



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

Tranche A 2.13 per cent. Retail Bonds due 2006
Tranche B 3.38 per cent. Retail Bonds due 2008

Subscription Period: 9:00 a.m. on Thursday, 8 July 2004 to 2:00 p.m. on Friday, 16 July 2004

Arrangers and Joint Global Coordinators



Joint Bookrunners



Placing Banks

Asia Commercial Bank	Bank of America (Asia)	Bank of China (Hong Kong)	Bank of Communications	The Bank of East Asia
Belgian Bank	Chekiang First Bank	Chiyu Bank	Citibank	CITIC Ka Wah Bank
Dah Sing Bank	DBS Bank	Hang Seng Bank	HSBC	ICBC (Asia)
International Bank of Asia	Liu Chong Hing Bank	MEVAS Bank	Nanyang Commercial Bank	Shanghai Commercial Bank
Standard Chartered Bank (HK) Ltd		Wing Hang Bank		Wing Lung Bank

Offering Circular dated 7 July 2004

The Government of the Hong Kong Special Administrative Region of the People's Republic of China (HKSAR Government) is offering two tranches of Retail Bonds:

Tranche A 2.13 per cent. Retail Bonds due 2006

Tranche B 3.38 per cent. Retail Bonds due 2008

Tranche	Tranche A 2.13% Retail Bonds due 2006	Tranche B 3.38% Retail Bonds due 2008
Subscription Period	9:00 a.m. on Thursday 8 July 2004 to 2:00 p.m. on Friday 16 July 2004	
Interest rate	2.13% per annum	3.38% per annum
Issue Date	23 July 2004	23 July 2004
	HKSAR Government may decide to close the offer early, or allow more time, without prior notice. HKSAR Government reserves the right to cancel the offer at any time on or before the scheduled Issue Date.	
Application Price	102%	102%
	This is the price you pay for each unit of Retail Bonds when you submit your application. If the Subscription Price is less than the Application Price, you will receive a refund of the balance on those Retail Bonds for which your application is successful.	
Subscription Price	To be fixed by HKSAR Government (after the offer closes) on 21 July 2004. This will not be higher than the Application Price.	
Handling Fee	0.15%	0.15%
	This is the fee you pay the Placing Bank if you apply for the Retail Bonds through a Placing Bank, calculated as a percentage of the Subscription Price of the Retail Bonds you purchase. It is in addition to the Subscription Price you pay to HKSAR Government.	
Brokerage Fee	0.15%	0.15%
	This is the fee you pay Hong Kong Securities Clearing Company Limited or your designated CCASS Broker/Custodian Participant if you apply for the Retail Bonds through them, calculated as a percentage of the Subscription Price of the Retail Bonds you purchase. It is in addition to the Subscription Price you pay to HKSAR Government.	
Total issue amount	HKSAR Government will decide the total principal amount of the Retail Bonds to be issued for each tranche in light of investor demand and its funding requirements. The minimum issue amount is HK\$50,000,000 per tranche.	
Maturity	24 July 2006	23 July 2008
Interest Payment Dates	23 January and 23 July in each year, commencing 24 January 2005, until the Maturity Date of the Retail Bonds.	
Minimum subscription amount	HK\$50,000	HK\$50,000
	The Retail Bonds are sold in individual units (or denominations) of HK\$50,000. You can purchase the Retail Bonds only in multiples of HK\$50,000.	
Annualised yield	EFN 2605 fixing yield plus a margin of 0.09%	EFN 5806 fixing yield plus a margin of 0.20%
	The annualised yield is a measure of the actual return on your investment in the Retail Bonds (before handling, brokerage, account and other fees). EFN refers to an identified issue of Exchange Fund Notes which are notes issued by HKSAR Government for the account of the Exchange Fund.	
Stock Exchange Listing	The Stock Exchange of Hong Kong Limited	

YOU SHOULD NOTE THE FOLLOWING IMPORTANT INFORMATION

The Stock Exchange of Hong Kong Limited (the Hong Kong Stock Exchange) and Hong Kong Securities Clearing Company Limited take no responsibility for the contents of this Offering Circular, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss arising from or in reliance upon the whole or any part of the contents of this Offering Circular.

You should read the information supplement dated 7 July 2004 issued by HKSAR Government relating to the issue of the Retail Bonds (the Information Supplement) as well as this Offering Circular before deciding whether to buy the Retail Bonds. You should also refer to the Information Supplement for the meaning of capitalised terms used in this Offering Circular.

If you are in any doubt about this Offering Circular or the Information Supplement, you should consult your stockbroker, bank manager, solicitor, professional accountant or other professional adviser. You must decide for yourself whether the Retail Bonds meet your investment needs. The Arrangers and Joint Global Coordinators, the Joint Bookrunners and the Placing Banks cannot give you investment advice.

WHERE CAN I BUY THE RETAIL BONDS?

You can buy the Retail Bonds through any of the Placing Banks listed below, the Hong Kong Securities Clearing Company Limited (HKSCC) or a broker/custodian participant (a Securities Broker) admitted to participate in the Central Clearing and Settlement System (CCASS). If you choose to buy the Retail Bonds through the Placing Banks, you can contact them directly to find out more or to get a list of branches where you can place your order for the Retail Bonds. If you choose to buy the Retail Bonds through HKSCC or your Securities Broker, you can call HKSCC's hotline or contact your Securities Broker to find out more. You can also find out how to obtain a copy of the Information Supplement by calling the following hotlines during normal business hours.

PLACING BANKS

Bank	Hotline Number	Bank	Hotline Number
Asia Commercial Bank Limited	2853 4671	Hang Seng Bank Limited	2998 9898
Bank of America (Asia) Limited	2805 2383	The Hongkong and Shanghai Banking Corporation Limited	2269 2121
Bank of China (Hong Kong) Limited	2291 8000	Industrial and Commercial Bank of China (Asia) Limited	2887 0349
Bank of Communications (Hong Kong Branch)	2269 9699	International Bank of Asia Limited	2566 8181
The Bank of East Asia, Limited	2211 1311	Liu Chong Hing Bank Limited	2161 6888
Belgian Bank	3122 1668	MEVAS Bank Limited	3101 3838
Chekiang First Bank Limited	2922 1600	Nanyang Commercial Bank, Limited	2622 2633
Chiyu Banking Corporation Limited	2232 3625	Shanghai Commercial Bank Limited	2818 0282 (Press "3" and then "8")
Citibank, N.A. (acting through its Hong Kong Branch)	2860 0222	Standard Chartered Bank (Hong Kong) Limited	2886 8868 (Press 2*9)
CITIC Ka Wah Bank Limited	2287 6767	Wing Hang Bank, Ltd.	3199 9182
Dah Sing Bank, Limited	2828 8000	Wing Lung Bank Limited	2526 5555
DBS Bank (Hong Kong) Limited	2290 8888 (press "4")		

HONG KONG SECURITIES AND CLEARING COMPANY LIMITED AND SECURITIES BROKERS

	Hotline Number
HKSCC	2979 7000 (for CCASS Investor Participants only)

DO I NEED AN APPLICATION FORM?

No. HKSAR Government will not issue an application form for the Retail Bonds.

The entity through which you place your order will ask you to fill in their order form and to make a series of confirmations and acknowledgements, including that you have read and understood this Offering Circular and the Information Supplement.

The Retail Bonds are not available to US persons or US residents.

HOW DO I HOLD THE RETAIL BONDS? WHAT MUST I RELY ON MY PLACING BANK, SECURITIES BROKER OR HKSCC TO DO FOR ME?

HKSAR Government will not issue individual certificates for the Retail Bonds.

If you choose to buy the Retail Bonds from a Placing Bank, you should note the following:

- you must arrange for your Placing Bank to hold them in a securities or investment account
- if you do not have a securities or investment account already, you will have to open one before you can apply for the Retail Bonds
- if you are successful in your application and wish to trade in the Retail Bonds, you will need to trade in them through your Placing Bank whom HKSAR Government has also appointed as a market maker
- if you subsequently 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 to your account with HKSCC or your Securities Broker beforehand. Your Placing Bank, HKSCC or your Securities Broker may charge you a fee for such a transfer.

If you choose to buy the Retail Bonds through HKSCC or your Securities Broker, you should note the following:

- the Retail Bonds will be held through your Investor Account with HKSCC or your Securities Broker's account in CCASS
- if you do not already have an Investor Account with HKSCC or a securities or custodian account with your Securities Broker, you will have to open one before you can apply for the Retail Bonds

- if you are successful in your application and wish to trade in the Retail Bonds, you will need to trade in them through the Hong Kong Stock Exchange
- if you subsequently wish to trade any of the Retail Bonds through a Placing Bank, you will need to instruct HKSCC or your Securities Broker to transfer the Retail Bonds to your account with a Placing Bank (which is also a market maker) beforehand. Your Placing Bank, HKSCC or your Securities Broker may charge you a fee for such a transfer.

Please discuss this with your Placing Bank, HKSCC or your Securities Broker, and compare your options if you wish. Your Placing Bank, Securities Broker or HKSCC will charge varying fees to open and maintain accounts and have different arrangements for processing orders. Please ensure that you are familiar with the standard terms and conditions which your Placing Bank, Securities Broker or HKSCC will apply to your account.

The Retail Bonds will be held in the Central Moneymarkets Unit Service (CMU), which is a clearing system run by the Hong Kong Monetary Authority. Individual investors cannot open a personal account at CMU.

Your Placing Bank, Securities Broker or HKSCC will hold the Retail Bonds for you directly or indirectly in its CMU account. HKSAR Government will pay interest and principal on the Retail Bonds to the accounts of entities which hold interests in the Retail Bonds as advised by CMU to HKSAR Government. You will have to rely on your Placing Bank, Securities Broker or HKSCC to credit payments on the Retail Bonds to your account with them. Any notices that HKSAR Government gives after the Retail Bonds are issued will be given in the same way, and you will have to rely on your Placing Bank, Securities Broker or HKSCC to forward them to you.

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

HKSAR Government has appointed the Placing Banks listed in this Offering Circular to distribute the Retail Bonds. They will receive from HKSAR Government a placing and distribution fee based on the amount of Retail Bonds they distribute, and from you a handling fee charged directly to you by the Placing Banks.

The HKSCC, for itself and on behalf of the Securities Brokers, will receive from HKSAR Government a placing and distribution fee based on the amount of Retail Bonds they distribute. Each of HKSCC and the Securities Brokers will also receive from you a brokerage fee which they will charge you directly.

There are no soft commission or rebate arrangements between HKSAR Government and any of the Placing Banks, HKSCC or the Securities Brokers.

The Retail Bonds are sold to you by subscription directly from HKSAR Government.

The offering of the Retail Bonds is not underwritten by anyone.

These are the answers to some frequently asked questions. The Information Supplement should answer your other questions.

WHAT ARE THE BENEFITS OF INVESTING IN THESE RETAIL BONDS?

The Retail Bonds:

- currently offer higher interest rates than Hong Kong dollar time deposits of similar maturities
- provide a fixed rate of return with regular six-monthly payments for the entire term of your investment
- are available in two different maturities
- are issued by HKSAR Government.

WHY ISSUE THESE RETAIL BONDS?

The aim of HKSAR Government is to raise funds for capital or other investment projects that will bring long-term economic benefits to Hong Kong, to promote the development of the Hong Kong capital markets and to offer retail investors an alternative fixed income investment.

IS HKSAR GOVERNMENT RATED?

The current credit ratings of HKSAR Government are:

	Fitch		Moody's		S&P	
	Short-term	Long-term	Short-term	Long-term	Short-term	Long-term
Foreign currency (Outlook)	F1+	AA- Stable	P-1	A1 Stable	A-1	A+ Stable
Local currency (Outlook)	NR	AA+ Stable	NR	Aa3 Stable	A-1+	AA- Stable

These ratings reflect only the views of the credit rating agencies. They are not recommendations to buy, sell or hold securities and are subject to change, update or withdrawal at any time.

WHAT WILL MY INVESTMENT RETURN BE IF I BUY THE RETAIL BONDS?

First, you can be sure that HKSAR Government will pay back 100% of the principal amount of the Retail Bonds you buy on their scheduled maturity dates.

In addition, HKSAR Government will pay interest at the fixed coupon rate, which is a per annum rate, on each scheduled interest payment date at the end of every six months.

The amount of interest payable is calculated on the principal amount of the Retail Bonds (not the Subscription Price, which may be different). As HKSAR Government pays you annual interest in two six-monthly instalments, your effective annualised yield is in fact a little higher than the stated coupon because you receive half the annual interest every six months.

To calculate your real investment return to maturity, you must take into account the fact that the Subscription Price for the Retail Bonds may be more or less than the principal amount of the Retail Bonds. If the Subscription Price is more

than 100%, your investment return will be less than the stated coupon; if it is less than 100%, your investment return will be more than the stated coupon.

Please 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 at a Placing Bank, with your Securities Broker or with HKSCC to hold the Retail Bonds.

CAN I SELL THE RETAIL BONDS BEFORE THEIR MATURITY?

If you hold the Retail Bonds through a Placing Bank, you can contact any of the Placing Banks which sell the Retail Bonds to ask for a price at which it will buy the Retail Bonds. These Placing Banks (or in some cases, their affiliates) have agreed to quote prices if they can, but they may in future be unable to quote a price or may decide to discontinue this service. Prices quoted by different Placing Banks may not be the same.

The Retail Bonds are listed and can be traded on the Hong Kong Stock Exchange.

However, you can only trade the Retail Bonds on the Hong Kong Stock Exchange if you hold the Retail Bonds through HKSCC or your Securities Broker.

The prices quoted by the Placing Banks may be different from the last traded price of the Retail Bonds on the Hong Kong Stock Exchange.

The trading price of the Retail Bonds will fluctuate depending on factors such as market interest rate movements and the market's view of the credit quality of HKSAR Government or of the Retail Bonds. Further, the trading price could be affected if there are only very few potential buyers in the market.

If you try to sell the Retail Bonds before their maturity you may receive an offer which is less than the amount you invested; or you may not be able to sell the Retail Bonds at all.

WHAT IF THE RETAIL BONDS ARE OVER-SUBSCRIBED?

HKSAR Government intends to allocate at least one Retail Bond to each valid application. The remaining Retail Bonds will then be allocated to investors approximately in proportion to the number of Retail Bonds each investor applied for. If the Retail Bonds are so over-subscribed that HKSAR Government is unable to even allocate one Retail Bond to each valid application, it will choose by ballot. All allocations for each tranche of Retail Bonds will be made separately. You will be notified of the result of your application for Retail Bonds by your Placing Bank, HKSCC or the Securities Broker through which you made your application.

WHERE CAN I FIND MORE INFORMATION ABOUT THE RETAIL BONDS?

The Retail Bonds are issued under this Offering Circular and the Information Supplement. Please read both of these documents carefully before you decide whether to buy the Retail Bonds. The Information Supplement contains important information, including information about:

- Hong Kong taxation applicable to the Retail Bonds
- the arrangements for holding and transferring Retail Bonds in the CMU and how HKSAR Government makes payments and gives notices while the Retail Bonds are held in the CMU
- the legally binding terms and conditions of the Retail Bonds, including what happens if HKSAR

Government defaults, and the role of Bank of China (Hong Kong) Trustees Limited, as trustee. The trustee acts as the Retail Bondholders' representative

- how the Placing Banks, Securities Brokers or HKSCC are likely to hold the Retail Bonds and receive payments from HKSAR Government of interest and principal on your behalf.

You can ask for a paper copy of this Offering Circular and the Information Supplement at any Placing Bank or at HKSCC. You can also view this Offering Circular and the Information Supplement on-screen by visiting the following websites:

HKSAR Government's website — www.info.gov.hk/fstb/tb

(to which the websites of Bank of China (Hong Kong) Limited, The Bank of East Asia, Limited, Hang Seng Bank Limited, The Hongkong and Shanghai Banking Corporation Limited, Standard Chartered Bank (Hong Kong) Limited and Wing Lung Bank Limited have a hyperlink)

Hong Kong Stock Exchange's website — www.hkex.com.hk

CCASS Investor Participant website — <https://ip.ccass.com>

HKSAR Government has not authorised anyone to give you any information about the Retail Bonds other than the information contained in this Offering Circular and the Information Supplement.

This Offering Circular contains both English and Chinese language versions while the Information Supplement is available in separate Chinese and English language versions.

WHO IS RESPONSIBLE FOR THIS OFFERING CIRCULAR AND THE INFORMATION SUPPLEMENT?

HKSAR Government accepts responsibility for the information contained in this Offering Circular and the Information Supplement and confirms, having made all reasonable enquiries, that (i) this Offering Circular and the Information Supplement read together contain all information which is material in the context of the issue and offering of the Retail Bonds and that the information and statements contained in this Offering Circular and the Information Supplement are true and accurate in all material respects and are not misleading in any material respect and that all opinions and intentions expressed in this Offering Circular and the Information Supplement are honestly stated and (ii) to the best of its knowledge and belief, there are no

other facts the omission of which would make any statement contained in this Offering Circular or the Information Supplement misleading in any material respect. The Information Supplement is accurate at the date of this Offering Circular. You must not assume, however, that information in this Offering Circular or the Information Supplement is accurate at any time after the date of this Offering Circular.

None of the Arrangers and Joint Global Coordinators, the Joint Bookrunners, the Placing Banks, the Hong Kong Stock Exchange, HKSCC, the Trustee or the Agents is responsible in any way for ensuring the accuracy of this Offering Circular and the Information Supplement.

WHERE CAN I SEE THE LEGAL DOCUMENTATION FOR THE RETAIL BONDS?

For so long as any Retail Bonds are outstanding, you can read copies of the contracts which form the basis of the issue of the Retail Bonds, including:

- the legally binding terms and conditions of the Retail Bonds offered by this Offering Circular and the Information Supplement

- the documents listed as display documents in the Information Supplement,

by visiting the office of Bank of China (Hong Kong) Limited, the principal paying agent, at 25/F, Bank of China Centre, Olympian City, 11 Hoi Fai Road, West Kowloon, Hong Kong or by visiting HKSAR Government's website — www.info.gov.hk/fstb/tb.

The office of the principal paying agent is open only during normal business hours and not on Saturdays, Sundays or public holidays.

A reasonable fee will be charged if you want to make photocopies of any of the documents.

You can find out more about the legal documentation by reading the Information Supplement.

The legal documentation has been prepared by Clifford Chance, the firm of lawyers representing the Arrangers and Joint Global Coordinators, the Joint Bookrunners and the Trustee.



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

Tranche A 2.13 per cent. Retail Bonds due 2006

Tranche B 3.38 per cent. Retail Bonds due 2008

Subscription Period: 9:00 a.m. on 8 July 2004 to 2:00 p.m. on 16 July 2004

Price-fixing Date: 21 July 2004

Issue Date: 23 July 2004

Arrangers and Joint Global Coordinators



Joint Bookrunners



Placing Banks

Asia Commercial Bank	Bank of America (Asia)	Bank of China (Hong Kong)	Bank of Communications	The Bank of East Asia
Belgian Bank	Chekiang First Bank	Chiyu Bank	Citibank	CITIC Ka Wah Bank
Dah Sing Bank	DBS Bank	Hang Seng Bank	HSBC	ICBC (Asia)
International Bank of Asia	Liu Chong Hing Bank	MEVAS Bank	Nanyang Commercial Bank	Shanghai Commercial Bank
Standard Chartered Bank (HK) Ltd		Wing Hang Bank		Wing Lung Bank

Information Supplement dated 7 July 2004

IMPORTANT

You should read the Offering Circular dated 7 July 2004 (the “Offering Circular”) issued by HKSAR Government and this Information Supplement (together, the “Offering Documents”) before making an investment decision. If you are in any doubt about this Information Supplement or the Offering Circular, you should consult your stockbroker, bank manager, solicitor, professional accountant or other professional adviser.

The Stock Exchange of Hong Kong Limited (the “Hong Kong Stock Exchange”) and Hong Kong Securities Clearing Company Limited (“HKSCC”) take no responsibility for the contents of this Information Supplement, make no representation as to its accuracy or completeness 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 Information Supplement.

The Government of the Hong Kong Special Administrative Region of the People’s Republic of China (“HKSAR Government”) accepts responsibility for the information contained in the Offering Documents and confirms, having made all reasonable enquiries, that (i) the Offering Documents contain all information which is material in the context of the issue and offering of the Retail Bonds and that the information and statements contained in the Offering Documents are true and accurate in all material respects and are not misleading in any material respect and that all opinions and intentions howsoever expressed in the Offering Documents are honestly stated and (ii) to the best of their knowledge and belief, there are no other facts the omission of which would make any statement contained in the Offering Documents misleading in any material respect.

The Retail Bonds are offered to the public solely on the basis of the information contained, and representations made, in the Offering Documents. No person has been authorised to give any information or to make any representation not contained in or not consistent with the Offering Documents or any other information supplied by HKSAR Government in connection with the Retail Bonds and, if given or made, such information or representation must not be relied upon as having been authorised by HKSAR Government. BOCI Asia Limited (“BOCI Asia”), Bank of China (Hong Kong) Limited (“Bank of China (Hong Kong)”) and The Hongkong and Shanghai Banking Corporation Limited (“HSBC”) (together, the “Arrangers and Joint Global Coordinators”), BOCI Asia, Bank of China (Hong Kong), HSBC and Standard Chartered Bank (Hong Kong) Limited (“SCBHK”) (together, the “Joint Bookrunners”), the Placing Banks (a list of which can be found under the section headed “Application Channels — The Placing Banks”), the market makers (a list of which can be found under the section headed “Market Making Arrangements”), Bank of China (Hong Kong) Trustees Limited (the “Trustee”), the Calculation Agent, the Principal Paying Agent (together, the “Agents”) (each as defined in this Information Supplement) are not persons responsible for, have not authorised the issue of, and have not separately verified the information contained in the Offering Documents. Accordingly, no representation, warranty or undertaking, express or implied, is made and no responsibility is accepted by the Arrangers and Joint Global Coordinators, the Joint Bookrunners, the Placing Banks, the market makers, HKSCC, the Trustee, or the Agents as to the accuracy or completeness of the information contained in the Offering Documents or any other information provided by HKSAR Government in connection with the Retail Bonds. The Arrangers and Joint Global Coordinators, the Joint Bookrunners, the Placing Banks, the market makers, HKSCC, the Trustee, and the Agents do not accept liability in relation to the information contained in the Offering Documents or any other information provided by HKSAR Government in connection with the Retail Bonds.

Neither the Offering Documents, nor any other information supplied in connection with the Retail Bonds, is intended to provide the basis of any credit or other evaluation and should not be considered as a recommendation by the Arrangers and Joint Global Coordinators, the Joint Bookrunners, HKSCC, the Placing Banks, the market makers, the Trustee, or the Agents that any recipient of the Offering Documents or any other information supplied in connection with the Retail Bonds, should purchase any of the Retail Bonds. If you are contemplating purchasing or holding any of the Retail Bonds, you should make your own independent investigation of the financial condition and affairs, and your own appraisal of the creditworthiness, of HKSAR Government.

While the statements in the Offering Documents as to the policies, intentions, preferences, views or opinions of HKSAR Government reflect the prevailing policies, intentions, preferences, views or opinions of HKSAR Government as at the date of the Offering Documents, such policies, intentions, preferences, views or opinions could be updated amended or replaced by HKSAR Government in its sole discretion at any time after the date of the Offering Documents. In addition, any ordinance or subsidiary legislation may be amended, annulled or replaced in accordance with the legislative process in Hong Kong.

The delivery of the Offering Documents does not at any time imply that the information contained herein concerning HKSAR Government is correct at any time subsequent to the date hereof or that any other information supplied in connection with the Retail Bonds is correct at any time subsequent to the date indicated in the document containing such information. Investors should review, inter alia, all financial information relating to HKSAR Government which is publicly available when deciding whether or not to subscribe for, purchase, or hold any of the Retail Bonds.

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

*While the Retail Bonds are in global form and held through the CMU, the term “**Retail Bondholders**” in the Offering Documents shall mean the sub-custodian nominated by the CMU Operator which is considered as the legal holder of the Retail Bonds. Individual retail investors in the Retail Bonds are not “Retail Bondholders” in this context. The terms “**you**”, “**investors**” or “**prospective investors**” have been used herein to describe the individual retail investors in the Retail Bonds.*

*In the Offering Documents, references to a “**tranche**” are to each of, and “**Retail Bonds**” are to any or all of, the Tranche A 2.13 per cent. Retail Bonds due 2006 and Tranche B 3.38 per cent. Retail Bonds due 2008.*

*In the Offering Documents, references to “**HKD**”, “**HK\$**” and “**HK dollars**” are to Hong Kong dollars, references to “Hong Kong” are to the Hong Kong Special Administrative Region of the People’s Republic of China and references to “**%**” or “**per cent.**” means per centum.*

Certain figures included in this Information Supplement have been subject to rounding adjustments. Accordingly, figures shown for the same category presented in different tables may vary slightly and figures shown as totals in certain tables may not be an arithmetic aggregation of the figures which precede them.

Except as otherwise specified, the source of all statistical information in this Information Supplement is HKSAR Government.

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OFFERING SUMMARY

The information set out in this section is subject to, qualified by, and must be read in conjunction with, the further detailed information in this Information Supplement. The terms and conditions of the Retail Bonds are issued in the English language and the Chinese language and the English version will prevail over the Chinese language version in the event of conflict or discrepancy.

Tranches of Retail Bonds Tranche A 2.13 per cent. Retail Bonds due 2006 (“**Tranche A Retail Bonds**”) and Tranche B 3.38 per cent. Retail Bonds due 2008 (“**Tranche B Retail Bonds**”)

Subscription Period 9:00 am on 8 July 2004 (Thursday) to 2:00 p.m. on 16 July 2004 (Friday) (the “**Subscription Period**”).

Price-fixing Date 21 July 2004 (Wednesday) (the “**Price-fixing Date**”).

Issue Date 23 July 2004 (Friday) (the “**Issue Date**”).

Application for Retail Bonds You can apply for Retail Bonds only through the Placing Banks or HKSCC as the operator of the Central Clearing and Settlement System (“**CCASS**”).

In order to instruct a Placing Bank to apply for Retail Bonds on your behalf, you must already have, or you must open, a bank account and also an investment account with the Placing Bank you intend to instruct.

In order to instruct HKSCC to apply for Retail Bonds on your behalf, you must either already have, or you must open, an Investor Account with HKSCC, or apply through a person admitted to participate in CCASS as a broker participant or a custodian participant who may be a bank or a broker (a “**CCASS Broker/Custodian Participant**”) and who is willing to make the application on your behalf (“**your designated CCASS Broker/Custodian Participant**”).

No application form is being issued for the Retail Bonds: you must either instruct (a) one of the Placing Banks or (b) HKSCC directly (if you are a person admitted to participate in CCASS as an investor participant (a “**CCASS Investor Participant**”)) or through your designated CCASS Broker/Custodian Participant, to apply for Retail Bonds on your behalf.

Application Price The application price of each tranche is 102 per cent. of the principal amount of the Retail Bonds (the “**Application Price**”). The Application Price has been set at a level which is intended to facilitate subscription and allotment and is not intended to reflect any expectation as to the Subscription Price of the Retail Bonds of either tranche.

The Subscription Price of each tranche of Retail Bonds may be equal to or less than the Application Price for that tranche of Retail Bonds.

Subscription Price

The subscription price of each tranche (the “**Subscription Price**”) represents the actual price you pay for your subscription of the Retail Bonds. The Subscription Price will be expressed as a percentage of the principal amount of the Retail Bonds and it will be the lower of:

- (a) the Application Price, being 102 per cent. of the principal amount of the Retail Bonds; and
- (b) the percentage determined on the Price-fixing Date so that the Retail Bonds of that tranche will have an annualised yield equal to the annualised yield of an identified issue of Exchange Fund Notes (“**EFN**”) of comparable remaining tenor, plus a specified margin, as follows:

Annualised Yield of Tranche A Retail Bonds = EFN 2605 yield + 0.09 per cent.

Annualised Yield of Tranche B Retail Bonds = EFN 5806 yield + 0.20 per cent.

where the determination will be made on the Price-fixing Date by reference to the fixing page of the Hong Kong Monetary Authority (the “**HKMA**”) in Reuters Page 0#HKEFBN = MIDF at or about 11:30 a.m. If the annualised yield of an identified issue of EFN is not available, the Calculation Agent and the Trustee jointly shall have the discretion to select another issue of EFN of comparable remaining tenor for price-fixing purposes.

Annualised Yield

Your total return on the Retail Bonds or the yield to maturity on the Retail Bonds will depend on the Subscription Price. If the Subscription Price is greater than 100 per cent. of the principal amount of the Retail Bonds, the annualised yield will be lower than the specified interest rate (on an annualised basis); if the Subscription Price is lower than 100 per cent. of the principal amount of the Retail Bonds, the annualised yield will be greater than the specified interest rate (on an annualised basis).

Handling Fee and Brokerage Fee

The Placing Bank to which you give your application instructions will charge you a handling fee of 0.15 per cent. of the Subscription Price of Retail Bonds which are allotted to you (the “**Handling Fee**”).

HKSCC or your designated CCASS Broker/Custodian Participants, as the case may be, to which you give your application instructions will charge you a brokerage fee of 0.15 per cent. of the Subscription Price of Retail Bonds which are allotted to you (the “**Brokerage Fee**”).

You will be responsible for the payment of the Handling Fee or the Brokerage Fee.

Application Amount

The Application Amount represents the amount you pay when you apply for the Retail Bonds. Upon application for the Retail Bonds:

- (a) where you apply for the Retail Bonds through a Placing Bank, you are required to pay an amount equal to the Application Price, plus the Handling Fee (the “**PB Application Amount**”); and
- (b) where you apply for the Retail Bonds through HKSCC, you are required to pay an amount equal to the Application Price, plus the Brokerage Fee (the “**CCASS Application Amount**”),

(together, the “**Application Amounts**” and each an “**Application Amount**”).

Subscription Amount

The Subscription Amount represents the actual amount you are required to pay for the Retail Bonds allotted to you. This is equal to the Subscription Price of the relevant tranche of Retail Bonds plus the Handling Fee (the “**PB Subscription Amount**”) or, as the case may be, the Brokerage Fee (the “**CCASS Subscription Amount**”) (together, the “**Subscription Amounts**” and each a “**Subscription Amount**”). The Subscription Amount may be equal to or less than the Application Amount. If the Subscription Amount is less than the Application Amount, the difference will be refunded to you.

Aggregate Principal Amount of Issue

The minimum issue amount of each of the Tranche A Retail Bonds and the Tranche B Retail Bonds is HK\$50,000,000 (the “**Minimum Issue Amount**”). There is no specified maximum aggregate principal amount of the Retail Bonds, however, HKSAR Government reserves the right to fix the principal amount of Retail Bonds of each tranche to be issued in the light of valid applications received. If the principal amount of Retail Bonds of a tranche to be issued is less than the principal amount of Retail Bonds of that tranche which has been validly applied for, Retail Bonds will be allocated as described in “— Allocation of Retail Bonds” below.

Neither of the tranches of the Retail Bonds will be underwritten by any party and if the public subscription in relation to either tranche falls short of the Minimum Issue Amount, HKSAR Government will not issue the undersubscribed tranche and affected prospective investors will be refunded their Application Amounts without interest in accordance with the section headed “How to Apply for the Retail Bonds”.

Allocation of Retail Bonds

Where HKSAR Government receives valid applications for a greater principal amount of Retail Bonds of either tranche than is to be issued, the Retail Bonds will be allocated as follows:

- (a) a minimum of HK\$50,000 in principal amount of the Retail Bonds of that tranche will be allocated to each of the valid applications (the “**Applications**”) through (i) HKSCC from CCASS Investor Participants and CCASS Broker/Custodian Participants (and so that if more than one valid application instruction is given from you to your designated CCASS Broker/Custodian Participant, all such valid applications will be aggregated) and (ii) the Placing Bank’s accounts through which valid application instructions were given (and so that if more than one valid application instruction is given from the same Placing Bank’s account, all such valid application instructions will be aggregated);
- (b) the remaining Retail Bonds of that tranche will be allocated to each of the Applications on a pro rata basis to the remaining number of Retail Bonds validly applied for (rounded down to the nearest whole Retail Bond); and
- (c) in the case of Retail Bonds remaining after rounding, by ballot,

provided that if either tranche of Retail Bonds is so over-subscribed that HKSAR Government is unable to even allocate a minimum of HK\$50,000 in principal amount of the Retail Bonds of that tranche to each Application, the Applications to receive such allocation will be chosen by ballot.

Fractions of Retail Bonds will not be allotted. No one will be allotted more Retail Bonds than they validly applied for.

Retail Bond Maturity Date

24 July 2006 in respect of Tranche A Retail Bonds (the “**Tranche A Retail Bond Maturity Date**”); and

23 July 2008 in respect of Tranche B Retail Bonds (the “**Tranche B Retail Bond Maturity Date**”).

Redemption Price

100 per cent. of the principal amount of the Retail Bonds

Interest Rate

2.13 per cent. per annum in respect of Tranche A Retail Bonds

3.38 per cent. per annum in respect of Tranche B Retail Bonds

Interest will be calculated and paid at the specified rates by reference to 100 per cent. of the principal amount of the Retail Bonds. See “— Annualised Yield” above.

Frequency of Interest Payments	HKSAR Government will make interest payments in respect of each tranche of Retail Bonds on each 23 January and 23 July, commencing on 24 January 2005 (each, an “ Interest Payment Date ”), during their respective tenors.
Payments on the Retail Bonds	All payments of principal and interest on the Retail Bonds will be made by credit to the designated bank accounts of the relevant CCASS Investor Participants or CCASS Broker/Custodian Participants or through the investment account in which the Retail Bonds are held. See the section headed “Settlement, Clearance and Custody”.
Denomination	HK\$50,000 per Retail Bond
Form of Retail Bonds	<p>Retail Bonds in definitive form (“Definitive Retail Bonds”) will only be issued in limited circumstances. Two permanent global Retail Bonds (the “Global Retail Bonds”) in bearer form, each representing the total principal amount of a tranche of Retail Bonds, will instead be deposited on the Issue Date of the Retail Bonds with the Central Moneymarkets Unit Service (“CMU”) operated by the HKMA. If you apply for Retail Bonds by instructing a Placing Bank:</p> <ul style="list-style-type: none"> (a) you must initially hold your Retail Bonds in an investment account with a participant in the CMU; and (b) for the purpose of initial allotment of Retail Bonds, you must already have, or must open, a bank account and also an investment account with the Placing Bank to which you give your application instructions. <p>If you apply for Retail Bonds by giving instructions to HKSCC (either directly as a CCASS Investor Participant or indirectly through your designated CCASS Broker/Custodian Participant):</p> <ul style="list-style-type: none"> (a) you must initially hold your interests in the Retail Bonds allotted to them through an account with HKSCC (either directly as CCASS Investor Participant or indirectly through your designated CCASS Broker/Custodian Participant). HKSCC will in turn hold the corresponding interest in the Global Retail Bonds through its account with the HKMA as operator of CMU (the “CMU Operator”); and (b) for the purposes of the initial allotment of Retail Bonds, you must already have, or must open, an Investor Account with HKSCC, or a securities or custodian account with a CCASS Broker/Custodian Participant who is willing to make the application on its behalf. <p>See the section headed “Settlement, Clearance and Custody”.</p>

Your ability to pledge your interest in the Retail Bonds to persons who are not participants of the CMU, or otherwise to take action in respect of your interest, may be affected by the lack of Definitive Retail Bonds.

Listing

HKSAR Government has applied to the Hong Kong Stock Exchange for the listing of, and permission to deal in, the Retail Bonds and such permission is expected to become effective on 26 July 2004. See the section headed “Trading of Retail Bonds on the Hong Kong Stock Exchange”.

Governing Law

The Retail Bonds, a trust deed to be entered into by HKSAR Government on or around 23 July 2004 (the “**Trust Deed**”) and a paying agency agreement to be entered into by HKSAR Government on or around 23 July 2004 (the “**Paying Agency Agreement**”) are governed by Hong Kong law.

Market Making

HKSAR Government has appointed market makers for each tranche of Retail Bonds and each market maker has, subject to certain limitations, agreed to quote prices at which it will buy or sell Retail Bonds in over-the-counter transactions. See the section headed “Market Making Arrangements” for a list of the market makers. These arrangements do not assure an active trading market for the Retail Bonds.

Cancellation of Retail Offering

HKSAR Government reserves the right to cancel the offering of one or both tranches of the Retail Bonds on or before the Issue Date for the Retail Bonds, in which case, no Retail Bonds of the relevant tranche or tranches will be issued and all applicants of the relevant tranche or tranches will be refunded their Application Amounts without interest. However, HKSAR Government will give prompt public notice of such cancellation no later than the Issue Date.

Security Interest in the Retail Bonds in favour of Placing Banks, HKSCC and CCASS Broker/Custodian Participants

The standard account terms and conditions of each of the Placing Banks, HKSCC and the relevant CCASS Broker/Custodian Participants, as the case may be, may permit it to take a security interest in, or to impose other restrictions on, the Retail Bonds credited to such account or to exercise a lien, right of set-off or similar claim against a Retail Bondholder in respect of monies held in any of his accounts maintained with such Placing Bank, HKSCC or CCASS Broker/Custodian Participant to secure any amounts which may be owing by the Retail Bondholder to such Placing Bank, HKSCC or the relevant CCASS Broker/Custodian Participant, as the case may be. In particular, if the Placing Bank, HKSCC or the relevant CCASS Broker/Custodian Participant, as the case may be, makes an advance to the Retail Bondholder in connection with the payment of any unpaid Subscription Amount of the Retail Bonds, the Placing Bank, HKSCC or the relevant CCASS Broker/Custodian Participant, as the case may be, may have the legal right to restrict the Retail Bondholder's ability to transfer the Retail Bonds, to collect amounts owing to it out of payments of interest or principal received on the Retail Bonds or to sell the Retail Bonds and recoup amounts owing to it or other sale expenses, duties, interest and costs out of the proceeds of sale or to charge interest on amounts owing to it.

It is important that you should familiarise yourself with, and ensure you understand and accept the terms and conditions of operation of the investment account, Investor Account or securities or custodian account before making an application to open such account. See the section headed "Settlement, Clearance and Custody".

Trustee

Bank of China (Hong Kong) Trustees Limited, whose principal office is at 17/F, Bank of China Centre, Olympian City, 11 Hoi Fai Road, West Kowloon, Hong Kong. Details of the scope of its mandate as Trustee and the conditions under which it may be replaced as such may be found in the Trust Deed.

Principal Paying Agent and Calculation Agent

Bank of China (Hong Kong) Limited

Specified Office of the Principal Paying Agent

25/F, Bank of China Centre, Olympian City, 11 Hoi Fai Road, West Kowloon, Hong Kong

WHERE TO OBTAIN COPIES OF THE OFFERING DOCUMENTS

The Information Supplement is available in separate Chinese and English language versions while the Offering Circular contains both the Chinese and English language versions. You can collect copies of both the English and Chinese language versions of the Offering Documents from designated branches of the Placing Banks and from the offices of HKSCC set out below, free of charge, during the Subscription Period (being 8 July 2004 to 16 July 2004) on any weekday (public holidays excepted) during normal business hours.

Prior to an investment in the Retail Bonds, you must have received and read, or been given the opportunity to receive and read, the English or the Chinese language versions of the Offering Documents in the language of your choice. If you have not received a copy of the Offering Documents in your preferred language prior to making a decision to invest in the Retail Bonds, you should immediately collect a copy of the Offering Documents in your preferred language from the offices of HKSCC set out below or at designated branches of the Placing Banks.

Copies of the Offering Documents are available:

(i) for collection from:

Designated branches of the Placing Banks
(you can contact one of the Placing Banks set out in
the section headed “Application Channels —
The Placing Banks” for a list of distribution locations of
the designated branches of the Placing Banks)

or

Depository Counter
Hong Kong Securities Clearing Company Limited
2nd Floor, Vicwood Plaza
199 Des Voeux Road Central
Hong Kong

or

Customer Service Centre
Hong Kong Securities Clearing Company Limited
Upper Ground Floor, V-Heun Building
128-140 Queen’s Road Central
Hong Kong

(ii) on the following websites:

HKSAR Government's website — www.info.gov.hk/fstb/tb
to which the websites of Bank of China (Hong Kong),
The Bank of East Asia, Limited (“**The Bank of East Asia**”),
Hang Seng Bank Limited (“**Hang Seng Bank**”), HSBC,
Standard Chartered Bank (Hong Kong) Limited (“**SCBHK**”) and
Wing Lung Bank Limited (“**Wing Lung Bank**”) have a hyperlink
Hong Kong Stock Exchange's website — www.hkex.com.hk
CCASS Investor Participant website — <https://ip.ccass.com>

Reference to any website in the Offering Documents is intended to assist you to access further public information relating to the subject as indicated. You should, however, conduct your own web searches to ensure that you are viewing the most up-to-date information and the website that you are viewing is genuine. Except for the electronic version of the Offering Documents (if any), information appearing on such websites does not form part of the Offering Documents. HKSAR Government does not accept any responsibility whatsoever that such other information, if available, is accurate and/or up-to-date, and no responsibility is accepted in relation to any such information by any person responsible for the Offering Documents. The offer of the Retail Bonds by HKSAR Government is made solely on the basis of the information contained in the Offering Documents and prospective investors should exercise an appropriate degree of caution when assessing the value of other information which may appear on such websites.

APPLICATION CHANNELS

The Placing Banks

Please contact one of the following placing banks (the “**Placing Banks**” and each a “**Placing Bank**”) if you wish to find out how to apply for the Retail Bonds through the Placing Banks. As at the date of the Offering Documents 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:

Asia Commercial Bank Limited (“**Asia Commercial Bank**”)

Telephone Number

2853 4671

Service Hours

Monday - Friday

9:00 a.m. - 5:00 p.m.

Saturday

9:00 a.m. - 1:00 p.m.

Sunday and public holidays

Closed

Bank of America (Asia) Limited (“**Bank of America (Asia)**”)

Telephone Number

2805 2383

Service Hours

Monday - Friday

8:30 a.m. - 8:00 p.m.

Saturday

8:30 a.m. - 5:00 p.m.

Sunday and public holidays

Closed

Bank of China (Hong Kong)

Telephone Number

2291 8000

Service Hours

Monday - Friday

9:00 a.m. - 11:00 p.m.

Saturday

9:00 a.m. - 6:00 p.m.

Sunday and public holidays

Closed

Bank of Communications (**Hong Kong Branch**) (“**Bank of Communications**”)

Telephone Number

2269 9699

Service Hours

Monday - Sunday

24 hours

The Bank of East Asia

Telephone Number

2211 1311

Service Hours

Monday - Friday

9:00 a.m. - 5:00 p.m.

Saturday

9:00 a.m. - 1:00 p.m.

Sunday and public holidays

Closed

Belgian Bank

Telephone Number

3122 1668

Service Hours

Monday - Friday

8:00 a.m. - 6:00 p.m.

Saturday

8:00 a.m. - 12:00 p.m.

Sunday and public holidays

Closed

Chekiang First Bank Limited
(“Chekiang First Bank”)

Telephone Number

2922 1600

Service Hours

Monday - Friday

9:00 a.m. - 5:30 p.m.

Saturday

9:00 a.m. - 1:30 p.m.

Sunday and public holidays

Closed

Chiyu Banking Corporation
Limited (“Chiyu Bank”)

Telephone Number

2232 3625

Service Hours

Monday - Friday

9:00 a.m. - 11:00 p.m.

Saturday

9:00 a.m. - 6:00 p.m.

Sunday and public holidays

Closed

Citibank, N.A. (acting through
its Hong Kong Branch)
(“Citibank”)

Telephone Number

2860 0222

Service Hours

Monday - Friday

9:00 a.m. - 10:00 p.m.

Saturday

9:00 a.m. - 1:00 p.m.

Sunday and public holidays

Closed

CITIC Ka Wah Bank Limited
(“CITIC Ka Wah Bank”)

Telephone Number

2287 6767

Service Hours

Monday - Friday

9:00 a.m. - 8:00 p.m.

Saturday

9:00 a.m. - 6:00 p.m.

Sunday and public holidays

Closed

Dah Sing Bank, Limited
(“Dah Sing Bank”)

Telephone Number

2828 8000

Service Hours

Monday - Friday

9:00 a.m. - 7:00 p.m.

Saturday

9:00 a.m. - 1:00 p.m.

Sunday and public holidays

Closed

DBS Bank (Hong Kong) Limited
(“DBS Bank”)

Telephone Number

2290 8888 (press “4”)

Service Hours

Monday - Friday

9:00 a.m. - 6:00 p.m.

Saturday

9:00 a.m. - 1:00 p.m.

Sunday and public holidays

Closed

Hang Seng Bank

Telephone Number

2998 9898

Service Hours

Monday - Friday

8:30 a.m. - 6:00 p.m.

Saturday

8:30 a.m. - 1:00 p.m.

Sunday and public holidays

Closed

HSBC**Telephone Number**

2269 2121

Service Hours

Monday - Sunday

24 hours

**Industrial and Commercial
Bank of China (Asia) Limited
("ICBC (Asia)")****Telephone Number**

2887 0349

Service Hours

Monday - Friday

9:00 a.m. - 8:00 p.m.

Saturday

9:00 a.m. - 1:00 p.m.

Sunday and public holidays

Closed

**International Bank of Asia
Limited ("International
Bank of Asia")****Telephone Number**

2566 8181

Service Hours

Monday - Friday

9:00 a.m. - 4:30 p.m.

Saturday

9:00 a.m. - 1:00 p.m.

Sunday and public holidays

Closed

**Liu Chong Hing Bank Limited
("Liu Chong Hing Bank")****Telephone Number**

2161 6888

Service Hours

Monday - Friday

9:00 a.m. - 5:00 p.m.

Saturday

9:00 a.m. - 1:00 p.m.

Sunday and public holidays

Closed

**MEVAS Bank Limited
("MEVAS Bank")****Telephone Number**

3101 3838

Service Hours

Monday - Sunday

24 hours

public holidays

24 hours

**Nanyang Commercial Bank,
Limited ("Nanyang Commercial
Bank")****Telephone Number**

2622 2633

Service Hours

Monday - Friday

9:00 a.m. - 11:00 p.m.

Saturday

9:00 a.m. - 6:00 p.m.

Sunday and public holidays

Closed

**Shanghai Commercial Bank
Limited ("Shanghai Commercial
Bank")****Telephone Number**

2818 0282

(Press "3" and then "8")

Service Hours

Monday - Friday

9:00 a.m. - 7:00 p.m.

Saturday

9:00 a.m. - 1:00 p.m.

Sunday and public holidays

Closed

**Standard Chartered Bank
(Hong Kong) Limited
("SCBHK")**

Telephone Number

2886 8868 (Press 2*9)

Service Hours

Monday - Friday	9:00 a.m. - 5:30 p.m.
Saturday	9:00 a.m. - 12:30 p.m.
Sunday and public holidays	Closed

**Wing Hang Bank, Ltd.
("Wing Hang Bank")**

Telephone Number

3199 9182

Service Hours

Monday - Friday	9:00 a.m. - 5:30 p.m.
Saturday	9:00 a.m. - 1:30 p.m.
Sunday and public holidays	Closed

Wing Lung Bank

Telephone Number

2526 5555

Service Hours

Monday - Friday	8:30 a.m. - 5:30 p.m.
Saturday	8:30 a.m. - 1:30 p.m.
Sunday and public holidays	Closed

Placing Arrangements

With respect to the placing of the Retail Bonds, the Placing Banks have entered into a placing bank agreement with HKSAR Government dated on or around 6 July 2004. Pursuant to that agreement, the Placing Banks will receive from HKSAR Government a placing and distribution fee, in respect of the Tranche A Retail Bonds, 0.15 per cent. of the principal amount of Retail Bonds allotted through them and, in respect of the Tranche B Retail Bonds, 0.15 per cent. of the principal amount of Retail Bonds allotted through them. In addition, each Placing Bank will charge each successful applicant a Handling Fee.

Each of the Placing Banks has acknowledged that no action has been or will be taken in any jurisdiction by HKSAR Government or any Placing Bank that would permit a public offering of the Retail Bonds, or the possession or distribution of the Offering Documents or any other offering material, in any country or jurisdiction where action for that purpose is required other than Hong Kong. Each of the Placing Banks has represented and agreed that it has not offered or sold and will not offer or sell any Retail Bonds, and that it has not distributed and will not distribute, the Offering Documents, any application form or any offering or publicity material relating to the Retail Bonds, outside Hong Kong.

HKSCC and CCASS Broker/Custodian Participants

HKSCC is the operator of the Central Clearing and Settlement System ("CCASS"). Please contact HKSCC at telephone number 2979 7000 if you are a CCASS Investor Participant and wish to find out how to apply for Retail Bonds directly through HKSCC. Otherwise, you may contact your designated CCASS Broker/Custodian Participant to find out the procedures of applying the Retail Bonds indirectly through HKSCC.

In consideration of the distribution activities undertaken by the HKSCC and CCASS Broker/Custodian Participants as part of the offering of the Retail Bonds to the public in Hong Kong, HKSCC will receive from HKSAR Government for itself (in the case of successful applications made by CCASS Investor Participants) and on behalf of the relevant CCASS Broker/Custodian Participants (in the case of successful applications made by investors through their designated CCASS Broker/Custodian Participants) a fee, in respect of the Tranche A Retail Bonds, 0.15 per cent. of the principal amount of Retail Bonds allotted through them and, in respect of the Tranche B Retail Bonds, 0.15 per cent. of the principal amount of Retail Bonds allotted through them. In addition, HKSCC or your designated CCASS Broker/Custodian Participant will charge each successful applicant a Brokerage Fee.

TIMETABLE FOR RETAIL BOND ISSUE AND SUBSCRIPTION FOR THE RETAIL BONDS

9:00 a.m. on 8 July 2004
(Thursday)
Commencement Date of
Subscription Period

Applications for Retail Bonds may be made from this date on.
See the section headed “How to Apply for the Retail Bonds”.

2:00 p.m. on 16 July 2004
(Friday)
Closing Date of Subscription
Period (the “Closing Date”)

If you are applying through a Placing Bank:

All applications in person, by internet or by telephone must have been submitted by 2:00 p.m. on the Closing Date. No applications will be accepted by the Placing Banks after this time.

The PB Application Amount 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:

All electronic instructions to apply for Retail Bonds, whether given directly by you as a CCASS Investor Participant or indirectly through your designated CCASS Broker/Custodian Participant, must be received by HKSCC not later than 2:00 p.m. on the Closing Date. No electronic instructions for application for Retail Bonds will be accepted after this time. Please note that your designated CCASS Broker/Custodian Participant may under the terms and conditions of your securities account or custodian account, as the case may be, stipulate its own deadline for the submission of instructions to it. You should check with your designated CCASS Broker/Custodian Participant as to its deadlines for the submission of application instructions.

The CCASS Application Amount will be collected by debit on this date from your designated bank account (if you are a CCASS Investor Participant) or the designated bank account of your designated CCASS Broker/Custodian Participant.

21 July 2004 (Wednesday)
Price-fixing Date (Closing Date
plus three business days)

The Calculation Agent will fix the Subscription Price and the annualised yield for each tranche of Retail Bonds by reference to the offer yield of the identified issue of EFN of a comparable remaining tenor quoted by the HKMA at or around 11:30 a.m. on this date. If the annualised yield of an identified issue of EFN is not available, the Calculation Agent and the Trustee jointly shall have the discretion to select another issue of EFN of comparable remaining tenor for price-fixing purposes.

HKSAR Government will announce, no later than the Issue Date, the Subscription Price, the issue amount and the principal amount of valid applications received in respect of each tranche of Retail Bonds on its website, to which the websites of certain Placing Banks referred to in the section headed “Where to Obtain Copies of the Offering Documents” have a hyperlink.

23 July 2004 (Friday)
Issue Date (Closing Date plus
five business days)

If you have instructed a Placing Bank to apply for the Retail Bonds on your behalf:

If the Subscription Price of either tranche of Retail Bonds is less than the Application Price, the Placing Bank to which you gave your application instructions will calculate the refund amounts payable to you and will credit without interest such refund amounts to your bank account from which the PB Application Amount was initially debited. If your application is unsuccessful, invalid or partially successful, the whole or a relevant part of your PB Application Amount (which is inclusive of the Handling Fee) will also be refunded to you without interest by credit to your bank account from which the PB Application Amount was initially debited.

All refunds will be made by the Placing Banks commencing on the Issue Date and will be completed within five business days of the Issue Date.

Retail Bonds will be issued against payment in full of the Subscription Price by the Placing Banks. Each Placing Bank will transfer the subscription monies (being Subscription Price for all the Retail Bonds allocated to successful applicants who applied through it) from HKSAR Government’s nominee account to the Principal Paying Agent by 10:00 a.m.

The Placing Banks will, commencing on and from the Issue Date, notify the unsuccessful and successful applicants by mail of the Subscription Price, any settlement amounts, any refund amounts and, if applicable, their allotment of Retail Bonds. All notifications will be completed by the Placing Banks within five business days of the Issue Date.

The Principal Paying Agent will execute lodgement through the CMU and settlement with HKSAR Government by 11:00 a.m.

Retail Bonds allotted will be credited by 7:00 p.m. to your investment account maintained with the relevant Placing Bank.

If you have instructed HKSCC to apply for the Retail Bonds on your behalf:

If the Subscription Price is less than the Application Price and if you are a successful applicant, the difference (which is inclusive of the Brokerage Fee) will be refunded to you without interest by credit to your designated bank account (if you are a CCASS Investor Participant) or the designated bank account of your designated CCASS Broker/Custodian Participant on or about the Issue Date. If your application is wholly or partially unsuccessful, the whole or a relevant part of your CCASS Application Amount (inclusive of the Brokerage Fee) will be refunded to you without interest by credit to your designated bank account (if you are a CCASS Investor Participant) or the designated bank account of your designated CCASS Broker/Custodian Participant on or about this date.

Successful applicants will be notified of the Subscription Price, any settlement amounts, any refund amounts and, if applicable, your allotment of Retail Bonds on or before this date by HKSCC or their designated CCASS Broker/Custodian Participant (as the case may be).

Retail Bonds will be issued against full payment of the Subscription Price by HKSCC. HKSCC will make payment to the Principal Paying Agent for the account of HKSAR Government of the subscription monies (being the Subscription Price for all the Retail Bonds allocated to successful applicants who instructed HKSCC directly as a CCASS Investor Participant and indirectly through their designated CCASS Broker/ Custodian Participants to apply on their behalf).

Retail Bonds will be credited at the close of business of the Issue Date to the successful applicants' Investor Accounts or, as the case may be, their designated CCASS Broker/Custodian Participant's account with HKSCC.

26 July 2004 (Monday)
Listing Date (Closing Date plus
six business days)

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 a Saturday) on which commercial banks are open for business in Hong Kong.

“**designated bank accounts**” means the bank accounts designated by CCASS Investor Participants or CCASS Broker/Custodian Participants and approved by HKSCC for money settlement purposes in CCASS.

Times given are references to Hong Kong time.

The commencement date of the Subscription Period 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 no. 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 the Closing Date falls on a day which is not a business day for any reason, the latest time for completing your application will be 2:00 p.m. on the next business day (which shall become the Closing Date) and the Price-fixing Date and the Issue Date will be the third business day and the fifth business day, respectively, following the adjusted Closing Date;
- (2) if any day (other than a Saturday, Sunday or public 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 Price-fixing Date and/or the Issue Date shall be postponed to such dates that the Price-fixing Date and the Issue Date shall always be the third business day and the fifth business day, respectively, following the Closing Date; and
- (3) if the Price-fixing Date or the Issue Date falls on a day which is not a business day for any reason, the Price-fixing Date, or as the case may be, the Issue Date will be the next business day which shall become the Price-fixing Date, or as the case may be, the Issue Date,

and provided that if the Closing Date or the Price-fixing Date falls on a day which would not be a business day because commercial 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 no. 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 or, as the case may be, the Price-fixing Date (and that day shall be deemed to remain a business day) but the Price-fixing Date (if appropriate) and the Issue Date shall, in this case, be the fourth business day and the sixth business day, respectively, following the Closing Date.

If the Listing Date falls on a day which is not a business day for any reason (for example, the issue of a tropical cyclone warning signal no. 8 or above or a black rainstorm warning), the Listing Date will be postponed to the next business day, which next business day will become the Listing Date.

HOW TO APPLY FOR THE RETAIL BONDS

Application Channels: Placing Banks or HKSCC

Applications for Retail Bonds will be made only by the Placing Banks or HKSCC. In order to instruct a Placing Bank to apply for Retail Bonds on your behalf, you must already have, or you must open, a bank account and also an investment account with the Placing Bank you intend to instruct. In order to apply for the Retail Bonds by giving electronic instructions to HKSCC (either directly as a CCASS Investor Participant or indirectly through your designated CCASS Broker/Custodian Participant), you must either already have, or you must open, an Investor Account with HKSCC, or a securities or custodian account with your designated CCASS Broker/Custodian Participant who is willing to make the application on your behalf. No application form is being issued for the Retail Bonds.

You are advised that arrangements for the application of any Retail Bonds through the Placing Banks, HKSCC or your designated CCASS Broker/Custodian Participant during the Subscription Period will be as separately agreed between you and the Placing Banks, HKSCC or your designated CCASS Broker/Custodian Participant and will be subject to the Placing Banks', HKSCC's or your CCASS Broker/Custodian Participant's terms and conditions relating to such arrangements. Each of the Placing Banks, HKSCC or your CCASS Broker/Custodian Participant may impose different arrangements and levy different charges relating to the subscription of the Retail Bonds and you should contact the Placing Banks, HKSCC or your designated CCASS Broker/Custodian Participant, as the case may be, for information relating to such arrangements and charges. You should also familiarise yourself with, and ensure you understand and accept, the terms and conditions of operation of the investment account, Investor Account or a securities or custodian account, before making an application to open such account with a Placing Bank, HKSCC or your designated CCASS Broker/Custodian Participant, as the case may be.

Handling Fees and Brokerage Fees

If you subscribe for any Retail Bonds through the Placing Banks, you will be charged a Handling Fee by the Placing Bank. If you subscribe for any Retail Bonds through HKSCC or your designated CCASS Broker/Custodian Participant, you will be charged a Brokerage Fee by HKSCC or your designated CCASS Broker/Custodian Participant.

In addition, see the section headed "Settlement, Clearance and Custody" for a description of other charges which may be levied by the Placing Banks, HKSCC or your designated CCASS Broker/Custodian Participant in connection with their provision to an investor of custodial, transfer and clearing services for the Retail Bonds.

Holding and dealing with your Retail Bonds through the Placing Banks

If you successfully apply for the Retail Bonds through a Placing Bank, you will initially hold your interest in the Retail Bonds through your investment account with such Placing Bank. Any dealings which you wish to conduct in respect of such Retail Bonds will need to be conducted through such Placing Bank or its affiliates pursuant to market making arrangements in over-the-counter transactions. See the section headed "Market Making Arrangements". If you subsequently wish to trade any Retail Bonds which you hold over the Hong Kong Stock Exchange, you will be required to instruct the Placing Bank through which you hold such Retail Bonds to transfer such Retail Bonds to your Investor Account with HKSCC or your securities or custodian account with your designated CCASS Broker/Custodian Participant.

Holding your Retail Bonds through HKSCC or your designated CCASS Broker/Custodian Participant and dealings on the Hong Kong Stock Exchange

If you successfully apply for the Retail Bonds through HKSCC (if you are a CCASS Investor Participant) or through your designated CCASS Broker/Custodian Participant, you will initially hold your interest in the Retail Bonds through your Investor Account with HKSCC or your designated CCASS Broker/Custodian Participant's account in CCASS, as the case may be. Any dealings in respect of such Retail Bonds will be conducted on the Hong Kong Stock Exchange and will need to be settled through CCASS. See the section headed "Trading of Retail Bonds on the Hong Kong Stock Exchange". If you subsequently wish to trade any Retail Bonds through a Placing Bank pursuant to market making arrangements in over-the-counter trades, you will be required to instruct HKSCC or your designated CCASS Broker/Custodian Participant through which you hold the Retail Bonds to transfer such Retail Bonds to a Placing Bank.

Fees and Charges

Fees may be charged, and restrictions may be applied, by the relevant Placing Banks, HKSCC or your designated CCASS Broker/Custodian Participant, as the case may be, to transfers between HKSCC or your designated CCASS Broker/Custodian Participant and the Placing Banks. Before making a decision on the method of application for the Retail Bonds, you are advised to consult the relevant Placing Bank, HKSCC and your designated CCASS Broker/Custodian Participant for the applicable charges and the rules and regulations governing such transfers.

Your total return on an investment in any Retail Bonds will be affected by charges levied by your Placing Bank, your designated CCASS Broker/Custodian Participant or HKSCC, as the case may be. Fees may be charged by the Placing Banks, HKSCC or your designated CCASS Broker/Custodian Participant, as the case may be, for a range of services including the opening and operation of an investment account, Investor Account or securities or custodian account, transfers of Retail Bonds and custody services on payments of interest and principal. You are therefore advised to consult with your Placing Bank, HKSCC or your designated CCASS Broker/Custodian Participant, as the case may be, to ascertain the basis on which it may charge its fees on your Retail Bonds.

Prices quoted by market makers and trading prices on the Hong Kong Stock Exchange

The bid and offer prices quoted by one market maker for a Retail Bond may differ from another market maker and from the last traded price of such Retail Bond on the Hong Kong Stock Exchange. As any dealings in the Retail Bonds through the market makers pursuant to market making arrangements are off-exchange transactions, you will not be covered by any investor compensation fund established to provide compensation in respect of listed securities in the event of intermediary default.

Cash Rebates and Soft Commission

HKSAR Government will not receive cash commissions or other rebates from the Placing Banks, HKSCC or any CCASS Broker/Custodian Participant in connection with the subscription of the Retail Bonds.

A. Application Procedures and Instructions to a Placing Bank

1. Decide what principal amount and which tranche(s) of Retail Bonds you want to buy. Retail Bonds are available in a principal amount of HK\$50,000 each, so the principal amount of Retail Bonds you decide to buy must be HK\$50,000 (at the minimum) or a whole multiple of HK\$50,000.

2. Decide which of the Placing Bank(s) you will instruct to apply for Retail Bonds on your behalf. You must already have, or you must open, a bank account and also an investment account with the Placing Bank, to which you give your application instructions. For further information in relation to opening an investment account, see the section headed “Settlement, Clearance and Custody”. You may give application instructions to more than one Placing Bank.

3. The PB Application Amount for the Retail Bonds you have instructed the relevant Placing Bank to apply for will be debited from your bank account with such Placing Bank from 0:00 a.m. on the Closing Date onwards, expected to be 16 July 2004. By then, you must ensure that your bank account with the relevant Placing Bank has sufficient funds to pay the PB Application Amount of the Retail Bonds you have instructed such Placing Bank to apply for. Otherwise, your application will be rejected as invalid and, if you have made more than one application through the same Placing Bank, the Placing Bank will have the discretion to treat any one or more of your applications as valid and reject the others as invalid. Payment of the PB Application Amount for the Retail Bonds should be made in Hong Kong dollars, and must be received by a Placing Bank in cleared funds prior to 2:00 p.m. (Hong Kong time) on the Closing Date. Investors are advised not to pay by cheque due to delays in clearing. However, arrangements for the payment of the PB Application Amount by a prospective investor to the relevant Placing Bank will be subject to the normal operating procedures of the Placing Bank, which may permit payment to be made by cheque within a specified period.

4. Decide how to instruct your Placing Bank to make the application for Retail Bonds on your behalf.

- **In Person.** You may go to any designated branch (please telephone the “Hotlines” of the Placing Banks (see the section headed “Application Channels — The Placing Banks”) for a list of the designated branches for the relevant Placing Banks) of your chosen Placing Bank and give the instructions in person to apply for Retail Bonds on your behalf. If you need to open an investment account with the Placing Bank with which you have your bank account at the time of giving your application instructions, you must go to a branch of your chosen Placing Bank to open an investment account before or at the same time as you give your application instructions. You are urged to give your application instructions in good time before the closing of the subscription period to ensure the necessary procedures can be completed. See also the section headed “Settlement, Clearance and Custody”. You may be required by your Placing Bank to complete an application form and return it to your Placing Bank together with payment for the Retail Bonds prior to the close of the Subscription Period. Where an application form is used, subscriptions will be subject to the terms of this Information Supplement and the provisions of the application form. As the contents of any application form (if used) are not prescribed by HKSAR Government and may differ from one Placing Bank to another (in order to accommodate the relevant Placing Bank’s application, payment and other applicable operating procedures), HKSAR Government accepts no responsibility whatsoever for the form or content of any such application forms.
- **By Internet.** You may make an on-line application if you already have both a bank account and an investment account with The Bank of East Asia, Hang Seng Bank, HSBC or SCBHK and if you have made the necessary arrangements to use the internet banking facilities provided by such Placing Bank. By making an on-line application through a Placing Bank, you are required to comply with such Placing Bank’s terms and conditions in respect of the internet banking facilities provided by such Placing Bank.

The websites of the Placing Banks referred to above are set out below:

The Bank of East Asia: <http://www.hkbea.com>

Hang Seng Bank: <http://www.hangseng.com>

HSBC: <http://www.hsbc.com.hk>

SCBHK: <http://www.standardchartered.com.hk>

Please refer to the section headed “Where to obtain copies of the Offering Documents” on page 12 of this Information Supplement for a warning statement and disclaimer relating to the usage of information contained in the websites referred to above.

- **By Telephone.** You may make a telephone application if you have both a bank account and an investment account with Bank of America (Asia), Bank of China (Hong Kong), The Bank of East Asia, Belgian Bank, Chiyu Bank, Citibank, DBS Bank, Hang Seng Bank, HSBC, ICBC (Asia), Nanyang Commercial Bank or SCBHK, and if you have made the necessary arrangements to use the telephone banking services provided by such Placing Bank. By making a telephone application through a Placing Bank, you are required to comply with such Placing Bank’s terms and conditions in respect of the telephone banking services provided by such Placing Bank.

The phonebanking telephone numbers for the Placing Banks referred to above are set out below:

Bank of America (Asia)

Telephone Number

2805 2383

Service Hours

Monday - Friday

8:30 a.m. - 8:00 p.m.

Saturday

8:30 a.m. - 5:00 p.m.

Sunday and public holidays

Closed

Bank of China (Hong Kong)

Telephone Number

2291 8282

Service Hours

Monday - Friday

9:00 a.m. - 5:00 p.m.

Saturday

9:00 a.m. - 1:00 p.m.

Sunday and public holidays

Closed

The Bank of East Asia

Telephone Number

Cyberbanking -

Phone Service

2211 1888

Service Hours

Monday - Friday

9:00 a.m. - 5:00 p.m.

Saturday

9:00 a.m. - 1:00 p.m.

Sunday and public holidays

Closed

SupremeGold Phone

Service Hotline

2211 1122

Monday - Friday

9:00 a.m. - 9:00 p.m.

Saturday

9:00 a.m. - 5:00 p.m.

Sunday and public holidays

Closed

Belgian Bank**Telephone Number**

2529 1881

Service HoursMonday - Friday
Saturday
Sunday and public
holidays9:00 a.m. - 5:00 p.m.
9:00 a.m. - 1:00 p.m.
Closed**Chiyu Bank****Telephone Number**2232 3882 (Cantonese)
2232 3883 (Putonghua)
2232 3887 (English)**Service Hours**Monday - Friday
Saturday
Sunday and public
holidays9:00 a.m. - 4:30 p.m.
9:00 a.m. - 12:30 p.m.
Closed**Citibank****Telephone Number**

2860 0222

Service HoursMonday - Friday
Saturday
Sunday and public
holidays9:00 a.m. - 10:00 p.m.
9:00 a.m. - 1:00 p.m.
Closed**DBS Bank****Telephone Number**

2290 8888 (press "4")

Service HoursMonday - Friday
Saturday
Sunday and public
holidays9:00 a.m. - 6:00 p.m.
9:00 a.m. - 1:00 p.m.
Closed**Hang Seng Bank****Telephone Number**Prestige Banking Customers
2998 9188**Service Hours**Monday - Friday
Saturday
Sunday and public
holidays8:00 a.m. - 7:00 p.m.
8:00 a.m. - 1:00 p.m.
Closed

Stamina Banking/Femina

Banking Customers

2822 8228

"Bank-In-One Account"

Customers

(With Manned Phone Banking)

2998 9333

Other "Bank-In-One Account"

Customers

2532 3838

Monday - Friday
Saturday
Sunday and public
holidays9:00 a.m. - 5:30 p.m.
9:00 a.m. - 1:00 p.m.
Closed

HSBC**Telephone Number**

2269 2121

Service Hours

Monday - Friday	8:00 a.m. - 7:00 p.m.
Saturday	8:00 a.m. - 1:00 p.m.
Sunday and public holidays	Closed

ICBC (Asia)**Telephone Number**

3471 8718

Service Hours

Monday - Friday	9:00 a.m. - 5:00 p.m.
Saturday	9:00 a.m. - 1:00 p.m.
Sunday and public holidays	Closed

Nanyang Commercial Bank**Telephone Number**

2850 1028 (Cantonese)

2850 1038 (Putonghua)

2850 1068 (English)

Service Hours

Monday - Friday	9:00 a.m. - 5:00 p.m.
Saturday	9:00 a.m. - 1:00 p.m.
Sunday and public holidays	Closed

SCBHK**Telephone Number**

2886 8868

Service Hours

Monday - Friday	9:00 a.m. - 4:00 p.m.
Saturday	9:00 a.m. - 12:30 p.m.
Sunday and public holidays	Closed

5. The latest time for submitting your application is 2:00 p.m. on the Closing Date (expected to be 16 July 2004). The subscription period will not be adjusted or extended if any day during the subscription period is not a business day for any reason (for example, the issue of a tropical cyclone warning signal no. 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 in the circumstances described under “Timetable for Retail Bond Issue and Subscription for the Retail Bonds”.

6. As part of the application instruction procedure, you will be required to confirm that you have read and understood the Offering Documents and to make the confirmations set out below.

Confirmations to be made by ALL Applicants on Applying for Retail Bonds through a Placing Bank

By giving application instructions for the Retail Bonds, you confirm to the Placing Banks and to HKSAR Government, that, amongst other things, you:

- **understand** that the Subscription Price for the Retail Bonds has not yet been set and will be set on the Price-fixing Date by reference to the offer yields of the specified issues of the EFN of a comparable remaining tenor quoted on the Reuters Page 0#HKEFBN = MIDF at or around 11:30 a.m. on the Price-fixing Date, in the manner described under the section headed “Offering Summary — Subscription Price”;
- **undertake** and **agree** to accept the Retail Bonds applied for, or any lesser number allotted to you;
- **authorise** the Placing Bank to which you give your application instructions to credit any Retail Bonds allotted to you to your investment account with it and **understand** that no certificates of title will be available for your Retail Bonds and your interest in your Retail Bonds is in book-entry form only;
- **understand** that you are buying the Retail Bonds through the Placing Bank and from HKSAR Government;
- **agree** that if you are not allotted any Retail Bonds, or if the Subscription Price of either tranche of the Retail Bonds you have applied for is less than Application Price of the Retail Bonds applied for or if your application is successful in part, or if the Retail Bonds of the tranche you have applied for are not issued for any reason, the whole or an appropriate portion of the PB Application Amount will be returned to you without interest and that all interest will be retained for the benefit of HKSAR Government;
- **have read** the terms and conditions and application procedures set out in the Offering Documents and agree to be bound by them;
- **understand** that the Retail Bonds will be held through the CMU, which means that you will have to rely on the Placing Bank selected by you to credit the account you hold with that Placing Bank with payments credited to it through the CMU, and to distribute notices to you which it receives from HKSAR Government through the CMU;
- **have either received** a copy of the Offering Documents (in your preference of either the Chinese or English versions) or have been afforded sufficient opportunity to obtain a copy of the Offering Documents;
- **understand** that the principal amount of each Retail Bond will only be payable in respect of those Retail Bonds which are held until the Maturity Date and that interest will only be payable in respect of the Retail Bonds in issue on the relevant Interest Payment Date;
- **understand** that, if you make your application for Retail Bonds on-line or by telephone, the website and phone banking services are being provided by the relevant Placing Bank and not by HKSAR Government and that HKSAR Government accepts no responsibility for the websites or phone banking services or for any consequences of, or arising from, the use of the websites or phone banking services or reliance on any information or data (other than the Offering Documents) supplied through the websites or phone banking services;
- **understand** and **accept** that HKSAR Government accepts no responsibility for the provision of bank services and custody services by the Placing Banks or for any consequences of, or arising from, the use of the bank account and investment account or custody services;

- **agree** that none of the Placing Banks, HKSAR Government and their respective directors (in the case of the Placing Banks), officers, agents and nominees will be liable to any persons in any way for any loss which may be suffered as a result of the sale by the Placing Banks of your Retail Bonds in accordance with the terms and conditions of the operation of your bank account or investment account with them; and
- **confirm** that you are not located within the United States 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).

You will be required to confirm that you have read and understood these confirmations when you instruct a Placing Bank to apply for Retail Bonds on your behalf.

B. Application Procedures and Electronic Instructions to HKSCC

1. Decide what principal amount and which tranche(s) of Retail Bonds you want to buy. Retail Bonds are available in a principal amount of HK\$50,000 each, so the principal amount of Retail Bonds you decide to buy must be HK\$50,000 (at the minimum) or a whole multiple of HK\$50,000.
2. You must make sure that the full amount of the CCASS Application Amount is available in your designated bank account (if you are CCASS Investor Participant) or the designated bank account of your designated CCASS Broker/Custodian Participant who is willing to make application on your behalf. No receipt will be issued for the CCASS Application Amount paid. Payment of the CCASS Application Amount for the Retail Bonds should be made in Hong Kong dollars, and must be received by HKSCC in cleared funds on the Closing Date.
3. If you are a CCASS Investor Participant and have your own Investor Account with HKSCC already, you should apply by giving electronic instructions to HKSCC through the CCASS Phone System by calling 2979 7888 or CCASS Internet System at <https://ip.ccass.com> in accordance with the procedures set out in HKSCC's "An Operating Guide for Investor Participants" and the General Rules of CCASS and CCASS Operational Procedures in effect from time to time ("**Rules of CCASS**"). HKSCC can also input electronic application instructions for CCASS Investor Participants if you go to HKSCC's Customer Service Centre and complete an input request form before 2:00 pm on the Closing Date.
4. If you are applying for the Retail Bonds through your designated CCASS Broker/Custodian Participant, you will need to make the necessary arrangements directly with your designated CCASS Broker/Custodian Participant to open an appropriate account with it if you do not already have a securities or custodian account, and to make payment to your designated CCASS Broker/Custodian Participant of the CCASS Application Amount together with any fees or commissions charged by your designated CCASS Broker/Custodian Participant. Your designated CCASS Broker/Custodian Participant should then apply for the Retail Bonds by giving electronic instructions to HKSCC and pay the CCASS Application Amount on your behalf through CCASS. You may be required to complete an application form with your designated CCASS Broker/Custodian Participants and return it to such designated CCASS Broker/Custodian Participants together with payment for the Retail Bonds prior to the close of the Subscription Period. Where an application form is used, subscription will be subject to the terms of this Information Supplement and the provisions of the application form. As the contents of any application form (if used) are not prescribed by HKSAR Government or HKSCC and may differ from one CCASS Broker/Custodian Participant to another, HKSAR Government and HKSCC accepts no responsibility whatsoever for the form or content of any such application forms.

5. CCASS Broker/Custodian Participants and CCASS Investor Participants can input electronic application instructions at the following times during the Subscription Period:

Monday to Friday: 9:00 a.m. to 7:00 p.m.*

Saturday: 9:00 a.m. to 3:00 p.m.*

Closing Date: 9:00 a.m. to 2:00 p.m.

*Note:** These times may be subject to change as HKSCC may determine from time to time with prior notification to CCASS Broker/Custodian Participants or CCASS Investor Participants.

6. You must ensure that the appropriate application instructions, either given directly by yourself as a CCASS Investor Participant or indirectly by your designated CCASS Broker/Custodian Participant, are accepted by CCASS by 2:00 p.m. on the Closing Date at the latest. No instruction to apply for the Retail Bonds will be accepted after this time. Please note that your designated CCASS Broker/Custodian Participant may under the terms and conditions of your securities account or custodian account stipulate its own deadline for the submission of instructions to them. You should check with your designated CCASS Broker/Custodian Participant as to its applicable deadline for the submission of application instructions. The application period will not be adjusted or extended if any day (other than a Sunday, Saturday and public holiday) during the application period is not a business day for any reason (for example, the hoisting of a typhoon signal no. 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 in the circumstances described under “Timetable for Retail Bond Issue and Subscription for the Retail Bonds”.

Confirmation made by ALL Applicants on Applying for Retail Bonds through HKSCC

By applying for the Retail Bonds, you confirm to HKSCC, which on your instructions will apply for the Retail Bonds on your behalf, and to HKSAR Government, that, amongst other things, you:

- **understand** that the Subscription Price for the Retail Bonds has not yet been set and will be set on the Price-fixing Date by reference to the offer yields of the specified issues of the EFN of a comparable remaining tenor quoted on the Reuters Page 0#HKEFBN = MIDF at or around 11:30 a.m. on the Price-fixing Date, in the manner described under the section headed “Offering Summary — Subscription Price”;
- **undertake and agree** to accept the Retail Bonds applied for, or any lesser number allotted to you;
- **understand** that you are buying the Retail Bonds through HKSCC and from HKSAR Government;
- **instruct and authorise** HKSAR Government and HKSCC (or its respective directors (in the case of HKSCC), officers, agents or nominees) to do on your behalf all things necessary to record you (if you are a CCASS Investor Participant) or your designated CCASS Broker/Custodian Participant to which you give your application instructions as entitled to any Retail Bonds allotted to you in the records of HKSCC as the operator of CCASS and to credit any Retail Bonds allotted to you to your account (if you are CCASS Investor Participant) or your designated CCASS Broker/Custodian Participant’s account with HKSCC and **understand** that no certificates of title will be available for your Retail Bonds and your interest in your Retail Bonds is in book-entry form only;

- **agree** that if you are not allotted any Retail Bonds, or if the Subscription Price of either tranche of the Retail Bonds you applied for is less than the Application Price of the Retail Bonds applied for or if your application is successful in part, or if the Retail Bonds of the tranche you have applied for are not issued for any reason, the whole or an appropriate portion of the CCASS Application Amount will be returned to you by crediting your designated bank account (if you are a CCASS Investor Participant) or the designated bank account of your designated CCASS Broker/Custodian Participant without interest;
- **have read** the terms and conditions and application procedures set out in the Offering Documents and agree to be bound by them;
- **understand** that the Retail Bonds will be held through the CMU, which means that you will have to rely on HKSCC to credit your designated bank account or the designated bank account of your designated CCASS Broker/Custodian Participant, as the case may be, with payments credited to it through the CMU, and to distribute notices to you or your designated CCASS Broker/Custodian Participant, as the case may be, which it receives from HKSAR Government through the CMU;
- **have either received** a copy of the Offering Documents (in your preference of either the Chinese or English versions) or have been afforded sufficient opportunity to obtain a copy of the Offering Documents;
- **understand** that the principal amount of each Retail Bond will only be payable in respect of those Retail Bonds which are held until the Maturity Date and that interest will only be payable in respect of the Retail Bonds in issue on the relevant Interest Payment Date;
- **understand** that your application will take the form of giving electronic instructions to HKSCC to apply for Retail Bonds on your behalf and that your relationship with HKSCC is subject to the Rules of CCASS;
- **understand** and **accept** that HKSAR Government accepts no responsibility for the provision of services by HKSCC or your designated CCASS Broker/Custodian Participant or for any consequences of, or arising from, the use of the relevant accounts or services, as the case may be;
- **agree** that none of HKSCC and its respective directors, officers, agents and nominees, and HKSAR Government, will be liable to any persons in any way for any loss which may be suffered as a result of the sale by your designated CCASS Broker/Custodian Participant of your Retail Bonds in accordance with the terms and conditions of the operation of your securities or custodian account with your designated CCASS Broker/Custodian Participant;
- **understand** that, if you give your instructions for application for Retail Bonds by telephone or on-line through the website, such services are being provided by the HKSCC or your designated CCASS Broker/Custodian Participant and not by HKSAR Government and that HKSAR Government does not accept any responsibility for the websites or telephone phone services or for any consequences of, or arising from, the use of the websites or telephone services or reliance on any information or data (other than the Offering Documents) supplied through the websites or telephone services; and

- **confirm** that you are not located within the United States 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).

You will be deemed to have confirmed that you have read and understood these confirmations when an application is made through HKSCC either directly by yourself as a CCASS Investor Participant or indirectly through your designated CCASS Broker/Custodian Participant.

TERMS AND CONDITIONS OF THE RETAIL BONDS

The following is the text of the Terms and Conditions of the Retail Bonds which (subject to completion and amendment) will be endorsed on each Retail Bond in global form and (if issued) definitive form.

The Tranche A 2.13 per cent. Retail Bonds due 2006 (the “**Tranche A Retail Bonds**”) and the Tranche B 3.38 per cent. Retail Bonds due 2008 (the “**Tranche B Retail Bonds**”) and, together with the Tranche A Retail Bonds, the “**Retail Bonds**”) of The Government of the Hong Kong Special Administrative Region (“**HKSAR Government**”) are subject to, and have the benefit of, a trust deed to be dated the Issue Date (as amended or supplemented from time to time, the “**Trust Deed**”) between HKSAR Government and Bank of China (Hong Kong) Trustees Limited as trustee (the “**Trustee**”, which expression includes all persons for the time being trustee or trustees appointed under the Trust Deed) and are the subject of a paying agency agreement to be dated the Issue Date (the “**Paying Agency Agreement**”) between HKSAR Government, Bank of China (Hong Kong) Limited as calculation agent (the “**Calculation Agent**”, which expression includes any successor calculation agent appointed from time to time in connection with the Retail Bonds) and as principal paying agent (the “**Principal Paying Agent**”, which expression includes any successor principal paying agent appointed from time to time in connection with the Retail Bonds), the paying agents named therein (together with the Principal Paying Agent, the “**Paying Agents**”, which expression includes any successor or additional paying agents appointed from time to time in connection with the Retail Bonds) and the Trustee. References herein to the “**Agents**” are to the Paying Agents and the Calculation Agent and any reference to an “**Agent**” is to any one of them. References herein to a “**Tranche**” are to the Tranche A Retail Bonds or to the Tranche B Retail Bonds as the context requires.

Certain provisions of these Conditions are summaries of the Trust Deed and the Paying Agency Agreement and are subject to their detailed provisions. The holders of the Retail Bonds (the “**Retail Bondholders**”) and the holders of the related interest coupons (the “**RB Couponholders**” and the “**RB Coupons**”, respectively) are bound by, and are deemed to have notice of, all the provisions of the Trust Deed and the Paying Agency Agreement applicable to them. Copies of the Trust Deed and the Paying Agency Agreement are available for inspection by Retail Bondholders during normal business hours at the Specified Office (as defined in the Trust Deed) of the Principal Paying Agent, the initial Specified Office of which is set out below.

1. Form, Denomination and Title

The Retail Bonds are in bearer form in the denomination of HK\$50,000 and with RB Coupons attached at the time of issue. Title to the Retail Bonds and the RB Coupons will pass by delivery. The holder of any Retail Bond or RB Coupon shall (except as otherwise required by law) be treated as its absolute owner for all purposes (whether or not it is overdue and regardless of any notice of ownership, trust or any other interest therein, any writing thereon or any notice of any previous loss or theft thereof) and no person shall be liable for so treating such holder.

2. Status

The Retail Bonds constitute general, direct, unconditional, unsubordinated and, subject to the creation of any security permitted or approved in accordance with Condition 3 (*Negative Pledge*), unsecured obligations of HKSAR Government. The Retail Bonds of each Tranche will at all times rank *pari passu* among themselves and at least *pari passu* with all other existing and future unsubordinated and unsecured Public Relevant Debt (as defined in Condition 3 (*Negative Pledge*)) of HKSAR Government. Amounts payable by HKSAR Government under the Retail Bonds will be charged upon and payable out of the general revenues and assets of Hong Kong pursuant to the Loans Ordinance (Cap. 61) of Hong Kong.

3. Negative Pledge

So long as any Retail Bond of either Tranche remains Outstanding (as defined in Condition 12(d) (“*Outstanding*” *Defined*)), HKSAR Government shall not create or permit to subsist any Security Interest upon the whole or any part of the Exchange Fund established and maintained pursuant to the Exchange Fund Ordinance (Cap. 66) of Hong Kong (the “**Exchange Fund**”, which term shall be construed to include the gold and foreign exchange reserves of Hong Kong by whomever and in whatever form owned or held, provided that such gold or foreign exchange reserves are publicly held out by HKSAR Government as the official reserves of Hong Kong) to secure any Public Relevant Debt without (i) at the same time or prior thereto, or promptly thereafter, securing the Retail Bonds of that Tranche equally and rateably therewith or (ii) providing such other security for the Retail Bonds of that Tranche as may be approved by an Extraordinary Resolution (as defined in Condition 12(b) (*Voting and Consents*)) of Retail Bondholders of that Tranche.

For the avoidance of doubt, any Security Interest created upon the assets or revenues of any corporate entity in which HKSAR Government has a direct or indirect equity interest or other stake (other than the Hong Kong Monetary Authority or any successor to it as manager of the Exchange Fund or any other entity established to own or manage the Exchange Fund) shall not be considered to be a Security Interest upon the Exchange Fund or any part thereof.

In these Conditions:

“**Hong Kong dollars**” and “**HK\$**” denote the lawful currency for the time being of Hong Kong Special Administrative Region of the People’s Republic of China;

“**Person**” means any individual, company, corporation, firm, partnership, joint venture, association, organisation, state or agency of a state or other entity, whether or not having separate legal personality;

“**Public Relevant Debt**” means any Relevant Debt which is publicly offered or privately placed in one or more securities markets and which is in the form of or represented by any bond, note, debenture, debenture stock, loan stock, certificate or other instrument which is, or is capable of being, listed, quoted or traded on any stock exchange automated trading system or over-the-counter or other securities market;

“**Relevant Debt**” means all obligations of any Person, and all guarantees or indemnities by any Person (whether by contract, statute or otherwise), for or in respect of borrowed money or evidenced by bonds, debentures, notes or similar instruments which, in each case, (i) have an original maturity in excess of one year and (ii) are denominated or payable, or which, at the option of the holder thereof, may be payable, in Hong Kong dollars or by reference to Hong Kong dollars; and

“**Security Interest**” means any lien, pledge, mortgage, security interest, deed of trust, charge or other encumbrance or preferential arrangement, any of which has the practical effect of constituting a security interest with respect to the payment of any obligations with or from the proceeds of any property, assets or revenues of any kind (including, without limitation, any equivalent created or arising under the laws of Hong Kong), it being expressly understood and agreed that bonds, promissory notes or other instruments issued by HKSAR Government, including the Retail Bonds, pursuant to the Loans Ordinance (Cap. 61) or the Loans (Government Bonds) Ordinance (Cap. 64) of Hong Kong, in respect of which the repayment of principal and payment of the interest and other amounts thereon are charged on and made payable out of the general revenues and assets of Hong Kong pursuant to those ordinances or any re-enactment thereof (and not otherwise), including any sinking fund arrangement as provided in such bonds, will not be construed or deemed to create any Security Interest on the general revenue and assets of Hong Kong.

4. Interest

- (a) *Accrual of interest and payments:* The Retail Bonds bear interest from 23 July 2004 (the “**Issue Date**”), payable in arrear on 23 January and 23 July in each year (each, an “**Interest Payment Date**”); provided that if any Interest Payment Date would otherwise fall on a day which is not a business day, it shall be postponed to the next day which is a business day unless it would thereby fall into the next calendar month in which event it shall be brought forward to the immediately preceding business day. Each period beginning on (and including) the Issue Date or any Interest Payment Date and ending on (and excluding) the next Interest Payment Date is herein referred to as an “**Interest Period**”. In this paragraph, “**business day**” means any day (other than a Saturday) on which commercial banks in Hong Kong settle payments.
- (b) *Cessation of interest:* Each Retail Bond will cease to bear interest from the due date for redemption unless, upon due presentation, payment of principal is improperly withheld or refused, in which case it will continue to bear interest at such rate (both before and after judgment) until whichever is the earlier of (i) the day on which all sums due in respect of such Retail Bond up to that day are received by or on behalf of the relevant Retail Bondholder and (ii) the day which is seven days after the Principal Paying Agent or the Trustee has notified the Retail Bondholders that it has received all sums due in respect of the Retail Bonds up to such seventh day (except to the extent that there is any subsequent default in payment).
- (c) *Rate of Interest:*
- (i) the Tranche A Retail Bonds bear interest at 2.13 per cent. per annum; and
 - (ii) the Tranche B Retail Bonds bear interest at 3.38 per cent. per annum;

and references to “**Rate of Interest**” in these Conditions shall be to the rate of interest applicable to the Retail Bonds in question.

- (d) *Calculations of Interest:* The amount of interest payable in respect of Retail Bonds of either Tranche for any Interest Period (in respect of each Tranche of Retail Bonds, the “**Interest Amount**”) shall be calculated by multiplying the relevant Rate of Interest, the principal amount of such Retail Bonds and the actual number of days elapsed in such Interest Period and then dividing the product thereof by 365 (half a cent being rounded upwards). The Calculation Agent shall notify HKSAR Government, the Paying Agents and the Retail Bondholders, of the Interest Amount payable in respect of each Tranche of Retail Bonds on the business day prior to the relevant Interest Payment Date for each Interest Period.

5. Redemption and Purchase

- (a) *Scheduled redemption:* Unless previously redeemed, or purchased and cancelled, the Retail Bonds will be redeemed at their principal amount on the Interest Payment Date falling in, (i) in the case of the Tranche A Retail Bonds, July 2006; and (ii) in the case of the Tranche B Retail Bonds, July 2008.
- (b) *No Other Redemption:* HKSAR Government shall not be entitled to redeem the Retail Bonds otherwise than as provided in Condition 5(a) (*Scheduled redemption*) above.
- (c) *Purchase:* HKSAR Government or any public sector instrumentality (as defined in Condition 12(d) (“*Outstanding*” Defined)) may at any time purchase Retail Bonds in the open market or otherwise and at any price, *provided that* all unmatured RB Coupons are purchased therewith.
- (d) *Cancellation:* All Retail Bonds redeemed or purchased by HKSAR Government or any public sector instrumentality and any unmatured RB Coupons attached to or surrendered with them shall be cancelled and may not be reissued or resold.

6. Payments

- (a) *Principal*: Payments of principal shall (subject as provided below) be made in Hong Kong dollars only against presentation and (*provided that* payment is made in full) surrender of Retail Bonds at the Specified Office of any Paying Agent.
- (b) *Interest*: Payments of interest shall (subject as provided below) be made in Hong Kong dollars only against presentation and (*provided that* payment is made in full) surrender of the appropriate RB Coupons at the Specified Office of any Paying Agent.
- (c) *Payments Subject to Fiscal Laws*: All payments in respect of the Retail Bonds are subject in all cases to any applicable fiscal or other laws and regulations in the place of payment, but without prejudice to the provisions of Condition 7 (*Taxation*). No commissions or expenses shall be charged to the Retail Bondholders or RB Couponholders in respect of such payments.
- (d) *Unmatured Coupons Void*: On the due date for redemption pursuant to Condition 5 (*Redemption and Purchase*) or Condition 8 (*Events of Default*), all unmatured RB Coupons relating thereto (whether or not still attached) shall become void and no payment will be made in respect thereof.
- (e) *Partial Payments*: If a Paying Agent makes a partial payment in respect of any Retail Bond or RB Coupon presented to it for payment, such Paying Agent will enface thereon a statement indicating the amount and the date of such payment.

7. Taxation

All payments of principal and interest in respect of the Retail Bonds and the RB Coupons by or on behalf of HKSAR Government shall be made free and clear of, and without withholding or deduction for or on account of, any present or future taxes, duties, assessments or governmental charges of whatever nature imposed, levied, collected, withheld or assessed by or on behalf of Hong Kong or any political subdivision thereof or any authority therein or thereof having power to tax, unless the withholding or deduction of such taxes, duties, assessments or governmental charges is required by law. In that event HKSAR Government shall pay such additional amounts as will result in receipt by the Retail Bondholders and the RB Couponholders after such withholding or deduction of such amounts as would have been received by them had no such withholding or deduction been required, except that no such additional amounts shall be payable in respect of any Retail Bond or RB Coupon presented for payment more than 30 days after the Relevant Date, except to the extent that the holder of such Retail Bond or RB Coupon would have been entitled to such additional amounts on presenting such Retail Bond or RB Coupon for payment on the last day of such period of 30 days.

In these Conditions, “**Relevant Date**”, in relation to any payment due on a Retail Bond, means whichever is the later of (i) the date on which the payment in question first becomes due and (ii) if the full amount payable has not been received in Hong Kong by the Principal Paying Agent or the Trustee on or prior to such due date, the date on which (the full amount having been so received) notice to that effect has been given to the Retail Bondholders in accordance with Condition 13 (*Notices*).

Any reference in these Conditions to principal or interest shall be deemed to include any additional amounts in respect of principal or interest (as the case may be) which may be payable under this Condition 7 (*Taxation*) or any undertaking given in addition to or in substitution of this Condition 7 (*Taxation*) pursuant to the Trust Deed.

8. Events of Default

If any of the following events (each, an “**Event of Default**”) occurs and is continuing, then the Trustee at its discretion may and, if so requested in writing by holders of at least 50 per cent. of the aggregate principal amount of the Outstanding Retail Bonds of either Tranche or if so directed by an Extraordinary Resolution of the holders of either Tranche, shall (subject to the Trustee having been indemnified or provided with security to its satisfaction) give written notice to HKSAR Government declaring the Retail Bonds of that Tranche to be immediately due and payable, whereupon they shall become immediately due and payable at their principal amount together with accrued interest without further action or formality:

- (a) *Non-payment*: failure by HKSAR Government to pay any amount of principal or interest in respect of the Retail Bonds of that Tranche on the due date for payment thereof and such default continues for 30 days or more; or
- (b) *Breach of other obligations*: default by HKSAR Government in the performance or observance of any of its other obligations under or in respect of the Retail Bonds and such default remains unremedied for 60 days following delivery to HKSAR Government of written notice (with a copy to the Principal Paying Agent), by holders of an aggregate principal amount of not less than 10 per cent. of the Outstanding Retail Bonds of that Tranche, to remedy such failure; or
- (c) *Cross-default*: failure by HKSAR Government to make any payment when due of principal or interest in excess of HK\$200,000,000 (whether upon maturity, acceleration or otherwise) on or in connection with HKSAR Government Public Relevant Debt, and such failure by HKSAR Government continues for 30 days or more after the expiry of any applicable grace period following the date on which such payment became due; or
- (d) *Moratorium*: declaration by HKSAR Government of a suspension of, or a moratorium on, payments of Public Relevant Debt generally.

In these Conditions, “**HKSAR Government Public Relevant Debt**” means Public Relevant Debt undertaken directly by and in the name of HKSAR Government and on terms that do not contain any express limitation of recourse to HKSAR Government. Obligations, guarantees and indemnities undertaken “directly by and in the name of HKSAR Government” do not include obligations, guarantees and indemnities undertaken by any corporate entity in which HKSAR Government has a direct or indirect equity interest or other stake.

At any time after the Retail Bonds of either Tranche shall have become immediately due and repayable pursuant to this Condition 8 (*Events of Default*), the Trustee may, at its discretion, institute such proceedings as it may think fit against HKSAR Government to enforce repayment of the principal of the Retail Bonds of that Tranche, together with accrued interest, and to enforce the provisions of the Trust Deed, but it shall not be bound to take any such proceedings unless (i) it shall have been so directed by an Extraordinary Resolution of the holders of Retail Bonds of that Tranche or (ii) it shall have been directed in writing by the holders of not less than 50 per cent. in aggregate principal amount of the Outstanding Retail Bonds of that Tranche, and (iii) it shall have been indemnified to its satisfaction. The Trustee shall use its best endeavours to give prior written notice to HKSAR Government of its intention to take such proceedings.

No holder of a Retail Bond shall be entitled to proceed directly against HKSAR Government unless the Trustee, having become bound in accordance with the Trust Deed so to proceed, fails to do so within a reasonable period and such failure is continuing.

9. Prescription

The right of the holder to receive any payment under the Retail Bonds shall become void ten years (in the case of principal) or six years (in the case of interest) after the Relevant Date for such payment.

10. Replacement of Retail Bonds

If any Retail Bond or RB Coupon is lost, stolen, mutilated, defaced or destroyed, it may be replaced (if it is in definitive form) at the Specified Office of the Principal Paying Agent, subject to all applicable laws and stock exchange requirements, upon payment by the claimant of the expense incurred in connection with such replacement and on such terms as to evidence, security, indemnity or otherwise as HKSAR Government may reasonably require. Mutilated or defaced Retail Bonds or RB Coupons must be surrendered before replacements will be issued.

11. Trustee and Agents

The Trust Deed contains provisions for the indemnification of the Trustee and for its relief from responsibility. The Trustee is entitled to enter into business transactions with HKSAR Government without accounting for any profit resulting therefrom.

In acting under the Paying Agency Agreement and in connection with the Retail Bonds and the RB Coupons, the Agents act solely as agents of HKSAR Government and (to the extent provided therein) the Trustee and do not assume any obligations towards or relationship of agency or trust for or with any of the Retail Bondholders or RB Couponholders.

The initial Agents and their initial Specified Offices are listed below. HKSAR Government reserves the right (with the prior approval of the Trustee) at any time to vary or terminate the appointment of any Agent and to appoint a successor principal paying agent or additional or successor paying agents; provided, however, that HKSAR Government shall at all times maintain a principal paying agent in Hong Kong. Notice of any change in any of the Agents or in their Specified Offices shall promptly be given to the Retail Bondholders.

12. Meetings, Modification of Conditions and Waiver

- (a) *Calling of Meeting, Notice and Quorum:* HKSAR Government may call a meeting of holders of Retail Bonds of either Tranche at any time and from time to time to make, give or take any request, demand, authorisation, direction, notice, consent, waiver or other action provided by the Trust Deed or the Retail Bonds to be made, given or taken by holders of the relevant Tranche of Retail Bonds or to modify, amend or supplement the terms and conditions of a particular Tranche of Retail Bonds. Any such meeting shall be held at such time and at such place in Hong Kong as HKSAR Government shall determine and as shall be specified in a notice of such a meeting that shall be furnished to the holders of the relevant Tranche of Retail Bonds at least 30 days and not more than 60 days prior to the date fixed for the meeting. In addition, the Trustee may at any time and from time to time call a meeting of holders of a particular Tranche of Retail Bonds, for any such purpose, to be held at such time and at such place in Hong Kong as the Trustee shall determine, after consultation with HKSAR Government, and as shall be specified in a notice of such meeting that shall be furnished to holders of the relevant Tranche of Retail Bonds, at least 30 days and no more than 60 days prior to the date fixed for the meeting. In case at any time the holders of at least 10 per cent. in aggregate principal amount of the Outstanding Retail Bonds of a particular Tranche shall have requested the Trustee to call a meeting of the holders of such Tranche of Retail Bonds, for any such purpose as specified above, by written request setting forth in reasonable detail the action proposed to be taken at the meeting, the Trustee shall call such meeting for such purposes by giving notice thereof. Such notice shall be given at least 30 days and not more than 60 days prior to the meeting. Notice of every meeting of holders of either

Tranche of Retail Bonds shall set forth in general terms the action proposed to be taken at such meeting. In the case of any meeting to be reconvened after adjournment for lack of a quorum, notice of such meeting shall be given not less than 10 nor more than 15 days prior to the date fixed for such meeting.

To be entitled to vote at any meeting of holders of a particular Tranche of the Retail Bonds, a person shall be a holder of Outstanding Retail Bonds of that Tranche or a person duly appointed by an instrument in writing as proxy for such a holder. The persons entitled to vote a majority of the aggregate principal amount of the Outstanding Retail Bonds of a particular Tranche shall, except as set out below, constitute a quorum. At the reconvening of any meeting adjourned for a lack of a quorum, the persons entitled to vote 25 per cent. of the aggregate principal amount of the Outstanding Retail Bonds of the specified Tranche shall constitute the quorum for the taking of any action set forth in the notice of the original meeting. For the purposes of a meeting of holders of a particular Tranche of Retail Bonds that proposes to discuss a Reserved Matter (as defined below), the persons entitled to vote 75 per cent. of the aggregate principal amount of the Outstanding Retail Bonds of that Tranche shall constitute a quorum. In the absence of a quorum, a meeting shall be adjourned for a period of at least 20 days. The Trustee, after consultation with HKSAR Government, may make such reasonable and customary regulations consistent herewith as it shall deem advisable for any meeting of holders of the Retail Bonds, including attendance at such meeting and voting, the proof of the appointment of proxies in respect of holders of Retail Bonds, determining the validity of any voting certificates or block voting instructions, the adjournment and chairmanship of such meeting, the appointment and duties of inspectors of votes, the submission and examination of proxies, certificates and other evidence of the right to vote, and such other matters concerning the conduct of the meeting as it shall deem appropriate.

- (b) *Voting and Consents*: If sanctioned by an Extraordinary Resolution, HKSAR Government and the Trustee may modify, amend or supplement the terms of the relevant Tranche of Retail Bonds or the Trust Deed in any way, and the holders of the relevant Tranche of Retail Bonds may make, take or give any request, demand, authorisation, direction, notice, consent, waiver (including waiver of future compliance or past default) or other action given or taken by holders of the relevant Tranche of Retail Bonds; *provided, however*, that the following matters (“**Reserved Matters**” and each, a “**Reserved Matter**”) shall require (i) the affirmative vote, in person or by proxy thereunto duly authorised in writing, of the holders of not less than 75 per cent. of the aggregate principal amount of the relevant Tranche of Retail Bonds then Outstanding represented at such meeting, or (ii) the written consent of the holders of not less than 75 per cent. of the aggregate principal amount of the relevant Tranche of Retail Bonds then Outstanding: (A) change the due dates for the payment of principal of, or any instalment of interest on, or any other amount in respect of, any Retail Bond of that Tranche; (B) reduce or cancel or change the method of calculating any amounts payable on the relevant Tranche of Retail Bonds; (C) change any provision of the relevant Tranche of Retail Bonds describing circumstances in which Retail Bonds of that Tranche may be declared due and payable prior to their stated maturity; (D) change the currency or places in which payment of interest or principal in respect of the relevant Tranche of Retail Bonds is payable; (E) permit early redemption of the relevant Tranche of Retail Bonds or, if early redemption is already permitted, set a redemption date earlier than the date previously specified or the redemption price; (F) reduce the above-stated percentage of the principal amount of Outstanding Retail Bonds of a particular Tranche the vote or consent of the holders of which is necessary to modify, amend or supplement the Trust Deed or the terms and conditions of the relevant Tranche of Retail Bonds or to make, take or give any request, demand, authorisation, direction, notice, consent, waiver or other action provided hereby or thereby to be made, taken or given; (G) change the obligation of HKSAR Government to pay additional amounts as provided in Condition 7 (*Taxation*); (H) change the governing law provisions of the relevant Tranche of Retail Bonds; (I) change the courts the jurisdiction to which HKSAR Government has submitted, in respect of actions or proceedings brought by any holder based upon the relevant Tranche of Retail Bonds; (J) effect any mandatory exchange or substitution of all of the Outstanding Retail Bonds of that Tranche for, or the conversion of all of the Outstanding Retail Bonds of that Tranche into, any other obligations or securities of HKSAR Government or any

other person; or (K) change the status of the relevant Tranche of Retail Bonds as described in Condition 2 (*Status*). In these Conditions, “**Extraordinary Resolution**” means a resolution passed at a meeting of the Retail Bondholders of a particular Tranche, duly called and held in accordance with these Conditions and the Trust Deed, by a majority of not less than 66.67 per cent. of the aggregate principal amount of the relevant Tranche of Retail Bonds then Outstanding represented at such meeting.

In addition, and notwithstanding the foregoing, at any meeting of holders of Retail Bonds duly called and held as specified above, upon the affirmative vote, in person or by proxy hereunto duly authorised in writing, of the holders of not less than a majority in aggregate principal amount of the Retail Bonds of that Tranche then Outstanding, or by the written consent of the holders of not less than a majority in aggregate principal amount of the Retail Bonds of that Tranche then Outstanding, holders of Retail Bonds of that Tranche may rescind a declaration of the acceleration of the principal amount thereof if the Event or Events of Default giving rise to the declaration have been cured or remedied and provided that no other Event of Default has occurred and is continuing.

HKSAR Government and the Trustee may, without the vote or consent of any holder of Retail Bonds of either Tranche, amend the Trust Deed or the Retail Bonds of either Tranche for the purpose of (i) adding to the covenants of HKSAR Government for the benefit of the holders of Retail Bonds of that Tranche, or (ii) surrendering any right or power conferred upon HKSAR Government in respect of the Trust Deed or the Retail Bond of that Tranche, or (iii) providing security or collateral for the Retail Bonds of that Tranche, or (iv) curing any ambiguity in any provision, or curing, correcting or supplementing any defective provision, contained herein or in the Retail Bonds of that Tranche in a manner which does not adversely affect the interest of any holder of Retail Bonds of that Tranche, or (v) effecting any amendment which HKSAR Government and the Trustee mutually deem necessary or desirable so long as any such amendment does not, and will not, adversely affect the rights or interests of any holder of Retail Bonds of that Tranche.

It shall not be necessary for the vote or consent of the holders of the Retail Bonds of a particular Tranche to approve the particular form of any proposed modification, amendment, supplement, request, demand, authorisation, direction, notice, consent, waiver or other action, but it shall be sufficient if such vote or consent shall approve the substance thereof.

The Trustee may request an opinion of counsel in connection with any amendment or supplement entered into the Trust Deed.

- (c) *Binding Nature of Amendments, Notices, Notations, etc.:* Any instrument given by or on behalf of any holder of a Retail Bond in connection with any consent to or vote for any such modification, amendment, supplement, request, demand, authorisation, direction, notice, consent, waiver or other action shall be irrevocable once given and shall be conclusive and binding on all subsequent holders of such Retail Bond or any Retail Bond issued directly or indirectly in exchange or substitution therefor or in lieu thereof. Any such modification, amendment, supplement, request, demand, authorisation, direction, notice, consent, waiver or other action taken, made or given in accordance with Condition 12(b) (*Voting and Consents*) hereof shall be conclusive and binding on all holders of Retail Bonds of that Tranche, whether or not they have given such consent or cast such vote or were present at any meeting, and whether or not notation of such modification, amendment, supplement, request, demand, authorisation, direction, notice, consent, waiver or other action is made upon the Retail Bonds of that Tranche. Notice of any modification or amendment of, supplement to, or request, demand, authorisation, direction, notice, consent, waiver or other action with respect to the Retail Bonds of a particular Tranche or the Trust Deed (other than for purposes of curing any ambiguity or of curing, correcting or supplementing any defective provision hereof or thereof) shall be given to such holder of Retail Bonds affected thereby, in all cases as provided in the relevant Retail Bonds.

Retail Bonds authenticated and delivered after the effectiveness of any such modification, amendment, supplement, request, demand, authorisation, direction, notice, consent, waiver or other action may bear a notation in the form approved by the Trustee and HKSAR Government as to any matter provided for in such modification, amendment, supplement, request, demand, authorisation, direction, notice, consent, waiver or other action. New Retail Bonds modified to conform, in the opinion of the Trustee and HKSAR Government, to any such modification, amendment, supplement, request, demand, authorisation, direction, notice, consent, waiver or other action taken, made or given in accordance with Condition 12(b) (*Voting and Consents*) hereof may be prepared by HKSAR Government authenticated by the Trustee and delivered in exchange for Outstanding Retail Bonds.

- (d) *“Outstanding” Defined:* For purposes of the provisions of the Trust Deed and the Retail Bonds, any Retail Bond authenticated and delivered pursuant to the Trust Deed shall, as of any date of determination, be deemed to be **“Outstanding”** in respect of its relevant Tranche, *except:*
- (i) Retail Bonds of that Tranche duly cancelled by the Principal Paying Agent or duly delivered to the Principal Paying Agent for cancellation;
 - (ii) Retail Bonds of that Tranche which have become due and payable at maturity or otherwise, and with respect to which, in each case, monies sufficient to pay the principal thereof and any interest thereon shall have been paid or duly provided for; or
 - (iii) Retail Bonds of that Tranche in lieu of or in substitution for which other Retail Bonds shall have been authenticated and delivered pursuant to the Trust Deed;

provided, however, that in determining whether the holders of the requisite principal amount of Outstanding Retail Bonds of a particular Tranche are present at a meeting of holders of the Retail Bonds of that Tranche for quorum purposes or have consented to or voted in favour of any request, demand, authorisation, direction, notice, consent, waiver, amendment, modification or supplement hereunder, or have delivered any notice in relation to the Retail Bonds of that Tranche, Retail Bonds of that Tranche owned, directly or indirectly, by HKSAR Government, or any public sector instrumentality of HKSAR Government will be disregarded and deemed not to be Outstanding, except that in determining whether the Trustee shall be protected in relying upon any such request, demand, authorisation, direction, notice, consent, waiver, amendment, modification, or supplement, or any such notice from holders, only Retail Bonds of that Tranche that the Trustee knows to be so owned shall be so disregarded.

As used herein:

“public sector instrumentality” means the Hong Kong Monetary Authority, any department, bureau or agency of HKSAR Government or any corporation, trust, financial institution or other entity owned or controlled by HKSAR Government or any of the foregoing, and

“control” means the power, directly or indirectly, through the ownership of voting securities or other ownership interests or otherwise, to direct the management of or elect or appoint a majority of the board of directors or other persons performing similar functions in lieu of, or in addition to, the board of directors of a corporation, trust, financial institution or other entity.

- (e) *Written Resolution:* In addition, a resolution in writing signed by or on behalf of all Retail Bondholders who for the time being are entitled to receive notice of a meeting of holders of a particular Tranche will take effect as if it were an Extraordinary Resolution in respect of such Tranche. Such a resolution in writing may be contained in one document or several documents in the same form, each signed by or on behalf of one or more Retail Bondholders of the particular Tranche.

- (f) *Resolutions Affecting the Other Tranche of Retail Bonds:* If, in the opinion of the Trustee, a resolution passed at a meeting of the holders of a Tranche of Retail Bonds affects the other Tranche of Retail Bonds (the “**Affected Securities**”), such resolution shall be deemed not to have been duly passed unless it has been approved at separate meetings relating to all Tranches to which the Affected Securities belong.
- (g) *Trustee’s Discretions:* The Trustee may, subject as aforesaid, without the consent of the holders of Retail Bonds (or of the holders of either Tranche of Retail Bonds) at any time and from time to time, waive or authorise any breach or proposed breach by HKSAR Government of the provisions of the Trust Deed or the Retail Bonds (either generally or in relation to either or both Tranches of Retail Bonds) or any other act or omission which is or would or might otherwise on its own or together with any other act or omission constitute an Event of Default which, in the opinion of the Trustee, is not materially prejudicial to the interests of the holders of Retail Bonds or, as the case may be, the holders of Retail Bonds of the relevant Tranche or Tranches, or determine that such first mentioned act or omission shall, notwithstanding Condition 8 (*Events of Default*), not be an Event of Default if in the opinion of the Trustee the interests of the holders of the Retail Bonds or, as the case may be, the holders of Retail Bonds of the relevant Tranche or Tranches shall not be materially prejudiced thereby.

Any such modification, waiver, authorization or determination shall be binding on all the holders of Retail Bonds or, as the case may be, the holders of Retail Bonds of the relevant Tranche or Tranches and, unless the Trustee agrees otherwise, any such modification shall be notified by HKSAR Government to the holders of Retail Bonds or, as the case may be, the holders of Retail Bonds of the relevant Tranche or Tranches as soon as possible thereafter.

13. Notices

Notices to the Retail Bondholders shall be valid if published in accordance with the rules of the Hong Kong Stock Exchange for the time being. Any such notice shall be deemed to have been given on the date of first publication in both English and Chinese languages. RB Couponholders shall be deemed for all purposes to have notice of the contents of any notice given to the Retail Bondholders.

14. Governing Law and Jurisdiction

- (a) *Governing Law:* The Trust Deed and the Retail Bonds are governed by, and shall be construed in accordance with, the laws of Hong Kong.
- (b) *Hong Kong Courts:* The Trust Deed provides that the courts of Hong Kong have exclusive jurisdiction to settle any dispute arising out of or in connection with the Trust Deed or the Retail Bonds.

USE OF PROCEEDS

The proceeds of the issue of the Retail Bonds will be used by HKSAR Government for the purposes of the Capital Works Reserve Fund established by resolutions passed by the Legislative Council under section 29 of the Public Finance Ordinance (Cap.2) of Hong Kong (the “**Public Finance Ordinance**”). The Financial Secretary may choose to apply sums from the Capital Works Reserve Fund for any of the purposes specified in the relevant resolution passed by the Legislative Council under that Ordinance.

RATINGS

As at the date of this Information Supplement, Fitch Ratings Inc. (“**Fitch**”), Moody’s Investors Services (“**Moody’s**”) and Standard & Poor’s, a division of the McGraw-Hill Companies Inc. (“**S&P**”) had each assigned to HKSAR Government the following credit ratings:

	Fitch		Moody’s		S&P	
	Short-term	Long-term	Short-term	Long-term	Short-term	Long-term
Foreign currency (Outlook)	F1+	AA- Stable	P-1	A1 Stable	A-1	A+ Stable
Local currency (Outlook)	NR	AA+ Stable	NR	Aa3 Stable	A-1+	AA- Stable

These ratings reflect only the views of the credit rating agencies. They are not recommendations to buy, sell or hold securities and are subject to change, update or withdrawal at any time.

THE HONG KONG SPECIAL ADMINISTRATIVE REGION

Constitution and Legal System

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

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

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

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

HKSAR Government's Power to Borrow

Section 27 of the Public Finance Ordinance provides that HKSAR Government shall not borrow money except in accordance with an ordinance, unless the borrowing is by means of advances from a bank or fluctuating overdrafts and is for the purpose of meeting day to day payments.

Section 3(1) of the Loans Ordinance (Cap.61) of Hong Kong (the "**LO**") empowers HKSAR Government to borrow from any person such sum or sums and for such purposes as may be approved by resolution of LegCo. Any such borrowing may be on such terms and subject to such conditions as are agreed between HKSAR Government and the relevant lender or lenders. Under section 5 of the LO, any sums borrowed by HKSAR Government under the LO and all interest and other related charges shall be charged upon and payable out of the general revenue and assets of Hong Kong. Also, any expenses of, or incidental to, the raising of a loan may be defrayed from the sums borrowed.

In May 2004, HKSAR Government completed the securitisation of toll revenues from six government-owned toll roads and bridges. By a resolution passed under the LO on 19 May 2004 (and which has the status of subsidiary legislation designated Cap.61C), LegCo has authorized HKSAR Government to borrow, for the purposes of the Capital Works Reserve Fund, a sum or sums not exceeding in total HK\$20,000,000,000 or equivalent.

Proceedings against HKSAR Government

The Crown Proceedings Ordinance (Cap.300) of Hong Kong (the “CPO”) sets out the manner in which proceedings may be taken in the courts of Hong Kong for the purpose of enforcing claims against HKSAR Government. The CPO has not yet been the subject of an adaptation of laws ordinance; however, certain references to the “Crown” in the title and text of the CPO should, as from 1 July 1997, be construed as a reference to HKSAR Government pursuant to the Interpretation and General Clauses Ordinance (Cap.1) of Hong Kong. Proceedings against HKSAR Government arising out of the Retail Bonds, the Trust Deed, the Paying Agency Agreement or the Market Making Agreement would be brought under the CPO and be instituted against the Secretary for Justice.

Ordinary principles of contract law are applicable to HKSAR Government and contracts entered into by it. The CPO enables proceedings to be brought in the Hong Kong courts for matters such as the recovery of a debt or liquidated sum due under a contract or statute, an unliquidated sum due by statute and damages for breach of contract.

The CPO contains various limitations as to the rights and remedies available as against HKSAR Government, including:

- (a) an order for the payment of money cannot be enforced against HKSAR Government by the usual modes of enforcing judgment. Section 21 of the CPO provides that if an order is made against HKSAR Government, the proper officer of the Hong Kong courts will issue to the successful plaintiff a certificate containing particulars of the order. If the order provides for payment of money the certificate will state the amount payable and the CPO states that on being served with that certificate HKSAR Government must pay the sum shown to be due. There is no other method of enforcing judgment against HKSAR Government;
- (b) in proceedings against HKSAR Government, the Hong Kong courts have no power to:
 - (i) grant an injunction or to make an order for specific performance but may, instead, make an order declaratory of the rights of the parties; or
 - (ii) make an order for the recovery of land or the delivery of other property but may, instead, make an order declaring that the plaintiff is entitled as against HKSAR Government to the land or property or to the possession of the same; and
- (c) no summary judgment is available against HKSAR Government and no default judgment is available against HKSAR Government, save with the leave of the court.

Section 9 of the CPO also provides that the relevant provisions of the CPO shall not extinguish or abridge any prerogative or statutory power or authority otherwise conferred on, or exercisable by, HKSAR Government.

Hong Kong’s Economy

HKSAR Government believes that Hong Kong maintains one of the world’s most open economies and a business-friendly environment characterized by a relatively high degree of free trade and free flow of information, an established financial regulatory regime and legal system and a developed transportation and telecommunications infrastructure. In 2002, Hong Kong was ranked the eleventh largest trading entity in the world by the World Trade Organisation based on value of total merchandise trade and is home to the busiest container port in the world in terms of throughput (according to the March 2004 issue of “*Containerisation International*”). As at 31 May 2004, the stock market in Hong Kong was Asia’s second largest after the stock market in Tokyo in terms of market capitalisation.

Over the past two decades, the Hong Kong economy (as measured by GDP) has more than doubled in size, with GDP growing at an average annual rate of 5.0% in real terms. In 2003, Hong Kong's GDP reached HK\$1,235 billion and its per capita GDP of US\$23,300 was amongst the highest in Asia.

Since 1997, Hong Kong's economy has been adversely affected by the volatility in the Asian financial markets and the onset of a general global economic downturn. More recently, the outbreak of Severe Acute Respiratory Syndrome had a significant negative impact on Hong Kong's economy in the first half of 2003. The effect of these events on Hong Kong's economic activity has led to deflation and a weakening of HKSAR Government's fiscal position. HKSAR Government's revenue fell from HK\$233.0 billion (18.7% of GDP) in fiscal year 1999-2000 to HK\$177.5 billion (14.2% of GDP) in fiscal year 2002-03 and HKSAR Government's fiscal deficit has averaged HK\$44 billion, or 3.5% of GDP, in the fiscal years ended 2001, 2002 and 2003.

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

In May 2004, HKSAR Government issued a HK\$6 billion toll revenue bond to Hong Kong Link 2004 Limited to be repaid by the net toll revenues from six specified HKSAR Government-owned tunnels and bridges. Apart from such toll revenue bond, HKSAR Government had no fiscal debt and had accumulated reserves of about HK\$266 billion as at 31 May 2004.

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

Economic Indicators	1999	2000	2001	2002	2003
Nominal GDP at constant (2000) market prices (in HK\$ billion)	1,169.5	1,288.3	1,294.3	1,323.7	1,367.6
Composite Consumer Price Index	103.2	99.4	97.8	94.8	92.4
Unemployment rate (%)	6.2	4.9	5.1	7.3	7.9

The table below sets out certain fiscal indicators with respect to Hong Kong for 1998-99 to 2002-03:

Fiscal Indicators	1998-99	1999-00	2000-01	2001-02	2002-03
Consolidated Government surplus (deficit) (HK\$ billion)	(23.2)	10.0	(7.8)	(63.3)	(61.7)
Government debt (excluding Exchange Fund Bills and Notes)	—	—	—	—	—
Fiscal Reserves (as at 31 March) (HK\$ billion)	434.3	444.3	430.3	372.5	311.4

SETTLEMENT, CLEARANCE AND CUSTODY

Settlement and Clearance within the Central Moneymarkets Unit Service

The Retail Bonds of each tranche will be represented by a Global Retail Bond which will be delivered to and held by a sub-custodian nominated by the HKMA as operator of the CMU (the “**CMU Operator**”). The Global Retail Bonds will be held for the account of the Placing Banks, HKSCC or other CMU members who have accounts with the CMU Operator (the “**CMU Participants**”). Applicants who have instructed a Placing Bank to apply for the Retail Bonds on their behalf must initially hold their interests in the Retail Bonds allotted to them through an account with such Placing Bank.

HKSCC, the operator of CCASS, maintains an account with the CMU Operator. Applicants who have instructed HKSCC to apply for the Retail Bonds on their behalf (either directly as a CCASS Investor Participant or indirectly through their designated CCASS Broker/Custodian Participant) must initially hold their interests in the Retail Bonds allotted to them through an account with HKSCC (either directly as a CCASS Investor Participant or indirectly through your designated CCASS Broker/Custodian Participant). HKSCC will in turn hold the corresponding interest in the Global Retail Bonds through its account with the CMU Operator.

Interests in the Global Retail Bonds will only be shown on, and transfers of interests will be effected through, records maintained by the CMU Operator.

As long as the CMU Operator is the holder of the Global Retail Bonds, the CMU Operator will be considered the absolute owner of such Global Retail Bonds for all purposes under the Trust Deed. Since the CMU Operator can act only on behalf of the CMU Participants, who in turn may act on behalf of persons who hold interests through them (“**indirect participants**”), the ability of persons having interests in the Global Retail Bonds to pledge such interests to persons or entities that are not the CMU Participants, or otherwise take action in respect of such interests, may be affected by the lack of Definitive Retail Bonds.

While a Global Retail Bond representing a tranche of the Retail Bonds is held by or on behalf of the CMU Operator, payments of interest or principal will be made to the persons for whose account a relevant interest in that Global Retail Bond is credited as being held by the CMU at the relevant time, as notified to the Principal Paying Agent by the CMU Operator in a relevant CMU Instrument Position Report (as defined in the rules of the CMU) or in any other relevant notification by the CMU Operator. Such payment shall discharge the obligations of HKSAR Government in respect of that payment. Payments by the CMU Participants to indirect participants will be governed by arrangements agreed between the CMU Participants and the indirect participants and will continue to depend on the inter-bank clearing system and traditional payment methods. Such payments will be the sole responsibility of such CMU Participants.

Payments, transfers, exchanges and other matters relating to interests in the Global Retail Bonds may be subject to various policies and procedures adopted by the CMU Operator from time to time. None of HKSAR Government, HKSCC, the Placing Banks, the Agents, the Trustee, the sub-custodian for the CMU Operator or any of their agents will have any responsibility or liability for any aspect of the CMU Operator’s records relating to, or for payments made on account of, interests in the Global Retail Bonds, or for maintaining, supervising or reviewing any records relating to such interests.

So long as a tranche of Retail Bonds is represented by a Global Retail Bond and such Global Retail Bond is held by or on behalf of the CMU Operator, notices required to be given to Retail Bondholders of that tranche of Retail Bonds may be given by their being delivered to the Paying Agents and the CMU Operator and, in any case, such notices will be deemed to have been given to such Retail Bondholders in accordance with the terms and conditions of the Retail Bonds on the date of such delivery; *provided, however, that*, so long as that class of the Retail Bonds are listed on the Hong Kong Stock Exchange and its rules so require, notices will also be published in accordance with the rules of the Hong Kong Stock Exchange for the time being. Indirect participants will have to rely on the CMU Participants (through which their Retail Bonds, in the form of interests in the Global Retail Bonds, are held) to deliver the notices to them, subject to the arrangements agreed between the indirect participants and the CMU Participants.

The CMU Operator is under no obligation to maintain or continue to operate the CMU and the CMU Operator is under no obligation to perform or continue to perform the procedures described above. Accordingly, the CMU and such procedures may be discontinued or modified at any time. None of HKSAR Government, the Trustee or any of their agents will have any responsibility for the performance by the CMU Operator or the CMU Participants of their respective obligations under the rules and procedures governing their operations.

Settlement and Clearance within CCASS

The settlement and clearance services with respect to Retail Bonds that are held through HKSCC on behalf of the CCASS Investor Participants and the CCASS Broker/Custodian Participants who may be securities dealers or banks will be provided by HKSCC in accordance with the Rules of CCASS in effect from time to time. Ownership of interests in the Global Retail Bonds will be shown on, and the transfer of those interests will be effected only through, records of CCASS Investor Participants and CCASS Broker/Custodian Participants who may be securities dealers or banks with HKSCC.

Payments, transfers, exchanges and other matters relating to interests in the Global Retail Bond may be subject to various policies and procedures adopted by HKSCC from time to time. None of HKSAR Government, the Placing Banks, the CMU Operator, the Agents, the Trustee, the sub-custodian for the CMU Operator or any of their agents will have any responsibility or liability for any aspect of HKSCC's records relating to, or for payments made on account of, interests in the Global Retail Bonds, or for maintaining, supervising or reviewing any records relating to such interests.

Definitive Retail Bonds will be issued only under certain very limited circumstances. Accordingly, the ability of public investors holding interests in the Global Retail Bond through the accounts with HKSCC to pledge such interests to persons or entities that are not CCASS Investor Participants or CCASS Broker/Custodian Participants, or otherwise take action in respect of such interests, may be affected by the lack of Definitive Retail Bonds.

Custody

Definitive Retail Bonds will not be issued to individual holders of Retail Bonds (except in very limited circumstances, including, (i) if the CMU is closed for business for a continuous period of 14 days (other than by reason of legal holidays) or announces an intention permanently to cease business, or (ii) any event of default in relation to the Retail Bonds occurs).

As the Global Retail Bonds will be deposited with the CMU Operator as described above and settlement and clearance facilities will be provided by CMU, Retail Bondholders must make arrangements for their Retail Bonds to be held in custody with a CMU Participant (or an indirect participant).

Any account and other custodian arrangements provided by the Placing Banks, HKSCC or a CCASS Broker/Custodian Participant with respect to the Retail Bonds will be subject to their standard terms and conditions for the provision of such services. All services with respect to Retail Bonds that are held through HKSCC on behalf of the CCASS Investor Participants and the CCASS Broker/Custodian Participants will be provided by HKSCC in accordance with the Rules of CCASS in effect from time to time. HKSAR Government accepts no responsibility for the provision of such services or for any consequences of, or arising from, the use of such investment account or services.

The standard terms and conditions of the investment account, Investor Account or securities account or for the provision of custody services of each of the Placing Banks, HKSCC and your designated CCASS Broker/Custodian Participant, as the case may be, may permit it to take a security interest in, or to impose other restrictions on, the Retail Bonds credited to the investment account or to exercise a lien, right of set-off or similar claim against you in respect of monies held in any of your accounts maintained with them to secure any amounts which may be owing by you to them. In particular, if the Placing Bank, HKSCC or your designated CCASS Broker/Custodian Participant, as the case may be, makes an advance to you in connection with the payment of any unpaid Subscription Amount of the Retail Bonds, they may have the legal right to restrict your ability to transfer the Retail Bonds, to collect amounts owing to it out of payments of interest or principal received on the Retail Bonds or to sell the Retail Bonds and recoup amounts owing to it or other sale expenses, duties, interest and costs out of the proceeds of sale or to charge interest on amounts owing to them.

MARKET MAKING ARRANGEMENTS

Asia Commercial Bank, BA Asia Limited, Bank of China (Hong Kong), Bank of Communications, The Bank of East Asia, Belgian Bank, Chekiang First Bank, Chiyu Bank, Citicorp International Limited, CITIC Ka Wah Bank, Dah Sing Bank, DBS Bank, Hang Seng Bank, HSBC, ICBC (Asia), International Bank of Asia, Liu Chong Hing Bank, MEVAS Bank, Nanyang Commercial Bank, Shanghai Commercial Bank, SCBHK, Wing Hang Bank and Wing Lung Bank (the “**market makers**”) have agreed with HKSAR Government in a market making agreement dated on or around 6 July 2004 (the “**Market Making Agreement**”), to make a market in the Retail Bonds of each tranche in over-the-counter transactions. In the Market Making Agreement, each market maker has agreed that, subject to the terms of the Market Making Agreement, it will quote

- a price at which it is willing to purchase Retail Bonds (a “**bid**” price); and
- a price at which it is willing to sell Retail Bonds (an “**offer**” price).

The offer prices quoted will be firm prices for so long as Retail Bonds are available to the market maker and thereafter the offer price will be quoted on a best efforts basis only.

The prices quoted will be by reference to a Retail Bond of HK\$50,000 or an integral multiple of HK\$50,000 and will be expressed as a percentage of the principal amount of the Retail Bonds.

Prices quoted by the market makers will reflect the over-the-counter trading price of the Retail Bonds from time to time in the secondary market. The trading price of the Retail Bonds may be equal to, higher or lower than the initial Subscription Price or purchase price and will vary depending on many factors, including prevailing interest rates, HKSAR Government’s financial condition and the market for any similar securities. The bid and offer prices quoted by one market maker for a Retail Bond may differ from another market maker and from the last traded price of such Retail Bond on the Hong Kong Stock Exchange. HKSAR Government may at any time create and issue other bonds or notes in a series or otherwise at prices equal to, higher or lower than the initial Subscription Price of the Retail Bonds or the trading price for the time being of the Retail Bonds and this may have a material impact on the over-the-counter trading price of the Retail Bonds in the secondary market or the trading price of the Retail Bonds on the Hong Kong Stock Exchange.

HKSAR Government may from time to time appoint additional or replacement market makers; it is the current intention of HKSAR Government to maintain market making arrangements similar to those described above for as long as the Retail Bonds remain outstanding, so far as reasonably practicable.

The initial market makers may resign their roles by giving not less than 90 days’ prior written notice to HKSAR Government.

These market making arrangements do not assure an active secondary trading market for the Retail Bonds or that members of the public will have access to a firm bid price or a firm offer price for Retail Bonds in a principal amount which they may wish to purchase or sell.

As long as the Retail Bonds are in global form, they must be held in the account with the CMU Operator. Most banks and securities dealers in Hong Kong maintain, or have access to, an account with the CMU through which Retail Bonds may be held or transferred following issue. If you wish to transfer your interest in the Retail Bonds from your investment account with a Placing Bank to another Placing Bank, to your Investor Account with HKSCC or your securities or custodian account with your designated CCASS Broker/Custodian Participant, you should check that the proposed entity has or will have access to such an account with the CMU Operator. You should also check if any expenses will arise on any transfer of your interest in the Retail Bonds to the relevant account with such new entity.

TRADING OF RETAIL BONDS ON THE HONG KONG STOCK EXCHANGE

Listing of, and dealings in, the Retail Bonds on the Hong Kong Stock Exchange are expected to commence on or around 26 July 2004. If the Hong Kong Stock Exchange grants the listing of, and permission to deal in, the Retail Bonds and HKSAR Government complies with the admission requirements of HKSCC, the Retail Bonds will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the date of commencement of dealings in the Retail Bonds on the Hong Kong Stock Exchange or any other date HKSCC chooses. 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. Retail Bonds will be traded in units of HK\$100 each in principal amount and each trading lot of Retail Bonds has 500 units.

Settlement of trades in Retail Bonds on the Hong Kong Stock Exchange is required to take place in CCASS on the second trading day after the trade date. A transaction levy of 0.005%, an investor compensation levy of 0.002% and a trading fee of 0.005%, of the principal amount of the Retail Bonds traded will be chargeable on both the buyer and the seller.

All activities under CCASS are subject to the Rules of CCASS. You should seek the advice of your stockbroker or other professional adviser for details of the settlement arrangement as such arrangements may affect your rights and interests.

The Retail Bonds are not subject to Hong Kong stamp duty or bearer instrument duty on transfer.

TAXATION OF RETAIL BONDS

The following summary of certain taxation provisions under Hong Kong law is based on current law and practice. It does not purport to be comprehensive and does not constitute legal or tax advice. Investors (particularly those subject to special tax rules, such as banks, dealers, insurance companies and tax-exempt entities) should consult their own tax advisers regarding the tax consequences of an investment in the Retail Bonds.

Withholding Tax

Under existing Hong Kong law, repayments of principal and payment of interest in respect of the Retail Bonds may be made without withholding for or on account of any Hong Kong taxes. In addition, no tax is withheld in Hong Kong in respect of any gains arising from resale of Retail Bonds.

Stamp Duty

The Retail Bonds are not subject to Hong Kong stamp duty either upon issue or on any subsequent transfer.

Profits Tax

Under existing Hong Kong law, interest paid or payable on the Retail Bonds and any profit on the sale or other disposal or on the redemption on maturity or presentment of the Retail Bonds are not subject to profits tax in Hong Kong.

Estate Duty

The Retail Bonds are Hong Kong property for the purposes of Hong Kong estate duty for so long as the Global Retail Bonds are (or, if Definitive Retail Bonds are issued, the Definitive Retail Bonds are) located in Hong Kong. Accordingly, Hong Kong estate duty may be payable in respect of the Retail Bonds on the death of the beneficial owner of the Retail Bonds (regardless of the place of the owner's residence, citizenship or domicile) or, where the holder of the Retail Bonds is a controlled company as defined under the Estate Duty Ordinance, on the death of a related person.

OTHER INFORMATION ABOUT THE OFFERING

1. The creation and issue of the Retail Bonds have been authorised by a Resolution of the Legislative Council (Cap. 61C) passed under section 3(1) of the Loans Ordinance (Cap. 61) on 19 May 2004 to allow HKSAR Government to borrow an amount not exceeding HK\$20 billion or equivalent for the purposes of the Capital Works Reserve Fund established by resolutions passed under section 29 of the Public Finance Ordinance (Cap.2).
2. So long as any Retail Bonds are outstanding, copies of the following documents will be available for inspection (requests for photocopies will be subject to the payment of a reasonable fee) at the Specified Office of the Principal Paying Agent and on HKSAR Government's website — *www.info.gov.hk/fstb/tb*.
 - a. the Offering Documents and any supplements thereto;
 - b. a list of the contact details of the market makers for the time being; and
 - c. the following documents:
 - (i) the Trust Deed; and
 - (ii) the Paying Agency Agreement.
3. The Retail Bonds have been accepted for clearance through CMU with the following CMU Instrument Numbers:

Tranche A	BCHKGB04001
Tranche B	BCHKGB04002

ISSUER

**The Government of the
Hong Kong Special Administrative Region of the People's Republic of China**
Central Government Offices
Lower Albert Road
Hong Kong

ARRANGERS AND JOINT GLOBAL COORDINATORS

BOCI Asia Limited
35/F., Bank of China Tower
1 Garden Road
Central
Hong Kong

**The Hongkong and Shanghai
Banking Corporation Limited**
Level 16, HSBC Main Building
1 Queen's Road Central
Hong Kong

Bank of China (Hong Kong) Limited
14/F., Bank of China Tower
1 Garden Road
Central
Hong Kong

JOINT BOOKRUNNERS

BOCI Asia Limited
35/F., Bank of China Tower
1 Garden Road
Central
Hong Kong

**The Hongkong and Shanghai
Banking Corporation Limited**
Level 16, HSBC Main Building
1 Queen's Road Central
Hong Kong

**Standard Chartered Bank
(Hong Kong) Limited**
7/F., Standard Chartered Bank Building
4-4A Des Voeux Road
Central
Hong Kong

Bank of China (Hong Kong) Limited
14/F., Bank of China Tower
1 Garden Road
Central
Hong Kong

PLACING BANKS

Asia Commercial Bank Limited
120 Des Voeux Road Central,
Hong Kong

Bank of America (Asia) Limited
17/F., Devon House,
979 King's Road,
Quarry Bay
Hong Kong

Bank of China (Hong Kong) Limited
14/F., Bank of China Tower
1 Garden Road
Central
Hong Kong

**Bank of Communications
(Hong Kong Branch)**
20 Pedder Street,
Central
Hong Kong

The Bank of East Asia, Limited
10 Des Voeux Road
Central
Hong Kong

Belgian Bank
27/F Fortis Bank Tower
77-79 Gloucester Road,
Wanchai,
Hong Kong

Chekiang First Bank Limited
Chekiang First Bank Building
60 Gloucester Road
Hong Kong

Chiyu Banking Corporation Limited
78, Des Voeux Road,
Central
Hong Kong

**Citibank, N.A.
(acting through its Hong Kong Branch)**
50/F Citibank Tower,
Citibank Plaza
3 Garden Road,
Central Hong Kong

CITIC Ka Wah Bank Limited
232 Des Voeux Road
Central
Hong Kong

Dah Sing Bank, Limited
36/F Dah Sing Financial Center
108 Gloucester Road
Hong Kong

DBS Bank (Hong Kong) Limited
11/F The Center
99 Queen's Road Central
Hong Kong

Hang Seng Bank Limited
83 Des Voeux Road Central
Hong Kong

**The Hongkong and Shanghai
Banking Corporation Limited**
1 Queen's Road Central
Hong Kong

**Industrial and Commercial
Bank of China (Asia) Limited**
ICBC Tower
122-126 Queen's Road Central
Hong Kong

International Bank of Asia Limited
38 Des Voeux Road Central
Hong Kong

Liu Chong Hing Bank Limited
G/F, New World Tower 2,
16-18 Queen's Road Central,
Hong Kong

MEVAS Bank Limited
36/F Dah Sing Financial Center
108 Gloucester Road
Hong Kong

Nanyang Commercial Bank, Limited
151 Des Voeux Road Central
Hong Kong

Shanghai Commercial Bank Limited
12 Queen's Road Central
Hong Kong

Standard Chartered Bank (Hong Kong) Limited
7/F., Standard Chartered Bank Building
4-4A Des Voeux Road
Central
Hong Kong

Wing Hang Bank, Ltd.
161 Queen's Road Central
Hong Kong

Wing Lung Bank Limited
45 Des Voeux Road
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PRINCIPAL PAYING AGENT AND CALCULATION AGENT

TRUSTEE

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