

CONFORMED COPY

Dated 26 July 2004

**THE GOVERNMENT OF THE HONG KONG SPECIAL ADMINISTRATIVE
REGION**

and

BANK OF CHINA (HONG KONG) TRUSTEES LIMITED
as Trustee

TRUST DEED

relating to

Tranche A 2.13 per cent. Retail Bonds due 2006
("Tranche A Retail Bonds")

Tranche B 3.38 per cent. Retail Bonds due 2008
("Tranche B Retail Bonds")

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THIS TRUST DEED is made on 26 July 2004 BETWEEN:

- (1) **THE GOVERNMENT OF THE HONG KONG SPECIAL ADMINISTRATIVE REGION** whose office is at Central Government Offices, Lower Albert Road, Hong Kong ("**HKSAR Government**"); and
- (2) **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 (the "**Trustee**", which expression shall, whenever the context so admits, include all persons for the time being the trustee or trustees of this Trust Deed).

BACKGROUND:

- (A) HKSAR Government has authorised the issue of 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**") to be constituted by this Trust Deed; and
- (B) The Trustee has agreed to act as trustee under this Trust Deed upon the terms and subject to the conditions hereof.

THE PARTIES AGREE AS FOLLOWS:

1. **DEFINITIONS AND INTERPRETATION**

1.1 **Definitions**

The following expressions shall have the following meanings:

"**Act of God**" means an accident or event which happens independently of human intervention and due to natural causes which no human foresight can provide against, and of which human prudence is not bound to recognise the possibility.

"**Agents**" means the Principal Paying Agent, any other Paying Agents and the Calculation Agent, or any of them (or any successors thereof), as the context may require, and "**Agent**" shall be construed accordingly;

"**Authorised Signatory**" means, in relation to either party to this Trust Deed, any person who is duly authorised to act;

"**Business Day**" means a day (other than a Saturday) on which commercial banks are open for business in Hong Kong;

"**Calculation Agent**" means Bank of China (Hong Kong) Limited or such other calculation agent for the Retail Bonds as may from time to time be appointed by HKSAR Government pursuant to the Paying Agency Agreement and notice of whose appointment has been given to the Retail Bondholders in accordance with the Conditions;

"**CMU Operator**" means the Monetary Authority or any successor operator of that clearing system, or in the case of any other clearing system, the operator for the time being of that clearing system;

"**CMU**" means the Monetary Authority as operator of the Central Moneymarkets Unit Service;

"**CMU Rules**" means the agreements, rules and regulations governing the operation of the CMU;

"**Conditions**" means the terms and conditions set out in Schedule 1 (*Terms and Conditions of the Retail Bonds*) as applicable to a particular Tranche of Retail Bonds, as modified, with respect to any Retail Bonds of that Tranche represented by the relevant Global Retail Bond, by the provisions of that Global Retail Bond and any reference to a particularly numbered Condition shall be construed accordingly;

"**Definitive Retail Bond**" means a Retail Bond of either Tranche in definitive form substantially in the form set out in Parts A and B of Schedule 3 respectively;

"**Event of Default**" means any of the events described in Condition 8 (*Events of Default*);

"**Extraordinary Resolution**" has the meaning set out in paragraph 1 (*Definitions*) of Schedule 4 (*Provisions for Meetings of Retail Bondholders*);

"**Fee Letter**" means the letter dated or to be dated on or about 26 July 2004 between, among others, HKSAR Government, the Trustee and the Principal Paying Agent in relation to the fees and expenses payable to the Trustee and the Agents under the Transaction Documents by HKSAR Government;

"**Global Retail Bond**" means in respect of a particular Tranche, the global Retail Bond which will represent the Retail Bonds of that Tranche, substantially in the relevant form set out in Parts A and B of Schedule 2 and "**Global Retail Bonds**" means the Global Retail Bonds representing the two Tranches of Retail Bonds;

"**Holders**" means the Retail Bondholders and the RB Couponholders and "**Holder**" shall be construed accordingly;

"**Hong Kong**" means the Hong Kong Special Administrative Region of the People's Republic of China;

"**Interest Payment Date**" has the meaning set out in paragraph (a) of Condition 4 (*Interest*);

"**Issue Date**" means 26 July 2004;

"**Monetary Authority**" means the Monetary Authority appointed pursuant to Section 5A of the Exchange Fund Ordinance or his successors;

"**month**" means calendar month;

"Paying Agency Agreement" means the paying agency agreement dated 26 July 2004 amongst HKSAR Government, the Principal Paying Agent, the Calculation Agent and the Trustee;

"Paying Agents" means:

- (a) the several institutions (including, where the context requires, the Principal Paying Agent) initially appointed as Paying Agents by HKSAR Government pursuant to the Paying Agency Agreement; and/or
- (b) such other or further paying agents in respect of the Retail Bonds as may from time to time be appointed by HKSAR Government (with the prior approval of, and on terms previously approved by, the Trustee in writing); and/or
- (c) such other or further paying agents as may from time to time be nominated, in each case, by HKSAR Government, and (except in the case of the initial Paying Agents) notice of whose appointment or of which nomination has been given to the Retail Bondholders in accordance with Condition 13 (*Notices*);

"Potential Event of Default" means any condition, event or act which would become, with the passage of time, the giving of notice, the making of any determination under the Retail Bonds or any combination thereof, an Event of Default;

"Principal Paying Agent" means Bank of China (Hong Kong) Limited or, if applicable, any successor paying agent which shall be appointed as principal paying agent pursuant to the provisions of the Paying Agency Agreement and notice of whose appointment has been given to the Retail Bondholders pursuant to the Conditions.

"RB Coupons" means the bearer interest coupons in or substantially in Part C (*Form of RB Coupon*) of Schedule 3 appertaining to the Retail Bonds and for the time being outstanding or as the context may require a specific number thereof and includes replacement RB Coupons issued pursuant to Condition 10 (*Replacement of Retail Bonds*);

"RB Couponholders" means the several persons who are for the time being holders of the RB Coupons and **"RB Couponholder"** means any of them;

"Retail Bondholder" means the holder of any Retail Bond (and the expressions **"Retail Bondholders"**, **"holder of Retail Bonds"** and related expressions shall be construed accordingly);

"Retail Bonds" means the Tranche A Retail Bonds and the Tranche B Retail Bonds and **"Retail Bond"** means any of them;

"Specified Office" means, in relation to any Agent:

- (a) the office specified against its name in Schedule 2 (*Specified Offices of the Agents*) to the Paying Agency Agreement; or

(b) such other office as such Agent may specify in accordance with Clause 16.8 (*Changes in Specified Offices*) of the Paying Agency Agreement.

"**this Trust Deed**" means this Trust Deed, the Schedules (as from time to time altered in accordance with the provisions hereof) and any trust deed or other document executed in accordance with the provisions hereof (as from time to time altered) and expressed to be supplemental hereto;

"**Tranche**" means the Tranche A Retail Bonds or the Tranche B Retail Bonds or either of them;

"**Tranche A Retail Bonds**" means the Tranche A 2.13 per cent. Retail Bonds due 2006;

"**Tranche B Retail Bonds**" means the Tranche B 3.38 per cent. Retail Bonds due 2008; and

"**Transaction Documents**" means this Trust Deed and the Paying Agency Agreement.

1.2 **The Conditions:** In this Trust Deed, unless there is something in the subject or context inconsistent therewith or unless the definitions in this Clause 1 (*Definitions and Interpretation*) are inconsistent therewith, the words and expressions used in the Conditions shall have the same respective meanings when used herein.

1.3 **Construction of certain references:** All references in this Trust Deed to:

1.3.1 any agreement, instrument or other document shall be construed as references to that agreement, instrument or document as the same may be amended, modified, varied, supplemented, replaced or novated from time to time;

1.3.2 "**Hong Kong Dollars**" and "**HK\$**" shall be construed as references to the lawful currency for the time being of Hong Kong;

1.3.3 the provisions of any statute or statutory provision shall be deemed to be references to the same as from time to time modified, extended, amended or re-enacted;

1.3.4 the CMU shall, wherever the context so permits, be deemed to include reference to any additional or alternative depositary, settlement and clearing system approved by HKSAR Government and the Trustee; and

1.3.5 any action, remedy or method of judicial proceedings for the enforcement of rights of creditors shall be deemed to include, in respect of any jurisdiction other than Hong Kong, references to such action, remedy or method of judicial proceedings for the enforcement of rights of creditors available or appropriate in such jurisdiction as shall most nearly approximate thereto.

1.4 **Numbers, headings, etc.:** In this Trust Deed:

- 1.4.1 words denoting the singular number only shall include the plural number also and vice versa; words denoting the masculine gender only shall include the feminine gender and neuter (as the case may be) also; and words denoting persons only shall include firms, companies, states or agencies of states and any joint venture, association or partnership (and vice versa);
- 1.4.2 headings to clauses and schedules are for convenience only and do not affect the interpretation of this Trust Deed; and
- 1.4.3 any reference to a Clause or Schedule is, unless otherwise stated, to a clause hereof or, as the case may be, a schedule hereto.

1.5 **"Outstanding" Defined:** For purposes of the provisions of this Trust Deed and the Retail Bonds, any Retail Bond authenticated and delivered pursuant to this 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 previously cancelled by the Principal Paying Agent or 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; and
- (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 this 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 Retail Bondholders 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 of 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 Retail Bondholders, 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 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.

1.6 **Construction of Certain References:** In this Trust Deed, unless otherwise provided or the context otherwise requires:

- 1.6.1 a "**person**" shall be construed as a reference to any person, firm, company, corporation, government, state or agency of a state or any association or partnership (whether or not having separate legal personality) of two or more of the foregoing;
- 1.6.2 "**repay**", "**redeem**" and "**pay**" shall each include both the others and "**repaid**", "**repayable**" and "**repayment**", "**redeemed**", "**redeemable**" and "**redemption**" and "**paid**", "**payable**" and "**payment**" shall be construed accordingly and "**repay**" (or any derivative form thereof) shall, subject to any contrary indication, be construed to include "**prepay**" (or, as the case may be, the corresponding derivative form thereof);
- 1.6.3 "**tax**" shall be construed so as to include any tax, levy, impost, stamp or other duty or other charge of a similar nature (including, without limitation, any penalty or interest payable in connection with any failure to pay or any delay in paying any of the same);
- 1.6.4 words denoting the singular number only shall include the plural number also and vice versa;
- 1.6.5 words denoting one gender only shall include the other genders;
- 1.6.6 all references to costs or charges or expenses shall include any VAT or similar tax charged or chargeable in respect thereof;
- 1.6.7 all references to a statute, any provision thereof or to any statutory instrument, order or regulation made thereunder shall be construed as a reference to such statute, provision, statutory instrument, order or regulation as the same may have been, or may from time to time be, amended or re-enacted;
- 1.6.8 references to schedules, appendices, clauses, sub-clauses, paragraphs and sub-paragraphs shall be construed as references to the schedules and appendices to this Trust Deed and to the clauses, sub-clauses, paragraphs and sub-paragraphs in which they appear respectively and, unless otherwise stated, reference to sub-clauses are references to sub-clauses of the clause in which the reference appears;

- 1.6.9 any references to any person includes any person deriving title therefrom and any of its replacements, successors or permitted assigns;
- 1.6.10 a time of day shall, unless otherwise specified, be construed as a reference to Hong Kong time; and
- 1.6.11 clause, sub-clause and schedule headings in this Trust Deed are for ease of reference only.

2. AMOUNT OF THE RETAIL BONDS; COVENANT TO PAY PRINCIPAL AND INTEREST ON THE RETAIL BONDS; COVENANT OF COMPLIANCE

2.1 Amount of Retail Bonds

The initial aggregate minimum principal amount of each of the Tranche A Retail Bonds and the Tranche B Retail Bonds is HK\$50,000,000.

2.2 Covenant to pay

HKSAR Government will, on any date when any Retail Bonds become due to be redeemed in whole or in part, unconditionally pay to or to the order of or for the account of the Trustee in immediately available funds, the principal amount of the Retail Bonds becoming due for redemption in whole or in part on that date and shall (subject to the Conditions) until such payment (after as well as before any judgment or other order of a competent court) unconditionally pay to or to the order of or for the account of the Trustee as aforesaid interest on the principal amount of each of the Retail Bonds outstanding as set out in the Conditions provided that:

- 2.2.1 every payment of principal or interest in respect of any Retail Bonds made to the Principal Paying Agent in accordance with and subject to the provisions of the Paying Agency Agreement shall, to that extent, satisfy such obligation except to the extent that there is failure in the subsequent payment thereof in accordance with the Conditions to the relevant Retail Bondholders and RB Couponholders (as the case may be);
- 2.2.2 in the case of any payment made after the due date or pursuant to Condition 8 (*Events of Default*), payment shall not be deemed to have been made until the full amount due has been received by the Principal Paying Agent or the Trustee and notice to that effect has been duly given to the relevant Retail Bondholders in accordance with Condition 13 (*Notices*); and
- 2.2.3 in any case where payment of the whole or any part of the principal amount of any Retail Bond is improperly withheld or refused upon due presentation thereof (other than in circumstances contemplated by sub-clause 2.2.2 of this Clause 2.2 (*Covenant to pay*) above) interest shall accrue on the amount withheld or refused (both before and after any judgment or other order of a court of competent jurisdiction) at the rate of interest applicable to the Retail Bonds in question (or, if higher, the rate of interest on judgment debts for the time being provided by Hong Kong law) from the date of such withholding or

refusal until whichever is the earlier of (i) the date on which, upon further presentation or surrender of the relevant Retail Bond, payment of the full amount (including interest as aforesaid) payable in respect of such Retail Bond is made and (ii) the seventh day after notice is given to the relevant Retail Bondholder (whether individually or in accordance with Condition 13 (*Notices*)) that the full amount (including interest as aforesaid) in respect of such Retail Bond is available for payment, provided that, upon further presentation thereof being duly made, such payment is made.

The Trustee will hold the benefit of this covenant and the covenant in Clause 2.6 (*Compliance with Trust Deed, Conditions and Retail Bonds*) on trust for the Holders.

2.3 **Notice to HKSAR Government and the Agents following an Event of Default**

Upon the happening of an Event of Default or a Potential Event of Default and for so long as such Event of Default or, as the case may be, Potential Event of Default is continuing and has not been waived or, in the opinion of the Trustee, has not been remedied, the Trustee may:

2.3.1 by notice in writing to HKSAR Government and the Agents require the Agents, until notified by the Trustee to the contrary, so far as permitted by any applicable law or regulation:

(a) to act thereafter as agent of the Trustee under this Trust Deed and the Retail Bonds of that particular Tranche *mutatis mutandis* on the terms provided in the Paying Agency Agreement (with consequential amendments as necessary and save that the Trustee's liability for the indemnification, remuneration and all other out-of-pocket expenses of the Agents in respect of the Retail Bonds of that Tranche shall be limited to the amounts for the time being held by the Trustee in respect of Retail Bonds of that Tranche on the terms hereof) and thereafter to hold all Retail Bonds and RB Coupons of that Tranche and all moneys, documents and records held by the Agents in respect of the Retail Bonds and RB Coupons of that Tranche on behalf of the Trustee; and/or

(b) to deliver up all Retail Bonds and RB Coupons and all moneys, documents and records held by the Agents in respect of Retail Bonds of that Tranche to the Trustee or as the Trustee shall direct in such notice provided that such notice shall be deemed not to apply to any documents or records which the Agents are obliged not to release by any law, regulation or statutory provision; and/or

2.3.2 by notice in writing to HKSAR Government require it to make all subsequent payments in respect of the Retail Bonds and RB Coupons or in respect of that Tranche to or to the order of or for the account of the Trustee and not to the Agents and with effect from the receipt of any such notice to HKSAR

Government, until such notice is withdrawn, sub-clause 2.2.1 of Clause 2.2 (*Covenant to pay*) shall cease to have effect.

2.4 **Interest following an Event of Default**

If Retail Bonds of either Tranche have become immediately repayable pursuant to a notice given by the Trustee under Condition 8 (*Events of Default*), those Retail Bonds shall continue to bear interest calculated in accordance with the Conditions.

2.5 **Payments in Hong Kong Dollars**

All payments in respect of, under and in connection with this Trust Deed and either Tranche of Retail Bonds to the Retail Bondholders and RB Couponholders shall be made in Hong Kong Dollars in Hong Kong.

2.6 **Compliance with Trust Deed, Conditions and Retail Bonds**

HKSAR Government covenants with the Trustee that it will comply with and perform and observe all the provisions of this Trust Deed, the Retail Bonds and the Conditions which are expressed to be binding on it. The Conditions shall be binding on HKSAR Government, the Retail Bondholders and the RB Couponholders. The Retail Bonds and RB Coupons are subject to the provisions contained in this Trust Deed, all of which shall be binding upon HKSAR Government, the Retail Bondholders and the RB Couponholders and all persons claiming through or under them respectively.

2.7 **Separate Tranche**

The Retail Bonds of each Tranche shall form a separate Tranche of Retail Bonds and accordingly, unless for any purpose the Trustee in its absolute discretion shall otherwise determine, the provisions of this Clause 2 (*Amount of the Retail Bonds; Covenant to Pay Principal and Interest on the Retail Bonds; Covenant of Compliance*) and of Clauses 3 to 18 (both inclusive) and Schedule 4 (*Provisions for Meetings of Retail Bondholders*) shall apply *mutatis mutandis* separately and independently to the Retail Bonds of each Tranche and in such Clauses and Schedule the expressions "**Retail Bonds**", "**Retail Bondholders**", "**RB Coupons**" and "**RB Couponholders**" shall be construed accordingly.

3. **FORMS OF THE RETAIL BONDS**

3.1 **Global Retail Bonds**

Each Tranche of Retail Bonds will initially be represented by a permanent Global Retail Bond in bearer form with a minimum principal amount of HK\$50,000,000. Each Global Retail Bond will be exchangeable for Definitive Retail Bonds of the Tranche represented by it (together with, where applicable, RB Coupons attached) as set out therein. Each Global Retail Bond shall be prepared, completed and delivered to a depositary for the CMU in accordance with the provisions of the Paying Agency Agreement.

3.2 **Definitive Retail Bonds**

The Definitive Retail Bonds and RB Coupons of each Tranche shall be in bearer form and shall be issued serially numbered in exchange for the relevant Global Retail Bond in accordance with the provisions thereof, and Definitive Retail Bonds shall be endorsed with the relevant Conditions. Title to the RB Coupons and the Definitive Retail Bonds shall pass by delivery in accordance with the provisions of the Conditions and the Paying Agency Agreement.

3.3 **Signature and authentication**

The Global Retail Bonds and the RB Coupons and the Definitive Retail Bonds of each Tranche shall be signed manually or in facsimile by an Authorised Signatory of HKSAR Government and, in the case of the Global Retail Bonds and the Definitive Retail Bonds, shall be authenticated by or on behalf of the Principal Paying Agent. HKSAR Government may use the facsimile signature of an Authorised Signatory of HKSAR Government even if at the time of issue of any Retail Bonds he or she may have ceased for any reason to be so authorised, and the Retail Bonds and RB Coupons so executed shall be binding and valid obligations of HKSAR Government, provided that no Global Retail Bond or Definitive Retail Bond, or any RB Coupon appertaining thereto, shall be binding or valid until such Global Retail Bond or, as the case may be, Definitive Retail Bond shall have been authenticated pursuant to this Clause 3.3 (*Signature and authentication*).

3.4 **Deemed absolute owner**

Except as otherwise required by law, the Trustee, the Agents and HKSAR Government (whether or not such Retail Bond or RB Coupon is overdue and notwithstanding any notice of ownership or writing thereon or notice of any previous loss or theft thereof or trust or other interest therein or any other notice to the contrary) may (i) for the purpose of making payment thereon or on account thereof deem and treat the bearer of any Retail Bond or RB Coupon, as the absolute owner thereof and of all rights thereunder free from all encumbrances, and shall not be required to obtain proof of such ownership or as to the identity of the bearer of any Retail Bond or RB Coupon, and (ii) for all other purposes deem and treat:

3.4.1 the bearer of any Definitive Retail Bond or RB Coupon; and

3.4.2 each person for the time being shown in the records of the CMU as holder of Retail Bonds (represented by a particular principal amount of any Global Retail Bond credited to his securities account),

as the absolute owner thereof free from all encumbrances and shall not be required to obtain proof of such ownership (other than, in the case of any person for the time being so shown in the records of the CMU, a certificate or other document issued by the CMU as to the principal amount of such Retail Bonds credited to the account of the relevant person) or as to the identity of the bearer of any Retail Bond or RB Coupon.

3.5 **Certificate of CMU Operator**

HKSAR Government may call for and, except in the case of manifest error, shall be at liberty to accept and place full reliance on as sufficient evidence thereof a certificate or letter of confirmation issued on behalf of the CMU Operator or any form of record made by the CMU Operator to the effect that at any particular time or throughout any particular period any particular person is, was, or will be, shown in its records as the holder of a particular principal amount of Retail Bonds represented by a Global Retail Bond.

3.6 **Retail Bondholder assumed to be holder of RB Coupons**

Wherever in this Trust Deed the Trustee is required or entitled to exercise a power, trust, authority or discretion under this Trust Deed, except as otherwise required by applicable law, the Trustee shall, notwithstanding that it may have express notice to the contrary, assume that each Retail Bondholder is the holder of all RB Coupons appertaining to each Definitive Retail Bond of which he is the holder.

3.7 **Notice to RB Couponholders**

Neither the Trustee nor HKSAR Government shall be required to give any notice to the RB Couponholders for any purpose under this Trust Deed and the RB Couponholders shall be deemed for all purposes to have notice of the contents of any notice given to the Retail Bondholders in accordance with Condition 13 (*Notices*).

4. **STAMP DUTIES AND TAXES**

4.1 **Stamp duties and taxes**

HKSAR Government will pay all stamp duties, registration taxes, capital duties and other similar duties or taxes (if any) payable in Hong Kong or in any other jurisdiction in which the Retail Bonds are offered and sold by HKSAR Government (or any person on its behalf) on:

4.1.1 *Issue of Retail Bonds*: the constitution and issue of the Retail Bonds and the RB Coupons;

4.1.2 *Delivery of Retail Bonds*: the initial delivery of the Retail Bonds;

4.1.3 *Enforcement*: any action taken by the Trustee (or any Holder where permitted or required under this Trust Deed so to do) to enforce the provisions of the Retail Bonds or this Trust Deed or the Paying Agency Agreement; and

4.1.4 *Execution of Documents*: the execution of this Trust Deed or the Paying Agency Agreement.

4.2 **Failure to pay**

If the Trustee (or any Holder where permitted under this Trust Deed so to do) shall take any proceedings against HKSAR Government in any other jurisdiction and if for

the purpose of any such proceedings this Trust Deed or any Retail Bond are taken into any such jurisdiction and any stamp duties or other duties or taxes become payable thereon in any such jurisdiction, HKSAR Government will pay (or reimburse the person making payment of) such stamp duties or other duties or taxes (including penalties). HKSAR Government shall indemnify the Trustee, the Holders or any of them from and against all stamp and other duties and taxes paid by any of them in any competent jurisdiction in connection with any action taken by the Trustee or (where permitted under this Trust Deed so to do), the holder of any Retail Bonds evidenced by a Global Retail Bond or any Holder to enforce the provisions of the Retail Bonds or this Trust Deed.

5. **ENFORCEMENT AND APPLICATION OF MONEYS RECEIVED BY TRUSTEE**

5.1 **Discretion to take proceedings**

At any time after the Retail Bonds or one or both Tranches of Retail Bonds (or RB Coupons appertaining thereto) shall have become immediately due and repayable pursuant to Condition 8 (*Events of Default*), the Trustee may at its discretion take such proceedings as it may think fit against HKSAR Government to enforce payment of the principal of such Retail Bonds, together with accrued interest and to enforce the provisions of this Trust Deed. The Trustee shall use its best endeavours to give prior written notice to HKSAR Government of its intention to take such proceedings.

5.2 **Trustee not bound to take proceedings**

The Trustee shall not be bound to take any such proceedings as are mentioned in Clause 5.1 (*Discretion to take proceedings*) unless:

5.2.1 it shall have been so directed by an Extraordinary Resolution of the Retail Bondholders of either Tranche of Retail Bonds or so requested in writing by the Retail Bondholders of not less than 50 per cent. in aggregate principal amount of either Tranche of Outstanding Retail Bonds; and

5.2.2 it shall have been indemnified and/or secured to its satisfaction against all liabilities, proceedings, claims and demands to which it may be or become liable and all costs, charges and expenses which may be incurred by it in connection therewith.

5.3 **Only Trustee may enforce**

Only the Trustee may enforce the provisions of this Trust Deed and the Retail Bonds and RB Coupons. No Retail Bondholder or RB Couponholder shall be entitled to proceed directly against HKSAR Government to enforce the performance of any provisions of this Trust Deed or any of the Retail Bonds or RB Coupons unless the Trustee, having become bound as aforesaid to take proceedings, fails to do so within a reasonable period and such failure is continuing.

5.4 **Application of moneys received**

If the Retail Bonds of either Tranche have become immediately due and repayable under Condition 8 (*Events of Default*) all moneys received by the Trustee in respect of the Retail Bonds of the relevant Tranche or Tranches or payable under this Trust Deed shall be held by the Trustee upon trust to apply the same (subject to the provisions of Clause 5.5 (*Return of moneys in respect of void Retail Bonds*)):

5.4.1 *first*, in payment of all costs, charges, expenses and liabilities properly incurred by the Trustee hereunder (including remuneration payable to the Trustee, the Agents and/or any attorney, manager, agent, delegate or other person appointed by the Trustee under this Trust Deed) in or about the execution of the trusts hereof;

5.4.2 *secondly*, in or towards payment of, first, any interest and, second, principal owing in respect of the Retail Bonds of the relevant Tranche or Tranches *pari passu* and rateably and where Retail Bonds of both Tranches have become so due and repayable, such moneys shall be applied as between the amounts outstanding in respect of the two Tranches *pari passu* and rateably (except where such moneys are paid in respect of a specific Tranche, in which event such moneys shall firstly be applied solely to the amounts outstanding in respect of that Tranche, and then *pari passu* and rateably towards, first, interest and, second, principal then due and unpaid in respect of the Retail Bonds of the other Tranche); and

5.4.3 *thirdly*, in payment of the balance (if any) to HKSAR Government for itself.

5.5 **Return of moneys in respect of void Retail Bonds**

If the Trustee shall hold any moneys which represent principal or interest in respect of Retail Bonds or RB Coupons of a particular Tranche which have become void under Condition 9 (*Prescription*) or pursuant to the terms of a Global Retail Bond representing that Tranche prior to the exchange of the whole thereof for Definitive Retail Bonds, the Trustee shall promptly and from time to time pay such moneys to HKSAR Government provided there are no outstanding claims in respect of Retail Bonds or RB Coupons in respect of that Tranche and subject to payment or provision for the payment or satisfaction of all costs, charges, expenses and liabilities owed by HKSAR Government to the Trustee or the Retail Bondholders or the RB Couponholders and the remuneration of the Trustee and the Agents.

5.6 **Apportionment of costs between Tranches**

If both Tranches of the Retail Bonds have become immediately due and payable, the Trustee shall apportion between the relevant Retail Bondholders the payment of the costs, charges, expenses and liabilities incurred under this Trust Deed out of moneys received and held upon trust by the Trustee as aforesaid, in such manner and in such amounts as it shall, in its reasonable opinion, consider appropriate.

5.7 **Power to invest less than 10 per cent.**

If the amount of the moneys at any time available for payment in respect of either Tranche of Retail Bonds under Clause 5.4 (*Application of moneys received*) shall be less than 10 per cent. of the principal amount of the Retail Bonds of the relevant Tranche then outstanding, the Trustee may, at its discretion, invest such moneys upon some or one of the investments authorised under Clause 5.8 (*Nature of investments*) with power from time to time similarly to vary such investments. Such investments with the resulting income therefrom shall be accumulated until the accumulations, together with any other funds for the time being under the control of the Trustee and available for payment, shall amount to at least 10 per cent. of the principal amount of the relevant Tranche then outstanding and such accumulations and funds (after deduction of any taxes applicable thereto) shall be applied as specified in Clause 5.4 (*Application of moneys received*).

5.8 **Nature of investments**

Any moneys which under this Trust Deed ought to or may be invested by the Trustee may be invested in the name or under the control of the Trustee in any of the investments for the time being authorised by Hong Kong law for the investment by trustees of trust moneys or in any other investments, whether or not similar thereto, which may be selected by the Trustee or by placing the same on deposit in the name or under the control of the Trustee at such authorised institution as the Trustee may, in its absolute discretion, think fit and the Trustee may at any time vary or transpose any such investments for or into other such investments or convert any moneys so deposited into any other currency, and shall not be responsible for any loss occasioned thereby, whether by depreciation in value, fluctuation in exchange rates or otherwise.

5.9 **Notice and method of payment under Clause 5.4 (*Application of moneys received*)**

The Trustee shall give notice to the relevant Retail Bondholders in accordance with Condition 13 (*Notices*) of the day fixed for any payment to them under Clause 5.4 (*Application of moneys received*). Such payment may be made in accordance with Condition 6 (*Payments*) and any payment so made shall be a good discharge to the Trustee.

6. **PAYMENTS**

6.1 **Payment in accordance with the Conditions**

Any payment to be made in respect of the Retail Bonds or RB Coupons of either Tranche by HKSAR Government or the Trustee may be made as provided in the Conditions and any payment so made shall (subject to Clause 2.3 (*Notice to HKSAR Government and the Agents following an Event of Default*)) to such extent be a good discharge to HKSAR Government or the Trustee, as the case may be.

6.2 **Definitive Retail Bond or RB Coupon to be produced**

If any payment is made under Clause 5.4 (*Application of moneys received*) in respect of any Definitive Retail Bond or RB Coupon of either Tranche of Retail Bonds, the Definitive Retail Bond or, as the case may be, the RB Coupon in respect of which such payment is made shall be produced to the Trustee or the Agents by or through whom such payment is made who shall, in the case of partial payment, cause the Definitive Retail Bond or RB Coupon concerned to be enfaced with a memorandum of the amount and date of payment on such Definitive Retail Bond or RB Coupon (but the Trustee may in any particular case, dispense with such production and enfacement upon such indemnity being given to the Trustee and HKSAR Government by the relevant Retail Bondholder or RB Couponholder as the Trustee shall think sufficient). In the case of payment in full, such Definitive Retail Bond or RB Coupon shall be cancelled and surrendered to HKSAR Government or the Trustee, as the case may be, and such cancellation shall be certified in accordance with the Paying Agency Agreement.

7. **COVENANTS**

7.1 So long as any of the Retail Bonds of either Tranche remains outstanding, HKSAR Government shall:

7.1.1 **Supply information reasonably required:** so far as permitted by law and any confidentiality arrangements by which HKSAR Government is bound, at all times give to the Trustee such certificates, information and evidence as it shall reasonably require for the purpose of the discharge of the duties, powers, trusts, authorities and discretions vested in it by this Trust Deed or by operation of law;

7.1.2 **Event of Default:** give notice in writing to the Trustee forthwith upon becoming aware of any Event of Default or Potential Event of Default in respect of either Tranche of Retail Bonds without waiting for the Trustee to take any action. However, HKSAR Government is not required to furnish periodic evidence as to the absence of defaults;

7.1.3 **Further acts and things:** so far as permitted by law, at all times execute and do all such further documents, acts and things as may be necessary at any time or times in the reasonable opinion of the Trustee to give effect to the terms and conditions of this Trust Deed and the Paying Agency Agreement;

7.1.4 **Notice of payments of outstanding amounts:** in the event of the unconditional payment to the Agents or the Trustee of any sum due in respect of any of the Retail Bonds of either Tranche being made after the due date for payment in respect thereof, forthwith, if the Trustee determines such notice is necessary, cause notice to be given to the relevant Retail Bondholders in accordance with Condition 13 (*Notices*) that such payment has been made;

7.1.5 **Notice of appointment or removal of the Agent:** give not less than 14 days' prior notice to the relevant Retail Bondholders in accordance with Condition

13 (*Notices*) of any future appointment or any resignation or removal of any of the Agents or any change by any of the Agents of its Specified Office;

- 7.1.6 **Compliance with Paying Agency Agreement:** comply with its obligations under the Paying Agency Agreement and use its reasonable endeavours to procure that the Agents comply with their respective obligations under the Paying Agency Agreement and use its reasonable endeavours to make such amendments to the Paying Agency Agreement as may reasonably be required by the Trustee;
- 7.1.7 **Agents to notify of non-payment:** procure the Agents to notify the Trustee forthwith in the event that they do not on or before the due date for any payment in respect of either Tranche of Retail Bonds or any of them or any of the RB Coupons, receive, subject to and in accordance with the provisions of the Paying Agency Agreement, unconditional payment of the full amount in Hong Kong Dollars of the moneys payable on such due date on all such Retail Bonds or RB Coupons as the case may be;
- 7.1.8 **Approval of notices:** send or procure to be sent to the Trustee not less than three (3) Business Days prior to the date of publication, for the Trustee's approval (which shall not be unreasonably withheld or delayed), two (2) copies in English of each notice to be given to the Retail Bondholders in accordance with Condition 13 (*Notices*) and not publish such notice without such approval and, upon publication, send two (2) copies of such notice to the Trustee;
- 7.1.9 **Certificates of Retail Bonds Outstanding:** in order to enable the Trustee to ascertain the principal amount of Retail Bonds of each Tranche for the time being Outstanding for any of the purposes referred to in the proviso to the definition of Outstanding in Clause 1.5 ("*Outstanding*" Defined), deliver to the Trustee as soon as reasonably practicable and in any event within ten days of being so requested in writing by the Trustee a certificate in writing signed by an Authorised Signatory of HKSAR Government setting out the total number and aggregate principal amount of Retail Bonds of each Tranche which:
- (a) up to and including the date of such certificate have been purchased by HKSAR Government or any public sector instrumentality; and
 - (b) are at the date of such certificate held by, for the benefit of, or on behalf of, HKSAR Government or any subsidiary of HKSAR Government or any public sector instrumentality;
- 7.1.10 **Listing:** use reasonable endeavours to obtain and maintain the listing of the Retail Bonds on the Hong Kong Stock Exchange (including compliance with the continuing obligations applicable to HKSAR Government by virtue thereof) or, if it is unable to do so having used reasonable endeavours, use reasonable endeavours to obtain and maintain a quotation or listing of the

Retail Bonds on such other stock exchange or exchanges or securities market or markets as HKSAR Government may (with the written approval of the Trustee) decide and give notice of the identity of such other stock exchange or exchanges or securities market or markets to the relevant Holders;

- 7.1.11 **Appointment of Authorised Signatories:** appoint such persons as authorised signatories and grantees of powers of attorney of HKSAR Government, with full authority to execute notices, certificates, agreements, instruments and other documents provided for in this Trust Deed and the Paying Agency Agreement to be executed and/or issued by HKSAR Government from time to time thereunder, so that all such matters may be performed promptly on behalf of HKSAR Government in accordance with all requirements under the Transaction Documents. On the Issue Date and thereafter forthwith upon any change of the same, HKSAR Government shall deliver to the Trustee (with a copy to the Principal Paying Agent) a list of such authorised signatories, together with certified specimen signatures of the same; and
- 7.1.12 **Maintenance of Agents:** while any of the Retail Bonds remain outstanding, at all times maintain a Principal Paying Agent and a Calculation Agent and in each case in accordance with the Conditions and the Paying Agency Agreement, and at all times maintain any other agents required by the Conditions, this Trust Deed or the Paying Agency Agreement.

7.2 **Cancellation of Retail Bonds**

HKSAR Government shall procure that all Retail Bonds of either Tranche (i) redeemed, (ii) purchased by or on behalf of HKSAR Government and surrendered for cancellation, (iii) which, being mutilated or defaced have been surrendered and replaced, or are lost, stolen and replaced, pursuant to Condition 10 (*Replacement of Retail Bonds*) or (iv) exchanged as provided in this Trust Deed (together in each case with all unmatured RB Coupons attached thereto or delivered therewith) and all RB Coupons paid in accordance with the Conditions or which, being lost, stolen, mutilated or defaced, have been surrendered and replaced pursuant to Condition 10 (*Replacement of Retail Bonds*) shall forthwith be cancelled by or on behalf of HKSAR Government and, in relation to that Tranche of Retail Bonds, a certificate stating:

- 7.2.1 the aggregate principal amount of Retail Bonds of that Tranche which have been redeemed and the aggregate amounts in respect of RB Coupons which have been paid;
- 7.2.2 the serial numbers of such Retail Bonds in definitive form and RB Coupons;
- 7.2.3 the total number (where applicable, of each denomination) by maturity date of such RB Coupons;
- 7.2.4 the aggregate amount of interest paid (and the due dates of such payments) on the Global Retail Bonds representing that Tranche;

- 7.2.5 the aggregate principal amount of Definitive Retail Bonds (if any) of that Tranche which have been purchased by or on behalf of HKSAR Government and cancelled and the serial numbers of such Definitive Retail Bonds and the total number (where applicable, of each denomination) by maturity date of the RB Coupons (if any) attached thereto or surrendered therewith; and
- 7.2.6 the aggregate principal amounts of Retail Bonds and the aggregate amounts in respect of RB Coupons of that Tranche which have been so exchanged or surrendered and replaced and the serial numbers of such Retail Bonds and the total number (where applicable, of each denomination) by maturity date of such RB Coupons,

in each case distinguishing amongst Retail Bonds and RB Coupons of the two Tranches and specifying which Tranche of Retail Bonds the Global Retail Bond represents, shall be given to the Trustee by or on behalf of HKSAR Government as soon as possible and in any event within four months after the date of such redemption, purchase, payment, exchange or replacement (as the case may be). The Trustee may accept such certificate as conclusive evidence of redemption, purchase, exchange or replacement *pro tanto* of the Retail Bonds or payment of interest thereon and of cancellation of the relative Retail Bonds and RB Coupons.

7.3 **Records kept by Principal Paying Agent**

HKSAR Government shall procure (i) that the Principal Paying Agent shall keep a full and complete record of all Retail Bonds and RB Coupons of each Tranche (other than serial numbers of RB Coupons) and of their redemption, purchase, by or on behalf of HKSAR Government, cancellation, payment or exchange (as the case may be) and of all replacement Retail Bonds or RB Coupons issued in substitution for lost, stolen, mutilated, defaced or destroyed Retail Bonds or RB Coupons in each case distinguishing amongst Retail Bonds and RB Coupons of the two Tranches; (ii) that the Principal Paying Agent shall in respect of the RB Coupons of each maturity retain either all paid or exchanged RB Coupons of that maturity or a list of the serial number of RB Coupons of that maturity still remaining unpaid or unexchanged until the expiry of six years from the due date for payment in respect of such RB Coupons; and (iii) that such records and RB Coupons (if any) shall be made available to the Trustee at all reasonable times.

8. **COSTS AND EXPENSES**

8.1 **Remuneration**

- 8.1.1 *Normal Remuneration:* HKSAR Government shall pay to the Trustee remuneration for its services as trustee of this Trust Deed as from the date of this Trust Deed, such remuneration to be at such rate as may from time to time be agreed between HKSAR Government and the Trustee in accordance with the Fee Letter. Such remuneration shall be payable semi-annually in arrear (with the first instalment to be paid on the first Interest Payment Date)

in HK Dollars on each Interest Payment Date. Such remuneration shall accrue from day to day and be payable (in priority to payments to the Holders) up to and including the date when, all the Retail Bonds having become due for redemption, the redemption moneys and interest thereon to the date of redemption have been paid to the Principal Paying Agent or the Trustee, provided that if upon due presentation (if required pursuant to the Conditions) of any Retail Bond or any cheque, payment of the moneys due in respect thereof is improperly withheld or refused, remuneration will commence again to accrue. The remuneration payable to the Trustee in accordance with this sub-clause 8.1.1 of Clause 8.1 (*Remuneration*) shall accrue until the effective date of retirement or, as the case may be, termination of appointment of the Trustee under this Trust Deed, and shall be paid based on the actual number of days elapsed since the last date on which such remuneration has been paid to the Trustee;

8.1.2 *Additional Remuneration*: in the event that the Trustee considers it expedient or necessary or is requested by HKSAR Government to undertake duties which the Trustee and HKSAR Government agree to be of an exceptional nature or otherwise outside the scope of the normal duties of the Trustee under this Trust Deed, HKSAR Government shall pay to the Trustee such additional remuneration as shall be agreed between them;

8.1.3 *Failure to Agree*: in the event of the Trustee and HKSAR Government failing to agree:

(a) *Amount*: (in a case to which Clause 8.1.1 (*Normal Remuneration*) applies) upon the amount of the remuneration; or

(b) *Entitlement*: (in a case to which Clause 8.1.2 (*Additional Remuneration*) applies) upon whether such duties shall be of an exceptional nature or otherwise outside the scope of the normal duties of the Trustee under this Trust Deed, or upon such additional remuneration,

such matters shall be determined by an investment bank (not being itself or any affiliate, acting as an expert and not as an arbitrator) selected by the Trustee and approved by HKSAR Government or, failing such approval, nominated (on the application of the Trustee) by the President for the time being of The Law Society of Hong Kong (the expenses involved in such nomination and the fees of such investment bank being payable by HKSAR Government) and the determination of any such investment bank shall, in the absence of manifest error, be final and binding upon the Trustee and HKSAR Government;

8.1.4 *Expenses*: HKSAR Government shall also pay or discharge all costs, charges and expenses properly incurred by the Trustee in relation to the preparation and execution of, the exercise of its powers and the performance of its duties under, and in any other manner in relation to, this Trust Deed and the Paying

Agency Agreement, including but not limited to legal and travelling expenses and any stamp, issue, registration, documentary and other taxes or duties paid or payable by the Trustee in connection with any action taken or contemplated by or on behalf of the Trustee for enforcing, or resolving any doubt concerning, or for any other purpose in relation to, this Trust Deed;

8.1.5 *Indemnity:*

- (a) HKSAR Government shall indemnify the Trustee:
- (i) *Liabilities Incurred:* in respect of all liabilities and expenses incurred by it or by any appointee or other person appointed by it to whom any trust, power, authority or discretion may be delegated by it in the execution of the trusts, powers, authorities or discretions vested in it by this Trust Deed; and
 - (ii) *Action Taken:* against all liabilities, actions, proceedings, costs, claims and demands in respect of any matter or thing done or omitted in any way relating to this Trust Deed and the Paying Agency Agreement,

except in the case of negligence, misconduct or fraud on the part of the Trustee;

- (b) if any action or claim shall be brought or threatened to be brought against the Trustee or any appointee or other person appointed by the Trustee to whom any trust, power, authority or discretion may be delegated by the Trustee in the execution of the trusts, powers, authorities or discretions vested in the Trustee by this Trust Deed (each a "**Relevant Party**") in respect of which any indemnity in this Trust Deed may be sought from HKSAR Government, the Relevant Party shall not make any admission of liability, settlement or compromise without HKSAR Government's prior written consent;
- (c) the Relevant Party shall as soon as reasonably practicable notify HKSAR Government in writing of such action or claim referred to in subparagraph (b) of Clause 8.1.5 (*Indemnity*), together with all details thereof;
- (d) in the case of any action or claim which has been brought against any Relevant Party in respect of which any indemnity in this Trust Deed may be sought from HKSAR Government, HKSAR Government shall be entitled at any time thereafter to assume the defence thereof, to settle or compromise such action or claim and to appoint legal advisers, counsel and experts in connection with such action or claim as HKSAR Government sees fit and such Relevant Party shall give HKSAR Government all such information and assistance and do all such things and execute all such documents as HKSAR Government may reasonably

require for the purposes of assuming and conducting such defence but so that such Relevant Party shall not make any further claim against HKSAR Government in respect of the costs and time expended in providing such information and assistance;

- (e) if, pursuant to sub-paragraph (d) of Clause 8.1.5 (*Indemnity*), HKSAR Government assumes the defence of any such action or claim, HKSAR Government shall not settle, compromise or consent to the entry of judgment with respect to the action or claim unless such settlement, compromise or judgment:
 - (i) includes an unconditional release of such Relevant Party from all liabilities arising out of such action or claim; and
 - (ii) in the case of any settlement, compromise or judgment which contains a statement as to, or an admission of fault, culpability or a failure to act by or on behalf of such Relevant Party, HKSAR Government shall have obtained such Relevant Party's prior written consent to the making of such statement or admission (which consent shall not be unreasonably withheld or delayed).

8.1.6 *Payment of Amounts Due*: all amounts payable pursuant to Clause 8.1.4 (*Expenses*) and Clause 8.1.5 (*Indemnity*) shall:

- (a) be due and payable by HKSAR Government on the date specified in the written demand of the Trustee therefor (which date shall not be earlier than the date of such demand); and
- (b) in the case of amounts actually paid by the Trustee, bear interest at the rate of two per cent. (2%) per annum above the prime rate from time to time of Bank of China (Hong Kong) Limited from the date on which such amount is due and payable in accordance with paragraph (a) of this Clause 8.1.6 (*Payment of Amounts Due*) until the date of payment.

All remuneration payable to the Trustee shall carry interest at such rate as is set out in paragraph (b) of this Clause 8.1.6 (*Payment of Amounts Due*) from the due date thereof;

8.1.7 *Discharges and Payment*: unless otherwise specifically stated in any discharge of this Trust Deed the provisions of this Clause 8.1 (*Remuneration*) shall continue in full force and effect notwithstanding such discharge.

8.2 **Indemnities Separate**

The indemnities in this Trust Deed shall constitute separate and independent obligations from the other obligations in this Trust Deed, give rise to separate and independent causes of action, apply irrespective of any indulgence granted by the Trustee and/or any Holder and continue in full force and effect despite any judgment, order, claim or

proof for a liquidated amount in respect of any sum due under this Trust Deed, the Retail Bonds, and/or the RB Coupons or any other judgment or order.

8.3 **Payments Free of Withholding**

All payments to be made by HKSAR Government to the Trustee pursuant to this Clause 8 (*Costs and Expenses*) shall be made free and clear of and without deduction for or on account of tax unless HKSAR Government is required by law to make such a payment subject to the deduction or withholding of tax, in which case the sum payable by HKSAR Government in respect of such deduction or withholding is required to be made shall (other than in the case of remuneration of the Trustee paid pursuant to Clauses 8.1.1 (*Normal Remuneration*) and 8.1.2 (*Additional Remuneration*) and interest on such remuneration pursuant to Clause 8.1.6 (*Payment of Amounts Due*)) be increased to the extent necessary to ensure that, after the making of such deduction or withholding (and any additional deduction or withholding on such increased amount), the Trustee receives and retains (free from any liability in respect of any such deduction or withholding) a net sum equal to the sum which it would have received and so retained had no such deduction or withholding been made or required to be made.

9. **TERMS OF APPOINTMENT OF THE TRUSTEE**

By way of supplement to the Trustee Ordinance (Cap. 29) it is expressly declared as follows:

9.1 **Reliance on Information**

9.1.1 *Advice*: The Trustee may act (or refrain from acting) on the advice or opinion of or any information obtained from any lawyer, valuer, accountant, banker, broker or other expert acting within his or her field of expertise, whether obtained by HKSAR Government, the Trustee or otherwise, and such advice or opinion may be provided on such terms (including as to limitations on liability) as the Trustee may consider in its sole discretion to be consistent with prevailing market practice with regard to advice or opinions of that nature and the Trustee shall not be responsible for any loss occasioned by so acting or refraining from acting.

9.1.2 *Transmission of Advice*: any advice, opinion or information obtained under Clause 9.1.1 (*Advice*) may be sent or obtained by letter, e-mail or facsimile transmission and the Trustee shall not be liable for acting on any advice, opinion or information purporting to be conveyed by any such letter, e-mail or facsimile transmission although the same shall contain some error.

9.1.3 *Certificate of Authorised Signatory*: the Trustee may call for and shall be at liberty to accept as sufficient evidence of any fact or matter or the expediency of any transaction or thing a certificate signed by any one (1) of HKSAR Government's Authorised Signatories and the Trustee shall not be bound in any such case to call for further evidence or be responsible for any loss,

liability, costs, damages, expenses or inconvenience that may be occasioned by the Trustee acting (or refraining to act) on any such certificate.

- 9.1.4 *Certificates of Parties to the Transaction Documents*: the Trustee shall be entitled to call for and rely upon a certificate believed by it to be genuine of HKSAR Government or any Agent in respect of every matter and circumstance for which a certificate is expressly provided for under this Trust Deed or the Conditions and to call for and to rely upon a certificate of HKSAR Government or any Agent believed by it to be genuine as to any other fact or matter *prima facie* within the knowledge of HKSAR Government or any Agent as sufficient evidence thereof and the Trustee shall not be bound in any such case to call for further evidence or be responsible for any loss, liability, costs, damages, expenses or inconvenience that may be occasioned by its failing so to do.
- 9.1.5 *Certificate of Clearing System*: the Trustee may call for and shall be at liberty to accept and place full reliance on as sufficient evidence thereof and shall not be liable to HKSAR Government or any Holder by reason only of either having accepted as valid or not having rejected an original certificate or letter of confirmation purporting to be issued on behalf of the CMU Operator or any relevant clearing system (or any common depository, custodian or operator of them) in relation to any matter.
- 9.1.6 *Events of Default*: the Trustee shall not be bound to give notice to any person of the execution of this Trust Deed or the Paying Agency Agreement or any transactions contemplated hereby or thereby or to take any steps to ascertain whether any Event of Default or Potential Event of Default has occurred and, until it shall have actual knowledge or express notice to the contrary, the Trustee shall be entitled to assume that no Event of Default or Potential Event of Default has occurred and that each of HKSAR Government and the other parties to the Transaction Documents is observing and performing all its obligations on its part contained in the Retail Bonds and under this Trust Deed and/or the Paying Agency Agreement.
- 9.1.7 *Forged Retail Bonds*: the Trustee shall not be liable to HKSAR Government or any Holder by reason of having accepted as valid or not having rejected any Retail Bond or RB Coupon as such and subsequently found to be forged or not authentic.

9.2 **Trustee's Powers and Duties**

- 9.2.1 *Agents*: the Trustee may, in the conduct of the trusts of this Trust Deed and its duties under the Paying Agency Agreement instead of acting personally, employ and pay an agent on any terms, whether or not a lawyer or other professional person, to transact or conduct, or concur in transacting or conducting, any business and to do or concur in doing all acts required to be done by the Trustee (including the receipt and payment of money) and the

Trustee shall not be responsible for any loss, liability, expense, demand, cost, claim or proceedings incurred by reason of the misconduct, omission or default on the part of any person appointed by it hereunder or be bound to supervise the proceedings or acts of any such person provided that the Trustee shall not have permitted such person to act after the Trustee had notice of any matter which would cause a reasonably prudent trustee to terminate the employment of such person.

- 9.2.2 *Delegation*: the Trustee may, in the execution and exercise of all or any of the trusts, powers, authorities and discretions vested in it by this Trust Deed and its duties under the Paying Agency Agreement, act by responsible officers or a responsible officer for the time being of the Trustee and the Trustee may also whenever it thinks fit, whether by power of attorney or otherwise, delegate to any person or persons or fluctuating body of persons (whether being a joint trustee of this Trust Deed or not) all or any of the trusts, powers, authorities and discretions vested in it by this Trust Deed and any such delegation may be made upon such terms and conditions and subject to such regulations (including power to sub-delegate with the consent of the Trustee) as the Trustee may think fit in the interests of the Holders and the Trustee shall not be responsible for any loss, liability, expense, demand, cost, claim or proceedings incurred by reason of the misconduct, omission or default on the part of any such delegate or sub-delegate or be bound to supervise the proceedings or acts of any such delegate or sub-delegate provided that the Trustee shall not have permitted such delegate or sub-delegate to act after the Trustee had notice of any matter which would cause a reasonably prudent trustee to terminate the employment of such delegate or sub-delegate.
- 9.2.3 *Custodians and Nominees*: the Trustee may appoint and pay any person to act as a custodian or nominee on any terms in relation to such assets of the trust as the Trustee may determine, including for the purpose of depositing with a custodian this Trust Deed or the Paying Agency Agreement and the Trustee shall not be responsible for any loss, liability, expense, demand, cost, claim or proceedings incurred by reason of the misconduct, omission or default on the part of any person appointed by it hereunder or be bound to supervise the proceedings or acts of any such person provided that the Trustee shall not have permitted such person to act after the Trustee had notice of any matter which would cause a reasonably prudent trustee to terminate the employment of such person. The Trustee shall not be obliged to appoint a custodian if the Trustee invests in securities payable to bearer.
- 9.2.4 *Discretion of the Trustee*: save as expressly otherwise provided in this Trust Deed or in the Paying Agency Agreement, the Trustee shall have absolute and uncontrolled discretion as to the exercise or non-exercise of all discretions, trusts, authorities and powers vested in the Trustee by this Trust Deed and the Paying Agency Agreement or by operation of law (the exercise of which as between the Trustee and the Holders shall be conclusive and binding on the

Holder), and the Trustee shall not be responsible for any loss, liability, cost or expense that may result from the exercise or non-exercise thereof.

- 9.2.5 *Interests of the Retail Bondholders:* save in relation to instructions from the Retail Bondholders as contemplated in Condition 8 (*Events of Default*), and save in relation to any matter which the Trustee, in its sole discretion, believes affects only one Tranche of Retail Bonds, the Trustee shall not be obliged to act unless instructed to do so by a resolution of each and every Tranche of Retail Bonds. The Trustee shall, as regards all the powers, trusts, authorities, duties and discretions vested in it by this Trust Deed or the Paying Agency Agreement or by operation of law have regard to the interests of the Holders as a class and shall have no regard to the interests of the Retail Bondholders of either one Tranche of Retail Bonds or of individual Holders. None of the Holders shall have any claim against the Trustee for acting or refraining from acting as aforesaid.
- 9.2.6 *Tax Consequences for Individual Holders:* in connection with any proposed modification, waiver, authorisation or determination permitted by the terms of this Trust Deed or other exercise of its powers, the Trustee shall not have regard to the consequences thereof for individual Holders resulting from their being for any purpose domiciled or resident in, or otherwise connected with, or subject to, the jurisdiction of any particular territory.
- 9.2.7 *Determinations Conclusive:* the Trustee as between itself and the Holders shall have full power to determine all questions and doubts arising in relation to any of the provisions of this Trust Deed and the Paying Agency Agreement, and every such determination, whether made upon a question actually raised or implied in the acts or proceedings of the Trustee, shall in the absence of manifest error be conclusive and shall bind HKSAR Government and the Holders.
- 9.2.8 *Consent:* any consent or approval given by the Trustee for the purpose of this Trust Deed, the Retail Bonds (including the Conditions) or the Paying Agency Agreement may be given on such terms and subject to such conditions (if any) as the Trustee thinks fit and, notwithstanding anything to the contrary contained in this Trust Deed, the Paying Agency Agreement or the Conditions, may be given retrospectively.
- 9.2.9 *Remedy of Default:* the Trustee may determine whether or not a default in the performance by HKSAR Government of any obligation under the provisions of this Trust Deed or contained in the Retail Bonds or the Paying Agency Agreement is capable of remedy and, if the Trustee shall certify that any such default is in its opinion not capable of remedy, such certificate shall be conclusive and binding upon HKSAR Government and the Holders.
- 9.2.10 *Confidentiality:* the Trustee shall not (unless and to the extent ordered so to do by a court of competent jurisdiction) be required to disclose to any Holder or

any other person any confidential, financial, price-sensitive or other information made available to the Trustee by HKSAR Government or any other person in connection with this Trust Deed and no Holder or any other person shall be entitled to take any action to obtain from the Trustee any such information.

- 9.2.11 *Currency Conversion*: where it is necessary or desirable for any purpose in connection with this Trust Deed to convert any sum from one currency to another it shall (unless otherwise provided by this Trust Deed or required by law) be converted at such rate or rates, in accordance with such method and as at such date for the determination of such rate of exchange, as may be specified by the Trustee as being relevant and any rate, method and date so specified shall be binding on HKSAR Government and the Holders.
- 9.2.12 *Power to Remedy Failures*: if at any time HKSAR Government shall fail to comply with or perform any of the covenants contained in this Trust Deed (whether expressly or by incorporation) in favour of the Trustee, the Trustee shall have the power on behalf of or in the name of HKSAR Government or otherwise (but shall not be under any obligation) to take such steps which the Trustee may consider appropriate with a view to remedying or mitigating the consequences of such failure. HKSAR Government shall on demand reimburse the Trustee for all costs and expenses properly incurred or losses actually sustained by the Trustee in connection with such steps and until such costs, expenses and losses are reimbursed the outstanding sums shall carry interest in accordance with Clause 8.1.6(b) of Clause 8.1.6 (*Payment of Amounts Due*).
- 9.2.13 *Remuneration of Agents, Delegates and Sub-delegates, Custodians and Nominees*: notwithstanding anything in Clauses 9.2.1 (*Agents*), 9.2.2 (*Delegation*) and 9.2.3 (*Custodians and Nominees*), the Trustee shall not pay out of any funds which are the subject of the trust created under this Trust Deed or be entitled to be reimbursed for any remuneration paid to an agent, delegate, sub-delegate, custodian or nominee, in addition to payment of the Trustee's own remuneration, if the acts or functions performed by any such person are acts or functions for which the Trustee is, or is entitled to be, remunerated for acting as the Trustee in accordance with the Fee Letter (or any amendment or replacement thereof).

9.3 **Indemnities and Exculpatory Provisions**

- 9.3.1 *Right to Indemnity*: whenever the Trustee is bound by any provision of this Trust Deed or the Paying Agency Agreement or by operation of law to act at the request or direction of the Retail Bondholders, or any of them, the Trustee shall nevertheless not be so bound unless first indemnified and/or secured to its satisfaction against all actions, proceedings, claims and demands to which it may render itself liable and all costs and expenses which it may properly incur or actions, suits, claims and losses which may be sustained by it by so doing.

- 9.3.2 *Directions to Parties to the Transaction Documents:* whenever the Trustee is required or entitled by the terms of any Transaction Document to exercise any discretion or power, take any action, make any decision or give any direction (including, without limitation, the giving of any direction to any other party to the Transaction Documents) the Trustee will act only in the interests of the Holders. Prior to exercising any such discretion or power, taking any such action, making any such decision, or giving any such direction, the Trustee is entitled to seek directions from the Retail Bondholders of each Tranche of Retail Bonds by way of an Extraordinary Resolution of each such Tranche, respectively, and the Trustee is not responsible for any loss or liability incurred by any person as a result of any delay in it exercising such discretion or power, taking such action, making such decision, or giving such direction where the Trustee is seeking such directions.
- 9.3.3 *Resolution of the Retail Bondholders:* the Trustee shall not be liable for acting upon any resolution purporting to have been passed at any meeting of Retail Bondholders of either Tranche of Retail Bonds in respect whereof minutes have been made and signed or any Written Resolution purporting to have been signed by the Retail Bondholders of the relevant Tranche even though subsequent to its acting it may be found that there was some defect in the constitution of the meeting or the passing of the resolution or that for any reason the resolution was not valid or binding upon the Holders of such Tranche except in the case of manifest error.
- 9.3.4 *Application of Proceeds:* the Trustee shall not be responsible for the receipt or application by HKSAR Government of the proceeds of the issue of any of the Retail Bonds, the exchange of any Global Retail Bond for Definitive Retail Bonds or the delivery of any Retail Bond or RB Coupon to the persons entitled to them.
- 9.3.5 *Assumption of Due Performance:* the Trustee shall not be bound to take any steps to ascertain whether any event, condition or act, the happening of which would cause a right or remedy to become exercisable by the Trustee under this Trust Deed or by HKSAR Government under this Trust Deed or the Paying Agency Agreement has happened or to monitor or supervise the observance and performance by HKSAR Government or any of the other parties thereto of their respective obligations thereunder and, until it shall have actual knowledge or express notice to the contrary, the Trustee shall be entitled to assume that no such event, condition or act has happened and that HKSAR Government and each of the other parties thereto are observing and performing all their respective obligations thereunder.
- 9.3.6 *Reliance on Transaction Documents:* the Trustee shall not be responsible for:
- (a) *Operative Provisions:* recitals, statements, warranties or representations of any party (other than itself) contained in any Transaction Document

or other documents entered into in connection therewith and shall assume the accuracy and correctness thereof; or

- (b) *Validity of Documents*: the execution, legality, effectiveness, adequacy, genuineness, validity or enforceability or admissibility in evidence of any such agreement or other document or any security thereby constituted.

Notwithstanding the generality of the foregoing, each Holder shall be solely responsible for making its own independent appraisal of and investigation into the financial condition, creditworthiness, condition, affairs, status and nature of HKSAR Government, and the Trustee shall not at any time have any responsibility for the same and each Holder shall not rely on the Trustee in respect thereof.

- 9.3.7 *Error of Judgment*: the Trustee shall not be liable for any error of judgment made in good faith by any officer or employee of the Trustee assigned by the Trustee to administer its corporate trust matters.

- 9.3.8 *Calculations*: HKSAR Government acknowledges that it is responsible pursuant to the Conditions and the Paying Agency Agreement for determining (whether itself or by contracting with the Calculation Agent or any other person to do so), in respect of each Interest Payment Date, the Rate of Interest and the amount of principal paid on each Tranche of Retail Bonds in accordance with the provisions of the Conditions, and making all other calculations required by Condition 4 (*Interest*), and the Trustee is not responsible for such calculations or determinations nor is the Trustee responsible for or required to verify such calculations or determinations or to recalculate any such amounts.

- 9.3.9 *Indemnity for HKSAR Government Breach*: HKSAR Government shall as a separate covenant indemnify the Trustee on trust for the Holders and keep each of them indemnified against all costs and expenses which may be properly incurred or actions, suits, claims and losses sustained by any of them as a result of the breach or non-performance by HKSAR Government of any of its warranties, representations, covenants or undertakings herein contained.

9.4 **Financial Matters**

- 9.4.1 *Professional Charges*: any trustee being a banker, lawyer, broker or other person engaged in any profession or business shall be entitled to charge and be paid all usual professional and other charges for business transacted and acts done by him or his partner or firm on matters arising in connection with the trusts of this Trust Deed and also his properly incurred charges in addition to disbursements for all other work and business done and all time spent by him or his partner or firm on matters arising in connection with this Trust Deed,

including matters which might or should have been attended to in person by a trustee not being a banker, lawyer, broker or other professional person;

9.4.2 *Financial Transactions with Counterparties*: neither the Trustee nor any director or officer of any corporation being the Trustee hereof shall by reason of the fiduciary position of such Trustee be in any way precluded from making any contracts or entering into any transactions in the ordinary course of business with HKSAR Government or any party to any of the Transaction Documents, or any person or body corporate directly or indirectly associated with HKSAR Government or any party to any of the Transaction Documents, or from accepting the trusteeship of any other debenture stock, debentures or securities of HKSAR Government or any party to any of the Transaction Documents or any person or body corporate directly or indirectly associated with HKSAR Government or any party to any of the Transaction Documents, and neither the Trustee nor any such director or officer shall be accountable to the Holders or HKSAR Government or any party to any of the Transaction Documents, or any person or body corporate directly or indirectly associated with HKSAR Government or any party to any of the Transaction Documents, for any profit, fees, commissions, interest, discounts or share of brokerage earned, arising or resulting from any such contracts or transactions and the Trustee and any such director or officer shall also be at liberty to retain the same for its or his own benefit.

9.4.3 *Financial Liability*: no provision of this Trust Deed, the Retail Bonds or the Paying Agency Agreement shall require the Trustee to do anything which may be illegal or contrary to applicable law or regulation or expend or risk its own funds or otherwise incur any financial liability in the performance of any of its duties, or in the exercise of any of its rights or powers, if it shall have grounds for believing that repayment of such funds or adequate indemnity against such risk or liability is not assured to it and, without prejudice to the generality of the foregoing, nothing contained in this Trust Deed or the Paying Agency Agreement shall impose any obligation on the Trustee to borrow any moneys or to maintain, protect or preserve any moneys standing to the credit of any bank account held by HKSAR Government or the Trustee or any investment made pursuant to Clause 5.8 (*Nature of investments*).

9.5 **Trustee Liability**

None of the provisions in this Trust Deed or the Paying Agency Agreement shall in any case in which the Trustee has failed to show the degree of care and diligence required of it as trustee, having regard to the provisions of this Trust Deed and the Paying Agency Agreement conferring on the Trustee any powers, authorities or discretions, relieve or indemnify the Trustee against any liability for breach of trust or any liability which by virtue of any rule of law would otherwise attach to it in respect of its own negligence, misconduct or fraud in relation to its duties under this Trust Deed or the Paying Agency Agreement.

9.6 **Consequential Loss**

Notwithstanding any other term or provision of this Trust Deed, except in the case of fraud on the part of the Trustee, the Trustee shall not in any event or in any circumstances be liable for punitive damages or indirect or consequential loss or damages of any kind whatsoever (including but not limited to loss of profits), even if the Trustee is actually aware of the likelihood of such punitive damages or indirect or consequential loss or damages.

9.7 **Force Majeure**

Notwithstanding anything to the contrary in this Trust Deed or in the Paying Agency Agreement, the Trustee shall not in any event be liable for any failure or delay in the performance of its obligations hereunder if it is prevented from so performing its obligations by any existing or future law or regulation, any existing or future act of governmental authority, Act of God, flood, war (whether declared or undeclared), terrorism, riot, rebellion, civil commotion, strike, lockout, other industrial action, general failure of electricity or other supply, aircraft collision, accidental or mechanical or electrical breakdown, computer failure or failure of any money transmission system.

9.8 **Powers Additional**

The powers conferred upon the Trustee by this Trust Deed shall be in addition to any powers which may from time to time be vested in the Trustee by general law or as a holder of any of the Retail Bonds or RB Coupons. Without prejudice to the foregoing to the extent that a provision of any applicable law is inconsistent or incompatible with this Trust Deed, then to the maximum extent permitted by law, such provision shall be deemed to be expressly negated and/or modified by this Trust Deed.

9.9 **Trustee's Standard of Care**

The Trustee shall exercise all reasonable skill and care expected of a professional trustee in carrying out its duties and functions as Trustee under this Trust Deed, upon the terms and subject to the conditions of this Trust Deed.

9.10 **Representations of the Trustee**

The Trustee hereby represents and warrants to HKSAR Government as at the date hereof as follows:

- 9.10.1 the Trustee is duly constituted and validly existing under the laws of its jurisdiction of incorporation;
- 9.10.2 the Trustee has all necessary corporate powers, licences, permits, registrations and approvals for the performance of its obligations under those Transaction Documents to which it is party; and
- 9.10.3 the Trustee's obligations under those Transaction Documents to which it is party are legal, valid, binding and enforceable against it in accordance with

their respective terms, subject to (a) any limitations arising from insolvency, liquidation, composition, supervision or other laws which generally affect enforcement of creditors' rights, (b) the limitation on the enforceability of claims which are out of time, frustrated or held to constitute penalties or (c) the application of equitable or discretionary remedies.

10. **MODIFICATION AND WAIVER**

10.1 **Modification**

HKSAR Government and the Trustee may, without the vote or consent of any Retail Bondholder, amend this 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 Retail Bondholders of that Tranche, or (ii) surrendering any right or power conferred upon HKSAR Government in respect of this Trust Deed or the Retail Bonds 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 Retail Bondholder 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 Retail Bondholder of that Tranche. Any other modification to this Trust Deed shall be made in accordance with Condition 12 (*Meetings, Modification of Conditions and Waiver*).

10.2 **Waiver**

The Trustee may, subject to Condition 12 (*Meetings, Modification of Conditions and Waiver*), without the consent of the Retail Bondholders (or of the Retail Bondholders 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 this Trust Deed or the Retail Bonds (either generally or in relation to one 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 or, as the case may be, a Potential Event of Default which, in the opinion of the Trustee, is not materially prejudicial to the interests of the Retail Bondholders or, as the case may be, the Retail Bondholders of the relevant Tranche, 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 Retail Bondholders or, as the case may be, the Retail Bondholders of the relevant Tranche shall not be materially prejudiced thereby.

10.3 **Notice to Retail Bondholders**

Any such modification, waiver, authorization or determination shall be binding on all the Holders or, as the case may be, the Holders of the relevant Tranche and, unless the Trustee agrees otherwise, any such modification shall be notified by HKSAR

Government to the Retail Bondholders or, as the case may be, the Retail Bondholders of the relevant Tranche as soon as possible thereafter.

10.4 Resolutions affecting other Tranche of Retail Bonds

If, in the opinion of the Trustee, a resolution passed at a meeting of the Retail Bondholders of either 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 both Tranches to which the Affected Securities belong.

11. MEETINGS OF RETAIL BONDHOLDERS

The provisions of Schedule 4 (*Provisions for meetings of Retail Bondholders*) shall apply to meetings of Retail Bondholders.

12. APPOINTMENT AND REMOVAL OF TRUSTEE

12.1 Appointment of Trustee

The power of appointing new trustees shall be vested in HKSAR Government but no person shall be appointed who shall not previously have been approved by an Extraordinary Resolution of the Retail Bondholders. Any appointment of a new trustee or new trustees of this Trust Deed shall as soon as practicable thereafter be notified by HKSAR Government to the Agents, the Retail Bondholders and the Trustee. The Retail Bondholders shall together have the power, exercisable by Extraordinary Resolution, to remove any trustee or trustees for the time being of this Trust Deed. The removal of any trustee shall not become effective unless there remains a trustee of this Trust Deed in office after such removal.

12.2 Co-trustees

Notwithstanding the provisions of Clause 12.1 (*Appointment of Trustee*), the Trustee may, upon giving prior written notice to HKSAR Government but without the consent of HKSAR Government or the Holders, appoint any person established or resident in any jurisdiction to act either as a separate trustee or as a co-trustee jointly with the Trustee:

12.2.1 *Interests of Retail Bondholders*: if the Trustee considers such appointment to be in the interests of the Retail Bondholders; or

12.2.2 *Legal Requirements*: for the purposes of conforming to any legal requirements, restrictions or conditions in any jurisdiction in which any particular act or acts are to be performed; or

12.2.3 *Obtaining Judgment*: for the purposes of obtaining a judgment in any jurisdiction or the enforcement in any jurisdiction either of a judgment already obtained or of any Transaction Document.

12.3 **Attorneys**

HKSAR Government hereby irrevocably appoints the Trustee to be its attorney in its name and on its behalf to execute any such instrument of appointment of a separate or co-trustee pursuant to Clause 12.1 (*Appointment of Trustee*) or Clause 12.2 (*Co-trustees*). Such a person shall (subject always to the provisions of this Trust Deed) have such trusts, powers, authorities and discretions (not exceeding those conferred on the Trustee by this Trust Deed) and such duties and obligations as shall be conferred on such person or imposed by the instrument of appointment. The Trustee shall have power in like manner to remove any such person. Such proper remuneration as the Trustee may pay to any such person, together with any attributable costs, charges and expenses properly incurred by it in performing its function as such separate trustee or co-trustee, shall for the purposes of this Trust Deed be treated as costs, charges and expenses incurred by the Trustee.

12.4 **Retirement of Trustees**

Any trustee for the time being of this Trust Deed may retire at any time on giving not less than two (2) months' prior written notice to HKSAR Government without assigning any reason and without being responsible for any costs occasioned by such retirement. The retirement of any trustee of this Trust Deed will not be effective until a successor trustee of this Trust Deed has been appointed by HKSAR Government and approved by the Retail Bondholders of the Outstanding Retail Bonds in accordance with this Trust Deed. HKSAR Government hereby covenants that in the event of the only trustee of this Trust Deed giving notice under this Clause it shall use its best endeavours to procure a new trustee to be appointed and if HKSAR Government has not procured the appointment of a new trustee within 30 days of the expiry of the notice referred to in this Clause 12.4 (*Retirement of Trustees*), the Trustee shall be entitled to procure forthwith a new trustee.

12.5 **Competence of a majority of Trustees**

Whenever there shall be more than two trustees for the time being of this Trust Deed the majority of such trustees shall be competent to execute and exercise all the trusts, powers, authorities and discretions vested by this Trust Deed in the Trustee generally.

12.6 **Merger**

Any corporation into which the Trustee may be merged or converted or with which it may be consolidated, or any corporation resulting from any merger, conversion or consolidation to which the Trustee shall be a party, or any corporation succeeding to all or substantially all the corporate trust business of the Trustee, shall be the successor of the Trustee hereunder, provided that such corporation shall be otherwise qualified and eligible under this Trust Deed, without the execution or filing of any paper or any further act on the part of any of the parties hereto.

13. **NOTICES**

13.1 **Communications in Writing**

Each communication to be made under this Trust Deed shall be made in writing and, unless otherwise stated, shall be made by facsimile or letter.

13.2 **Deemed Delivery**

Any communication or document to be made or delivered by one person to another pursuant to this Trust Deed shall (unless that other person has by 15 days' written notice to such person specified another address) be made or delivered to that other person at the address identified with its signature below, and in each case shall be deemed to have been made or delivered (in the case of any communication made by letter) when left at that address during normal business hours on a Business Day (or on the next Business Day if not left during normal business hours on a Business Day) or (as the case may be) ten days after being deposited in the post postage prepaid in an envelope addressed to it at that address or (in the case of any communication made by facsimile transmission) when despatched.

14. **LAW AND JURISDICTION**

14.1 **Governing Law**

This Trust Deed is governed by, and shall be construed in accordance with, the laws of Hong Kong.

14.2 **Hong Kong courts**

The parties agree that the courts of Hong Kong have exclusive jurisdiction to settle any dispute arising out of or in connection with this Trust Deed or the Retail Bonds.

15. **PARTIAL INVALIDITY**

In case any provision in or obligation under this Trust Deed shall be invalid, illegal or unenforceable in any jurisdiction, the validity, legality and enforceability of the remaining provisions or obligations, or of such provision or obligation in any other jurisdiction, shall not in any way be affected or impaired thereby.

16. **COUNTERPARTS**

This Trust Deed may be executed in any number of counterparts, each of which shall be deemed an original.

17. **EXECUTION**

The parties have executed this Trust Deed as a deed and intend to deliver, and do deliver, this Trust Deed on the date stated at the beginning of this Trust Deed.

SCHEDULE 1

TERMS AND CONDITIONS OF THE RETAIL BONDS

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**" means the Hong Kong Special Administrative Region of the People's Republic of China;

"**Hong Kong dollars**" and "**HK\$**" denote the lawful currency for the time being of Hong Kong;

"**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 26 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 payable 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 to 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) *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.
- (f) *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.

SCHEDULE 2
PART A
FORM OF GLOBAL RETAIL BOND REPRESENTING TRANCHE A RETAIL BONDS

CMU Instrument No. : BCHKGB04001

**THE GOVERNMENT OF THE HONG KONG SPECIAL ADMINISTRATIVE
REGION**

GLOBAL RETAIL BOND

representing

Tranche A 2.13 per cent Retail Bonds due 2006

1. INTRODUCTION

This Tranche A Global Retail Bond is issued in respect of the Tranche A 2.13 per cent. Retail Bonds due 2006 (the "**Tranche A Retail Bonds**") of the Government of the Hong Kong Special Administrative Region ("**HKSAR Government**"). The Tranche A Retail Bonds are subject to, and have the benefit of, a trust deed dated 26 July 2004 (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 appointed trustee or trustees under the Trust Deed) and are the subject of a paying agency agreement dated 26 July 2004 (as amended or supplemented from time to time, the "**Paying Agency Agreement**") and made between HKSAR Government, the Trustee and Bank of China (Hong Kong) Limited as principal paying agent and calculation agent. Terms referred to herein, unless otherwise defined, shall have the respective meanings ascribed to them in the Trust Deed set out in the Exhibit hereto.

2. REFERENCES TO CONDITIONS

Any reference herein to the "**Conditions**" is to the terms and conditions of the Tranche A Retail Bonds attached hereto and any reference to a numbered "**Retail Bond Condition**" is to the correspondingly numbered provision thereof.

3. PROMISE TO PAY

HKSAR Government, for value received, promises to pay to the bearer of this Tranche A Global Retail Bond such principal sum equal to the aggregate principal amount of the credit entries in the securities accounts of the accountholders with the Central Moneymarkets Unit Service operated by the Monetary Authority (the "**CMU**") in respect of the Tranche A Retail Bonds on the Interest Payment Date falling in July 2006 or on such earlier date or dates as the same may become payable in accordance with the Conditions, and to pay interest on such principal sum in arrear on the dates

and at the rates specified in the Conditions, together with any additional amounts payable in accordance with the Conditions, all subject to and in accordance with the Conditions.

4. **NEGOTIABILITY**

This Tranche A Global Retail Bond is negotiable and, accordingly, title to this Tranche A Global Retail Bond shall pass by delivery.

5. **EXCHANGE**

This Tranche A Global Retail Bond will be exchanged, in whole but not in part only, for Tranche A Retail Bonds in definitive form ("**Tranche A Definitive Retail Bonds**") in substantially the form set out in Part A (*Form of Definitive Retail Bond Representing Tranche A Retail Bonds*) of Schedule 3 to the Trust Deed if either of the following events (each, an "**Exchange Event**") occurs:

5.1 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

5.2 any of the circumstances described in Condition 8 (*Events of Default*) occurs.

6. **WRITING DOWN**

On each occasion on which:

6.1 a payment of principal is made in respect of this Tranche A Global Retail Bond;

6.2 Tranche A Definitive Retail Bonds are delivered; or

6.3 Tranche A Retail Bonds represented by this Tranche A Global Retail Bond are to be cancelled in accordance with Condition 5 (*Redemption and Purchase*),

HKSAR Government shall procure that (a) the amount of such payment and the aggregate principal amount of such Tranche A Retail Bonds and (b) the remaining principal amount of this Tranche A Global Retail Bond (which shall be the previous principal amount hereof less the aggregate of the amounts referred to in (a) are noted in Appendix 1 (*Payments, Delivery of Definitive Retail Bonds and Cancellation of Retail Bonds*) hereto, whereupon the principal amount of this Tranche A Global Retail Bond shall for all purposes be as most recently so noted.

7. **PAYMENTS**

All payments in respect of this Tranche A Global Retail Bond shall be made:

7.1 if this Tranche A Global Retail Bond is held by or on behalf of the CMU, to the person(s) for whose account(s) interests in this Tranche A Global Retail

Bond are credited with being held in accordance with the agreements, rules and regulations governing the CMU (the "**CMU Rules**"); or

- 7.2 if this Tranche A Global Retail Bond is not held by or on behalf of the CMU, against presentation and (in the case of payment of principal in full with all interest accrued thereon) surrender of this Tranche A Global Retail Bond at the Specified Office of any Paying Agent,

and, in either case, shall be effective to satisfy and discharge the corresponding liabilities of HKSAR Government in respect of the Tranche A Retail Bonds. On each occasion on which a payment of interest is made in respect of this Tranche A Global Retail Bond, HKSAR Government shall procure that the same is noted in Appendix 1 (*Payments, Delivery of Definitive Retail Bonds and Cancellation of Retail Bonds*) hereto.

8. **CONDITIONS APPLY**

Until this Tranche A Global Retail Bond has been exchanged as provided herein or cancelled in accordance with the Paying Agency Agreement, the bearer of this Tranche A Global Retail Bond shall be subject to the Conditions and, subject as otherwise provided herein, shall be entitled to the same rights and benefits under the Conditions as if the bearer were the holder of Tranche A Definitive Retail Bonds (each in the denomination of HK\$50,000) and the related RB Coupons in an aggregate principal amount equal to the principal amount of this Tranche A Global Retail Bond.

9. **NOTICES**

Notwithstanding Condition 13 (*Notices*), while all the Tranche A Retail Bonds are represented by this Tranche A Global Retail Bond and this Tranche A Global Retail Bond is deposited with a sub-custodian for the CMU, notices to holders of the Tranche A Retail Bonds may be given by delivery of the relevant notice to the Paying Agents and the CMU Operator, and such notices shall be deemed to have been given to such holders in accordance with Condition 13 (*Notices*) on the date of such delivery; *provided, however, that*, so long as the Tranche A 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.

10. **AUTHENTICATION**

This Tranche A Global Retail Bond shall not be valid for any purpose until it has been authenticated for and on behalf of Bank of China (Hong Kong) Limited as principal paying agent.

11. **GOVERNING LAW**

This Tranche A Global Retail Bond is governed by, and shall be construed in accordance with, the laws of Hong Kong.

AS WITNESS the manual signature of a duly authorised person on behalf of HKSAR Government.

THE GOVERNMENT OF THE HONG KONG SPECIAL ADMINISTRATIVE REGION

By:

.....

(duly authorised)

ISSUED on 26 July 2004

AUTHENTICATED for and on behalf of
BANK OF CHINA (HONG KONG) LIMITED

as principal paying agent
without recourse, warranty or liability

By:

.....

(duly authorised)

APPENDIX 1
PAYMENTS, DELIVERY OF DEFINITIVE RETAIL BONDS AND CANCELLATION
OF RETAIL BONDS

Date of payment, delivery or cancellation	Amount of interest then paid	Amount of principal then paid	Principal amount of Tranche A Definitive Retail Bonds delivered	Aggregate principal amount of Tranche A Retail Bonds then cancelled	Remaining principal amount of this Tranche A Global Retail Bond	Authorised Signature

SCHEDULE 2
PART B
FORM OF GLOBAL RETAIL BOND REPRESENTING TRANCHE B RETAIL BONDS

CMU Instrument No. : BCHKGB04002

**THE GOVERNMENT OF THE HONG KONG SPECIAL ADMINISTRATIVE
REGION**

GLOBAL RETAIL BOND

representing

Tranche B 3.38 per cent. Retail Bonds due 2008

1. INTRODUCTION

This Tranche B Global Retail Bond is issued in respect of the Tranche B 3.38 per cent. Retail Bonds due 2008 (the "**Tranche B Retail Bonds**") of the Government of the Hong Kong Special Administrative Region ("**HKSAR Government**"). The Tranche B Retail Bonds are subject to, and have the benefit of, a trust deed dated 26 July 2004 (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 appointed trustee or trustees under the Trust Deed) and are the subject of a paying agency agreement dated 26 July 2004 (as amended or supplemented from time to time, the "**Paying Agency Agreement**") and made between HKSAR Government, the Trustee and Bank of China (Hong Kong) Limited as principal paying agent and calculation agent. Terms referred to herein, unless otherwise defined, shall have the respective meanings ascribed to them in the Trust Deed set out in the Exhibit hereto.

2. REFERENCES TO CONDITIONS

Any reference herein to the "**Conditions**" is to the terms and conditions of the Tranche B Retail Bonds attached hereto and any reference to a numbered "**Bond Condition**" is to the correspondingly numbered provision thereof.

3. PROMISE TO PAY

HKSAR Government, for value received, promises to pay to the bearer of this Tranche B Global Retail Bond such principal sum equal to the aggregate principal amount of the credit entries in the securities accounts of the accountholders with the Central Moneymarkets Unit Service operated by the Monetary Authority (the "**CMU**") in respect of the Tranche B Retail Bonds on the Interest Payment Date falling in July 2008 or on such earlier date or dates as the same may become payable in accordance with the Conditions, and to pay interest on such principal sum in arrear on the dates

and at the rates specified in the Conditions, together with any additional amounts payable in accordance with the Conditions, all subject to and in accordance with the Conditions.

4. **NEGOTIABILITY**

This Tranche B Global Retail Bond is negotiable and, accordingly, title to this Tranche B Global Retail Bond shall pass by delivery.

5. **EXCHANGE**

This Tranche B Global Retail Bond will be exchanged, in whole but not in part only, for Tranche B Retail Bonds in definitive form ("**Tranche B Definitive Retail Bonds**") in substantially the form set out in Part B (*Form of Definitive Retail Bond Representing Tranche B Retail Bonds*) of Schedule 3 to the Trust Deed if either of the following events (each, an "**Exchange Event**") occurs:

5.1 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

5.2 any of the circumstances described in Condition 8 (*Events of Default*) occurs.

6. **WRITING DOWN**

On each occasion on which:

6.1 a payment of principal is made in respect of this Tranche B Global Retail Bond;

6.2 Tranche B Definitive Retail Bonds are delivered; or

6.3 Tranche B Retail Bonds represented by this Tranche B Global Retail Bond are to be cancelled in accordance with Condition 5 (*Redemption and Purchase*),

HKSAR Government shall procure that (a) the amount of such payment and the aggregate principal amount of such Tranche B Retail Bonds and (b) the remaining principal amount of this Tranche B Global Retail Bond (which shall be the previous principal amount hereof less the aggregate of the amounts referred to in (a) are noted in Appendix 1 (*Payments, Delivery of Definitive Retail Bonds and Cancellation of Retail Bonds*) hereto, whereupon the principal amount of this Tranche B Global Retail Bond shall for all purposes be as most recently so noted.

7. **PAYMENTS**

All payments in respect of this Tranche B Global Retail Bond shall be made:

7.1 if this Tranche B Global Retail Bond is held by or on behalf of the CMU, to the person(s) for whose account(s) interests in this Tranche B Global Retail

Bond are credited with being held in accordance with the agreements, rules and regulations governing the CMU (the "**CMU Rules**"); or

- 7.2 if this Tranche B Global Retail Bond is not held by or on behalf of the CMU, against presentation and (in the case of payment of principal in full with all interest accrued thereon) surrender of this Tranche B Global Retail Bond at the Specified Office of any Paying Agent,

and, in either case, shall be effective to satisfy and discharge the corresponding liabilities of HKSAR Government in respect of the Tranche B Retail Bonds. On each occasion on which a payment of interest is made in respect of this Tranche B Global Retail Bond, HKSAR Government shall procure that the same is noted in Appendix 1 (*Payments, Delivery of Definitive Retail Bonds and Cancellation of Retail Bonds*) hereto.

8. **CONDITIONS APPLY**

Until this Tranche B Global Retail Bond has been exchanged as provided herein or cancelled in accordance with the Paying Agency Agreement, the bearer of this Tranche B Global Retail Bond shall be subject to the Conditions and, subject as otherwise provided herein, shall be entitled to the same rights and benefits under the Conditions as if the bearer were the holder of Tranche B Definitive Retail Bonds (each in the denomination of HK\$50,000) and the related RB Coupons in an aggregate principal amount equal to the principal amount of this Tranche B Global Retail Bond.

9. **NOTICES**

Notwithstanding Condition 13 (*Notices*), while all the Tranche B Retail Bonds are represented by this Tranche B Global Retail Bond and this Tranche B Global Retail Bond is deposited with a sub-custodian for the CMU, notices to holders of the Tranche B Retail Bonds may be given by delivery of the relevant notice to the Paying Agents and the CMU Operator, and such notices shall be deemed to have been given to such holders in accordance with Condition 13 (*Notices*) on the date of such delivery; *provided, however, that*, so long as the Tranche B 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.

10. **AUTHENTICATION**

This Tranche B Global Retail Bond shall not be valid for any purpose until it has been authenticated for and on behalf of Bank of China (Hong Kong) Limited as principal paying agent.

11. **GOVERNING LAW**

This Tranche B Global Retail Bond is governed by, and shall be construed in accordance with, the laws of Hong Kong.

AS WITNESS the manual signature of a duly authorised person on behalf of HKSAR Government.

THE GOVERNMENT OF THE HONG KONG SPECIAL ADMINISTRATIVE REGION

By:

.....

(duly authorised)

ISSUED on 26 July 2004

AUTHENTICATED for and on behalf of
BANK OF CHINA (HONG KONG) LIMITED

as principal paying agent
without recourse, warranty or liability

By:

.....

(duly authorised)

SCHEDULE 3

PART A

FORM OF DEFINITIVE RETAIL BOND REPRESENTING TRANCHE A RETAIL BONDS

Certificate No.: [serial number]

**THE GOVERNMENT OF THE HONG KONG SPECIAL ADMINISTRATIVE
REGION**

Tranche A 2.13 per cent. Retail Bonds due 2006

This Tranche A Definitive Retail Bond is one of a series of retail bonds (the "**Tranche A Retail Bonds**") in the denomination of HK\$50,000 and in the aggregate principal amount of HK\$2,550,000,000 issued by the Government of the Hong Kong Special Administrative Region ("**HKSAR Government**"). The Tranche A Retail Bonds are subject to, and have the benefit of, a trust deed dated 26 July 2004 (as amended or supplemented from time to time, the "**Trust Deed**") between HKSAR Government and Bank of China (Hong Kong) Trustees Limited (the "**Trustee**", which expression includes all persons for the time being appointed trustee or trustees under the Trust Deed) and are the subject of a paying agency agreement dated 26 July 2004 (as amended or supplemented from time to time, the "**Paying Agency Agreement**") and made between HKSAR Government, the Trustee and Bank of China (Hong Kong) Limited as principal paying agent and calculation agent.

HKSAR Government, for value received, promises to pay to the bearer the principal sum of

HK\$50,000

(HONG KONG DOLLARS FIFTY THOUSAND)

on the Interest Payment Date falling in July 2006, or on such earlier date or dates as the same may become payable in accordance with the conditions endorsed hereon (the "**Conditions**"), and to pay interest on such principal sum in arrear on the dates and at the rates specified in the Conditions, together with any additional amounts payable in accordance with the Conditions, all subject to and in accordance with the Conditions.

Interest is payable on the unpaid balance of the above principal sum at rates determined in accordance with the Conditions in arrear on the Interest Payment Dates (as defined in the Conditions) in each year, all subject to and in accordance with the Conditions.

This Tranche A Retail Bond and the interest coupons relating hereto shall not be valid for any purpose until this Tranche A Retail Bond has been authenticated for and on behalf of Bank of China (Hong Kong) Limited as principal paying agent.

AS WITNESS the facsimile signature of a duly authorised person on behalf of HKSAR Government.

**THE GOVERNMENT OF THE HONG KONG SPECIAL ADMINISTRATIVE
REGION**

By:

[facsimile signature]

(duly authorised)

ISSUED as of *[issue date]*

AUTHENTICATED for and on behalf of
BANK OF CHINA (HONG KONG) LIMITED

as principal paying agent

without recourse, warranty or liability

By:

[manual signature]

(duly authorised)

[On the reverse of the Tranche A Retail Bond:]

TERMS AND CONDITIONS OF THE RETAIL BONDS

[to be inserted from Part B of Schedule 2]

[At the foot of the Terms and Conditions:]

PRINCIPAL PAYING AGENT

BANK OF CHINA (HONG KONG) LIMITED

25/F

Bank of China Centre

Olympian Centre

11 Hoi Fai Road

West Kowloon

Hong Kong

SCHEDULE 3

PART B

FORM OF DEFINITIVE RETAIL BOND REPRESENTING TRANCHE B RETAIL BONDS

Certificate No.: [serial number]

**THE GOVERNMENT OF THE HONG KONG SPECIAL ADMINISTRATIVE
REGION**

Tranche B 3.38 per cent. Retail Bonds due 2008

This Tranche B Definitive Retail Bond is one of a series of retail bonds (the "**Tranche B Retail Bonds**") in the denomination of HK\$50,000 and in the aggregate principal amount of HK\$2,700,000,000 issued by the Government of the Hong Kong Special Administrative Region ("**HKSAR Government**"). The Tranche B Retail Bonds are subject to, and have the benefit of, a trust deed dated 26 July 2004 (as amended or supplemented from time to time, the "**Trust Deed**") between HKSAR Government and Bank of China (Hong Kong) Limited (the "**Trustee**", which expression includes all persons for the time being appointed trustee or trustees under the Trust Deed) and are the subject of a paying agency agreement dated 26 July 2004 (as amended or supplemented from time to time, the "**Paying Agency Agreement**") and made between HKSAR Government, the Trustee and Bank of China (Hong Kong) Limited as principal paying agent and calculation agent.

HKSAR Government, for value received, promises to pay to the bearer the principal sum of

HK\$50,000

(HONG KONG DOLLARS FIFTY THOUSAND)

on the Interest Payment Date falling in July 2008, or on such earlier date or dates as the same may become payable in accordance with the conditions endorsed hereon (the "**Conditions**"), and to pay interest on such principal sum in arrear on the dates and at the rates specified in the Conditions, together with any additional amounts payable in accordance with the Conditions, all subject to and in accordance with the Conditions.

Interest is payable on the unpaid balance of the above principal sum at rates determined in accordance with the Conditions in arrear on the Interest Payment Dates (as defined in the Conditions) in each year, all subject to and in accordance with the Conditions.

This Tranche B Retail Bond and the interest coupons relating hereto shall not be valid for any purpose until this Tranche B Retail Bond has been authenticated for and on behalf of Bank of China (Hong Kong) Limited as principal paying agent.

AS WITNESS the facsimile signature of a duly authorised person on behalf of HKSAR Government.

**THE GOVERNMENT OF THE HONG KONG SPECIAL ADMINISTRATIVE
REGION**

By:

[facsimile signature]

(duly authorised)

ISSUED as of *[issue date]*

AUTHENTICATED for and on behalf of

BANK OF CHINA (HONG KONG) LIMITED

as principal paying agent

without recourse, warranty or liability

By:

[manual signature]

(duly authorised)

[On the reverse of the Tranche B Retail Bond:]

TERMS AND CONDITIONS OF THE RETAIL BONDS

[to be inserted from Part B of Schedule 2]

[At the foot of the Terms and Conditions:]

PRINCIPAL PAYING AGENT

BANK OF CHINA (HONG KONG) LIMITED

25/F

Bank of China Centre

Olympian City

11 Hoi Fai Road

West Kowloon

Hong Kong

SCHEDULE 3
PART C
FORM OF RB COUPON

[On the face of the Coupon:]

Serial No. : [•]

THE GOVERNMENT OF THE HONG KONG SPECIAL ADMINISTRATIVE REGION

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

This RB Coupon relates to a Tranche [A/B] Retail Bond in the denomination of HK\$50,000.

RB Coupon for the amount of interest due on the Interest Payment Date falling in [January/July] [2006/2008].

Such amount is payable, subject to the terms and conditions (the "**Conditions**") endorsed on the Tranche [A/B] Retail Bond to which this RB Coupon relates (which are binding on the holder of this RB Coupon whether or not it is for the time being attached to such Tranche [A/B] Retail Bond), against presentation and surrender of this RB Coupon at the specified office for the time being of any of the agents shown on the reverse of this RB Coupon (or any successor or additional agents appointed from time to time in accordance with the Conditions).

The Tranche [A/B] Retail Bond to which this RB Coupon relates may, in certain circumstances specified in the Conditions, fall due for redemption before the maturity date of this RB Coupon. In such event, this RB Coupon shall become void and no payment will be made in respect hereof.

[On the reverse of the RB Coupon:]

Principal Paying Agent: Bank of China (Hong Kong) Limited, 25/F, Bank of China Centre, Olympian City, 11 Hoi Fai Road, West Kowloon, Hong Kong.

SCHEDULE 4

PROVISIONS FOR MEETINGS OF RETAIL BONDHOLDERS

1. Definitions

In this Trust Deed and the Conditions, the following expressions have the following meanings:

"Block Voting Instruction" means, in relation to any Meeting, a document in the English language issued by a Paying Agent:

- (a) certifying that certain specified Retail Bonds (each a **"Deposited Security"**) have been deposited with such Paying Agent (or to its order at a bank or other depository) or blocked in an account with a clearing system and will not be released until the earlier of:
 - (i) the conclusion of the Meeting; and
 - (ii) the surrender to such Paying Agent, not less than 48 hours before the time fixed for the Meeting (or, if the Meeting has been adjourned, the time fixed for its resumption) of the receipt for the Deposited Security and notification thereof by such Paying Agent to HKSAR Government and the Trustee; and
- (b) certifying that the depositor of each Deposited Security or a duly authorised person on its behalf has instructed the relevant Paying Agent that the votes attributable to such Deposited Securities are to be cast in a particular way on each resolution to be put to the Meeting and that, during the period of 48 hours before the time fixed for the Meeting, such instructions may not be amended or revoked;
- (c) listing the total number and (if in definitive form) the certificate numbers of the Deposited Securities, distinguishing for each resolution between those in respect of which instructions have been given to vote for, or against, the resolution; and
- (d) authorising a named individual or individuals to vote in respect of the Deposited Securities in accordance with such instructions;

"Chairman" means, in relation to any Meeting, the individual who takes the chair in accordance with paragraph 7 (*Chairman*);

"Extraordinary Resolution" means a resolution passed at a Meeting of the Retail Bondholders of a particular Tranche, duly convened and held in accordance with this Schedule, 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;

"**Meeting**" means a meeting of Retail Bondholders of a particular Tranche (including a meeting originally convened or resumed following an adjournment);

"**Proxy**" means, in relation to any Meeting, a person appointed to vote under a Block Voting Instruction other than:

- (a) any such person whose appointment has been revoked and in relation to whom the relevant Paying Agent has been notified in writing of such revocation by the time which is 48 hours before the time fixed for such Meeting; and
- (b) any such person appointed to vote at a Meeting which has been adjourned for want of a quorum and who has not been re-appointed to vote at the Meeting when it is resumed;

"**Reserved Matter**" means any of the following matters:

- (a) *Due Dates*: any change in 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;
- (b) *Amounts Payable*: any reduction in or cancellation of, or any change in the method of calculating, any amounts payable in respect of any Retail Bond;
- (c) *Provisions*: any change to any provision of any Retail Bond describing circumstances in which such Retail Bond may be declared due and payable prior to its stated maturity;
- (d) *Currency*: any change in the currency or place in which payment of interest or principal in respect of any Retail Bond is payable;
- (e) *Redemption*: any change to permit early redemption of any Retail Bond or, if early redemption is already permitted, to set a redemption date earlier than the date previously specified or the redemption price;
- (f) *Principal Amount*: any reduction in the percentage of the principal amount of any Outstanding Retail Bond the vote or consent of the Retail Bondholders of which is necessary to modify, amend or supplement the Trust Deed or the terms and conditions of the relevant Retail Bond 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) *Taxation*: any change in the obligation of HKSAR Government to pay additional amounts as provided in Condition 7 (*Taxation*);
- (h) *Governing Law*: any change in the governing law provisions of any Retail Bond;

- (i) *Courts*: any change in the courts the jurisdiction to which HKSAR Government has submitted in respect of actions or proceedings brought by any Holder based upon any Retail Bond;
- (j) *Exchange*: to effect any mandatory exchange or substitution of any of the Outstanding Retail Bonds for, or the conversion of any Outstanding Retail Bonds into, any other obligations or securities of HKSAR Government or any other person;
- (k) *Status*: any change in the status of any Retail Bonds as described in Condition 2 (*Status*); or
- (l) *Analogous Events*: an event which, in the absolute discretion of the Trustee, is analogous to the events set out in (a) to (k) above.

"**Voter**" means, in relation to any Meeting, the bearer of a Voting Certificate, a Proxy or the bearer of a definitive Retail Bond of the relevant Tranche who produces such definitive Retail Bond at the Meeting;

"**Voting Certificate**" means, in relation to any Meeting, a certificate in the English language issued by a Paying Agent and dated:

- (a) certifying that certain specified Retail Bonds (each a "**Deposited Security**") of the relevant Tranche have been deposited with such Paying Agent (or to its order at a bank or other depository) or blocked in an account with a clearing system and will not be released until the earlier of:
 - (i) the conclusion of the Meeting; and
 - (ii) the surrender of such certificate to such Paying Agent; and
- (b) stating that the bearer of such certificate is entitled to attend and vote at the Meeting in respect of the Deposited Security;

"**Written Resolution**" means, in relation to either Tranche of Retail Bonds, a resolution in writing signed by or on behalf of the Retail Bondholders of:

- (a) in the case of a Reserved Matter, not less than 75 per cent.; or
- (b) in the case of any other matter, not less than 66.67 per cent.

of the aggregate principal amount of the relevant Tranche of Retail Bonds then Outstanding, whether contained in one document or several documents in the same form, each signed by or on behalf of one or more Retail Bondholders of that Tranche;

"**24 hours**" means a period of 24 hours including all or part of a day (disregarding for this purpose the day upon which such Meeting is to be held) upon which banks are open for business in both the place where the relevant Meeting is to be held and in each of the places where the Paying Agents have their Specified Offices and such period shall be extended by one period or, to the extent necessary, more periods of 24 hours

until there is included as aforesaid all or part of a day upon which banks are open for business as aforesaid; and

"**48 hours**" means two (2) consecutive periods of 24 hours.

2. **Issue of Voting Certificates and Block Voting Instructions**

The holder of a Retail Bond may obtain a Voting Certificate from any Paying Agent or require any Paying Agent to issue a Block Voting Instruction by depositing such Retail Bond with such Paying Agent or arranging for such Retail Bond to be (to its satisfaction) held to its order or under its control or blocked in an account with a clearing system not later than 48 hours before the time fixed for the relevant Meeting. A Voting Certificate or Block Voting Instruction shall be valid until the release of the Deposited Security to which it relates. So long as a Voting Certificate or Block Voting Instruction is valid, the bearer thereof (in the case of a Voting Certificate) or any Proxy named therein (in the case of a Block Voting Instruction) shall be deemed to be the holder of the Retail Bonds to which it relates for all purposes in connection with the Meeting. A Voting Certificate and a Block Voting Instruction cannot be outstanding simultaneously in respect of the same Retail Bond.

3. **References to deposit/release of Retail Bonds**

Where Retail Bonds are within CMU or any other clearing system, references to the deposit, or release, of Retail Bonds shall be construed in accordance with the usual practices (including blocking the relevant account) of CMU or such other clearing system.

4. **Validity of Block Voting Instructions**

A Block Voting Instruction shall be valid only if deposited at the Specified Office of the relevant Paying Agent or at some other place approved by the Trustee, at least 24 hours before the time fixed for the relevant Meeting or the Chairman decides otherwise before the Meeting proceeds to business. If the Trustee requires, a notarised copy of each Block Voting Instruction and satisfactory proof of the identity of each Proxy named therein shall be produced at the Meeting, but the Trustee shall not be obliged to investigate the validity of any Block Voting Instruction or the authority of any Proxy.

5. **Meetings for each Class and Tranche**

Separate meetings of the Retail Bondholders of each Tranche of Retail Bonds shall be convened and held.

6. **Convening of Meetings**

HKSAR Government or the Trustee may convene a Meeting of the Retail Bondholders of a particular Tranche of Retail Bonds at any time, and the Trustee shall be obliged to do so subject to its being indemnified and/or secured to its satisfaction upon the request in writing (setting forth in reasonable detail the action proposed to be taken at the Meeting) of Retail Bondholders holding not less than one tenth of the aggregate principal amount of the Outstanding Retail Bonds of such Tranche. Every Meeting shall be held on a date, and at a time and place, approved by the Trustee.

7. **Notice**

At least 30 days' and not more than 60 days' notice (exclusive of the day on which the notice is given and of the day on which the relevant Meeting is to be held) specifying the date, time and place of the Meeting shall be given to the Retail Bondholders of the relevant Tranche and the Paying Agents with a copy to HKSAR Government where the Meeting is convened by the Trustee or, where the Meeting is convened by HKSAR Government, the Trustee. The notice shall set out the full text of any resolutions to be proposed unless the Trustee agrees that the notice shall instead specify the nature of the resolutions without including the full text and shall state that the Retail Bonds of the relevant Tranche may be deposited with, or to the order of, any Paying Agent for the purpose of obtaining Voting Certificates or appointing Proxies not later than 48 hours before the time fixed for the Meeting.

8. **Chairman**

An individual (who may, but need not, be a Retail Bondholder of the relevant Tranche) nominated in writing by the Trustee may take the chair at any Meeting but, if no such nomination is made or if the individual nominated is not present within 15 minutes after the time fixed for the Meeting, those present shall elect one of themselves to take the chair failing which, HKSAR Government may appoint a Chairman. The Chairman of an adjourned Meeting need not be the same person as was the Chairman of the original Meeting.

9. **Quorum**

- (a) Subject to paragraph (b) below, two or more Voters or Agents (if such Agents have been instructed by any depositor of a Deposited Security in accordance with paragraph 1(b) of the definition of "Block Voting Instruction" in paragraph 1 of this Schedule) present in person shall be a quorum for any Meeting, only if they represent the proportion of the Retail Bonds of the relevant Tranche shown by the table below.
- (b) The holder of a Global Retail Bond (unless such Global Retail Bond represents only one Retail Bond) shall be treated as two persons for the purposes of any quorum requirements of a Meeting of the relevant Tranche of Retail Bondholders.

Column 1	Column 2	Column 3
Purpose of Meeting	Required proportion of Retail Bonds of the same Tranche Outstanding	Required proportion of Retail Bonds of the same Tranche Outstanding
	<i>Any Meeting except for one referred to in Column 3</i>	<i>Meeting previously adjourned through want of quorum</i>

To pass an Extraordinary Resolution relating to a Reserved Matter	75 per cent.	25 per cent.
To pass any resolution other than one relating to a Reserved Matter	More than 50 per cent.	25 per cent.

10. **Adjournment for want of quorum**

If within 15 minutes after the time fixed for any Meeting a quorum is not present, then:

- (a) in the case of a Meeting requested by Retail Bondholders of the relevant Tranche of Retail Bonds, it shall be dissolved; and
- (b) in the case of any other Meeting (unless HKSAR Government and the Trustee otherwise agree), it shall be adjourned for such period (which shall be not less than 20 days and not more than 42 days) and to such place as the Chairman determines (with the approval of the Trustee); *provided, however, that:*
 - (i) the Meeting shall be dissolved if HKSAR Government and the Trustee together so decide; and
 - (ii) no Meeting may be adjourned more than once for want of a quorum.

11. **Adjourned Meeting**

The Chairman may, with the consent of, and shall if directed by, any Meeting adjourn such Meeting from time to time and from place to place, but no business shall be transacted at any adjourned Meeting except business which might lawfully have been transacted at the Meeting from which the adjournment took place.

12. **Notice following adjournment**

Paragraph 7 (*Notice*) shall apply to any Meeting which is to be resumed after adjournment for want of a quorum save that:

- (a) 10 days' notice (exclusive of the day on which the notice is given and of the day on which the Meeting is to be resumed) shall be sufficient; and
- (b) the notice shall specifically set out the quorum requirements which will apply when the Meeting resumes.

It shall not be necessary to give notice of the resumption of a Meeting which has been adjourned for any other reason.

13. **Participation**

The following may attend and speak at a Meeting:

- (a) Voters;
- (b) representatives of HKSAR Government and the Trustee;

- (c) the financial advisers of HKSAR Government and the Trustee;
- (d) the legal counsel to HKSAR Government and the legal counsel to the Trustee and any other advisers to either of them; and
- (e) any other person approved by the Meeting or the Trustee.

14. **Show of hands**

Every question submitted to a Meeting shall be decided in the first instance by a show of hands. Unless a poll is validly demanded before or at the time that the result is declared, the Chairman's declaration that on a show of hands a resolution has been passed, passed by a particular majority, rejected or rejected by a particular majority shall be conclusive, without proof of the number of votes cast for, or against, the resolution. Where there is only one Voter, this paragraph shall not apply and the resolution will immediately be decided by means of a poll.

15. **Poll**

A demand for a poll shall be valid if it is made by the Chairman, HKSAR Government, the Trustee or one or more Voters representing or holding not less than one fiftieth of the aggregate principal amount of, in the case of a Meeting of a Tranche of Retail Bonds, the Outstanding Retail Bonds of such Tranche. The poll may be taken immediately or after such adjournment as the Chairman directs, but any poll demanded on the election of the Chairman or on any question of adjournment shall be taken at the Meeting without adjournment. A valid demand for a poll shall not prevent the continuation of the relevant Meeting for any other business as the Chairman directs.

16. **Votes**

Every Voter shall have:

- (a) on a show of hands, one vote; and
- (b) on a poll, one vote in respect of each HK\$50,000 in aggregate face amount of the Outstanding Retail Bond(s) of the relevant Tranche represented or held by him.

Unless the terms of any Block Voting Instruction state otherwise, a Voter shall not be obliged to exercise all the votes to which he is entitled or to cast all the votes which he exercises in the same way. In the case of a voting tie the Chairman shall have a casting vote.

17. **Validity of Votes by Proxies**

Any vote by a Proxy in accordance with the relevant Block Voting Instruction shall be valid even if such Block Voting Instruction or any instruction pursuant to which it was given has been amended or revoked, provided that neither HKSAR Government, the Trustee nor the Chairman has been notified in writing of such amendment or revocation by the time which is 24 hours before the time fixed for the relevant Meeting. Unless revoked, any appointment of a Proxy under a Block Voting Instruction in relation to a Meeting shall remain in force in relation to any resumption

of such Meeting following an adjournment; *provided, however, that* no such appointment of a Proxy in relation to a Meeting originally convened which has been adjourned for want of a quorum shall remain in force in relation to such Meeting when it is resumed. Any person appointed to vote at such a Meeting must be re-appointed under a Block Voting Instruction to vote at the Meeting when it is resumed.

18. **Powers**

Subject to paragraph 20 (*Reserved Matter*) and paragraph 21 (*Resolutions Affecting Other Classes*), a Meeting of either Tranche of Retail Bonds shall have power (exercisable only by Extraordinary Resolution except where otherwise stated in the Transaction Documents), without prejudice to any other powers conferred on it or any other person, to do the following:

- (a) *Modifications*: assent to any modification of the provisions contained in this Trust Deed, the Retail Bonds (including the Conditions) or the Paying Agency Agreement which shall be proposed by HKSAR Government or the Trustee;
- (b) *Authorisation and Directions*: give any authority, sanction, directions or instructions which under the provisions of the Trust Deed, the Paying Agency Agreement or the Retail Bonds (including the Conditions) is required to be given by Extraordinary Resolution;
- (c) *Committee of Retail Bondholders*: appoint any persons (whether Retail Bondholders or not) as a committee or committees to represent the interests of the Retail Bondholders of such Tranche of Retail Bonds and to confer upon such committee or committees any powers or discretions which the Retail Bondholders of such Tranche of Retail Bonds could themselves exercise by Extraordinary Resolution;
- (d) *Change of Trustee*: in accordance with the provisions of Clause 12 (*Appointment and Removal of Trustee*) of this Trust Deed, approve a person to be appointed a trustee and have power to remove any trustee or trustees for the time being of this Trust Deed;
- (e) *Discharge and Exoneration*: discharge or exonerate the Trustee from all liability to Holders in respect of any act or omission for which the Trustee may have become responsible under this Trust Deed, the Paying Agency Agreement or under the Retail Bonds;
- (f) *Further Authorisation*: authorise the Trustee to concur in and execute and do all such deeds, instruments, acts and things as may be necessary to carry out and give effect to any Extraordinary Resolution;
- (g) *Exchange or Conversion*: sanction any scheme or proposal for the exchange or sale of the Retail Bonds of such Tranche; the conversion of any of the Retail Bonds of such Tranche; the cancellation of any of the Retail Bonds of such Tranche in consideration of notes, bonds, debentures and/or other obligations and/or securities of HKSAR Government or of any company formed or to be

formed, or for or into or in consideration of cash, or partly for or into or in consideration of such notes, bonds, debentures and/or other obligations and/or securities as aforesaid and partly for or into or in consideration of cash; and

- (h) *Instructions to Trustee*: instruct or advise the Trustee in connection with the exercise by the Trustee of any of its rights, powers or discretions under the Transaction Documents.

19. **Extraordinary Resolution binds all holders**

Subject to paragraph 21 (*Resolutions Affecting Other Classes*) below, an Extraordinary Resolution shall be binding upon all Retail Bondholders of the relevant Tranche of Retail Bonds and the holders of all RB Coupons relating to such Tranche, whether or not present at the relevant Meeting at which the same was passed, and each of the Retail Bondholders of such Tranche of Retail Bonds and the holders of all RB Coupons relating to such Tranche shall be bound to give effect to it accordingly. Notice of the result of every vote on an Extraordinary Resolution shall be given to the Retail Bondholders of the relevant Tranche of Retail Bonds and the Paying Agents (with a copy to HKSAR Government and the Trustee) within 14 days of the conclusion of the Meeting.

20. **Reserved Matter**

Notwithstanding paragraph 18 (*Powers*) above, any Reserved Matter must be sanctioned by an Extraordinary Resolution of the Retail Bondholders of each and every Tranche of Retail Bonds passed at separate Meetings of the Retail Bondholders of each Tranche for that purpose, in each case by a majority 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.

21. **Resolutions Affecting Other Classes**

Notwithstanding any of the other provisions of this Schedule 4 (*Provisions of Meetings of Retail Bondholders*), if, in the opinion of the Trustee, a resolution passed at a Meeting of the Retail Bondholders of either 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 both Tranches of Retail Bonds to which the Affected Securities belong.

22. **Minutes**

Minutes of all resolutions and proceedings at each Meeting shall be made. The Chairman shall sign the minutes, which shall be *prima facie* evidence of the proceedings recorded therein. Unless and until the contrary is proved, every such Meeting in respect of the proceedings of which minutes have been summarised and signed shall be deemed to have been duly convened and held and all resolutions passed or proceedings transacted at it to have been duly passed and transacted.

23. **Written Resolution**

A Written Resolution shall take effect as if it were an Extraordinary Resolution.

24. **Further regulations**

Subject to all other provisions contained in this Trust Deed, the Trustee may without the consent of HKSAR Government or the Holders prescribe such further regulations regarding the holding of Meetings and attendance and voting at them as the Trustee may in its sole discretion determine.

EXECUTION PAGE

SIGNED, SEALED AND DELIVERED)
by Martin Glass)
duly authorised on behalf of)
THE GOVERNMENT OF THE HONG KONG)
SPECIAL ADMINISTRATIVE REGION)
in the presence of:)

Martin Glass L.S.

Witness' Signature: ***Amy Cheung***

Name and address of Witness: Amy Cheung
30/F Jardine House
1 Connaught Place
Hong Kong

Address: The Treasury Branch
Financial Services and the Treasury Bureau
Central Government Offices
Lower Albert Road
Hong Kong

Facsimile No: 2523 5722

Attention: Deputy Secretary
For Financial Services and the Treasury (Treasury) (2)

THE COMMON SEAL OF)
BANK OF CHINA (HONG KONG))
TRUSTEES LIMITED)
was hereunto affixed in the presence of:)

Chiu Man Ming ***C.S.***
Law Man Wah

Director: Chiu Man Ming

Director/Secretary: Law Man Wah

Address: 17/F Bank of China Center
Olympian City
11 Hoi Fai Road
West Kowloon
Hong Kong

Facsimile No: 2526 7478

Attention: Ms. Wong Pik Sin/ Mr.Chan Hon Tim, Gary