How to Read Retail Bond Offering Documents

Before any subscription of retail bond, you should read the related offering documents to understand product nature, features and key risks associated with the product, etc. The offering documents of retail bond would be briefly introduced as below.

Programme circular (applicable to retail bonds issued by the Government of the Hong Kong Special Administrative Region of the People's Republic of China (the "HKSAR Government") under the relevant Issuance Programme[1])

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

The main contents of programme circular:

1. Summary of the retail bond issuances under the relevant Issuance Programme;

2. Important investment considerations;

3. The relevant Issuance Programme;

4. The green bond framework (if applicable);

5. The Infrastructure Bond Framework (if applicable);

6. Terms and conditions of the retail bond; and

[1] Including but not limited to Retail Bond Issuance Programme, Government Sustainable Bond Programme and Infrastructure Bond Programme

7. Defined terms used in the programme circular,etc.

Issue circular (applicable to retail bonds issued by the HKSAR Government under the relevant Issuance Programme[1])

The issue circular contains the final terms and conditions of the series of retail bond and must be read in conjunction with the programme circular (as amended or supplemented from time to time) relating to the relevant Issuance Programme (the programme circular). Full information on HKSAR Government, the relevant Issuance Programme and the retail bond issuance under the respective Issuance Programme is only available by reading both the issue circular and the programme circular.

The main contents of issue circular:

1. The issuance of the retail bond;

2. Important investment considerations;

3. Expected timetable for applying for retail bond;

4. How to apply the subscription of retail bond;

5. Holding retail bonds;

6. Dealing in retail bond and listing of retail bond (if applicable);

7. Restrictions on retail bonds transfer and early redemption of retail bonds (if applicable);

8. Frequently asked questions;

9. Application channels;

10. Defined terms used in the issue circular (if applicable); and

11. Personal information collection statement, etc.

Offering Memorandum (applicable to retail bond issued other than the HKSAR Government)

The offering memorandum contains the issuer information and describes the features of and the terms and conditions which apply to retail bond.

The main contents of offering memorandum:

1. Defined terms used in the offering memorandum;
2. Offering of the retail bond;
3. Important investment considerations;
4. Expected timetable for applying for the retail bond;
5. How to apply for the retail bond;
6. Holding the retail bond;
7. Dealing in, listing of the retail bond (if applicable);
8. Restrictions on retail bond transfer and early redemption of retail bond (if applicable);
9. Frequently asked questions;
10. Application channels;
11. Terms and conditions of the retail bond;
12. Risk factors;
13. Use of proceeds;
14. Issuer information; and
15. Personal information collection statement, etc.

Before making any decisions to apply for retail bond, you should read the relevant offering documents and ensure you have fully understood the risks associated with the product and selling restriction with respect to retail bond investment. If you are in any doubt about the contents of the Offering Memorandum, you should obtain independent professional advice.

In applying for the subscription of retail bond, you will be required to make a series of confirmations and acknowledgements, which are set out in the relevant offering document. Please read the relevant offering documents carefully before applying for any retail bond.

Benefits of using Personal Internet Banking and Shacom Bank mobile app

Flexible access to banking services

Personal Internet Banking and Shacom Bank mobile app allow customers to access banking services, such as checking account balance and transferring funds anytime and from anywhere without queuing. Customers may access banking services even after banks' business hours or when they are out of the town. It offers customers the ability to have a real-time access to their bank accounts, and make it easier to navigate transactions.

Enable online shelf-service

Personal Internet Banking and Shacom Bank mobile app offers various services such as bank statements, funds transfer and bill payments which allows customers to access banking services in one place.

Facilitate electronic transactions

Personal Internet Banking and Shacom Bank mobile app facilitate electronic or cashless transactions, provide a secure way for customers to manage their financial resources.

Promote paperless transactions

Personal Internet Banking and Shacom Bank mobile appservices promote paperless transactions in order to be more environmentally friendly. For example, customers may use online application form, instead of paper forms.

Customer may benefit from the lower cost

Personal Internet Banking and Shacom Bank mobile app can help the Bank saving operation costs and enhancing its operation efficiency. As return, Bank may adjust the charges and fees of some internet banking services, to encourage customers to use online banking services.

Common risks of internet banking and mobile app

Risk of identity theft

You may be exposed to the risks that criminals may obtain your personal information, such as name, ID number, credit card or bank account number for ill-gotten wealth.

Risk of being hacked or attacked

You may be exposed to cyber-attacks that bring cybersecurity risks; for example, (i) using keylogging software on the Internet to record the keystrokes, including URLs, usernames and passwords and then share such information to hackers without your knowledge, (ii) fraudulent email pretending the correspondent bank or other companies with good reputation, thereby tricking you into setting them up as beneficiaries of your accounts, allowing the money transfer to their accounts and (iii) posing as financial institutions to defraud through phishing email spam.

Risk of being compromised by malware

You may be at risk of being damaged by malicious software, such as viruses, worms, Trojan horses, keyloggers, and zombies. The criminals may damage your computer and/or misappropriate your data against with the vulnerabilities of the operating system.

Risk of revealing access passcodes to third parties or unauthorized use of access passcodes

Regarding the access passcode for online trading services, you acknowledge and understand that you are solely responsible for disclosing the access passcode to third parties or for unauthorized use of the access passcode. As long as an access passcode is used as the source of an instruction, the instruction is deemed to have been ordered by you, which is truly, complete, accurate and binding on you, no matter the instruction was actually issued by you. You should not provide your personal login account or password to a third party, and change your password regularly. In the event of any unauthorized use of your transaction or login password, you should notify the Bank immediately and you agree to bear all risks arising from any unauthorized use of your transaction or login password and will indemnify the Bank upon demand any losses, costs, expenses or claims you may suffer from any unauthorized use of your transaction or login password.

Risk of network malfunction

Due to transmission failure, interference, delayed transmission which caused communication congestion, inaccurate data transmission or any other reasons beyond the control of the Bank, which may result in the transmission, receipt or execution of relevant instructions errors or delays occur, including failure to execute an amendment that has been validly issued, execution of an original or unmodified instruction at the time of cancellation, failure to execute or delay of an order so that the transaction price is different from the price when the order was issued, and/ or unauthorized third parties may obtain communications and personal data.

Risk Disclosure：

- Investment involves risks. The following risk disclosure statement cannot disclose all the risks involved and does not take into account any circumstances that are unknown to the Bank. The price of investment products may go up or down, and may become valueless. It is as likely that losses will be incurred rather than profit made as a result of buying or selling investment products. Any past performance figures shown are not indicative of futures performance. Part of the investment may not be able to liquidate immediately under certain market situation. Customers should refer to relevant offering documents for detailed information, including but not limited to Risk Disclosures, prior to any investment subscription.
- The products described herein may not be suitable for all people. The decisions to invest are made by customers and customers should not invest in investment products unless the intermediary selling them has explained to them that the product is suitable for them having regard to customers' financial situation, investment experience and investment objectives. Customers should not make any investment decisions based on this document alone. Customers must make their own assessment of the information provided in this document. Customers should carefully consider whether any investment products or services mentioned herein are appropriate for them in view of their financial situations, investment experiences and investment objectives. If customers have any doubt about this material or any relevant offering document, they should consult their own independent advisers on the legal, regulatory, tax, investment and financial implications of the investments (including but not limited to estate duty and withholding tax and other tax obligations which may arise from local or foreign investment) as they deem appropriate to ensure that they understand the nature of the investments in order to consider whether the investments are suitable investments for them.
- This is an investment product. The investment decision is yours but you should not invest in this product unless the intermediary who sells it to you has explained to you that the product is suitable for you having regard to your financial situation, investment experience and investment objectives.
- This document can only be distributed in Hong Kong. If the distribution or use of this document is contrary to the laws or regulations of any jurisdiction or country, this document cannot be distributed or used by any person or legal person in that region or country.
- Investment Risk in Bonds: Bond investments are not bank deposits and involve risks, including the possible loss of the principal amount invested. Customers should be aware of the risk of exchange rate fluctuations for bonds denominated in non-local currency, which may cause a loss of principal. Unless specified, these investments are not guaranteed by the Bank. The prices of bonds fluctuate, sometimes dramatically. The price of a bond may go up or down and may become valueless. It is as likely that losses will be incurred rather than profit made as a result of subscribing and redeeming bonds. Investment involves risks. Any past performance figures shown are not indicative of future performance, which the Bank does not guarantee the existence of a secondary market for bonds. Part of the investment may not be able to liquidate immediately under certain market situation. Customers should refer to relevant bonds offering documents for detailed information, including but not limited to Risk Disclosures, prior to any bonds subscription.
- Investment risks of iBond/Silver Bond/Retail Green Bond: The iBond/Silver Bond/Retail Green Bond carry a floating rate of interest that is calculated other than by reference to prevailing Hong Kong dollar interest rates. The market value of your iBond/Retail Green Bond may decrease and return on your Silver Bond may be relatively lower if the prevailing Hong Kong dollar interest rates increase during the term of the iBond/Silver Bond/Retail Green Bond. The iBond/Silver Bond/Retail Green Bond carry a rate of interest that includes a component linked to the Composite Consumer Price Index. The market value of your iBond/Retail Green Bond and return on your Silver Bond may be affected by movements in the index. There may not be an active secondary market for your iBond/Retail Green Bond and it may not be possible to sell your iBond/Retail Green Bond prior to maturity or the sale price may be lower than the amount you invested. You cannot transfer your Silver Bond to any other person. There will be no secondary market for your Silver

Bond. If you wish to sell your Silver Bonds before maturity, you may only submit an early redemption request to your placing bank or designated securities broker. The iBond/Silver Bond/Retail Green Bond are not secured. When you buy iBond/Silver Bond/Retail Green Bond you will be relying on the creditworthiness of HKSAR Government. Adverse changes in the wider economic conditions in Hong Kong and the world and/or the creditworthiness of HKSAR Government may reduce the market value of the iBond/Retail Green Bond and may affect HKSAR Government's ability to make payments of principal of and interest on the iBond/Silver Bond/Retail Green Bond. In the worst case scenario, you could lose all of the investment. You can only hold iBond/Silver Bond/Retail Green Bond indirectly through certain institutions, whom you will have to rely on to perform a number of functions, including passing on payments of principal of and interest on your iBond/Silver Bond/Retail Green Bond to you and proving your interest in your iBond/Silver Bond/Retail Green Bond. The Hong Kong dollar value of retail green bonds denominated in a currency other than Hong Kong dollars will decrease if that currency depreciates against the Hong Kong dollar. The retail green bonds may not necessarily be a suitable investment if investors seek exposure to specific types of green assets. Although the proceeds of retail green bonds will be used to fund projects that fall under one or more of the "Eligible Categories" as set out in the Green Bond Framework, there is currently no market consensus on what precise attributes make a project "green". Adverse environmental and/or social impacts may also occur during the design, construction, commission and/or operation of such green projects. The retail bonds may not necessarily be a suitable investment if you seek exposure to specific types of infrastructure projects. While the proceeds of the retail bonds will be used to fund one or more of the "Eligible Projects" as defined in the Infrastructure Bond Framework, payments under the retail bonds are not linked to the performance of the relevant Eligible Project(s). The retail bonds are not secured by income from the Eligible Project(s) and you do not have any rights to the Eligible Project(s). HKSAR Government has the sole and absolute discretion to determine the allocation of the proceeds of retail bonds to the Eligible Project(s), which may be changed and/or updated from time to time.

- Investment risks of retail bond issued by Hong Kong Airport Authority ("HKAA Bonds"): Investment in the HKAA Bonds involves risks. The HKAA Bonds are investment products and an investment in the HKAA Bonds is not equivalent to a time deposit. The HKAA Bonds are not protected under the Hong Kong Deposit Protection Scheme nor guaranteed by the Government of Hong Kong's Exchange Fund. The pay-out under the HKAA Bonds is limited to the principal amount of the HKAA Bonds together with all interest payments payable during the tenor of the HKAA Bonds. If bondholders do not exercise their right to have their HKAA Bonds redeemed early on the next interest payment date, the market value of the HKAA Bonds and their ability to sell their HKAA Bonds in the secondary market will be subject to interest rate and/or liquidity risks in the period between interest payment dates. Bondholder's investment in the HKAA Bonds is subject to interest rate risk because the market value of a Hong Kong dollar fixed rate investment (including the HKAA Bonds) will generally decrease if the prevailing Hong Kong dollar interest rates increase during the tenor of the HKAA Bonds. Accordingly, the market value of the HKAA Bonds could be lower than the amount bondholder's invested. Bondholder's investment in the HKAA Bonds may be subject to liquidity risk because there may not be an active secondary market or any secondary market at all, and, accordingly, bondholders may not find a buyer for their HKAA Bonds. Although the HKAA Bonds will be listed and traded on the Hong Kong Stock Exchange, bondholders should be aware that this does not guarantee an active secondary trading market for the HKAA Bonds or that bondholders will have access to a firm bid price or a firm offer price for the HKAA Bonds, nor does it guarantee the ready availability of pricing information in relation to the HKAA Bonds. In addition, although the Airport Authority has appointed certain market makers to maintain a market in the HKAA Bonds, there may only be a limited trading market for the HKAA Bonds. Bondholders will have to rely on their placing bank, HKSCC or their securities broker (as the case may be) if they wish to sell their HKAA Bonds to a market maker. Bondholders investment in the HKAA Bonds is also subject to credit risk of default on the repayment of principal or any payment of interest. The credit rating

of the Airport Authority may not reflect the potential impact of all risks related to structure, market, other risk factors discussed herein, and other factors that may affect the value of the HKAA Bonds. If the Airport Authority becomes insolvent or defaults on its obligations under the HKAA Bonds, the Bondholders can only claim against the Airport Authority as an unsecured creditor. In the worst case scenario, bondholders could lose all of their investment. The HKAA Bonds will be represented by a global bond and no individual definitive HKAA Bonds will be issued to holder with respect to their holding of the HKAA Bonds. The HKAA Bonds are investment products. A potential investor should not invest in the HKAA Bonds unless they have the expertise (either alone or with the help of a financial adviser) to evaluate how the HKAA Bonds will perform under changing conditions, the resulting effects on the value of such HKAA Bonds and the impact this investment will have on the potential investor's overall investment portfolio. The terms and conditions of the HKAA Bonds contain provisions for calling meetings of bondholders to consider matters affecting their interests generally. These provisions permit defined majorities to bind all bondholders including bondholders who did not attend and vote at the relevant meeting and bondholders who voted in a manner contrary to the majority. The market price of the HKAA Bonds may be adversely affected by declines in the international financial markets and world economic conditions. If a bondholder exercises its put option, the Airport Authority will be required to redeem all or part of the HKAA Bonds held by such Bondholder. If such an event were to occur, the Airport Authority may not have sufficient cash in hand and may not be able to arrange financing to redeem the HKAA Bonds in time, or on acceptable terms, or at all. Failure to redeem the HKAA Bonds by the Airport Authority in such circumstances, would constitute an Event of Default, which may also constitute a default under the terms of other indebtedness of the Airport Authority or its subsidiaries. The terms and conditions of the HKAA Bonds are governed by the laws of Hong Kong. No assurance can be given as to the impact of any possible judicial decision or change to the laws of Hong Kong or administrative practice after the issue date of the HKAA Bonds. Investors should note that, upon listing of the HKAA Bonds on the Hong Kong Stock Exchange, your interest in the HKAA Bonds and any transactions in the HKAA Bonds you engage in may or may not be protected by the investor compensation fund.

- You may contact our staff for the product information of retail bonds/retail green bonds.
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