

Date*:

The Government of the Hong Kong Special Administrative
Region of the People's Republic of China (the “**Issuer**”)
Issue of HKD10,000,000,000 iBond Series
Retail Bonds due August 2018

Important Risk Warning:

- This is an investment product. The investment decision is yours but you should not invest in this product unless the intermediary who sells it to you has explained to you that the product is suitable for you having regard to your financial situation, investment experience and investment objectives.
- The Bonds are NOT equivalent to a time deposit.
- Issuer's risk - The Bonds are subject to both the actual and perceived measures of credit worthiness of the Issuer. There is no assurance of protection against a default by the Issuer in respect of the repayment obligations. In the worst case scenario, you might not be able to recover the principal and any coupon if the Issuer defaults on the Bonds.
- Additional risks are disclosed in the section of “Risk Factors” below and in the relevant offering documentation of the Bonds. Please refer to it for details.

WARNING

The contents of this Term Sheet have not been reviewed by any regulatory authority in Hong Kong. You are advised to exercise caution in relation to the offer. If you are in any doubt about any of the contents of this document, you should obtain independent professional advice.

IMPORTANT

If you are in doubt as to any aspect of this offer, you should consult a licensed securities dealer, bank manager, solicitor, certified public accountant or other professional adviser.

Unless otherwise specified in this Term Sheet, any capitalised terms used but not defined in this Term Sheet shall have their meanings as set out in the offering documentation of the Bonds.

* If you receive this Term Sheet via email, the date of the Term Sheet is the date as stated on the email to which it is attached. If you receive this Term Sheet via fax, the date of the Term Sheet is the date as stated on the document header or on the cover letter which accompanies the Term Sheet. If you are viewing this Term Sheet over the internet, the date of the Term Sheet is the date as stated on the webpage to which it is shown.

Term Sheet

Issuer	The Government of the Hong Kong Special Administrative Region (HKSAR) of the People's Republic of China	
Guarantor	N/A	Series No: N/A
		Tranche No: N/A
		CMU Code: 03GB1808R
Type	Retail Floating Rate Unsecured Notes	
Rating (A rating is not a recommendation to buy, sell or hold securities and may be subject to suspension, change or withdrawal at any time by the assigning rating agency. Please contact HSBC staff if you wish to obtain (if any) updated ratings information prior to making your investment.)	<p>Issuer's rating: Aa1 (Moody's), AAA (S&P), as at 17 July 2015</p> <p>The Bonds' rating: N/A (Moody's) / AA+ (S&P), as at 29 September 2017</p> <p>(Source: Bloomberg)</p>	
Issue Date	7 August 2015	
Maturity Date[^]	7 August 2018	
Coupon	<p>The interest rate for each interest payment date will be determined and announced on the relevant interest determination date as the higher of:</p> <p>(i) the floating rate, being the arithmetic average of the year-on-year rates of change in the Composite Consumer Price Index compiled and published by the Census and Statistics Department of HKSAR Government based on the results of the most recent Household Expenditure Survey at the relevant interest determination date (currently being the 2009/10-based Composite Consumer Price Index) for the 6 most recent preceding months, rounded to the nearest two decimal places; and</p> <p>(ii) the fixed rate of 1.00%,</p> <p>per annum, payable every 6 months in arrear.</p>	
Coupon frequency	Semi Annually	
Status of Notes	Amounts of principal, interest and any other amounts payable on the Bonds are payable first out of the bond fund and, if need be, then out of the general revenues and assets of HKSAR Government. The Bonds are direct, unsecured, unconditional and general obligations of HKSAR Government and rank pari passu	

	with all other unsecured indebtedness of HKSAR Government incurred for the general revenue from time to time outstanding and without preference for one over the other by reason of priority of date of issue or otherwise	
Offering Documentation@	The Programme Circular dated 16 July 2015 (the “Programme Circular”) and the Issue Circular dated 16 July 2015 (the “Issue Circular”).	
Currency & Amount of the issue	HKD 10,000,000,000	
Interest Commencement Date	7 August 2015	
Denomination	HKD10,000 and integral multiples of HKD10,000 in excess thereof	
Minimum Investment Amount	Per investor: HKD10,000	
Redemption at maturity	At par (100%)	
Interest payment dates and relevant interest determination dates^	Interest payment date	Relevant interest determination date
	11 February 2016	25 January 2016
	8 August 2016	25 July 2016
	7 February 2017	23 January 2017
	7 August 2017	24 July 2017
	7 February 2018	24 January 2018
	7 August 2018	24 July 2018
Listing and Pricing# (Please contact HSBC staff for (if any) updated pricing information prior to making your investment.)	<p>The Notes is listed on The Stock Exchange of Hong Kong Limited (“the Exchange”).</p> <p>Certain information with regards to the price and turnover (if any) of the Notes may be available on the Exchange website at http://www.hkex.com.hk.</p> <p>The information with regards to the last closing price and historical prices of the Notes, which is required by the Securities and Futures Ordinance Schedule 7 Part 1 – Section 1(b), (c), (d) and (e), are not included in this Term Sheet because:</p> <ul style="list-style-type: none"> • there is no record of any trading activity of the Notes on the Exchange; • the historical prices including but not limited to the closing price on the last trading day immediately preceding (a) this offer, (b) the public announcement in relation to this offer, and (c) each of the 6 months immediately preceding this offer, as well as the highest and the lowest closing prices during the period of last 6 months, are not available publicly through the Exchange and/or other public sources; and • there has been no public announcement in relation to this offer 	
Description of the Issuer (from page 21 to 22 of the Programme Circular)	On 1 July 1997 Hong Kong became a Special Administrative Region of the People’s Republic of China in accordance with Article 31 of the Constitution of the People’s Republic of China.	

	<p>The reunification of Hong Kong with the People’s Republic of China (the “PRC”) is a consequence of an agreement between the Government of the United Kingdom of Great Britain and Northern Ireland and the Government of the People’s Republic of China, as embodied in the Sino-British Joint Declaration on the Question of Hong Kong (the Joint Declaration) signed on 19 December 1984 and subsequently ratified by both governments.</p> <p>Hong Kong maintains one of the world’s most open economies and a business-friendly environment characterised by a relatively high degree of free trade and free flow of information, an established financial regulatory regime and legal system and a developed transportation and telecommunications infrastructure. In 2014, Hong Kong was ranked the eighth largest trading entity in the world by the World Trade Organization based on the value of total merchandise trade, and is home to the fourth busiest container port in the world in terms of throughput.</p> <p>Over the past two decades, the Hong Kong economy (as measured by GDP) has doubled in size, with GDP growing at an average annual rate of 3.4% in real terms. In 2014, Hong Kong’s GDP at current market prices reached HK\$2,255.6 billion and its per capita GDP of US\$40,200 was amongst the highest in Asia</p>
Contact Information of the Issuer	Registered Office Hong Kong Monetary Authority Address: 55/F, Two International Finance Centre 8 Finance Street, Central, Hong Kong
Additional documentation required from the customer	N/A
Fees & Charges	<u>Safe Custody</u> Waived <u>Interest Collection</u> Waived <u>Redemption at Maturity</u> Waived
Stamp Duty	No Hong Kong stamp duty is payable on the purchase of the Bonds

- ^ Actual payment dates are subject to the payment received from the relevant custodian which maybe beyond the stated date due to time zone difference and different lead time required by individual paying agent.
- @ The financial data and business and operational information included in the Offering Documentation (if applicable) may not reflect the latest financial, business or operational conditions of the Issuer/ Guarantor. Also, they should not be taken as an indication of future results or performance.
For Notes listed in Stock Exchange of Hong Kong (SEHK), investors should note the disclaimer in the offering document that the SEHK takes no responsibility for the contents of the offering document, makes no representation as to its accuracy or completeness and expressly disclaims any liability for any loss howsoever arising from or in reliance upon the whole or any part of the contents of the offering document.
- # Listing of the Notes is not to be taken as an indication of the merits of the Issuer, the Group or the Notes. In making an investment decision, investors must rely on their own examination of the Issuer, the Group and the terms of the offering, including the merits and risks involved.

Risk Factors

There are investment risks involved in buying the Bonds (including the risks set out in the “Risk Factors” below and the risks disclosed in the relevant offering documentation of the Bonds). Before applying for any of the Bonds, you should consider the risks involved in investing in the Bonds and consider whether the Bonds are suitable for you in light of your own financial circumstances and investment objectives. If you are in any doubt, you should get independent professional advice.

Risk factors relating to the Bonds in general

- The Bonds are mainly for medium to long term investment, not for short term speculation. You should be prepared to invest your funds in the Bonds for the full investment tenor; you could lose part or all of your investment if you choose to sell the Bonds prior to maturity.
- The Bonds are not equivalent to, nor should they be treated as a substitute for, time deposit. They are NOT protected deposits and are NOT protected by the Deposit Protection Scheme in Hong Kong.
- Receipt of any interest and principal amount at maturity of the Bonds is subject to the credit risk and default risk of the Issuer. In case of default, the holder of the Bonds may not be able to receive back the principal amount invested or any interest payable on the Bonds. The holder of the Bonds bears the credit risk and the default risk of the Issuer and has no recourse to HSBC unless HSBC is the Issuer itself.
- One or more independent credit rating agencies may assign credit ratings to an issue of the Bonds, the Issuer. Credit ratings may not reflect all of the risks related to the Bonds, the Issuer and other factors that may affect the value of the Bonds. Credit ratings do not guarantee the creditworthiness of the Issuer.
- A credit rating by the rating agency is not a recommendation to buy, sell or hold securities and may be subject to revision, suspension or withdrawal at any time. A suspension, reduction or withdrawal at any time of any rating assigned to the Bonds may adversely affect the market price of the Bonds.
- The market price of the Bonds may fluctuate with market changes. Factors affecting the market price of the Bonds include, but are not limited to, fluctuations in interest rates, credit spreads, and liquidity premiums. In particular, investment in the Bonds is susceptible to fluctuations in interest rates which may adversely affect the value of the Bonds. The price of the Bonds may generally fall when the interest rates rise. The fluctuation in yield generally has a greater effect on prices of longer tenor Bonds. There is an inherent risk that losses may be incurred rather than profit made as a result of buying and selling the Bonds.
- The Issuer may have the right (but not the obligation) to early redeem the Bonds prior to maturity date upon occurrence of certain events (please refer to the offering documentation of the Bonds for details). If the Issuer exercises its right to redeem the Bonds before they mature, you may suffer a substantial loss under the Bonds and you may

not be able to enjoy the same rates of return when you re-invest the amount received under such early redemption in other investments with similar risk parameters.

- If you wish to sell the Bonds, HSBC may but is not obliged to repurchase them based on the prevailing market price under normal market circumstances, but the selling price may differ from the original buying price due to changes in market conditions.
- Bonds may have no established trading market when issued, and one may never develop. Even if a secondary market does develop, the secondary market for the Bonds may not provide significant liquidity or may trade at prices based on the prevailing market conditions and may not be in line with your expectations. Therefore, you may not be able to sell the Bonds easily before maturity or at prices that will provide you with a yield comparable to similar investments that have a developed secondary market.
- There may be exchange rate risks if you choose to convert payments made on the Bonds to your home currency.
- Interest rate risk: The retail bonds carry a floating rate of interest that is calculated other than by reference to prevailing Hong Kong dollar interest rates. The market value of your retail bonds may decrease if the prevailing Hong Kong dollar interest rates increase during the term of the retail bonds.
- Index risk: The retail bonds carry a rate of interest that includes a component linked to the Composite Consumer Price Index. The market value of your retail bonds may be affected by movements in the index.
- Credit risk: The retail bonds are not secured. When you buy retail bonds you will be relying on the creditworthiness of HKSAR Government. Adverse changes in the wider economic conditions in Hong Kong and the world and/or the creditworthiness of HKSAR Government may reduce the market value of your retail bonds and may affect HKSAR Government's ability to make payments of principal of and interest on your retail bonds. In the worst case scenario, you could lose all of your investment.
- Please refer to the offering documentation of the Bonds for other risk factors relating to the Issuer and the Bonds.

Investor's Commitment and Acknowledgements

When you place your order for the Bonds, you are deemed to make a series of confirmations and acknowledgements, including that you:

- (i) have read and understood this Term Sheet, including the risks of investing in the Bonds as explained in the section “**Risk Factors**” before making any investment decision;
- (ii) understand that you should refer to the relevant offering documentation of the Bonds, for further details on the terms of the Bonds and risks involved before making any investment decision;
- (iii) confirm that you are prepared to invest your funds in the Bonds for the full investment tenor; you could also lose part or all of your investment if you choose to sell your Bonds prior to maturity;
- (iv) understand that this document is not intended to provide and should not be relied upon for tax, legal or accounting advice, investment recommendations or credit worthiness or other evaluation of the Issuer ; prospective investors should consult their tax, legal, accounting and/or other advisors; and
- (v) understand that you should avoid excessive investment in a single type investment, with regard to its total proportion of your overall portfolio, in order to guard against overexposure to any single investment.

How to find out the current market value of your investment after purchase?

The current market value of your investment will be available upon request. Please contact our staff at any HSBC branch in Hong Kong.

Note: If you have any feedback or complaint about any aspect of the service you have received, please contact our Hong Kong branches, call (852) 2233 3322 for HSBC Premier customers, (852) 2748 8333 for HSBC Advance customers or (852) 2233 3000 for Other Personal Banking customers, or write to the Customer Relations Department at P.O. Box No. 71169 Kowloon Central Post Office, or send an email to feedback@hsbc.com.hk. We will respond to a complaint within a reasonable period of time normally not exceeding 30 days in general circumstances. If you are not satisfied with the outcome of your complaint, you have the right to refer the matter to the Banking Services Complaints of Hong Kong Monetary Authority at 55th Floor Two International Finance Centre, 8 Finance Street, Central, Hong Kong. For monetary dispute, you have the right to refer the matter to the Financial Dispute Resolution Centre at Unit 3701-4, 37/F, Sunlight Tower, 248 Queen's Road East, Wan Chai, Hong Kong.

References to websites

References to the websites stated in this document where further information may be obtained are intended as guides for you to access further public information on the securities. Information appearing on such websites is not part of the offering documents. HSBC accept no responsibility whatsoever that such other information, if available, is accurate and/or up-to-date, and no responsibility is accepted in relation to any such information by us and our respective affiliates.

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A registered institution under the Securities and Futures Ordinance, with Central
Entity Identity Number AAA523
Registered Office: 1 Queen’s Road Central, Hong Kong
Tel: +852 2996 6730, Member HSBC Group*



日期*:

中華人民共和國香港特別行政區政府（「**發行人**」）
發行 10,000,000,000 港元通脹掛鈎債券系列
零售浮息債券
2018年8月到期

重要風險通知：

- 此乃投資產品。投資決定是由閣下自行作出的，但閣下不應投資在該產品，除非中介人於銷售該產品時已向閣下解釋經考慮閣下的財務情況、投資經驗及目標後，該產品是適合閣下的。
- 本債券並不相等於定期存款。
- 發行人風險 - 本債券表現受發行人的實際和預計借貸能力所影響。就償債責任而言，本債券不保證發行人不會拖欠債務。在最壞情況下，如果發行人不履行契約，本債券持有人可能無法取回本債券的利息和本金。
- 以下「風險因素」部份及本債券相關發售文件將列出其他風險因素，詳情請參閱有關部份。

警告

本條款表的內容未經在香港的規管當局審核。閣下應就有關要約謹慎行事。如閣下對本文件的任何內容有任何疑問，閣下應尋求獨立專業意見。

重要提示

如閣下對此要約的任何方面有疑問，應諮詢持牌證券交易商、銀行經理、律師、會計師或其他專業顧問。

除本條款表另有說明外，本條款表的英文版本所使用但並未作出定義的任何大寫術語應具有本債券發售文件所載的涵義。

*如閣下透過電郵收取本條款表，則條款表的日期為條款表的郵件所載日期。如閣下透過傳真收到本條款表，條款表日期即文件頁首或條款表附函所示的日期。如閣下透過互聯網閱讀本條款表，則條款表的日期為網頁所示日期。

條款表

發行人	中華人民共和國香港特別行政區政府	
擔保人	不適用	序列號： 不適用
		債券號： 不適用
		CMU編碼： 03GB1808R
類別	零售浮息無抵押債券	
評級 (評級並不代表建議購買、出售或持有債券，且可由授予評級之機構隨時終止、更改或撤銷。倘若閣下希望在作出投資前獲得更新的(如有的話)評級資料，請聯絡滙豐的職員)	<p>發行人評級：Aa1 (穆迪) / AAA (標準普爾)，截至2015年7月17日</p> <p>票據評級：不適用 (穆迪) / AA+ (標準普爾)，截至2017年9月29日</p> <p>(資料來源：彭博資訊)</p>	
發行日期	2015年8月7日	
到期日期 [^]	2018年8月7日	
票息	<p>每一個付息日的息率將於相關的利息釐定日，釐定和公布為下列較高者：</p> <p>(i) 浮息，即最近6個月公布，以2009/10年為基期的綜合消費物價指數按年變動率的算術平均值（準確至小數點後兩個位）；及</p> <p>(ii) 定息，即1.00%。</p> <p>該息率為年息率，而利息將於每6個月期末支付。</p>	
票息頻率	每半年	
票據的地位	<p>債券應付的本金、利息及任何其他應付金額首先自債券基金中撥付，且如需要，則從香港特區政府的一般收入及資產中撥付。債券為香港特區政府的直接、無抵押、無條件及一般債項。債券與香港特區政府不時就一般收入而產生且仍未清還的所有其他無抵押債項享有同等權益，並且不會出現因發行日期之先後或其他原因而致使某一債項較另一債項優先的情況。</p>	
發售文件 [@]	日期為2015年7月16日的計劃通函（「計劃通函」）及日期為2015年7月16日的發售通函（「發售通函」）。	
貨幣及發行金額	10,000,000,000 港元	
計息開始日期	2015年8月7日	
面額	10,000港元及超過部份按10,000港元的整數倍計算	
最小投資額	每位投資者：10,000	
到期贖回	按面值(100%)	

利息支付日期及相關利息釐定日期 [^]	利息支付日	相關利息釐定日期
	2016年2月11日	2016年1月25日
	2016年8月8日	2016年7月25日
	2017年2月7日	2017年1月23日
	2017年8月7日	2017年7月24日
	2018年2月7日	2018年1月24日
	2018年8月7日	2018年7月24日
上市及定價# (倘若閣下希望在作出投資前獲得更新的(如有的話)定價資料,請聯絡滙豐的職員)	本債券於香港聯合交易所有限公司(「交易所」)上市。 有關本票據價格及成交額(如有)的若干資料可於交易所網站 http://www/hkex.com.hk 查詢。 須根據證券及期貨條例附表7第1部份第1(b)、(c)、(d)及(e)節予以提供的有關本票據最後收市價及過往價格的資料並無載入本條款表,原因是: <ul style="list-style-type: none"> • 本票據並無於交易所交易的任何記錄; • 過往價格包括但不限於緊接(a)本發售,(b)有關本發售的公佈及(c)緊接本發售前六個月各月之前的最後交易日的收市價、以及最後六個月期間的最高及最低收市價無法透過交易所及/或其他公開來源取得;及 • 並無有關本發售的公佈。 	
發行人簡介(摘自計劃通函第21至22頁)	於一九九七年七月一日,香港根據《中華人民共和國憲法》第三十一條成為中華人民共和國的特別行政區。香港回歸中華人民共和國(「中國»)是基於大不列顛及北愛爾蘭聯合王國政府與中華人民共和國政府訂立的一份協議。該份協議收錄由雙方政府於一九八四年十二月十九日簽訂並在其後經中英政府確認的《關於香港問題的中英聯合聲明》(《 聯合聲明 》)內。 香港是全球最開放的經濟體系之一,擁有友善的營商環境,且具有相對高度自由的貿易及資訊流通、已確立的金融監管制度和法律制度,以及發展完善的交通及電訊基建。於二零一四年,根據世界貿易組織的排名,按商品貿易總額計算,香港是全球第八大貿易實體;同年,香港的貨櫃碼頭吞吐量位列全球第四大。 在過去二十年,香港的經濟規模增長一倍(以本地生產總值計算),本地生產總值每年平均實質增長為3.4%。於二零一四年,香港的本地生產總值按當時市價計算達到22,556億港元,而人均本地生產總值為40,200美元,是亞洲區內人均本地生產總值最高的經濟體系之一。	

發行人聯絡資料	註冊辦事處地址： 香港金融管理局 香港中環 金融街 8 號 國際金融中心二期55 樓
須向客戶獲取的額外文件	不適用
服務收費	<u>託管服務</u> 豁免 <u>代收利息</u> 豁免 <u>到期贖回</u> 豁免
印花稅	購買本債券無須支付香港印花稅

^ 有關款項的實際支付日期視乎收到相關託管人的付款日期。基於時差原因或個別支付代理不同的處理時間，有關款項的實際支付日期可能遲於日期所述。

@ 發售文件中的財務數據及其他業務或營運信息（如適用）可能未反映發行人／擔保人最新的財務、業務或營運狀況。另外，該等信息不應視為將來表現的指標。對於香港聯合交易所（港交所）上市的票據，投資者亦應留意發售文件中，關於港交所對發售文件之內容準確性、完整性及因內容全部或任何部分內容而產生或因依賴該等內容而引致的任何損失承擔任何責任的免責聲明。

於交易所上市的票據並不代表發行人、發行機構或票據的優勢。作出投資決定前，投資者應考慮發行人、發行機構及票據條款，包括其優勢及相關風險。

風險因素

購買本債券涉及投資風險（包括以下「風險因素」所載風險及本債券相關發售文件披露的風險）。在投資於本債券之前，投資者應考慮投資本債券所涉及的風險，並就本身的財政狀況及投資目標，考慮是否適合投資於本債券。如有任何疑問，應諮詢獨立專業顧問的意見。

本債券涉及的一般風險因素

- 本債券主要提供中長期的投資，並不是短線投機的工具。閣下應準備於整段投資期內將資金投資於本債券上；若閣下選擇在到期日之前提早出售本債券，可能會損失部份或全部的投資本金額。
- 本債券並不相等於定期存款，亦不應被視為其替代品。本債券並非受保障存款，且不受香港存款保障計劃之保障。
- 於本債券到期日收回利息和本金需受發行人的信貸及違約風險影響。如果發生違約，債券持有人可能無法取回本債券的利息和本金。債券持有人須承擔發行人的信貸及違約風險，且不能向滙豐追討任何賠償，除非滙豐本身為該債券之發行人。
- 一家或多家獨立評級機構可能會向發行的債券、發行人及授予信用評級。信用評級可能不會反映債券、發行人的所有相關風險以及可能影響債券價值的其他因素。信用評級並不能對發行人的信用水平提供保證。
- 評級機構的信用評級並非買入、出售或持有債券的建議，可能隨時修訂、暫停或撤回。倘若評級機構於任何時間暫停、下調或撤回對本債券的評級，則可能會對本債券的市價造成不利影響。
- 本債券的市價可能會隨著市場變化而波動。影響本債券市價的因素包括，但不限於，利率、信貸息差及流通性溢價的波動。特別是，投資本債券易受市場利率波動影響，或將對本債券價值產生不利影響。本債券價值或會因利率上升而下跌。而孳息率的上落對越長年期的債券價格影響一般較大。買賣債券帶有風險，投資者未必能夠賺取利潤，可能會招致損失。
- 於發生若干事件的情況下，發行人可能有權（但無責任）在到期日前提早贖回債券（詳情請參閱債券發售文件）。倘發行人在到期日前行使其權利贖回債券，則閣下或可能因本債券承受重大損失，當閣下將該次因提早贖回獲得的金額再投資於其他風險相近的投資項目時，亦未必能夠獲得相同的回報率。
- 如閣下打算出售經滙豐代閣下購入的債券，滙豐可但並無責任在正常市場下，按市價進行有關交易。但基於市況變動，賣出價與最初的買入價可能不同。
- 債券發行時可能並無一個已建立的交易市場，亦可能永遠不會建立。即使二手市場已建立，交易本債券的二手市場或不能提供龐大的流通量或按現行市價買賣，且可

能與閣下之預期不符。因此，閣下或許不能於到期日前輕易出售本債券，或按可為閣下提供可類比有已建立二手市場的投資工具所獲收益的價格出售。

- 倘若閣下選擇將債券所支付的付款兌換為本國貨幣，可能須承受匯率波動的風險。
- 利率風險：本零售債券按浮息率計息，而該浮息率並非參照當時港元利率計算。如港元利率於零售債券投資年期內上升，你的零售債券的市場價格可能下降。
- 指數風險：本零售債券的息率包含一個與綜合消費物價指數掛澗的成分。你的零售債券的市場價格可能會受該指數的變動影響。
- 信貸風險：本零售債券不設抵押。你認購本零售債券，將依賴香港特區政府的信譽行事。若香港及世界的廣泛經濟情況及／或香港特區政府信譽轉差，可能會降低你的零售債券的市場價格，亦可能影響香港特區政府支付你的零售債券本金和利息的能力。在最壞的情況下，你可能會損失全部投資款項。
- 請參閱本債券的發售文件，了解有關發行人及本債券的其他風險因素。

投資者責任及聲明

投資者向分銷商購買本債券時，投資者將被視為作出一系列承諾及聲明，包括：

- (i) 於作出任何投資決定前，已閱讀及理解本條款表，包括「風險因素」部分所說明的有關投資本債券的風險；
- (ii) 明白於作出任何投資決定前，應參閱本債券相關發售文件，以便獲得有關本債券條款及所涉及風險的進一步詳情；
- (iii) 確認準備於整段投資期內將資金投資於本債券上；若投資者選擇在到期日之前提早出售本債券，可能會損失部份或全部的投資本金；
- (iv) 明白本文不擬提供稅務、法律或會計意見、投資建議或對發行人的誠信或其他方面進行評估，投資者亦不應依賴本文作上述用途。準投資者應諮詢其稅務、法律、會計及／或其他顧問；及
- (v) 明白就於閣下整體投資組合所佔比例而言，閣下應避免過度集中於一個投資類型，以防止集中於某個投資類型而增加投資風險。

在投資債券後，怎樣查詢債券的市值？

閣下可聯絡滙豐在香港的各分行查詢債券的市值。

注意：如閣下對我們的服務有任何意見或投訴，請聯絡我們在香港的任何分行、致電（852）2233 3322（滙豐卓越理財客戶），（852）2748 8333（運籌理財客戶）或（852）2233 3000（其他個人理財客戶）、致函我們的客戶關係部（九龍中央郵政局郵政信箱71169號）或電郵至feedback@hsbc.com.hk。我們在一般情況下會於合理的時間（通常30日）內回覆客戶的投訴。若閣下對投訴結果仍有不滿，閣下有權將個案轉交香港金融管理局的銀行服務投訴組處理，地址為香港中環金融街8號國際金融中心2期55樓。有關金錢糾紛，閣下有權將個案轉交金融糾紛調解中心（香港灣仔皇后大道東248號陽光中心37樓3701-04室）處理。

關於網站的提述

本文件有提述若干網站，其中或可提供進一步資料，以指引閣下取得有關證券的更多公眾資料。該等網站所載的資料並非發售文件的一部份。滙豐對該等其他資料（如有）是否準確及／或最新概不承擔任何責任，且本集團及本集團相關聯屬公司對任何該等資料概不承擔責任。

免責聲明

香港上海滙豐銀行有限公司（「滙豐」）刊發本文件。本條款表所載資料取自滙豐相信為可靠之來源，惟滙豐並未對其進行獨立核實。滙豐概無作出任何性質的聲明及保證（明示或暗示），亦不對本文件所載任何資料、預測、聲明及保證（明示或暗示）之完整性或準確性或任何遺漏承擔任何責任。本文件所載資料並不構成買賣本票據的招攬銷售或建議。本文件內發表之意見乃真誠地發表，惟可未經通知而改變。滙豐概不就使用本文件所導致之任何直接或間接或相應而生之損失接納任何責任。謹請注意，上述利率或價格乃僅供參考，並可能根據市況而變動。若干司法管轄區之法律可能限制派發本文件，而本文件中所載之資料乃僅供收件人閱覽，不得複製或以其他形式傳佈。滙豐及其聯屬公司及／或高級職員、董事及僱員可能就本文件所述之任何金融工具或貨幣持倉，並可不時增加或出售有關金融工具或貨幣。使用資料之人士務請就其中所載之任何事宜作出獨立判斷。

由香港上海滙豐銀行有限公司（「滙豐」，註冊地址為香港皇后大道中 1 號）刊發

香港上海滙豐銀行有限公司是分銷商，為滙豐集團旗下控股公司—滙豐控股有限公司的全資附屬公司。

香港上海滙豐銀行有限公司
經由香港金融管理局授權及監管
根據《證券及期貨條例》註冊為註冊機構，
中央註冊編號為 AAA523
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**The Government of the Hong Kong Special Administrative
Region of the People's Republic of China**

Retail Bond Issuance Programme

ISSUER'S REPRESENTATIVE

Monetary Authority

CO-ARRANGERS

Bank of China (Hong Kong) Limited

HSBC

The Government of the Hong Kong Special Administrative Region of the People’s Republic of China (**HKSAR Government**) has set up its retail bond issuance programme (the **retail bond programme**) to issue retail bonds to the public in Hong Kong in order to promote investor awareness of the bond market in Hong Kong.

This programme circular describes the features of the retail bond programme and the terms and conditions which in general apply to retail bonds issued under the retail bond programme (**retail bonds**). HKSAR Government may update or supplement this programme circular. You should read this programme circular together with all updates and supplements which HKSAR Government has published. HKSAR Government will publish an issue circular to specify the terms for each series of retail bonds. The issue circular for a particular series of retail bonds may vary and/or supplement the terms described in this programme circular for those retail bonds. In that case, the variations and/or supplements described in the issue circular apply, but only to that series of retail bonds.

In this programme circular, certain words and expressions have a specific meaning. These meanings are set out on pages 25 to 27 of this programme circular.

<u>KEY FACTS</u>	
<p>This table only provides a quick summary of the key benefits and risks of investing in retail bonds. It does not contain all the information that may be important to you as an investor in retail bonds.</p> <p>You should read all of this programme circular and the relevant issue circular carefully before making any investment decision concerning any retail bonds.</p>	
KEY BENEFITS OF INVESTING IN RETAIL BONDS	KEY RISKS OF INVESTING IN RETAIL BONDS
<ul style="list-style-type: none"> ● <u>Strong credit</u>: HKSAR Government has a strong, “investment grade”, credit rating. 	<ul style="list-style-type: none"> ● <u>Interest rate risk</u>: The market value of retail bonds with a fixed rate of interest, or with a rate of interest that includes a fixed rate component, may decrease if the prevailing Hong Kong dollar interest rates increase during the term of those retail bonds.
<ul style="list-style-type: none"> ● <u>Regular returns</u>: Retail bonds offer regular payments of interest for the entire term of your investment. 	<ul style="list-style-type: none"> ● <u>Index risk</u>: The market value of retail bonds with an interest rate linked to an index may be affected by movements in that index.
<ul style="list-style-type: none"> ● <u>Interest rate</u>: Retail bonds may offer higher interest rates than Hong Kong dollar time deposits of similar maturities. 	<ul style="list-style-type: none"> ● <u>Exchange rate risk</u>: The Hong Kong dollar value of retail bonds denominated in a currency other than Hong Kong dollars will decrease if that currency depreciates against the Hong Kong dollar.
<ul style="list-style-type: none"> ● <u>Range of maturities</u>: Retail bonds may be available in a number of different maturities. 	<ul style="list-style-type: none"> ● <u>Liquidity risk</u>: There may not be an active secondary market for your retail bonds and it may not be possible to sell your retail bonds prior to maturity or the sale price may be lower than the amount you have invested.

	<ul style="list-style-type: none"> ● <u>Credit risk</u>: The retail bonds are not secured. When you buy retail bonds, you will be relying on the creditworthiness of HKSAR Government. Adverse changes in the wider economic conditions in Hong Kong and the world and/or the creditworthiness of HKSAR Government may reduce the market value of your retail bonds and may affect HKSAR Government's ability to make payments of principal of and interest on your retail bonds. In the worst case scenario, you could lose all of your investment.
	<ul style="list-style-type: none"> ● <u>Intermediary risk</u>: You can only hold retail bonds indirectly through certain institutions whom you will have to rely on to perform a number of functions, including passing on payments of principal of and interest on retail bonds to you and proving your interest in your retail bonds.

YOU SHOULD NOTE THE FOLLOWING IMPORTANT INFORMATION

If you are in any doubt about the contents of this programme circular or any issue circular, you should obtain independent professional advice.

Retail bonds will be issued under the retail bond programme. You should read the relevant issue circular as well as this programme circular (as amended or supplemented from time to time) and ensure you fully understand the risks associated with investing in retail bonds before deciding whether to apply for any retail bonds.

None of HKSAR Government, the Monetary Authority or the co-arrangers will give you investment advice: you must decide for yourself whether the retail bonds meet your investment needs, taking professional advice if appropriate.

Any application for HKSAR Government's retail bonds will be made solely on the basis of the information contained in this programme circular and the relevant issue circular. No person has been authorised to give any information or to make any representation not contained in or not consistent with this programme circular and the relevant issue circular or any other information supplied by HKSAR Government in connection with the retail bonds. If someone has given you any such information or made any such representation, you must disregard it and must not rely on it as having been authorised by HKSAR Government.

Hong Kong Exchanges and Clearing Limited, The Stock Exchange of Hong Kong Limited (the **Hong Kong Stock Exchange**), Hong Kong Securities Clearing Company Limited (**HKSCC**) and the co-arrangers take no responsibility for the contents of this document, make no representation as to its accuracy, completeness or sufficiency and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this document.

This programme circular relates only to retail bonds issued by HKSAR Government under the retail bond programme. It does not relate to any other bonds issued by HKSAR Government under its institutional bond programme or any other bond or note issuance programme or otherwise.

本計劃通函備有中文版本。你可於金融管理專員辦事處索取本計劃通函之中文版本。金融管理專員辦事處地址為香港中環金融街8號國際金融中心二期55樓。

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SUMMARY OF HKSAR GOVERNMENT'S RETAIL BOND PROGRAMME

This is a summary of the retail bond programme. More detailed descriptions of the matters set out here are provided elsewhere in this programme circular. Where there is any difference between the description of a matter here and the more detailed description elsewhere in this programme circular, you should treat the more detailed description as correct. The terms and conditions which will generally apply to each series of retail bonds are described on pages 12 to 14 although these terms and conditions may be varied and/or supplemented for a particular series of retail bonds in the issue circular which HKSAR Government will publish for that series of retail bonds.

Issuer:	The Government of the Hong Kong Special Administrative Region of the People's Republic of China.			
HKSAR Government's current credit ratings:		Local currency long-term credit ratings	Local currency short-term credit ratings	Outlook
	Fitch:	AA+	N/A	Stable
	Moody's:	Aa1	N/A	Stable
	S&P:	AAA	A-1+	Stable
Description:	Retail bond issuance programme.			
Programme size:	Up to HK\$200,000,000,000 in principal amount may be outstanding in total at any time under the retail bond programme and the institutional bond programme. No separate maximum amount has been set for the retail bond programme alone.			
How retail bonds will be offered:	Retail bonds will be offered in one or more series under an issue circular.			
Currency:	Retail bonds are issued in the currency specified in the relevant issue circular.			
Ranking of retail bonds:	Retail bonds rank as HKSAR Government's direct, unsecured, unconditional and general obligations.			
Price of retail bonds:	You can apply to buy retail bonds at the application price specified in the relevant issue circular. Note that certain fees may apply in addition to this price.			
Maturity:	Principal on retail bonds will be repaid in full on the maturity date specified in the relevant issue circular.			
Redemption price:	Retail bonds will be repaid at maturity at 100% of their principal amount.			
Interest rate:	Retail bonds bear interest at the rate, or calculated in the manner, specified in the relevant issue circular.			
Principal application amounts:	The minimum principal amount of retail bonds you can apply for is specified in the relevant issue circular. The principal amount of retail bonds you apply for must be an integral multiple of the minimum denomination. Applications for a principal amount of retail bonds which is less than the minimum denomination or for a principal amount of retail bonds which is not an integral multiple of the minimum denomination are liable to be rejected.			
Form of retail bonds:	Retail bonds are issued in the form of computerised book entries in securities accounts maintained by recognized dealers with the Monetary Authority and title is held by the holder of the securities account to which the retail bonds are credited.			
Governing law:	Hong Kong law governs the retail bonds.			
Listing:	Application has been made to the Hong Kong Stock Exchange for permission to deal in, and for listing, of retail bonds issued under the retail bond programme.			
Use of proceeds:	Sums received by HKSAR Government from the issue of retail bonds will be credited to the bond fund.			

IMPORTANT INVESTMENT CONSIDERATIONS

An investment in retail bonds is not equivalent to a time deposit and involves investment risks.

Your investment in retail bonds is subject to interest rate risk. The market value of retail bonds with a fixed rate of interest, or with a rate of interest that includes a fixed rate component, may decrease if the prevailing Hong Kong dollar interest rates increase during the term of those retail bonds.

Your investment in retail bonds may also be subject to index risk. A series of retail bonds may have an interest rate linked to an index. If this is the case, you should refer to the issue circular of that particular series to find out more about the linked index and the calculation of interest. The market value of retail bonds with an interest rate linked to an index may be affected by movements in that index.

Your investment in retail bonds may also be subject to exchange rate risk. A series of retail bonds may be denominated in a currency other than Hong Kong dollars. The Hong Kong dollar value of retail bonds denominated in a currency other than Hong Kong dollars will decrease if that currency depreciates against the Hong Kong dollar.

Your investment in retail bonds may also be subject to liquidity risk. While HKSAR Government may appoint some or all of the placing banks as market makers to quote prices for the retail bonds on a best-efforts basis, there may not be an active secondary market. If you try to sell your retail bonds before maturity, you may not be able to find a buyer for your retail bonds or the market value of your retail bonds could be lower than the amount you invested. Although retail bonds are listed and can be traded on the Hong Kong Stock Exchange, you should be aware that this does not guarantee an active secondary trading market for the retail bonds or that you will have access to a firm bid or offer price for your retail bonds. Neither does it guarantee the ready availability of pricing information in relation to your retail bonds. If this information is not available, your ability to make an informed decision about whether to sell your retail bonds may be affected.

Like investments in any other fixed income instruments, your investment in retail bonds is also subject to credit risk of default on any repayment of principal or any payment of interest. This credit risk can be assessed by referring to the credit rating of the issuer of the instruments or the instruments themselves if available but you should not rely solely on such credit ratings. Fitch Ratings Ltd. (Fitch), Moody's Investor's Service (Moody's) and Standard & Poor's, a division of the McGraw-Hill Companies, Inc. (S&P) each assigns the following local currency credit ratings to HKSAR Government:

	Long-term	Short-term	Outlook
Fitch:	AA+	N/A	Stable
Moody's:	Aa1	N/A	Stable
S&P:	AAA	A-1+	Stable

HKSAR Government does not intend to obtain a specific credit rating for any series of retail bonds, but reserves the right to do so. Any such specific credit rating will be stated in the relevant issue circular.

The retail bonds are not secured. When you buy retail bonds, you will be relying on the creditworthiness of HKSAR Government. Changes in the creditworthiness of HKSAR Government and in market conditions such as the economic and political environment in Hong Kong and other parts of the world may influence the prices of your retail bonds and may affect HKSAR Government's ability to make payments of principal of and interest on your retail bonds. In the worst case scenario, you could lose all of your investment.

Prices of retail bonds are also influenced by a combination of factors such as time to maturity, overall market conditions and supply and demand of similar instruments. In general, risk increases with the length of maturity of bonds as the prices of longer-term retail bonds tend to be more sensitive to interest-rate movements than those of shorter-term retail bonds.

Your retail bonds may not have the same terms and conditions as other bonds or notes issued by HKSAR Government or other issuers. In particular, the retail bonds do not restrict HKSAR Government's power to grant security for any of its indebtedness and do not include any rights of holders of retail bonds to require payments of principal on any date earlier than the maturity date, even in circumstances where HKSAR Government is in breach of its obligations under the retail bonds. Your attention is drawn to the terms and conditions of the retail bonds on pages 12 to 14 of this programme circular. These terms and conditions may be varied and/or supplemented for a particular series of retail bonds by the relevant issue circular.

Retail bonds are issued in the form of computerised book entries in securities accounts maintained with the Monetary Authority by recognized dealers. They do not exist in physical form and HKSAR Government will not issue certificates for any retail bonds. Title to retail bonds is held by the recognized dealers. You cannot hold retail bonds directly, but must instead hold an interest in retail bonds indirectly through a recognized dealer or through a securities broker holding an interest in retail bonds through a recognized dealer on your behalf. You will have to depend on your recognized dealer (and if applicable your securities broker) to make and receive payments on your retail bonds, give and receive notices in relation to them, prove your interest in retail bonds and make claims for any sums which are due under the retail bonds which have not been paid. HKSAR Government does not endorse or guarantee the solvency of any recognized dealer or securities broker.

HOW TO APPLY FOR RETAIL BONDS

This describes how you can apply for retail bonds. These arrangements may be varied for a particular series of retail bonds by the relevant issue circular.

WHERE CAN I FIND INFORMATION ABOUT THE RETAIL BONDS?

Copies of this programme circular and of the issue circular for each series of retail bonds which remains outstanding are available from the offices of the Monetary Authority at 55th Floor, Two International Finance Centre, 8 Finance Street, Central, Hong Kong and, during the subscription period for that series, from any of the application channels described in the paragraph entitled “How can I apply for retail bonds?” below.

Further information about the retail bonds is available from HKSAR government bond programme website at www.hkgb.gov.hk.

AM I ELIGIBLE TO APPLY FOR RETAIL BONDS?

Applications for particular series of retail bonds may be restricted to holders of a valid Hong Kong identity card. The issue circular for each series of retail bonds will set out the restrictions, if any, on persons who may apply for that series of retail bonds.

HOW CAN I APPLY FOR RETAIL BONDS?

You can apply for retail bonds through any of the following three application channels:

- through a placing bank;
- through Hong Kong Securities Clearing Company Limited (**HKSCC**) as the operator of the Central Clearing and Settlement System (**CCASS**) (you will need to have an investor account with HKSCC to do this);
- through a CCASS clearing participant or CCASS custodian participant who is willing and able to make an application for you through HKSCC. This may be a securities broker, a custodian bank or any other institution admitted to CCASS as a clearing participant or custodian participant. All

CCASS clearing participants and CCASS custodian participants are referred to in this programme circular and each issue circular as **securities brokers**.

CAN I APPLY TO HKSAR GOVERNMENT DIRECTLY FOR RETAIL BONDS?

No. The retail bonds are issued in the form of computerised book entries in securities accounts maintained by recognized dealers with the Central Moneymarkets Unit (**CMU**) operated by the Monetary Authority. These securities accounts are referred to in this programme circular and in each issue circular as **CMU accounts**. Individual investors cannot open a personal account with the CMU. You can therefore only apply for retail bonds through a placing bank, through HKSCC directly or through a securities broker who is willing and able to apply for retail bonds for you through HKSCC.

WHAT OTHER MATTERS SHOULD I BE AWARE OF IN APPLYING FOR RETAIL BONDS?

You may only apply for retail bonds during their subscription period. The subscription period for each series of retail bonds is specified in the relevant issue circular.

You may only apply for a principal amount of retail bonds which is an integral multiple of the minimum denomination specified in the relevant issue circular. You should check the relevant issue circular to confirm whether it specifies any maximum principal application amount per investor. HKSAR Government reserves the right to set a maximum principal application amount per investor for a series of retail bonds at any time on or before the issue date without prior notice, where it considers it necessary to prevent an over-concentration of holdings in retail bonds by a single investor.

If HKSAR Government sets a maximum principal application amount per investor, then any application for a principal amount of that series of retail bonds which is greater than that maximum principal application amount will be treated as an application for the maximum principal application amount and any application moneys paid in excess of the application moneys for that maximum principal application amount

(and, if you apply through a placing bank, any handling fee on that excess or, if you apply directly through HKSCC, any brokerage fee on that excess), will be refunded without interest. If you apply through a securities broker, you should consult your securities broker for the details of whether or not, and if so how, it will refund to you any application moneys and/or brokerage or other fee. See further the paragraph entitled “What happens if I am owed a refund for any application moneys and/or handling fee or brokerage fee?” below in relation to refund arrangements.

You may not make multiple applications for the same series of retail bonds. See further the paragraph entitled “Can I make multiple applications for retail bonds?” below for more information.

Any application to HKSAR Government by a placing bank or HKSCC (whether made for an investor who has an investor account with HKSCC or for an investor applying through a securities broker) will constitute an offer to subscribe for retail bonds.

DOES IT MATTER WHICH APPLICATION CHANNEL I USE?

Different fees may apply depending on how you apply for retail bonds. Fees which may apply are described in the paragraphs entitled “How can I apply for retail bonds through a placing bank?”, “How can I apply for retail bonds directly through HKSCC?” and “How can I apply for retail bonds through a securities broker?” below.

How you apply for retail bonds also affects how you hold the retail bonds if your application is successful. While you may change the way in which you hold the retail bonds from time to time, fees may apply when you do so. See further the sections entitled “Holding retail bonds” and “Dealing in retail bonds and listing of retail bonds” below for more information.

How you hold the retail bonds affects whom you have to rely on to make and receive payments and give and receive notices in relation to the retail bonds, how you trade in the retail bonds, how you prove your interest in the retail bonds and how you make claims for any payments which are due on the retail bonds but have not been paid by HKSAR Government. See the sections entitled “Holding retail bonds” and “Dealing in retail

bonds and listing of retail bonds” below for more information. If you are unsure about the most suitable method for you to apply for retail bonds, you should seek professional advice.

HOW CAN I APPLY FOR RETAIL BONDS THROUGH A PLACING BANK?

The placing banks for each series of retail bonds are specified in the relevant issue circular.

If you wish to apply for retail bonds through a placing bank, you must have a bank account and a securities or investment account with that placing bank. Please note that if you need to open a bank account and/or a securities or investment account with a placing bank in order to apply for retail bonds, your placing bank may require you to undergo an assessment to satisfy the placing bank’s regulatory and internal requirements. Each placing bank may apply different terms and conditions to your securities or investment account with it and charge different handling and other fees.

You can apply for retail bonds through a placing bank at designated branches, through the placing bank’s internet banking service or through its telephone banking service as specified in the relevant issue circular. You should contact the relevant placing bank to find out the locations of the designated branches for a particular series of retail bonds and the availability of internet and telephone banking services.

When you apply for retail bonds through a placing bank, you must pay the application moneys for those retail bonds plus a handling fee, if any. A handling fee may be charged by the placing banks at their sole discretion. The maximum amount of the handling fee which may be charged by a placing bank is specified in the relevant issue circular. A placing bank may charge additional fees for any other services it performs for you in connection with the retail bonds. For example, a placing bank may charge fees for custody of the retail bonds and/or for transferring retail bonds.

You must ensure that your application complies with the requirements specified by your placing bank.

HOW CAN I APPLY FOR RETAIL BONDS DIRECTLY THROUGH HKSCC?

If you wish to apply for retail bonds directly through HKSCC, you must have an investor account with HKSCC. If you need to open one for this purpose, HKSCC may require you to undergo an assessment to satisfy its regulatory and internal requirements.

When you apply for retail bonds through HKSCC, you must pay the application moneys for the retail bonds you are applying for plus a brokerage fee, if any. The maximum amount of the brokerage fee which may be charged when you apply for retail bonds directly through HKSCC is specified in the relevant issue circular. HKSCC may charge additional fees for any other services it performs for you in connection with the retail bonds. For example, HKSCC may charge fees for custody of the retail bonds and/or for transferring retail bonds.

HOW CAN I APPLY FOR RETAIL BONDS THROUGH A SECURITIES BROKER?

You may apply for retail bonds through a securities broker who is willing and able to apply for retail bonds on your behalf through HKSCC. To do this, the securities broker must have been admitted to participate in CCASS as a clearing participant or a custodian participant.

To apply through a securities broker you must have a securities or custody account with that securities broker. Please note that if you need to open a securities or custody account with a securities broker in order to apply for retail bonds, your securities broker may require you to undergo an assessment to satisfy the securities broker's regulatory and internal requirements. Different securities brokers may apply different terms and conditions to your securities or custody account and charge different brokerage and other fees.

When you apply for retail bonds through a securities broker, you must pay the application moneys for the retail bonds you are applying for plus a brokerage fee, if any. The level of the brokerage fee, if any, that you must pay is determined by your securities broker. HKSCC and/or your securities broker may charge additional fees for any other services they perform for you in connection with the retail

bonds. For example, HKSCC and/or your securities broker may charge fees for custody of the retail bonds and/or for transferring retail bonds.

HOW WILL I KNOW IF MY APPLICATION IS SUCCESSFUL?

The total principal amount of retail bonds issued in each series and any other relevant information will be notified by HKSAR Government to the placing banks and HKSCC on or before the issue date specified in the relevant issue circular.

Retail bonds will be issued on the issue date specified in the relevant issue circular.

If you apply for retail bonds through a placing bank, your placing bank agrees to notify you within five business days of the issue date of whether your application is successful or unsuccessful and, if your application is successful, of your allocation of retail bonds.

If you apply for retail bonds through HKSCC directly, HKSCC agrees to notify you on or before the issue date of whether your application is successful or unsuccessful and, if your application is successful, of your allocation of retail bonds.

If you apply for retail bonds through a securities broker, HKSCC agrees to notify your securities broker on or before the issue date of whether your application is successful or unsuccessful and, if your application is successful, of your allocation of retail bonds. You will have to rely on your securities broker to pass this notification on to you in a timely manner.

On the issue date, retail bonds will be issued in the form of computerised book entries in the respective CMU accounts of HKSCC and the placing banks who have made successful applications for retail bonds and all subscription moneys paid by successful applicants for purchase of the retail bonds allotted to them will be released to HKSAR Government by HKSCC and the placing banks.

If for any reason the issue date ceases to be a business day (for example, if there is a "black" rainstorm warning or a tropical cyclone warning

signal number 8 or above in force in Hong Kong), then the retail bonds will be issued on the next business day which is not affected by the cessation after the issue date.

HKSAR Government reserves the right to cancel all or a portion of the offering of a series of retail bonds at any time on or before their issue date and to extend or shorten the subscription period for any series of retail bonds without prior notice. If HKSAR Government so cancels the offering of any series of retail bonds, in part or in whole:

- HKSAR Government will give prompt public notice of the cancellation on or before the issue date;
- that series of retail bonds, or the relevant portion of it, will not be issued; and
- all applicants for that series of retail bonds will be refunded all, or the relevant portion, of their application moneys (and, for applications made through a placing bank, any handling fee or, for applications made directly through HKSCC, any brokerage fee) without interest. For applications made through a securities broker, applicants should consult their securities broker for the details of whether or not, and if so how, it will refund to them any application moneys and/or brokerage or other fee. See further the paragraph entitled “What happens if I am owed a refund for any application moneys and/or handling fee or brokerage fee?” below.

CAN I MAKE MULTIPLE APPLICATIONS FOR RETAIL BONDS?

You may not make more than one application for any series of retail bonds.

WHAT ARE “APPLICATION MONEYS”? HOW ARE “SUBSCRIPTION MONEYS” DIFFERENT?

Application moneys are the amount which you must pay for the principal amount of retail bonds of a series you are applying for at the time of your application. They are equal to the application price for that series of retail bonds (as stated in the relevant issue circular) multiplied by the principal application amount. The application moneys will be held from the time you make your application pending release to HKSAR

Government of the subscription moneys and/or payment of any refund. See further the paragraph entitled “What happens if I am owed a refund for any application moneys and/or handling fee or brokerage fee?” below in relation to refund arrangements.

The subscription moneys are the amount which you actually pay for the principal amount of retail bonds of a series allocated to you at the time of issue. The subscription moneys are paid to HKSAR Government out of your application moneys.

The subscription moneys are equal to the principal amount of retail bonds allocated to you multiplied by the subscription price for those retail bonds. The issue circular for a series of retail bonds may allow HKSAR Government to set a subscription price which is different from the application price stated in the relevant issue circular for that series of retail bonds on or before the issue date for that series of retail bonds. In that case, the issue circular will specify how HKSAR Government will determine and announce the subscription price for that series of retail bonds.

Neither the application moneys nor the subscription moneys include any handling, brokerage or other fees.

WHAT HAPPENS IF A SERIES OF RETAIL BONDS IS UNDER-SUBSCRIBED?

The relevant issue circular may specify a minimum issue amount for a series of retail bonds. HKSAR Government does not currently intend that issues of retail bonds will be underwritten. As a result, if the total principal amount of a series of retail bonds applied for is smaller than the minimum issue amount, then HKSAR Government may decide to cancel the offering of that series and not to issue that series of retail bonds. In that case, all application moneys (and, for applications made through a placing bank, any handling fee or, for applications made directly through HKSCC, any brokerage fee) for that series will be refunded in full without interest. For applications made through a securities broker, applicants should consult their securities broker for the details of whether or not, and if so how, it will refund to them any application moneys and/or brokerage or other fee. See further the paragraph entitled

“What happens if I am owed a refund for any application moneys and/or handling fee or brokerage fee?” below in relation to refund arrangements.

WHAT HAPPENS IF A SERIES OF RETAIL BONDS IS OVER-SUBSCRIBED?

The relevant issue circular may specify a fixed or indicative maximum issue amount for a series of retail bonds, which, in the case of an indicative maximum amount, HKSAR Government may adjust on or before the issue date specified in the issue circular. Where the relevant issue circular specifies an indicative maximum issue amount or does not specify any maximum issue amount, HKSAR Government may determine or adjust the final issue amount in light of investor demand. If the total principal amount of a series of retail bonds applied for is larger than the final issue amount, then applicants may not be allocated the full amount of retail bonds they have applied for, or may be allocated no retail bonds at all. The relevant issue circular will explain how retail bonds will be allocated among applicants if the issue is over-subscribed. Allocation will be at the sole discretion of HKSAR Government.

If you are not allocated the full amount of retail bonds you have applied for, or are allocated no retail bonds at all, the application moneys (and, if you apply through a placing bank, any handling fee or, if you apply directly through HKSCC, any brokerage fee) you have paid for the retail bonds which you are not allocated will be refunded in full without interest. If you apply through a securities broker, you should consult your securities broker for the details of whether or not, and if so how, it will refund to you any application moneys and/or brokerage or other fee. See further the paragraph entitled “What happens if I am owed a refund for any application moneys and/or handling fee or brokerage fee?” below in relation to refund arrangements.

WHAT HAPPENS IF I AM OWED A REFUND FOR ANY APPLICATION MONEYS AND/OR HANDLING FEE OR BROKERAGE FEE?

Some or all of the application moneys and handling fee or brokerage fee, if any, you have paid will be refunded if:

- your application is wholly or partly unsuccessful;

- the series of retail bonds is over-subscribed and as a result you are not allocated all of the bonds you have applied for;
- the series of retail bonds is under-subscribed and as a result HKSAR Government decides to cancel the offering of that series of retail bonds;
- the subscription price for the series of retail bonds is less than the application price;
- at any time on or before the issue date, HKSAR Government imposes a maximum principal application amount per investor for a series of retail bonds in order to prevent an over-concentration of holdings in that series of retail bonds by a single investor and your application is for a principal amount of that series of retail bonds which exceeds that maximum principal application amount; and/or
- at any time on or before the issue date, HKSAR Government cancels all or a portion of the offering of a series of retail bonds.

If you apply for retail bonds through a placing bank, your placing bank agrees to transfer the corresponding amount of any such refund to your designated bank account with that placing bank within five business days of the issue date.

If you apply for retail bonds through HKSCC directly, HKSCC agrees to refund to you the corresponding amount of any such refund on or before the issue date.

If you apply for retail bonds through a securities broker, HKSCC agrees to refund to your securities broker the corresponding amount of any such refund on or before the issue date. You will have to rely on your securities broker to pass on such refund to you in a timely manner. You should consult your securities broker for the details of whether or not, and if so how, it will refund to you any application moneys and/or brokerage or other fee in any of the circumstances listed above.

THE RETAIL BOND PROGRAMME

WHAT IS THE BACKGROUND TO THE RETAIL BOND PROGRAMME?

On 25 February 2009, the Financial Secretary of HKSAR Government (the **Financial Secretary**) announced in the 2009/10 Budget Speech that it was his intention to establish a programme of issuance of retail bonds and institutional bonds. The retail bonds and institutional bonds will be issued under the Loans Ordinance (Chapter 61 of the Laws of Hong Kong) for the purpose of promoting the further development of the Hong Kong bond market. The proceeds of the issues will be credited to the bond fund set up under the Public Finance Ordinance (Chapter 2 of the Laws of Hong Kong) for that purpose. The issue of the retail bonds and the institutional bonds and the establishment of the bond fund have been approved by the necessary resolutions passed by the Legislative Council of Hong Kong on 8 July 2009. The overall maximum principal amount that may be outstanding under the retail bond programme and the institutional bond programme was initially HK\$100,000,000,000 and has been increased to HK\$200,000,000,000. The increase was approved by a resolution passed by the Legislative Council of Hong Kong on 22 May 2013. Under Section 5 of the Loans Ordinance, any sum borrowed under the Loans Ordinance and all interest amounts and other charges thereon are payable out of the general revenues and assets of Hong Kong. In the first instance, however, retail bonds will be repaid from the bond fund, as described in the paragraph entitled “How will proceeds raised under the retail bond programme be used?” below.

In certain documentation and approvals, the retail bond programme and institutional bond programme have been grouped together as the “government bond programme”, split between a “retail tranche” and an “institutional tranche”. This is consistent with the Financial Secretary’s announcement of 25 February 2009 and the subsequent approvals of the Legislative Council of Hong Kong. However, different documentation is involved in the establishment of the “retail tranche” and the “institutional tranche” of the “government bond programme”. In order to ensure the clear distinction between retail bonds and institutional bonds once they have been issued, and to reflect the different documentation involved in their establishment, this programme

circular, each issue circular and the programme agreement treat the retail bond programme as a separate programme from the institutional bond programme.

References to the “retail tranche” of the “government bond programme” in any document relating to the retail bond programme should be treated as references to the retail bond programme and references to the “institutional tranche” of the “government bond programme” should be treated as references to the institutional bond programme.

HOW WILL PROCEEDS RAISED UNDER THE RETAIL BOND PROGRAMME BE USED?

All sums raised under the retail bond programme will be credited to the bond fund, a discrete fund of HKSAR Government. HKSAR Government intends that the bond fund will not be treated as part of the fiscal reserves and will be managed separately from the general revenue. The bond fund will be used to repay principal of and pay interest on the retail bonds and the institutional bonds, meet the financial obligations and liabilities associated with the retail bond programme and the institutional bond programme and make investments. If there is a positive balance in the bond fund after all financial obligations and liabilities are met in relation to the retail bond programme and the institutional bond programme, the surplus funds will be transferred to the general revenue. Any shortfall of funds for fulfilling the financial obligations and liabilities of HKSAR Government under the retail bond programme or the institutional bond programme will be financed from the general revenues and assets of HKSAR Government.

HOW WILL THE BOND FUND INVEST THE PROCEEDS?

HKSAR Government will adopt a long-term and conservative strategy for the investment of the bond fund. This is intended to achieve the objectives of preserving capital and generating reasonable investment returns for covering the financial obligations and liabilities under the retail bond programme and the institutional bond programme. For this purpose, HKSAR Government will place moneys in the bond fund with the Exchange Fund for investment.

Your return on your investment in retail bonds is not linked to the performance of investments made by the bond fund.

WHAT IS THE MAXIMUM AMOUNT OF RETAIL BONDS THAT CAN BE ISSUED UNDER THE RETAIL BOND PROGRAMME?

As part of HKSAR Government's proposal for promoting the further development of the Hong Kong bond market, HKSAR Government has established the retail bond programme and the institutional bond programme. The Legislative Council of Hong Kong has authorised HKSAR Government to issue retail bonds and institutional bonds up to an overall maximum principal amount outstanding at any time of HK\$200,000,000,000. This means that the amount of retail bonds which HKSAR Government can issue at any time under the retail bond programme is affected by the outstanding amount of institutional bonds which HKSAR Government has issued under the institutional bond programme. It also means that whenever retail bonds or institutional bonds are repaid or are purchased by HKSAR Government and cancelled, the available capacity within the overall maximum amount for HKSAR Government to issue retail bonds and institutional bonds will be increased by the amount of retail bonds or institutional bonds that have been repaid or purchased by HKSAR Government and cancelled.

WHAT IS THE ROLE OF THE MONETARY AUTHORITY?

The Financial Secretary has instructed the Monetary Authority to act as representative for HKSAR Government to coordinate the establishment and maintenance of the retail bond programme and the institutional bond programme and the offering of retail bonds and institutional bonds and to manage the sums paid out of the bond fund to which the proceeds of the retail bonds and institutional bonds are credited. The Monetary Authority also operates the CMU and in this capacity is the issuing and paying representative of HKSAR Government for the retail bonds and the institutional bonds.

WHAT IS THE ROLE OF THE CO-ARRANGERS?

HKSAR Government has appointed Bank of China (Hong Kong) Limited and The Hongkong

and Shanghai Banking Corporation Limited to act as co-arrangers of the retail bond programme (the **co-arrangers**). The co-arrangers will provide professional advice to HKSAR Government on various aspects of the offering of retail bonds, including timing, structure and appropriate application channels, and will assist HKSAR Government in putting in place distribution and market making arrangements. The co-arrangers will not advise HKSAR Government on, and have no responsibility for, the adequacy, accuracy, completeness or reasonableness of any statement or information in this programme circular or any issue circular, or any legal, tax or accounting matters in relation to the retail bond programme. The co-arrangers will not give you any investment advice.

WHAT ARRANGEMENTS ARE IN PLACE WITH PLACING BANKS AND MARKET MAKERS?

The legal framework under which HKSAR Government arranges for the offering, issue and placing of retail bonds is contained in the **programme agreement** which HKSAR Government entered into on 8 January 2010 with the initial placing banks, market makers and nominees, as amended or supplemented from time to time. Scheduled to the programme agreement are the terms of the placing bank agreement, the market maker agreement and the nominee agreement which will be entered into by HKSAR Government and the relevant placing banks, market makers and nominees in relation to each series of retail bonds. The programme agreement and (in relation to each series) the placing bank agreement, the market maker agreement and the nominee agreement record the detailed arrangements between HKSAR Government and the placing banks, market makers and nominees involved in the offering and market making of the retail bonds in respect of such offering and market making. As an investor in retail bonds, you do not have any rights under these agreements. If these agreements, as they apply to any particular series of retail bonds, contain information which is relevant to you as an investor in the retail bonds, HKSAR Government will disclose such information in the relevant issue circular.

The issue circular for any series of retail bonds will specify the placing banks and market makers,

if any, appointed for that series of retail bonds. The role of the market makers is described in the paragraph entitled “What are the market making arrangements for retail bonds?” below.

WHAT ARRANGEMENTS ARE IN PLACE WITH HKSCC AND SECURITIES BROKERS?

The programme agreement does not govern HKSAR Government’s arrangements with HKSCC. These are governed under a separate agreement entered into on 13 August 2009 between HKSAR Government and HKSCC in connection with the institutional bond programme and the retail bond programme together (as amended or supplemented from time to time), as well as by the rules and regulations of the CMU and CCASS.

HKSAR Government has not entered into any direct arrangements with securities brokers. The interests of any securities brokers in retail bonds will be held through HKSCC.

TERMS AND CONDITIONS OF THE RETAIL BONDS

Retail bonds are issued under the retail bond programme with the following terms and conditions, as supplemented from time to time by an issue circular and any other supplemental programme and/or issue circular. The issue circular for a particular series of retail bonds may vary and/or supplement the terms and conditions for that series of retail bonds. In that case, the variations and/or supplements described in the issue circular apply, but only to that series of retail bonds. Headings used in these terms and conditions are for reference purposes only. Defined terms used elsewhere in this programme circular have the same meanings in the terms and conditions.

1. Form and title

(a) Form

Retail bonds are issued in computerised book entry form only through securities accounts maintained with the CMU by recognized dealers.

(b) Title

Legal title to retail bonds is vested in the holder of the CMU account to which the retail bonds are credited. All obligations (including payment obligations) of HKSAR Government under the retail bonds are owed to the holders of the CMU accounts to which the retail bonds are credited and to no one else.

The records of the CMU shall be conclusive as to the identity of the holders of CMU accounts and the respective amounts credited to their CMU accounts.

A statement of the CMU setting out:

- (i) the identity of the holder of a CMU account in respect of which the statement is issued; and
- (ii) the principal amount of any book entry in respect of retail bonds credited to that CMU account on any date,

shall be conclusive evidence for all purposes of the retail bonds.

(c) Currency

Retail bonds are issued in the currency specified in the issue circular. Payments of principal of and interest on each retail bond will be made in the currency specified in the issue circular.

(d) Minimum denominations

Retail bonds are issued with a minimum denomination per retail bond as specified in the relevant issue circular.

2. Ranking of payments

Amounts of principal, interest and any other amounts payable on the retail bonds are payable first out of the bond fund and, if need be, then out of the general revenues and assets of HKSAR Government. Retail bonds are direct, unsecured, unconditional and general obligations of HKSAR Government and rank *pari passu* with all other unsecured indebtedness of HKSAR Government incurred for the general revenue from time to time outstanding and without preference for one over the other by reason of priority of date of issue or otherwise.

3. Interest

(a) Interest rate

Each retail bond bears interest at the rate, or calculated in the manner, specified in the relevant issue circular.

(b) Interest payment dates and interest periods

Interest on each retail bond is payable in arrear on the interest payment dates specified in the relevant issue circular and on the retail bond's maturity date. The amount of interest payable on each interest payment date and on the maturity date is calculated by reference to the interest period ending on that date as follows:

- (i) the first interest period for a retail bond begins on and includes its issue date and ends on, but does not include, its first interest payment date;
- (ii) the final interest period for a retail bond begins on and includes its final interest payment date and ends on, but does not include, its maturity date; and

(iii) between the first interest period and the final interest period, an interest period for a retail bond begins on and includes each interest payment date and ends on, but does not include, the following interest payment date.

(c) *Calculation of interest for an interest period*

For retail bonds denominated in Hong Kong dollars, the amount of interest payable for an interest period is calculated on the actual number of days in the interest period, on the basis of a 365-day year, and is rounded to the nearest cent. Half a cent is rounded upwards. The method of calculating interest payable for an interest period of retail bonds denominated in a currency other than Hong Kong dollars will be specified in the relevant issue circular.

4. Repayment

Principal on each retail bond will be repaid by HKSAR Government in full on the maturity date specified in the relevant issue circular.

5. Business days

If the due date for any action on the part of HKSAR Government in relation to a retail bond, including any payment of interest or principal, is not a business day in Hong Kong, then HKSAR Government will perform such action on the next day which is a business day in Hong Kong unless that day falls in the next calendar month, in which case HKSAR Government will perform such action on the day immediately preceding the due date which is a business day in Hong Kong.

If the due date for any action on the part of HKSAR Government in relation to a retail bond ceases to be a business day in Hong Kong, for example, if there is a “black” rainstorm warning or a tropical cyclone warning signal number 8 or above in force in Hong Kong, then HKSAR Government will perform such action on the next day which is a business day in Hong Kong not affected by the cessation.

A **business day** in Hong Kong is any day (other than Saturdays, Sundays and general holidays) on which both the CMU is operating and banks in Hong Kong are open for business.

For the avoidance of doubt, where a payment date is changed under this paragraph 5, interest shall accrue to the new payment date and any additional interest or, where the new payment date is a date falling before the original payment date, reduction in interest, shall be taken into account for the purposes of calculating any amounts of interest payable in respect of the applicable interest period under paragraph 3.

6. Repurchase and sale

HKSAR Government may at any time buy retail bonds whether in the open market or by private arrangement, at any price. If purchases of retail bonds of a series are made by tender, HKSAR Government will allow all holders of retail bonds of that series to take part.

If HKSAR Government buys back any retail bonds, it may hold them, resell them or cancel them as it sees fit.

For the purposes of this paragraph 6, **HKSAR Government** means The Government of the Hong Kong Special Administrative Region of the People’s Republic of China, whether acting directly, through the Monetary Authority or through any other person.

7. Taxation

Receipts of any payments by HKSAR Government of principal or interest on the retail bonds are exempt from profits tax in Hong Kong.

Any issue or transfer of the retail bonds is exempt from stamp duty in Hong Kong.

8. Notices

All notices to holders of retail bonds will be made through the CMU to the holders of the securities accounts maintained with the CMU to which the retail bonds are credited.

9. Supplements and amendments

HKSAR Government may supplement or amend the terms and conditions of any series of retail bonds in issue by notice to the holders of the retail bonds of that series to make any amendment which:

- (i) corrects a manifest or proven error;

- (ii) is formal, minor or technical in nature; or
- (iii) could not reasonably be expected to be prejudicial to the holders of retail bonds of that series.

10. Proscription

Any claim against HKSAR Government for any payment on any retail bond (whether of principal, interest or otherwise) shall be void if that claim is made on or after the date falling ten years, in respect of principal, or five years, in respect of interest or any other amount, from the date on which that payment is first due.

11. Further issues

HKSAR Government may issue additional retail bonds of any series after the closing of the initial offering for that series. The terms and conditions of any additional retail bonds of a series will be identical to those of the retail bonds of that series initially issued, except for the following terms, which may be different:

- (i) issue date; and
- (ii) subscription price.

12. Governing law and jurisdiction

The retail bonds are governed by Hong Kong law. The courts of Hong Kong have exclusive jurisdiction to settle any dispute in connection with the retail bonds.

HOLDING RETAIL BONDS

HOW DO I HOLD MY RETAIL BONDS?

Retail bonds are issued in the form of computerised book entries in CMU accounts of recognized dealers. This means that the retail bonds are registered securities. HKSAR Government will not issue certificates for any retail bonds.

Individual investors cannot open a personal account with the CMU. You can therefore only hold retail bonds through a recognized dealer or through a securities broker holding through HKSCC as a recognized dealer.

Because legal title to retail bonds is held by the recognized dealer who is the holder of the CMU account to which the retail bonds are credited, you cannot hold retail bonds directly. References in this programme circular to you “holding” retail bonds mean your holding of an indirect interest in retail bonds the legal title to which is held by a recognized dealer.

Securities or investment accounts and other services provided to you by your recognized dealer or securities broker are on its terms and conditions. HKSAR Government is not responsible for the way your recognized dealer or securities broker handles your account or the nature or quality of the services it provides.

Discuss this with your recognized dealer or securities broker and shop around if you wish: banks and securities brokers charge varying fees for their services and have different arrangements for processing applications. Ensure you are familiar with the terms and conditions which your recognized dealer or securities broker will apply to your account. Ask your recognized dealer or securities broker to explain if you are not familiar with these arrangements.

Your total return on an investment in retail bonds will be affected by charges levied by your recognized dealer and/or securities broker.

WHO ARE THE RECOGNIZED DEALERS?

A **recognized dealer** is an institution which is appointed by the Monetary Authority as a recognized dealer to hold and deal in retail bonds and institutional bonds through the CMU. Recognized dealers are HKSCC and the placing

banks, as well as any other institutions appointed by the Monetary Authority as recognized dealers (**additional recognized dealers**). Additional recognized dealers can hold and deal in retail bonds, but cannot apply for them. This means that you cannot apply for retail bonds through an additional recognized dealer, but after you have been allocated your retail bonds you may transfer your holding in the retail bonds to your investment or securities account with an additional recognized dealer.

- If you hold retail bonds through a placing bank, then your recognized dealer is that placing bank.
- If you hold retail bonds through an additional recognized dealer, then your recognized dealer is that additional recognized dealer.
- If you hold retail bonds through an investor account with HKSCC, then your recognized dealer is HKSCC.
- If you hold retail bonds through a securities broker, then your recognized dealer is HKSCC.

A list of the recognized dealers appointed by the Monetary Authority is available from HKSAR government bond programme website at www.hkgb.gov.hk.

WHAT MUST I RELY ON MY RECOGNIZED DEALER AND/OR SECURITIES BROKER TO DO FOR ME?

For all purposes in respect of your retail bonds, HKSAR Government will treat your recognized dealer as the holder of your retail bonds.

If you hold retail bonds through:

- (i) a recognized dealer which is a placing bank;
- (ii) an additional recognized dealer; or
- (iii) an investor account with HKSCC (which will be your recognized dealer),

your recognized dealer will hold your retail bonds for you (and any other investors who hold retail bonds through that recognized dealer) in a CMU account. HKSAR Government will pay interest on

and principal amounts of your retail bonds to your recognized dealer and you will have to rely on your recognized dealer to ensure that payments on your retail bonds are credited to your account with your recognized dealer in a timely manner and, if necessary, prove your interest in the retail bonds and make claims for any sums due under the retail bonds which HKSAR Government has not paid. Any notices HKSAR Government gives to holders of retail bonds after your retail bonds are issued will be given to your recognized dealer and you will have to rely on your recognized dealer to ensure that HKSAR Government's notices reach you in a timely manner. Similarly, you will have to rely on your recognized dealer to forward any notices from you to HKSAR Government in a timely manner.

If you hold retail bonds through a securities broker, your securities broker will arrange to hold your retail bonds for you (together with any retail bonds it holds on behalf of any other investors) in its CCASS account maintained with HKSCC, which will arrange to hold your retail bonds (together with any retail bonds it holds on behalf of any other investors) in HKSCC's CMU account. HKSAR Government will pay interest on and principal amounts of your retail bonds to HKSCC for payment to your securities broker and you will have to rely on both HKSCC and your securities broker to ensure that payments on your retail bonds are credited to your account with your securities broker in a timely fashion and, if necessary, prove your interest in the retail bonds and make claims for any sums due under the retail bonds which HKSAR Government has not paid. Any notices HKSAR Government gives after your retail bonds are issued will be given to HKSCC for forwarding to your securities broker and you will have to rely on HKSCC and your securities broker to ensure that HKSAR Government's notices reach you in a timely manner. Similarly, you will have to rely on your securities broker and HKSCC to forward any notices from you to HKSAR Government in a timely manner.

HKSAR Government does not accept any responsibility for any account or service provided to you (whether directly or indirectly) by any recognized dealer or securities broker.

HOW DO I PROVE MY HOLDING OF RETAIL BONDS?

Legal title to retail bonds is held by the recognized dealer to whose CMU account the retail bonds are credited.

If you hold retail bonds through a recognized dealer which is a placing bank, you must rely on the records and account statements provided by your placing bank to prove your interest in the retail bonds.

If you hold retail bonds through an additional recognized dealer, you must rely on the records and account statements provided to you by your additional recognized dealer to prove your interest in the retail bonds.

If you hold retail bonds through an investor account held by you with HKSCC, you must rely on the records and account statements provided to you by HKSCC through CCASS to prove your interest in the retail bonds.

If you hold retail bonds through a securities broker, you must rely on both the records and account statements provided to you by your securities broker and the records and account statements provided to your securities broker by HKSCC through CCASS to prove your interest in the retail bonds.

In all cases, your recognized dealer must rely on the computerised records of the CMU to prove its holdings of the retail bonds in the CMU. The CMU will from time to time issue a statement of your recognized dealer's holding of retail bonds in the CMU. This statement will be conclusive evidence of your recognized dealer's holding of retail bonds in the CMU — you will still need to prove your interest in the retail bonds held by your recognized dealer, as described above.

HOW DOES HKSAR GOVERNMENT MAKE PAYMENTS AND SEND NOTICES?

HKSAR Government makes payments of principal of and interest on retail bonds to your recognized dealers through the Monetary Authority who is acting as the paying representative of HKSAR Government. Once HKSAR Government has so made a payment, it will be under no further obligation to anyone in relation to that payment, even if your recognized dealer or securities broker fails to transmit to you your share of the payment or transmits it late.

HKSAR Government issues notices in relation to retail bonds to your recognized dealers through the CMU. You will have to rely on your recognized dealer and, where applicable, your securities broker, to pass these notices to you.

HOW DO I ISSUE NOTICES AND INSTRUCTIONS TO MY RECOGNIZED DEALER OR SECURITIES BROKER?

- If your recognized dealer is a placing bank, you can issue notices and instructions as specified in the terms and conditions applicable to your account with your placing bank.
- If your recognized dealer is an additional recognized dealer, you can issue notices and instructions as specified in the terms and conditions applicable to your account with that additional recognized dealer.
- If you hold retail bonds through an investor account with HKSCC, you can issue notices and instructions through CCASS.
- If you hold retail bonds through a securities broker, you can issue notices and instructions as specified in the terms and conditions applicable to your account with your securities broker, which can be passed on by your securities broker through CCASS.

DEALING IN RETAIL BONDS AND LISTING OF RETAIL BONDS

HOW DO I SELL MY RETAIL BONDS?

Retail bonds can be sold:

- through the Hong Kong Stock Exchange; or
- over-the-counter, including to market makers appointed by HKSAR Government in relation to the retail bonds. (You may also sell them over-the-counter to a placing bank, a recognized dealer or any other person who is willing to buy them from you. Any such sale will be subject to your agreement with the relevant placing bank, recognized dealer or other person.)

You can sell retail bonds through the Hong Kong Stock Exchange only if you hold them through HKSCC directly or through your securities broker.

If you hold retail bonds through HKSCC directly or through a securities broker, as well as being able to sell retail bonds through the Hong Kong Stock Exchange, you can also sell retail bonds to a market maker. If you sell any retail bonds to a market maker, you can instruct HKSCC or your securities broker to transfer the retail bonds to that market maker. The relevant market maker, HKSCC and/or your securities broker may charge you fees for this transfer.

See further the paragraph entitled “What are the market making arrangements for retail bonds?” below.

If you do not hold retail bonds through HKSCC directly or through your securities broker (for example, if you hold retail bonds through a placing bank or an additional recognized dealer), then you have the following options for selling retail bonds.

If you hold retail bonds through a placing bank, you can contact a market maker to ask for a price at which it will buy the retail bonds. See further the paragraph entitled “What are the market making arrangements for retail bonds?” below.

If you hold retail bonds through a placing bank and wish to trade any of the retail bonds through the Hong Kong Stock Exchange, you will need to instruct your placing bank to transfer the retail bonds from your securities or investment account with that placing bank to your investor account

with HKSCC or your securities or custody account with your securities broker beforehand. Your placing bank, HKSCC and/or your securities broker may charge you fees for this transfer. If you do not have an investor account with HKSCC or a securities or custody account with a securities broker, you will need to open one for this purpose. In that case, HKSCC or your securities broker may require you to undergo an assessment to satisfy its regulatory and internal requirements.

Alternatively, your placing bank may be able to transfer the retail bonds to a stock account it holds with HKSCC through the CMU and CCASS (in other words your placing bank may be able to perform the role of a securities broker). Your placing bank and/or HKSCC may charge you fees for this transfer.

HOW DO I TRANSFER MY RETAIL BONDS?

To transfer retail bonds, you must give a transfer instruction to your recognized dealer or securities broker in accordance with the terms and conditions applicable to your account with them.

Bonds can be transferred from one recognized dealer’s CMU account to another’s through book entries. You can therefore only transfer your retail bonds to a person who:

- is a recognized dealer;
- holds an investment or securities account with a recognized dealer;
- holds an investor account with HKSCC;
- is a securities broker; or
- holds a securities or custody account with a securities broker.

Settlement and clearing of transfers are performed through the CMU in accordance with the rules applicable to the CMU.

WHAT ARE THE MARKET MAKING ARRANGEMENTS FOR RETAIL BONDS?

For each series of retail bonds, some or all of the placing banks may give an undertaking to HKSAR Government to use their best efforts to maintain a market in those retail bonds in

over-the-counter transactions (in other words, in transactions which are not conducted on the Hong Kong Stock Exchange). They will do this by quoting prices at which they are willing to purchase retail bonds (bid prices) and prices at which they are willing to sell retail bonds (offer prices) during normal banking hours on any business day.

The market makers appointed by HKSAR Government for a particular series of retail bonds will be specified in the relevant issue circular.

Market makers will quote a firm bid price in respect of a series of retail bonds so long as that series of retail bonds is outstanding. However, their ability to quote a firm bid price in respect of any series of retail bonds may be subject to any internal guidelines of that market maker on exposures to any single entity. Market makers can only quote a firm offer price in respect of a series of retail bonds if they are holding retail bonds of that series for their own account as market makers.

Market makers may have the right to apply for retail bonds in a series. In that case, market makers may be exempted from any maximum amount or subject to a different maximum amount in respect of particular series of retail bonds if HKSAR Government considers it necessary for the performance of their obligations as market makers.

Moreover, the market makers may discontinue their market making service. As a result, the market making arrangements do not assure an active secondary trading market for the retail bonds or that you will have access to a firm bid price or a firm offer price for retail bonds in a principal amount which you may wish to purchase or sell.

The prices quoted by market makers may be different from the last traded price of the retail bonds on the Hong Kong Stock Exchange and the information which a market maker may rely on when quoting a price may be very limited. Prices quoted by different market makers may not be the same.

A market maker may require you to transfer your retail bonds to a securities or investment account held with it in order for it to buy your retail bonds from you or to open a securities or investment account with it in order for it to sell to you its

retail bonds. Fees may be charged for the transfer. Please note that if you need to open an account with a market maker for this purpose, that market maker may require you to undergo an assessment to satisfy its regulatory and internal requirements.

WHAT ARE THE ARRANGEMENTS FOR LISTING RETAIL BONDS ON THE HONG KONG STOCK EXCHANGE?

Application has been made to the Hong Kong Stock Exchange for permission to deal in, and for listing of, retail bonds issued under the retail bond programme. Listing of, and dealings in, the retail bonds on the Hong Kong Stock Exchange will commence from the listing date announced in the relevant issue circular or any supplemental programme and/or issue circulars, as the case may be. If the Hong Kong Stock Exchange grants the listing of, and permission to deal in, any retail bonds and the retail bonds comply with the admission requirements of HKSCC, those retail bonds will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the listing date or any other date HKSCC chooses. Listed retail bonds will be quoted and traded on the basis of a price expressed as a percentage of their principal amount. For example, a price of “99.50” means 99.50% of the principal amount of a retail bond.

Settlement of trades in retail bonds listed on the Hong Kong Stock Exchange is required to take place in CCASS on the second settlement day after the trade date. The following fees and levies will be chargeable on both the buyer and the seller:

- a transaction levy of 0.0027%; and
- a trading fee of 0.005%,

in each case, of the consideration amount of the retail bonds traded. An investor compensation levy of 0.002% administered by the SFC may also apply to the consideration amount of the retail bonds traded although as at the date of this programme circular the SFC has temporarily suspended this levy.

All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

Listing does not assure an active secondary trading market for the retail bonds or that you will have access to a firm bid price or a firm offer price for retail bonds in a principal amount which you wish to purchase or sell.

If the Hong Kong Stock Exchange grants the listing of, and permission to deal in, your retail bonds, your interest in retail bonds and any transactions in retail bonds you engage in may be protected by the investor compensation fund. Whether you are eligible for this protection will depend on whether you and the persons you are dealing with (including your placing bank, HKSCC and/or your securities broker) satisfy certain criteria set out in the Securities and Futures Ordinance and the investor compensation fund rules. If you wish to find out more about your eligibility for protection under the investor compensation fund in connection with the retail bonds, you should seek independent advice and consult your placing bank or securities broker (as appropriate).

THE HONG KONG SPECIAL ADMINISTRATIVE REGION

IS HKSAR GOVERNMENT RATED?

As of the date of this programme circular, Fitch, Moody's and S&P each assigns the following local currency credit ratings to HKSAR Government:

	Long-term	Short-term	Outlook
Fitch:	AA+	N/A	Stable
Moody's:	Aa1	N/A	Stable
S&P:	AAA	A-1+	Stable

HKSAR Government reserves the right to issue retail bonds with the maturities that it chooses. HKSAR Government does not intend to obtain a specific credit rating for any series of retail bonds, but reserves the right to do so. Any such specific credit rating will be stated in the relevant issue circular.

THE HONG KONG SPECIAL ADMINISTRATIVE REGION OF THE PEOPLE'S REPUBLIC OF CHINA

Constitution and Legal System

On 1 July 1997 Hong Kong became a Special Administrative Region of the People's Republic of China in accordance with Article 31 of the Constitution of the People's Republic of China. The reunification of Hong Kong with the People's Republic of China (the **PRC**) is a consequence of an agreement between the Government of the United Kingdom of Great Britain and Northern Ireland and the Government of the PRC, as embodied in the Sino-British Joint Declaration on the Question of Hong Kong (the **Joint Declaration**) signed on 19 December 1984 and subsequently ratified by both governments.

The Government of the PRC declares in the Joint Declaration that Hong Kong shall be directly under its authority and shall enjoy a high degree of autonomy except in relation to foreign and defence affairs, and that it shall be vested with executive, legislative and independent judicial power including that of final adjudication. It also declares that the basic policies of the PRC regarding Hong Kong and the elaboration of these policies in the Joint Declaration will be stipulated by the National People's Congress of the PRC in the Basic Law of Hong Kong (the **Basic Law**).

The Basic Law was adopted by the National People's Congress of the PRC on 4 April 1990 in accordance with Article 31 of the Constitution of the PRC. It is a constitutional document for Hong Kong. Although the power of interpretation of the Basic Law is vested in the Standing Committee of the National People's Congress of the PRC, the Standing Committee shall authorize the courts of Hong Kong to interpret the Basic Law in adjudicating cases, in accordance with the provision of Article 158 of the Basic Law. The power of amendment of the Basic Law is vested in the National People's Congress of the PRC.

The Basic Law provides, among other things, that the Hong Kong dollar will continue to circulate as legal tender in Hong Kong, no foreign exchange control policies will be applied in Hong Kong, the Hong Kong dollar will be freely convertible into other currencies, and Hong Kong will retain autonomy over monetary and financial policy and enact its own laws regarding taxation.

Hong Kong Economy

Hong Kong maintains one of the world's most open economies and a business-friendly environment characterised by a relatively high degree of free trade and free flow of information, an established financial regulatory regime and legal system and a developed transportation and telecommunications infrastructure. In 2014, Hong Kong was ranked the eighth largest trading entity in the world by the World Trade Organization based on the value of total merchandise trade, and is home to the fourth busiest container port in the world in terms of throughput.

Over the past two decades, the Hong Kong economy (as measured by GDP) has doubled in size, with GDP growing at an average annual rate of 3.4% in real terms. In 2014, Hong Kong's GDP at current market prices reached HK\$2,255.6 billion and its per capita GDP of US\$40,200 was amongst the highest in Asia.

Along with the global economic boom from 2004 to 2007, the Hong Kong economy grew robustly during the period. This strong growth trend was interrupted by the global financial crisis and the global recession of 2008-2009. Nevertheless, the economy staged a broad-based recovery in 2010 and registered a further above-trend growth in

2011. Amid an unsteady external environment, real GDP expanded moderately by 1.7%, 3.1% and 2.5% in 2012, 2013 and 2014 respectively.

In the past five years, HKSAR Government has recorded a consolidated surplus each year, ranging between HK\$21.8 billion and HK\$75.1 billion. The fiscal reserves rose from HK\$595.4 billion in 2010-11 to HK\$828.5 billion in 2014-15.

HKSAR Government's revenues, which are generated from taxes and investment income, and its credit rating may be affected by economic, political, constitutional and other circumstances from time to time in Hong Kong, the mainland of the PRC, Asia and the world. Future political or economic instability may adversely affect HKSAR Government's revenues and credit rating.

In May 2004, HKSAR Government issued a HK\$6 billion Toll Revenue Bond to Hong Kong Link 2004 Limited to be repaid by the net toll revenues from six specified HKSAR Government-owned tunnels and bridges. In July 2004, HKSAR Government issued HKSAR Government retail bonds and institutional notes totalling HK\$20 billion to retail and institutional investors. As at 31 March 2015, the Toll Revenue Bond and all HKSAR Government retail bonds issued in 2004 had been fully redeemed. As regards HKSAR Government institutional notes issued in 2004, an amount of HK\$1.5 billion remained outstanding^{Note}. In September 2009, HKSAR Government introduced the government bond programme to promote the further and sustainable development of the bond market in Hong Kong. As at 30 June 2015, the outstanding amount of retail and institutional bonds issued under the government bond programme, with tenors ranging from 3 to 10 years, reached HK\$92.6 billion (including HK\$72.6 billion of institutional bonds and HK\$20 billion of inflation-linked retail bonds). In addition, HKSAR Government issued two series of sukuk under the government bond programme in 2014 and 2015, each with an issuance size of US\$1 billion and a tenor of 5 years. The relevant proceeds arising from bonds issued under the government bond programme are credited to the bond fund.

The table below sets out certain economic indicators with respect to Hong Kong for the past five years:

Economic Indicators	2010	2011	2012	2013	2014
GDP at current market prices (HK\$ billion)	1,776.3	1,934.4	2,037.1	2,138.7	2,255.6
Composite Consumer Price Index	100.7	106.0	110.3	115.1	120.2
Unemployment rate (%)	4.3	3.4	3.3	3.4	3.3

The table below sets out certain fiscal indicators with respect to HKSAR Government for 2010-11 to 2014-15 (all figures in HK\$ billion):

Fiscal Indicators	2010-11	2011-12	2012-13	2013-14	2014-15
Consolidated Government surplus [^]	75.1	73.7	64.8	21.8	72.8
Government debt [*]	11.2	11.2	11.2	11.2	1.5
Fiscal Reserves [#] (as at 31 March)	595.4	669.1	733.9	755.7	828.5

[^] (after repayment of bonds and notes issued in July 2004.)

^{*} (excluding Exchange Fund Bills and Notes. Also excluding retail and institutional bonds issued under the government bond programme with proceeds credited to the bond fund.)

[#] (excluding bond fund balance of HK\$28.5 billion as at 31 March 2011, HK\$52.0 billion as at 31 March 2012, HK\$75.3 billion as at 31 March 2013, HK\$100.7 billion as at 31 March 2014 and HK\$120.1 billion as at 31 March 2015.)

Note These notes are denominated in Hong Kong dollars and will mature in July 2019.

OTHER INFORMATION

HKSAR GOVERNMENT CAN RE-OPEN A SERIES OF RETAIL BONDS TO ISSUE MORE RETAIL BONDS OF THE SAME SERIES LATER

HKSAR Government reserves the right to create and issue additional retail bonds of a particular series in a follow-on offering or placement after the initial offering has closed. The additional retail bonds will be issued so that they are interchangeable with the originally issued retail bonds. The only differences will be the issue date and the subscription price.

YOU SHOULD CONSIDER THE TAX CONSEQUENCES OF INVESTING IN RETAIL BONDS

This is a summary of current Hong Kong tax law and practice as at the date of this programme circular. It is not complete and does not constitute tax advice. You should consult your own tax adviser about the tax consequences of investing in retail bonds, particularly if you are subject to special tax rules.

- No profits tax or withholding tax is payable in Hong Kong on any payments made by HKSAR Government on any retail bonds.
- No stamp duty is payable in Hong Kong on the issue or transfer of any retail bonds.
- No capital gains tax is payable in Hong Kong on any capital gains arising from resale of any retail bonds.

HKSAR GOVERNMENT IS RESPONSIBLE FOR THIS PROGRAMME CIRCULAR

HKSAR Government accepts responsibility for the information contained in this programme circular and confirms, having made all reasonable enquiries, that this programme circular contains no untrue statement (including any statement which is misleading in the form and context in which it is included and including any material omission).

The statements in this programme circular as to the policies, intentions, preferences, views or opinions of HKSAR Government reflect its prevailing policies, intentions, preferences, views or opinions as at the date of this programme

circular. However, HKSAR Government reserves the right at any time to update, amend or replace any of its policies, intentions, preferences, views or opinions as it sees fit.

Information included in any websites referred to in this programme circular, including HKSAR government bond programme website at www.hkgeb.gov.hk, does not form part of this programme circular and does not form part of the terms and conditions of the retail bonds.

HKSAR GOVERNMENT MAY UPDATE THIS PROGRAMME CIRCULAR FROM TIME TO TIME

This programme circular is accurate as at the date stated on its cover. You must not assume that information in this programme circular is accurate at any time after the date of this programme circular. HKSAR Government may from time to time publish supplements to this programme circular to update the information contained in this programme circular. If the information in this programme circular needs to be updated at the time HKSAR Government publishes an issue circular, HKSAR Government will either include the updated information in the issue circular or, if it prefers, HKSAR Government may update the information by a supplement to this programme circular. The most recent issue circular will tell you whether any supplements to this programme circular have been published.

HKSAR Government will update this programme circular annually. The terms and conditions of retail bonds issued under the retail bond programme are the terms and conditions described in the most recently published programme circular at the time of issue of those retail bonds, as varied or supplemented by any supplements in force at that time and by the relevant issue circular, except to the extent that the terms and conditions of any retail bonds have been supplemented or amended by notice to the holders of those retail bonds under paragraph 9 of the section entitled “Terms and conditions of the retail bonds” above.

HKSAR Government will also through the CMU give notice to the holders of the CMU account to which the retail bonds are credited of any information about HKSAR Government which is

necessary to avoid the establishment of a false market in retail bonds, or which may significantly affect HKSAR Government's ability to make payments on retail bonds.

TEXT OF THIS PROGRAMME CIRCULAR

This programme circular is available in English and Chinese.

WHERE YOU CAN READ COPIES OF THE RETAIL BOND PROGRAMME DOCUMENTATION

The Monetary Authority will make copies of the following documents available for viewing as described below during the subscription period for any retail bonds and while any retail bond is still outstanding:

- the current programme circular, and any supplements to it;
- the issue circular(s) for each series of retail bonds which is outstanding; and
- all notices given by HKSAR Government under the terms and conditions of each series of retail bonds which is outstanding.

These documents will be available for viewing at the offices of the Monetary Authority at 55th Floor, Two International Finance Centre, 8 Finance Street, Central, Hong Kong. These offices are open only during normal business hours and not on Saturdays, Sundays or general holidays. A reasonable fee will be charged if you want to make photocopies of any of the documents.

You can also view the current programme circular, any supplement to it and the issue circular(s) for each series of retail bonds which is outstanding online by visiting HKSAR government bond programme website at www.hkgb.gov.hk.

RIGHTS AGAINST HKSAR GOVERNMENT IN THE COURTS OF HONG KONG ARE LIMITED

In legal proceedings against HKSAR Government in a court of Hong Kong, the court has no power to grant an injunction or to make an order for specific performance, but may instead make an order declaratory of the rights of the parties. No process of execution or attachment can be carried out to enforce satisfaction by HKSAR Government of any judgment.

DEFINED TERMS USED IN THIS PROGRAMME CIRCULAR

Many of the words and expressions used in this programme circular have a specific meaning in the context of the retail bond programme. Words and expressions used in this programme circular have the meanings given in the following table unless the particular context in which a word or expression is used requires that it must have a different meaning. The issue circular for a particular series of retail bonds may specify different meanings for certain words or expressions from those specified in this programme circular. In that case, the meanings described in the issue circular will apply, but only to that series of retail bonds. References in this programme circular to an individual investor or securities broker “holding” retail bonds mean the holding by that individual investor or securities broker of an indirect interest in retail bonds held by a recognized dealer.

additional recognized dealer	a recognized dealer who is not a placing bank or HKSCC
application moneys	the amount paid by an applicant at the time of his application for retail bonds of a series in respect of the retail bonds themselves excluding any fees. You can read more about application moneys on page 7, in the paragraph entitled “What are “application moneys”? How are “subscription moneys” different?”
application price	in relation to any series of retail bonds, the application price, expressed as a percentage of the principal amount of the retail bonds, specified in the relevant issue circular or, if no application price is so specified, 100%
Basic Law	the Basic Law of Hong Kong adopted by the National People’s Congress of the PRC on 4 April 1990 in accordance with Article 31 of the Constitution of the PRC
bond fund	the bond fund set up under the Public Finance Ordinance (Chapter 2 of the Laws of Hong Kong) for the purposes of the retail bond programme and the institutional bond programme
business day	any day (other than Saturdays, Sundays and general holidays) on which both the CMU is operating and banks in Hong Kong are open for business
CCASS	the Central Clearing and Settlement System operated by HKSCC
CMU	the Central Moneymarkets Unit, a debt securities custodian, clearing and settlement system operated by the Monetary Authority
CMU account	a securities account maintained with the CMU by a recognized dealer
co-arrangers	Bank of China (Hong Kong) Limited and The Hongkong and Shanghai Banking Corporation Limited
Exchange Fund	the Exchange Fund established under section 3(1) of the Exchange Fund Ordinance (Chapter 66 of the Laws of Hong Kong)

Exchange Fund Bill and Notes	bills and notes issued by HKSAR Government for the account of the Exchange Fund
Financial Secretary	the Financial Secretary of HKSAR Government
Fitch	Fitch Ratings Ltd.
HK\$	Hong Kong dollars
HKSAR Government	The Government of the Hong Kong Special Administrative Region of the People's Republic of China
HKSCC	Hong Kong Securities Clearing Company Limited
Hong Kong Stock Exchange	The Stock Exchange of Hong Kong Limited
institutional bond	an institutional bond issued by HKSAR Government under the institutional bond programme
institutional bond programme	HKSAR Government's institutional bond issuance programme established pursuant to the resolutions passed by the Legislative Council of Hong Kong on 8 July 2009 and 22 May 2013
investor account	an account maintained with HKSCC by an investor participant admitted to participate in CCASS
investor compensation fund	the investor compensation fund established under section 236 of the Securities and Futures Ordinance
investor compensation fund rules	the Securities and Futures (Investor Compensation - Claims) Rules (Chapter 571T of the Laws of Hong Kong) made by the SFC under section 244(2) of the Securities and Futures Ordinance
issue circular	an issue circular specifying the particular terms and conditions of one or more series of retail bonds
Joint Declaration	The Sino-British Joint Declaration on the Question of Hong Kong signed on 19 December 1984
Monetary Authority	the Monetary Authority appointed by HKSAR Government under section 5A(1) of the Exchange Fund Ordinance (Chapter 66 of the Laws of Hong Kong)
Moody's	Moody's Investor's Service
placing bank	in relation to any series of retail bonds, a bank specified as a placing bank in the relevant issue circular
principal application amount	in relation to any series of retail bonds, the principal amount of retail bonds of that series applied for by an applicant for retail bonds

programme agreement	the programme agreement entered into between HKSAR Government and the initial placing banks, market makers and nominees in connection with the retail bond programme, as amended or supplemented from time to time
PRC	the People's Republic of China
recognized dealers	the institutions appointed by the Monetary Authority as recognized dealers to hold and deal in retail bonds and institutional bonds through the CMU
relevant issue circular	for any series of retail bonds, the issue circular for that series of retail bonds
retail bond	a retail bond issued by HKSAR Government under the retail bond programme
retail bond programme	HKSAR Government's retail bond issuance programme established pursuant to the resolutions passed by the Legislative Council of Hong Kong on 8 July 2009 and 22 May 2013
S&P	Standard & Poor's, a division of the McGraw-Hill Companies, Inc.
securities broker	a person admitted to participate in CCASS as a clearing participant or a custodian participant
series	any retail bonds which are stated in their issue circular to form a single series and are identical in all respects (except that any additional issues of retail bonds which are issued on different dates and have different subscription prices but which are otherwise identical may still form a single series)
Securities and Futures Ordinance	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
SFC	the Securities and Futures Commission established under section 3 of the Securities and Futures Commission Ordinance (Chapter 24 of the Laws of Hong Kong) (now repealed) and continuing in existence under section 3 of the Securities and Futures Ordinance
subscription moneys	the amount actually paid by an applicant for retail bonds of a series on the issue date in respect of the retail bonds of that series allocated to the applicant (excluding any fees). You can read more about subscription moneys on page 7, in the paragraph entitled "What are "application moneys"? How are "subscription moneys" different?"
subscription price	in relation to any series of retail bonds, the subscription price, expressed as a percentage of the principal amount of the retail bonds, specified in, or notified or determined in accordance with arrangements specified in, the relevant issue circular or, if no subscription price and no such notification arrangements are so specified, the application price

PARTIES INVOLVED IN THE RETAIL BOND PROGRAMME

ISSUER

The Government of the Hong Kong Special Administrative Region of the People's Republic of China

ISSUER'S REPRESENTATIVE AND ISSUING AND PAYING REPRESENTATIVE

Monetary Authority

55th Floor Two International Finance Centre
8 Finance Street
Central
Hong Kong

CO-ARRANGERS

Bank of China (Hong Kong) Limited

7/F Bank of China Tower
1 Garden Road
Central
Hong Kong

The Hongkong and Shanghai Banking Corporation

Limited
Level 17
HSBC Main Building
1 Queen's Road Central
Hong Kong

COUNSEL TO THE ISSUER AND THE ISSUER'S REPRESENTATIVE

King & Wood Mallesons
13/F, Gloucester Tower, The Landmark
15 Queen's Road Central
Central
Hong Kong

COUNSEL TO THE CO-ARRANGERS

Clifford Chance
27th Floor Jardine House
One Connaught Place
Central
Hong Kong



**The Government of the Hong Kong Special Administrative
Region of the People's Republic of China**

Retail Bond Issuance Programme

iBond Series HK\$10,000,000,000 Retail Bonds Due 2018

**Subscription Period — 9:00 a.m. on Tuesday, 21 July 2015 to
2:00 p.m. on Wednesday, 29 July 2015**

ISSUER'S REPRESENTATIVE

Monetary Authority

JOINT LEAD MANAGERS

Bank of China (Hong Kong) Limited

HSBC

PLACING BANKS

Bank of China (Hong Kong) Limited	Bank of Communications Co., Ltd. Hong Kong Branch	The Bank of East Asia, Limited
China CITIC Bank International Limited	China Construction Bank (Asia) Corporation Limited	Chiyu Banking Corporation Limited
Chong Hing Bank Limited	Citibank (Hong Kong) Limited	Dah Sing Bank, Limited
DBS Bank (Hong Kong) Limited	Fubon Bank (Hong Kong) Limited	Hang Seng Bank Limited
HSBC	Hong Leong Bank Berhad, Hong Kong Branch	Industrial and Commercial Bank of China (Asia) Limited
Nanyang Commercial Bank, Limited	OCBC Wing Hang Bank Limited	Public Bank (Hong Kong) Limited
Shanghai Commercial Bank Limited	Standard Chartered Bank (Hong Kong) Limited	Wing Lung Bank Limited

Issue Circular dated 16 July 2015

KEY FACTS

This table only provides a quick summary of the retail bonds. It does not contain all the information that may be important to you as an investor. **You should read the entire programme circular and all of this issue circular carefully before making any investment decision concerning the retail bonds.**

QUICK FACTS ABOUT THE RETAIL BONDS

Issuer	The Government of the Hong Kong Special Administrative Region of the People's Republic of China
Subscription period	9:00 a.m. on Tuesday, 21 July 2015 to 2:00 p.m. on Wednesday, 29 July 2015 HKSAR Government may decide to close the offer early, or allow more time, without prior notice. HKSAR Government reserves the right to cancel the offer at any time on or before the scheduled issue date.
Issue date*	7 August 2015
Application price	100%
Subscription price	The subscription price of the retail bonds is equal to the application price.
Principal application amounts	The minimum principal amount of retail bonds you can apply for is HK\$10,000. You must apply for a principal amount of retail bonds which is an integral multiple of HK\$10,000.
Minimum denomination	HK\$10,000
Interest rate (coupon)	The interest rate for each interest payment date will be determined and announced on the relevant interest determination date as the higher of: (i) the floating rate, being the arithmetic average of the year-on-year rates of change in the Composite Consumer Price Index compiled and published by the Census and Statistics Department of HKSAR Government based on the results of the most recent Household Expenditure Survey at the relevant interest determination date (currently being the 2009/10-based Composite Consumer Price Index) for the 6 most recent preceding months, rounded to the nearest two decimal places; and (ii) the fixed rate of 1.00%, per annum, payable every 6 months in arrear.
Maturity date	7 August 2018
Handling fee**	0.15%
Brokerage fee**	For applications made directly through HKSCC, this is the fee that you pay HKSCC for handling your application, calculated as 0.15% of the application moneys of the retail bonds you apply for. For applications made through a securities broker, the level of brokerage fee that you pay is determined by your securities broker (and may be higher than or lower than 0.15%). Please consult your securities broker on how this fee is charged.
*	Note that certain circumstances (for example, a "black" rainstorm warning or a tropical cyclone warning signal number 8 or above in force in Hong Kong) may result in the issue date falling on a later date.
**	Depending on how you apply for retail bonds, either a handling fee or a brokerage fee may apply, but never both. Any handling fee is charged by a placing bank and any brokerage fee is charged by HKSCC or a securities broker.

KEY BENEFITS OF INVESTING IN RETAIL BONDS	KEY RISKS OF INVESTING IN RETAIL BONDS
<ul style="list-style-type: none"> • <u>Strong credit</u>: HKSAR Government has a strong, “investment grade”, credit rating. 	<ul style="list-style-type: none"> • <u>Interest rate risk</u>: The retail bonds carry a floating rate of interest that is calculated other than by reference to prevailing Hong Kong dollar interest rates. The market value of your retail bonds may decrease if the prevailing Hong Kong dollar interest rates increase during the term of the retail bonds.
<ul style="list-style-type: none"> • <u>Regular returns</u>: The retail bonds offer half-yearly interest payments that are linked to inflation, subject to a pre-specified minimum rate, for the entire term of your investment. 	<ul style="list-style-type: none"> • <u>Index risk</u>: The retail bonds carry a rate of interest that includes a component linked to the Composite Consumer Price Index. The market value of your retail bonds may be affected by movements in the index.
<ul style="list-style-type: none"> • <u>Interest rate</u>: The retail bonds may offer higher interest rates than Hong Kong dollar time deposits of similar maturities. 	<ul style="list-style-type: none"> • <u>Liquidity risk</u>: There may not be an active secondary market for your retail bonds and it may not be possible to sell your retail bonds prior to maturity or the sale price may be lower than the amount you have invested.
	<ul style="list-style-type: none"> • <u>Credit risk</u>: The retail bonds are not secured. When you buy retail bonds you will be relying on the creditworthiness of HKSAR Government. Adverse changes in the wider economic conditions in Hong Kong and the world and/or the creditworthiness of HKSAR Government may reduce the market value of your retail bonds and may affect HKSAR Government’s ability to make payments of principal of and interest on your retail bonds. In the worst case scenario, you could lose all of your investment.
	<ul style="list-style-type: none"> • <u>Intermediary risk</u>: You can only hold retail bonds indirectly through certain institutions, whom you will have to rely on to perform a number of functions, including passing on payments of principal of and interest on retail bonds to you and proving your interest in your retail bonds.

The Government of the Hong Kong Special Administrative Region of the People's Republic of China (**HKSAR Government**) has set up its retail bond issuance programme (the **retail bond programme**) to issue retail bonds to the public in Hong Kong in order to promote investor awareness of the bond market in Hong Kong.

This is the issue circular for the series of retail bonds described in this document (the **retail bonds**). This issue circular contains the final terms and conditions of this series of retail bonds and must be read in conjunction with HKSAR Government's programme circular relating to the retail bond programme dated 16 July 2015 (as amended or supplemented from time to time) (the **programme circular**). Full information on HKSAR Government and the retail bonds is only available by reading both this issue circular and the programme circular. If a statement or term in this issue circular is inconsistent with a statement or term in the programme circular, then the statement or term contained in this issue circular should be treated as correct, but only in relation to this series of retail bonds.

In this issue circular, words and expressions have the meanings given in the programme circular unless this issue circular specifies a different meaning. In that case, then in relation to this series of retail bonds only, the meaning contained in this issue circular should be treated as correct and that meaning should be applied in reading the programme circular (including the section entitled "Terms and conditions of the retail bonds").

YOU SHOULD NOTE THE FOLLOWING IMPORTANT INFORMATION

If you are in any doubt about the contents of this issue circular or the programme circular, you should obtain independent professional advice.

The retail bonds are issued under HKSAR Government's retail bond issuance programme. You should read HKSAR Government's programme circular dated 16 July 2015 (as amended or supplemented from time to time) as well as this issue circular in order to understand the offer of the retail bonds, and ensure you fully understand the risks associated with any investment in the retail bonds, before deciding whether to apply for any retail bonds.

None of HKSAR Government, the Monetary Authority, the joint lead managers and the placing banks will give you investment advice: you must decide for yourself whether any retail bonds meet your investment needs, taking professional advice if appropriate.

Any application for HKSAR Government's retail bonds will be made solely on the basis of the information contained in this issue circular and the programme circular. No person has been authorised to give any information or to make any representation not contained in or not consistent with this issue circular and the programme circular or any other information supplied by HKSAR Government in connection with the retail bonds. If someone has given you any such information or made any such representation, you must disregard it and must not rely on it as having been authorised by HKSAR Government.

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This issue circular relates only to the series of retail bonds described in it. It does not relate to any other series of retail bonds issued by HKSAR Government under the retail bond programme or any bonds issued by HKSAR Government under the institutional bond programme or any other bond or note issuance programme or otherwise.

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HKSAR GOVERNMENT IS OFFERING THE iBOND SERIES OF RETAIL BONDS

The iBond series of retail bonds is offered on the terms set out in the table below and as described in this issue circular.

Series	iBond Series
Issue Number	03GB1808R
Stock Code	4228
	HK\$ Retail Bonds due 2018
Subscription period	9:00 a.m. on Tuesday, 21 July 2015 to 2:00 p.m. on Wednesday, 29 July 2015 HKSAR Government may decide to close the offer early, or allow more time, without prior notice. The issue date (and hence the interest payment dates and the maturity date) may change accordingly. HKSAR Government reserves the right to cancel the offer at any time on or before the scheduled issue date.
Currency	Hong Kong dollars
Interest rate (coupon)	The interest rate for each interest payment date will be determined and announced on the relevant interest determination date as the higher of: (i) the floating rate, being the arithmetic average of the year-on-year rates of change in the Composite Consumer Price Index compiled and published by the Census and Statistics Department of HKSAR Government based on the results of the most recent Household Expenditure Survey at the relevant interest determination date (currently being the 2009/10-based Composite Consumer Price Index) for the 6 most recent preceding months, rounded to the nearest two decimal places; and (ii) the fixed rate of 1.00%. This is the percentage rate of the principal amount per annum to be applied to calculate the interest that HKSAR Government pays on the retail bonds.
Issue date	7 August 2015 If the issue date ceases to be a business day in Hong Kong, for example, if there is a “black” rainstorm warning or a tropical cyclone warning signal number 8 or above in force in Hong Kong, then the issue date will be the next day which is a business day in Hong Kong not affected by the cessation.
Application price	100% The application moneys, being the application price multiplied by the principal amount of the retail bonds you apply for, are the amount which you must pay at the time of your application.
Subscription price	The subscription price is equal to the application price.
Handling fee[△]	0.15% This is the fee that you pay your placing bank for handling your application, calculated as a percentage of the application moneys of the retail bonds you apply for. It is in addition to the application moneys. Your placing bank may choose to waive or reduce the amount of the handling fee it charges. <u>This fee applies only to applications made through a placing bank.</u>

Series	iBond Series		
Issue Number	03GB1808R		
Stock Code	4228		
	HK\$ Retail Bonds due 2018		
Brokerage fee[△]	<p>For applications made directly through HKSCC, this is the fee that you pay HKSCC for handling your application, calculated as 0.15% of the application moneys of the retail bonds you apply for.</p> <p>For applications made through a securities broker*, the level of brokerage fee that you pay is determined by your securities broker (and may be higher than or lower than 0.15%). Please consult your securities broker on how this fee is charged.</p>		
Principal application amounts	<p>The minimum principal amount of retail bonds you can apply for is HK\$10,000. You must apply for a principal amount of retail bonds which is an integral multiple of HK\$10,000.</p> <p>Applications for a principal amount of retail bonds which is less than HK\$10,000 or for a principal amount of retail bonds which is not an integral multiple of HK\$10,000 are liable to be rejected.</p>		
Minimum denomination	HK\$10,000		
Total issue amount	HKSAR Government will decide the total principal amount of the retail bonds to be issued in light of investor demand.		
Minimum issue amount	No specified minimum issue amount.		
Maximum issue amount	<p>HK\$10,000,000,000</p> <p>This is the maximum principal amount of this series of retail bonds that HKSAR Government may issue.</p>		
Maturity date	<p>7 August 2018</p> <p>HKSAR Government will repay 100% of the principal amount of your retail bonds on the maturity date.**</p>		
Interest payment dates and relevant interest determination dates	Interest payment date**	Relevant interest determination date**	
	<i>First:</i>	11 February 2016	25 January 2016
	<i>Second:</i>	8 August 2016	25 July 2016
	<i>Third:</i>	7 February 2017	23 January 2017
	<i>Fourth:</i>	7 August 2017	24 July 2017
	<i>Fifth:</i>	7 February 2018	24 January 2018
	<i>Maturity date:</i>	7 August 2018	24 July 2018
Listing	<p>Application has been made to the Hong Kong Stock Exchange for permission to deal in, and for listing of, the retail bonds. The retail bonds are expected to be admitted to listing on 10 August 2015. Listed retail bonds will be traded in units of HK\$100 each in principal amount and each trading lot of the retail bonds has 100 units (in other words, one trading lot is equivalent to HK\$10,000 in principal amount of retail bonds).</p>		

[△] Upon application, the handling fee or, as the case may be, the brokerage fee (if any) equal to a percentage of the application moneys will be payable.

- * A **securities broker** is a CCASS clearing participant or CCASS custodian participant. This may be a securities broker, a custodian bank or any other institution admitted to CCASS as a clearing participant or custodian participant. All CCASS clearing participants and CCASS custodian participants are referred to in this issue circular as **securities brokers**.
- ** Unless specified otherwise, if the due date for any action on the part of HKSAR Government in relation to a retail bond, including making a payment, is not a business day in Hong Kong, then HKSAR Government will perform such action on the next day which is a business day in Hong Kong unless that day falls in the next calendar month, in which case HKSAR Government will perform such action on the day immediately preceding the due date which is a business day in Hong Kong. If the due date for any such action ceases to be a business day in Hong Kong, for example, if there is a “black” rainstorm warning or a tropical cyclone warning signal number 8 or above in force in Hong Kong, then HKSAR Government will perform the action on the next day which is a business day in Hong Kong not affected by the cessation. Where a payment date is so changed, interest shall continue to accrue to the new payment date and any additional interest or, where the new payment date is a date falling before the original due date, any reduction in interest, shall be taken into account for the purposes of calculating any amounts of interest payable in respect of the applicable interest period.

IMPORTANT INVESTMENT CONSIDERATIONS

An investment in retail bonds is not equivalent to a time deposit and involves investment risks.

Your investment in retail bonds is subject to interest rate risk. The market value of your retail bonds may decrease if the prevailing Hong Kong dollar interest rates increase during the term of the retail bonds.

Your investment in retail bonds is also subject to index risk. The retail bonds have an interest rate that includes a component linked to the Composite Consumer Price Index. The market value of your retail bonds may be affected by movements in that index.

Your investment in retail bonds may also be subject to liquidity risk. While HKSAR Government has appointed some of the placing banks as market makers to quote prices for the retail bonds on a best-efforts basis, there may not be an active secondary market. If you try to sell your retail bonds before maturity, you may not be able to find a buyer for your retail bonds or the market value of your retail bonds could be lower than the amount you invested. Although retail bonds are listed and can be traded on the Hong Kong Stock Exchange, you should be aware that this does not guarantee an active secondary trading market for the retail bonds or that you will have access to a firm bid or offer price for your retail bonds. Neither does it guarantee the ready availability of pricing information in relation to your retail bonds. If this information is not available, your ability to make an informed decision about whether to sell your retail bonds may be affected.

Like investments in any other fixed income instruments, your investment in retail bonds is also subject to credit risk of default on any repayment of principal or any payment of interest. This credit risk can be assessed by referring to the credit rating of the issuer of the instruments or the instruments themselves if available but you should not rely solely on such ratings. The retail bonds do not have a specific credit rating, however Fitch Ratings Ltd. (Fitch), Moody's Investor's Service (Moody's) and Standard & Poor's, a division of the McGraw-Hill Companies, Inc. (S&P) each assigns the following local currency credit ratings to HKSAR Government:

	Long-term	Short-term	Outlook
Fitch:	AA+	N/A	Stable
Moody's:	Aa1	N/A	Stable
S&P:	AAA	A-1+	Stable

The retail bonds are not secured. When you buy retail bonds, you will be relying on the creditworthiness of HKSAR Government. Changes in the creditworthiness of HKSAR Government and in market conditions such as the economic and political environment in Hong Kong and other parts of the world may influence the prices of your retail bonds and may affect HKSAR Government's ability to make payments of principal of and interest on your retail bonds. In the worst case scenario, you could lose all of your investment.

Prices of retail bonds are also influenced by a combination of factors such as time to maturity, overall market conditions and supply and demand of similar instruments. In general, risk increases with the length of maturity of bonds as the prices of longer-term retail bonds tend to be more sensitive to interest-rate movements than those of shorter-term retail bonds.

Your retail bonds may not have the same terms and conditions as other bonds or notes issued by HKSAR Government or other issuers. In particular, the retail bonds do not restrict HKSAR Government's power to grant security for any of its indebtedness and do not include any rights of holders of retail bonds to require payments of principal on any date earlier than the maturity

date, even in circumstances where HKSAR Government is in breach of its obligations under the retail bonds. Your attention is drawn to the terms and conditions of the retail bonds on pages 12 to 14 of the programme circular. These terms and conditions are varied and/or supplemented for the retail bonds by this issue circular.

Retail bonds are issued in the form of computerised book entries in securities accounts maintained with the Monetary Authority by recognized dealers. They do not exist in physical form and HKSAR Government will not issue certificates for any retail bonds. Title to retail bonds is held by the recognized dealers. You cannot hold retail bonds directly, but must instead hold an interest in retail bonds indirectly through a recognized dealer or through a securities broker holding an interest in retail bonds through a recognized dealer on your behalf. You will have to depend on your recognized dealer (and if applicable your securities broker) to make and receive payments on your retail bonds, give and receive notices in relation to them, prove your interest in retail bonds and make claims for any sums which are due under the retail bonds which have not been paid. HKSAR Government does not endorse or guarantee the solvency of any recognized dealer or securities broker.

EXPECTED TIMETABLE FOR APPLYING FOR RETAIL BONDS

<p>9:00 a.m. on 21 July 2015 (Tuesday) Commencement date of subscription period (commencement date)</p>	<p>Applications for retail bonds may be made from this date onwards. See further the paragraph entitled “How can I apply for this series of retail bonds?” in the section entitled “Frequently Asked Questions” below.</p>
<p>2:00 p.m. on 29 July 2015 (Wednesday) Closing date of subscription period (closing date)</p>	<p>If you are instructing a placing bank to apply for the retail bonds on your behalf:</p> <p>All applications in person, by internet or by telephone must have been submitted by 2:00 p.m. on the closing date. No applications shall be accepted by any placing banks after this time.</p> <p>The application moneys will be collected by debit from 00:00 a.m. on the closing date onwards from your specified bank account with the placing bank to which you gave your application instructions.</p> <p>If you are instructing HKSCC to apply for the retail bonds on your behalf (either directly or through a securities broker):</p> <p>All instructions to apply for retail bonds, whether given directly by you as a holder of an investor account with HKSCC or indirectly through your securities broker, must be received by HKSCC by 2:00 p.m. on the closing date. No instructions for applications for retail bonds will be accepted after this time. Please note that your securities broker may under the terms and conditions of your securities account or, as the case may be, custody account stipulate its own deadline for the submission of instructions to it. You should check with your securities broker as to its deadline for the submission of application instructions.</p> <p>The application moneys will be collected by debit on this date from your designated bank account or, as the case may be, the designated bank account of your securities broker.</p>
<p>5 August 2015 (Wednesday) Allocation date</p>	<p>The allocation date is relevant to HKSAR Government’s internal procedures. This is only relevant to you because a change to the allocation date may result in a change to the issue date, as described below.</p>
<p>7 August 2015 (Friday) Issue date</p>	<p>On or before the issue date, HKSAR Government will announce on www.hkma.gov.hk and on www.hkgeb.gov.hk:</p> <ul style="list-style-type: none">• the issue amount;• the principal amount of valid applications received;• the maximum principal application amount per investor (if any is imposed).

If you have instructed a placing bank to apply for the retail bonds on your behalf:

Your placing bank has agreed that, commencing on and from the issue date, it will notify you by mail (or by any alternative methods agreed with them) of your allocation of retail bonds (if any), the applicable subscription moneys and the amount of any refund of your application moneys. The placing banks have agreed to complete all notifications within five business days of the issue date.

Retail bonds allocated to you will be issued against payment in full of your subscription moneys for those retail bonds by your placing bank. Your placing bank has agreed that retail bonds allocated to you will be credited within the same day to your securities or investment account maintained with the relevant placing bank.

All refunds of application moneys and/or any handling fee will be made as described in the paragraph entitled “What happens if I am owed a refund for any application moneys and/or handling fee or brokerage fee?” in the section entitled “Frequently Asked Questions” below.

If you have directly or indirectly instructed HKSCC to apply for the retail bonds on your behalf:

HKSCC has agreed to notify you or, as the case may be, your securities broker of your allocation of retail bonds (if any), the applicable subscription moneys and the amount of any refund of your application moneys. HKSCC has agreed to complete all notifications before the issue date. If you apply through a securities broker, you will have to rely on your securities broker to pass this information on to you in a timely manner.

Retail bonds allocated to you will be issued against payment in full of your subscription moneys for those retail bonds by HKSCC. HKSCC has agreed that retail bonds allocated to you will be credited within the same day to your investor account with HKSCC or, as the case may be, your securities broker’s account with HKSCC.

All refunds of application moneys and/or any brokerage fee will be made as described in the paragraph entitled “What happens if I am owed a refund for any application moneys and/or handling fee or brokerage fee?” in the section entitled “Frequently Asked Questions” below.

10 August 2015 (Monday)
Listing date

Listing of the retail bonds on the Hong Kong Stock Exchange will become effective and dealings in the retail bonds on the Hong Kong Stock Exchange will commence.

“**business day**” means a day (other than Saturdays, Sundays and general holidays) on which both the CMU is operating and banks in Hong Kong are open for business.

“**designated bank accounts**” means the bank accounts designated by CCASS investor participants, CCASS clearing participants or CCASS custodian participants, and approved by HKSCC for money settlement purposes in CCASS.

References to times are to Hong Kong time.

Subject to HKSAR Government’s right to shorten or extend the subscription period without prior notice, the commencement date and any dates after the commencement of the subscription period will not be adjusted or extended for any reason (for example, the issue of a tropical cyclone warning signal number 8 or above or a “black” rainstorm warning for all or any part of a day which would otherwise have been a business day) except that:

- (1) if any day (other than a Saturday, Sunday or general holiday in Hong Kong) between the closing date and the issue date (exclusive of both dates) falls on a day which is not a business day for any reason, the allocation date and/or the issue date shall be postponed to such dates that the adjusted allocation date and the adjusted issue date are expected to be the fifth business day and the seventh business day respectively following the closing date;
- (2) if the closing date:
 - (a) falls on a day which is not a business day for any reason, the closing date will be the next business day (which shall become the adjusted closing date), and the adjusted allocation date and the adjusted issue date are expected to be the fifth business day and the seventh business day respectively following the adjusted closing date; or
 - (b) falls on a day which is not a business day because banks are not open for business in Hong Kong for part of the day commencing after 12:00 (noon) (for example, because of the issue of a tropical cyclone warning signal number 8 or above or a “black” rainstorm warning with effect from a time later than 12:00 (noon)), then that day shall remain the closing date (and that day shall be deemed to remain a business day) but the allocation date and issue date are expected to be the sixth business day and the eighth business day, respectively, following the closing date;
- (3) if the allocation date:
 - (a) falls on a day which is not a business day for any reason, the allocation date will be the next business day which shall become the adjusted allocation date; or
 - (b) falls on a day which is not a business day because banks are not open for business in Hong Kong for part of the day commencing after 12:00 (noon) (for example, because of the issue of a tropical cyclone warning signal number 8 or above or a “black” rainstorm warning with effect from a time later than 12:00 (noon)), then that day shall remain the allocation date (and that day shall be deemed to remain a business day) but the issue date is expected to be the eighth business day following the closing date;
- (4) if the issue date falls on a day which is not a business day for any reason, the issue date will be the next business day which shall become the adjusted issue date; and
- (5) if the listing date falls on a day which is not a business day for any reason, the listing date will be postponed to the next business day which shall become the adjusted listing date.

FREQUENTLY ASKED QUESTIONS

A. GENERAL INFORMATION

WHAT IS THE iBOND SERIES OF RETAIL BONDS?

This series of retail bonds - the iBond series - is a series of retail bonds that has its half-yearly interest payments linked to the average year-on-year inflation measured by the Composite Consumer Price Index, subject to a minimum interest rate. Principal will be repaid in full, without adjustments based on inflation, at maturity.

The interest payment mechanism is further described in the paragraph entitled “What will be my investment return from retail bonds?” below.

WHAT ARE THE RATINGS OF RETAIL BONDS?

This series of retail bonds has not been given a credit rating specific to it. However, as of the date of this issue circular, Fitch, Moody’s and S&P each assigns the following local currency credit ratings to HKSAR Government:

	Long-term	Short-term	Outlook
Fitch:	AA+	N/A	Stable
Moody’s:	Aa1	N/A	Stable
S&P:	AAA	A-1+	Stable

Like investments in any other fixed income instruments, your investment in retail bonds is also subject to credit risk of default on any repayment of principal or any payment of interest. This credit risk can be assessed by referring to the credit rating of the issuer of the instruments or the instruments themselves if available but you should not rely solely on such credit ratings.

B. INVESTMENT RETURN

WHAT ARE THE KEY BENEFITS OF INVESTING IN RETAIL BONDS?

This series of retail bonds:

- is issued by HKSAR Government, which has a strong, “investment grade”, credit rating;
- may offer higher interest rates than Hong Kong dollar time deposits of similar maturities; and

- offers half-yearly interest payments that are linked to inflation, subject to a pre-specified minimum interest rate, for the entire term of your investment.

WHAT WILL BE MY INVESTMENT RETURN FROM RETAIL BONDS?

HKSAR Government will repay 100% of the principal amount of the retail bonds at maturity.

In addition, HKSAR Government will pay interest on the scheduled interest payment dates at the end of every 6 months. The annual interest rate to be used for each interest payment date will be determined on the relevant interest determination date as the higher of:

- the floating rate, being the arithmetic average of the year-on-year rates of change in the Composite Consumer Price Index compiled and published by the Census and Statistics Department of HKSAR Government based on the results of the most recent Household Expenditure Survey at the relevant interest determination date (currently being the 2009/10-based Composite Consumer Price Index) for the 6 most recent preceding months, rounded to the nearest two decimal places; and
- the fixed rate of 1.00%.

If the floating rate is greater than or equal to the fixed rate, the annual interest rate will be set as the floating rate.

If the fixed rate is greater than the floating rate, the annual interest rate will be set as the fixed rate.

Interest rates will be determined and announced on the relevant interest determination dates. The interest rates will be announced on the HKSAR government bond programme website at www.hkgeb.gov.hk.

In calculating your return, you should also remember to take into account the fees you will incur in applying for the retail bonds and in setting up and maintaining a securities or investment account with a placing bank, your securities broker and/or HKSCC to hold the retail bonds and any other costs you may incur.

WHAT IS THE MINIMUM INTEREST RATE PAYABLE ON RETAIL BONDS?

This is 1.00% per annum.

CAN I RE-INVEST INTEREST RECEIVED INTO RETAIL BONDS?

The interest payments received cannot be re-invested into retail bonds.

C. CONSUMER PRICE INDEX

WHICH CONSUMER PRICE INDEX SERIES WILL BE USED IN DETERMINING THE ANNUAL INTEREST RATE ON THE RETAIL BONDS?

The Composite Consumer Price Index compiled and published by the Census and Statistics Department of HKSAR Government (C&SD) based on the results of the most recent Household Expenditure Survey (HES) at the relevant interest determination date (currently being the 2009/10-based Composite Consumer Price Index) will be used in determining the annual interest rate of this series of retail bonds every 6 months.

HOW IS INFLATION MEASURED UNDER THE CONSUMER PRICE INDEX AND WHAT IS THE COMPOSITE CONSUMER PRICE INDEX?

The Consumer Price Index (CPI) is compiled and published by the C&SD. It measures the changes during a specified period in the price level of consumer goods and services generally purchased by households. The year-on-year rate of change in the CPI is widely used as an indicator of the level of inflation affecting consumers over the year in question. Different series of CPIs are compiled to reflect the impact of consumer price changes on households in different expenditure ranges. The CPI(A), CPI(B) and CPI(C) are compiled based on the expenditure patterns of households in the relatively low, medium and relatively high expenditure ranges respectively. The Composite Consumer Price Index is compiled based on the overall expenditure pattern of all the above households taken together to reflect the impact of consumer price changes on the household sector as a whole.

Different expenditure weightings are used to compile the different CPI series. These weightings are determined every 5 years based on

the results of a new HES. The period in which an HES is conducted forms the “base” of a CPI series. The most recent HES was conducted in 2009/10, based on which the CPI series are now being compiled and published as the 2009/10-based CPI series. CPI series based on the results of a more recent HES may be available during the term of the retail bonds.

Further information on the different CPI series is available from the C&SD’s official website at www.censtatd.gov.hk.

D. APPLICATIONS

WHERE CAN I GET A COPY OF THE PROGRAMME CIRCULAR AND THIS ISSUE CIRCULAR?

You can get copies of the programme circular and this issue circular from the offices of the Monetary Authority at 55th Floor, Two International Finance Centre, 8 Finance Street, Central, Hong Kong and, during the subscription period for this series of retail bonds, from any of the application channels described in the paragraph entitled “How can I apply for this series of retail bonds?” below.

Further information about the retail bonds is available from HKSAR government bond programme website at www.hkgb.gov.hk.

AM I ELIGIBLE TO APPLY FOR THIS SERIES OF RETAIL BONDS?

You can only apply for retail bonds if you hold a valid Hong Kong identity card. An application using a joint account can only be made if either you or one of your joint account holders holds a valid Hong Kong identity card. See further the paragraph entitled “What confirmations do I have to make?” below in relation to other restrictions and the paragraph entitled “Can I make multiple applications for retail bonds?” below for more information about making an application using a joint account.

HOW CAN I APPLY FOR THIS SERIES OF RETAIL BONDS?

The subscription period for this series of retail bonds is from 9:00 a.m. on Tuesday, 21 July 2015 to 2:00 p.m. on Wednesday, 29 July 2015.

You can apply for this series of retail bonds through any of the placing banks listed on page 19, through HKSCC directly or through a securities broker.

Applications for retail bonds must be submitted before 2:00 p.m. on the closing date of the applicable subscription period.

If you are applying through a securities broker, your securities broker may stipulate its own deadline for the submission of application instructions to it. Please consult your securities broker if in doubt.

You may only subscribe retail bonds in a principal amount which is an integral multiple of HK\$10,000. Applications for a principal amount which is less than HK\$10,000 or for a principal amount of retail bonds which is not an integral multiple of HK\$10,000 are liable to be rejected.

HKSAR Government reserves the right to set a maximum principal application amount per investor for a series of retail bonds at any time on or before the issue date without prior notice, where it considers it necessary to prevent an over-concentration of holdings in retail bonds by a single investor.

If HKSAR Government sets a maximum principal application amount per investor for this series of retail bonds, then any application for a principal amount of this series of retail bonds which is greater than that maximum principal application amount will be treated as an application for the maximum principal application amount and any application moneys paid in excess of the application moneys for that maximum principal application amount (and, for applications made through a placing bank, any handling fee or, for applications made directly through HKSCC, any brokerage fee) will be refunded without interest. For applications made through a securities broker, applicants should consult their securities broker for the details of whether or not, and if so how, it will refund to them any application moneys and/or brokerage or other fee. See further the paragraph entitled “What happens if I am owed a refund for any application moneys and/or handling fee or brokerage fee?” below in relation to refund arrangements.

HKSAR Government reserves the right to cancel all or a portion of the offering of this series of retail bonds at any time on or before their issue date.

DO I NEED AN APPLICATION FORM?

No, we will not issue an application form for the retail bonds. However, in order to standardise and streamline the application process, HKSAR Government has prepared a standard application template for use by the placing banks and securities brokers in executing your instructions. You will be required to make a series of confirmations and acknowledgements.

WHAT CONFIRMATIONS DO I HAVE TO MAKE?

When you apply for this series of retail bonds, you are deemed to confirm for the benefit of HKSAR Government and your placing bank (if you apply through a placing bank), HKSCC (if you apply through HKSCC directly), or HKSCC and your securities broker (if you apply through a securities broker) that:

- (1) you agree to accept the retail bonds applied for, or any lesser amount allocated to you;
- (2) you understand that no certificates of title will be available for your retail bonds or any other retail bonds, that the retail bonds are in book-entry form only, that legal title to the retail bonds is held at all times and under all circumstances by the recognized dealer to whose CMU account the retail bonds are credited and that you acquire no direct rights against HKSAR Government in respect of your retail bonds;
- (3) you agree that if you are not allocated any retail bonds or if the retail bonds you have applied for are not issued to you in full for any reason, the whole or an appropriate portion of the application moneys will be refunded to you without interest and at your own risk and that all interest which may have accrued between the date of your application and the date of such refund will be retained for the benefit of the holder(s) of the account(s) to which such amounts have been credited (being such of HKSAR Government and/or your placing bank, HKSCC and/or your securities broker as may be applicable). If you apply through a securities broker, you should consult your securities broker for the details of whether or not, and if so how, it will refund to you any application moneys and/or brokerage or

other fee. Please see further the paragraph entitled “What happens if I am owed a refund for any application moneys and/or handling fee or brokerage fee?” below;

- (4) you understand that the retail bonds will be held through the Central Moneymarkets Unit (CMU), a debt securities custodian, clearing and settlement system operated by the Monetary Authority, which means that:
- (a) if you hold your retail bonds through a recognized dealer (whether a placing bank, HKSCC or an additional recognized dealer), you will have to rely on your recognized dealer:
 - (i) to credit the account you hold with your recognized dealer with interest and principal payments credited to its settlement account;
 - (ii) to distribute notices to you which your recognized dealer receives from HKSAR Government; and
 - (iii) to prove your holding in your retail bonds; and
 - (b) if you hold your retail bonds through a securities broker:
 - (i) you will have to rely on HKSCC to credit the designated bank account of your securities broker with interest and principal payments credited to HKSCC’s settlement account, and you will also have to rely on HKSCC to distribute to your securities broker notices which HKSCC receives from HKSAR Government and to prove your securities broker’s holding in retail bonds; and
 - (ii) you will have to rely on your securities broker to credit the account you hold with it with interest and principal payments credited by HKSCC to its designated bank account, and you will also have to rely on your securities broker to distribute notices to you which it receives from the HKSCC and to prove your holding in your retail bonds.
- In this paragraph (4), “**settlement account**” means, in relation to a recognized dealer which is a licensed bank, the account maintained by that recognized dealer with the Monetary Authority through which its own clearing balance is settled or, in relation to a recognized dealer which is not a licensed bank, the account maintained by its designated correspondent bank with the Monetary Authority for the purpose of settling, inter alia, interbank payments;
- (5) you have obtained a copy of this issue circular and a copy of the programme circular, have read and understood this issue circular and the programme circular and have relied on no other information or material in applying for the retail bonds;
 - (6) you understand and agree that HKSAR Government accepts no responsibility for the provision of brokerage, custody, banking (including internet and telephone banking) or any other services by any recognized dealer (whether a placing bank, HKSCC or an additional recognized dealer) or securities broker or for any consequences of, or any losses arising from the use of, any bank account, securities or investment account, custody account or brokerage, custody, banking or any other services of any recognized dealer (whether a placing bank, HKSCC or an additional recognized dealer) or securities broker;
 - (7) you have not made more than one application for this series of retail bonds in accordance with the paragraph entitled “Can I make multiple applications for retail bonds?” below;
 - (8) you hold a valid Hong Kong identity card or, if you are making an application using a joint account, either you or one of your joint account holders holds a valid Hong Kong identity card;
 - (9) you are not located within the United States or Canada and are not a U.S. Person within the meaning of Regulation S under the U.S. Securities Act of 1933, as amended (which includes any person resident in the United States and any partnership or corporation organised or incorporated under the laws of the United States) or a resident of Canada; and you are not acting as an agent of a U.S. Person or a resident of Canada; and

(10) you agree to the personal information collection statement at the end of this issue circular.

By applying for retail bonds, you make these confirmations to HKSAR Government and your placing bank (if you are applying through a placing bank), HKSCC (if you are applying through HKSCC directly) or HKSCC and your securities broker (if you are applying through a securities broker). You understand that HKSAR Government would not otherwise issue you the retail bonds for which you are applying. Your placing bank, your securities broker and/or HKSCC may well require you to make these and other confirmations at the time you make your application.

WHAT ARE THE ARRANGEMENTS WITH THE PLACING BANKS, HKSCC AND THE SECURITIES BROKERS FOR SELLING THE RETAIL BONDS? IS THE OFFER UNDERWRITTEN?

HKSAR Government has appointed the placing banks listed in this issue circular to distribute this series of retail bonds. Each placing bank will receive a placing fee from HKSAR Government of 0.15% of the principal amount of retail bonds issued to such placing bank to be paid within 30 days of the issue date. They may also receive a handling fee from successful applicants in respect of retail bonds allocated to them. If you are not allocated the full amount of retail bonds you have applied for, or are allocated no retail bonds at all, any handling fee you have paid for the retail bonds which you are not allocated will be refunded in full without interest. Please see further the paragraph entitled “What happens if I am owed a refund for any application moneys and/or handling fee or brokerage fee?” below for more information about refund arrangements.

HKSCC, for itself and on behalf of the securities brokers, will receive from HKSAR Government a placing fee of 0.15% of the principal amount of retail bonds issued to HKSCC. Each of HKSCC and the securities brokers may also receive a brokerage fee charged directly to successful applicants for retail bonds. If you are not allocated the full amount of retail bonds you have applied for, or are allocated no retail bonds at all, any brokerage fee you have paid to HKSCC for the retail bonds which you are not allocated will be refunded in full without interest. If you apply through a securities broker, you should consult your securities broker for the details of whether

or not, and if so how, it will refund to you any brokerage fee you have paid to it. Please see further the paragraph entitled “What happens if I am owed a refund for any application moneys and/or handling fee or brokerage fee?” below for more information about refund arrangements.

There are no soft commission or rebate arrangements between HKSAR Government and any of the placing banks, HKSCC or any of the securities brokers.

The offering of the retail bonds is not underwritten.

CAN I MAKE MULTIPLE APPLICATIONS FOR RETAIL BONDS?

You may not make more than one application for this series of retail bonds. For this purpose, each application for this series of retail bonds will be identified by a Hong Kong identity card number and will be treated as an application by the person with that Hong Kong identity card number, irrespective of whether the application is made using an account in the sole name of that person or by that person using a joint account with one or more other persons.

Any applications identified by the same Hong Kong identity card number will be treated as multiple applications, which will be rejected.

- If your application is made using an account in your sole name, the application will be identified by your Hong Kong identity card number.
- If your application is made using a joint account in the joint name of you and one or more joint account holders, the application will be identified either by your Hong Kong identity card number or by that of one of your joint account holders. Please confirm with the placing bank, HKSCC and/or the securities broker (as may be applicable) through which your application is made which joint account holder’s Hong Kong identity card number will be used for this purpose.

E. ALLOCATION

WHAT HAPPENS IF THIS SERIES OF RETAIL BONDS IS OVER-SUBSCRIBED?

HKSAR Government has specified the following maximum issue amount for this series:

- HK\$10,000,000,000

HKSAR Government may determine or adjust the final issue amount in light of investor demand so long as the final issue amount does not exceed the maximum issue amount set out above. The maximum issue amount will not be adjusted.

If this series of retail bonds is over-subscribed (that is, if the total principal amount of valid applications for retail bonds of this series exceeds the final issue amount for this series), the allocation of retail bonds of this series will depend on the number of valid applications received in respect of this series.

- If the number of valid applications received is equal to or smaller than the number of retail bonds to be issued for this series (i.e. the quotient arrived at by dividing the final issue amount by HK\$10,000), HKSAR Government intends first to satisfy investors applying for a smaller number of retail bonds as much as possible and then to distribute any remaining retail bonds by ballot, at HKSAR Government's sole discretion.
- If the retail bonds are so over-subscribed that HKSAR Government cannot even allocate one HK\$10,000 retail bond to each applicant who has made a valid application, HKSAR Government will allocate the retail bonds by ballot. Those valid applications which are successful in the ballot will each be allocated a retail bond in a principal amount of HK\$10,000.

If you are not allocated the full amount of retail bonds you have applied for, or are allocated no retail bonds at all, the application moneys (and, if you apply through a placing bank, any handling fee or, if you apply directly through HKSCC, any brokerage fee) you have paid for the retail bonds which you are not allocated will be refunded in full without interest. If you apply through a securities broker, you should consult your securities broker for the details of whether or not, and if so how, it will refund to you any

application moneys and/or brokerage or other fee. See further the paragraph entitled "What happens if I am owed a refund for any application moneys and/or handling fee or brokerage fee?" below.

WHAT HAPPENS IF I AM OWED A REFUND FOR ANY APPLICATION MONEYS AND/OR HANDLING FEE OR BROKERAGE FEE?

Some or all of the application moneys and handling fee or brokerage fee, if any, you have paid will be refunded if:

- your application is wholly or partly unsuccessful;
- this series of retail bonds is over-subscribed and as a result you are not allocated all of the bonds you have applied for;
- at any time on or before the issue date, HKSAR Government imposes a maximum principal application amount per investor for this series of retail bonds in order to prevent an over-concentration of holdings in retail bonds by a single investor and your application is for a principal amount of retail bonds which exceeds that maximum principal application amount; and/or
- at any time on or before the issue date, HKSAR Government cancels all or a portion of the offering of this series of retail bonds.

If you apply for retail bonds through a placing bank, your placing bank agrees to transfer the corresponding amount of any such refund to your designated bank account with that placing bank within five business days of the issue date.

If you apply for retail bonds through HKSCC directly, HKSCC agrees to refund to you the corresponding amount of any such refund on or before the issue date.

If you apply for retail bonds through a securities broker, HKSCC agrees to refund to your securities broker the corresponding amount of any such refund on or before the issue date. You will have to rely on your securities broker to pass on such refund to you in a timely manner. You should consult your securities broker for the details of whether or not, and if so how, it will refund to you any application moneys and/or brokerage or other fee in any of the circumstances listed above.

F. OTHERS

DO I HAVE TO HOLD A VALID HONG KONG IDENTITY CARD TO BUY RETAIL BONDS IN THE SECONDARY MARKET?

There is no Hong Kong identity card requirement for participants in the secondary market of this series of retail bonds.

WHAT ARE THE TAX CONSEQUENCES OF INVESTING IN RETAIL BONDS?

This is a summary of current Hong Kong tax law relating to retail bonds as at the date of this issue circular. It is not complete and does not constitute tax advice. You should consult your own tax adviser about the tax consequences of investing in retail bonds, particularly if you are subject to special tax rules.

- No profits tax or withholding tax is payable in Hong Kong on any payments made by HKSAR Government on any retail bonds.
- No stamp duty is payable in Hong Kong on the issue or transfer of any retail bonds.
- No capital gains tax is payable in Hong Kong on any capital gains arising from resale of any retail bonds.

WHO ARE THE MARKET MAKERS?

HKSAR Government has appointed those placing banks listed on page 19 of this issue circular to act as the market makers in respect of this series of retail bonds to use their best efforts to maintain a market in these retail bonds in over-the-counter transactions. They will do this by quoting prices at which they are willing to purchase retail bonds (bid prices) and prices at which they are willing to sell retail bonds (offer prices) during normal banking hours on any business day.

Please note that HKSAR Government has decided not to issue any of the retail bonds of this series to any market makers. As a result, they will not be able to quote prices at which they are willing to sell retail bonds of this series (offer prices) unless they hold retail bonds through purchases in the market.

HOW IS INTEREST ALLOCATED ON A SECONDARY MARKET TRADE OF RETAIL BONDS?

The current market convention for the allocation of interest on a secondary market trade of retail bonds (and related information) is described on the HKSAR government bond programme website at www.hkgeb.gov.hk. Please note that the market convention may change from time to time. You should obtain independent professional advice if you are in doubt.

WHO IS RESPONSIBLE FOR THIS ISSUE CIRCULAR?

HKSAR Government accepts responsibility for the information contained in this issue circular and confirms, having made all reasonable enquiries, that this issue circular contains no untrue statement (including any statement which is misleading in the form and context in which it is included and including any material omission).

None of Bank of China (Hong Kong) Limited and The Hongkong and Shanghai Banking Corporation Limited (the **joint lead managers**), the placing banks, HKSCC or any additional recognized dealers or the securities brokers is responsible in any way to ensure the accuracy of this issue circular.

IS THIS ISSUE CIRCULAR AVAILABLE IN CHINESE?

This issue circular is available in English and Chinese.

Placing banks

Please contact one of the following placing banks if you wish to find out how to apply for this series of retail bonds through the placing banks. As at the date of this issue circular, the banks listed below have been appointed as placing banks for the retail bonds and the telephone numbers provided are the hotlines of each of the placing banks for enquiries in relation to how to give application instructions for the retail bonds.

You can give instructions to apply for this series of retail bonds through a placing bank at its designated branches, through the placing bank's internet banking service or through its telephone banking service as specified below.

	Enquiry hotline	Applications			Market Maker
		Branch	Internet banking	Telephone banking	
Bank of China (Hong Kong) Limited	3669 3668	✓	✓	✓	✓
Bank of Communications Co., Ltd. Hong Kong Branch	2239 5559	✓	✓	✓	✓
The Bank of East Asia, Limited	2211 1311	✓	✓		✓
China CITIC Bank International Limited	2287 6788	✓			✓
China Construction Bank (Asia) Corporation Limited	2903 8343	✓		✓	✓
Chiyu Banking Corporation Limited	2232 3633	✓	✓	✓	✓
Chong Hing Bank Limited	3768 6888	✓			✓
Citibank (Hong Kong) Limited	2860 0342	✓		✓	
Dah Sing Bank, Limited	2828 8001	✓			✓
DBS Bank (Hong Kong) Limited	2290 8888	✓		✓	✓
Fubon Bank (Hong Kong) Limited	2566 8181	✓		✓	✓
Hang Seng Bank Limited	2822 0228	✓	✓	✓	✓
The Hongkong and Shanghai Banking Corporation Limited	2269 2121	✓	✓	✓	✓
Hong Leong Bank Berhad, Hong Kong Branch	2283 8818	✓			✓
Industrial and Commercial Bank of China (Asia) Limited	2189 5588	✓	✓		✓
Nanyang Commercial Bank, Limited	2622 2633	✓	✓	✓	✓
OCBC Wing Hang Bank Limited	2852 5585	✓	✓		✓
Public Bank (Hong Kong) Limited	2851 9803	✓			
Shanghai Commercial Bank Limited	2818 0282	✓			✓
Standard Chartered Bank (Hong Kong) Limited	2886 8868	✓	✓		✓
Wing Lung Bank Limited	2309 5555	✓	✓		✓

- In person: You may go to any designated branch of a placing bank to give instructions in person to apply for retail bonds. The list of designated branches for each placing bank can be obtained by calling the relevant enquiry hotline above.

- By internet: The websites of the placing banks that offer internet banking services through which you can apply for retail bonds are set out below:

Bank of China (Hong Kong) Limited	www.bochk.com
Bank of Communications Co., Ltd. Hong Kong Branch	www.bankcomm.com.hk
The Bank of East Asia, Limited	www.hkbea.com
Chiyu Banking Corporation Limited	www.chiyubank.com
Hang Seng Bank Limited	www.hangseng.com
The Hongkong and Shanghai Banking Corporation Limited	www.hsbc.com.hk/ipo
Industrial and Commercial Bank of China (Asia) Limited	www.icbcasia.com
Nanyang Commercial Bank, Limited	www.ncb.com.hk
OCBC Wing Hang Bank Limited	www.ocbcwhhk.com
Standard Chartered Bank (Hong Kong) Limited	www.sc.com/hk
Wing Lung Bank Limited	www.winglungbank.com

- By telephone: The telephone banking numbers for the placing banks that offer telephone banking services through which you can apply for retail bonds are set out below:

	Phone banking number	Service hours
Bank of China (Hong Kong) Limited	Investment Service Hotline: 3988 2688 (Press 4 after selecting language) Wealth Management Hotline: 3988 2888 (Press 4 after selecting language) Enrich Banking Hotline: 3988 2988 (Press 4 after selecting language)	Monday to Friday: 8:00 am to 8:00 pm Saturday: 8:00 am to 3:00 pm
Bank of Communications Co., Ltd. Hong Kong Branch	2269 9033	Monday to Friday: 9:00 am to 6:00 pm Saturday: 9:00 am to 1:00 pm
China Construction Bank (Asia) Corporation Limited	2903 8343	Monday to Friday: 9:00 am to 6:00 pm
Chiyu Banking Corporation Limited	Cantonese: 2232 3882 English: 2232 3887 Putonghua: 2232 3883 Wealth Management/Enrich Banking Hotline: 2232 3638 (Press 4, then 2 after selecting language)	Monday to Friday: 8:00 am to 8:00 pm Saturday: 8:00 am to 3:00 pm
Citibank (Hong Kong) Limited	2860 0342	Monday to Friday: 9:00 am to 7:00 pm Saturday: 9:00 am to 1:00 pm
DBS Bank (Hong Kong) Limited	2290 8888 (Press 3 then * after selecting language)	Monday to Friday: 9:00 am to 6:00 pm Saturday: 9:00 am to 1:00 pm
Fubon Bank (Hong Kong) Limited	2566 8181	Monday to Friday: 9:00 am to 5:00 pm Saturday: 9:00 am to 1:00 pm
Hang Seng Bank Limited	2826 8866	Monday to Friday: 8:45 am to 5:40 pm Saturday: 9:00 am to 1:00 pm

	Phone banking number	Service hours
The Hongkong and Shanghai Banking Corporation Limited	2269 2121	Monday to Friday: 8:00 am to 7:00 pm Saturday: 8:00 am to 1:00 pm
Nanyang Commercial Bank, Limited	Cantonese: 2850 1228 English: 2850 1227 Putonghua: 2850 1229	Monday to Friday: 8:00 am to 8:00 pm Saturday: 8:00 am to 3:00 pm

By making an application through the internet banking channel or telephone banking channel, you are required to comply with the terms and conditions in respect of the internet banking facilities or, as the case may be, telephone banking facilities provided by such placing bank.

HKSCC and securities brokers

Please contact HKSCC at telephone number 2979 7888 if you hold an investor account with HKSCC and wish to find out how to apply for this series of retail bonds directly through HKSCC. Otherwise, you may contact your securities broker to find out the procedures of applying for this series of retail bonds through a securities broker who is willing and able to apply on your behalf through HKSCC.

PERSONAL INFORMATION COLLECTION STATEMENT

for Applications for the iBond Series of Retail Bonds (“iBonds”) issued under the Government Bond Programme

This Personal Information Collection Statement is made in accordance with the Personal Data (Privacy) Ordinance, Cap. 486 (the “PDPO”). It sets out the purposes for which your personal data¹ provided by you as an applicant for iBonds may be used after collection as well as what you are agreeing to in respect of the use, disclosure, transfer and retention of your personal data by the Government of the Hong Kong Special Administrative Region of the People’s Republic of China (“HKSAR Government”) as the issuer of iBonds and your rights under the PDPO.

Purposes of Collection of Personal Data

It is necessary for you as an applicant for iBonds, when applying for iBonds, to provide your personal data to HKSAR Government and any agents or parties duly authorised by it in connection with the iBond issuance.

Failure to provide your personal data may result in your application for iBonds being rejected, delay or an inability to process your application. It may also result in delay to the allocation of iBonds to you if your application is successful or to any refund being made to you if you are owed a partial or full refund of your application moneys.

It is important that you inform the person or party to whom you provided your personal data immediately upon becoming aware of any inaccuracy in or change to your personal data so provided.

Your personal data provided in your application for iBonds will be used for one or more of the following purposes:

- (a) processing your application;
- (b) verifying the validity of your application;
- (c) enabling compliance with the terms and application procedures set out in the relevant application form and this issue circular;
- (d) conducting identity and signature verifications;
- (e) enabling exchange of information directly or indirectly between HKSAR Government as the issuer of iBonds and you;
- (f) statistical purposes;
- (g) enabling compliance with all applicable laws, rules and regulations (including making required disclosures);
- (h) any other incidental or associated purposes relating to any of the above purposes; and
- (i) for any other purposes permitted by law.

¹ The term “personal data” means personal data as defined in the PDPO.

Transfer of Personal Data

Your personal data will be kept confidential but may, for any of the above purposes, be disclosed or transferred to any of the following parties (whether within or outside Hong Kong):

- (a) Hong Kong Monetary Authority, Hong Kong Securities Clearing Company Limited and recognized dealers, placing banks, and securities brokers (as defined in this issue circular);
- (b) any agents, contractors or third-party service providers who offer administrative, telecommunications, computer, payment or other services to any of the parties mentioned in (a) above in connection with the operation of such party's activity or business for purposes relating to iBonds; and
- (c) any other persons with whom, or institutions with which, you as a holder of iBonds have or propose to have dealings for purposes relating to your iBonds, including but without limitation your bankers, legal advisers, accountants or stockbrokers.

Access and Correction of Personal Data

Under the PDPO, you have:

- (a) the right to check whether HKSAR Government and/or any of the agents or parties duly authorised by it in connection with the iBond issuance holds data about you and the right of access to such data;
- (b) the right to require HKSAR Government and/or any of the agents or parties duly authorised by it in connection with the iBond issuance to correct any data relating to you which is inaccurate; and
- (c) the right, as far as practicable, to ascertain the policies and practices of HKSAR Government and/or any of the agents or parties duly authorised by it in connection with the iBond issuance in relation to collection of personal data for purposes relating to iBonds.

In accordance with the PDPO, HKSAR Government and/or any of the agents or parties duly authorised by it in connection with the iBond issuance have the right to charge a reasonable fee for processing of any data access request. All requests for access to or correction of personal data held by HKSAR Government and/or any of the agents or parties duly authorised by it in connection with the iBond issuance, or for information regarding the policies and practices of such parties in relation to the collection of personal data for purposes relating to iBonds should be addressed to:

Hong Kong Monetary Authority

Attention: The Data Protection Officer

Address: 55/F, Two International Finance Centre

8 Finance Street, Central, Hong Kong

Fax Number: 2878 8262

Email: hkgbenquiry@hkma.gov.hk

PARTIES INVOLVED IN THE ISSUE OF THE RETAIL BONDS

ISSUER

The Government of the Hong Kong Special Administrative Region of the People's Republic of China

ISSUER'S REPRESENTATIVE AND ISSUING AND PAYING REPRESENTATIVE

Monetary Authority

55th Floor Two International Finance Centre
8 Finance Street
Central
Hong Kong

JOINT LEAD MANAGERS

Bank of China (Hong Kong) Limited

7/F Bank of China Tower
1 Garden Road
Central
Hong Kong

**The Hongkong and Shanghai
Banking Corporation Limited**

Level 17
HSBC Main Building
1 Queen's Road Central
Hong Kong

**COUNSEL TO THE ISSUER AND
ISSUER'S REPRESENTATIVE**

King & Wood Mallesons
13/F, Gloucester Tower, The Landmark
15 Queen's Road Central
Central
Hong Kong

COUNSEL TO THE JOINT LEAD MANAGERS

Clifford Chance
27th Floor Jardine House
One Connaught Place
Central
Hong Kong