



# 中华人民共和国财政部

MINISTRY OF FINANCE PEOPLE'S REPUBLIC OF CHINA

**RMB5,500,000,000 Fixed Rate Bonds due 2014**

**Denomination: RMB10,000**

The Ministry of Finance of the People's Republic of China (the "**Ministry of Finance**") announced on 14 June 2012 that it is offering RMB5,500,000,000 fixed rate bonds due 2014 (the "**Bonds**"). The Bonds will constitute direct, unconditional, unsubordinated and unsecured obligations of the Central People's Government of the People's Republic of China (the "**Central People's Government**"). The full faith and credit of the Central People's Government will be pledged for the due and punctual payment of all principal and interest on the Bonds and for the due and timely performance of all obligations of the Central People's Government with respect to the Bonds. The Ministry of Finance will pay interest on the Bonds semi-annually in arrear on the interest payment dates on 19 January and 19 July of each year, beginning on 19 January 2013 and shall not redeem the Bonds prior to the maturity date, subject to the terms and conditions of the Bonds.

The Bonds will be listed on The Stock Exchange of Hong Kong Limited (the "**Hong Kong Stock Exchange**"). The Bonds will be issued in bearer form and represented by a global bond held in the Central Moneymarkets Unit Services ("**CMU**") operated by the Hong Kong Monetary Authority (the "**HKMA**"). See the section headed "Description of the Bonds" for further details.

*Joint Coordinators*



*Joint Lead Managers and Joint Bookrunners*



*Placing Banks*

Bank of China (Hong Kong) Limited	Bank of Communications Co., Ltd. Hong Kong Branch	The Bank of East Asia, Limited
China Construction Bank (Asia) Corporation Limited	Chiyu Banking Corporation Limited	Chong Hing Bank Limited
Citibank (Hong Kong) Limited	CITIC Bank International Limited	Dah Sing Bank, Limited
DBS Bank (Hong Kong) Limited	Fubon Bank (Hong Kong) Limited	Hang Seng Bank Limited
The Hongkong and Shanghai Banking Corporation Limited	Industrial and Commercial Bank of China (Asia) Limited	Nanyang Commercial Bank, Limited
Shanghai Commercial Bank Limited	Standard Chartered Bank (Hong Kong) Limited	Wing Hang Bank, Limited
	Wing Lung Bank Limited	

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### **IMPORTANT**

*You must read and fully understand the contents of this selling manual before subscription. The Bonds are issued by the Ministry of Finance, with the full faith and credit of the Central People's Government being pledged for their performance, and are not secured. If you are in doubt as to any aspect of this offer, you should consult a licensed securities dealer, bank manager, solicitor, certified public accountant or other professional adviser.*

*The Bonds carry a fixed interest rate. The market prices of the Bonds may decrease if Renminbi interest rates increase during the term of the Bonds. Under this situation, you may incur a loss from the decrease in the market price if you sell the Bonds before final maturity.*

*You will hold your interests in the Bonds through your placing bank, through Hong Kong Securities Clearing Company Limited ("**HKSCC**") directly or through your securities broker. You will have to rely on your placing bank, HKSCC or your securities broker to credit your account with principal and interest on the Bonds. Any notices (if any) the Ministry of Finance gives after the issuance of the Bonds will be given through CMU, and you will have to rely on your placing bank, HKSCC or your securities broker to ensure that such notices reach you.*

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## SUMMARY OFFERING TERMS

*This summary of offering terms highlights information contained elsewhere in this selling manual. It is not complete and does not contain all the information that you should consider before investing in the Bonds. You should read this entire selling manual. If necessary, you may inspect the terms and conditions of the Bonds set out in the fiscal agency agreement and the documents referred to on page 11 carefully at the specified office of the fiscal agent.*

Issuer .....	The Ministry of Finance of the People's Republic of China.
Bonds offered .....	RMB5,500,000,000 Fixed Rate Bonds due 2014.
Subscription period .....	9:00 a.m., 29 June 2012 to 2:00 p.m., 13 July 2012.
Issue date .....	19 July 2012. The Ministry of Finance may decide to close the offer early, or allow more time, without prior notice. The issue date, interest payment dates and maturity date may change accordingly. If these dates are changed, the Ministry of Finance will inform you by notice. The Ministry of Finance also reserves the right to cancel the offer of the Bonds at any time on or before the scheduled issue date.
Maturity date .....	The interest payment date falling on or nearest to July 2014, currently expected to be 19 July 2014. This is the date the Ministry of Finance will repay 100% of the principal amount of the Bonds. The Ministry of Finance will not repay the principal amount of the Bonds before the maturity date.
Subscription price .....	100% of the principal amount.
Interest rate .....	The interest rate for the Bonds will be a fixed rate to be announced by the Ministry of Finance on or about 28 June 2012 (which announcement will be available on the website of the Ministry of Finance: <a href="http://www.mof.gov.cn">http://www.mof.gov.cn</a> ). A notice setting out the interest rate will also be published in South China Morning Post (in English) and Hong Kong Economic Journal (in Chinese) in Hong Kong on or about 29 June 2012. Such notice shall be read together with, and is deemed to be incorporated by reference into and forms part of, this selling manual, and will be available on display at the placing banks during the subscription period.
Interest payment dates .....	Semi-annually in arrear on 19 January and 19 July of each year, beginning on 19 January 2013. If any of the dates on which the Ministry of Finance should pay interest is not a business day in Hong Kong or Beijing, the relevant interest payment date will be postponed to the next day which is a business day in both Hong Kong and Beijing unless the next business day would thereby fall into the next calendar month, in which event the relevant interest payment date will be brought forward to the immediately preceding business day.
Ranking .....	The Bonds will rank equally with all other direct, unconditional, unsubordinated and unsecured obligations of the Central People's Government. The Central People's Government will pledge its full faith and credit for the due and punctual payment of the Bonds and for the due and timely performance of all obligations of the Central People's Government with respect to the Bonds.

Handling fee .....	0.15%
	This is the fee you pay to the placing bank when you submit your application, calculated as a percentage of the subscription amount for the Bonds you purchase, unless otherwise waived or reduced by the placing bank you choose. It is in addition to the subscription price you pay to the Ministry of Finance.
Listing .....	The Bonds will be listed on the Hong Kong Stock Exchange. The listing date is expected to be the Hong Kong business day following the issue date of the Bonds, i.e. after the completion of the subscription period.
Denomination, minimum purchase and transfer amount.....	The denomination of the Bonds is RMB10,000 and you may purchase or transfer Bonds in RMB10,000 or integral multiples of RMB10,000.
Form.....	The Bonds will initially be represented by a global bond in bearer form without interest coupons, held in CMU operated by the HKMA. A sub-custodian nominated by the HKMA, as the CMU operator, is the legal holder of the Bonds.
Clearance and settlement.....	Beneficial interests in the Bonds will be only shown on, and transfers thereof will be effected only through, records maintained by CMU and its participants. On the issue date of the Bonds, your placing bank through which you subscribe for the Bonds will arrange to hold the Bonds for you in an account at CMU (either such placing bank's own account or the account of its direct or indirect custodian with CMU). Transfer of interests after the issue date in the Bonds may be effected through your placing bank, HKSCC or your securities broker.
Payment of principal and interest and delivery of notices .....	Principal and interest on the Bonds will be payable in Renminbi. As long as any Bonds are in the form of a book-entry security, the Ministry of Finance will pay interest and principal on the Bonds to the relevant account holders at CMU and you will have to rely on your placing bank, HKSCC or your securities broker to ensure that payments on your Bonds are credited to your account by your placing bank, HKSCC or your securities broker.
	Any notices (if any) the Ministry of Finance gives after the issuance of the Bonds will be given through CMU, and you will have to rely on your placing bank, HKSCC or your securities broker to ensure that such notices reach you.
Fiscal agent .....	Bank of Communications Co., Ltd. Hong Kong Branch.
Governing law .....	The laws of the Hong Kong Special Administrative Region of the People's Republic of China.

Use of proceeds .....

The net proceeds from the sale of the Bonds, after deduction of underwriting commissions and other offering expenses, will be used by the Ministry of Finance for general governmental purposes.

Selling restrictions .....

The Bonds have not been and will not be registered under the United States Securities Act of 1933 and may not be offered, sold, pledged or transferred within the United States or to, or for the account or benefit of, U.S. persons.

## HOW TO BUY BONDS AND OTHER INFORMATION

### Application Channels for the Bonds

You can apply to buy the Bonds from any of the banks listed below. Call a hotline to find out more or to get a list of branches where you can place your order for the Bonds, or you may apply to buy the Bonds by telephone or through the internet with designated placing banks.

Each placing bank may choose to extend the service hours below to handle applications for the Bonds.

Placing Bank	Hotline Number	Telephone Application Number (if applicable)	Website for Internet Application (if applicable)
Bank of China (Hong Kong) Limited	2105 8900	Investment Service Hotline: 3988 2688 (Press 4 after selecting language) Wealth Management Hotline: 3988 2888 (Press 4 after selecting language)  Service Hours: Monday - Friday: 8:00 am to 8:00 pm Saturday: 8:00 am to 3:00 pm Sunday and public holidays: Closed	<a href="http://www.bochk.com">http://www.bochk.com</a>
Bank of Communications Co., Ltd. Hong Kong Branch	2269 9699	2269 9033  Service Hours: Monday - Friday: 9:00 am to 6:00 pm Saturday: 9:00 am to 1:00 pm Sunday and public holidays: Closed	<a href="http://www.bankcomm.com.hk">http://www.bankcomm.com.hk</a>
The Bank of East Asia, Limited	2211 1311	N/A	<a href="http://www.hkbea.com">http://www.hkbea.com</a>
China Construction Bank (Asia) Corporation Limited	2903 8343	2903 8343  Service Hours: Monday - Friday: 9:00 am to 5:30 pm Saturday: 9:00 am to 12:30 pm Sunday and public holidays: Closed	N/A
Chiyu Banking Corporation Limited	2232 3633	2232 3882 (Cantonese) 2232 3883 (Mandarin) 2232 3887 (English)  Service Hours: Monday - Friday: 8:00 am to 8:00 pm Saturday: 8:00 am to 3:00 pm Sunday and public holidays: Closed	<a href="http://www.chiyubank.com">http://www.chiyubank.com</a>
Chong Hing Bank Limited	3768 6888	N/A	N/A

<b>Placing Bank</b>	<b>Hotline Number</b>	<b>Telephone Application Number (if applicable)</b>	<b>Website for Internet Application (if applicable)</b>
Citibank (Hong Kong) Limited	2860 0135	2860 0135  Service Hours: Monday - Friday: 9:30 am to 6:00 pm Saturday: 9:30 am to 12:30 pm Sunday and public holidays: Closed	N/A
CITIC Bank International Limited	2287 6788	N/A	N/A
Dah Sing Bank, Limited	2828 8001	N/A	N/A
DBS Bank (Hong Kong) Limited	2290 8888	2290 8888  Service Hours: Monday - Friday: 9:00 am to 5:00 pm Saturday: 9:00 am to 1:00 pm Sunday and public holidays: Closed	N/A
Fubon Bank (Hong Kong) Limited	2806 5088	2806 5088  Service Hours: Monday - Friday: 9:00 am to 5:00 pm Saturday: 9:00 am to 12:30 pm Sunday and Public Holidays: Closed	N/A
Hang Seng Bank Limited	2998 9898	2826 8866  Service Hours: Monday - Friday: 8:45 am to 5:40 pm Saturday: 9:00 am to 1:00 pm Sunday and public holidays: Closed	<a href="http://www.hangseng.com">http://www.hangseng.com</a>
The Hongkong and Shanghai Banking Corporation Limited	2269 2121	2269 2121  Service Hours: Monday - Friday: 8:00 am to 7:00 pm Saturday: 8:00 am to 1:00 pm Sunday and public holidays: Closed	<a href="http://www.hsbc.com.hk/ipo">http://www.hsbc.com.hk/ipo</a>
Industrial and Commercial Bank of China (Asia) Limited	2189 5588	N/A	<a href="http://www.icbcasia.com">http://www.icbcasia.com</a>

Placing Bank	Hotline Number	Telephone Application Number (if applicable)	Website for Internet Application (if applicable)
Nanyang Commercial Bank, Limited	2622 2633	2850 1228 (Cantonese) 2850 1229 (Mandarin) 2850 1068 (English)  Service Hours: Monday - Friday: 8:00 am to 8:00 pm Saturday: 8:00 am to 3:00 pm Sunday and public holidays: Closed	<a href="http://www.ncb.com.hk">http://www.ncb.com.hk</a>
Shanghai Commercial Bank Limited	2818 0282	N/A	N/A
Standard Chartered Bank (Hong Kong) Limited	2886 8868	2282 3870  Service Hours: Monday - Friday: 9:00 am to 6:00 pm Saturday: 9:00 am to 1:00 pm Sunday and public holidays: Closed	N/A
Wing Hang Bank, Limited	3199 9182	N/A	N/A
Wing Lung Bank Limited	2952 6666	2526 5555  Service Hours: Monday - Friday: 9:00 am to 5:00 pm Saturday: 9:00 am to 1:00 pm Sunday and public holidays: Closed	N/A

### How to Apply for the Bonds?

You may decide to instruct your placing bank to make the application for the Bonds in any of the following ways:

- **In Person.** You may go to any designated branch of your chosen placing bank (please telephone the “Hotline numbers” of the placing banks above for a list of the designated branches for each placing bank) and give the instructions in person to the placing bank to apply for the Bonds on your behalf. If you need to open an investment account with the placing bank with which you have your bank account at the time of giving your application instructions, you must go to a branch of your chosen placing bank to open an investment account before or at the same time as you give your application instructions. You are urged to give your application instructions in good time before the closing of the subscription period of the Bonds to ensure the paperwork can be completed.
- **By Telephone or Internet.** You may make a telephone or internet application if you already have both a bank account and an investment account with a placing bank which offers facilities for telephone and/or internet applications and if you have made the necessary arrangements to use the relevant services provided by such placing bank. By making a telephone or internet application through a placing bank, you are required to comply with such placing bank’s terms and conditions in respect of the telephone banking or internet banking services (as the case may be) provided by such placing bank.



The phonebanking telephone numbers and/or website of the placing banks which offer telephone and/or internet application facilities for the Bonds are set out on pages 5 to 7.

Reference to any website in this selling manual is intended to assist you to access further public information relating to the subject as indicated. You should, however, conduct your own web searches to ensure that you are viewing the most up-to-date information and the website that you are viewing is genuine. Except for the electronic version of this selling manual (if any), information appearing on such websites does not form part of this selling manual. The Ministry of Finance, the joint coordinators, the joint lead managers and joint bookrunners, the placing banks and the fiscal agent do not accept any responsibility whatsoever that such other information, if available, is accurate and/or up-to-date. The offer of the Bonds is made solely on the basis of the information contained in this selling manual and prospective investors should exercise an appropriate degree of caution when assessing the value of other information which may appear on such websites.

### **Do I Need an Application Form?**

The placing bank with which you place your order will ask you to fill in its customer profile and subscription form and may ask you to make a series of confirmations and acknowledgements. Ask your placing bank for details.

### **What if the Bonds Are Over-Subscribed?**

The Ministry of Finance intends to allocate at least one Bond to every investor who applies. The remaining Bonds will then be allocated to investors approximately in proportion to the number of Bonds each investor validly applied for. If the Bonds are over-subscribed to the extent that the Ministry of Finance cannot even allocate one Bond to each applicant, it will choose by ballot.

### **Who Is the Issuer? Are the Bonds Rated?**

The issuer of the Bonds is the Ministry of Finance (Nansanxiang, Sanlihe, Xicheng District, Beijing 100820) and the Bonds are not rated.

### **Who Should Buy the Bonds? Are They Suitable for Everyone?**

The Bonds are designed for investors who wish to invest in Renminbi-denominated bonds providing periodic fixed interest payments and principal repayment in Renminbi at maturity. The Bonds are designed for investors looking for a buy-and-hold product who do not need to sell their Bonds before maturity for liquidity needs as there may not be an active secondary market for the Bonds.

You need to have a Renminbi bank account and an investment account with a placing bank when you subscribe for the Bonds. The opening of Renminbi bank accounts and the conversion of Renminbi are subject to restrictions applicable to Renminbi transactions in Hong Kong. Your investment return will be affected by the fees charged by your placing bank. Ask your placing bank for details.

### **Where Can I Find more Information about China and the Bonds?**

Please read this selling manual carefully before you decide whether to buy the Bonds.

The Ministry of Finance has not authorised anyone to give you any information about the Bonds other than the information in this selling manual. You should not rely on any other information.

The joint coordinators, the joint lead managers and joint bookrunners, the placing banks and the fiscal agent are not persons responsible for and have not separately verified the accuracy, completeness or sufficiency of the information contained in this selling manual, and make no representation or warranty, express or implied in respect thereof, and nothing contained in this selling manual is, or should be relied upon as, a promise, representation or warranty by them.

The Ministry of Finance will give notice of any information relating to it which is necessary to avoid the establishment of a false market in the Bonds or which might reasonably be expected significantly to affect its ability to meet commitments under the Bonds. Any notices the Ministry of Finance gives after the Bonds are issued will be given through CMU: you will have to rely on your placing bank, HKSCC or your securities broker to forward the notices to you.

This selling manual is available in English and Chinese. The terms and conditions of the Bonds and the global bond are issued in Chinese (with an English version for reference). The Chinese version of these documents shall be the authoritative version. The English version of these documents are intended merely for ease of reference. In the event of any inconsistency between the Chinese version and the English version, the Chinese version shall prevail.

### **Sale of the Bonds is Arranged under a Placing Bank Agreement, Underwriting Agreement and Fiscal Agency Agreement.**

The legal framework under which the Ministry of Finance arranges for the issue and sale of the Bonds is contained in a placing bank agreement dated 28 June 2012 with the banks appointed as placing banks for the Bonds.

The Ministry of Finance entered into a fiscal agency agreement on 28 June 2012 with Bank of Communications Co., Ltd. Hong Kong Branch, as fiscal agent, lodging agent, calculation agent and principal paying agent, setting out administrative matters relating to the Bonds.

The details of the underwriting arrangements of the Bonds are set out in an underwriting agreement entered into by the Ministry of Finance with Bank of China (Hong Kong) Limited, The Hongkong and Shanghai Banking Corporation Limited, Standard Chartered Bank (Hong Kong) Limited, Agricultural Bank of China Limited Hong Kong Branch, Bank of Communications Co., Ltd. Hong Kong Branch, Industrial and Commercial Bank of China (Asia) Limited and China Construction Bank (Asia) Corporation Limited dated 28 June 2012.

All these agreements record the detailed arrangements between the Ministry of Finance and the parties involved in the issue, sale, administration or underwriting of the Bonds. You do not, as investors in the Bonds, have any rights under these agreements. Bondholders are deemed to have notice of the provisions in the fiscal agency agreement applicable to them.

### **What Are the Arrangements for Listing the Bonds on the Hong Kong Stock Exchange after the completion of the subscription period?**

The Bonds will be listed on the Hong Kong Stock Exchange and will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in Central Clearing and Settlement System (“CCASS”) with effect from the Hong Kong business day following the issue date of the Bonds. The listed Bonds will be quoted and traded on the basis of a price expressed as a percentage of their principal amount. For example, a price of “99.50” means 99.50% of the principal amount of the Bond.

Settlement of trades in the Bonds through the Hong Kong Stock Exchange is required to take place in CCASS on the second settlement day after the trade date. The following fees and levies will be chargeable on both the buyer and the seller:

- a transaction levy of 0.003%; and
- a trading fee of 0.005%,

in each case, of the consideration amount of the Bonds traded. An investor compensation levy of 0.002% administered by the Securities and Futures Commission (“SFC”) may also apply to the consideration amount of the Bonds traded although as at the date of this Selling Manual the SFC has temporarily suspended this levy.

All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

Listing does not assure an active secondary trading market for the Bonds or that you will have access to a firm bid price or a firm offer price for the Bonds in a principal amount which you wish to purchase or sell.

### **Are the Bonds Covered by the Investor Compensation Fund?**

Upon listing of the Bonds on the Hong Kong Stock Exchange, your interest in the Bonds and any transactions in the Bonds you engage in may be protected by the investor compensation fund. Whether you are eligible for this protection will depend on whether you and the persons you are dealing with (including your placing bank, HKSCC and/or your securities broker) satisfy certain criteria set out in the Securities and Futures Ordinance and the investor compensation fund rules. If you wish to find out more about your eligibility for protection under the investor compensation fund in connection with the Bonds, you should seek independent advice and consult your placing bank or securities broker (as appropriate).

### **How Do I Sell My Bonds?**

The Bonds can be sold:

- through the Hong Kong Stock Exchange; or
- over-the-counter.

### **You Can Sell the Bonds through the Hong Kong Stock Exchange Only if You Hold Them through HKSCC Directly or through Your Securities Broker.**

If you hold the Bonds through HKSCC directly or through a securities broker, you can sell the Bonds through the Hong Kong Stock Exchange.

If you hold the Bonds through HKSCC directly or through a securities broker and wish to sell any Bonds over-the-counter, you will need to instruct HKSCC or your securities broker to transfer the Bonds to the counterparty. The relevant counterparty, HKSCC and/or your securities broker may charge you fees for such transfer.

On the issue date of the Bonds, your placing bank through which you subscribe for the Bonds will credit the Bonds allotted to your securities or investment account with the placing bank. You will need to transfer the Bonds to an account with HKSCC or a securities broker in order to sell the Bonds through the Hong Kong Stock Exchange.

### **If You Hold the Bonds through a Placing Bank, You Have the Following Options for Selling the Bonds.**

If you hold the Bonds through a placing bank, you can sell the Bonds over-the-counter.

If you hold the Bonds through a placing bank or its direct or indirect custodian with CMU and wish to trade any of the Bonds through the Hong Kong Stock Exchange, you will need to instruct your placing bank to transfer the Bonds from your securities or investment account with that placing bank to your investor account with HKSCC or your securities or custody account with your securities broker beforehand. Your placing bank, HKSCC and/or your securities broker may charge you fees for such transfer. If you do not have an investor account with HKSCC or a securities or custody account with a securities broker, you will need to open one for this purpose. In that case, HKSCC or your securities broker may require you to undergo an assessment to satisfy its regulatory and internal requirements. Alternatively, your placing bank may be able to transfer the Bonds to a stock account it holds with HKSCC through the CMU and CCASS operated by HKSCC (in other words your placing bank may be able to perform the role of a securities broker). Your placing bank and/or HKSCC may charge you fees for this transfer.

## **How Do I Transfer My Bonds?**

To transfer the Bonds, you must give a transfer instruction to your placing bank or securities broker in accordance with the terms and conditions applicable to your account with them.

The Bonds can be transferred from one CMU account to another through book entries. An individual is not eligible to open a CMU account. You can therefore transfer your Bonds to a person who:

- holds an account with CMU;
- holds an investor account with HKSCC;
- is a placing bank or securities broker; or
- holds a securities or custody account with a placing bank or securities broker.

Settlement and clearing of transfers are performed through the CMU in accordance with the rules applicable to the CMU. Such transfers will be subject to the terms of your agreement with your placing bank, HKSCC or your securities broker as applicable.

## **Where Can I See the Legal Documentation for the Bonds?**

To find out more about the Bonds, you can read copies of the documents listed below during the subscription period and while any Bonds are outstanding by going to the offices of the fiscal agent at 20 Pedder Street, Central, Hong Kong (a reasonable fee will be charged if you want to take photocopies of any of the documents). Its offices are open only during normal business hours and not on Saturdays, Sundays or public holidays.

- The Constitution of the People's Republic of China;
- this selling manual (in Chinese and English);
- the notice setting out the interest rate of the Bonds dated on or about 29 June 2012 (in Chinese and English); and
- the fiscal agency agreement (in Chinese with English translation).

## **OBJECTIVES OF OFFERING THE BONDS IN HONG KONG**

Since the hand-over of Hong Kong to the mainland, the Central People's Government has persistently adhered to the policies of "one country, two systems" and "Hong Kong people running Hong Kong", with a high degree of autonomy. The Central People's Government has fully supported the administration by the Chief Executive and the government of the Hong Kong Special Administrative Region in accordance with law, and the overall development in Hong Kong. The connection between Hong Kong and the mainland has become increasingly close. On the one hand, Hong Kong continues to serve as a bridge connecting the mainland and the overseas markets as well as a window for the mainland to attract funds, technologies and management experiences and, thus, has made significant contributions to the opening-up, reform and modernization of the mainland; on the other hand, Hong Kong, with the support of the huge mainland market and benefiting from the rapid development of the mainland, has enjoyed increased development scope and opportunities.

The Central People's Government offers the Bonds in Hong Kong with a view to promoting and supporting the economic and social development and prosperity of Hong Kong, and further developing the fiscal and financial cooperation between Hong Kong and the mainland. The issuance of the Bonds also aims at diversifying the products in the Hong Kong bond market, enhancing the status of Hong Kong as an international financial center, and promoting the development of the offshore Renminbi business in Hong Kong. The issuance of the Bonds will also provide a pricing benchmark for future offerings of Renminbi bonds in Hong Kong by institutions from the mainland, and pave the way for more mainland institutions to offer Renminbi bonds in Hong Kong so as to promote the development of the Renminbi bond market in Hong Kong.

## DESCRIPTION OF THE BONDS

### General

The Ministry of Finance is the issuer of the Bonds. The full faith and credit of the Central People's Government is pledged for the due and punctual payment of the Bonds and for the due and timely performance of all obligations of the Central People's Government with respect to the Bonds.

The Bonds have been included in the 2012 Treasury Bond Issuance Plan approved by the National People's Congress of the People's Republic of China.

Treasury Bonds are the principal component of the Central People's Government's indebtedness. With the approval of the Standing Committee of the National People's Congress, treasury bonds have been managed based on their outstanding balance since 2006. In 2012, the limit on the outstanding balance of the Central People's Government's treasury bonds is RMB8,270.835 billion. Proceeds from treasury bond issues are used mainly for developing agricultural infrastructures, improving the well-being of rural residents, developing housing projects for the low-income population, education, medical and health care, adjusting the industry structure, financing energy conservation, emissions reduction and ecological conservation, supporting independent innovation and technological advancement of enterprises, developing service industries as well as financing infrastructure facilities such as railways, highways, airports and ports.

The Bonds are to be issued under the fiscal agency agreement. The Bonds will be subject to the terms and conditions of the Bonds scheduled to the fiscal agency agreement.

The forms of the Bonds and related coupons are contained in the fiscal agency agreement. Copies of the fiscal agency agreement are available for inspection during normal business hours at the offices of the fiscal agent specified on page 11. The holders of the Bonds are deemed to have notice of all the provisions of the fiscal agency agreement applicable to them.

This section describes the main provisions of the terms and conditions which apply to the Bonds.

### Maturity

Unless the issue date is adjusted as described on page 2, the Bonds will mature on the interest payment date falling on or nearest to July 2014, currently expected to be 19 July 2014.

### Currency

The Bonds will be issued in Renminbi. All the subscription price, redemption price and interests are to be paid in Renminbi.

### Denomination

The Bonds will be in the denomination of RMB10,000.

### Aggregate Principal Amount

The Bonds will be limited to the aggregate principal amount of RMB5,500,000,000.

### Interest

Unless the issue date is adjusted as described on page 2, the Bonds bear interest from 19 July 2012 at a fixed interest rate to be announced by the Ministry of Finance on or about 28 June 2012 (which announcement will be available on the website of the Ministry of Finance: <http://www.mof.gov.cn>). A notice setting out the interest rate will also be published in South China Morning Post (in English) and Hong Kong Economic Journal (in Chinese) in Hong Kong on or about 29 June 2012. Such notice shall be read together with, and is deemed to be incorporated by reference into and forms part of, this selling manual, and will be available on display at the placing banks during the subscription period.

Interest on the Bonds is payable semi-annually in arrear on the interest payment dates on 19 January and 19 July of each year. If any such interest payment date would otherwise fall on a day which is not a business day (defined below), it will be postponed to the next day which is a business day unless it would, as a result, fall into the next calendar month, in which event it will be brought forward to the immediately preceding business day.

The fiscal agent will calculate the amount of interest payable on the Bonds by counting the actual number of days in the interest period assuming a fixed year of 365 days.

For this purpose, a “business day” means a day (other than Saturdays and Sundays) on which (i) CMU is operating, (ii) commercial banks in Hong Kong are open for business and for the settlement of Renminbi payments and (iii) banks in Beijing are not authorised or obligated by law or executive order to be closed.

### **Ranking**

The Bonds constitute direct, unsecured and unsubordinated obligations of the Central People’s Government. The bondholders rank for payment equally with all other creditors of the Central People’s Government whose claims are not preferred by law, secured on its assets or subordinated.

### **Form**

The Bonds will be held in CMU. The Bonds are issued in bearer form. The Bonds will be represented by a single global bond which the Ministry of Finance will issue in a principal amount equal to the total principal amount of the Bonds. The global bond will be deposited for safekeeping with a sub-custodian designated by CMU.

The Ministry of Finance will not issue individual certificates for the Bonds except in the limited circumstances specified in the global bond. The fiscal agency agreement provides in detail for the arrangements which will apply in the unlikely event that individual certificates have to be issued. If this happens, the Ministry of Finance will give a notice summarising these arrangements.

### **Listing**

The Bonds will be listed on the Hong Kong Stock Exchange.

### **Repurchase**

The Ministry of Finance may at any time buy back Bonds in the open market or through designated lawful institutions at any price. If the Ministry of Finance does buy back any Bonds, it may hold them, resell them or decide to cancel them, at its choice.

### **Payments and Notices through CMU**

You will hold your interests in the Bonds through your placing bank, HKSCC or your securities broker. Payments of principal and interest on the Bonds will only be made by the Ministry of Finance by way of transfers to RMB bank accounts in Hong Kong. The Ministry of Finance will pay interest and principal on the Bonds to the accounts of the accountholders on the CMU records as the holders of the Bonds. Once any payment is made in this way, investors in the Bonds will have no further rights against the Ministry of Finance for that payment, even if CMU or any custodian fails to transmit the investors’ share of the payment to the investors or transmits it late. You will have to rely on your placing bank, HKSCC or your securities broker to credit your account with principal and interest on the Bonds.

Any notices the Ministry of Finance gives after the Bonds are issued will be given in the same way: the fiscal agent will arrange for the notice to be sent to the accountholders via CMU and you will have to rely on your placing bank, HKSCC or your securities broker to forward the notice to you.

Both the Ministry of Finance and the fiscal agent will treat the custodian for CMU as the bondholder for all purposes under the terms and conditions of the Bonds.

## **Tax Withholding and Gross Up**

If the Ministry of Finance is required by the PRC law to withhold or deduct taxes, duties or other charges from payments of principal or interest, then the Ministry of Finance will make the withholding or deduction and remit it to the tax authorities. In that event, the Ministry of Finance shall pay such additional amounts as will result in the receipt by the bondholder of such amounts as would have been received by such bondholder if no such withholding or deduction had been required, subject to the limited exceptions set forth in the terms and conditions of the Bonds. There is, however, currently no requirement for the Ministry of Finance to make any withholding or deduction.

## **Taxation**

The Bonds are not subject to any individual or enterprise income tax or stamp duty in the People's Republic of China nor to any profits tax or stamp duty in Hong Kong.

## **Meetings of Bondholders**

The fiscal agency agreement contains provisions for convening meetings of bondholders to consider any matter affecting their interests. A meeting could be convened, for example, if the Ministry of Finance proposes any change to an important term of the Bonds.

There are detailed provisions in the fiscal agency agreement about how meetings will be conducted in the unlikely event that a meeting is ever called. A meeting may be called either by the Ministry of Finance or by the fiscal agent. Bondholders holding at least 10% in principal amount of the Bonds may also call a meeting by written request to the fiscal agent.

A resolution passed at a meeting of bondholders will be binding on all the holders of the Bonds, whether or not they were present at the meeting.

## **Market Making Arrangements**

The placing banks have agreed to use their best endeavors to quote bid prices for the Bonds in the secondary market. If you wish to sell your Bonds before the maturity date, please check with your placing bank for details. Such arrangements do not assure an active secondary market for the Bonds.

## **Fiscal Agent**

Administrative matters relating to the Bonds are dealt with in the fiscal agency agreement. This agreement sets out the arrangements between the Ministry of Finance and the fiscal agent for:

- making payments of principal and interest on the Bonds
- giving notices to the bondholders
- issuing individual certificates for Bonds, in the unlikely event that the Ministry of Finance ever needs to do so
- organising and running meetings of the bondholders
- keeping records and dealing with other administrative matters.

The agents are agents of the Ministry of Finance and do not owe any duty to any investors of the Bonds.

## **Governing Law and Jurisdiction**

The Bonds and the fiscal agency agreement are governed by the laws of the Hong Kong Special Administrative Region. The Ministry of Finance has agreed that the courts of the Hong Kong Special Administrative Region have non-exclusive jurisdiction to settle any dispute in connection with the Bonds and has appointed Bank of Communications Co., Ltd. Hong Kong Branch as its agent to accept service of process in any such proceedings.



To the extent that the Ministry of Finance may claim for itself immunity from any such proceedings, and to the extent that there may be attributed to the Ministry of Finance such immunity (whether or not claimed), the Ministry of Finance will not claim, has waived and will waive such immunity in the face of the courts; provided, however, that the Ministry of Finance has not waived, and will not waive, its sovereign and other immunity with respect to its assets wherever located from execution or attachment, whether in aid of execution, before judgment or otherwise.