

OFFERING CIRCULAR. A copy of this document, which constitutes listing particulars with regard to the Bank in accordance with The Stock Exchange (Listing) Regulations 1984 made under the European Communities Act 1972, has been delivered for registration to the Registrar of Companies in England and Wales as required by Regulation 7(5) of those Regulations. The listing particulars have been approved by the Council of The Stock Exchange of the United Kingdom and the Republic of Ireland ("The Stock Exchange").



The Hongkong and Shanghai Banking Corporation

(Incorporated in Hong Kong with limited liability)

U.S.\$400,000,000

**PRIMARY CAPITAL UNDATED FLOATING RATE NOTES
(THIRD SERIES)**

HONGKONGBANK LIMITED

MORGAN GUARANTY LTD

LLOYDS MERCHANT BANK LIMITED

BANK OF CHINA

BANKERS TRUST INTERNATIONAL LIMITED

BARCLAYS DE ZOETE WEDD LIMITED

CHEMICAL BANK INTERNATIONAL GROUP

COUNTY NATWEST CAPITAL MARKETS

CREDIT SUISSE FIRST BOSTON LIMITED

DAIWA EUROPE LIMITED

GOLDMAN SACHS INTERNATIONAL CORP.

IBJ INTERNATIONAL LIMITED

LTCB INTERNATIONAL LIMITED

MITSUBISHI FINANCE INTERNATIONAL LIMITED

SAMUEL MONTAGU & Co. LIMITED

MORGAN STANLEY INTERNATIONAL

THE NIKKO SECURITIES Co., (EUROPE) LTD.

NIPPON CREDIT INTERNATIONAL (HK) LTD.

NOMURA INTERNATIONAL LIMITED

ORION ROYAL BANK LIMITED

SALOMON BROTHERS INTERNATIONAL LIMITED

SUMITOMO FINANCE INTERNATIONAL

SUMITOMO TRUST INTERNATIONAL LIMITED

SWISS BANK CORPORATION INTERNATIONAL
LIMITED

UNION BANK OF SWITZERLAND (SECURITIES)
LIMITED

S. G. WARBURG & Co. LTD.

YAMAICHI INTERNATIONAL (EUROPE) LIMITED

BANKAMERICA CAPITAL MARKETS GROUP

BANK OF TOKYO INTERNATIONAL LIMITED

BANQUE BRUXELLES LAMBERT S.A.

BANQUE NATIONALE DE PARIS

DAI-ICHI KANGYO INTERNATIONAL LIMITED

FIRST INTERSTATE CAPITAL MARKETS LIMITED

FUJI INTERNATIONAL FINANCE LIMITED

GIROZENTRALE UND BANK DER ÖSTERREICHISCHEN
SPARRKASSEN AKTIENGESELLSCHAFT

PRUDENTIAL-BACHE SECURITIES INTERNATIONAL

THE ROYAL BANK OF SCOTLAND PLC

SAITAMA INTERNATIONAL (HONG KONG) LIMITED

SANWA INTERNATIONAL LIMITED

TAKUGIN INTERNATIONAL (ASIA) LIMITED

TOKAI INTERNATIONAL LIMITED

TORONTO DOMINION INTERNATIONAL LIMITED

YOKOHAMA ASIA LIMITED

27th June, 1986

The U.S.\$400,000,000 Primary Capital Undated Floating Rate Notes (Third Series) (the "Notes") will bear no final maturity. The Notes may be redeemed at the option of The Hongkong and Shanghai Banking Corporation (the "Bank") at their principal amount in the event of certain changes affecting taxation on any Interest Payment Date (as hereafter defined) and otherwise on any Interest Payment Date falling after the fifth anniversary of the date of issue of the Notes.

The Notes will be unsecured obligations of the Bank and the rights of the Noteholders will be subordinated to the claims of Senior Creditors (as defined herein) ranking in point of subordination *pari passu* with the holders of the U.S.\$400,000,000 Primary Capital Undated Floating Rate Notes and U.S.\$400,000,000 Primary Capital Undated Floating Rate Notes (Second Series) of the Bank. Payments of principal and interest will be conditional upon the Bank being solvent at the time of payment by the Bank, and no principal or interest shall be payable in respect of the Notes except to the extent that the Bank could make such payment and still be solvent immediately thereafter.

Application has been made to the Council of The Stock Exchange for the Notes to be admitted to the Official List. Any such admission will be conditional upon the issue of the Global Note referred to below and the issue of the Notes may be cancelled if the Global Note is not so issued.

The Notes will be represented initially by a Global Note, without interest coupons, which will be deposited with a common depository for Morgan Guaranty Trust Company of New York, Brussels office, as operator of the Euro-clear System and for Cedel S.A. at the closing (which is expected to be on or about 9th July, 1986) and which will become exchangeable for definitive Notes, with interest coupons (and one talon for further coupons) attached, not earlier than the expiration of 90 days following completion of the distribution of the Notes, as determined by Morgan Guaranty Ltd, upon certification of non-United States beneficial ownership.

The Notes have not been and will not be registered under the Securities Act of 1933 of the United States of America and may not be offered or sold, directly or indirectly, in the United States or to any U.S. person as part of the distribution of the Notes (see "Subscription and Sale" below). Furthermore the Notes may not be offered in Hong Kong (except by persons permitted to do so under the securities laws of Hong Kong) otherwise than to persons whose business involves the acquisition and disposal, or the holding, of securities whether as principal or as agent.

At the close of business in London on 25th June, 1986 the mid-rate of exchange between the Hong Kong dollar and the United States dollar was U.S.\$1 = HK\$7.8100.

HON-HT 41 THE HONGKONG AND SHANGHAI BANKING HON
CORPORATION

(Incorporated in Hong Kong with limited liability)

U.S.\$400,000,000
PRIMARY CAPITAL UNDATED FLOATING RATE NOTES
(THIRD SERIES)

(the "Notes")

The issue price of the Notes is 100 per cent. of their principal amount and the minimum rate of interest is 5 per cent. per annum until July 1991

The Hongkong and Shanghai Banking Corporation (the "Bank") is the person responsible for the information contained in this document. To the best of the knowledge and belief of the Bank (which has taken all reasonable care to ensure that such is the case) the information contained in this document is in accordance with the facts and does not omit anything likely to affect the import of such information. The Bank accepts responsibility accordingly.

All references herein to "dollars", "\$" or "cents" are, unless the context otherwise requires, to the currency of the United States of America.

The Notes will be represented initially by a single temporary Global Note (the "Global Note") without interest coupons which will be deposited with a common depository for Morgan Guaranty Trust Company of New York, Brussels office, as operator of the Euro-clear System ("Euro-clear") and for Cedel S.A. on or about 9th July, 1986. Euro-clear or, as the case may be, Cedel S.A. will credit each subscriber with a principal amount of Notes equal to the principal amount thereof subscribed and paid for by such subscriber. The Global Note is expected to be exchangeable into definitive Notes in bearer form in the denomination of \$5,000 or \$100,000 with, at the date of issue, coupons (and one talon for further coupons) attached, not earlier than the date (the "Exchange Date") 90 days after the completion of the distribution of the Notes, as determined by Morgan Guaranty Ltd. On or after the Exchange Date, a holder of record of Notes may obtain definitive Notes upon presentation of a certificate that the beneficial owner is not a U.S. person (as defined in "Subscription and Sale" below). Any interest payable on the Global Note before the Exchange Date will be paid to Euro-clear or, as the case may be, Cedel S.A. which will credit to the account of a person entitled to receive a definitive Note (as shown by their respective records) the amount of interest due on that Note only upon receipt of a certificate to the effect that the beneficial owner of the Note is not a U.S. person.

Except as described herein in relation to Great Britain, no action has been or will be taken by the Bank or the Managers (as defined herein) that would permit a public offering of the Notes or the circulation or distribution of this document or any offering material in relation to the Bank or the Notes in any country or jurisdiction where action for that purpose is required.

The creation and issue of the Notes was authorised by a resolution of a duly authorised committee of the Board of Directors of the Bank passed on 23rd June, 1986.

TERMS AND CONDITIONS OF THE NOTES

The following, subject to alteration in the Trust Deed (as defined below), are the terms and conditions of the Notes substantially in the form in which they will appear on the Notes:—

The U.S. \$400,000,000 Primary Capital Undated Floating Rate Notes (Third Series) (the "Notes") issued by The Hongkong and Shanghai Banking Corporation (the "Bank") are constituted by a Trust Deed dated 9th July, 1986 (the "Trust Deed") made between the Bank and The Law Debenture Trust Corporation p.l.c. (the "Trustee", which expression shall wherever the context so admits include such company and all other persons or companies for the time being trustee or trustees thereof). The Trustee shall act as trustee for the holders of the Notes (the "Noteholders") in accordance with the provisions of the Trust Deed. Copies of the Trust Deed are available for inspection at the registered office for the time being of the Trustee (presently at Estates House, 66 Gresham Street, London EC2V 7HX) and at the specified offices of each of the Paying Agents referred to below. The Noteholders and the holders of the Coupons referred to below (the "Couponholders") are entitled to the benefit of, are bound by, and are deemed to have notice of all provisions contained in the Trust Deed.

1. Title and Denominations

Title to the Notes and to the Coupons and talon for further coupons appertaining thereto (together, where the context so permits, "Coupons") shall pass by delivery. The bearer of any Note and the bearer of any Coupon shall be deemed to be, and shall be treated as, the absolute owner thereof for the purpose of receiving payment thereof or on account thereof (notwithstanding any notice of ownership or writing thereon made by anyone) and for all other purposes whether or not such Note or Coupon shall be overdue.

The Notes, which are serially numbered, are being issued in the form of 2,800 bearer notes in the denomination of U.S.\$100,000 and 24,000 bearer notes in the denomination of U.S.\$5,000. Notes of one denomination will not be exchangeable for Notes of the other denomination.

2. Status and Subordination

The Notes and the Coupons constitute unsecured obligations of the Bank, conditional as described below, and rank *pari passu* without any preference among themselves.

The rights of the Noteholders and Couponholders are subordinated to the claims of Senior Creditors (as defined below) and accordingly payments of principal and interest are conditional upon the Bank being solvent at the time of payment by the Bank and no principal or interest shall be payable in respect of the Notes except to the extent that the Bank could make such payment and still be solvent immediately thereafter. For the purpose of this Condition the Bank shall be solvent if (i) it is able to pay its debts as they fall due and (ii) its Assets exceed its Liabilities (other than its Liabilities to persons who are not Senior Creditors). A report as to the solvency of the Bank by two Executive Directors of the Bank or (in certain circumstances as provided in the Trust Deed) the auditors of the Bank or (if the Bank is in winding-up in Hong Kong) its liquidator or (if the Bank is dissolved pursuant to The Hongkong and Shanghai Banking Corporation Ordinance and/or The Hongkong and Shanghai Bank Regulations each as in force from time to time (together the "Bank's Regulations")) the Board of Directors of the Bank, shall in the absence of proven error be treated and accepted by the Bank, the Trustee and the Noteholders and Couponholders as correct and sufficient evidence thereof. The Noteholders are creditors of the Bank whose claims rank in point of subordination *pari passu* with the claims of the holders of the U.S. \$400,000,000 Primary Capital Undated Floating Rate Notes and the U.S. \$400,000,000 Primary Capital Undated Floating Rate Notes (Second Series) of the Bank.

If at any time an order is made or an effective resolution is passed for the winding-up in Hong Kong of the Bank or the Bank is dissolved pursuant to the Bank's Regulations, there shall be payable in respect of the Notes and on the Coupons for Interest Payment Dates (as defined herein) falling prior to the date of commencement of the winding-up or dissolution (in lieu of any other payment), but subject as provided in this Condition, such amount, if any, as would have been payable to the holders thereof if, on the day prior to the commencement of the winding-up or dissolution and thereafter, such holders were the holders of preference shares in the capital of the Bank forming or being part of a class having a preferential right to a return of assets in the winding-up or dissolution over the holders of all other classes of shares for the time being in the capital of the Bank entitled to receive on a return of assets in such winding-up or dissolution (in the case of holders of Notes) an amount equal to the principal amount of the Notes together with interest (if any) accrued since the Interest Payment Date next preceding or coinciding with the commencement of such winding-up or dissolution and (in the case of the holders of such Coupons) the interest accrued to the relevant Interest Payment Date.

For the purposes of these Conditions, "Senior Creditors" means creditors of the Bank (i) who are depositors or other unsecured creditors of the Bank or (ii) whose claims are, or are expressed to be, subordinated (whether only in the event of the winding-up or dissolution of the Bank or otherwise) to the claims of depositors and other unsecured creditors of the Bank but not further or otherwise or (iii) who are other subordinated creditors of the Bank except those whose claims are expressed to rank *pari passu* with or junior to the claims of the Noteholders; "Assets" means the total assets of the Bank and "Liabilities" means the total liabilities of the Bank, all as shown by the latest published audited balance sheet of the Bank but adjusted for contingencies and for subsequent events, all valued in such manner as such Executive Directors, the auditors, the liquidator or the Board of Directors of the Bank (as the case may be) may determine.

N.B. The obligations of the Bank in respect of the Notes and the Coupons are conditional upon the Bank being solvent immediately before and after payment by the Bank. If this condition is not satisfied, any amounts which might otherwise have been allocated in or towards payment of principal and interest in respect of the Notes may be used to absorb losses.

3. Interest

(a) Period of Accrual of Interest and Coupons

The Notes bear interest from the Issue Date (which expression means 9th July, 1986 or, if payment to the Bank is deferred as permitted in the Subscription Agreement referred to below, such later date as shall be the date on which payment to the Bank is made, being not later than 23rd July, 1986). On issue, Coupons are attached hereto and interest payments shall be made against surrender of the appropriate Coupons in accordance with and subject to the provisions of Condition 5. After all the Coupons attached to or issued in respect of a Note have matured further Coupons and one further talon will (subject to Condition 8) be issued against presentation of the relevant talon. Interest on each Note shall cease to accrue from the date fixed for redemption thereof unless, upon due presentation, payment of principal is improperly withheld or refused or is not made by reason of Condition 2. After such date for redemption any unmatured Coupons (which expression shall mean Coupons maturing on Interest Payment Dates falling after such date for redemption but, for the avoidance of doubt, shall not include Coupons maturing on Interest Payment Dates falling on or before such date in respect of which interest has not been paid by the Bank) relating to such Note (whether or not attached thereto) shall become void.

(b) Interest Payment Dates, Interest Periods and Arrears of Interest

Interest on the Notes shall accrue from day to day and shall (subject to Condition 2) be payable on each Compulsory Interest Payment Date (as defined below) in respect of the interest accrued in the Interest Period (as defined below) ending on the day immediately preceding such date. On any Optional Interest Payment Date (as defined below) there may be paid (if the Bank so elects and gives not less than 30 days' notice of such election to the Noteholders in accordance with Condition 12) the interest accrued in the Interest Period ending on the day immediately preceding such date but the Bank shall not have any obligation to make such payment and any failure to pay shall not constitute a default by the Bank for any purpose. Any interest not paid on an Optional Interest Payment Date in respect of which the Bank has not so elected shall, so long as the same remains unpaid, constitute "Arrears of Interest". Arrears of Interest may at the option of the Bank be paid in whole or in part at any time upon the expiration of not less than seven days' notice to such effect given to the Noteholders in accordance with Condition 12, but all Arrears of Interest on all Notes outstanding shall (subject to Condition 2) become due in full on whichever is the earliest of (i) the date upon which a dividend is next paid on any class of share capital of the Bank, (ii) the date set for any redemption of any of the Notes pursuant to Condition 4(a) or 4(b) or (iii) the commencement of a winding-up or the dissolution of the Bank. If notice is given by the Bank of its intention to pay the whole or part of Arrears of Interest, the Bank shall be obliged (subject to Condition 2) to do so upon the expiration of such notice. Arrears of Interest shall not themselves bear interest.

For the purposes hereof the expressions following have the following meanings:—

"Interest Payment Date" means the date falling three months after the Issue Date and thereafter each date which falls three calendar months after the immediately preceding Interest Payment Date. 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 in the next calendar month. In the latter event the Interest Payment Date shall be the immediately preceding day which is a business day and each subsequent Interest Payment Date shall be the last business day of the third calendar month after the calendar month in which the preceding Interest Payment Date shall have fallen.

"Compulsory Interest Payment Date" means any Interest Payment Date if, in either of the two immediately preceding Interest Periods, any dividend has been declared or paid on any class of share capital of the Bank.

"Optional Interest Payment Date" means any Interest Payment Date other than a Compulsory Interest Payment Date.

"Interest Period" means the period from and including one Interest Payment Date (or the Issue Date) to but excluding the next (or first) Interest Payment Date.

"business day" means (but not for Condition 5 (b)) a day on which banks and foreign exchange markets are open for business in both London and New York City.

(c) Rate and Amount of Interest

The rate of interest from time to time payable in respect of the Notes (the "Rate of Interest") shall be determined by the Agent Bank (as described in Condition 3 (h) below) on the basis of the following provisions:—

- (i) On the second business day prior to the commencement of each Interest Period ("Interest Determination Date"), the Agent Bank will request the principal London offices of the Reference Banks (as described in Condition 3(h) below) to provide the Agent Bank with their bid and offered quotations to leading banks for deposits of U.S. dollars in the London inter-bank market for such Interest Period as at 11.00 a.m. (London time) on the Interest Determination Date in question. The Rate of Interest for such Interest Period shall, subject as provided below, be $\frac{3}{8}$ per cent. per annum above the average (rounded upwards if necessary to the nearest $\frac{1}{8}$ per cent.) of the mean of the bid and offered quotations of such Reference Banks.
- (ii) If on any Interest Determination Date only two or three of the Reference Banks provide the Agent Bank with such quotations, the Rate of Interest for the relevant Interest Period shall be determined in accordance with (i) above on the basis of the quotations of the Reference Banks providing such quotations.
- (iii) If on any Interest Determination Date fewer than two of the Reference Banks provide the Agent Bank with such quotations, the Rate of Interest for the relevant Interest Period shall, subject as provided below, be the Rate of Interest in effect on the last day of the immediately preceding Interest Period, provided that (1) if on any day during the relevant Interest Period prior to the seventh business day before the relevant Interest Payment Date the Agent Bank determines that at least two of the Reference Banks are quoting bid and offered rates for three-month U.S. dollar deposits to leading banks in the London inter-bank market, then the Agent Bank shall determine a new Rate of Interest (the "Substituted Rate") by application (*mutatis mutandis*) of the provisions set out in (i) or (ii) above, as the case may be, and (2) the Rate of Interest originally applicable to such Interest Period shall apply in respect of such Interest Period from and including the first day thereof up to but excluding the second business day after the day upon which the Substituted

Rate is determined and the Substituted Rate shall apply from and including such second business day up to but excluding the next Interest Payment Date.

- (iv) In no event shall the Rate of Interest for any Interest Period ending on or prior to 31st July, 1991 be less than 5 per cent. per annum.

(d) **Determination of Rate of Interest and Coupon Amounts**

The Agent Bank shall, as soon as practicable after each Interest Determination Date, determine and notify to the Bank, the Trustee and the Principal Paying Agent (as defined in the Trust Deed) (1) the Rate of Interest applicable to the Interest Period immediately succeeding such Interest Determination Date and (2) the dollar amount payable on presentation of each Coupon in respect of Notes of each denomination (the "Coupon Amounts") pertaining to such Interest Period. The Coupon Amounts shall be calculated by applying the Rate of Interest to the principal amount of one Note of each denomination, multiplying such sum by the actual number of days in the Interest Period divided by 360 and rounding the resultant figure to the nearest cent (half a cent being rounded upwards). The Agent Bank shall also, as soon as practicable after determining any Substituted Rate under Condition 3 (c)(iii) above, notify such rate to the Bank, the Trustee and the Principal Paying Agent and determine and so notify the revised Coupon Amounts for the relevant Interest Period.

(e) **Publication of Rate of Interest and Coupon Amounts**

The Agent Bank shall cause the Rate of Interest (and any Substituted Rate) and the Coupon Amounts (and any revised Coupon Amounts) for each Interest Period and the relevant Interest Payment Date to be notified to The Stock Exchange of the United Kingdom and the Republic of Ireland ("The Stock Exchange") so long as the Notes are listed thereon and to be published in accordance with Condition 12. The Coupon Amounts and Interest Payment Date so published may subsequently be amended with the consent of the Trustee (or appropriate alternative arrangements made with the consent of the Trustee by way of adjustment) without notice in the event of an extension or shortening of the Interest Period.

(f) **Determination or Calculation by Trustee**

If for any reason the Agent Bank does not at any time determine the Rate of Interest or the Coupon Amounts in accordance with Conditions 3(c) and (d) above, the Trustee shall determine the Rate of Interest at such rate as, in its absolute discretion (having such regard as it shall think fit to the procedure described in Condition 3(c) above), it thinks fit or, as the case may be, the Trustee shall calculate the Coupon Amounts in such manner as it shall deem fair and reasonable in all the circumstances and such determination or calculation shall be deemed to have been made by the Agent Bank.

(g) **Notifications to be final**

All notifications, opinions, determinations, certificates, calculations, quotations and decisions given, expressed, made or obtained for the purposes of the provisions summarised under this Condition 3, whether by the Reference Banks (or any of them), the Agent Bank or the Trustee, shall (in the absence of wilful default, bad faith or manifest error) be binding on the Bank, the Reference Banks, the Agent Bank, the Trustee, the Principal Paying Agent, the Paying Agents and all Noteholders and Couponholders and (subject as aforesaid) no liability to the Noteholders or Couponholders shall attach to the Reference Banks, the Agent Bank or the Trustee in connection with the exercise or non-exercise by them of their powers, duties and discretions.

(h) **Reference Banks and Agent Bank**

The Bank shall procure that so long as any of the Notes is outstanding (as defined in the Trust Deed) there shall at all times be four Reference Banks and an Agent Bank. The initial Reference Banks shall be the principal London office of each of Morgan Guaranty Trust Company of New York, Barclays Bank PLC, The Royal Bank of Canada and The Bank of Tokyo, Ltd. and the initial Agent Bank shall be Citibank, N.A. but the Bank may terminate the appointment of any of the Reference Banks or (with the prior approval of the Trustee) of the Agent Bank. In the event of the principal London office of any such bank being unable or unwilling to continue to act as a Reference Bank or of Citibank, N.A. being unable or unwilling to continue to act as Agent Bank, the Bank shall appoint such other bank as may be approved by the Trustee to act as such in its place. The Agent Bank may in addition resign its duties as such provided that neither the resignation nor the removal of the Agent Bank shall take effect until a successor approved by the Trustee has been appointed.

4. **Redemption**

The Bank shall not be at liberty to redeem the Notes except in accordance with the following provisions of this Condition:—

(a) **Redemption for Taxation Reasons**

If the Trustee is satisfied, immediately prior to the giving of notice to Noteholders hereinafter referred to, that on the occasion of the next payment due in respect of the Notes or Coupons the Bank would for reasons outside its control be required to pay additional amounts in accordance with Condition 6, the Bank may, on any Interest Payment Date, having given not more than 45 nor less than 30 days' notice to the Trustee and to the Noteholders in accordance with Condition 12, redeem all (but not some only) of the Notes at their principal amount together with all Arrears of Interest (if any). Upon the expiration of such notice the Bank shall be bound, subject to Condition 2, to redeem the Notes at their principal amount.

(b) **Optional Redemption**

On having given not more than 60 nor less than 30 days' notice to the Trustee and to the Noteholders in accordance with Condition 12 the Bank may redeem all or, from time to time, some of the Notes on any Interest Payment Date falling after the fifth anniversary of the Issue Date, in each case at their principal amount together with all Arrears of Interest (if any) in respect of all of the Notes. Upon the expiration of such notice the Bank shall be bound, subject to Condition 2, to redeem such Notes at their principal amount.

(c) **Purchases**

The Bank or any of its subsidiaries may at any time purchase Notes in the open market or by tender (available to all Noteholders alike) or by private treaty. In the case of purchases in the open market or by tender the price, exclusive of expenses and accrued interest, will not exceed the average of the middle market quotations of the Notes taken from The Stock Exchange Daily Official List for the 10 dealing days before the purchase is made or, in the case of a purchase through the open market, the market price, provided that it is not more than 5 per cent. above such average. In the case of purchases by private treaty the price, exclusive of expenses and accrued interest, will not exceed 105 per cent. of the middle market quotation of the Notes on The Stock Exchange (or, failing such quotation, by reference to such other quotation as may be agreed between the Bank and the Trustee) at the close of business on the last dealing day preceding the date of purchase. In each case purchases will be made together with all unexpired Coupons relating thereto. No purchases of Notes may be made by the Bank or any of its subsidiaries otherwise than in accordance with this paragraph (c).

(d) **Cancellation**

All Notes redeemed or purchased as aforesaid will be cancelled forthwith, together with all unexpired Coupons attached thereto or surrendered therewith, and may not be resold or re-issued.

(e) **Drawings**

In the case of a partial redemption pursuant to Condition 4(b) above, Notes to be redeemed will be selected individually by lot and otherwise in a manner approved by the Trustee not more than 75 days prior to the date fixed for redemption and a list of Notes called for redemption will be published in accordance with Condition 12 not more than 60 days nor less than 30 days prior to such date.

References in this Condition 4 to the purchase of Notes shall not include the purchase of Notes in the ordinary course of business of dealing in securities or the purchase of Notes otherwise than as beneficial owner.

5. **Payments**

(a) Payment of principal and interest in respect of Notes will (subject to Condition 2) be made against presentation and surrender of the relevant Note or Coupon at the specified office of any of the Paying Agents, by U.S. dollar cheque drawn on, or by transfer to a U.S. dollar account maintained by the payee with, a bank in New York City, subject in all cases to any fiscal or

other laws and regulations applicable to the Bank or the holder of the Note or Coupon in respect of such payment but without prejudice to the provisions of Condition 6. Without prejudice to the generality of the foregoing the Bank reserves the right to require any person receiving any payment in respect of a Note or a Coupon to provide a Paying Agent with such certification or information as may be required to satisfy any applicable requirements of the United States federal income tax laws. If any payment is to be made in respect of interest, the Interest Payment Date for which falls on or after the date on which the winding-up or dissolution of the Bank commences or occurs as the case may be, such payment shall be made only against presentation of the relevant Note, and the Coupon for any such Interest Payment Date shall be void. Each Note presented for redemption must be presented together with all unmatured Coupons appertaining thereto, failing which the Paying Agent to whom such Note is surrendered may require an indemnity in a form satisfactory to the Bank.

(b) If the date for payment of any amount of principal or interest in respect of any Note is not at any place of payment a business day, then the holder thereof shall not be entitled to payment at that place of payment of the amount payable until the next following day which is a business day at that place of payment and the holder shall not be entitled to any further interest or other payment in respect of any such delay. In this paragraph (b), "business day" means any day on which banks are open for business in the relevant place of payment and (in the case of payment by transfer to a U.S. dollar account as referred to in Condition 5(a)) on which dealings in foreign currency may be carried on both in New York City and in such place of payment.

(c) The initial Paying Agents and their initial specified offices are set out below. The Bank reserves the right, subject to the approval of the Trustee, at any time to vary or terminate the appointment of any Paying Agent and to appoint additional or other Paying Agents, provided that it will at all times maintain a Paying Agent having a specified office in Continental Europe and, so long as the Notes are listed on The Stock Exchange, a Paying Agent with a specified office in London. In addition, the Bank will, if so required by the Trustee, appoint a Paying Agent having a specified office in New York City if (i) the Bank shall have appointed Paying Agents outside the United States with the reasonable expectation that such Paying Agents would be able to make payment of the full amount of interest on the Notes (to persons so entitled under applicable local law) in U.S. dollars when due, (ii) payment of the full amount of such interest by all such Paying Agents is illegal or effectively precluded by exchange controls or other similar restrictions, (iii) the Bank does not within a reasonable period (as determined by the Trustee) appoint a Paying Agent in a jurisdiction where such payment is not illegal or so precluded and (iv) such payment is then permitted by United States law. Notice of any such termination or appointment and of any changes in the specified offices of the Paying Agents will be given to the Noteholders in accordance with Condition 12.

6. Taxation

All payments of principal and/or interest in respect of Notes shall be made without withholding or deduction for or on account of any present or future tax, duty or charge of whatsoever nature imposed or levied by or on behalf of Hong Kong, or any authority thereof or therein having power to tax, unless such withholding or deduction is required by law. In that event, the Bank shall pay such additional amounts as will result (after such withholding or deduction) in the receipt by the holders of the sums which would have been receivable (in the absence of such withholding or deduction) from it in respect of their Notes and/or, as the case may be, Coupons; except that no such additional amounts shall be payable with respect to any Note or Coupon presented for payment:—

- (a) by or on behalf of any holder liable to such tax, duty or charge in respect of such Note or Coupon by reason of such holder having some connection with Hong Kong other than the mere holding of such Note or Coupon; or
- (b) more than 30 days after the Relevant Date except to the extent that the holder thereof would have been entitled to such additional amounts on presenting the same for payment at the expiry of such period of 30 days.

The "Relevant Date" in respect of any payment means the date on which such payment first becomes due or (if the full amount of the moneys payable has not been duly received by the Principal Paying Agent or the Trustee on or prior to such due date) the date on which notice is given to the Noteholders that such moneys have been so received.

Any reference in these Conditions to the principal and/or interest in respect of the Notes shall be deemed to include a reference to any additional amounts which may be payable under this Condition 6 or under any obligations undertaken in addition thereto or in substitution therefor pursuant to the Trust Deed.

7. Events of Default and Enforcement

(a) If the Bank shall not make payment in respect of the Notes (in the case of any payment of principal) for a period of seven days or more after the due date for the same or (in the case of any payment of interest) for a period of 14 days or more after a Compulsory Interest Payment Date or any other date upon which the payment of interest is compulsory, the Trustee may institute proceedings in Hong Kong (but not elsewhere) for the winding-up of the Bank. For the purpose of this paragraph (a) only a payment shall be deemed to be due or compulsory even if the condition set out in Condition 2 is not satisfied.

(b) The Trustee shall not be bound to take the action referred to in Condition 7(a) to enforce the obligations of the Bank in respect of the Notes and Coupons unless (i) it shall have been so requested by an Extraordinary Resolution of the Noteholders or in writing by the holders of at least one-fifth in principal amount of the Notes then outstanding and (ii) it shall have been indemnified to its satisfaction.

(c) No Noteholder or Couponholder shall be entitled to proceed directly against the Bank unless the Trustee, having become bound so to proceed, fails to do so in which case the Noteholder or Couponholder shall have only such rights against the Bank as those which the Trustee is entitled to exercise. No Noteholder or Couponholder shall be entitled to institute proceedings for the winding-up or dissolution of the Bank, or to prove in any winding-up or dissolution of the Bank, except that if the Trustee, having become bound to proceed against the Bank as aforesaid, fails to do so, or, being able to prove in any winding-up or dissolution of the Bank, fails to do so, then any such holder may, on giving an indemnity satisfactory to the Trustee, in the name of the Trustee (but not otherwise), himself institute proceedings for the winding-up in Hong Kong (but not elsewhere) of the Bank and/or prove in any winding-up or dissolution of the Bank to the same extent (but not further or otherwise) that the Trustee would have been entitled so to do in respect of his Notes and Coupons. No remedy against the Bank, other than the institution of proceedings for the winding-up in Hong Kong of the Bank or the proving or claiming in any winding-up or dissolution of the Bank, shall be available to the Trustee or the Noteholders or Couponholders whether for the recovery of amounts owing in respect of the Notes or Coupons or under the Trust Deed or in respect of any breach by the Bank of any of its obligations under the Trust Deed or the Notes (other than for recovery of the Trustee's remuneration or expenses).

8. Prescription

Notes and Coupons (excluding for this purpose talons) will become void unless presented for payment within a period of 12 years in the case of Notes and six years in the case of Coupons respectively from the Relevant Date (as defined in Condition 6) relating thereto.

9. Indemnification of the Trustee

The Trust Deed contains provisions for the indemnification of the Trustee and for its relief from responsibility, including provisions relieving it from taking proceedings unless indemnified to its satisfaction. The Trustee is entitled to enter into business transactions with the Bank and/or any of its subsidiaries without accounting for any profit resulting therefrom.

10. Meetings of Noteholders, Modification, Waiver and Substitution of Principal Debtor

The Trust Deed contains provisions for convening meetings of Noteholders to consider any matter affecting their interests, including any modification of the terms and conditions of the Notes and the provisions of the Trust Deed, provided that certain provisions (including, *inter alia*, the terms concerning the currency and due dates of payment of principal or interest in respect

of the Notes and the principal amount of any Note and the provisions as to subordination referred to in Condition 2) may only be modified at a meeting of Noteholders for which special quorum provisions apply. Any Extraordinary Resolution duly passed at any such meeting shall be binding on all the Noteholders, whether present or not, and on all Couponholders.

The Trustee may agree, without the consent of the Noteholders or the Couponholders, to any modification (other than a modification for which a special quorum is required) of, or to any waiver or authorisation of any breach or proposed breach of, any provision of the Trust Deed which, in the opinion of the Trustee, is not materially prejudicial to the interests of the Noteholders or to any modification to correct a manifest error. Unless the Trustee agrees otherwise, any modification shall be notified to the Noteholders in accordance with Condition 12 as soon as practicable thereafter.

The Trustee may also agree, subject to such amendment of the Trust Deed and such other conditions as the Trustee may require, but without the consent of the Noteholders or the Couponholders, to the substitution, subject to the Notes and the Coupons being unconditionally and irrevocably guaranteed by the Bank on a subordinated basis equivalent to that mentioned in Condition 2, of a subsidiary of the Bank, any holding company of the Bank or any subsidiary of such holding company in place of the Bank as principal debtor under the Trust Deed, the Notes and the Coupons and so that the claims of the Noteholders and the Couponholders may, in the case of the substitution of a banking company (as so defined in the Trust Deed) in the place of the Bank, be subordinated to the rights of Senior Creditors (as defined in Condition 2, but with the substitution of references to that banking company in place of references to the Bank).

In the case of a substitution pursuant to this Condition 10 the Trustee may in its absolute discretion agree, without the consent of the Noteholders or Couponholders, to a change of the law governing the Notes, the Coupons and/or the Trust Deed provided that such change would not in the opinion of the Trustee be materially prejudicial to the interests of the Noteholders.

In connection with any proposed substitution as aforesaid, the Trustee shall not have regard to the consequences of such substitution for individual Noteholders resulting from their being for any purpose domiciled or resident in, or otherwise connected with, or subject to the jurisdiction of, any particular territory. No Noteholder or Couponholder shall, in connection with any such substitution, be entitled to claim from the Bank any indemnification or payment in respect of any tax consequence of any such substitution upon individual Noteholders or Couponholders except to the extent already provided for by Condition 6 (as from time to time amended).

For the purposes of this Condition 10 the terms "subsidiary" and "holding company" shall have the meanings respectively ascribed thereto by section 2 of the Companies Ordinance of Hong Kong in effect on the date hereof.

11. Replacement of Notes and Coupons

Should any Note or Coupon be lost, stolen, mutilated or destroyed it may be replaced at the specified office of the Principal Paying Agent (or such other place of which notice shall be given in accordance with Condition 12) upon payment by the claimant of the expenses incurred in connection therewith and on such terms as to evidence and indemnity as the Bank may reasonably require. Mutilated Notes or Coupons must be surrendered before replacements will be issued.

12. Notices

All notices regarding the Notes will be valid if published in one leading London daily newspaper or, if this is not practicable in the opinion of the Trustee, in one other leading English language daily newspaper which is approved by the Trustee with circulation in Europe. Any notice published in a newspaper as aforesaid shall be deemed to have been given on the date of such publication or, if published more than once, on the date of the first such publication. If publication is not practicable in any such newspaper as is mentioned above, notice will be valid if given in such other manner, and shall be deemed to have been given on such date, as the Bank and the Trustee shall determine.

It is expected that publication of notices will normally be made in the *Financial Times*.

13. Governing Law

The Trust Deed, the Notes and the Coupons are governed by and will be construed in accordance with English law.

THE HONGKONG BANK GROUP

The Bank and its subsidiaries are the 20th largest banking group in the world in terms of published capital and the 15th largest banking group by profitability (Euromoney Five Hundred, June 1986). It has an extensive international distribution of assets and branches covering the Far East, Australasia, the Middle East, India, North America and Europe with over 1,200 offices. As at 31st December, 1985 total group assets exceeded U.S.\$69 billion and the attributable group profit for the year then ended was U.S.\$348 million.

DIRECTORS OF THE BANK

The Directors of the Bank, each of whose address is 1 Queen's Road Central, Hong Kong if not otherwise stated, their functions within the Bank and their principal outside activities where significant to the HongkongBank Group are as follows:—

Name and Address	Function within the HongkongBank Group	Principal Outside Activity
Sir Michael Graham Ruddock Sandberg, CBE	Chairman	—
William Purves, DSO	Chief Executive and Deputy Chairman	—
Li Ka-shing	Non-Executive Deputy Chairman	Chairman and Managing Director, Cheung Kong (Holdings) Limited
Denys Eamonn Connolly	—	Chartered Accountant
Patrick Charles Samuel Deveson	—	Chairman, Inchcape (Hong Kong) Limited
Edward Walsh Duffy One Marine Midland Center, Buffalo, NY 14240, USA	Non-Executive Director, Marine Midland Banks, Inc.	—
Lydia Selina Dunn, CBE	—	Director, John Swire & Sons (H.K.) Limited
Robert Conmac Farrell 99 Bishopsgate, London EC2P 2LA, England	Executive Director Europe	—
Frank Riddell Frame	Executive Director and Group Legal Adviser	—
David Grand Jaques	Executive Director Banking	—
Simon Lindley Keswick	—	Chairman and Managing Director, Jardine Matheson Holdings Limited
James Wilson McKee, Jr. International Plaza, Englewood Cliff, New Jersey 07632, USA	Non-Executive Director, Marine Midland Banks, Inc.	Chairman, CPC International Inc.
Henry Michael Pearson Miles	—	Chairman, John Swire & Sons (H.K.) Limited
Charles Wilfrid Newton	—	Chairman, Mass Transit Railway Corporation
Alfred Ramsay Petrie, CBE 5 East 59th Street, New York, NY 10022, USA	Executive Director and Chief Executive Officer Americas	—
John Robert Petty 140 Broadway, New York, NY 10015, USA	Chairman of the Board and Chief Executive Officer, Marine Midland Banks, Inc.	—
Helmut Sohmen	—	Senior Vice Chairman, World-Wide Shipping Agency Limited
Jack Chi-Chien Tang, CBE	—	Chairman and Managing Director, South Sea Textile Manufacturing Co. Limited

USE OF PROCEEDS

The net proceeds of the issue, which are estimated to amount to \$398,550,000, will be employed in the international business of the Bank and its subsidiaries.

CAPITALISATION OF THE BANK AND ITS SUBSIDIARIES

Share and loan capital of the Bank and its subsidiaries as at 31st May, 1986, as adjusted for the Notes now being issued, are as follows:

SHARE CAPITAL

	HK\$
Authorised:	
Shares of HK\$2.50 each	12,000,000,000
Issued and fully paid:	
Shares of HK\$2.50 each	<u>9,437,561,825</u>

UNDATED AND OTHER LOAN CAPITAL

	HK\$ equivalent (note (b))
The Bank:	
\$400,000,000 Primary Capital Undated Floating Rate Notes	3,123,600,000
\$400,000,000 Primary Capital Undated Floating Rate Notes (Second Series)	3,123,600,000
\$400,000,000 Primary Capital Undated Floating Rate Notes (Third Series) (<i>now being issued</i>)	<u>3,123,600,000</u>
Marine Midland Banks, Inc. (note (a)):	
\$200,000,000 Floating Rate Subordinated Notes 2000	1,561,800,000
\$150,000,000 Floating Rate Subordinated Notes 2009	1,171,350,000
\$200,000,000 Secured Floating Rate Notes 1987	1,561,800,000
\$125,000,000 Floating Rate Subordinated Notes 1994	976,125,000
\$125,000,000 Floating Rate Subordinated Capital Notes 1996	976,125,000
\$14,082,000 5 per cent. Subordinated Convertible Debentures 1988	109,966,338
\$12,004,000 Secured Notes (at various rates between 4 ¼ per cent. and 11 per cent. and at prime plus 1 ½ per cent.) repayable between 1986 and 1995	93,739,236
Hongkong Bank of Canada:	
Can\$4,000,000 Secured Floating Rate Debentures 1988/90	22,680,000
Collyer Quay Properties Limited:	
Sing\$50,000,000 10 ¼ per cent. Guaranteed Bonds 1986/88	175,150,000
Concord International (Curaçao) N.V. (note (a)):	
FF1,248,000 11 per cent. Convertible Bonds 1987	1,320,072
Benteng Redevelopment Sdn. Bhd.:	
MYR9,000,000 9 and 9 ¼ per cent. Secured Loan Notes 1989/94	26,748,000
Sing\$3,000,000 9 per cent. Secured Loan Notes 1986/88	<u>10,509,000</u>
Total Loan Capital	<u>16,058,112,646</u>

NOTES:

- (a) Issued by the company referred to or a subsidiary of such company.
- (b) All amounts have been converted into Hong Kong dollars at the rates prevailing on 31st May, 1986.
- (c) Save for the Notes now being issued, there has been no material change in the Bank's share or loan capital since 31st May, 1986.
- (d) Intra-group borrowings have been excluded from the above table.
- (e) Except where indicated, the above loan capital is unsecured and unsubordinated.

HONG KONG TAXATION

The Bank has been advised that:—

- (a) Under the Inland Revenue Ordinance of Hong Kong, as currently applied, Hong Kong tax will not fall to be withheld from payments of principal of, or interest on, the Notes;
- (b) Under the Hong Kong Inland Revenue Ordinance, as currently applied, interest on the Notes will not be treated as receipts arising in or derived from Hong Kong for the purposes of Hong Kong profits tax, except in the case of interest received by or accrued to a financial institution, as defined in the Hong Kong Inland Revenue Ordinance, through or from the carrying on by such financial institution of its business in Hong Kong;
- (c) Hong Kong profits tax may be chargeable by reference to revenue profits arising on the sale, disposal or redemption of the Notes where such transactions are or form part of a trade, profession or business carried on in Hong Kong;
- (d) No Hong Kong estate duty will be payable under the Estate Duty Ordinance of Hong Kong, as currently applied, in respect of Notes and Coupons which are physically located outside Hong Kong at the date of the death of the holder thereof; and
- (e) The Notes are not subject to Hong Kong stamp duty under the Stamp Duty Ordinance of Hong Kong, as currently enacted.

SUBSCRIPTION AND SALE

HONGKONGBANK LIMITED

MORGAN GUARANTY LTD

LLOYDS MERCHANT BANK LIMITED

BANK OF CHINA
 BARCLAYS DE ZOETE WEDD LIMITED
 CREDIT SUISSE FIRST BOSTON LIMITED
 GOLDMAN SACHS INTERNATIONAL CORP.
 LTCB INTERNATIONAL LIMITED
 SAMUEL MONTAGU & CO. LIMITED
 NATWEST INVESTMENT BANK LIMITED
 NIPPON CREDIT INTERNATIONAL (HONG KONG) LIMITED
 ORION ROYAL BANK LIMITED
 SUMITOMO FINANCE INTERNATIONAL
 SWISS BANK CORPORATION INTERNATIONAL LIMITED
 S. G. WARBURG & CO. LTD.

BANKERS TRUST INTERNATIONAL LIMITED
 CHEMICAL BANK INTERNATIONAL LIMITED
 DAIWA EUROPE LIMITED
 IBJ INTERNATIONAL LIMITED
 MITSUBISHI FINANCE INTERNATIONAL LIMITED
 MORGAN STANLEY INTERNATIONAL
 THE NIKKO SECURITIES CO., (EUROPE) LTD.
 NOMURA INTERNATIONAL LIMITED
 SALOMON BROTHERS INTERNATIONAL LIMITED
 SUMITOMO TRUST INTERNATIONAL LIMITED
 UNION BANK OF SWITZERLAND (SECURITIES) LIMITED
 YAMAICHI INTERNATIONAL (EUROPE) LIMITED

BACHE SECURITIES (UK) INC.
 BANK OF TOKYO INTERNATIONAL LIMITED
 BANQUE NATIONALE DE PARIS
 FIRST INTERSTATE CAPITAL MARKETS LIMITED
 GIROZENTRALE UND BANK DER ÖSTERREICHISCHEN SPARKASSEN AKTIEGESELLSCHAFT
 SAITAMA INTERNATIONAL (HONG KONG) LIMITED
 TAKUGIN INTERNATIONAL (ASIA) LIMITED
 TORONTO DOMINION INTERNATIONAL LIMITED

BANK OF AMERICA INTERNATIONAL LIMITED
 BANQUE BRUXELLES LAMBERT S.A.
 DAI-ICHI KANGYO INTERNATIONAL LIMITED
 FUJI INTERNATIONAL FINANCE LIMITED
 THE ROYAL BANK OF SCOTLAND PLC
 SANWA INTERNATIONAL LIMITED
 TOKAI INTERNATIONAL LIMITED
 YOKOHAMA ASIA LIMITED

(the "Managers") have, pursuant to a Subscription Agreement dated 27th June, 1986, jointly and severally agreed with the Bank, subject to the satisfaction of certain conditions, to subscribe or procure subscribers for the Notes at 100 per cent. of their principal amount less a selling concession of 0.10 per cent. of their principal amount. The Bank has agreed to pay to the Managers a management and underwriting commission (calculated on the principal amount of the Notes) of 0.25 per cent. and to reimburse the Managers for certain of their expenses in connection with the issue of the Notes up to an amount of U.S.\$50,000. The Subscription Agreement entitles the Managers to be released and discharged from their obligations in respect of the subscription of the Notes in certain exceptional circumstances prior to payment to the Bank.

The Managers, on behalf of the Bank, have invited certain banks, brokers and dealers (the "Selling Group") to subscribe Notes at a price of 100 per cent. of the principal amount of the Notes less a selling concession of 0.10 per cent. of such principal amount.

The Notes have not been and will not be registered under the Securities Act of 1933 of the United States of America and they may not, as part of their distribution, be offered or sold, directly or indirectly, in the United States or to any U.S. person. Any offers or sales of any of the Notes in the United States or to U.S. persons prior to the expiration of 90 days after the distribution of the Notes has been completed, as determined by Morgan Guaranty Ltd, may violate United States law. Notwithstanding the expiration of such 90-day period, any offers or sales of Notes, directly or indirectly, in the United States or to U.S. persons must be made in compliance with the registration requirements of the Securities Act of 1933 or pursuant to an exemption therefrom, and the availability of any such exemption would depend upon the facts and circumstances existing at the time of such offers and sales. Neither the Bank nor any of the Managers makes any representation in respect of, or has assumed any responsibility for, the availability of any such exemption and neither the Bank nor any of the Managers makes any representation as to when, if at any time, the Notes may lawfully be sold in the United States or to U.S. persons.

Each Manager and each subscriber has represented that it is not purchasing any of the Notes for the account of any U.S. person and has further represented and agreed that it has not offered or sold and will not offer or sell directly or indirectly any Notes acquired by it in connection with the distribution thereof in the United States or to any U.S. person (except a member of the Selling Group in its capacity as a dealer) and has further agreed that it will not, as principal or agent, make any offers or sales of any Notes, otherwise acquired, directly or indirectly, in the United States or to any U.S. person prior to the expiration of 90 days after the distribution of the Notes has been completed, as determined by Morgan Guaranty Ltd.

Each Manager and each subscriber has further agreed that it will deliver to each dealer that purchases any Notes acquired by it a written confirmation setting forth the restrictions on offers and sales of the Notes in the United States or to U.S. persons. A complete description of the restrictions on offers and sales of the Notes in the United States or to U.S. persons is contained in the Selling Agreement.

As used herein "United States" means the United States of America, its possessions, territories and all areas subject to its jurisdiction; and "U.S. person" means any person who is a national or resident of the United States (including corporations, partnerships or any other entities created in or organised under the laws of the United States or any political subdivision thereof and any estate or trust which is subject to United States federal income taxation regardless of the source of its income).

Furthermore the Notes may not be offered in Hong Kong (except by persons permitted to do so under the securities laws of Hong Kong) otherwise than to persons whose business involves the acquisition and disposal, or the holding, of securities whether as principal or as agent.

In connection with the offering and issue of the Notes, the Managers may over-allot and effect transactions with a view to stabilising or maintaining the market price of the Notes at levels other than those which might otherwise prevail in the open

market. Such transactions may be effected in any over-the-counter market or otherwise and, if commenced, may be discontinued at any time.

LISTING AND GENERAL INFORMATION

1. The listing of the Notes on The Stock Exchange will be expressed as a percentage of their principal amount (excluding accrued interest). Transactions will normally be effected for settlement and delivery on the fifth dealing day after the date of the transaction. It is anticipated that permission for listing of the Notes will be granted on 8th July, 1986 subject to the issue of the Global Note.
2. The obligations of the Bank in respect of the Notes and the Coupons are conditional upon the Bank being solvent at the time of payment by the Bank. The terms and conditions of the Notes do not provide any remedy for non-payment of interest thereon so long as no dividend has been paid or declared in respect of any class of capital of the Bank in the two Interest Periods preceding the relevant Interest Payment Date (each as defined in Condition 3). In the event of the winding-up or dissolution of the Bank the right to claim for Arrears of Interest (as defined in Condition 3) may be limited by applicable insolvency law.
3. The Bank is constituted under The Hongkong and Shanghai Banking Corporation Ordinance and governed by such Ordinance and The Hongkong and Shanghai Bank Regulations (together the "Bank's Regulations"). The Bank may be dissolved under the Bank's Regulations and may be wound up under the Bank's Regulations and pursuant to the Banking Ordinance of Hong Kong.
4. There are no legal or arbitration proceedings pending or threatened against the Bank or any subsidiary of the Bank which may have or have had during the twelve months prior to the date hereof a significant effect on the financial position of the Bank and its subsidiaries taken as a whole.
5. There has been no significant change in the financial or trading position of the Bank and its subsidiaries and no material adverse change in the prospects of the Bank and its subsidiaries since 31st December, 1985.
6. The consolidated annual accounts of the Bank and its subsidiaries for the three financial years ended 31st December, 1985 were audited by Peat, Marwick, Mitchell & Co., Certified Public Accountants, Hong Kong, and Price Waterhouse, Certified Public Accountants, Hong Kong.
7. Copies of the audited Report and Accounts of the Bank for the year ended 31st December, 1985 and of these Listing Particulars are available until 11th July, 1986 (4th July, 1986 in the case of the Company Announcements Office of The Stock Exchange) from:—
 - (a) James Capel & Co., James Capel House, 6 Bevis Marks, London EC3V 7JQ;
 - (b) The Hongkong and Shanghai Banking Corporation, 99 Bishopsgate, London EC2P 2LA;
 - (c) Hongkong Bank Limited, Wardley House, 7 Devonshire Square, London EC2M 4HN;
 - (d) Morgan Guaranty Ltd, 30 Throgmorton Street, London EC2N 2NT;
 - (e) Citibank, N.A., Citibank House, 336 Strand, London WC2R 1HB; and
 - (f) The Company Announcements Office of The Stock Exchange.
8. Copies of the following documents are available for inspection during usual business hours on any weekday (Saturdays and public holidays excepted) at the offices of Norton, Rose, Botterell & Roche, Kempson House, Camomile Street, London EC3A 7AN, for a period of 14 days from the date hereof:—
 - (a) The Hongkong and Shanghai Banking Corporation Ordinance, The Hongkong and Shanghai Bank Regulations and the Banking Ordinance of Hong Kong;
 - (b) the Report and Accounts of the Bank for the years ended 31st December, 1984 and 31st December, 1985;
 - (c) the Subscription Agreement referred to above; and
 - (d) drafts (subject to modification) of the Trust Deed referred to above (including, *inter alia*, the forms of the Notes and the Global Note) and of the Agency Agreement (which are expected to be entered into on or about 9th July, 1986).

**SECRETARY AND HEAD OFFICE
OF THE BANK**

F. R. Frame,
1 Queen's Road Central,
Hong Kong

LEGAL ADVISERS

To the Bank

Norton, Rose, Botterell & Roche,
Kempson House,
Camomile Street,
London EC3A 7AN
(as to English Law)

Norton, Rose, Botterell & Roche,
(in association with Johnson, Stokes & Master)
11th Floor, Alexandra House,
16-20 Chater Road,
Hong Kong
(as to Hong Kong Law)

To the Managers and the Trustee

Slaughter and May,
35 Basinghall Street,
London EC2V 5DB
(as to English Law)

Slaughter and May,
27th Floor,
Two Exchange Square,
Hong Kong
(as to Hong Kong Law)

AUDITORS OF THE BANK

Peat, Marwick, Mitchell & Co.,
Certified Public Accountants
Prince's Building,
8th Floor,
GPO Box 50,
Hong Kong

Price Waterhouse,
Certified Public Accountants
Prince's Building,
22nd Floor,
GPO Box 690,
Hong Kong

TRUSTEE FOR THE NOTEHOLDERS

The Law Debenture Trust Corporation p.l.c.,
Estates House,
66 Gresham Street,
London EC2V 7HX

BROKERS

James Capel & Co.,
James Capel House,
6 Bevis Marks,
London EC3V 7JQ
and
The Stock Exchange

AGENT BANK AND PRINCIPAL PAYING AGENT

Citibank, N.A.,
Citibank House,
336 Strand,
London WC2R 1HB

PAYING AGENTS

Citibank, N.A.,
Avenue de Tervuren 249,
B-1150 Brussels

Citibank, N.A.,
Citicorp Centre,
18 Whitfield Road,
Causeway Bay,
Hong Kong

Citicorp Bank (Luxembourg) S.A.,
16 Avenue Marie-Thérèse,
Luxembourg

Citicorp Bank (Switzerland),
Bahnhofstrasse 63,
CH-8021,
Zurich

EURO-CLEAR NO.
17330

CEDEL NO.
116249