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Warrants

issued by

The Hongkong and Shanghai Banking Corporation Limited

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

Non-collateralised Structured Products

Announcement

We intend to issue the warrants detailed below (the **warrants**).

Stock Code	29404
Index	Hang Seng China Enterprises Index
Style	European
Type	Call
Settlement method	Cash Settled
Issue size	200,000,000 warrants
Issue price	HK\$0.25 per warrant
Launch date (for all series)	24 July 2014
Issue date (for all series)	30 July 2014
Expiry date⁽¹⁾	30 July 2015
Valuation date⁽¹⁾	30 July 2015
Board lot	10,000 warrants
Strike level	12,000
Index currency amount	HK\$1.00
Divisor	4,000
Implied volatility⁽²⁾	36.56%

⁽¹⁾ If the day specified is not the day on which the Index Futures Contracts expire on the Hong Kong Futures Exchange Limited, the day on which the Index Futures Contracts will expire on the Hong Kong Futures Exchange Limited.

Stock Code	29404
Gearing⁽²⁾	10.82x
Effective gearing⁽²⁾	2.87x
Premium⁽²⁾	20.14%
Liquidity provider	HSBC Securities Brokers (Asia) Limited (Broker ID: 9643) Levels 17 and 18, HSBC Main Building, 1 Queen's Road Central, Hong Kong Tel: (852) 2822 1849

⁽²⁾ The implied volatility, gearing, effective gearing and premium may not be comparable to similar information provided by other issuers of derivative warrants as each issuer may use different pricing models.

How do we calculate the cash settlement amount?

The warrants are in registered form and exercisable only in the relevant board lots.

If on any expiry date the cash settlement amount is greater than zero, the warrants will be automatically exercised.

Every board lot will entitle you to receive from us the cash settlement amount (less any exercise expenses) in Hong Kong dollars calculated by us as equal to:

For a series of call Warrants:

$$\frac{(\text{closing level}^{(3)} - \text{strike level}) \times \text{one board lot} \times \text{index currency amount}}{\text{divisor}}$$

For a series of put Warrants:

$$\frac{(\text{strike level} - \text{closing level}^{(3)}) \times \text{one board lot} \times \text{index currency amount}}{\text{divisor}}$$

If the cash settlement amount is a negative amount it shall be deemed to be zero.

⁽³⁾ The **closing level** means the final settlement price for settling the Hang Seng China Enterprises Index Futures Contracts that are scheduled to expire during the month in which the Expiry Date of the relevant series of the Warrants is scheduled to fall (the "Index Futures Contracts"), determined pursuant to Regulation 012 of the Regulations for Trading Stock Index Futures Contracts and the Contract Specifications for Hang Seng China Enterprises Index Futures (as amended from time to time) of the Hong Kong Futures Exchange Limited (or its successor or assign), subject to our right to determine the Closing Level in good faith on the Valuation Date upon the occurrence of a Market Disruption Event as described further in the terms and conditions of the Warrants.

Where can you obtain further information?

Our base listing document dated 25 April 2014 (the **base listing document**) together with any additional addenda or successor document, our supplemental listing document to be dated 30 July 2014 and our latest publicly available annual report and interim report will be available for inspection, together with their Chinese translations, during usual business hours at our office, which is presently at HSBC Main Building, 1 Queen's Road Central, Hong Kong. Information on us can also be found on the website of the group of companies to which we belong, which is www.hsbc.com.

How will the liquidity provider provide quotes?

The liquidity provider will provide liquidity by responding to requests for bid and ask quotes. A quote may be obtained by calling its telephone number.

Additional information

The warrants constitute general unsecured contractual obligations of us as the Issuer and of no other person and will rank equally among themselves and with all our other unsecured obligations (save for those obligations preferred by law) upon liquidation. If you purchase the warrants, you are relying upon the creditworthiness of us, and have no rights under the warrants against the Index Compiler or any other person. If we become insolvent or default on our obligations under the warrants, you may not be able to recover all or even part of the amount due under the warrants (if any).

An application will be made to the stock exchange for the listing of, and permission to deal in, the warrants on the stock exchange. The date of commencement of dealings in the warrants is expected to be 31 July 2014.

We are a licensed bank in Hong Kong regulated by the Hong Kong Monetary Authority, and a registered institution under the Securities and Futures Ordinance (Cap. 571) of Hong Kong.

Our long-term debt ratings are AA- by Standard and Poor's Ratings Services, a division of The McGraw-Hill Companies, Inc. and Aa2 by Moody's Investors Service, Inc., New York.

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The Hongkong and Shanghai Banking Corporation Limited

24 July 2014