchange**"), the Issuer shall follow any adjustment to the terms and conditions of the relevant options contract made and announced by the Hong Kong Stock Exchange. If no such options contracts are traded, the Issuer shall determine the appropriate adjustments by following the relevant rules set out in the Operational Trading Procedures for Options Trading Exchange Participants of the Stock Exchange (the "**Options Operational Trading Procedures**") published by the Hong Kong Stock Exchange in respect of such event. The Issuer shall also determine, in its sole and absolute discretion, acting in good faith and in a commercially reasonable manner, the effective date(s) of such adjustment(s) and shall observe and use, to the extent reasonably practicable, any such ex-date(s) or other relevant date(s) as provided by the Hong Kong Stock Exchange as the effective date(s) of such adjustment(s).

For the purposes of this Condition 6(a) and in respect of the Company or the Fund (where applicable), "**Potential Adjustment Event**" means:

(1) a subdivision, consolidation or reclassification of the Shares or Fund Units/Shares (as the case may be) (unless resulting in a Merger Event) or a free distribution or dividend of any such Shares or Fund Units/Shares (as the case may be) to existing holders whether by way of bonus, capitalisation or similar issue; or

(2) a distribution, issue or dividend to existing holders of the Shares or Fund Units/Shares (as the case may be) of (a) such Shares or Fund Units/Shares (as the case may be) or (b) other share capital or securities granting the right to payment of distributions and/or dividends and/or the proceeds of liquidation of the Company or the Fund (where applicable) equally or proportionately with such payments to holders of any such Shares or Fund Units/Shares (as the case may be) or (c) share capital or other securities of another issuer acquired or owned (directly or indirectly) by the Company or the Fund (where applicable) 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 or the Fund (where applicable) in respect of the Shares or Fund Units/Shares (as the case may be) that are not fully paid; or

(5) a repurchase by the Company or the Fund (where applicable) or any of its subsidiaries of the Shares or Fund Units/Shares (as the case may be) whether out of profits or capital and whether the consideration for such repurchase is cash, securities or otherwise; or

(6) in respect of the Company, an event that results in any shareholder rights being distributed or becoming separated from shares of common stock or other shares of the capital stock of the Company, pursuant to a shareholder rights plan or arrangement directed against hostile takeovers that provides upon the occurrence of certain events for a distribution of preferred stock, warrants, debt instruments or stock rights at a price below their market value as determined by the Issuer, provided that any adjustment effected as a result of such an event shall be readjusted upon any redemption of such rights; or

(7) any other event that may have a diluting or concentrative effect on the theoretical value of the relevant Shares or Fund Units/Shares (as the case may be).

(b) *Other Adjustment or Termination Events.* If, during the period between the Trade Date and the Expiry Date, (i) a Merger Event or (ii) a Tender Offer has occurred, the Issuer may make such adjustment, if any, as it, in its sole and absolute discretion, acting in good faith and in a commercially reasonable manner, determines to be appropriate to the terms and conditions of the Investments to account for such event so as to preserve the economic equivalence of the relevant Investments; where options contracts on the relevant Shares or, as the case may be, the Fund Units/Shares of the Fund are traded on the Hong Kong Stock Exchange, the Issuer shall follow any adjustment to the terms and conditions of the relevant options contract made and announced by the Hong Kong Stock Exchange. If no such options contracts are traded, the Issuer shall determine the appropriate adjustments by following the relevant rules set out in the Options Operational Trading Procedures published by the Hong Kong Stock Exchange in respect of such event. The Issuer shall also determine in its sole and absolute discretion, acting in good faith and in a commercially reasonable manner, the effective date of that adjustment and shall observe and use, to the extent reasonably practicable, any such ex-date(s) or other relevant date(s) as provided by the Hong Kong Stock Exchange as the effective date(s) of such adjustment(s).

If the Issuer determines in its sole and absolute discretion, acting in good faith and in a commercially reasonable manner, that any of the foregoing adjustments is not able to preserve the economic equivalence of the relevant Investments, the Investments shall be terminated as of the date selected by the Issuer in its sole and absolute discretion, acting in good faith and in a commercially reasonable manner, and the entitlements of the Investment holders to each receive the Final Settlement Payout shall cease and the Issuer's obligations under the Investments shall be satisfied in full upon payment of the Adjustment Event Settlement Amount (as defined in Condition 6(c)). The Adjustment Event Settlement Amount shall be paid to the Investment holders as soon as practicable after the date of termination of the Investments by crediting that amount to the relevant bank account designated by the relevant Investment holder. No Cash Settlement Expenses will be payable for the cash payment of any Adjustment Event Settlement Amount to the relevant Investment holder under this Condition 6(b).

If, during the period between the Trade Date and the Expiry Date, (i) a Nationalisation; (ii) an Insolvency; (iii) a Delisting; (iv) an Additional Disruption Event has occurred; or (v) the Issuer determines in good faith and in a commercially reasonable manner that the performance of any of its absolute or contingent obligations under the Investments has become illegal or impracticable in whole or in part for any reason beyond the Issuer's control, the Investments shall be terminated as of the date selected by the Issuer in its sole and absolute discretion, acting in good faith and in a commercially reasonable manner, and the entitlements of the Investment holders to each receive the Final Settlement Payout shall cease and the Issuer's obligations under the Investments shall be satisfied in full upon payment of the Adjustment Event Settlement Amount (as defined in Condition 6(c)). The Adjustment Event Settlement Amount shall be paid to the Investment holders as soon as practicable after the date of termination of the Investments by crediting that amount to the relevant bank account designated by the relevant Investment holder. No Cash Settlement Expenses will be payable for the cash payment of any Adjustment Event Settlement Amount to the relevant Investment holder under this Condition 6(b).

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

"**Additional Disruption Event**" means each of Change in Law, Insolvency Filing, Increased Cost of Hedging and in the case of the Fund and the Fund Units/Shares, Fund Termination Event;

"**Adjustment Event Settlement Amount**" means such amount as in the opinion of the Issuer (such opinion to be made in its sole and absolute discretion, acting in good faith and in a commercially reasonable manner) to be the fair market value for the Investments as of the date of termination of the Investments (adjusted to account fully for any costs which are, or would be, incurred by the Issuer in unwinding any underlying or related hedging and funding arrangements, all as determined by the Issuer in its sole and absolute discretion, acting in good faith and in a commercially reasonable manner);

"**Change in Law**" means, (i) due to the adoption of or any change in any applicable law or regulation (including, without limitation, any tax law), or (ii) due to the promulgation of or any change in the interpretation by any court, tribunal or regulatory authority with competent jurisdiction of any applicable law or regulation (including any action taken by a taxing authority), the Issuer determines in good faith that (a) it has become illegal to hold, acquire or dispose of Shares or Fund Units/Shares (as the case may be) or (b) it will incur a materially increased cost in performing its obligations under the Investments (including, without limitation, due to any increase in tax liability, decrease in tax benefit or other adverse effect on its tax position);

"**Delisting**" means in respect of a Company or, as the case may be, a Fund, if the Exchange announces that pursuant to the rules of such Exchange, the Shares or the Fund Units/Shares (as the case may be) 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;

"**Fund Termination Event**" means any of the following with respect to the Fund:

(1) the units or shares (as the case may be) of the Fund are reclassified or the index that the Fund tracks changes or the Fund is acquired by or aggregated to another fund, whose mandate, risk-profile and/or benchmarks is, in the sole opinion of the Issuer (acting in good faith and in a commercially reasonable manner), different from the mandate, risk-profile and/or benchmark of the Fund stated as of the Trade Date (or any proposal for the foregoing occurs); or

(2) the currency unit of the units or shares (as the case may be) of the Fund is amended in accordance with the constitutional documents of the Fund, so that the units or shares (as the case may be) of the Fund are no longer denominated in the currency quoted as of the Trade Date; 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 Trade Date (in each case as determined by the Issuer in its sole and absolute discretion, acting in good faith and a commercially reasonable manner); or

(4) any proposal to wind up the Fund or any substantive litigation by the investors in the Fund (as determined by the Issuer in its sole and absolute discretion, acting in good faith and a commercially reasonable manner); 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 Fund Units/Shares or the rights or remedies of any holders thereof (in each case as determined by the Issuer in its sole and absolute discretion, acting in good faith and a commercially reasonable manner); or

(6) (i) any cancellation, suspension or revocation of the registration or approval of the Fund or an interest issued to or held by an investor in the Fund by any governmental, legal or regulatory entity with authority over such Fund or such interest, (ii) any change in the legal, tax, accounting, or regulatory treatments of the Fund or the adviser for the Fund (the "**Fund Adviser**") that is reasonably likely to have an adverse impact on the value of any interest in the Fund or any investor therein (as determined by the Issuer in its sole and absolute discretion, acting in good faith and in a commercially reasonable manner), 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;

"**Increased Cost of Hedging**" means, in the opinion of the Issuer (acting in good faith and in a commercially reasonable manner), the Issuer or any of its affiliates (a) is unable to, after using commercially reasonable efforts; or (b) would incur a material increase (as compared with circumstances existing on the Trade Date) in tax, duty, expense or fee (other than brokerage commissions) to:

(i) acquire, establish, re-establish, substitute, maintain, unwind or dispose of any transaction or asset it deems necessary to hedge the price risk relating to the Shares or the Fund Units/Shares (as the case may be) of entering into and performing its obligations with respect to the Investment; or

(ii) realise, recover or remit the proceeds of any such transaction or asset,

provided that any such materially increased amount that is incurred due to the deterioration of the creditworthiness of the Issuer or its affiliates shall not be deemed an Increased Cost of Hedging;

"**Insolvency**" means, in respect of a Company or, as the case may be, a Fund, if by reason of the voluntary or involuntary liquidation, bankruptcy, insolvency, dissolution or winding-up of or any analogous proceeding affecting such Company or, as the case may be, Fund, (A) all the Shares of the Company or the Fund Units/Shares of the Fund (as the case may be) are required to be transferred to a trustee, liquidator or other similar official or (B) holders of the Shares or, as the case may be, the Fund Units/Shares become legally prohibited from transferring them;

"**Insolvency Filing**" means the Company institutes or has instituted against it by a regulator, supervisor or any similar official with primary insolvency, rehabilitative or regulatory jurisdiction over it in the jurisdiction of its incorporation or organisation or the jurisdiction of its head or home office, or it consents to a proceeding seeking a judgment of insolvency or bankruptcy or any other relief under any bankruptcy or insolvency law or other similar law affecting creditors' rights, or a petition is presented for its winding-up or liquidation by it or such regulator, supervisor or similar official or it consents to such a petition, provided that proceedings instituted or petitions presented by creditors and not consented to by the issuer of the Shares shall not be deemed an Insolvency Filing;

"**Merger Date**" means the closing date of a Merger Event or, where a closing date cannot be determined under the local law applicable to such Merger Event, such other date as determined by the Issuer (acting in good faith and in a commercially reasonable manner);

"**Merger Event**" means in respect of the relevant Shares, any:

(1) reclassification or change of such Shares that results in a transfer of or an irrevocable commitment to transfer all of such Shares outstanding to another entity or person; or

(2) consolidation, amalgamation, merger or binding share exchange of the Company with or into another entity or person (other than a consolidation, amalgamation, merger or binding share exchange in which such Company is the continuing entity and which does not result in any such reclassification or change of all of such Shares outstanding); or

(3) takeover offer, tender offer, exchange offer, solicitation, proposal or other event by any entity or person to purchase or otherwise obtain 100 per cent. of the outstanding Shares of the Company that results in a transfer of or an irrevocable commitment to transfer all such Shares (other than such Shares owned or controlled by such other entity or person); or

(4) consolidation, amalgamation, merger or binding share exchange of the Company or its subsidiaries with or into another entity in which the Company is the continuing entity and which does not result in a reclassification or change of all such Shares outstanding but results in the outstanding Shares (other than Shares owned or controlled by such other entity) immediately prior to such event collectively representing less than 50 per cent. of the outstanding Shares immediately following such event, in each case if the Merger Date is on or before the Expiry Date;

"**Nationalisation**" means in respect of the Shares or, as the case may be, the Fund Units/Shares, if all the Shares or the Fund Units/Shares or all the assets or substantially all the assets of the Company or the Fund (as the case may be) are nationalised, expropriated or are otherwise required to be transferred to any governmental agency, authority, entity or instrumentality thereof;

"**Tender Offer**" means a takeover offer, tender offer, exchange offer, solicitation, proposal or other event by any entity or person that results in such entity or person purchasing, or otherwise obtaining or having the right to obtain, by conversion or other means, greater than 10 per cent. and less than 100 per cent. of the outstanding voting Shares of the Company or Fund Units/Shares of the Fund (as the case may be) as determined by the Issuer, based upon the making of filings with governmental or self-regulatory agencies or such other information as the Issuer deems relevant, in each case if the Tender Offer Date is on or before the Expiry Date;

"**Tender Offer Date**" means, in respect of a Tender Offer, the date on which voting Shares or Fund Units/Shares (as the case may be) in the amount of the applicable percentage threshold are actually purchased or otherwise obtained (as determined by the Issuer);

(d) *Notice of Adjustments or Termination*. All determinations made by the Issuer pursuant hereto will be conclusive and binding on the Investment holders. The Issuer will give, or procure that there is given, notice as soon as practicable of any adjustment or termination (as the case may be), the date from which such adjustment is effective or the date of termination (as the case may be) and the relevant Adjustment Event Settlement Amount, all in accordance with Condition 11.

7. Potential Performance Return

In respect of each Investment, the following:

(A) Where a Bull Knock-out Event is applicable (as specified in the applicable Pricing Supplement):

If a Bull Knock-out Event **has not occurred** and the Closing Price of the Share or, as the case may be, the Fund Unit/Share on the Expiry Date is **above** the Initial Spot Price, the Issuer shall pay to the Investment holder on the Settlement Date an amount (the "**Potential Performance Return**") calculated by the Issuer as follows, rounded to 2 decimal places, with 0.005 or above being rounded upwards:

Nominal Amount x Performance

Where, "**Performance**" means the rate calculated according to the following formula:

$$\text{Max}\left(\frac{\text{Closing Price of the Reference Asset on the Expiry Date}}{\text{Initial Spot Price of the Reference Asset}} - 1, 0\right) \text{ x Participation Rate}$$

The calculation of the Performance according to the formula above will not be rounded.

(B) Where a Bear Knock-out Event is applicable (as specified in the applicable Pricing Supplement):

If a Bear Knock-out Event **has not occurred** and the Closing Price of the Share or, as the case may be, the Fund Unit/Share on the Expiry Date is **below** the Initial Spot Price, the Issuer shall pay to the Investment holder on the Settlement Date an amount (the "**Potential Performance Return**") calculated by the Issuer as follows, rounded to 2 decimal places, with 0.005 or above being rounded upwards:

Nominal Amount x Performance

Where, "**Performance**" means the rate calculated according to the following formula:

$$\text{Max}\left(1 - \frac{\text{Closing Price of the Reference Asset on the Expiry Date}}{\text{Initial Spot Price of the Reference Asset}}, 0\right) \text{ x Participation Rate}$$

The calculation of the Performance according to the formula above will not be rounded.

(C) Where a Double Knock-out Event is applicable (as specified in the applicable Pricing Supplement):

If a Double Knock-out Event **has not occurred** and the Closing Price of the Share, or as the case may be, the Fund Unit/Share on the Expiry Date is **not at the same level** as the Initial Spot Price, the Issuer shall pay to the Investment holder on the Settlement Date an amount (the "**Potential Performance Return**") calculated by the Issuer as follows, rounded to 2 decimal places, with 0.005 or above being rounded upwards:

Nominal Amount x Performance

Where, "**Performance**" means the rate calculated according to the following formula:

$$\text{Abs}\left(\frac{\text{Closing Price of the Reference Asset on the Expiry Date}}{\text{Initial Spot Price of the Reference Asset}} - 1\right) \text{ x Participation Rate}$$

The calculation of the Performance according to the formula above will not be rounded.

8. Purchases

Each of the Issuer and any person directly or indirectly connected to the Issuer may at any time purchase Investments at any price in the open market or by tender or by private treaty. Any Investments so purchased may be held, resold or at the option of the Issuer surrendered for cancellation.

9. Global Certificate

The Investments are represented by the Global Certificate registered in the name of the Nominee. Investment holders will only be entitled to definitive certificates in respect of any Investments issued or transferred to them in the very limited circumstances as set out in Condition 1.

10. Meetings of Investment holders; Modification

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

Such a meeting may be convened by the Issuer or by Investment holders holding not less than 10 per cent. of the Investments for the time being remaining outstanding. The quorum at any such meeting for passing an Extraordinary Resolution will be two or more persons holding or representing not less than 25 per cent. of the Investments for the time being remaining outstanding, or at any adjourned meeting two or more persons being or representing Investment holders whatever the number of Investments so held or represented.

A resolution will be an Extraordinary Resolution when it has been passed at a duly convened meeting by not less than three-quarters of the votes cast by such Investment holders as, being entitled to do so, vote in person or by proxy.

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

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

(b) *Modification*. The Issuer may, without the consent of the Investment holders, effect any modification of the provisions of the Investments or the Global Certificate which is of a formal, minor or technical nature, which is made to correct an obvious error or which is necessary in order to comply with mandatory provisions of the laws of Hong Kong (as defined in Condition 13) (as determined by the Issuer in its sole and absolute discretion, acting in good faith and in a commercially reasonable manner). Any such modification shall be binding on the Investment holders and shall be notified to them by the Registrar before the effective date or as soon as practicable thereafter in accordance with Condition 11.

11. Notices

(a) All documents required or permitted by these Conditions to be sent to an Investment holder or to which an Investment holder is entitled or which the Issuer shall have agreed to deliver to the Investment holder may be delivered by hand or sent by post addressed to the Investment holder to the Investment holder's address (or, in the case of joint Investment holders, to the address of the first named Investment holder) appearing in the register kept by the Registrar, and airmail post shall be used if such address is not in Hong Kong. All documents delivered or sent in accordance with this paragraph shall be delivered or sent at the risk of the relevant Investment holder.

(b) All notices to Investment holders regarding Investments in definitive form will be deemed to be validly given if sent by mail to the holders of Investments at their addresses appearing in the register of Investment holders kept by the Registrar. In addition, such notices may also be published in English in one leading English, and in Chinese in one leading Chinese, language newspaper circulating in Hong Kong. Such notices shall be deemed to have been given on the date of the first such publication.

(c) For so long as the Investments are represented by the Global Certificate held on behalf of Euroclear and/or Clearstream, Luxembourg or the Additional Clearing System, notice may be delivered to Euroclear and/or Clearstream, Luxembourg or the Additional Clearing System (as the case may be) for communication by them to the holders of the Investments.

(d) Notice to be given by any Investment holder shall be in writing and given by lodging the same, together (in the case of any Investment in definitive form) with the relevant certificate or certificates, with the Registrar. Whilst any of the Investments are represented by the Global Certificate, such notice may be given by any Investment holder to the Registrar through Euroclear and/or Clearstream, Luxembourg or the Additional Clearing System (as the case may be), in such manner as the Registrar and Euroclear and/or Clearstream, Luxembourg or the Additional Clearing System, as the case may be, may approve for this purpose.

12. Modification of the Conditions of the Investments in the applicable Pricing Supplement

The Conditions applicable to the Investments may be amended and/or supplemented as set forth in the applicable Pricing Supplement or in an annex to such applicable Pricing Supplement.

13. Governing Law

The Investments, these Conditions, the Global Certificate, the Deed of Covenant and the Registrars' Agreement will be governed by and construed in accordance with the laws of the Hong Kong Special Administrative Region of the People's Republic of China ("**Hong Kong**"). The Issuer and each Investment holder (by its purchase of the Investments) shall be deemed to have submitted for all purposes in connection with the Investments, the Global Certificate and the Registrars' Agreement to the non-exclusive jurisdiction of the courts of Hong Kong.

14. Contracts (Rights of Third Parties) Ordinance

No person shall have any right to enforce any term or condition of the Investments under the Contracts (Rights of Third Parties) Ordinance (Cap. 623 of the Laws of Hong Kong).

15. Language

In the event of any inconsistency between the Chinese version of these Conditions and the English version of these Conditions, the English version of these Conditions shall prevail.

Specified Office of the Agent

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Level 24
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Transfer Office

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#45-01 Marina Bay Financial Centre
Tower 2
Singapore 018983

APPENDIX C
FORM OF PRICING SUPPLEMENT FOR THE KNOCK-OUT PERFORMANCE ELIS

We set out below the form of the pricing supplement for the Knock-out Performance ELIs. The pricing supplement will be issued in the English language only for the purposes of lodgement with the relevant clearing systems and attachment to the Global Certificate. The English version of the pricing supplement shall prevail over the Chinese version in the event of conflict or discrepancy. A certified true copy of the pricing supplement in the Chinese language will be available for inspection at the offices of the product arranger as set out on page 160 of this product booklet.

The SFC takes no responsibility as to the contents of the terms of the pricing supplement as set out in this Appendix C (the "Pricing Supplement"). SFC authorisation does not imply SFC's endorsement of the Conditions (as amended or supplemented by this Pricing Supplement).

THE HONGKONG AND SHANGHAI BANKING CORPORATION LIMITED

[currency] [number] Unlisted Equity Linked Investments
linked to [shares] [units or shares] of
[company] [fund] ([stock code].HK)
with [Full] [Partial] Principal Protection at [100%] [*percentage%*] at
Expiry and Knock-out Performance (the "Knock-out Performance ELIs")

issued pursuant to The Hongkong and Shanghai Banking Corporation Limited
Unlisted Structured Products Programme (the "Programme")

The Knock-out Performance ELIs are not traded on any markets operated by Hong Kong Exchanges and Clearing Limited or any other stock exchanges.

[*date*]

This document constitutes the Pricing Supplement relating to the issue of the Knock-out Performance ELIs described herein. This Pricing Supplement amends and supplements the general terms and conditions of the Knock-out Performance ELIs (the "**Conditions**") as set out in Appendix B – "General Terms and Conditions of the Knock-out Performance ELIs" in the Product Booklet dated 24 July 2023 (the "**Product Booklet**") [as supplemented by the addendum dated [*date*] (the "**Addendum**")] relating to the Programme and should be read in conjunction with such Conditions. Terms used herein shall be deemed to be defined as such for the purposes of the Conditions set forth in the Product Booklet [and the Addendum].

[As at the date of this Pricing Supplement, no addendum has been published in respect of the Product Booklet.]

GENERAL TERMS

1.	Type of Equity Linked Investment:	Knock-out Performance ELIs
2.	Listing Status:	Unlisted
3.	Issue Size:	[*number*] Knock-out Performance ELIs
4.	Nominal Amount of a Knock-out Performance ELI:	[*currency*] [*amount*]
5.	Trade Date:	[*date*]
6.	Issue Date:	[*date*]
7.	Series Number:	[*number*]

8.	Issue Price:	[*percentage*]% of the Nominal Amount
9.	Expiry Date:	[*date*] (the "**Scheduled Expiry Date**").
10.	Settlement Date:	The third Business Day after the Expiry Date.
11.	Business Day Centre(s):	[*city(ies)*] in relation to the Settlement Date; and [*city(ies)*] for all other dates
12.	Settlement Currency:	[*currency*] ("***currency***")
13.	Minimum Transfer Amount:	One Knock-out Performance ELI (i.e. the Nominal Amount)
14.	Other terms or special conditions:	Not Applicable
	[Share] [Fund] Knock-out Performance ELI Provisions:	Applicable
15.	[Company] [Fund]:	[*company*] [*fund*]
16.	[Share] [Fund Unit/Share]:	[Shares of the Company]/[Units or shares (as the case may be) of the Fund]
17.	Exchange (N.B. This relates to the [Share] [Fund Unit/Share]):	The Stock Exchange of Hong Kong Limited
18.	Related Exchange:	[*Exchange*] [All Exchanges]
19.	Initial Spot Price:	[*currency*] [*price*]
20.	Knock-out Event:	
	- Bull Knock-out Event:	[Applicable] [Not Applicable]
	- Bear Knock-out Event:	[Applicable] [Not Applicable]
	- Double Knock-out Event:	[Applicable] [Not Applicable]
21.	Knock-out Barrier:	[Not Applicable] [*currency amount*] [[number] per cent. of the Initial Spot Price, rounded to 4 decimal places, with 0.00005 or above being rounded upwards.]
22.	Upper Knock-out Barrier:	[Not Applicable] [*currency amount*] [[number] per cent. of the Initial Spot Price, rounded to 4 decimal places, with 0.00005 or above being rounded upwards.]
23.	Lower Knock-out Barrier:	[Not Applicable] [*currency amount*] [[number] per cent. of the Initial Spot Price, rounded to 4 decimal places, with 0.00005 or above being rounded upwards.]
24.	Floor Rate:	[*percentage*]%
25.	Fixed Cash Dividend Rate:	[*percentage*]%
26.	Participation Rate:	[*percentage*]%
27.	Rebate Rate:	[*percentage*]%

OPERATIONAL INFORMATION

28.	Any Additional Clearing System(s) and the relevant identification number(s):	[Not Applicable] [Central Clearing and Settlement System] [*insert identification number*]
	Delivery:	Delivery of Knock-out Performance ELIs [free of] [against payment of] issue proceeds
	ISIN:	[*number*]
	Common Code:	[*number*]

Signed on behalf of the Issuer:

The Hongkong and Shanghai Banking Corporation Limited

By:____________________
Duly authorised

REGISTERED OFFICE OF THE ISSUER

The Hongkong and Shanghai Banking Corporation Limited
HSBC Main Building
1 Queen's Road Central
Hong Kong

PRODUCT ARRANGER

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SPECIFIED OFFICE OF THE AGENT

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REGISTRAR AND TRANSFER OFFICE

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LEGAL ADVISER

To the Issuer as to Hong Kong law

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18 Chater Road
Central
Hong Kong