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 2023
(subject to adjustment to a maximum issue amount of HK$15,000,000,000)

Subscription Period — 9:00 a.m. on Friday, 23 October 2020 to 2:00 p.m. on Thursday, 5 November 2020

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 (Hong Kong) Limited	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	CMB Wing Lung Bank Limited
Dah Sing Bank, Limited	DBS Bank (Hong Kong) Limited	Fubon Bank (Hong Kong) Limited
Hang Seng Bank Limited	The Hongkong and Shanghai Banking Corporation Limited	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

Issue Circular dated 5 October 2020

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 Friday, 23 October 2020 to 2:00 p.m. on Thursday, 5 November 2020 HKSAR Government may decide to close the offer early, or allow more time, without prior notice. HKSAR Government may also change the commencement date of the subscription period by making an announcement on www.hkma.gov.hk and on www.hkgb.gov.hk. HKSAR Government reserves the right to cancel the offer at any time on or before the scheduled issue date.
Issue date*	16 November 2020
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 2014/15-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 2.00%, per annum, payable every 6 months in arrear.
Maturity date	16 November 2023
Application channels	Applications can be made through placing banks, Hong Kong Securities Clearing Company Limited (**HKSCC**)** and securities brokers.
Handling fee* **	0.15% of the application moneys of the retail bonds applied for.
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.

** For applications made through HKSCC, the applicant must have an investor account with HKSCC.

*** 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
• Strong credit: HKSAR Government has a strong "investment grade" credit rating.	• 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.
• Regular returns: 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.	• 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.
• Interest rate: The retail bonds may offer higher interest rates than Hong Kong dollar time deposits of similar maturities.	• Liquidity risk: 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 invested.
	• 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.
	• Intermediary risk: 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 your 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 dated 5 October 2020 (as amended or supplemented from time to time) relating to the retail bond programme (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.

No action has been or will be taken in any jurisdiction by HKSAR Government that would permit the offering of the retail bonds, or possession or distribution of this issue circular or the programme circular (in proof or final form), any application form or any other offering or publicity material relating to the retail bonds, in any country or jurisdiction other than Hong Kong.

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"). Please also refer to the section entitled "Defined terms used in this issue circular" for meanings of certain terms used in this issue circular.

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 the programme circular 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.

Hong Kong Exchanges and Clearing Limited, The Stock Exchange of Hong Kong Limited (the **Hong Kong Stock Exchange**), HKSCC, the joint lead managers, the placing banks and the securities brokers 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 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 **Issue Number** **Stock Code**	**iBond Series** **03GB2311R** **4239** **HK$ Retail Bonds due 2023**
Subscription period	9:00 a.m. on Friday, 23 October 2020 to 2:00 p.m. on Thursday, 5 November 2020 HKSAR Government may decide to close the offer early, or allow more time, without prior notice. HKSAR Government may also change the commencement date of the subscription period by making an announcement on www.hkma.gov.hk and on www.hkgb.gov.hk. 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 2014/15-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 2.00%. 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	16 November 2020 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.
Application channels	Applications can be made through placing banks, HKSCC and securities brokers.
Eligibility criteria	You can only apply for retail bonds if you hold a valid Hong Kong identity card.

<table>
<tr><th>Series
Issue Number
Stock Code</th><th>iBond Series
03GB2311R
4239
HK$ Retail Bonds due 2023</th></tr>
<tr><td>Handling fee△</td><td>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. This fee applies only to applications made through a placing bank.</td></tr>
<tr><td>Brokerage fee△</td><td>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.</td></tr>
<tr><td>Principal application amounts</td><td>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.

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.</td></tr>
<tr><td>Minimum denomination</td><td>HK$10,000</td></tr>
<tr><td>Total issue amount</td><td>The total issue amount is expected to be up to HK$10,000,000,000, which is subject to adjustment by HKSAR Government to a maximum issue amount of HK$15,000,000,000. HKSAR Government will decide the total principal amount of the retail bonds to be issued in light of investor demand.</td></tr>
<tr><td>Minimum issue amount</td><td>No specified minimum issue amount.</td></tr>
<tr><td>Maximum issue amount</td><td>HK$15,000,000,000

This is the maximum principal amount of this series of retail bonds that HKSAR Government may issue.</td></tr>
<tr><td>Maturity date</td><td>16 November 2023

HKSAR Government will repay 100% of the principal amount of your retail bonds on the maturity date.**</td></tr>
<tr><td>Interest payment dates and relevant interest determination dates</td><td>
<table>
<tr><th colspan="2">Interest payment date**</th><th>Relevant interest determination date**</th></tr>
<tr><td>First:</td><td>17 May 2021</td><td>3 May 2021</td></tr>
<tr><td>Second:</td><td>16 November 2021</td><td>2 November 2021</td></tr>
<tr><td>Third:</td><td>16 May 2022</td><td>29 April 2022</td></tr>
<tr><td>Fourth:</td><td>16 November 2022</td><td>2 November 2022</td></tr>
<tr><td>Fifth:</td><td>16 May 2023</td><td>2 May 2023</td></tr>
<tr><td>Maturity date:</td><td>16 November 2023</td><td>2 November 2023</td></tr>
</table>
</td></tr>
<tr><td>Listing</td><td>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 17 November 2020. 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).</td></tr>
</table>

△ 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**. **CCASS** means the Central Clearing and Settlement System operated by HKSCC.

** 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, nor 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, among other things, to the credit rating of the issuer of the fixed income instruments or to the credit rating of such instruments themselves if available, but you should not rely solely on such ratings. The retail bonds do not have a specific credit rating, however, HKSAR Government has been assigned specific credit ratings by a number of credit rating agencies as set out in the programme circular, which should be read together with the information presented in the section entitled "The Hong Kong Special Administrative Region" in the programme circular. Such credit ratings may change from time to time, including during the subscription period for this series of retail bonds and at any time on or before the issue date. You should refer to the latest credit rating information published on the HKSAR government bond programme website at www.hkgb.gov.hk.

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 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.

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 7 to 9 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 recognised 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 recognised dealers. You cannot hold retail bonds directly, but must instead hold an interest in retail bonds indirectly through a recognised dealer or through a securities broker holding an interest in retail bonds through a recognised dealer on your behalf. You will have to depend on your recognised 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 recognised dealer or securities broker.

EXPECTED TIMETABLE FOR APPLYING FOR RETAIL BONDS

9:00 a.m. on 23 October 2020 (Friday) Commencement date of subscription period **(commencement date)**	Applications for retail bonds may be made from this date onwards. See further the section entitled "How to apply for retail bonds" below. HKSAR Government may change the commencement date by making an announcement on www.hkma.gov.hk and on www.hkgb.gov.hk.
2:00 p.m. on 5 November 2020 (Thursday) Closing date of subscription period **(closing date)**	**If you are instructing a placing bank to apply for the retail bonds on your behalf:** 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 bank after this time. 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. **If you are instructing HKSCC to apply for the retail bonds on your behalf (either directly or through a securities broker):** 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. The application moneys will be collected by debit on the closing date from your designated bank account or, as the case may be, the designated bank account of your securities broker.
12 November 2020 (Thursday) **Allocation date**	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.
16 November 2020 (Monday) **Issue date**	On or before the issue date, HKSAR Government will announce on www.hkma.gov.hk and on www.hkgb.gov.hk: • the issue amount; • the principal amount of valid applications received; and • 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 "How to apply for retail bonds" 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 on or 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 "How to apply for retail bonds" below.
17 November 2020 (Tuesday) **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 (as defined in this issue circular) 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 or to change the commencement date by making an announcement on www.hkma.gov.hk and on www.hkgb.gov.hk, 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 the listing date will be the next business day following 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.

HOW TO APPLY FOR RETAIL BONDS

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 (Hong Kong 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 the 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 this series of retail bonds if you hold a valid Hong Kong identity card. This is referred to in this issue circular as the **eligibility criteria.** An application using a joint account can only be made if either you or one of your joint account holder(s) hold(s) a valid Hong Kong identity card. HKSAR Government has the right to redeem any retail bonds allocated to an applicant who did not satisfy the eligibility criteria at the time of application for the retail bonds. Such bonds will be redeemed at an amount equal to their principal amount multiplied by the subscription price, on the date specified in the notice without any payment of accrued and unpaid interest.

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 Friday, 23 October 2020 to 2:00 p.m. on Thursday, 5 November 2020.

See further the paragraph entitled "How will I know if my application is successful?" below in relation to possible changes to the subscription period.

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

- ➢ through any of the placing banks listed on page 26 of this issue circular;
- ➢ through HKSCC as the operator of 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 issue circular as **securities brokers**.

Applications for retail bonds must be submitted before 2:00 p.m. on Thursday, 5 November 2020.

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.

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 recognised dealers with the Central Moneymarkets Unit (**CMU**) operated by the Monetary Authority. These securities accounts are referred to in this 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 subscribe for 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 fees. 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.

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

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 this series of retail bonds are specified on page 26 of this 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, or through the placing bank's internet, telephone or mobile banking service as specified on pages 26 to 28 of this issue circular. You should contact the relevant placing bank to find out the locations of the designated branches and the availability of internet, telephone and mobile 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 0.15% of the application moneys of the retail bonds you apply for. 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 brokerage fee which may be charged when you apply for retail bonds directly through HKSCC is 0.15% of the application moneys of the retail bonds you apply for. 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 the 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 (and may be higher or lower than 0.15%). 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.

DO I NEED AN APPLICATION FORM?

You will not be issued an official application form for 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 recognised 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 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 recognised dealer (whether a placing bank, HKSCC or an additional recognised dealer), you will have to rely on your recognised dealer:

(i) to credit the account you hold with your recognised dealer with interest and principal payments credited to its settlement account;

(ii) to distribute notices to you which your recognised 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 HKSCC and to prove your holding in your retail bonds.

In this paragraph (4), **settlement account** means, in relation to a recognised dealer which is a licensed bank, the account maintained by that recognised dealer with the Monetary Authority through which its own clearing balance is settled or, in relation to a recognised 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, telephone and mobile banking) or any other services by any recognised dealer (whether a placing bank, HKSCC or an additional recognised 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 recognised dealer (whether a placing bank, HKSCC or an additional recognised 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 holder(s) hold(s) 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.

HOW WILL I KNOW IF MY APPLICATION IS SUCCESSFUL?

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

Retail bonds will be issued on the issue date.

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.

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 the issue date and to extend or shorten the subscription period for this series of retail bonds without prior notice. HKSAR Government may also change the commencement date of the subscription period by making an announcement on www.hkma.gov.hk and on www.hkgb.gov.hk. If HKSAR Government so cancels the offering of this 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;

➢ this series of retail bonds, or the relevant portion of it, will not be issued; and

- ➢ all applicants for this 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 fees. 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 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.

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 you are applying for <u>at the time of your application</u>. They are equal to the application price for the retail bonds (as stated in this 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 allocated to you <u>at the time of issue of this series of retail bonds</u>. 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 subscription price of this series of retail bonds is equal to the application price.

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

WHAT ARE THE ARRANGEMENTS WITH THE PLACING BANKS AND MARKET MAKERS FOR SELLING THE RETAIL BONDS?

The legal framework under which HKSAR Government arranges for the offering, issue and placing of retail bonds is contained in the **programme agreement** which was entered into on 8 January 2010 by HKSAR Government 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.

The placing banks and market makers appointed for this series of retail bonds are specified in this issue circular. 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.

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

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.

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 HKSCC or any of the securities brokers.

IS THE OFFER UNDERWRITTEN?

The offering of the retail bonds is not underwritten.

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

The total issue amount for this series of retail bonds is expected to be up to HK$10,000,000,000, which is subject to adjustment by HKSAR Government as set out below. HKSAR Government has specified the following maximum issue amount for this series:

➢ HK$15,000,000,000

HKSAR Government may determine or adjust the total issue amount in light of investor demand so long as the total 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 fees. 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 <u>and</u> 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 fees in any of the circumstances listed above.

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 recognised 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 recognised dealer or through a securities broker holding through HKSCC as a recognised dealer.

Because legal title to retail bonds is held by the recognised 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 issue circular or the 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 recognised dealer.

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

Discuss this with your recognised dealer or securities broker and shop around if you wish: placing 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 recognised dealer or securities broker will apply to your account. Ask your recognised 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 recognised dealer and/or securities broker.

WHO ARE THE RECOGNISED DEALERS?

A **recognised dealer** is an institution which is appointed by the Monetary Authority as a recognised dealer to hold and deal in retail bonds and institutional bonds through the CMU. Recognised dealers are HKSCC and the placing banks, as well as any other institutions appointed by the Monetary Authority as recognised dealers (**additional recognised dealers**). Additional recognised dealers can hold and deal in retail bonds, but cannot apply for them. This means that you <u>cannot</u> apply for retail bonds through an additional recognised 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 recognised dealer.

- ➢ If you hold retail bonds through a placing bank, then your recognised dealer is that placing bank.

- ➢ If you hold retail bonds through an additional recognised dealer, then your recognised dealer is that additional recognised dealer.

- ➢ If you hold retail bonds through an investor account with HKSCC, then your recognised dealer is HKSCC.

- ➢ If you hold retail bonds through a securities broker, then your recognised dealer is HKSCC.

HKSCC accepts no responsibility for the services provided by any securities brokers or for any losses arising from the application by any person for retail bonds through the securities brokers. HKSCC provides CCASS services to participants of CCASS subject to its rules and procedures. In rendering its services to the CCASS participants, HKSCC will not recognise any right or interest which any person may have or claim to have in relation to any eligible securities deposited into CCASS (including the retail bonds) by your securities brokers.

A list of the recognised dealers appointed by the Monetary Authority is available from the HKSAR government bond programme website at <u>www.hkgb.gov.hk</u>.

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

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

If you hold retail bonds through:

(i) a recognised dealer which is a placing bank;

(ii) an additional recognised dealer; or

(iii) an investor account with HKSCC (which will be your recognised dealer),

your recognised dealer will hold your retail bonds for you (and any other investors who hold retail bonds through that recognised dealer) in a CMU account. HKSAR Government will pay interest on and principal amounts of your retail bonds to your recognised dealer and you will have to rely on your recognised dealer to ensure that payments on your retail bonds are credited to your account with your recognised 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 recognised dealer and you will have to rely on your recognised dealer to ensure that HKSAR Government's notices reach you in a timely manner. Similarly, you will have to rely on your recognised 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 recognised dealer or securities broker.

HOW DO I PROVE MY HOLDING OF RETAIL BONDS?

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

If you hold retail bonds through a recognised 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 recognised dealer, you must rely on the records and account statements provided to you by your additional recognised 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 recognised 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 recognised dealer's holding of retail bonds in the CMU. This statement will be conclusive evidence of your recognised dealer's holding of retail bonds in the CMU – you will still need to prove your interest in the retail bonds held by your recognised 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 recognised 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 recognised 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 recognised dealers through the CMU. You will have to rely on your recognised dealer and, where applicable, your securities broker, to pass these notices to you.

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

- ➢ If your recognised 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 recognised dealer is an additional recognised dealer, you can issue notices and instructions as specified in the terms and conditions applicable to your account with that additional recognised 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 recognised 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, recognised dealer or such 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 recognised 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 recognised dealer or securities broker in accordance with the terms and conditions applicable to your account with them.

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

- ➢ is a recognised dealer;
- ➢ holds an investment or securities account with a recognised 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?

HKSAR Government has appointed some of the placing banks listed on page 26 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.

Market makers will quote a firm bid price in respect of retail bonds so long as this series of retail bonds is outstanding. However, their ability to quote a firm bid price in respect 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 retail bonds if they are holding retail bonds for their own account as market makers.

Market makers may have the right to apply for retail bonds. In that case, market makers may be exempted from any maximum amount or subject to a different maximum amount in respect of this series of retail bonds if HKSAR Government considers it necessary for the performance of their obligations as market makers. <u>However, HKSAR Government has decided not to issue any of the retail bonds of this series to any market makers.</u> As a result, they will not be able to quote offer prices unless they hold retail bonds through purchases in the market.

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, the retail bonds. The retail bonds are expected to be admitted to listing on 17 November 2020. The 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. The 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 issue 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, the 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).

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, HKSAR Government has been assigned specific credit ratings by a number of credit rating agencies as set out in the programme circular, which should be read together with the information presented in the section entitled "The Hong Kong Special Administrative Region" in the programme circular. Such credit ratings may change from time to time, including during the subscription period for this series of retail bonds and at any time on or before the issue date. You should refer to the latest credit rating information published on the HKSAR government bond programme website at www.hkgb.gov.hk.

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, among other things, to the credit rating of the issuer of the fixed income instruments or to the credit rating of such 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 date 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 2014/15-based Composite Consumer Price Index) for the 6 most recent preceding months, rounded to the nearest two decimal places; and
- ➢ the fixed rate of 2.00%.

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.hkgb.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?

It is 2.00% 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 2014/15-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 2014/15, based on which the CPI series are now being compiled and published as the 2014/15-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. 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.

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.hkgb.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 recognised 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.

APPLICATION CHANNELS

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 or through the placing bank's internet, telephone or mobile banking service as specified below.

		Applications				
	Enquiry hotline	**Branch**	**Internet banking**	**Telephone banking**	**Mobile banking**	**Market Maker**
Bank of China (Hong Kong) Limited	3669 3668	✓	✓	✓	✓	✓
Bank of Communications (Hong Kong) Limited	2239 5559	✓	✓	✓		✓
The Bank of East Asia, Limited	2211 1311	✓	✓			✓
China CITIC Bank International Limited	2287 6767	✓				✓
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 0222	✓				
CMB Wing Lung Bank Limited	2309 5555	✓	✓		✓	
Dah Sing Bank, Limited	2828 8001	✓	✓			✓
DBS Bank (Hong Kong) Limited	2290 8888	✓		✓		✓
Fubon Bank (Hong Kong) Limited	2566 8181	✓				✓
Hang Seng Bank Limited	2826 8866	✓	✓	✓		
The Hongkong and Shanghai Banking Corporation Limited	2269 2121	✓	✓	✓		✓
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	✓	✓			✓

- <u>In person</u>: 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 (Hong Kong) Limited	www.hk.bankcomm.com
The Bank of East Asia, Limited	www.hkbea.com
Chiyu Banking Corporation Limited	www.chiyubank.com
CMB Wing Lung Bank Limited	www.cmbwinglungbank.com
Dah Sing Bank, Limited	www.dahsing.com
Hang Seng Bank Limited	www.hangseng.com
The Hongkong and Shanghai Banking Corporation Limited	www.hsbc.com.hk/ipo
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

- 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	Wealth Management Hotline: 3988 2888 (Press 6 after selecting language) Enrich Banking Hotline: 3988 2988 (Press 6 after selecting language)	Monday to Friday: 8:00 am to 8:00 pm Saturday: 8:00 am to 3:00 pm
Bank of Communications (Hong Kong) Limited	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
DBS Bank (Hong Kong) Limited	2290 8888 (Press 3 after selecting language)	Monday to Friday: 9:00 am to 6:00 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
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 NCB Wealth Management/Enrich Banking: 2616 6166 (Press 4, then 3 after selecting language)	Monday to Friday: 8:00 am to 8:00 pm Saturday: 8:00 am to 3:00 pm

- By mobile banking: The placing banks that offer mobile banking services through which you can apply for retail bonds are set out above. Enquiries on how to make an application through the mobile banking channel of such placing bank can be made by calling the relevant enquiry hotline above.

By making an application through the internet, telephone or mobile banking channel, you are required to comply with the terms and conditions in respect of the internet, telephone or mobile banking facilities, as the case may be, 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 for applying for this series of retail bonds through a securities broker who is willing and able to apply on your behalf through HKSCC.

DEFINED TERMS USED IN THIS ISSUE CIRCULAR

Many of the words and expressions used in this issue circular have a specific meaning. Words and expressions used in this issue circular have the meanings given in the section entitled "Defined terms used in this programme circular" in the programme circular and the following table unless the particular context in which a word or expression is used requires that it must have a different meaning. References in this issue 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 recognised dealer.

additional recognised dealer	a recognised 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 in respect of the retail bonds themselves excluding any fees. You can read more about application moneys on page 14, in the paragraph entitled "What are "application moneys"? How are "subscription moneys" different?"
CCASS	the Central Clearing and Settlement System operated by HKSCC
eligibility criteria	the criteria set out on page 1 of this issue circular
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
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 on the issue date in respect of the retail bonds allocated to the applicant (excluding any fees). You can read more about subscription moneys on page 14, in the paragraph entitled "What are "application moneys"? How are "subscription moneys" different?"

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 data[1] 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, codes and practices binding on or applicable to HKSAR Government or any agents or parties duly authorised by it in connection with the iBonds issuance, or an order of a court of any competent jurisdiction (including making required disclosures);

(h) any other incidental or associated purposes relating to any of the above purposes; and

(i) for any other purposes in connection with the iBonds issuance as 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, HKSCC and recognised 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, data processing, matching, storage, research, statistical or other services to HKSAR Government for the purposes mentioned above, or 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;

(c) any government or regulatory bodies;

(d) any legal adviser, accountant, other financial or professional adviser to HKSAR Government; and

(e) 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 to 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 personal data about you and the right of access to such personal 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 personal 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 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 personal data for purposes relating to iBonds should be addressed to:

<u>Hong Kong Monetary Authority</u>
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
34/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

Herbert Smith Freehills
23rd Floor Gloucester Tower
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

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