IMPORTANT NOTICE

THIS OFFERING IS AVAILABLE ONLY: (1) TO QUALIFIED INSTITUTIONAL BUYERS (AS DEFINED BELOW) OR (2) OUTSIDE OF THE UNITED STATES (THE "U.S.")

IMPORTANT: You must read the following disclaimer before continuing. The following disclaimer applies to the attached offering circular (the "Offering Circular"). You are therefore advised to read this disclaimer carefully before reading, accessing or making any other use of the attached Offering Circular. In accessing the attached Offering Circular, you agree to be bound by the following terms and conditions, including any modifications to them from time to time, each time you receive any information from us as a result of such access.

Confirmation of Your Representation: You have accessed the attached Offering Circular on the basis that you have confirmed your representation to The Ministry of Finance of the People's Republic of China (the "Ministry of Finance") and Bank of China Limited, Bank of Communications Co., Ltd. Hong Kong Branch, China Construction Bank (Asia) Corporation Limited, China International Capital Corporation Hong Kong Securities Limited, Merrill Lynch (Asia Pacific) Limited, Citigroup Global Markets Inc., Crédit Agricole Corporate and Investment Bank, CTBC Bank Co., Ltd., Deutsche Bank AG, London Branch, Goldman Sachs (Asia) L.L.C., J.P. Morgan Securities plc, Mizuho Securities Asia Limited and Standard Chartered Bank (collectively, the "Joint Lead Managers") that (1) either (a) you are a qualified institutional buyer (as defined in Rule 144A ("Rule 144A") under the U.S. Securities Act of 1933, as amended (the "Securities Act")) and, to the extent you purchase the bonds described in the attached Offering Circular (the "Bonds"), you will be doing so for your own account or for the account of another qualified institutional buyer, or (2) you are not in the United States, the electronic mail address that you provided and to which this electronic mail has been delivered is not located in the United States and, to the extent you purchase the Bonds, you will be doing so pursuant to Regulation S under the Securities Act for your own account or for the account of another person not located in the United States, and (2) you consent to delivery of the attached Offering Circular and any amendments or supplements thereto by electronic transmission.

The attached Offering Circular has been made available to you in electronic form. You are reminded that documents transmitted via this medium may be altered or changed during the process of transmission and consequently none of the Ministry of Finance or any Joint Lead Manager or any of their respective directors, employees, representatives or affiliates accepts any liability or responsibility whatsoever in respect of any discrepancies between the document distributed to you in electronic format and the hard copy version.

Restrictions: The attached Offering Circular is being furnished in connection with an offering exempt from registration under the Securities Act solely for the purpose of enabling a prospective investor to consider the purchase of the Bonds.

THE BONDS HAVE NOT BEEN, AND WILL NOT BE, REGISTERED UNDER THE SECURITIES ACT OR THE SECURITIES LAWS OF ANY OTHER JURISDICTION. UNLESS THEY ARE REGISTERED, THE BONDS MAY BE OFFERED ONLY IN TRANSACTIONS THAT ARE EXEMPT FROM REGISTRATION UNDER THE SECURITIES ACT OR THE SECURITIES LAW OF ANY OTHER JURISDICTION. ACCORDINGLY, THE BONDS ARE BEING OFFERED ONLY TO QUALIFIED INSTITUTIONAL BUYERS PURSUANT TO RULE 144A UNDER THE SECURITIES ACT AND PERSONS OUTSIDE THE UNITED STATES IN RELIANCE ON REGULATION S OF THE SECURITIES ACT. NOTHING IN THIS ELECTRONIC TRANSMISSION CONSTITUTES AN OFFER OF BONDS FOR SALE IN ANY JURISDICTION WHERE IT IS UNLAWFUL TO DO SO.

Except with respect to eligible investors in jurisdictions where such offer is permitted by law, nothing in this electronic transmission constitutes an offer or an invitation by or on behalf of either the Ministry of Finance or the Joint Lead Managers to subscribe for or purchase any of the Bonds, and access has been limited so that it shall not constitute a general advertisement or general solicitation (as those terms are used in Regulation D under the Securities Act) or directed selling efforts (within the meaning of Regulation S under the Securities Act) in the United States or elsewhere. If a jurisdiction requires that the offering be made by a licensed broker or dealer and the underwriters or any affiliate of the underwriters is a licensed broker or dealer in that jurisdiction, the offering shall be deemed to be made by the Joint Lead Managers and their respective affiliates on behalf of the Ministry of Finance in such jurisdiction. In the United States, offers and sales of Bonds will only be made by a Joint Lead Manager's registered broker-dealer affiliate (if applicable).

You are reminded that you have accessed the attached Offering Circular on the basis that you are a person into whose possession the attached Offering Circular may be lawfully delivered in accordance with the laws of the jurisdiction in which you are located and you may not nor are you authorised to deliver or forward this document, electronically or otherwise, to any other person. If you have gained access to this transmission contrary to the foregoing restrictions, you will be unable to purchase any of the Bonds.

MiFID II product governance / Professional investors and ECPs only target market – Solely for the purposes of the manufacturer's product approval process, the target market assessment in respect of the Bonds has led to the conclusion that: (i) the target market for the Bonds is eligible counterparties and professional clients only, each as defined in Directive 2014/65/EU (as amended, "MiFID II"); and (ii) all channels for distribution of the Bonds to eligible counterparties and professional clients are appropriate. Any person subsequently offering, selling or recommending the Bonds (a "distributor") should take into consideration the manufacturers' target market assessment; however, a distributor subject to MiFID II is responsible for undertaking its own target market assessment in respect of the Bonds (by either adopting or refining the manufacturers' target market assessment) and determining appropriate distribution channels.

Singapore SFA Product Classification: In connection with Section 309B of the Securities and Futures Act (Chapter 289) of Singapore, as modified or amended from time to time, (the "SFA") and the Securities and Futures (Capital Markets Products) Regulations 2018 of Singapore (the "CMP Regulations 2018"), the Ministry of Finance has determined, and hereby notifies all relevant persons (as defined in Section 309(A)(1) of the SFA), that the Bonds are 'prescribed capital markets products' (as defined in the CMP Regulations 2018) and Excluded Investment Products (as defined in MAS Notice SFA 04-N12: Notice on the Sale of Investment Products and MAS Notice FAA-N16: Notice on Recommendations on Investment Products).

Actions That You May Not Take: You should not reply by e-mail to this electronic transmission and you may not purchase any Bonds by doing so. Any reply e-mail communications, including those you generate by using the "Reply" function on your e-mail software, will be ignored or rejected.

THE ATTACHED OFFERING CIRCULAR MAY NOT BE FORWARDED OR DISTRIBUTED TO ANY OTHER PERSON AND MAY NOT BE REPRODUCED IN ANY MANNER WHATSOEVER. ANY FORWARDING, DISTRIBUTION OR REPRODUCTION OF THIS DOCUMENT IN WHOLE OR IN PART IS UNAUTHORISED. FAILURE TO COMPLY WITH THIS DIRECTIVE MAY RESULT IN A VIOLATION OF THE SECURITIES ACT OR THE APPLICABLE LAWS OF OTHER JURISDICTIONS.

You are responsible for protecting your electronic device against viruses and other destructive items. Your use of this e-mail is at your own risk and it is your responsibility to take precautions to ensure that it is free from viruses and other items of a destructive nature.

STRICTLY CONFIDENTIAL

THE CENTRAL PEOPLE'S GOVERNMENT
OF
THE PEOPLE'S REPUBLIC OF CHINA

U.S.$1,250,000,000 0.40% Bonds due 2023
U.S.$2,250,000,000 0.55% Bonds due 2025
U.S.$2,000,000,000 1.20% Bonds due 2030
U.S.$500,000,000 2.25% Bonds due 2050

Issue price of the 2023 Bonds: 99.926%
Issue price of the 2025 Bonds: 99.734%
Issue price of the 2030 Bonds: 99.756%
Issue price of the 2050 Bonds: 98.707%

The Ministry of Finance of the People's Republic of China (the "Ministry of Finance") is offering U.S.$ 1,250,000,000 in aggregate principal amount of its 0.40% bonds due 2023 (the "2023 Bonds"), U.S.$ 2,250,000,000 in aggregate principal amount of its 0.55% bonds due 2025 (the "2025 Bonds"), U.S.$ 2,000,000,000 in aggregate principal amount of its 1.20% bonds due 2030 (the "2030 Bonds") and U.S.$500,000,000 in aggregate principal amount of its 2.25% bonds due 2050 (the "2050 Bonds" and, together with the 2023 Bonds, the 2025 Bonds and the 2030 Bonds, the "Bonds").

The 2023 Bonds, 2025 Bonds, 2030 Bonds and 2050 Bonds will bear interest from and including October 21, 2020 (the "Issue Date") at the rate of 0.40% per annum, 0.55% per annum, 1.20% per annum and 2.25% per annum respectively. Interest on the Bonds will be payable semi-annually in arrear on the Interest Payment Dates (as defined in the *Terms and Conditions of the Bonds*) falling on April 21 and October 21 in each year, beginning on April 21, 2021. Payments on the Bonds will be made in U.S. dollars without withholding or deduction for taxes of the People's Republic of China (the "PRC" or "China") or any authority in the PRC or of the PRC having power to tax to the extent described under "*Terms and Conditions of the 2023 Bonds – Taxation and Withholding*", "*Terms and Conditions of the 2025 Bonds – Taxation and Withholding*", "*Terms and Conditions of the 2030 Bonds – Taxation and Withholding*" and "*Terms and Conditions of the 2050 Bonds – Taxation and Withholding*". The 2023 Bonds will mature on the Interest Payment Date falling on October 21, 2023 at their principal amount, the 2025 Bonds will mature on the Interest Payment Date falling on October 21, 2025 at their principal amount, the 2030 Bonds will mature on the Interest Payment Date falling on October 21, 2030 at their principal amount and the 2050 Bonds will mature on the Interest Payment Date falling on October 21, 2050 at their principal amount.

The full faith and credit of the Central People's Government of the People's Republic of China (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 thereto.

The Bonds constitute direct, unconditional and unsecured obligations of the Central People's Government, and rank and will rank *pari passu*, without preference among themselves, with all other unsecured Public Indebtedness (as defined in the *Terms and Conditions of the Bonds*) of the Central People's Government, from time to time outstanding, provided further, that the Central People's Government shall have no obligation to effect equal or rateable payment(s) at any time with respect to any such other Public Indebtedness and, in particular, shall have no obligation to pay other Public Indebtedness at the same time or as a condition of paying sums due on the Bonds and *vice versa*.

The Bonds will be listed on The Stock Exchange of Hong Kong Limited (the "SEHK"). This document is for distribution to professional investors (as defined in Chapter 37 of the Rules Governing the Listing of Securities on the SEHK and in the Securities and Futures Ordinance (Cap. 571) of Hong Kong) (together, "Professional Investors") only. **Investors should not purchase the Bonds in the primary or secondary markets unless they are Professional Investors and understand the risks involved. The Bonds are only suitable for Professional Investors.**

Application will be made to the London Stock Exchange plc (the "London Stock Exchange") for the Bonds to be admitted to trading on the London Stock Exchange's International Securities Market (the "ISM"). Such admission to trading is expected to be effective on or immediately following the Issue Date. This Offering Circular comprises admission particulars for the purposes of admission to trading of the Bonds on the ISM. The ISM is not a regulated market for the purposes of the Markets in Financial Instruments Directive 2014/65/EU (as amended, "MiFID II").

The ISM is a market designated for professional investors. Bonds admitted to trading on the ISM are not admitted to the Official List of the United Kingdom Listing Authority. The London Stock Exchange has not approved or verified the contents of this Offering Circular.

For a more detailed description of the Bonds, see "*Overview of the Offering*" beginning on page 1.

The Bonds will be issued in denominations of U.S.$200,000 and integral multiples of U.S.$1,000 in excess thereof (up to and including U.S.$199,000).

The Bonds have not been and will not be registered under the U.S. Securities Act of 1933, as amended (the "Securities Act"), or with any securities regulatory authority of any state or other jurisdiction of the United States. The Bonds may not be offered or sold within the United States unless pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act and the applicable state or local securities laws. The Bonds are being offered outside the United States in reliance on Regulation S under the Securities Act ("Regulation S") and within the United States to qualified institutional buyers ("QIBs") within the meaning of Rule 144A under the Securities Act ("Rule 144A"). Prospective purchasers of the Bonds are hereby notified that sellers of the Bonds may be relying on the exemption from the provisions of Section 5 of the Securities Act provided by Rule 144A. For a description of these and certain further restrictions on offers and sales of the Bonds and the distribution of this Offering Circular, see "*Subscription and Sale*" and "*Transfer Restrictions*".

Each series of the Bonds offered and sold in an "offshore transaction" within the meaning of Regulation S will be represented by a beneficial interest in one or more global certificate (each, an "Unrestricted Global Certificate") in registered form which shall be deposited with a custodian for, and registered in the name of, Cede & Co. as nominee for The Depositary Trust Company ("DTC") on the Issue Date. Each series of the Bonds offered and sold in reliance on Rule 144A will be represented by a global certificate (each, a "Restricted Global Certificate" and, together with the Unrestricted Global Certificates, the "Global Certificates") in registered form which shall be deposited with a custodian for, and registered in the name of, Cede & Co. as nominee for DTC on the Issue Date.

Interests in the Restricted Global Certificates will be subject to certain restrictions on transfer. Beneficial interests in the Global Certificates may only be held through DTC and its direct or indirect participants, including Euroclear Bank SA/NV ("Euroclear") and Clearstream Banking S.A. ("Clearstream"). Interests in the Global Certificates will be shown on, and transfers thereof will be effected only through, records maintained by DTC, Euroclear and Clearstream and their respective participants. For persons seeking to hold a beneficial interest in the Bonds through Central Moneymarkets Unit ("CMU") operated by the Hong Kong Monetary Authority, such persons will hold their interest through an account opened and held by CMU with Euroclear or Clearstream. Except as described herein, certificates for Bonds will not be issued in exchange for interests in the relevant Global Certificate.

Joint Lead Managers and Joint Bookrunners

Bank of China
Bank of Communications

China Construction Bank
China International Capital Corporation
BofA Securities
Citigroup
Crédit Agricole CIB

CTBC Bank
Deutsche Bank
Goldman Sachs (Asia) L.L.C.
J.P. Morgan
Mizuho Securities
Standard Chartered Bank

Offering Circular dated October October 14, 2020

A42623396

IMPORTANT NOTICE

This Offering Circular has been prepared by the Ministry of Finance solely for use in connection with the proposed offering of the Bonds described in this Offering Circular. The Ministry of Finance accepts responsibility for the accuracy of the information contained in this Offering Circular and confirms, having taken all reasonable care to ensure that such is the case, the information contained in the Offering Circular is, to the best of its knowledge, in accordance with the facts and contains no omission likely to affect its import.

The distribution of this Offering Circular and the offering of the Bonds in certain jurisdictions may be restricted by law. Persons into whose possession this Offering Circular comes are required by the Ministry of Finance and Bank of China Limited, Bank of Communications Co., Ltd. Hong Kong Branch, China Construction Bank (Asia) Corporation Limited, China International Capital Corporation Hong Kong Securities Limited, Merrill Lynch (Asia Pacific) Limited, Citigroup Global Markets Inc., Crédit Agricole Corporate and Investment Bank, CTBC Bank Co., Ltd., Deutsche Bank AG, London Branch, Goldman Sachs (Asia) L.L.C., J.P. Morgan Securities plc, Mizuho Securities Asia Limited and Standard Chartered Bank (collectively, the "Joint Lead Managers") to inform themselves about and to observe any such restrictions. No action is being taken to permit a public offering of the Bonds or the distribution of this Offering Circular in any jurisdiction where action would be required for such purposes. There are restrictions on the offer and sale of the Bonds or redemption of the Bonds, and the circulation of documents relating thereto, in certain jurisdictions including the United States and the United Kingdom, and to persons connected therewith. For a description of certain further restrictions on offers, sales and resales of the Bonds and distribution of this Offering Circular, see "*Subscription and Sale*".

No person has been or is authorised to give any information or to make any representation concerning the Ministry of Finance or the Bonds other than as contained herein and, if given or made, any such other information or representation should not be relied upon as having been authorised by the Ministry of Finance, the Joint Lead Managers, Deutsche Bank Trust Company Americas (the "Fiscal Agent") or other agents as appointed by the Ministry of Finance (together with the Fiscal Agent, the "Agents"). Neither the delivery of this Offering Circular nor any offering, sale or delivery made in connection with the issue of the Bonds shall, under any circumstances, constitute a representation that there has been no change or development reasonably likely to involve a change in the affairs of the PRC since the date hereof or create any implication that the information contained herein is correct as of any date subsequent to the date hereof. This Offering Circular does not constitute an offer of, or an invitation by or on behalf of, the Ministry of Finance, the Joint Lead Managers or the Agents to subscribe for or purchase any of the Bonds and may not be used for the purpose of an offer to, or a solicitation by, anyone in any jurisdiction or in any circumstances in which such offer or solicitation is not authorised or is unlawful.

No representation or warranty, express or implied, is made or given by the Joint Lead Managers or the Agents as to the accuracy, completeness or sufficiency of the information contained in this Offering Circular, and nothing contained in this Offering Circular is, or shall be relied upon as, a promise, representation or warranty by the Joint Lead Managers or the Agents. None of the Joint Lead Managers or the Agents have independently verified any of the information contained in this Offering Circular. None of the Joint Lead Managers or the Agents can give any assurance that this information is accurate, true or complete. To the fullest extent permitted by law, none of the Joint Lead Managers or the Agents assume responsibility for the contents, accuracy or completeness of any such information or for any other statement, made or purported to be made by the Joint Lead Managers or the Agents or on their behalf in connection with the Ministry of Finance or the issue and offering of the Bonds. Each of the Joint Lead Managers and the Agents accordingly disclaims all and any liability whether arising in tort or contract or otherwise which they might otherwise have in respect of this Offering Circular or any such statement. This Offering Circular is not intended to provide the basis of any credit or other evaluation nor should it be considered as a recommendation by any of the Ministry of Finance, the Joint Lead Managers or the Agents that any recipient of this Offering Circular should purchase the Bonds.

The Bonds are governed by English law. The Ministry of Finance has agreed that the courts of Hong Kong have non-exclusive jurisdiction to settle any dispute in connection with the Bonds and appointed Bank of Communications Co., Ltd. Hong Kong Branch (currently at 20 Pedder Street, Central, Hong Kong) as its agent to accept service of process in any Proceedings (as defined in the *Terms and Conditions of the Bonds*).

To the extent that the Ministry of Finance may claim for itself immunity from any Proceedings, and to the extent that in any such jurisdiction there may be attributed to the Ministry of Finance such immunity (whether or not claimed), the Ministry of Finance hereby agrees not to claim and hereby waives and will waive such immunity in the face of the courts; provided, however, that the Ministry of Finance has not waived, and shall not waive, its sovereign and other immunity with respect to assets of the PRC wherever located from execution or attachment, whether in aid of execution, before judgment or otherwise. In addition, the Ministry of Finance has not waived its sovereign immunity in connection with any action arising out of or based on United States federal or State securities laws.

The Bonds have not been approved or disapproved by the U.S. Securities and Exchange Commission, any state securities commission in the United States or any other U.S. regulatory authority, nor have any of the foregoing authorities passed upon or endorsed the merits of the offering of the Bonds or the accuracy or adequacy of this Offering Circular. Any representation to the contrary may be a criminal offence in the United States.

The Bonds have not been and will not be registered under the Securities Act, or with any securities regulatory authority of any state or other jurisdiction of the United States. The Bonds may not be offered or sold within the United States unless pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act and the applicable state or local securities laws.

The Bonds are being offered outside the United States in reliance on Regulation S and within the United States to QIBs. Prospective purchasers of the Bonds are hereby notified that sellers of the Bonds may be relying on the exemption from the provisions of Section 5 of the Securities Act provided by Rule 144A. For a description of these and certain further restrictions on offers, sales and transfers of the Bonds and the distribution of this Offering Circular, see "Subscription and Sale" and "Transfer Restrictions".

IN CONNECTION WITH THE ISSUE OF THE BONDS, ANY JOINT LEAD MANAGER (OR PERSONS ACTING ON BEHALF OF SUCH JOINT LEAD MANAGER) MAY EFFECT TRANSACTIONS WITH A VIEW TO SUPPORTING THE MARKET PRICE OF THE BONDS AT A LEVEL HIGHER THAN THAT WHICH MIGHT OTHERWISE PREVAIL. HOWEVER, THERE IS NO ASSURANCE THAT SUCH JOINT LEAD MANAGER (OR PERSONS ACTING ON BEHALF OF SUCH JOINT LEAD MANAGER) WILL UNDERTAKE STABILISATION ACTION. ANY STABILISATION ACTION MAY BEGIN ON OR AFTER THE DATE ON WHICH ADEQUATE PUBLIC DISCLOSURE OF THE TERMS OF THE OFFER OF THE BONDS IS MADE AND, IF BEGUN, MAY BE ENDED AT ANY TIME, BUT IT MUST END NO LATER THAN THE EARLIER OF 30 DAYS AFTER THE ISSUE DATE OF THE BONDS AND 60 DAYS AFTER THE DATE OF THE ALLOTMENT OF THE BONDS. ANY STABILISATION ACTION OR OVER-ALLOTMENT MUST BE CONDUCTED BY SUCH JOINT LEAD MANAGER (OR PERSONS ACTING ON BEHALF OF SUCH JOINT LEAD MANAGER) IN ACCORDANCE WITH ALL APPLICABLE LAWS AND RULES.

Unless otherwise specified or the context requires, all references herein to "the Ministry of Finance" and words of similar import regarding the description of the Bonds are to The Ministry of Finance of the PRC itself and references herein to "RMB" are to the lawful currency of the PRC.

References to "Hong Kong" are to the Hong Kong Special Administrative Region of the PRC; references to "Macau" are to the Macau Special Administrative Region of the PRC; references to "U.S." and the "United States" mean the United States of America and references to "U.S.$" and "U.S. dollars" are to the lawful currency of the United States. Unless otherwise indicated, all statistical information contained in this Offering Circular excludes information with respect to Hong Kong, Macau and Taiwan.

Statistical information included in this Offering Circular is the latest official data publicly available at the date of this Offering Circular. Financial data provided in this Offering Circular may be subsequently revised in accordance with the Central People's Government's ongoing maintenance of its economic data, and that revised data will not be distributed by the Ministry of Finance to any holder of the Bonds. As used in this Offering Circular, the term "N/A" identifies statistical or financial data that is not available.

Unless otherwise indicated, all references in this Offering Circular to "Bonds" are to any of the 2023 Bonds, the 2025 Bonds, the 2030 Bonds and the 2050 Bonds and references to a "series of Bonds" or to a "series" are to the 2023 Bonds, the 2025 Bonds, the 2030 Bonds or the 2050 Bonds separately and all references in this Offering Circular to "*Terms and Conditions of the Bonds*" are to the terms and conditions governing the 2023 Bonds, the 2025 Bonds, the 2030 Bonds and the 2050 Bonds (as applicable).

ENFORCEMENT OF JUDGMENTS

China is a sovereign state, and nearly all of the assets of China are located outside the United States and the United Kingdom. There is a risk that, notwithstanding the limited waiver of sovereign immunity by China in connection with the Bonds, a claimant will not be able to enforce a foreign court judgment or arbitral award against China (including the imposition of any arrest order or the attachment or seizure of such assets and their subsequent sale), without China having specifically consented to such enforcement at the time when the enforcement is sought. See "Terms and Conditions of the Bonds—16. Governing Law and Jurisdiction." To the extent that the Ministry of Finance may in any jurisdiction claim for itself immunity from any such Proceedings, and to the extent that in any such jurisdiction there may be attributed to the Ministry of Finance such immunity (whether or not claimed), the Ministry of Finance has agreed not to claim and has waived and will waive such immunity in the face of the courts, provided, however, it has not waived its sovereign and other immunity with respect to assets of the PRC wherever located from execution or attachment, whether in aid of execution, before judgment or otherwise. In addition, China has not waived its sovereign immunity in connection with any action arising out of or based on United States federal or State securities laws.

Because China has not waived its sovereign immunity in connection with any action arising out of or based on United States federal or state securities laws, it will not be possible to obtain a United States judgment against China based on such laws unless a court were to determine that China is not entitled under the Foreign Sovereign Immunities Act of 1976 to sovereign immunity with respect to such an action. Furthermore, under the Foreign Sovereign Immunities Act of 1976, execution upon any property of China in the United States to enforce a judgment is limited to an execution upon property used for the commercial activity on which the claim is based, and China has not waived any immunity which may otherwise be available to it with respect to the execution of any judgment.

The Ministry of Finance has been advised by its PRC counsel, the Law Department of the Ministry of Finance, that there is doubt as to the enforceability in China of any actions to enforce judgments of United States courts arising out of or based on the Bonds, including judgments arising out of or based on the civil liability provisions of United States federal or state securities laws, primarily because there is no treaty or other arrangement or basis for reciprocal enforcement of judgments between China and the United States. China has also been advised by its PRC counsel that there is doubt as to the applicability in original actions brought in PRC courts of the civil liability provisions of United States federal or state securities laws.

FORWARD-LOOKING STATEMENTS

This Offering Circular includes forward-looking statements. All statements other than statements of historical facts included in this Offering Circular regarding, among other things, China's economy, fiscal condition, debt or prospects may constitute forward-looking statements. Forward-looking statements generally can be identified by the use of forward-looking terminology such as "may", "will", "expect", "intend", "estimate", "anticipate", "believe", "continue" or similar terminology. Although China believes that the expectations reflected in its forward-looking statements are reasonable at this time, there can be no assurance that these expectations will prove to be correct.

These statements are based on China's current plans, objectives, assumptions, estimates and projections. Investors should therefore not place undue reliance on these statements. Forward-looking statements speak only as of the date that they are made and China does not undertake to update any forward-looking statements in light of new information or future events. Forward-looking statements involve inherent risks and uncertainties. The Ministry of Finance cautions that a number of important factors could cause actual results to differ materially from those contained in any forward-looking statement.

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OVERVIEW OF THE OFFERING

This following overview contains certain information on the Bonds and the offering and is qualified in its entirety by the remainder of this Offering Circular. Any decision to invest in the Bonds should be based on a consideration of this Offering Circular as a whole. For a more complete description of the terms of the Bonds, see the Terms and Conditions of the Bonds.

Words and expressions defined in the Terms and Conditions of the Bonds or elsewhere in this Offering Circular have the same meanings in this overview.

Issuer	The Ministry of Finance of the People's Republic of China.
Bonds offered	U.S.$1,250,000,000 0.40% Bonds due 2023. U.S.$2,250,000,000 0.55% Bonds due 2025. U.S.$2,000,000,000 1.20% Bonds due 2030. U.S.$500,000,000 2.25% Bonds due 2050.
Issue date	October 21, 2020 (the "Issue Date").
Maturity date	2023 Bonds: Interest Payment Date falling on October 21, 2023. 2025 Bonds: Interest Payment Date falling on October 21, 2025. 2030 Bonds: Interest Payment Date falling on October 21, 2030. 2050 Bonds: Interest Payment Date falling on October 21, 2050.
Issue price	2023 Bonds: 99.926% of the principal amount. 2025 Bonds: 99.734% of the principal amount. 2030 Bonds: 99.756% of the principal amount. 2050 Bonds: 98.707% of the principal amount.
Interest rate	2023 Bonds: 0.40% per annum. 2025 Bonds: 0.55% per annum. 2030 Bonds: 1.20% per annum. 2050 Bonds: 2.25% per annum.
Interest payment dates	Semi-annually in arrear on April 21 and October 21 of each year, commencing on April 21, 2021.
Final redemption	Unless previously redeemed, or purchased and cancelled, the Bonds will be redeemed at their principal amount on the Maturity Date.
Ranking	The Bonds are the direct, unconditional and unsecured obligations of the Central People's Government and rank and will rank *pari passu*, without preference among themselves, with all other unsecured Public Indebtedness of the Central People's Government, from time to time outstanding, provided further, that the Central People's Government shall have no obligation to effect equal or rateable payment(s) at any time with respect to any such other Public Indebtedness and, in particular, shall have no obligation to pay other Public Indebtedness at the same time or as a condition of paying sums due on the Bonds and *vice versa*.
Listing	The Bonds will be listed on the SEHK and ISM.

Denomination	The denomination of the Bonds is U.S.$200,000 and integral multiples of U.S.$1,000 in excess thereof (up to and including U.S.$199,000).
Form	The Bonds will be issued in registered form and will initially be represented by Global Certificates. One or more Restricted Global Certificates will be issued in respect of each of the Bonds offered and sold in reliance on Rule 144A. One or more Unrestricted Global Certificates will be issued in respect of each of the Bonds offered and sold in reliance on Regulation S. See "*Transfer Restrictions*".
Clearing Systems	The Unrestricted Global Certificates and the Restricted Global Certificates will be registered in the name of, and deposited with a custodian for, The Depositary Trust Company ("DTC") on the Issue Date. Beneficial interests in the Global Certificates may only be held through DTC and its direct or indirect participants, including Euroclear Bank SA/NV ("Euroclear") and Clearstream Banking S.A. ("Clearstream"). For persons seeking to hold a beneficial interest in the Bonds through CMU operated by the Hong Kong Monetary Authority, such persons will hold their interest through an account opened and held by CMU with Euroclear or Clearstream.

The CUSIP, ISIN and Common Code for the Restricted Global Certificates are:

	CUSIP	ISIN	Common Code
2023 Bonds:	16955E AA8	US16955 EAA82	224370911
2025 Bonds:	16955E AB6	US16955 EAB65	224371012
2030 Bonds:	16955E AC4	US16955 EAC49	224371063
2050 Bonds:	16955E AD2	US16955 EAD22	224371144

The CUSIP, ISIN and Common Code for the Unrestricted Global Certificates are:

	CUSIP	ISIN	Common Code
2023 Bonds:	Y15025 AA0	USY1502 5AA02	224370962
2025 Bonds:	Y15025 AB8	USY1502 5AB84	224371039
2030 Bonds:	Y15025 AC6	USY1502 5AC67	224371098
2050 Bonds:	Y15025 AD4	USY1502 5AD41	224371179

Payment of principal and interest	Principal and interest on the Bonds will be payable in U.S. dollars.
Fiscal agent, principal paying agent, registrar and transfer agent	Deutsche Bank Trust Company Americas.
Governing law	English law.
Use of proceeds	The net proceeds from the sale of the Bonds 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 Securities Act and may not be offered or sold within the United States unless pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act and the applicable state or local securities laws. For a description of certain restrictions on offers, sales, deliveries and transfers of Bonds and on the distribution of offering material in certain jurisdictions, see the "*Subscription and Sale*" and "*Transfer Restrictions*" sections below.

RISK FACTOR

The Ministry of Finance believes that the risk factor described below represents the principal risk inherent in investing in the Bonds, but there may be other market-related risks associated with the Bonds which may not be considered significant risks by the Ministry of Finance based on information currently available to it or which it may not currently be able to anticipate. The risk factor described below is a contingency which may or may not occur. Prospective investors should also read the detailed information sets out elsewhere in this Offering Circular to reach their own views prior to making any investment decision.

The Bonds carry a fixed interest rate.

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

TERMS AND CONDITIONS OF THE 2023 BONDS

The following are the terms and conditions substantially in the form in which they will appear on the reverse of each of the definitive certificates evidencing the 2023 Bonds.

The U.S.$1,250,000,000 0.40% bonds due 2023 (the "Bonds") of the Ministry of Finance of the People's Republic of China (the "Ministry of Finance") are the subject of a fiscal agency agreement dated on or about October 21, 2020 (the "Fiscal Agency Agreement") between the Ministry of Finance and Deutsche Bank Trust Company Americas as the fiscal agent, principal paying agent, transfer agent and registrar. The fiscal agent, principal paying agent, transfer agent and registrar for the time being and the paying agents to be appointed by the Ministry of Finance in the future are referred to below respectively as the "Fiscal Agent", the "Principal Paying Agent", the "Transfer Agent", the "Registrar" and the "Paying Agents" (which expression shall include the Fiscal Agent).

The Fiscal Agency Agreement includes the form of the Bonds. Copies of the Fiscal Agency Agreement are available for inspection during normal business hours at the specified office of the Fiscal Agent. The holders of the Bonds are deemed to have notice of all the provisions of the Fiscal Agency Agreement applicable to them.

Words and expressions defined in the Fiscal Agency Agreement shall have the same meanings where used in these terms and conditions (the "Conditions") unless the context otherwise requires or unless otherwise stated.

1 Form, Denomination and Title

The Bonds will be issued in registered form in the denomination of U.S.$200,000 and integral multiples of U.S.$1,000 in excess thereof (up to and including U.S.$199,000).

A Definitive Certificate (as defined below) will be issued to each Bondholder in respect of its registered holding of Bonds only in the limited circumstances as described in the Global Certificates (as defined below). Such Definitive Certificate may either be, in the case of Bonds offered outside the U.S. in reliance on Regulation S of the United States Securities Act of 1933 (the "Securities Act"), an "Unrestricted Definitive Certificate" and, in the case of Bonds offered within the U.S. in reliance on Rule 144A of the Securities Act, a "Restricted Definitive Certificate" (the Restricted Definitive Certificates and the Unrestricted Definitive Certificates together being "Definitive Certificates"; each, a "Definitive Certificate").

The Bonds are represented by registered certificates ("Certificates") and, save as provided in Condition 2(a), each Certificate shall represent the entire holding of Bonds by the same holder (as defined below).

Title to the Bonds shall pass by registration in the register that the Ministry of Finance shall procure to be kept by the Registrar in accordance with the provisions of the Fiscal Agency Agreement (the "Register"). Except as ordered by a court of competent jurisdiction or as required by law, the holder of any Bond shall be deemed to be and may be treated as its absolute owner for all purposes whether or not it is overdue and regardless of any notice of ownership, trust or any interest in it, any writing on the Certificate representing it or the theft or loss of such Certificate and no person shall be liable for so treating the holder.

In these Conditions, "Bondholder" and "holder" means the person in whose name a Bond is registered (or in the case of a joint holding, the first name thereof).

Upon issue, the Bonds offered outside the U.S. in reliance on Regulation S of the Securities Act will be represented by one or more Unrestricted Global Certificates registered in the name of a nominee of, and deposited with a custodian for, DTC, for the accounts of Euroclear Bank SA/NV ("Euroclear") and Clearstream Banking S.A. ("Clearstream, Luxembourg") and the Bonds offered within the U.S. in reliance on Rule 144A of the Securities Act will be represented by one or more Restricted Global Certificates registered in the name of a nominee of, and deposited with a custodian for, DTC. The Conditions are modified by certain provisions contained in Unrestricted Global Certificates and Restricted Global Certificates. Except in certain limited *circumstances, owners of interests in the Global Certificates will not be entitled to receive Definitive Certificates representing their holdings of Bonds. See "Summary of provisions relating to the Bonds while in global form".*

2 Transfers of Bonds

(a) **Transfer:** A holding of Bonds may, subject to Condition 2(d), be transferred in whole or in part upon the surrender (at the specified office of the Registrar or any Transfer Agent) of the Certificate(s) representing such Bonds to be transferred, together with the form of transfer endorsed on such Certificate(s) (or another form of transfer substantially in the same form and containing the same representations and certifications (if any), unless otherwise agreed by the Ministry of Finance), duly completed and executed and any other evidence as the Registrar or Transfer Agent may require. In the case of a transfer of part only of a holding of Bonds represented by one Certificate, a new Certificate shall be issued to the transferee in respect of the part transferred and a further new Certificate in respect of the balance of the holding not transferred shall be issued to the transferor. In the case of a transfer of Bonds to a person who is already a holder of Bonds, a new Certificate representing the enlarged holding shall only be issued against surrender of the Certificate representing the existing holding. All transfers of Bonds and entries on the Register will be made in accordance with the detailed regulations concerning transfers of Bonds scheduled to the Fiscal Agency Agreement. The regulations may be changed by the Ministry of Finance, with the prior written approval of the Registrar and the Fiscal Agent. A copy of the current regulations will be made available by the Registrar to any Bondholder during usual business hours upon prior written request.

Transfers of interests in the Bonds evidenced by either Unrestricted Global Certificates or Restricted Global Certificates will be effected in accordance with the rules of the relevant clearing systems through which the interest is held.

(b) **Delivery of New Certificates:** Each new Certificate to be issued pursuant to Condition 2(a) shall be available for delivery within three business days of receipt of a duly completed form of transfer and surrender of the existing Certificate(s). Delivery of the new Certificate(s) shall be made at the specified office of the Transfer Agent or of the Registrar (as the case may be) to whom delivery or surrender of such form of transfer or Certificate shall have been made or, at the option of the holder making such delivery or surrender as aforesaid and as specified in the relevant form of transfer or otherwise in writing, be mailed by uninsured post at the risk of the holder entitled to the new Certificate to such address as may be so specified, unless such holder requests otherwise and pays in advance to the relevant Transfer Agent or the Registrar (as the case may be) the costs of such other method of delivery and/or such insurance as it may specify. In this Condition 2(b), "business day" means a day, other than a Saturday or Sunday, on which banks are open for business in the place of the specified office of the relevant Transfer Agent or the Registrar (as the case may be).

(c) **Transfer Free of Charge:** Certificates, on transfer, shall be issued and registered without charge by or on behalf of the Ministry of Finance, the Registrar or any Transfer Agent, but upon payment of any tax or other governmental charges that may be imposed in relation to it (or the giving of such indemnity as the Registrar or the relevant Transfer Agent may require).

(d) **Closed Periods:** No Bondholder may require the transfer of a Bond to be registered (i) during the period of 15 days ending on (and including) the due date for redemption of that Bond, or (ii) during the period of seven days ending on (and including) any Record Date.

3 Status of Bonds

The full faith and credit of the Central People's Government of the People's Republic of China (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 thereto.

The Bonds are the direct, unconditional and unsecured obligations of the Central People's Government and rank and will rank *pari passu*, without preference among themselves, with all other unsecured Public Indebtedness of the Central People's Government, from time to time outstanding, provided further, that the Central People's Government shall have no obligation to effect equal or rateable payment(s) at any time with respect to any such other Public Indebtedness and, in particular, shall have no obligation to pay other Public Indebtedness at the same time or as a condition of paying sums due on the Bonds and *vice versa*.

In this Condition:

(a) "Public Indebtedness" means Indebtedness represented or evidenced by notes, bonds or other similar instruments of the kind customarily offered in the public securities markets and of the kind customarily subject to listing and trading on securities exchanges (without regard, however, to whether or not the instruments are offered through public distributions or in private placements); and

(b) "Indebtedness" means any indebtedness for money borrowed or any guarantee of indebtedness for money borrowed which, in either case: (i) has an original maturity in excess of one year; and (ii) is backed by the full faith and credit of the Central People's Government and shall not include the borrowings of any state-owned corporation or in the name of any agency or instrumentality of the People's Republic of China (the "PRC") (whether or not such corporation, agency or instrumentality has, under the laws of the PRC, a separate legal existence).

4 Interest

(a) **Interest Payment Dates**

The Bonds bear interest from and including October 21, 2020 (the "Issue Date") at the rate of 0.40% per annum, payable semi-annually in arrear in equal instalments of U.S.$2.000 per Calculation Amount (as defined below) on April 21 and October 21 in each year (each an "Interest Payment Date"), beginning on April 21, 2021. In these Conditions, the period beginning on (and including) the Issue Date and ending on (but excluding) the first Interest Payment Date and each successive period beginning on (and including) an Interest Payment Date and ending on (but excluding) the next succeeding Interest Payment Date is called an "Interest Period".

(b) **Interest Payments**

Each Bond will cease to bear interest from the due date for redemption unless, upon surrender of the Certificate representing such Bond, payment of principal is improperly withheld or refused. In such event it shall continue to bear interest on the principal amount in respect of which payment has been improperly withheld or refused in accordance with this Condition (both before and after judgment) until the day on which all sums due in respect of such Bond up to that day are received by or on behalf of the relevant Bondholder.

(c) **Calculation of Interest**

If interest is required to be calculated for a period of less than a complete Interest Period, the relevant day-count fraction will be determined on the basis of a 360-day year consisting of 12 months of 30 days each and, in the case of an incomplete month, the number of days elapsed. Interest in respect of any Bond shall be calculated per U.S.$1,000 in principal amount of the Bonds (the "Calculation Amount"). The amount of interest payable per Calculation Amount for any period shall (save as provided above in relation to equal instalments) be equal to the product of the rate of interest specified above, the Calculation Amount and the day-count fraction for the relevant period, rounding the resulting figure to the nearest cent (half a cent being rounded upwards).

5 Redemption and Purchase

(a) **Final redemption**

Unless previously redeemed, or purchased and cancelled, the Bonds will be redeemed at their principal amount on the Interest Payment Date falling on October 21, 2023 (the "Maturity Date").

(b) **Purchases**

The Ministry of Finance may at any time purchase Bonds in the open market or through designated lawful institutions at any price. Any Certificates representing the Bonds purchased pursuant to this Condition 5(b) may be held, reissued, resold or surrendered to the Fiscal Agent for cancellation. Without limiting the provisions of paragraph (i) (*Bonds controlled by the Ministry of Finance*) of Condition 8, the Bonds so purchased, while held by or on behalf of the Ministry of Finance, shall not entitle the holder to vote at any meetings of the Bondholders and shall not be deemed to be outstanding for the purposes of determining quorums at meetings of the Bondholders or for the purposes of Condition 8.

6 Payments

(a) **Method of Payment**

(i) Payments of principal shall be made (subject to surrender of the relevant Certificates at the specified office of any Transfer Agent or of the Registrar if no further payment falls to be made in respect of the Bonds represented by such Certificates) in the manner provided in paragraph (iii) below.

(ii) Interest on each Bond shall be paid to the person shown on the Register at the close of business on the Business Day before the due date for payment thereof (the "Record Date"). Payments of interest on each Bond shall be made in the manner provided in paragraph (iii) below.

(iii) Payments shall be made in U.S. dollars cheque drawn on a bank in New York City and mailed to the holder (or to the first named of joint holders) of such Bond at its address appearing in the Register, or at the option of the Bondholders by transfer to a U.S. dollar account maintained by or on behalf of the payee with a bank in New York City.

(iv) If the amount of principal being paid upon surrender of the relevant Certificate is less than the outstanding principal amount of such Certificate, the Registrar will annotate the Register with the amount of principal so paid and will (if so requested by the Ministry of Finance or a Bondholder) issue a new Certificate with a principal amount equal to the remaining unpaid outstanding principal amount. If the amount of interest being paid is less than the amount then due, the Registrar will annotate the Register with the amount of interest so paid.

(b) **Payments subject to laws**

All payments in respect of the Bonds are subject in all cases to any applicable fiscal or other laws, regulations and directives in the place of payment, but without prejudice to the provisions of Condition 7. No commissions or expenses shall be charged to the Bondholders in respect of such payments.

(c) **Payment Initiation**

Where payment is to be made by transfer to an account in U.S. dollars, payment instructions (for value the due date, or if that is not a Business Day, for value the first following day which is a Business Day) will be initiated, and, where payment is to be made by cheque, the cheque will be mailed on the due date for payment or, in the case of payments of principal where the relevant Certificate has not been surrendered at the specified office of any Transfer Agent or of the Registrar, on a Business Day on which the Fiscal Agent is open for business and on which the relevant Certificate is surrendered.

(d) **Appointment of Agents**

The Fiscal Agent, the Principal Paying Agent, the Transfer Agent and the Registrar initially appointed by the Ministry of Finance and their respective specified office are listed below. The Fiscal Agent, the Principal Paying Agent, the Transfer Agent and the Registrar act solely as agents of the Ministry of Finance and do not assume any obligation or relationship of agency or trust for or with any Bondholder. The Ministry of Finance reserves the right at any time to vary or terminate the appointment of the Fiscal Agent, the Principal Paying Agent, the Transfer Agent or the Registrar and to appoint additional or other Paying Agents or Transfer Agents, provided that the Ministry of Finance shall at all times maintain (i) a Fiscal Agent, (ii) a Principal Paying Agent, (iii) a Registrar with a specified office outside the United Kingdom, (iv) a Transfer Agent and (v) such other agents as may be required by any other stock exchange on which the Bonds may be listed. Notice of any such change or any change of any specified office shall promptly be given to the Bondholders in accordance with Condition 12.

(e) **Delay in Payments**

Bondholders will not be entitled to any interest or other payment for any delay after the due date in receiving the amount due on a Bond if the due date is not a Business Day, if the Bondholder is late in surrendering or cannot surrender its Certificate (if required to do so) or if a cheque mailed in accordance with Condition 6(a)(iii).

(f) **Non-Payment Business Days**

If any date for payment in respect of any Bond is not a Business Day, the holder shall not be entitled to payment until the next following Business Day nor to any interest or other sum in respect of such postponed payment. In this Condition 6, "Business Day" means a day (other than a Saturday or Sunday) on which (i) banks and foreign exchange markets are open for business in the place in which the specified office of the Registrar is located and in New York City, Beijing and Hong Kong; and (ii) banks in Beijing are not authorised or obligated by law or executive order to be closed.

7 Taxation and Withholding

All payments (whether in respect of principal, interest or otherwise) in respect of the Bonds will be made free and clear of, and without withholding or deduction for, any taxes, duties, assessments or governmental charges of whatsoever nature imposed, levied, collected, withheld or assessed by or on behalf of the PRC, or any political subdivision or any authority thereof or therein having power to tax, unless such withholding or deduction is required by law. 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.

For the avoidance of doubt, the obligation of the Ministry of Finance to pay additional amounts in respect of taxes, duties, assessments and other governmental charges will not apply to (a) any estate, inheritance, gift, sales, transfer, personal property or any similar tax, duty, assessment or other governmental charge or (b) any tax, duty, assessment or other governmental charge which is payable otherwise than by deduction or withholding from payments of principal of, or interest on, the Bonds; provided that the Ministry of Finance shall pay all stamp or other taxes, duties, assessments or other governmental charges, if any, which may be imposed by the PRC or any political subdivision thereof or any taxing authority thereof or therein, with respect to the Fiscal Agency Agreement or as a consequence of the issuance of the Bonds.

Except as specifically provided in this Condition 7, the Ministry of Finance shall not be required to make any payment with respect to any stamp or other taxes, duties, assessments or other governmental charges, if any, imposed by any government or any political subdivision or taxing authority thereof or therein. Whenever in these Conditions there is a reference, in any context, to the payment of the principal of, or interest on, or in respect of, the Bonds, such mention shall be deemed to include mention of the payment of additional amounts provided for in this Condition 7 to the extent that, in such context, additional amounts are, were or would be payable in respect thereof pursuant to the provisions of this Condition 7 and express mention of the payment of additional amounts (if applicable) in any provision hereof shall not be construed as excluding additional amounts in those provisions hereof where such express mention is not made.

8 Meetings of Bondholders, Written Resolutions

(a) **Convening Meetings of Bondholders, Conduct of Meetings of Bondholders, Written Resolutions**

(i) The Ministry of Finance may convene a meeting of the Bondholders at any time in respect of the Bonds in accordance with the Fiscal Agency Agreement. The Ministry of Finance will determine the time and place of the meeting. The Ministry of Finance will notify the Bondholders of the time, place and purpose of the meeting not less than 21 and not more than 45 days before the meeting.

(ii) The Ministry of Finance will convene a meeting of Bondholders if the holders of at least 10% in principal amount of the outstanding Bonds (as defined in the Fiscal Agency Agreement and described in paragraph (i) (*Bonds controlled by the Ministry of Finance*)) have delivered a written request to the Ministry of Finance setting out the purpose of the meeting and the Ministry of Finance is indemnified and/or secured and/or prefunded to its satisfaction against all costs and expenses. The Fiscal Agent will agree the time and place of the meeting with the Ministry of Finance promptly. The Ministry of Finance will notify the Bondholders within 10 days of receipt of such written request of the time and place of the meeting, which shall take place not less than 21 and not more than 45 days after the date on which such notification is given.

(iii) The Ministry of Finance will set the procedures governing the conduct of any meeting in accordance with the Fiscal Agency Agreement. If the Fiscal Agency Agreement does not include such procedures, or additional procedures are required, the Ministry of Finance will agree such procedures as are customary in the market and in such a manner as to facilitate any multiple series aggregation, if in relation to a Reserved Matter the Ministry of Finance proposes any modification to the terms and conditions of, or action with respect to, two or more series of debt securities issued by it.

(iv) The notice convening any meeting will specify, *inter alia*;

(A) the date, time and location of the meeting;

(B) the agenda and the text of any Extraordinary Resolution to be proposed for adoption at the meeting;

(C) the record date for the meeting, which shall be no more than five business days before the date of the meeting;

(D) the documentation required to be produced by a Bondholder in order to be entitled to participate at the meeting or to appoint a proxy to act on the Bondholder's behalf at the meeting;

(E) any time deadline and procedures required by any relevant international and/or domestic clearing systems or similar through which the Bonds are traded and/or held by Bondholders;

(F) whether paragraph (b) (*Modification of this Series of Bonds only*), or paragraph (c) (*Multiple Series Aggregation – Single limb voting*) or paragraph (d) (*Multiple Series Aggregation – Two limb voting*) shall apply and, if relevant, in relation to which other series of debt securities it applies;

(G) if the proposed modification or action relates to two or more series of debt securities issued by it and contemplates such series of debt securities being aggregated in more than one group of debt securities, a description of the proposed treatment of each such group of debt securities;

(H) such information that is required to be provided by the Ministry of Finance in accordance with paragraph (f) (*Information*);

(I) the identity of the Aggregation Agent and the Voting Calculation Agent (each as defined below), if any, for any proposed modification or action to be voted on at the meeting, and the details of any applicable methodology referred to in paragraph (g) (*Claims Valuation*); and

(J) any additional procedures which may be necessary and, if applicable, the conditions under which a multiple series aggregation will be deemed to have been satisfied if it is approved as to some but not all of the affected series of debt securities.

(v) In addition, the Fiscal Agency Agreement contains provisions relating to Written Resolutions. All information to be provided pursuant to paragraph (a)(iv) (*Convening Meetings of Bondholders, Conduct of Meetings of Bondholders, Written Resolutions*) shall also be provided, mutatis mutandis, in respect of Written Resolutions.

(vi) A "record date" in relation to any proposed modification or action means the date fixed by the Ministry of Finance for determining the Bondholders and, in the case of a multiple series aggregation, the holders of debt securities of each other affected series that are entitled to vote on a Multiple Series Single Limb Extraordinary Resolution or a Multiple Series Two Limb Extraordinary Resolution, or to sign a Multiple Series Single Limb Written Resolution or a Multiple Series Two Limb Written Resolution.

(vii) An "Extraordinary Resolution" means any of a Single Series Extraordinary Resolution, a Multiple Series Single Limb Extraordinary Resolution and/or a Multiple Series Two Limb Extraordinary Resolution, as the case may be.

(viii) A "Written Resolution" means any of a Single Series Written Resolution, a Multiple Series Single Limb Written Resolution and/or a Multiple Series Two Limb Written Resolution, as the case may be.

(ix) Any reference to "debt securities" means Public Indebtedness.

(x) "Debt Securities Capable of Aggregation" means those debt securities which include or incorporate by reference this Condition 8 and Condition 9 or provisions substantially in these terms which provide for the debt securities which include such provisions to be capable of being aggregated for voting purposes with other series of debt securities.

(b) **Modification of this Series of Bonds only**

(i) Any modification of any provision of, or any action in respect of, these Conditions or the Fiscal Agency Agreement may be made or taken if approved by a Single Series Extraordinary Resolution or a Single Series Written Resolution as set out below.

(ii) A "Single Series Extraordinary Resolution" means a resolution passed at a meeting of Bondholders duly convened and held in accordance with the procedures prescribed by the Ministry of Finance pursuant to paragraph (a) (*Convening Meetings of Bondholders, Conduct of Meetings of Bondholders, Written Resolutions*) by a majority of:

(A) in the case of a Reserved Matter, at least 75% of the aggregate principal amount of the outstanding Bonds; or

(B) in the case of a matter other than a Reserved Matter, more than 50% of the aggregate principal amount of the outstanding Bonds.

(iii) A "Single Series Written Resolution" means a resolution in writing signed or confirmed in writing by or on behalf of the holders of:

(A) in the case of a Reserved Matter, at least 75% of the aggregate principal amount of the outstanding Bonds; or

(B) in the case of a matter other than a Reserved Matter, more than 50% of the aggregate principal amount of the outstanding Bonds.

Any Single Series Written Resolution may be contained in one document or several documents in the same form, each signed or confirmed in writing by or on behalf of one or more Bondholders.

(iv) Any Single Series Extraordinary Resolution duly passed or Single Series Written Resolution approved shall be binding on all Bondholders, whether or not they attended any meeting, whether or not they voted in favour thereof and whether or not they signed or confirmed in writing any such Single Series Written Resolution, as the case may be.

(c) **Multiple Series Aggregation – Single limb voting**

(i) In relation to a proposal that includes a Reserved Matter, any modification to the terms and conditions of, or any action with respect to, two or more series of Debt Securities Capable of Aggregation may be made or taken if approved by a Multiple Series Single Limb Extraordinary Resolution or by a Multiple Series Single Limb Written Resolution as set out below, provided that the Uniformly Applicable condition is satisfied.

(ii) A "Multiple Series Single Limb Extraordinary Resolution" means a resolution considered at separate meetings of the holders of each affected series of Debt Securities Capable of Aggregation, duly convened and held in accordance with the procedures prescribed by the Ministry of Finance pursuant to paragraph (a) (*Convening Meetings of Bondholders, Conduct of Meetings of Bondholders, Written Resolutions*), as supplemented if necessary, which is passed by a majority of at least 75% of the aggregate principal amount of the outstanding debt securities of all affected series of Debt Securities Capable of Aggregation (taken in aggregate).

(iii) A "Multiple Series Single Limb Written Resolution" means each resolution in writing (with a separate resolution in writing or multiple separate resolutions in writing distributed to the holders of each affected series of Debt Securities Capable of Aggregation, in accordance with the applicable bond documentation) which, when taken together, has been signed or confirmed in writing by or on behalf of the holders of at least 75% of the aggregate principal amount of the outstanding debt securities of all affected series of Debt Securities Capable of Aggregation (taken in aggregate). Any Multiple Series Single Limb Written Resolution may be contained in one document or several documents in substantially the same form, each signed or confirmed in writing by or on behalf of one or more Bondholders or one or more holders of each affected series of debt securities.

(iv) Any Multiple Series Single Limb Extraordinary Resolution duly passed or Multiple Series Single Limb Written Resolution approved shall be binding on all Bondholders and holders of each other affected series of Debt Securities Capable of Aggregation, whether or not they attended any meeting, whether or not they voted in favour thereof, whether or not any other holder or holders of the same series voted in favour thereof and whether or not they signed or confirmed in writing any such Multiple Series Single Limb Written Resolution, as the case may be, and on coupon holders (if any) of each other affected series of Debt Securities Capable of Aggregation.

(v) The "Uniformly Applicable" condition will be satisfied if:

(A) the holders of all affected series of Debt Securities Capable of Aggregation are invited to exchange, convert, or substitute their debt securities, on the same terms, for (x) the same new instrument or other consideration; or (y) a new instrument, new instruments or other consideration from an identical menu of instruments or other consideration; or

(B) the amendments proposed to the terms and conditions of each affected series of Debt Securities Capable of Aggregation would, following implementation of such amendments, result in the amended instruments having identical provisions (other than provisions which are necessarily different, having regard to different currency of issuance).

(vi) It is understood that a proposal under paragraph (c)(i) above will not be considered to satisfy the Uniformly Applicable condition if each exchanging, converting, substituting or amending holder of each affected series of Debt Securities Capable of Aggregation is not offered the same amount of consideration per amount of principal, the same amount of consideration per amount of interest accrued but unpaid and the same amount of consideration per amount of past due interest, respectively, as that offered to each other exchanging, converting, substituting or amending holder of each affected series of Debt Securities Capable of Aggregation (or, where a menu of instruments or other consideration is offered, each exchanging, converting, substituting or amending holder of each affected series of Debt Securities Capable of Aggregation is not offered the same amount of consideration per amount of principal, the same amount of consideration per amount of interest accrued but unpaid and the same amount of consideration per amount of past due interest, respectively, as that offered to each other exchanging, converting, substituting or amending holder of each affected series of Debt Securities Capable of Aggregation electing the same option from such menu of instruments).

(vii) Any modification or action proposed under paragraph (c)(i) may be made in respect of some series only of the Debt Securities Capable of Aggregation and, for the avoidance of doubt, the provisions described in this paragraph (c) may be used for different groups of two or more series of Debt Securities Capable of Aggregation simultaneously.

(d) **Multiple Series Aggregation – Two limb voting**

(i) In relation to a proposal that includes a Reserved Matter, any modification to the terms and conditions of, or any action with respect to, two or more series of Debt Securities Capable of Aggregation may be made or taken if approved by a Multiple Series Two Limb Extraordinary Resolution or by a Multiple Series Two Limb Written Resolution as set out below.

(ii) A "Multiple Series Two Limb Extraordinary Resolution" means a resolution considered at separate meetings of the holders of each affected series of Debt Securities Capable of Aggregation, duly convened and held in accordance with the procedures prescribed by the Ministry of Finance pursuant to paragraph (a) (*Convening Meetings of Bondholders, Conduct of Meetings of Bondholders, Written Resolutions*), as supplemented if necessary, which is passed by a majority of:

(A) at least 66 2/3% of the aggregate principal amount of the outstanding debt securities of affected series of Debt Securities Capable of Aggregation (taken in aggregate); and

(B) more than 50% of the aggregate principal amount of the outstanding debt securities in each affected series of Debt Securities Capable of Aggregation (taken individually).

(iii) A "Multiple Series Two Limb Written Resolution" means each resolution in writing (with a separate resolution in writing or multiple separate resolutions in writing distributed to the holders of each affected series of Debt Securities Capable of Aggregation, in accordance with the applicable bond documentation) which, when taken together, has been signed or confirmed in writing by or on behalf of the holders of:

(A) at least 66 2/3% of the aggregate principal amount of the outstanding debt securities of all the affected series of Debt Securities Capable of Aggregation (taken in aggregate); and

(B) more than 50% of the aggregate principal amount of the outstanding debt securities in each affected series of Debt Securities Capable of Aggregation (taken individually).

Any Multiple Series Two Limb Written Resolution may be contained in one document or several documents in substantially the same form, each signed or confirmed in writing by or on behalf of one or more Bondholders or one or more holders of each affected series of Debt Securities Capable of Aggregation.

(iv) Any Multiple Series Two Limb Extraordinary Resolution duly passed or Multiple Series Two Limb Written Resolution approved shall be binding on all Bondholders and holders of each other affected series of Debt Securities Capable of Aggregation, whether or not they attended any meeting, whether or not they voted in favour thereof, whether or not any other holder or holders of the same series voted in favour thereof and whether or not they signed or confirmed in writing any such Multiple Series Two Limb Written Resolution, as the case may be, and on coupon holders (if any) of each other affected series of Debt Securities Capable of Aggregation.

(v) Any modification or action proposed under paragraph (d)(i) may be made in respect of some series only of the Debt Securities Capable of Aggregation and, for the avoidance of doubt, the provisions described in this paragraph (d) may be used for different groups of two or more series of Debt Securities Capable of Aggregation simultaneously.

(e) **Reserved Matters**

In these Conditions, "Reserved Matter" means any proposal:

(i) to change the date, or the method of determining the date, for payment of principal, interest or any other amount in respect of the Bonds, to reduce or cancel the amount of principal, interest or any other amount payable on any date in respect of the Bonds or to change the method of calculating the amount of principal, interest or any other amount payable in respect of the Bonds on any date;

(ii) to change the currency in which any amount due in respect of the Bonds is payable or the place in which any payment is to be made;

(iii) to change the majority required to pass an Extraordinary Resolution, a Written Resolution or any other resolution of Bondholders or the number or percentage of votes required to be cast, or the number or percentage of Bonds required to be held, in connection with the taking of any decision or action by or on behalf of the Bondholders or any of them;

(iv) to change this definition, or the definition of "Extraordinary Resolution", "Single Series Extraordinary Resolution", "Multiple Series Single Limb Extraordinary Resolution", "Multiple Series Two Limb Extraordinary Resolution", "Written Resolution", "Single Series Written Resolution", "Multiple Series Single Limb Written Resolution" or "Multiple Series Two Limb Written Resolution";

(v) to change the definition of "debt securities" or "Debt Securities Capable of Aggregation";

(vi) to change the definition of "Uniformly Applicable";

(vii) to change the definition of "outstanding" or to modify the provisions of paragraph (i) (*Bonds controlled by the Ministry of Finance*);

(viii) to change the legal ranking of the Bonds;

(ix) to change the law governing the Bonds, the courts to the jurisdiction of which the Ministry of Finance has submitted in the Bonds, any of the arrangements specified in the Bonds to enable proceedings to be taken or the Ministry of Finance's waiver of immunity, in respect of Proceedings (as defined in Condition 16) brought by any Bondholder, set out in Condition 16;

(x) to impose any condition on or otherwise change the Ministry of Finance's obligation to make payments of principal, interest or any other amount in respect of the Bonds, including by way of the addition of a call option;

(xi) to modify the provisions of this paragraph (e); or

(xii) to exchange or substitute all the Bonds for, or convert all the Bonds into, other obligations or securities of the Ministry of Finance or any other person, or to modify any provision of these Conditions in connection with any exchange or substitution of the Bonds for, or the conversion of the Bonds into, any other obligations or securities of the Ministry of Finance or any other person, which would result in the Conditions as so modified being less favourable to the Bondholders which are subject to the Conditions as so modified than:

(A) the provisions of the other obligations or debt securities of the Ministry of Finance or any other person resulting from the relevant exchange or substitution or conversion; or

(B) if more than one series of other obligations or debt securities results from the relevant exchange or substitution or conversion, the provisions of the resulting series of debt securities having the largest aggregate principal amount.

(f) **Information**

Prior to or on the date that the Ministry of Finance proposes any Extraordinary Resolution or Written Resolution pursuant to paragraph (b) (*Modification of this Series of Bonds only*), paragraph (c) (*Multiple Series Aggregation – Single limb voting*) or paragraph (d) (*Multiple Series Aggregation – Two limb voting*), the Ministry of Finance shall publish in accordance with Condition 9, and provide the Fiscal Agent with the following information:

(i) a description of the economic and financial circumstances of the PRC which are, in the Ministry of Finance's opinion, relevant to the request for any potential modification or action, a description of the Ministry of Finance's existing debts and a description of its broad policy reform programme and provisional macroeconomic outlook;

(ii) if the Ministry of Finance shall at the time have entered into an arrangement for financial assistance with multilateral and/or other major creditors or creditor groups and/or an agreement with any such creditors regarding debt relief, a description of any such arrangement or agreement. Where permitted under the information disclosure policies of the multilateral or such other creditors, as applicable, copies of the arrangement or agreement shall be provided;

(iii) a description of the Ministry of Finance's proposed treatment of external debt securities that fall outside the scope of any multiple series aggregation and its intentions with respect to any other debt securities and its other major creditor groups; and

(iv) if any proposed modification or action contemplates debt securities being aggregated in more than one group of debt securities, a description of the proposed treatment of each such group, as required for a notice convening a meeting of the Bondholders in paragraph (a)(iv)(G) (*Convening Meetings of Bondholders, Conduct of Meetings of Bondholders, Written Resolutions*).

(g) **Claims Valuation**

For the purpose of calculating the par value of the Bonds and any affected series of debt securities which are to be aggregated with the Bonds in accordance with paragraph (c) (*Multiple Series Aggregation – Single limb voting*) and paragraph (d) (*Multiple Series Aggregation – Two limb voting*), the Ministry of Finance may appoint a separate calculation agent (the "Voting Calculation Agent"). The Ministry of Finance shall, with the approval of the Aggregation Agent and any appointed Voting Calculation Agent, promulgate the methodology in accordance with which the par value of the Bonds and such affected series of debt securities will be calculated. In any such case where a Voting Calculation Agent is appointed, the same person will be appointed as the Voting Calculation Agent for the Bonds and each other affected series of debt securities for these purposes, and the same methodology will be promulgated for each affected series of debt securities.

(h) **Manifest error, etc.**

The Bonds, these Conditions and the provisions of the Fiscal Agency Agreement may be amended without the consent of the Bondholders to correct a manifest error. In addition, the parties to the Fiscal Agency Agreement may agree to modify any provision thereof, but the Ministry of Finance shall not agree, without the consent of the Bondholders, to any such modification unless it is of a formal, minor or technical nature or it is not materially prejudicial to the interests of the Bondholders.

(i) **Bonds controlled by the Ministry of Finance**

For the purposes of (x) determining the right to attend and vote at any meeting of Bondholders, or the right to sign or confirm in writing, or authorise the signature of, any Written Resolution and (y) this Condition 8, any Bonds which are for the time being held by or on behalf of the Central People's Government (including the Ministry of Finance) or by or on behalf of any person which is owned or controlled directly or indirectly by the Central People's Government or by any public sector instrumentality of the Central People's Government shall be disregarded and be deemed not to remain outstanding, where:

(i) "public sector instrumentality" means the People's Bank of China, any other department, ministry or agency of the government of the PRC or any corporation, trust, financial institution or other entity owned or controlled by the government of the PRC or any of the foregoing; and

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

A Bond will also be deemed to be not outstanding if the Bond has previously been cancelled or delivered for cancellation or held for reissuance but not reissued, or, where relevant, the Bond has previously been called for redemption in accordance with its terms or previously become due and payable at maturity or otherwise and the Ministry of Finance has previously satisfied its obligations to make all payments due in respect of the Bond in accordance with its terms.

In advance of any meeting of Bondholders, or in connection with any Written Resolution, the Ministry of Finance shall provide to the Fiscal Agent a copy of the certificate prepared pursuant to paragraph (d) (*Certificate*) of Condition 9, which includes information on the total number of Bonds which are for the time being held by or on behalf of the Central People's Government (including the Ministry of Finance) or by or on behalf of any person which is owned or controlled directly or indirectly by the Central People's Government or by any public sector instrumentality of the Central People's Government and, as such, such Bonds shall be disregarded and deemed not to remain outstanding for the purposes of ascertaining the right to attend and vote at any meeting of Bondholders or the right to sign, or authorise the signature of, any Written Resolution in respect of any such meeting. The Fiscal Agent shall make any such certificate available for inspection during normal business hours at its specified office and, upon reasonable request, will allow copies of such certificate to be taken.

(j) **Publication**

The Ministry of Finance shall publish all Extraordinary Resolutions and Written Resolutions which have been determined by the Aggregation Agent to have been duly passed in accordance with paragraph (g) (*Manner of publication*) of Condition 9.

(k) **Exchange and Conversion**

Any Extraordinary Resolutions or Written Resolutions which have been duly passed and which modify any provision of, or action in respect of, the Conditions may be implemented at the Ministry of Finance's option by way of a mandatory exchange or conversion of the Bonds and each other affected series of debt securities, as the case may be, into new debt securities containing the modified terms and conditions if the proposed mandatory exchange or conversion of the Bonds is notified to Bondholders at the time notification is given to the Bondholders as to the proposed modification or action. Any such exchange or conversion shall be binding on all Bondholders.

9 Aggregation Agent, Aggregation Procedures

(a) **Appointment**

The Ministry of Finance will appoint an aggregation agent (the "Aggregation Agent") to calculate whether a proposed modification or action has been approved by the required principal amount outstanding of Bonds, and, in the case of a multiple series aggregation, by the required principal amount of outstanding debt securities of each affected series of debt securities. In the case of a multiple series aggregation, the same person will be appointed as the Aggregation Agent for the proposed modification of any provision of, or any action in respect of, these Conditions or the Fiscal Agency Agreement and in respect of the terms and conditions or bond documentation in respect of each other affected series of debt securities. The Aggregation Agent shall be independent of the Ministry of Finance.

(b) **Extraordinary Resolutions**

If an Extraordinary Resolution has been proposed at a duly convened meeting of Bondholders to modify any provision of, or action in respect of, these Conditions and other affected series of debt securities, as the case may be, the Aggregation Agent will, as soon as practicable after the time the vote is cast, calculate whether holders of a sufficient portion of the aggregate principal amount of the outstanding Bonds and, where relevant, each other affected series of debt securities, have voted in favour of the Extraordinary Resolution such that the Extraordinary Resolution is passed. If so, the Aggregation Agent will determine that the Extraordinary Resolution has been duly passed.

(c) **Written Resolutions**

If a Written Resolution has been proposed under the terms of these Conditions to modify any provision of, or action in respect of, these Conditions and the terms and conditions of other affected series of debt securities, as the case may be, the Aggregation Agent will, as soon as reasonably practicable after the relevant Written Resolution has been signed or confirmed in writing, calculate whether holders of a sufficient portion of the aggregate principal amount of the outstanding Bonds and, where relevant, each other affected series of debt securities, have signed or confirmed in writing in favour of the Written Resolution such that the Written Resolution is passed. If so, the Aggregation Agent will determine that the Written Resolution has been duly passed.

(d) **Certificate**

For the purposes of paragraph (b) (*Extraordinary Resolutions*) and paragraph (c) (*Written Resolutions*), the Ministry of Finance will provide a certificate to the Aggregation Agent up to three days prior to, and in any case no later than, with respect to an Extraordinary Resolution, the date of the meeting referred to in paragraph (b) (*Modification of this Series of Bonds only*), paragraph (c) (*Multiple Series Aggregation – Single limb voting*) or paragraph (d) (*Multiple Series Aggregation – Two limb voting*) of Condition 8, as applicable, and, with respect to a Written Resolution, the date arranged for the signing of the Written Resolution.

The certificate shall:

(i) list the total principal amount of Bonds and, in the case of a multiple series aggregation, the total principal amount of each other affected series of debt securities outstanding on the record date; and

(ii) clearly indicate the Bonds and, in the case of a multiple series aggregation, debt securities of each other affected series of debt securities which shall be disregarded and deemed not to remain outstanding as a consequence of paragraph (i) (*Bonds controlled by the Ministry of Finance*) of Condition 8 on the record date identifying the holders of the Bonds and, in the case of a multiple series aggregation, debt securities of each other affected series of debt securities.

The Aggregation Agent may rely upon the terms of any certificate, notice, communication or other document believed by it to be genuine.

(e) **Notification**

The Aggregation Agent will cause each determination made by it for the purposes of this Condition 9 to be notified to the Ministry of Finance as soon as practicable after such determination. Notice thereof shall also promptly be given to the Bondholders.

(f) **Binding nature of determinations; no liability**

All notifications, opinions, determinations, certificates, calculations, quotations and decisions given, expressed, made or obtained for the purposes of this Condition by the Aggregation Agent and any appointed Voting Calculation Agent will (in the absence of manifest error) be binding on the Ministry of Finance, the Fiscal Agent and the Bondholders and (subject as aforesaid) no liability to any such person will attach to the Aggregation Agent or the Voting Calculation Agent in connection with the exercise or non-exercise by it of its powers, duties and discretions for such purposes.

(g) **Manner of publication**

The Ministry of Finance will publish all notices and other matters required to be published pursuant to the Fiscal Agency Agreement including any matters required to be published pursuant to Condition 8 and this Condition 9:

(i) through The Depository Trust Company, Euroclear Bank SA/NV, Clearstream Banking S.A. and/or any Alternative Clearing System (as defined in the Fiscal Agency Agreement);

(ii) in such other places and in such other manner as may be required by applicable law or regulation; and

(iii) in such other places and in such other manner as may be customary.

10 Waiver or Authorisation of Breach of Fiscal Agency Agreement

Notwithstanding any provision of Condition 8, the Ministry of Finance shall only permit any waiver or authorisation of any breach or proposed breach of or any failure to comply with, the Fiscal Agency Agreement, without the consent of the Bondholders, if to do so could not reasonably be expected to be prejudicial to the interests of the Bondholders.

11 Prescription

The right of a Bondholder to receive any payment under the Bonds shall become void ten years (in the case of principal) or six years (in the case of interest) after the due date for payment thereof.

12 Notices

Any notice to the holder of any definitive Bond shall be validly given if published in a leading newspaper having a general circulation in Hong Kong (which is expected to be the *South China Morning Post*) or, if that newspaper shall cease to be published or timely publication therein shall not be practicable, in another English language newspaper with general circulation in Hong Kong or, in either case, in such other manner as the Ministry of Finance shall determine. Any such notice shall be deemed to have been given on the date of first publication in an English language newspaper.

13 Replacement of Bonds

Any Certificate which is lost, stolen, mutilated, defaced or destroyed may be replaced at the specified office of the Registrar or such other Transfer Agent as may from time to time be designated by the Ministry of Finance for that purpose and notice of whose designation is given to Bondholders, in each case on payment by the claimant of the expense incurred in connection there with and on such terms as to evidence, indemnity, security or otherwise as the Ministry of Finance may require (provided that the requirement is reasonable in light of prevailing market practice). Mutilated or defaced Certificates must be surrendered before replacements will be issued.

14 Further Issues

The Ministry of Finance may from time to time, without the consent of holders of the Bonds, create and issue further bonds having the same terms and conditions as the Bonds in all respects, except for the issue date, issue price and the first payment of interest thereon. Additional bonds issued in this manner will be consolidated with and will form a single series with the Bonds.

15 Contracts (Rights of Third Parties) Act 1999

No person shall have any right to enforce any term or condition of the Bonds under the Contracts (Rights of Third Parties) Act 1999.

16 Governing Law and Jurisdiction

(a) **Governing law**

The Bonds and any non-contractual obligations arising out of or in connection with them are governed by, and shall be construed in accordance with, English law.

(b) **Jurisdiction**

The courts of Hong Kong are to have non-exclusive jurisdiction to settle any disputes which may arise out of or in connection with the Bonds and accordingly any suit, action or proceedings arising out of or in connection with the Bonds (together referred to as "Proceedings") may be brought in such courts.

(c) **Agent for Service of Process**

The Ministry of Finance hereby appoints Bank of Communications Co., Ltd. Hong Kong Branch as its agent in Hong Kong to receive service of process in any Proceedings in Hong Kong based on the Fiscal Agency Agreement and the Bonds. Bank of Communications Co., Ltd. Hong Kong Branch, however, is not the agent for service of process for actions arising out of or based on the United States federal or State securities laws, and the MOF's waiver of immunity does not extend to such actions. Because the MOF has not waived its sovereign immunity in connection with any action relating to such claims, it will only be possible to obtain a United States judgment against the MOF based on such laws if a court were to determine that the MOF is not entitled under the Foreign Sovereign Immunities Act of 1976 to sovereign immunity with respect to such actions.

(d) **Waiver of immunity**

To the extent that the Ministry of Finance may in any jurisdiction claim for itself immunity from any such Proceedings, and to the extent that in any such jurisdiction there may be attributed to the Ministry of Finance such immunity (whether or not claimed), the Ministry of Finance hereby agrees not to claim and hereby waives and will waive such immunity in the face of the courts; provided, however, that the Ministry of Finance has not waived, and shall not waive, its sovereign and other immunity with respect to assets of the PRC wherever located from execution or attachment, whether in aid of execution, before judgment or otherwise. In addition, the MOF has not waived its sovereign immunity in connection with any action arising out of or based on United States federal or State securities laws.

TERMS AND CONDITIONS OF THE 2025 BONDS

The terms and conditions of the 2025 Bonds will be identical to those under "*Terms and Conditions of the 2023 Bonds*" except as set out below and references to "Bonds" shall be construed as references to the 2025 Bonds.

1. The rate of interest of the 2025 Bonds shall be 0.55% per annum, and the amount of interest payable on each Interest Payment Date shall be U.S.$2.750 per Calculation Amount.

2. The maturity date of the 2025 Bonds shall be on the Interest Payment Date falling on October 21, 2025.

TERMS AND CONDITIONS OF THE 2030 BONDS

The terms and conditions of the 2030 Bonds will be identical to those under "*Terms and Conditions of the 2023 Bonds*" except as set out below and references to "Bonds" shall be construed as references to the 2030 Bonds.

1. The rate of interest of the 2030 Bonds shall be 1.20% per annum, and the amount of interest payable on each Interest Payment Date shall be U.S.$6.000 per Calculation Amount.

2. The maturity date of the 2030 Bonds shall be on the Interest Payment Date falling on October 21, 2030.

TERMS AND CONDITIONS OF THE 2050 BONDS

The terms and conditions of the 2050 Bonds will be identical to those under "*Terms and Conditions of the 2023 Bonds*" except as set out below and references to "Bonds" shall be construed as references to the 2050 Bonds.

1. The rate of interest of the 2050 Bonds shall be 2.25% per annum, and the amount of interest payable on each Interest Payment Date shall be U.S.$11.250 per Calculation Amount.

2. The maturity date of the 2050 Bonds shall be on the Interest Payment Date falling on October 21, 2050.

SUMMARY OF PROVISIONS RELATING TO THE BONDS WHILE IN GLOBAL FORM

The Fiscal Agency Agreement and each Global Certificate contain provisions which apply to the Bonds while they are in global form, some of which modify the effect of the terms and conditions of the Bonds set out in this Offering Circular. The following is a summary of certain of those provisions. Capitalised terms used but not defined in this section have the meanings given to them in the Fiscal Agency Agreement.

1. **Form**

The Bonds sold in offshore transactions in reliance on Regulation S will be represented by one or more global certificates in fully registered form (each an "Unrestricted Global Certificate"), which will be deposited with a custodian for and will be registered in the name of a nominee of DTC. The Bonds sold within the United States to QIBs in reliance on Rule 144A will be represented by one or more global certificates in fully registered form (each a "Restricted Global Certificate"), which will be deposited with a custodian for and will be registered in the name of a nominee of DTC. See "Clearance and Settlement–Payments and relationship of participants with clearing systems".

2. **Holders**

For so long as all of the Bonds are represented by a Global Certificate and such Global Certificate is held on behalf of DTC or its nominee, each person (other than another clearing system) who has for the time being a particular aggregate face amount of such Bond credited to his securities account in the records of DTC (each, a "Bondholder") (in which regard any certificate or other document issued by such clearing system as to the aggregate face amount of such Bonds standing to the account of any person shall be conclusive and binding for all purposes save in the case of manifest error) shall be treated as the holder of such aggregate face amount of such Bonds (and the expression "Bondholders" and references to "holding of Bonds" and to "holder of Bonds" shall be construed accordingly) for all purposes other than with respect to payments and/or deliveries on such Bonds, for which purpose the registered holder of the relevant Global Certificate shall be deemed to be the holder of such face amount of Bonds in accordance with and subject to its terms and the Fiscal Agency Agreement. Each Bondholder must look solely to DTC or its nominee, for its share of each payment made to the registered holder of the relevant Global Certificate.

Investors may hold interests in the Unrestricted Global Certificates through Euroclear or Clearstream if they are participants in those systems. Investors may also hold such interests through organisations other than Euroclear and Clearstream that are participants in the DTC system. Euroclear and Clearstream will hold interests in the Unrestricted Global Certificates on behalf of their account holders through customers' securities accounts in their respective names on the books of their respective depositories, which in turn will hold such interests in the Unrestricted Global Certificates in customers' securities accounts in the depositories' names on the books of DTC. Investors may hold their interests in the Restricted Global Certificates directly through DTC, if they are DTC participants, or indirectly through organisations which are DTC participants. For persons seeking to hold a beneficial interest in the Bonds through Central Moneymarkets Unit ("CMU") operated by the Hong Kong Monetary Authority, such persons will hold their interest through an account opened and held by CMU with Euroclear or Clearstream.

3. **Principal Amount**

The principal amount of the Bonds shall be the aggregate amount from time to time entered in the records of DTC or any alternative clearing system (the "Alternative Clearing System") (each a "relevant Clearing System"). The records of such relevant Clearing System shall be conclusive evidence of the principal amount of Bonds represented by the relevant Global Certificate and a statement issued by such relevant Clearing System at any time shall be conclusive evidence of the records of that relevant Clearing System at that time. Each Global Certificate will be deposited with a custodian for, and registered in the name of, Cede & Co. as nominee for DTC and may be delivered on or prior to the Issue Date. Upon the deposit of the relevant Global Certificate with a custodian for, and registration of such Global Certificate in the name of, Cede & Co. as nominee for DTC, DTC will credit each subscriber with a principal amount of Bonds equal to the principal amount thereof for which it has subscribed and paid.

4. **Payments**

Payments of principal, interest and premium (if any) in respect of Bonds represented by the Global Certificate will be made without presentation or if no further payment falls to be made in respect of the Bonds, against surrender of the relevant Global Certificate at the specified office of any Transfer Agent or of the Registrar. Each payment will be made to, or to the order of, the person whose name is entered on the Register at the close of business on the Clearing System Business Day immediately prior to the date of payment, where "Clearing System Business Day" means Monday to Friday inclusive except December 25 and January 1. So long as the Bonds are represented by the relevant Global Certificate and such Global Certificate is held on behalf of a relevant Clearing System, the Ministry of Finance has promised, *inter alia*, to pay interest in respect of such Bonds from the Issue Date in arrear at the rates, on the dates for payment, and in accordance with the method of calculation provided for in the "Terms and Conditions of the Bonds", save that the calculation is made in respect of the total aggregate amount of the Bonds represented by the relevant Global Certificate.

5. **Transfers**

Transfers of book-entry interests in the Bonds will be effected through the records of DTC and its direct and indirect participants in accordance with their rules and procedures, as more fully described under "Clearing and Settlement". For a further description of restrictions on transfer of the Bonds, see "Transfer Restrictions".

6. **Exchange for Definitive Certificates**

Each Global Certificate is exchangeable in whole or, in certain circumstances, in part, for definitive certificates as described in the relevant Global Certificate. In exchange for the relevant Global Certificate, as provided in the Fiscal Agency Agreement, the Registrar will deliver or procure the delivery of an equal aggregate face amount of duly executed Definitive Certificates in or substantially in the form set out in the Fiscal Agency Agreement. Subject to the terms of the Fiscal Agency Agreement, any definitive certificates issued in exchange for interests in a Restricted Global Certificate will bear the legend as set out under "Transfer Restrictions".

7. **Notices**

For so long as the Bonds are represented by the relevant Global Certificate and such Global Certificate is held on behalf of DTC or its nominees, notices required to be given to holders of such Bonds shall be given by delivery of the relevant notice to that relevant Clearing System rather than by publication as required by the "Terms and Conditions of the Bonds".

8. **Meetings**

The registered holder of the relevant Global Certificate shall (unless such Global Certificate represents only one Bond) be treated as two persons for the purposes of any quorum requirements of a meeting of holders of the Bonds and, at any such meeting, as having one vote in respect of each U.S.$1,000 in principal amount of Bonds.

9. **Default**

If principal in respect of any Bonds is not paid when due and payable (but subject as provided in the relevant Global Certificate), the holder of the Bonds represented by the relevant Global Certificate may from time to time elect that Direct Rights under the provisions of the relevant Global Certificate shall come into effect. Such election shall be made in the manner described in the relevant Global Certificate.

10. **Electronic Consent and Written Resolution**

While the relevant Global Certificate is held on behalf of a relevant Clearing System, then:

(a) approval of a resolution proposed by the Ministry of Finance given by way of electronic consents communicated through the electronic communications systems of the relevant Clearing System(s) in accordance with their operating rules and procedures (i) by or on behalf of the holders who for the time being are entitled to receive notice of a Meeting under the Fiscal Agency Agreement or (ii) (where such holders have been given at least 21 days' notice of such resolution) by or on behalf of persons holding at least the relevant percentage of the aggregate principal amount of the outstanding Bonds of the relevant series as provided in the Fiscal Agency Agreement, shall, for all purposes take effect as a resolution in accordance with the Fiscal Agency Agreement and shall be binding on all relevant Bondholders of the relevant series whether or not they participated in such Electronic Consent; and

(b) where Electronic Consent is not being sought, for the purpose of determining whether a Written Resolution (as defined in the "Terms and Conditions of the Bonds") has been validly passed in respect of a series, the Ministry of Finance shall be entitled to rely on consent or instructions given in writing directly to the Ministry of Finance by accountholders in the relevant Clearing System with entitlements to the relevant Global Certificate or, where the accountholders hold any such entitlement on behalf of another person, on written consent from or written instruction by the person identified by that accountholder as the person for whom such entitlement beneficially held, subject to and in accordance with the provisions as further set out in the Fiscal Agency Agreement.

THE ISSUER

Overview

The Ministry of Finance of the People’s Republic of China (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 principal and interests 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 State Council of the People’s Republic of China (the “State Council”) is the executive body of China and the highest institution of government administration. The Ministry of Finance is one of the governmental bodies that form the State Council. The address of the Ministry of Finance is No. 3 Sanlihe Nansanxiang, Xicheng District, Beijing, China, and its contact number is +86 10 68551114.

The Bonds have been included in the 2020 Treasury Bond Issuance Plan approved by the National People’s Congress of China. Treasury bonds are the principal component of the Central People’s Government’s indebtedness.

Geography

China is situated in the eastern part of Asia, on the western shore of the Pacific Ocean. It has a land area of about 9.6 million square kilometers. China is the third largest country in the world by landmass behind Russia and Canada. China covers an inland and coastal water area of more than 4.7 million square kilometers and its maritime territory is studded with 7,600 islands. China shares common borders with 14 countries, including maritime borders with eight countries.

China has a widely varied topography, with mountain ranges and highlands located generally in the west, and plains and river basins located generally in the east. There are three principal river basins in China: the Yellow River in the north, the Yangtze River in central and the Pearl River in the south.

Owing to its vast territory, China extends over various climate types, ranging from tropical, subtropical, warm-temperate, mid-temperate, cold-temperate and Tibetan Plateau arctic zones.

Administrative Division

China is officially divided into 34 provincial-level administrative divisions, comprised 23 provinces, five autonomous regions (Guangxi, Inner Mongolia, Ningxia, Tibet and Xinjiang), four municipalities (Beijing, Chongqing, Shanghai and Tianjin) which are administered directly by the Central People’s Government, and two special administrative regions (Hong Kong and Macau). China’s capital is Beijing.

China resumed its sovereignty over Hong Kong on July 1, 1997 and over Macau on December 20, 1999. China applies a policy of “One country, Two systems” to Hong Kong and Macau.

Taiwan is an inseparable part of China. Since 1949, Taiwan has been temporarily separated from Mainland China due to historical reasons. Chinese government have made protracted efforts to take the completion of the grand cause of China's peaceful reunification.

The following is a map of China illustrating its political subdivisions and geographical location with respect to neighbouring countries:

Source: *Ministry of Land and Resources of the People's Republic of China*

Population

China is the world's most populous country. The total population of China was approximately 542 million in 1949, and had increased to approximately 1.4 billion at the end of 2019. Industrialization and urbanization led to a large increase in China's urban population from approximately 10.6% of its total population in 1949 to approximately 60.6% of its total population at the end of 2019.

At the end of 2019, people under 15 years of age (including under age 16) represented approximately 17.8% of the total population of China, amounting to 249.77 million. People from 15 to 59 years of age (including under age 60) represented approximately 64.0% of the total population of China, amounting to 896.4 million; and people from 60 years of age and older represented approximately 18.1% of the total population of China, amounting to 253.88 million. For further details concerning the population of China and its composition over the past five years, see "*—The Economy—Population.*"

National People's Congress

The National People's Congress is the highest organ of state power in China. The National People's Congress is composed of deputies elected from China's various provinces, autonomous regions, special administrative regions, four directly-administered municipalities and the armed forces. Each of China's ethnic minorities is also allocated appropriate numbers of deputies. The principal functions and powers of the National People's Congress include:

- amending and supervising the implementation of China's Constitution;
- enacting and amending criminal, civil and state institutional legislation and other basic laws;
- electing, deciding to appoint and remove official members of Central People's Government;

- reviewing and approving the national economic and social development program and reports on its implementation;
- reviewing and approving the national budgets and reports on the budget implementation;
- approving the establishment of provinces, autonomous regions and directly-administered municipalities;
- deciding the establishment and the system of special administrative regions;
- deciding on issues relating to war and peace; and
- other functions and powers that the highest organ of state power should exercise.

Lower level people's congresses are also established in provinces, autonomous regions, municipalities, cities, counties, autonomous counties, municipal districts, townships, ethnic townships and towns. These congresses are the highest organ of local state power in their respective local jurisdictions.

Political System

The Chinese Communist Party has been the governing political party in China since 1949. The National Congress of the Chinese Communist Party and its Central Committee which it elects are the highest governing bodies of the Chinese Communist Party. The General Secretary of the Central Committee is Xi Jinping. The members of the Standing Committee of the Political Bureau include Xi Jinping, Li Keqiang, Li Zhanshu, Wang Yang, Wang Huning, Zhao Leji and Han Zheng.

The multi-party cooperation and political consultation under the leadership of the Chinese Communist Party is the fundamental framework of China's political system. The Chinese People's Political Consultative Conference is an important institution of multi-party cooperation and political consultation under the leadership of the Chinese Communist Party, is the significant embodiment of socialist democracy in the political life, and is an important part of governance in China.

President

The President of China is elected by the National People's Congress for the same term as the term of the National People's Congress.

The current President of China is Xi Jinping. The President's principal functions and powers include: declaring laws as in effect in accordance with the decisions of the National People's Congress and the National People's Congress Standing Committee; appointing and removing the premier, vice premiers, state councillors, ministers in charge of ministries and commissions, commission directors, an auditor general and a secretary general of the State Council.

State Council

The State Council (i.e. the central government) is the executive body of the state highest power institution and the highest institution of government administration in China.

The State Council's principal functions and powers include:

- stipulating administrative measures, formulating administrative regulations and issuing decisions and orders in accordance with the Constitution and other laws;
- submitting proposals to the National People's Congress or the National People's Congress Standing Committee;
- stipulating the missions and responsibilities of the ministries and commissions, exercising unified leadership over their work, and directing national administrative work that does not fall within the responsibilities of the ministries and commissions;

- exercising unified leadership over the duties of local state administrative bodies at all levels nationwide and stipulating the detailed division of functions and powers between the Central People's Government and state administrative bodies in provinces, autonomous regions and cities directly administered by Central People's Government; and
- drawing up and implementing plans for national economic and social development and state budgets.

Legal System

The National People's Congress and the National People's Congress Standing Committee exercise the state power to make laws, whereas the State Council formulates administrative regulations pursuant to delegated authority under the Constitution and/or other relevant laws. The people's congresses of provinces, autonomous regions and municipalities directly under the Central People's Government, as well as their standing committees, may promulgate local statutes on the condition that such statues do not violate the Constitution or other state laws and administrative regulations. The people's congresses of national autonomous areas have the power to formulate regulations concerning autonomy and local needs in light of their own local political, economic and cultural conditions, which shall be effective upon receiving approval of the National People's Congress Standing Committee. In addition, the various ministries and committees of the State Council, the People's Bank of China, the National Audit Office, and directly affiliated institutions with administrative functions may formulate rules and regulations within the authority of their respective departments in accordance with laws and administrative regulations, decisions, and orders of the State Council. The people's governments of provinces, autonomous regions, and municipalities directly under the Central People's Government, as well as cities where the people's governments of provinces and autonomous regions are located, cities where special economic zones are located, and the people's governments of other larger cities approved by the State Council may formulate rules and regulations in accordance with laws, administrative regulations and local regulations.

The Chinese court system consists of the Supreme People's Court, the local people's courts and the specialized courts. Examples of specialized courts include military courts and maritime courts. People's courts may include criminal, civil, and administrative courts, while people's courts at or above the intermediate level may also set up additional types of courts as needed. The Supreme People's Court is responsible to the National People's Congress and the National People's Congress Standing Committee. The people's courts at higher levels supervise the trial work of the people's courts at lower levels, while the Supreme People's Court supervises the trial work of the local people's courts at all levels and of the special people's courts.

The highest prosecutorial authority in China is the Supreme People's Prosecutor General's Office, below which are local people's prosecutors general at various levels and military prosecutors general. The Supreme People's Prosecutor General's Office leads the work of the local people's prosecutors general at all levels and all special people's prosecutors general, while higher-level people's prosecutors general lead the work of lower-level people's prosecutors general.

All foreign individuals, enterprises and other organisations are entitled to the same rights and obligations as the PRC citizens, legal persons and other organisations to institute and defend legal proceedings in courts. If a PRC court is asked to recognize or enforce a judgment or ruling given by a foreign court, such judgement or ruling will be recognized and enforced only where there is an applicable international treaty or other arrangement or basis for reciprocal enforcement of judgement between China and the country of the foreign court. The enforcement of such foreign judgment or ruling, however, may not violate national security, state sovereignty or the basic principles of laws of China, nor contradict social public interests of China. Foreign arbitral awards may be enforced in China pursuant to international treaties to which China is a party, most importantly the Convention on the Recognition and Enforcement of Foreign Arbitral Awards, to which China acceded in 1987. Applications for enforcement in China are handled in accordance with the Civil Procedure Law of China, which provides that an application for enforcement must be submitted to the intermediate People's court of the place where the party against whom the enforcement is sought or domiciled or where such party's property is located.

The Arbitration Law of China, which became effective on September 1, 1995, is applicable to trade disputes involving foreign parties. The China International Economic and Trade Arbitration Commission, or CIETAC, is one of the important permanent commercial arbitration institutions in the world.

Foreign Relations

As of September 2019, China has established diplomatic relations with over 180 countries and service trade relations with over 200 countries and regions. At present, China is the largest trading partners of over 130 countries and regions and one of the most important markets for several multinational companies.

Since 2013, President Xi Jinping has proposed a major initiative of developing a global community of shared future and jointly building the Silk Road Economic Belt and the 21st-Century Maritime Silk Road (the "One Belt and One Road"). It is a major national strategic plan designed to strengthen ties with the world and promote regional economic and social development within Africa and Europe. By the end of May 2020, China had signed 200 cooperation agreements with 138 countries and 30 international organizations with the objective of jointly advancing the "One Belt and One Road" initiative. In the first half of 2020, China's investment in the joint construction of the "One Belt and One Road" countries increased by 19.4% year-on-year.

International Organizations

China is a permanent member of the United Nations Security Council (along with France, Russia, the United Kingdom and the United States). China is also a member of many international organizations, including the World Trade Organization, the International Monetary Fund, the World Bank, the Asian Development Bank, the African Development Bank and the Asia-Pacific Economic Co-Operation forum.

THE ECONOMY

Overview

China is the world's second largest economy. China's GDP in 2019 is preliminarily estimated to close to RMB100 trillion, equal to approximately US$14.4 trillion based on the average of 2019 annual exchange rate, firmly ranking second in the world. The Per Capita GDP in 2019 exceeded US$10,000 threshold, reaching US$10,276 based on the average of 2019 annual exchange rate. By the end of 2019, China's economic growth has maintained between 6% and 7% for 18 consecutive quarters.

In 1992, China declared that the goal of its economic restructuring was to establish a socialist market economy. Over the years, China has been adhering to the basic socialist economic system, including the socialist market economy with public ownership playing a dominant role and diverse forms of ownership developing side by side, and with a variety of modes of distribution and distribution based on work as the main form.

Recent Development

Coordinating Control of Covid-19 and Economic Development

Since the outbreak of the Covid-19 in 2020, the Chinese government successfully brought the epidemic under control within a relatively short period of time and ensured the basic livelihood of the people. In the first half of 2020, faced with serious challenges posed by the Covid-19 outbreak and a complex and fast-changing environment both at home and abroad, the whole nation had coordinated efforts to prevent and control the epidemic and to enhance the economic and social development. China's epidemic prevention and control efforts had made sustained improvement, which advanced the resumption of work, production, business and market at an accelerated pace. As a result, the economic growth in the first half of 2020 changed from negative for the first quarter of 2020 to positive for the second quarter of 2020 with main indicators showing restorative growth. In the first half of 2020, the total GDP is preliminarily estimated to be RMB45.7 trillion, representing 1.6% decrease compared to the same period last year.

Although the epidemic has been brought under effective control domestically, it is still spreading rapidly in other countries. The world economy is heading toward a serious recession, and instabilities and uncertainties are increasing. As such, China has major challenges to address in pursuing economic development. Internationally, Covid-19 is severely impacting the global industrial and supply chains, while the international financial market is experiencing growing volatility. Unilateralism and protectionism are increasing, international economic and trade rules are being challenged, and geopolitical risks remain relatively high. All this will increase external risks to China's development. Domestically, China is under great pressure in preventing the external input of Covid-19 and has new challenges to overcome in the development of its economy including particularly the recovery of industrial and supply chains. In addition, there were significant decrease of domestic consumption, investment and export, and increase of the unemployment pressure. Enterprises and in particular private enterprises and micro, small and medium-sized enterprises suffered outstanding hardships.

In 2020, China will closely follow the goal of completing the building of a moderately prosperous society in all respects: prevent and control epidemic and advance economic and social development in a coordinated way; adhere to the general guideline of balancing development and stability; embrace the new development philosophy; focus on the supply-side structural reform; deepen the opening-up reform; continue to fight against potential risk, poverty, and pollution; endeavor to ensure stability on six fronts of employment, financial, foreign trade, foreign investment, domestic investment and market expectation; take coordinated steps to maintain security in six areas of employment, basic livelihood of people, market participants, food and energy security, supply chain stability, and community-level operations; continue implementing the strategy of expanding domestic demand, safeguard economic development and social stability; ensure the success of the decisive battle against poverty; and complete the building of a moderately prosperous society in all respects.

Economic Development Objectives

The Chinese government manages the country's economy through five-year economic and social development plans. Each five-year plan establishes the general framework of the country's agricultural, industrial, financial and other economic and social policy during the five-year period.

In March 2016, the National People's Congress approved the 13th Five-Year Plan for Economic and Social Development of China (2016-2020) (the "13th Five-Year Plan"), which set out the following major anticipated objectives for China's economic and social development during the 13th Five-Year period:

- Maintaining a medium-high rate of growth;
- Achieving significant results in innovation-driven development;
- Furthering coordinated development;
- Improving standards of living and quality of life;
- Improving the overall calibre of the population and the level of civility in society;
- Achieving an overall improvement in the quality of the environment and ecosystems; and
- Ensuring all institutions become more mature and better established.

As of 2019, the major indicators as set out in the 13th Five-Year Plan has been progressed within the range of expectation. The year 2020 is the final year of the 13th Five-Year Plan, and China will continue formulating the 14th Five-Year plan based on a full evaluation of the implementing status of the 13th Five-year Plan, to lay a solid foundation for the economic and social development during the 14th Five-Year Period.

Key Economic Strategies

Moving Forward with Supply-side Structural Reform and Strengthening Domestic Market

The 2015 Central Economic Work Conference set forth the supply-side structural reform as a new focus in stabilizing China's economic growth. While appropriately expanding domestic demand and consumption, structural reforms were implemented by cutting overcapacity, reducing excess inventory, deleveraging, lowering costs, and strengthening areas of weakness, improving the quality and efficiency of supply system, increasing the efficiency of investment, cultivating new development momentum, transforming and upgrading traditional comparative advantages, enhancing sustained growing capacity, and promoting the overall improvement of social productivity.

Currently five mutually reinforcing policy initiatives are outlined below in implementing the supply-side structural reform:

- Stable macroeconomic policies. Creating a stable macroeconomic environment for structural reforms, such as tax cuts and flexible monetary system;
- Effective industrial policies. Implementing effective industrial policies to direct structural reforms, such as promoting agricultural modernization, strengthening manufacturing capacity, developing service industries, and improving the networking level of infrastructure;
- Flexible micro policies. Improving the market environment to simulate the vitality of enterprises and the potential of consumers, for example, creating a flexible market operation and investment environment, encouraging enterprises to innovate and develop, creating a market environment of free flow and equal exchange of goods, and improving capacity of efficient supply;
- Practical reform policies. Promoting the actual implementation of reforms, for example, while strengthening the central coordinative function, local initiatives should be allowed to explore differentiated practices; and

- Stable social policies. The social policies should keep the bottom line of people's livelihood. For example, social insurance should be given into full play as a social stabilizer to ensure people's basic life and guarantee basic public services.

In 2020, China will continue moving ahead with supply-side structural reform, revitalize the real economy, constantly enhance basic industrial capacities and modernize industrial chains, and maintain the stability and competitiveness of China's industrial chains and supply chains. China will increase support for businesses, in particular micro, small, and medium-sized businesses and self-employed individuals, promote high-quality development of the manufacturing sector, ensure stability in the industrial and supply chains, strive to develop new drivers of economic growth, and ensure food security and market supply of agricultural and side-line products.

Expanding Domestic Demand and Transforming Economic Growth Model

The 2020 Government Working Report sets forth the strategy of expanding domestic demand, in accompany with the supply-side structural reform, to give full play of the advantage of super-large market and domestic demand potential, highlight the directional efforts on people's wellbeing, and boost the mutual promotional effect of combining the boost of domestic demand and the effective investment.

- Promoting the recovery of consumption. The government strived to stabilize employment, promote growth and ensure people's basic needs, in order to encourage and increase the ability of consumption.

- Expanding effective investment. In 2019, the government enacted the Regulations on Government Investment which properly lowered the capital contribution requirements for projects in priority areas; improved the reserve mechanism for major project, and actively promoted the construction of projects funded by special bonds, as well as public-private partnership (PPP) projects to encourage the participation of private capital in key areas with relative weakness. The investment structure has continuously been optimized with an increase of 17.3% and 13.2% in investments in high-tech industry and social domain respectively. In 2020, the government plans to further enlarge the scale of special bonds and increases the proportion of special bonds in total project capital.

- Advancing new urbanization with enhanced quality. In 2019, over 10 million people from rural areas were granted urban residency, constituting significant progress toward the goal of granting urban residency to 100 million people without local household registrations. The percentage of urban permanent residents reached 60.6%, while the percentage of registered urban residents reached 44.4%.

- Implementing regional development strategies. Continue promoting large-scale development in the western region, the full revitalization of the northeast, the rise of the central region, and the trailblazing development of the eastern region. Moving forward with the coordinated development of the Beijing-Tianjin-Hebei region, the development of the Guangdong-Hong Kong-Macau Greater Bay Area, and the integrated development of the Yangtze River Delta.

- Promoting high-quality development of the service sector. China has introduced policies and measures on high-quality development of the service sector and transformation and upgrading of traditional service industries, stepped up the development of new forms and new models of businesses, and promoted the integrated development of advanced manufacturing and modern services. China also supported the development of platforms for generic technology R&D, industrial design, and the industrial internet. In addition, a series of consumption-promoting policies and measures have been issued, including establishing inter-ministerial joint meetings to coordinate efforts in expanding and upgrading consumption, promoting upgrading of key consumer goods, accelerating the improvement of recycling network system for automobiles, home appliances and electronic products, developing "Internet + social services" and integrating online and offline consumption, increasing support for consumption in areas such as old-age care, childcare, household services, sports and night-events, stimulating the consumption potential in culture and tourism, accelerating the development of circulation-driven commercial consumption and promoting the construction of credit system in the consumer sector.

Deepening Reform of State-owned Enterprises and Energized Market Entities

In August 2015, the State Council issued the Guideline on Deepening the Reform of State-owned Enterprises, which expressly set out the guiding principles of State-owned Enterprises reform, i.e. sticking to the basic economic system and the direction of socialist market economic reform, adapting to the new market-oriented trend of modernization and internationalization, improve the State-owned assets regulation framework, develop stronger, better and larger State-owned Enterprises.

During recent years, China has continuously promoting market-oriented reforms and energizing market entities by taking the following measures:

- Promoting mixed-ownership reform. By the end of 2019 over 70% of central State-owned Enterprises and over 50% local State-owned Enterprises were in the form of mixed ownership.
- Improving modern corporate system. By the end of 2019, 83 central government enterprises established boards of directors in which a majority of the board was composed of external directors, around 90% first-tier enterprises under provincial State-owned Assets Supervision and Administration Commission ("SASAC") and 76% second and third-tier enterprises under central State-owned Enterprises have established board of directors.
- Condensing State-owned Enterprises. By end of 2019, the number of central State-owned Enterprises has cumulatively reduced by 14,000, representing a drop of 26.9%, and the management hierarchy of central government enterprises was limited to five layers or less.
- Achieve constant decrease in the asset-liability ratio of central State-owned Enterprises. During recent years, SASAC has included the asset-liability ratio as one of the annual evaluation indicators of central State-owned Enterprises, with a view to direct enterprises to improve its asset structure and increase the ability to prevent against debt risks. By end of 2019, the average asset-liability ratio was 65.1%, decreasing 0.6% from last year and achieving a steady drop for three consecutive years.

In 2020, China will speed up the reforms of state assets, State-owned Enterprise, and key industries, further promote the optimization and structural adjustment of economic distribution, improve modern corporate structure, form a state asset supervisory system cantered on oversight of capital, actively deepen the mixed-ownership reform supported by detailed implementation guidance.

Promoting the Reform of Market Administration and Optimizing Business Environment

In recent years, China has continued to promote reform to streamline administration with more delegation of power, to improve market regulation and to upgrade services (the "Market Administration Reform"). The Market Administration Reform is to optimize the business environment, invigorate market players and boost the momentum for better development, create more market players and job positions, stimulate business start-ups and innovation, and foster the rapid growth of new business forms and models. A series of policies and measures which have been rolling out to deepen the Market Admiration Reform have played an important role in China's fight against the epidemic and recovery of economic growth in 2020.

In 2019, China promulgated the Regulations on Improving the Business Environment to establish a business environment assessment system, under which, assessments in 41 cities across the country were carried out. China also further reduced the negative list for market access, improved the efficiency of investment review and approval procedures, and streamlined the review and approval process for construction projects. Further, China promoted and improved the use of the national credit information sharing platform and the national integrated government affairs service platform. According to the "Doing Business 2020" released by the World Bank in 2019, China has for two consecutive years been named as one of the top ten economies in the world which have the greatest improvement in the business environment, ranking 31st globally, up 15 places from the previous year.

In 2020, China will continue to deepen the Market Administration Reform, fully implement the Regulation on Improving the Business Environment, improve the evaluation system and methods of business environment, further streamline the approval or registration procedures, establish and improve the list of investment approval, deepen the "Internet + Governmental Service" model, ensure the direct access to fiscal funds and the practical implementation of fee cut, innovate the credit-based service model, benefiting more enterprises especially micro, small and medium-sized enterprises in terms of financing, remove the unreasonable restrictions on employment especially new employment forms, and promote the flexibility in employment in light of local conditions.

Major Economic Indicators[1]

Over the past 20 years, China's economy has experienced significant growth. The following table sets forth selected annual data relating to the PRC economy for the period from 2015 to 2019.

Major Economic Indicators

	2015	2016	2017	2018	2019
Gross National Income (RMB100 million)(1)..	686,255.7	743,408.3	831,381.2	914,327.1	988,528.9
Gross Domestic Product (RMB100 million)(1)(2)........	688,858.2	746,395.1	832,035.9	919,281.1	990,865.1
Total Population (year-end) (10,000 persons)(3)........	137,462.0	138,271.0	139,008.0	139,538.0	140,005.0
Per Capita GDP (RMB)(1)........	50,237.0	54,139.0	60,014.0	66,006.0	70,891.8
Total Value of Exports (USD million)........	2,273,468.2	2,097,631.2	2,263,344.9	2,486,695.7	2,499,028.9
Total Value of Imports (USD million)........	1,679,564.5	1,587,926.2	1,843,792.9	2,135,748.4	2,077,097.1
Balance of Trade (USD million)........	593,903.7	509,705.0	419,552.0	350,948.0	421,932.0
Foreign Exchange Reserves (USD100 million)........	33,303.6	30,105.2	31,399.5	30,727.1	31,079.2
Consumer Price Index (preceding year=100)..	101.4	102	101.6	102.1	102.9
Producer Price Index for Industrial Products (preceding year=100)........	94.8	98.6	106.3	103.5	99.7

Notes:

(1) The absolute values of Gross National Income, Gross Domestic Product and Per Capita GDP are calculated at current prices.

(2) According to China's regulations on the GDP revisions and international practice, systematic revisions are made on the GDP figures for 2018 and earlier years with the data from the fourth economic census available.

(3) Population data have been estimated on the basis of the annual national sample surveys.

Source: National Bureau of Statistics of China.

As of the end of 2019, China's GDP was RMB99,086.5 billion, up by 6.1% over the previous year. Of this total, the total product of the primary industry was RMB7,046.7 billion, up by 3.1% over the previous year, that of the secondary industry was RMB38,616.5 billion, up by 5.7% over the previous year and that of the tertiary industry was RMB53,423.3 billion, up by 6.9% over the previous year. The total product of the primary industry accounted for 7.1% of the GDP; that of the secondary industry accounted for 39.0%; and that of the tertiary industry accounted for 53.9%. The contribution of the final consumption expenditure to GDP was 57.8%, that of the gross capital formation 31.2% and that of the net exports of goods and services 11.0%. The Per Capita GDP in 2019 was RMB70,892, up by 5.7% over the previous year. The Gross National Income in 2019 was

1 There is some inconsistency between total of each items and total item due to rounding.

RMB98,845.8 billion, up by 6.2% over the previous year. The national energy consumption[1] per RMB10,000 worth of GDP went down by 2.6% over the previous year, and the overall labor productivity[2] reached RMB115,009 per person in 2019, up by 6.2% over the previous year.

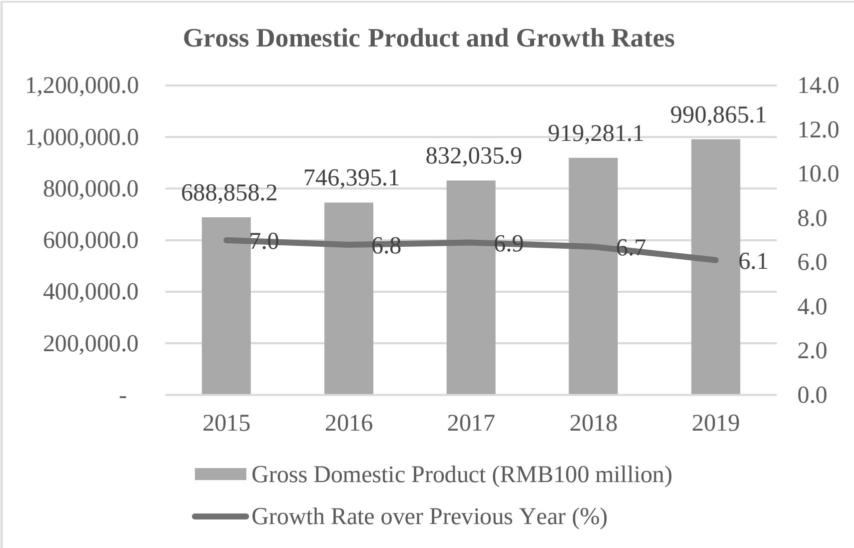
During the period from 2015 to 2019, China's economic performance has generally remained stable and the quality of economic development has been steadily improved. The total GDP has constantly increased from RMB68,885.8 billion by the end of 2015 to RMB99,086.5 billion by the end of 2019 and the GDP growth rates have remained stable within the range of 6% ~ 7%. While at the same time, China is also faced with the pressure of economic downturn:

- Internationally, the global economy is still in the in-depth adjustment phase following the international financial crisis, and the global economic growth continued to slow down in recent years. The world situation is evolving in an increasingly significant way, with more and more sources of turmoil and risks. Protectionism and unilateralism intensified, and international commodity price suffered from fluctuations. China's economy faced with increasingly significant uncertainty and instability, as well as increased risk of external input.
- Domestically, China's economic development has shifted from a high growth rate to a medium-to-high growth rate, and structural adjustment has been inevitable in order to achieve further economic achievements. In the meanwhile, China implemented a series of economic stimulus programs at the beginning of the international financial crises. Since 2018, the cyclical issue of China's economy has been improved, but the structural and deep reasons restraining China's economic development are still significant. China is in a critical period of transforming its development methodology, optimizing its economic structure and shifting its growth momentum, while faced with mutually entangled structural, systematic and cyclical issues. As such, the pressure of economic downturn is still significant.

[1] The national energy consumption per RMB10,000 worth of GDP is calculated at constant prices of 2015. The historical data were revised based on the results of the fourth national economic census.

[2] The overall labor productivity refers to the ratio between the GDP (at 2015 constant prices) and the total number of persons employed. The historical data were revised based on the results of the fourth national economic census.

The following chart sets forth the Gross Domestic Product and its growth rates for the period from 2015 to 2019.



Notes:

(1) The absolute values of GDP are calculated at current prices; the growth rates are calculated at constant prices using 2015 as the base year.

(2) According to China's regulations on the GDP revisions and international practice, systematic revisions are made on the GDP figures for 2018 and earlier years with the data from the fourth economic census available.

Source: National Bureau of Statistics of China.

The following table presents the annual Gross Domestic Product by expenditure approach and its compositions for the period from 2015 to 2019.

Gross Domestic Product by Expenditure Approach

	2015	2016	2017	2018	2019
	(RMB100 million, except for percentages)				
Gross Domestic Product by Expenditure Approach [(1)]	692,093.7	745,980.5	828,982.8	915,774.3	994,927.4
Final Consumption Expenditure [(2)]	371,920.7	410,806.4	456,518.2	506,134.9	551,494.6
Household Consumption Expenditure	260,202.4	288,668.2	320,689.5	354,124.4	385,895.6
Government Consumption Expenditure	111,718.2	122,138.3	135,828.7	152,010.6	165,599.0
Gross Capital Formation	297,826.5	318,198.5	357,886.1	402,585.1	428,627.8
Gross Fixed Capital Formation	289,970.2	310,144.8	348,300.1	393,847.9	422,018.8
Changes in Inventories	7,856.3	8,053.7	9,586.0	8,737.3	6,609.0
Net Exports of Goods and Services	22,346.5	16,975.6	14,578.4	7,054.2	14,805.0
Final Consumption Rate (%)	53.7	55.1	55.1	55.3	55.4
Capital Formation Rate (%)	43.0	42.7	43.2	44.0	43.1

Note:

(1) GDP by Expenditure Approach refers to the method of measuring the final results of production activities of a country (region) during a given period from the perspective of final uses. It includes final consumption expenditure, gross capital formation and net export of goods and services. The formula for computation is: GDP by expenditure approach = final consumption expenditure + gross capital formation + net export of goods and services.

(2) Calculated at current prices.

Source: National Bureau of Statistics of China.

Since 2020, the sudden outbreak of Covid-19 brought about unprecedented impact on society and the economy. In the face of severe risks and challenges, the whole country has made coordinated efforts to prevent and control the spread of Covid-19 and to promote the economic and social development. Under the effect of a series of policies, China's economic performance restored growth after a decline, and has been steadily recovering.

- Key economic indicators gradually recovered. China’s GDP for the first half of 2020 is preliminarily estimated to be RMB45,661.4 billion (calculated at comparable prices), representing a decrease of 1.6% compared to the same period last year. The GDP for the first quarter declined by 6.8% over the same period last year and that for the second quarter grew by 3.2% over the same period last year, representing a growth by 11.5% over the first quarter of 2020. The total product of the primary industry was RMB2,605.3 billion, up by 0.9% compared to the same period last year; that of the secondary industry was RMB17,275.9 billion, down by 1.9% compared to the same period last year; and that of the tertiary industry was RMB25,780.2 billion, down by 1.6% compared to the same period last year.[1] The total product of industrial enterprises above designated size for the first quarter declined by 8.4% over the same period last year and that of the second quarter grew by 4.4% over the same period last year. The total product of the service sector for the first quarter declined by 5.2% over the same period last year and that of the second quarter grew by 1.9% over the same period last year. The rate of decline in the total retail sales amount of consumer goods for the second quarter decreased by 15.1% compared with the first quarter. On a monthly basis, for the first half of 2020, the total product of the industrial enterprises above designated size has maintained positive growth for three consecutive months, the

[1] The absolute values of the Gross Domestic Product, total product of the three strata of industry are calculated at current price, and the growth rates are calculated at constant price.

production index of the service sector has maintained positive growth for two consecutive months, the rate of decline in the total retail sales of consumer goods has decreased for four consecutive months, and the export volume has maintained positive growth for three consecutive months. In the first half of 2020, the rate of decline in fixed asset investment (excluding rural households) decreased by 13.0% compared with the first quarter, and the rate of decline in national fixed asset investment (excluding rural households) from January to July 2020 decreased by a further 1.5% compared with the first half of 2020.

- Prices were generally stable, and inflation maintained at a relatively moderate level. In the first half of 2020, the Consumer Price Index increased by 3.8% over the same period last year and the rate of increase declined by 1.1% compared with the first quarter of 2020. The Consumer Price Index for July and August 2020 increased by 2.7% and 2.4%, respectively, in each case, compared to the relevant period last year, showing a downward trend in the rate of increase. The Producer Price Index for Industrial Products decreased by 1.9% in the first half of 2020, and by 2.4% and 2.0% in July and August 2020, respectively, in each case, compared to the relevant period of last year, showing a downward trend in the rate of decline.
- Employment and people's wellbeing were ensured. In the first half of 2020, the surveyed urban unemployment rate dropped, and the overall employment situation had been stable in general. In June 2020, the surveyed urban unemployment rate was 5.7%, representing a slight decline for two consecutive months. The surveyed urban unemployment rate stood at 5.7% in July, same as June 2020. In the first half of this year, the per capita disposable income for national citizens grew by 2.4% in nominal terms, with the rate of growth increased by 1.6% compared with the first quarter of 2020, and fell by 1.3% in real terms (on a price-adjusted basis), with the rate of decline decreased by 2.6% compared with the first quarter of 2020.

In general, in the first half of 2020, China's economy gradually overcame the adverse impact of the epidemic and achieved gradual recovery. At the same time, as the GDP, industry, service industry, consumption, investment and other major indicators declined in the first half of the year, so the recovery in the second quarter and afterwards was still restorative, with further work to be done to restore the economy back to normal.

Three Strata of Industry

Based on the Regulation on the Classification by Three Strata of Industry revised by the National Bureau of Statistics in 2018, the primary industry refers to agriculture, forestry, animal husbandry and fishery industries (excluding support services to agriculture, forestry, animal husbandry and fishery industries). The secondary industry refers to mining (excluding auxiliary mining activities), manufacturing (excluding repairs for metal products, machinery and equipment), production and supply of electricity, steam, gas and water, and construction. The tertiary industry refers to all other industries not included in primary or secondary industry, such as transportation, postal, wholesale and retail, real estate, financial service, education, culture, sports and entertainment.

The following table presents the composition of GDP by the three strata of industry, and their respective shares of contributions to the increase of GDP for the period from 2015 to 2019.

Composition of GDP by the Three Strata of Industry and Their Shares of Contributions

	2015	2016	2017	2018	2019
Total product of the Primary Industry (RMB100 million)	57,774.6	60,139.2	62,099.5	64,745.2	70,466.7
Composition of GDP by the three strata of industry, the Primary Industry (%)	8.4	8.1	7.5	7.0	7.1
Share of the Contributions of the Primary Industry to the Increase of the GDP (%)	4.4	4.0	4.6	4.1	3.8
Total product of the Secondary Industry (RMB100 million)	281,338.9	295,427.8	331,580.5	364,835.2	386,165.3
Composition of GDP by the three strata of industry, the Secondary Industry (%)	40.8	39.6	39.9	39.7	39.0
Share of the Contributions of the Secondary Industry to the Increase of the GDP (%)	39.7	36.0	34.2	34.4	36.8
Total product of the Tertiary Industry (RMB100 million)	349,744.7	390,828.1	438,355.9	489,700.8	534,233.1
Composition of GDP by the three strata of industry, the Tertiary Industry (%)	50.8	52.4	52.7	53.3	53.9
Share of the Contributions of the Tertiary Industry to the Increase of the GDP (%)	55.9	60.0	61.1	61.5	59.4

Notes:

(1) The classification by the three strata of industry is based on the Regulation on the Classification by Three Strata of Industry revised by the National Bureau of Statistics in 2018.

(2) Total product of the three strata of industry refers to the final products at market prices produced by all resident units of a country or a region engaged in the relevant industry during a certain period of time.

(3) The absolute value of the total product of the three strata of industry are calculated at current prices; the growth rates are calculated at constant prices using 2015 as the base year.

(4) Share of the Contributions of each strata to the increase of the GDP refers to the proportion of the increment of the total product of each industry to the increment of GDP. It is calculated at constant prices using 2015 as the base year.

(5) According to China's regulations on the GDP revisions and international practice, systematic revisions are made on the GDP figures for 2018 and earlier years with the data from the fourth economic census available.

Source: National Bureau of Statistics of China.

The following table presents the composition of GDP by industries for the period from 2015 to 2019.

Composition of GDP by Industries

	2015	**2016**	**2017**	**2018**	**2019**
			(RMB100 million)		
Gross Domestic Product	688,858.2	746,395.1	832,035.9	919,281.1	990,865.1
Agriculture, Forestry, Animal Husbandry and Fishery industries	59,852.6	62,451.0	64,660.0	67,558.7	73,567.1
Industry	234,968.9	245,406.4	275,119.3	301,089.3	317,108.7
Construction	47,761.3	51,498.9	57,905.6	65,493.0	70,904.3
Wholesale and Retail Trades	67,719.6	73,724.5	81,156.6	88,903.7	95,845.7
Transport, Storage and Postal Services	30,519.5	33,028.7	37,121.9	40,337.2	42,802.1
Hotels and Catering Services	12,306.1	13,607.8	15,056.0	16,520.6	18,040.0
Financial Services	56,299.8	59,964.0	64,844.3	70,610.3	77,077.0
Real Estate	42,573.8	49,969.4	57,086.0	64,623.0	69,631.0
Others	136,856.5	156,744.3	179,086.3	204,145.2	225,889.2

Note:

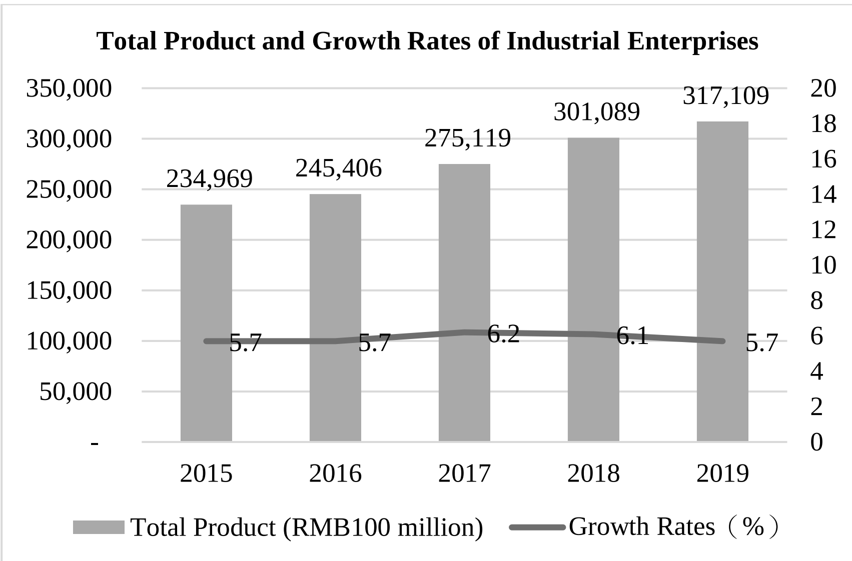
(1) The absolute value of the GDP and relevant industries are calculated at current prices; the growth rates are calculated at constant prices using 2015 as the base year.

Source: National Bureau of Statistics of China.

Industry

After 70 years of development, China now has 41 industrial categories, 207 industrial medium categories and 666 industrial sub-categories, making it the only country in the world that has all the industrial categories listed in the UN Industrial Classification.

The following chart sets forth the annual total product and growth rates of industrial enterprises for the period from 2015 to 2019.



Note:

(1) The absolute values of the total product are calculated at current prices; the growth rates are calculated at constant prices using 2015 as the base year.

Source: Statistical Communiqué of the People's Republic of China on the 2019 National Economic and Social Development, the National Bureau of Statistics of China.

The following table sets forth the growth rates of industrial enterprises above designated size for the period from 2015 to 2019.

Growth Rates of Industrial Enterprises above Designated Size

	2015	2016	2017	2018	2019
			(%)		
Growth Rate of Total Product of Industry	6.1	6.0	6.6	6.2	5.7
By ownership:					
State-controlled Enterprises	1.4	2.0	6.5	6.2	4.8
Joint-Equity Cooperative Enterprises	4.6	6.2	(4.6)	1.0	9.2
Share-Holding Enterprises	7.3	6.9	6.6	6.6	6.8
Enterprises with Hong Kong, Macau, Taiwan and Foreign Funds	3.7	4.5	6.9	4.8	2.0
Private Enterprises	8.6	7.5	5.9	6.2	7.7
By industry:					
Mining	2.7	(1.0)	(1.5)	2.3	5.0
Manufacturing	7.0	6.8	7.2	6.5	6.0
Electricity, Thermal Power, Gas and Water Production and Supply	1.4	5.5	8.1	9.9	7.0

Notes:

(1) The growth rates are calculated at comparable prices.

(2) Industrial enterprises above the designated size are industrial enterprises with annual revenue from principal business over RMB20 million.

Source: Statistical Communiqué of the People's Republic of China on the 2019 National Economic and Social Development, the National Bureau of Statistics of China.

The following table sets forth the total profits of industrial enterprises above designated size for the period from 2015 to 2019.

Total Profits of Industrial Enterprises above Designated Size

	2015	2016	2017	2018	2019
			(RMB100 million)		
Total Profits of Industrial Enterprises above Designated Size	66,187.1	71,921.4	74,916.3	71,608.9	61,995.5
State-controlled Industrial Enterprises	16,356.0	18,583.1	17,215.5	12,324.3	11,416.7
Private Industrial Enterprises	24,249.7	25,494.9	23,043.0	17,137.0	18,182.0
Industrial Enterprises with Hong Kong, Macau, Taiwan and Foreign Funds	15,905.8	17,597.5	18,412.4	16,775.5	15,580.0

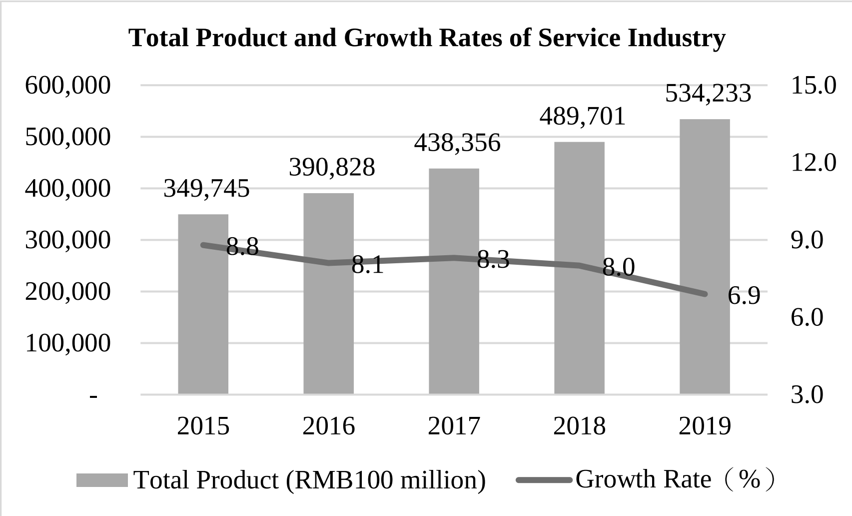
Note:

(1) Industrial enterprises above the designated size are industrial enterprises with annual revenue from principal business no less than RMB20 million.

Source: National Bureau of Statistics of China.

Service Industry

The following chart sets forth the annual total product and growth rates of the service industry for the period from 2015 to 2019.



Note:

(1) The absolute values of the total product are calculated at current prices; the growth rates are calculated at constant prices using 2015 as the base year.

Sources: Statistical Communiqué of the People's Republic of China on the 2019 National Economic and Social Development, the National Bureau of Statistics of China.

In 2019, the total amount of retail sales of consumer goods was RMB41,164.9 billion, representing a growth of 8.0% over the previous year. In the first half of 2020, the total amount of retail sales of consumer goods was RMB17,225.6 billion, down by 11.4% over the same period last year, and the rate of decline decreased by 7.6% compared with the first quarter of 2020.

The following table sets forth the annual retail sales revenue of consumer goods and growth rate for the period from 2015 to 2019.

Total Retail Sales and Growth Rate of Consumer Goods

	2015	**2016**	**2017**	**2018**	**2019**
Total Retail Sales of Consumer Goods (RMB100 million)	300,930.8	332,316.3	366,261.6	380,986.9	411,649.0
Growth Rate..	10.7%	10.4%	10.2%	9.0%	8.0%

Note:

(1) Calculated at current price.

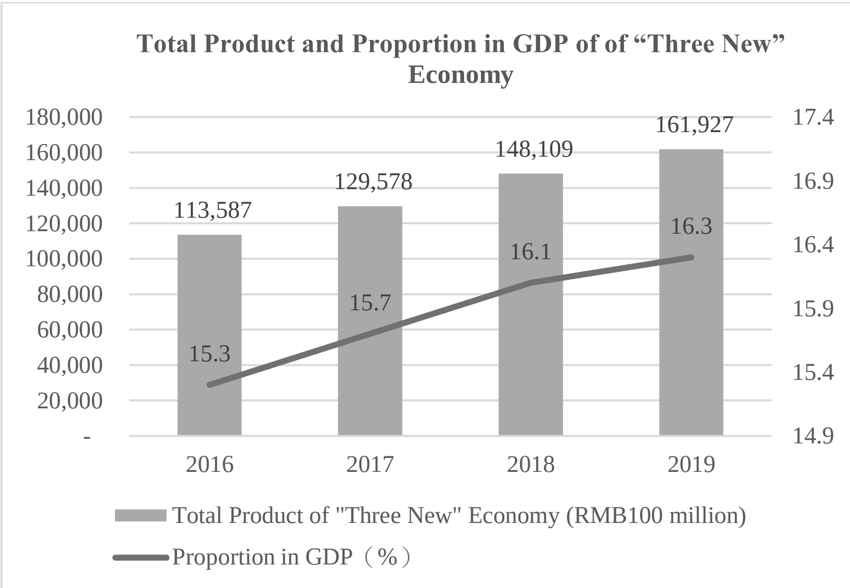
Source: National Bureau of Statistics of China.

"Three New" Economies

"Three New" economies refers to economic activities new industry, new business format and new business model. China's present economic development calls for new growth drivers, which needs to speed up the development of the new economy, promote the growth of new technologies, new industries and new forms of business, promote the development of sharing economy through institutional innovation, build sharing platforms, expand emerging industrial clusters such as high-tech industries and modern service industries, and create new engines of strong driving force, use information networks and other modern technologies to promote changes in production, management and marketing models, reshape industrial, supply and value chains, and upgrade traditional driving forces so that they will show new vitality.

In 2019, the total product of China’s “Three New” economy was RMB16,192.7 billion, accounting for 16.3% of GDP, 0.2% higher than its proportion to GDP of 2018. In terms of the three strata of industry, the total product of the primary industry of the "Three New" economy was RMB668.5 billion, accounting for 0.7% of GDP; the total product of the secondary industry of the "Three New" economy was RMB7,044.3 billion, accounting for 7.1% of GDP; the total product of the tertiary industry of the "Three New" economy was RMB8,479.9 billion, accounting for 8.6% of GDP.

The following table sets forth the annual total product of the “Three New” economy and its proportion in the GDP for the period from 2015 to 2019.



Notes:

(1) "Three new" economy is a collection of economic activities with new industry, new business format and new business model as the core content. New industry refers to the application of new scientific and technological achievements and new technologies to form a certain scale of new economic activities. New business format refers to the new links, new chains and new activity forms derived from the existing industries and fields by complying with diversified, pluralistic and personalized product or service demands and relying on technological innovation and application. The new business model refers to the integration and reorganization of various internal and external elements of enterprise operation in order to achieve the goal of customer value and sustainable profit, so as to form an efficient and competitive business operation mode. The "three new" economic total product measures the total product created by all permanent residents of a country (or region) engaged in the "three new" economic production activities in a certain period of time.

(2) The accounting coverage of the total product of the "three new" economic is determined according to the Statistical Classification of New industry, New Business Format and New Business Model (2018), the scope of which includes modern agriculture, forestry, animal husbandry and fishery, advanced manufacturing, energy conservation and environmental protection activities, Internet and modernity information technology services, modern technology services, innovation and entrepreneurship services, modern productive services, new lifestyle services, and modern integrated management activities.

Source: National Bureau of Statistics of China.

The new kinetic energy index of economic development is a composite index constructed by using the basic data of "three new" surveys and the comprehensive evaluation method of linear weighting, which is used to reflect the development trend and process of new economic momentum. Applying the fixed base index method and using 2014 as the base year (=100), the new kinetic energy index of China's economic development in 2015-2019 was 124.8, 159.1, 204.1, 269.0 and 332.0, respectively, increasing by 24.8%, 27.5%, 28.3%, 31.8% and 23.4% over the previous year, respectively. The network economy index has the highest growth rate and the largest contribution to the growth of the total index.

Digital Economy

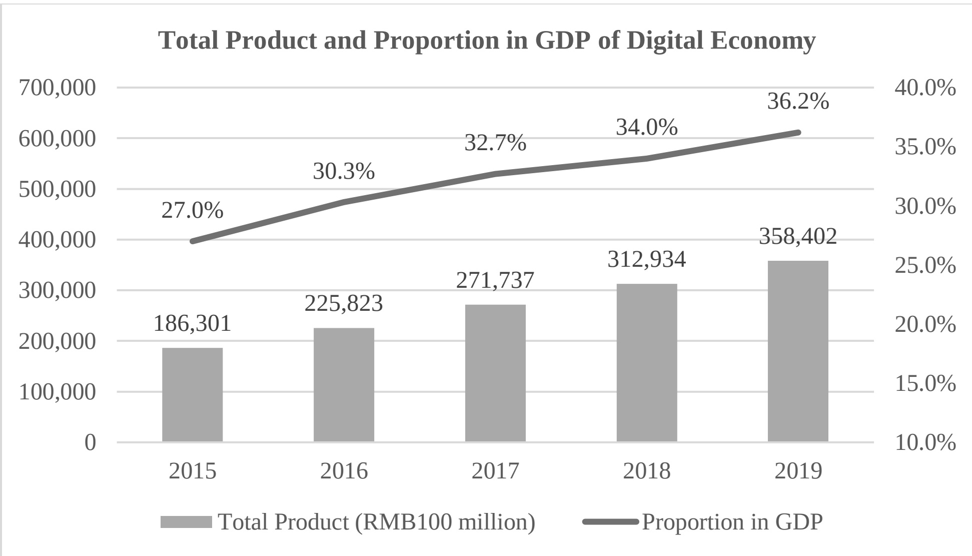
In recent years, China has attached great importance to the development of digital economy. It has adopted a series of major measures, including the "Internet Plus" initiative and the “Big Data” strategy, to accelerate the development of digital industrialization and digitization of industries, and promote the digital transformation of the economy and society. The digital economy has become a new driving force for the quality, efficiency and power of economic development, enhancing economic innovation and competitiveness. Especially in the fight against Covid-19, the digital economy has played an irreplaceable positive role and become a new engine for economic and social development.

In 2020, to support the healthy development of new business forms and models, activate the consumer market, boost employment, and create new advantages for the digital economy, China will fully implement the digital economy strategy, including:

- exploring new online service models and activating new consumer markets;
- accelerating the digital transformation of industries and strengthening new drivers of the real economy;
- encouraging the development of the new individual economy and creating new space for consumption and employment;
- fostering and developing new forms of business in the sharing economy and creating new ways of providing factors of production.

In recent years, the proportion of digital economy in China's GDP has been increasing year by year, and its position in the national economy has been further highlighted. In 2019, the total product of digital economy reached RMB35.7 trillion, accounting for 36.2% of GDP, up 1.4% from 2018.

The following table sets forth the annual total product and proportion in GDP of digital economy for the period from 2015 to 2019.



Note:

(1) Digital economy includes digital monetization, digital industrialization, industrial digitalization and digital governance. The statistical analysis of the total product of digital economy however only includes digital industrialization and industrial digitalization due to limitation of data availability and accounting methods,

Source：White Paper on the Development of Digital Economy in China (2020), China Academy of Information and Communication

Price Index

The consumer prices in 2019 went up by 2.9% over the previous year. The producer prices for industrial products in 2019 went down by 0.3% and the purchasing prices for industrial producers down by 0.7% over the previous year. In the first half of 2020, the consumer prices went up by 3.8% compared with the same period of last year the producer prices for industrial products went down by 1.9% and the purchasing prices for industrial producers went down by 2.6% compared with the same period of last year.

The following table sets forth the various price indices for the period from 2015 to 2019.

Price Indices

	2015	2016	2017	2018	2019
Consumer Price Index (preceding year=100)	101.4	102.0	101.6	102.1	102.9
Urban Household Consumer Price Index (preceding year=100)..	101.5	102.1	101.7	102.1	102.8
Rural Household Consumer Price Index (preceding year=100)..	101.3	101.9	101.3	102.1	103.2
Retail Price Index (preceding year=100)	100.1	100.7	101.1	101.9	102.0
Producer Price Index for Industrial Products (preceding year=100)..	94.8	98.6	106.3	103.5	99.7
Purchasing Price Index for Industrial Producers (preceding year=100)..	93.9	98.0	108.1	104.1	99.3
Price Index for Investment in Fixed Assets (preceding year=100)..	98.2	99.4	105.8	105.4	102.6

Source: National Bureau of Statistics of China.

Investment in Fixed Assets

The total investment in fixed assets in 2019 was RMB56,087.4 billion, up by 5.1% over the previous year. Of the total, the investment in fixed assets (excluding rural households) was RMB55,147.8 billion, up by 5.4%, and private investment in fixed assets increased by 4.7%. By regions, the investment in eastern areas was up by 4.1% over the previous year, central areas up by 9.5% over the previous year, western areas up by 5.6% over the previous year, and north-eastern areas down by 3.0% over the previous year. In the first half of 2020, the investment in fixed assets (excluding rural households) was RMB28,160.3 billion, down by 3.1% compared with the same period of last year.

The following table sets forth the annual total investment in fixed assets for the period from 2015 to 2019.

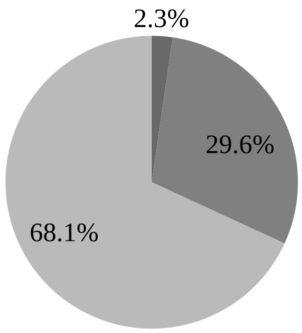
Total Investment in Fixed Assets

	2015	2016	2017	2018	2019
Total Investment in Fixed Assets (RMB100 million)	561,999.8	606,465.7	641,238.4	645,675.0	560,874.3

Source: National Bureau of Statistics of China.

In the investment in fixed assets (excluding rural households) in 2019, the investment in the primary industry was RMB1,263.3 billion, up by 0.6% over the previous year; that in the secondary industry was RMB16,307.0 billion, up by 3.2% over the previous year; and that in the tertiary industry was RMB37,577.5 billion, up by 6.5% over the previous year. The private investment in fixed assets was RMB31,115.9 billion, up by 4.7% over the previous year. The investment in infrastructure increased by 3.8% over the previous year. The investment in the six major high energy consuming industries grew by 4.7%. In the first half of 2020, the investment in the primary industry increased by 3.8% over the previous year; that in the secondary industry went down by 8.3% over the previous year and that in the tertiary industry down by 1.0% over the previous year.

Shares of Investment in Fixed Assets of the Three Industries (Excluding Rural Households) in 2019



Source: Statistical Communiqué of the People's Republic of China on the 2019 National Economic and Social Development, the National Bureau of Statistics of China.

Real Estate Investment

In terms of investment in real estate sector, the 2016 Central Economic Work Conference emphasized the stable and healthy development of the real estate market, following the principle that 'houses are built to be inhabited, not for speculation. China would establish a fundamental system and long-term mechanism that is in conformity with national conditions and market discipline, and propose a number of measures to alleviate the contradiction between housing supply and demand. In recent years, China has always stick to long-term management mechanisms to ensure the healthy development of the property market, made regulatory efforts with local authorities, introduced measures tailored to local conditions, strengthened the main responsibilities of the government, and improved the housing market system and housing security system.

In 2019, the investment in real estate development was RMB13,219.4 billion, up by 9.9% over the previous year. Of this total, the investment in residential buildings reached RMB9,707.1 billion, an increase of 13.9% over the previous year, that in office buildings was RMB616.3 billion, up by 2.8% over the previous year, and that in buildings for commercial business was RMB1,322.6 billion, down by 6.7% over the previous year.

The following table sets forth the major indicators of real estate development and sales for the period from 2015 to 2019.

Major Indicators of Real Estate Development and Sales

	2015	2016	2017	2018	2019
Investment Amount of Real Estate Development (RMB100 million)	95,978.9	102,580.6	109,798.5	120,164.8	132,194.3
Investment Amount of Real Estate Development in Residential Buildings	64,595.2	68,703.9	75,147.9	85,124.0	97,070.7
Investment Amount of Real Estate Development in Office Buildings	6,209.7	6,532.6	6,761.4	5,997.3	6,162.6
Investment Amount of Real Estate Development in Houses for Business Use	14,607.5	15,837.5	15,639.9	14,167.3	13,225.9
Investment Amount of Real Estate Development in Other Areas	10,566.4	11,506.6	12,249.4	14,876.2	15,735.1
Floor Space of Buildings under Construction (10,000 sq.m)	735,693.4	758,974.8	781,483.7	822,299.6	893,820.9
Floor Space of Buildings Started This Year (10,000 sq.m)	154,453.7	166,928.1	178,653.8	209,537.2	227,153.6
Floor Space of Buildings Completed (10,000 sq.m)	100,039.1	106,127.7	101,486.4	94,421.2	95,941.5
Floor Space of Commercialized Buildings Sold (10,000 sq.m)	128,495.0	157,348.5	169,407.8	171,464.6	171,557.9
Total Sale of Commercialized Buildings Sold (RMB100 million)	87,280.8	117,627.1	133,701.3	149,614.4	159,725.1

Source: National Bureau of Statistics of China.

Construction of New Infrastructure

Guided by new development concepts, driven by technological innovation and based on information networks, the new infrastructure system is geared to the needs of high-quality development and designed to provide services such as digital transformation, intelligence upgrading and integrated innovation. The new infrastructure mainly includes three aspects:

- Information infrastructure, which primarily refers to the infrastructure evolved from the new generation of information technology, including communications network infrastructure represented by 5G, the Internet of Things, industrial internet and satellite internet; new technology infrastructure represented by artificial intelligence, cloud computing and block chain; and calculating power infrastructure represented by data center and intelligent computing center.
- Integration infrastructure, which primarily refers to the integration infrastructure formed through the in-depth application of Internet, big data, artificial intelligence and other technologies to support the transformation and upgrading of traditional infrastructure.
- Innovation infrastructure, which primarily refers to the infrastructure with public benefits that supports scientific research, technology development and product development.

In 2020, China will further promote the development of new infrastructure, including enacting guidelines to promote the development of new infrastructure, optimizing the policy environment, improving market access rules, and focusing on the construction of projects, including, among others, 5G network, optical fiber broadband and national integrated big data centers.

Population

By the end of 2019, the total number of populations of China reached 1,400.05 million, an increase of 4.67 million over that at the end of 2018. Of this total, the number of urban permanent residents was 848.43 million, accounting for 60.6% of the total population (the urbanization rate of permanent residents), 1.0% higher than that at the end of 2018.

The following table sets forth the total population of China and its urban-rural distribution and age structure for the period from 2015 to 2019.

Total Population and its Composition

	2015		2016		2017		2018		2019	
	Population	*Ratio*	*Population*	*Ratio*	*Population*	*Ratio*	*Population*	*Ratio*	*Population*	*Ratio*
	(10,000 persons, except for percentage)									
Total Population..........	137,462	100.0%	138,271	100.0%	139,008	100.0%	139,538	100.0%	140,005	100.0%
Urban-rural distribution:										
Urban	77,116	56.1%	79,298	57.3%	81,347	58.5%	83,137	59.6%	84,843	60.6%
Rural	60,346	43.9%	58,973	42.7%	57,661	41.5%	56,401	40.4%	55,162	39.4%
Age structure:										
Aged 0-15 (including under age 16)..........................	24,166	17.6%	24,438	17.7%	24,719	17.8%	24,860	17.8%	24,977	17.8%
Aged 16-59 (including under age 60)..........................	91,096	66.3%	90,747	65.6%	90,199	64.9%	89,729	64.3%	89,640	64.0%
Aged 60 and above.	22,200	16.1%	23,086	16.7%	24,090	17.3%	24,949	17.9%	25,388	18.1%

Source: Statistical Communiqué of the People's Republic of China on the 2015-2019 National Economic and Social Development, the National Bureau of Statistics of China.

Employment and Wages

By the end of 2019, the number of employed people in China was 774.71 million, among which, 442.47 million was in urban areas, accounting for 57.1% of all the employed people nationwide, up by 1.1% over the previous year. In 2019, the employed people in urban areas increased by 13.52 million, 90,000 less than the previous year. By the end of 2019, the surveyed urban unemployment rate was 5.2%, and the registered urban unemployment rate was 3.6%.

In the first half of 2020, the employed people in urban areas increased by 5.64 million, amounting to 62.7% of the whole-year target. In June 2020, the surveyed unemployment rate in urban areas was 5.7%. With sustained improvement made in epidemic prevention and control and the resumption of work, production, business and market advanced at an accelerated pace, the urban surveyed unemployment rate showed slight a decline and the employment situation was generally stable.

The following table sets forth the information on China's employed work force by industry for the period from 2015 to 2019.

Composition of PRC Employed Work Force

	2015	2016	2017	2018	2019
			(in millions)		
Work Force					
Primary Industry	219.19	209.44	194.45	214.96	202.58
Secondary Industry	226.93	218.24	213.05	223.5	213.9
Tertiary Industry	328.39	348.72	367.21	337.57	359.38
Total	774.51	776.03	776.40	775.86	774.71

Source: National Bureau of Statistics of China.

The following table sets forth China's urban work force unemployment rate for the period from 2015 to 2019.

Registered Urban Work Force Unemployment Rate

	2015	2016	2017	2018	2019
Total Number of Persons Registered as Unemployed Urban Work Force (in thousands)	9,660	9,820	9,720	9,740	9,450
Registered Urban Unemployment Rate	4.0%	4.0%	3.9%	3.8%	3.6%

Note:

(1) China calculates its registered urban unemployment rate based on the percentage of the urban work force that registers with local employment agencies as being unemployed. China currently does not collect statistical data relating to unemployed persons in rural areas or persons residing in, but not registered as residents of, urban areas.

Sources: National Bureau of Statistics of China.

The following table sets forth the percentage increases in average annual real wages for employees in the urban units in China for the period from 2015 to 2019.

Change in Annual Average Real Wages for Employees in the Urban Units

	2015	2016	2017	2018	2019
State Owned Urban Units	14%	11.1%	11.8%	10.3%	10.5%
Urban Collectively Owned Units	9.0%	8.4%	9.3%	9.8%	3.2%
Other Urban Units	7.8%	7.6%	8.8%	11.4%	9.7%
Total	10.1%	8.9%	10.0%	10.9%	9.8%

Source: National Bureau of Statistics of China.

Resident Income and Consumption

In 2019, the nationwide per capita disposable income was RMB30,733, representing an increase of 8.9% over the previous year or a real increase of 5.8% on a price-adjusted basis. In terms of permanent residence, the per capita disposable income of urban residents was RMB42,359, up by 7.9% over the previous year, or a real increase of 5.0% on a price-adjusted basis. The per capita disposable income of rural residents was RMB16,021, up by 9.6% over the previous year, or 6.2% in real terms on a price-adjusted basis. In the first half of 2020, the nationwide per capita disposable income of residents was RMB15,666, a nominal growth of 2.4% over the same period last year, or a real decrease of 1.3% on a price-adjusted basis. In terms of permanent residence, the per capita disposable income of urban residents was RMB21,655, a nominal growth of 1.5% over the same period last year, or a real decrease of 2.0% on a price-adjusted basis. The per capita disposable income of rural residents was RMB8,069, a nominal growth of 3.7% over the same period last year, or a real decrease of 1.0% on a price-adjusted basis.

In 2019, the nationwide per capita consumption expenditure was RMB21,559, up by 8.6% over the previous year, or a real growth of 5.5% on a price-adjusted basis. Specifically, the per capita consumption expenditure on services totalled RMB9,886, up by 12.6% over the previous year, accounting for 45.9% of the per capita consumption expenditure. In terms of permanent residence, the per capita consumption expenditure of urban residents was RMB28,063, up by 7.5% over the previous year, or a real increase of 4.6% on a price-adjusted basis. The per capita consumption expenditure of rural residents was RMB13,328, up by 9.9% over the previous year, or a real growth of 6.5% on a price-adjusted basis. The national Engel's Coefficient stood at 28.2%, 0.2% lower than that of the previous year, with that of urban and rural residents standing at 27.6% and 30.0%, respectively.

The following table sets forth the nationwide per capita annual income and expenditure (in total and by urban and rural residents) for the period from 2015 to 2019.

Income and Expenditure in Total and by Urban and Rural Residents

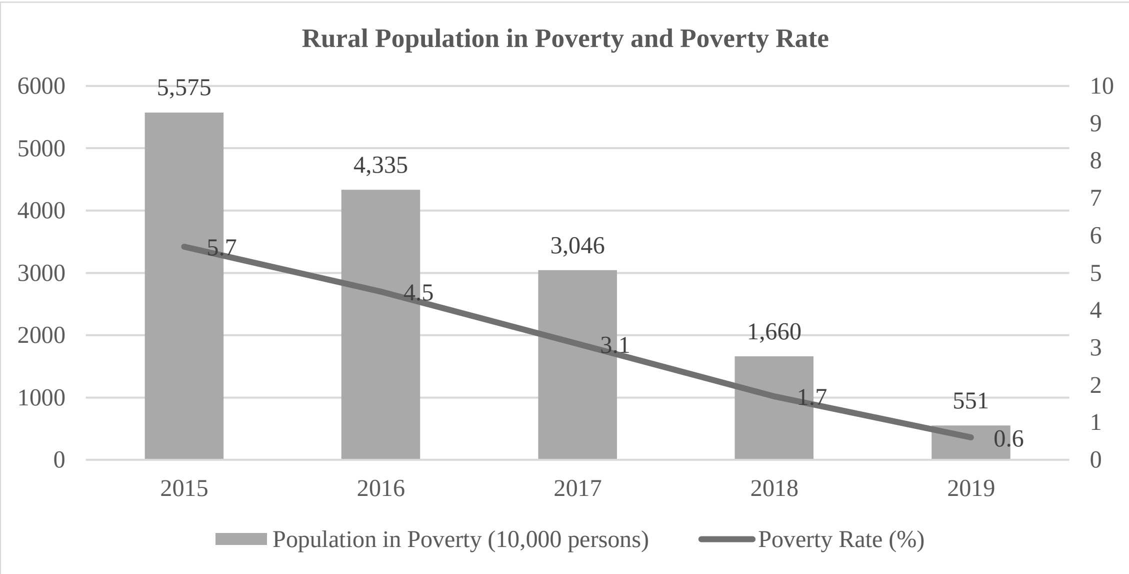
	2015	**2016**	**2017**	**2018**	**2019**
Per capita disposable income (RMB)...............	21,966.19	23,820.98	25,973.79	28,228.05	30,732.85
Per capita disposable income increased on a year-on-year basis (%).....................................	8.9	8.4	9	8.7	8.9
Per capita disposable income of urban residents (RMB)	31,194.83	33,616.25	36,396.19	39,250.84	42,358.8
Per capita disposable income of urban residents increased on a year-on-year basis (%)..	8.2	7.8	8.3	7.8	7.9
Per capita disposable income of rural residents (RMB)	11,421.71	12,363.41	13,432.43	14,617.03	16,020.67
Per capita disposable income of rural residents increased on a year-on-year basis (%)..	8.9	8.2	8.6	8.8	9.6
Per capita consumption expenditure (RMB)....	15,712.41	17,110.75	18,322.15	19,853.14	21,558.85
Per capita consumption expenditure increased on a year-on-year basis (%)	8.4	8.9	7.1	8.4	8.6
Per capita disposable income of urban residents (RMB)	21,392.36	23,078.9	24,444.95	26,112.31	28,063.35
Per capita disposable income of urban residents increased on a year-on-year basis (%)..	7.1	7.9	5.9	6.8	7.5
Per capita consumption expenditure of rural residents (RMB)	9,222.59	10,129.78	10,954.53	12,124.27	13,327.67
Per capita consumption expenditure of rural residents increased on a year-on-year basis (%)..	10	9.8	8.1	10.7	9.9

Source: National Bureau of Statistics of China.

Poverty Alleviation

In recent years, China has been dedicated to eliminating poverty. By the end of 2019, China helped 7.33 million registered poor households to renovate their dilapidated houses, and completed the construction of 35,000 resettlement areas in aggregate, comprising more than 2.6 million units of housing that can accommodate 9.47 million registered poor people to be relocated from inhospitable areas. In 2019, by the rural poverty standard of annual per capita income of RMB2,300 (at 2010 constant prices), the number of rural population living in poverty by the end of 2019 was 5.51 million, decreased by 11.09 million, with 344 counties having been lifted out of poverty and the poverty rate having dropped to 0.6%, down by 1.1% over that of the previous year. By the end of 2019, 97% of rural residents living below the current poverty standards have been lifted out of poverty, and 94% of poor counties having been removed from the list. As a result, regional poverty was largely eradicated. In 2019, the per capita disposable income of rural residents in impoverished areas was RMB11,567, up by 11.5% over that of 2018, or a real increase of 8.0% on a price-adjusted basis.

The following table sets forth the rural population in poverty and poverty rate nationwide for the period from 2015 to 2019.



Note:

(1) The poverty rate means the proportion of the poor population in the surveyed target population.

Source: Statistical Communiqué of the People's Republic of China on the 2019 National Economic and Social Development, the National Bureau of Statistics of China.

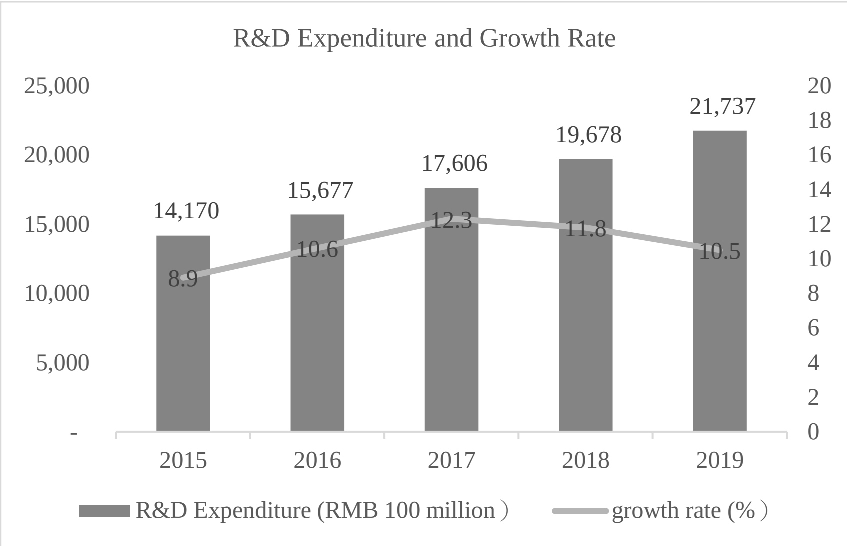
In 2020, China endeavours to secure a decisive victory over poverty alleviation and endeavours to ensure that rural residents living below the current poverty standards are lifted out of poverty and the poor counties are removed from the poverty list. At the same time, efforts will be made to further strengthen poverty alleviation through boosting employment, industry and education and to conduct research on establishing a long-term mechanism for addressing relative poverty situations.

Science & Technology

In recent years, China implemented the innovation-driven development strategy, enhanced the capacity for scientific and technological innovation, deepened reform of the management system for science and technology and strengthened the support for basic research and application-oriented research. China's expenditure on research and experimental development activities (R&D) amounted to 2.2% of GDP (i.e. RMB2,173.7 billion), up by 10.5% over that of the previous year, while the contribution made by advances in science and technology to economic growth hit 59.5%.

In 2019, China continued to step up its efforts to foster new drivers of growth, started construction of a national pilot zone to boost the innovation-driven development of the digital economy, coordinated efforts to advance major IT application projects, and undertook projects for the development of clusters of strategic emerging industries. By the end of 2019, there were more than 225,000 new- and high-tech enterprises and more than 151,000 small and medium-sized sci-tech businesses across the country, with a year-on-year increase of approximately 24% and 15%, respectively. China rose to 14th place in the Global Innovation Index of 2019, with an average of at least 10,000 new enterprises being registered per day in 2019. In 2019, there were 4.38 million patent applications from home and abroad, up by 1.3% over the previous year, and a total of 2.592 million patents were granted, up by 5.9% over the previous year. Trademark applications reached 7.837 million, up by 6.3% over the previous year; trademark registration totalled 6.406 million, up by 27.9% over the previous year.

The following table sets forth the R&D expenditure and growth rate for the period from 2015 to 2019.



Source: Statistical Communiqué of the People's Republic of China on the 2019 National Economic and Social Development, the National Bureau of Statistics of China.

Opening-up

In recent years, China has made constant efforts to further a high-level opening-up policy and speed up the development of an open economy, including:

- The One Belt and One Road initiative had been jointly promoted. By the end of May 2020, China has signed 200 cooperation agreements with 138 countries and 30 international organizations for jointly advancing the One Belt and One Road initiative.

- The utilization of foreign capital continuously had been increased. The government encourages foreign investment in a broader range of sectors, including manufacturing sector and producer services. The two editions of the 2019 negative list for foreign investment, one concerning the whole country and the other concerning pilot free trade zones, were reduced to 40 and 37 items, respectively. The restrictions on the shareholding ratio and the scope of operation of foreign-invested financial institutions in China were relaxed, further opening up the financial market. China's utilized foreign investment totalled USD138.1 billion over the year of 2019.

- Positive results were achieved in developing pilot free trade zones. The Shanghai Pilot Free Trade Zone was expanded by setting up a Lin'gang Special Area, and six additional pilot free trade zones (including Shandong) were established. Thus, China has established pilot free trade zones in all coastal provinces and in border areas for the first time. Hainan Free Trade Port is being established at a high speed.

- Trade in service sector had been further promoted. China continued to liberalize market access in the service sector, develop new forms and models of trade in services, take the initiative to expand imports of high-quality services, and support the establishment of a global alliance for trade in services.
- The structure of trade in services had been further improved. China established and improved the negative list management system for cross-border trade in services, boost the digitization process of the trade in services, accelerate international cooperation in the digital field, step up intellectual property protection, actively promote the vigorous development of the digital economy and the sharing economy, and jointly create a win-win situation for cooperation. In the first half of 2020, the import and export of knowledge-intensive services reached RMB974.4 billion, up by 9.2% and accounting for 43.7% of the total, up by 9.6%.
- Outbound direct investment grew steadily. Non-financial outward direct investment reached USD110.6 billion in 2019. Channels for cross-border financing of RMB are expanding and the internationalization of RMB is advancing in an orderly manner.

In 2019, China has in total 40,888 newly established enterprises (excluding those in banking, securities and insurance sectors, same below) with foreign direct investment, down by 32.5% over that of the previous year, while the actually utilized foreign direct investment totalled RMB941.5 billion, up by 5.8% (or USD138.1 billion, up by 2.4%). Specifically, there were 5,591 newly established enterprises receiving direct investment from countries along the One Belt and One Road, up by 24.8%; and foreign capital directly invested in China (including the investment in China via some free ports) reached RMB57.6 billion, up by 36.0% (or USD8.4 billion, up by 30.6%). In 2019, the foreign investment actually utilized by high technology industry reached RMB266.0 billion, up by 25.6% (or in USD39.1 billion, up by 21.7%). In the first half of 2020, the actually utilized foreign direct investment totalled RMB472.2 billion, down by 1.3%, or when converted into US dollars, USD67.9 billion, down by 4%. The rate of decline in the first half of 2020 decreased by 9.5% compared with the first quarter of 2020, and the year-on-year growth in the second quarter was 8.4%, indicating a significant recovery from the first quarter of 2020 and a positive trend in the expectation and confidence in foreign investment.

Foreign Direct Investment in China[(1)]

	2015	2016	2017	2018	2019
			(in millions of USD)		
Actual Utilized Amount of Foreign Investment	126,267	126,001	131,035	134,966	138,135

Note:

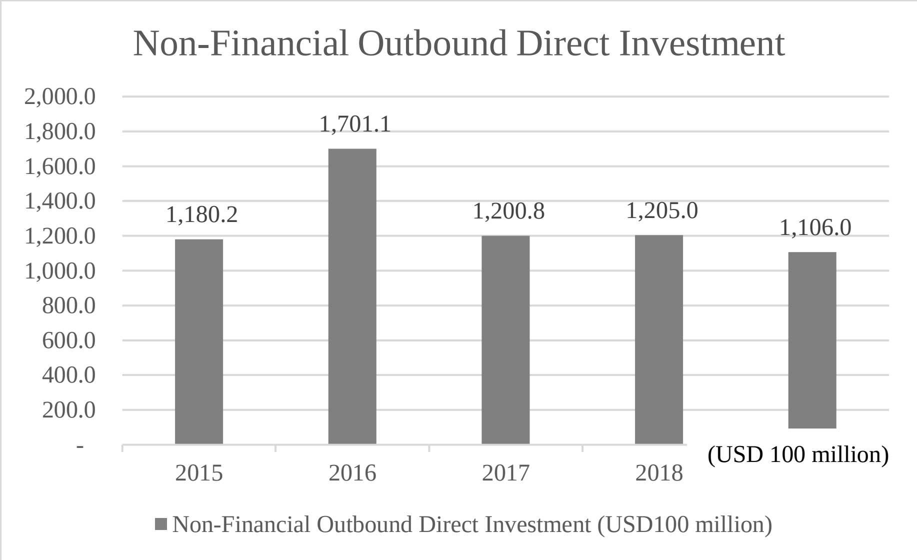
(1) The statistics is from the Ministry of Commerce. The actual utilized amount of foreign investment excludes external loans.

Source: National Bureau of Statistics of China.

Foreign investment and cooperation maintained a healthy and orderly development. Steady progress has been made in investment cooperation with countries along the One Belt and One Road, the structure of foreign investment has been continuously optimized, with irrational investment being effectively curbed.

In 2019, the non-financial outbound direct investment reached RMB763.0 billion, down by 4.3% over that of the previous year, or USD110.6 billion, down by 8.2% year on year. Of this total, the non-financial outbound direct investment to countries along the One Belt and One Road initiative reached USD15.0 billion, down by 3.8% over that of the previous year. In the first half of 2020, the non-financial outbound direct investment reached RMB362.1 billion (equivalent to USD51.5 billion), down by 0.7% over that of the previous year. Of this total, the non-financial outbound direct investment to countries along the One Belt and One Road reached USD8.1 billion, increased by 19.4% over that of the previous year.

The following table sets forth the amount of non-financial outbound direct investment for the years of 2015 to 2019.



Source: Data Centre of the Ministry of Commerce, Department of Foreign Investment and Economic Cooperation, Ministry of Commerce.

Combating Climate Change

While continuing to develop the economy, the Chinese government also devoted significant efforts on combating climate change. China has made 3 commitments of carbon reduction in the past 10 years, including: reducing CO2 emissions per unit of GDP by 40-45% relative to 2005 levels by 2020, striving to reach CO2 emissions peak before 2030; and aiming to realise CO2 neutrality before 2060.

The Chinese government also initiated a series of sustainable development strategies, including: adhering to the development direction of clean and low-carbon energy, vigorously developing renewable energy such as hydropower, wind energy and solar energy, and gradually increasing the proportion of non-fossil energy; promoting the comprehensive conservation and recycling of resources and accelerating the development of circular economy; carrying out environmental publicity and education for the public to improve public awareness of sustainable development and green lifestyle.

Since 2016, the Chinese government has ratified and promulgated a series of agreements and policies, including: China ratified the Paris Agreement and committed to carbon emissions peak before 2030, promulgated the Work Plan for Controlling Greenhouse Gas Emission during the 13th Five-Year Plan Period, promulgated the Guiding Opinions on Building A Modern Environmental Governance System, and established The National Green Development Fund Co., Ltd.

FOREIGN TRADE AND BALANCE OF PAYMENTS

Since the adoption of the reform and opening up policy from 1978, China has conformed to the trend of economic globalization by opening China's door wider to the world and promoting economic and trade cooperation with other countries on the basis of equality and mutual benefit. Through years of development, foreign trade has become one of China's most dynamic and fastest-growing sector, placing China among the world's largest trade countries. In 2001, China acceded to the World Trade Organization (WTO). Since its accession to the WTO, China has been a strong advocate for free trade. China has comprehensively fulfilled its commitments to the WTO, substantively reduced import tariffs, significantly lowered non-tariff barriers, liberalized the right to trade, extensively opened up the service market. Currently, China is the largest trading partner of more than 120 countries and regions in the world, and has service trade with more than 250 countries and regions.

The following table sets forth the composition of China's foreign trade for the period from 2015 to 2019.

Foreign Trade

	2015	2016	2017	2018	2019
			(in billions of RMB)		
Exports of Goods	14,125.5	13,845.5	15,332.1	16,417.7	17,234.2
Imports of Goods	10,448.5	10,493.2	12,460.2	14,087.4	14,316.2
Exports of Services(1)	1,795.0	1,819.3	1,540.7	1,765.8	1,956.4
Imports of Services(1)	2,645.8	3,529.1	3,158.4	3,474.4	3,458.9

Note:

(1) The amount of exports of services and imports of services in 2015 is USD288.2 and USD428.4, respectively. The amount denominated in RMB is calculated based on 2015 annual average central parity of RMB against USD (i.e. 6.2284).

Source: Statistical Communiqué of the People's Republic of China on the 2015-2019 National Economic and Social Development, the National Bureau of Statistics of China.

During the first half of 2020, China's exports of goods reached RMB7.7 trillion, decreased by 3% over the first half of 2019, while its import of goods decreased 3.3% to RMB6.53 trillion as compared with the corresponding period of the previous year. During the first half of 2020, China's imports of services reached RMB912.8 billion, decreased by 2.2%over the first half of 2019, while its export of services decreased 21.7% to RMB1,314.5 billion as compared with the corresponding period of the previous year.

From January to August 2020, China's total import and export amounted to RMB20.05 trillion, a 0.6% decrease compared to the same period in 2019. Among them, exports increased by 0.8% to RMB11.05 trillion; imports decreased by 2.3% to RMB9 trillion. Exports of high technology and high value-added products grew strongly. From an international comparison, China's import and export performance was better than the average of major global economies.

The following table sets forth the composition of China's exports for the period from 2015 to 2019.

Composition of Exports

	2015	2016	2017	2018	2019
			(in billions of RMB)		
Total Value of Exports of Goods	14,125.5	13,845.5	15,332.1	16,417.7	17,234.2
Of which:					
General Trade	7,545.6	7,460.1	8,332.5	9,240.5	9,954.6
Processing Trade	4,955.3	4,723.7	5,138.1	5,267.6	5,072.9
Of which:					
Mechanical and Electronic Products	8,142.1	7,982.0	8,946.5	9,645.7	10,063.1
High and New Technology Products	4,073.7	3,987.6	4,515.0	4,937.4	5,042.7

Source: Statistical Communiqué of the People's Republic of China on the 2015-2019 National Economic and Social Development, the National Bureau of Statistics of China.

The following table sets forth the composition of China's imports for the period from 2015 to 2019.

Composition of Imports

	2015	2016	2017	2018	2019
			(in billions of RMB)		
Total Value of Imports of Goods	10,448.5	10,493.2	12,460.2	14,087.4	14,316.2
Of which:					
General Trade	5,732.3	5,939.8	7,329.9	8,394.7	8,659.9
Processing Trade	2,777.2	2,622.3	2,918.0	3,109.7	2,877.8
Of which:					
Mechanical and Electronic Products	5,011.1	5,098.5	5,778.5	6,372.7	6,259.6
High and New Technology Products	3,407.3	3,461.8	3,950.1	4,434.0	4,397.8

Source: Statistical Communiqué of the People's Republic of China on the 2015-2019 National Economic and Social Development, the National Bureau of Statistics of China.

The following table sets forth the geographic distribution of China's foreign trade for the period from 2015 to 2019.

Geographic Distribution of Foreign Trade

	2015		2016		2017		2018		2019	
	Exports	*Imports*	*Exports*	*Imports*	*Exports*	*Imports*	*Exports*	*Imports*	*Exports*	*Imports*
	(in billions of RMB)									
European Union..........	2,209.6	1,298.5	2,236.9	1,374.7	2,519.9	1,654.3	2,697.4	1,806.7	2,956.4	1,906.3
Association of Southeast Asian Nations ("ASEAN")....	1,722.12	1,209.7	1,689.4	1,297.8	1,890.2	1,594.2	2,106.6	1,772.2	2,479.7	1,945.6
United States	2,542.5	923.8	2,541.5	888.7	2,910.3	1,043.0	3,160.3	1,019.5	2,886.5	845.4
Japan	842.4	888.1	852.9	962.6	930.1	1,120.4	970.9	1,190.6	987.5	1,183.7
Hong Kong, China.......	2,058.9	79.7	1,900.9	110.7	1,889.9	49.5	1,996.6	56.4	1,924.3	62.6
Republic of Korea	629.1	1,084.7	618.5	1,049.6	696.5	1,201.3	717.4	1,349.5	764.8	1,196.0
Taiwan, China	278.5	890.4	266.5	920.3	297.9	1,051.2	321.2	1,171.4	379.9	1,193.4
Russia..........................	216.1	206.6	246.6	212.8	290.6	279.0	316.7	390.9	343.4	420.8
India	361.2	83.1	385.0	777	461.5	110.7	505.4	124.2	515.6	123.9

Source: Statistical Communiqué of the People's Republic of China on the 2015-2019 National Economic and Social Development, the National Bureau of Statistics of China.

In 2019, China's import and export with the European Union, its largest trading partner, grew by 8.0% to RMB4.9 trillion; import and export with ASEAN nations, China's second largest trading partner, grew by 14.1% to RMB4.4 trillion, whereas import and export between the United States and China decreased by 10.7% over the prior year to RMB3.7 trillion; China's import and export with Japan, which was China's fourth largest trading relationship in 2019, stood at RMB2.2 trillion, up by 0.4%. In addition, China's trade with the "One Belt and One Road" countries totalled RMB9.3 trillion, up by 10.8% and 7.4 percentage points above the overall growth.

Since 2018, the China-US economic and trade relationship has been problematic. The US has adopted a series of unilateral trade protectionist measures against China, imposed multiple rounds of tariffs on Chinese products exported to the United States, listed China as a so-called "exchange rate manipulator", and adopted a series of measures against Chinese companies such as Huawei and ZTE. China has also implemented a series of corresponding measures. As of December 2019, China and the United States have held 13 rounds of high-level economic and trade consultations. On December 13, 2019, China and the United States reached an agreement on the first phase of the economic and trade agreement, which was signed on January 15, 2020.

Balance of Payments

Balance of payments measures the relative flow of economic transaction between China and other countries and areas in the world as represented in the current account, the capital account and financial account. The current account tracks China's trade in goods and services, primary income and secondary income.

The capital account covers all transactions involving the transfer of capital between residents and non-residents, and acquisitions and disposals of non-produced non-financial assets between residents and non-residents. The financial account shows the transactions of financial assets and liabilities between residents and non-residents.

The following table sets forth China's balance of payments and related statistics for the period from 2015 to 2019.

Balance of Payments

	2015	2016	2017	2018	2019
			(in billions of US$)		
Current Account					
Goods and Services	384.6	249.9	210.7	102.9	164.1
Goods	567.0	494.1	476.1	395.2	425.3
Export of Goods	2,142.8	1,989.5	2,216.5	2,417.4	2,399.0
Import of Goods	(1,575.8)	(1,495.4)	(1,740.3)	(2,022.3)	(1,973.7)
Services	(182.4)	(244.2)	(265.4)	(292.2)	(261.1)
Provision of Services	286.5	208.4	206.5	233.6	244.4
Receipt of Services	(468.9)	(452.6)	(471.9)	(525.8)	(505.5)
Primary Income (1)	(45.4)	(44.0)	(34.4)	(51.4)	(33.0)
Secondary Income (2)	(8.7)	(9.5)	(11.4)	(2.4)	10.3
Current Account Balance	330.6	196.4	164.9	49.1	141.3
Capital and Financial Account					
Capital Account	0.3	(0.3)	(0.1)	(0.6)	(0.3)
Financial Account	(142.7)	26.7	57.1	111.7	57.0
Non-reserve Financial Account	(485.6)	(417.0)	148.6	130.6	37.8
Direct Investment	62.1	(46.6)	66.3	107.0	58.1
Portfolio Investment	(66.5)	(62.2)	7.4	106.7	57.9
Financial Derivatives	(2.1)	(4.7)	0.5	(6.2)	(2.4)
Other Investment	(479.1)	(303.5)	74.4	(77.0)	(75.9)
Reserve Assets	342.9	443.7	(91.5)	(18.9)	19.3
Capital and Financial Account Balance	(142.4)	26.3	57.0	111.1	56.7
Net Errors and Omissions					
Net Errors and Omissions (3)	(188.2)	(222.7)	(221.9)	(160.2)	(198.1)

Note:

(1) Primary income includes the return derived from providing labor and financial assets, and leasing natural resources, including, among others, employee compensation and investment income.

(2) Secondary income item records current transfers between residents and non-residents, including cash and objects.

(3) The double-entry method of recording the balance of payments may result in imbalances between the current account and the capital and financial account, resulting in statistical residuals (known as net errors and omissions), due to differences in statistical sources and points in time.

Source: China's Balance of Payments Report of 2015-2019, the State Administration of Foreign Exchange.

From 2015 to 2019, China maintained a current account surplus in each year. The largest current account item is goods and services. Primary income item includes the return derived from providing labor and financial assets, and leasing natural resources, such as employee compensation and investment income. Secondary income item records current transfers between residents and non-residents, including cash and objects.

Currently, China has made significant achievements in epidemic prevention and control as well as economic and social development, and has continued to optimize its economic structure and deepened its reform and opening-up. These provide favourable conditions for China to maintain its balance of payments in the second half of 2020. In the first half of 2020, China's current account surplus was US$85.9 billion, with a ratio of 1.3% to GDP, and continued to operate within a reasonable range. In the first half of 2020, direct investment showed a net inflow, and capital inflow and outflow in the securities market remained active.

The following table sets forth China's official reserve assets as of the dates indicated.

Official Reserve Assets

	As at December 31,					As at June 30,
Item	**2015**	**2016**	**2017**	**2018**	**2019**	**2020**
			(USD100 millions)			
Foreign currency reserves	33,303.6	30,105.2	31,399.5	30,727.1	31,079.2	31,646.1
IMF reserve position	45.5	96.0	79.5	84.8	84.4	98.1
Special Drawing Rights ("SDRs")	102.8	96.6	109.8	106.9	111.3	113.2
Gold	601.9	678.9	764.7	763.3	954.1	1,226.2
	56.66 million ounces	59.24 million ounces	59.24 million ounces	59.56 million ounces	62.64 million ounces	62.64 million ounces
Other reserve assets	7.3	1.9	5.5	(2.2)	0.3	(4.1)
Total	34,061.1	30,978.5	32,359.0	31,679.9	32,229.3	33,079.4

Note:

(1) Since April 1, 2016, in addition to the publication of official reserve assets in U.S. dollars, relevant data is also calculated in IMF special drawing rights, the exchange rates of which are available at IMF website.

Source: the State Administration of Foreign Exchange, the People's Bank of China.

FINANCIAL SYSTEM

The Central Bank

The People's Bank of China is the central bank of China. The People's Bank of China acts under the guidance of the State Council and is responsible for formulating and implementing monetary policies, preventing and combatting financial risks, and maintaining financial stability.

Monetary Policy

The People's Bank of China's primary goal is to stabilize the value of currency and thereby promote economic growth. The People's Bank of China employs monetary policy instruments, including the regulation of the required reserve ratio, base interest rates of the central bank, central bank lending, central bank discounts, and open market operations to maintain reasonable and adequate liquidity and to guide the stability of money market rates.

The People's Bank of China carries out a prudent monetary policy that is more flexible, appropriate and well-targeted, maintains the reasonable growth of money supply and aggregate financing to the real economy, improves cross-cyclical design and adjustment, handles the relationship among the stabilization of economic growth, the security of the employment, the adjustment of economic structure, the prevention of risks, and the control of inflation so as to achieve a balance between the stabilization of the growth and the prevention of the risks in the long run.

Money Supply

Currently, the People's Bank of China employs a series of monetary policy instruments, including lowering the required ratio, the medium-term lending facility, central bank lending and central bank discounts to release medium and long-term liquidity. The People's Bank of China also effectively handles the pace and intensity of open market operations to maintain liquidity at a reasonable level, strengthen expectation management and regulate the smooth movement of money market interest rates in conjunction with the movement of open market operation interest rate. Furthermore, the People's Bank of China maintains reasonable growth of money supply and aggregate financing to the real economy, to decrease financing costs and to further optimize credit structure, by which the People's Bank of China effectively supported the epidemic prevention, the resumption of work and production and the development of the real economy, in particular, the micro, small, and medium-sized enterprises, helping them tide over the difficulties and develop smoothly. The details are as follows:

First, the People's Bank of China maintains liquidity at a reasonable level. By flexibly employing monetary policy instruments such as lowering the required reserve ratio, the medium-term lending facility, open market operations, central bank lending and central bank discounts, the People's Bank of China guided the smooth movement of money market interest rate in conjunction with the movement of open market operation interest rate and accordingly, stabilized market expectations. Second, the People's Bank of China continues to lower social comprehensive financing cost. The People's Bank of China guided the decline in the interest rates of medium-term lending facilities and open market operations by 30 basis points, which brought down loan prime rate. Furthermore, the People's Bank of China made steady progress in adjusting interest rate benchmark for outstanding floating rate loans which were based on loan prime rate in order to lower borrowers' interest expenditure of the outstanding loans. Third, the People's Bank of China refines structural monetary policy toolkit and increases liquidity in a well-targeted way. The People's Bank of China offered RMB300.0 billion special relending and extended limits of relending and rediscount by RMB500.0 billion. Another RMB1.0 trillion central bank lending and central bank discounts have been extended to support the real economy. The introduction of the inclusive small and micro enterprise loan extension support tool and the inclusive small and micro enterprise credit loan support program, two newly created monetary policy tools that provide direct support to the real economy, further improved the central bank's structural monetary policy tool system. By employing these two monetary policy tools, the People's Bank of China enhanced funding to micro, small, and medium-sized enterprises. In addition, the People' Bank of China rolled out the Circular about Further Implementation of Deferred Principal and Interest Repayment by Small, Medium, and Micro Enterprises to extend the repayment deadline of loan principal and interest expense for small and micro enterprise borrowers. The financial institutions are also encouraged to provide unsecured loans to small and micro enterprises, implement fee reduction policies and make full-year rational profit transfers of RMB1.5 trillion to various enterprises in order to support micro, small, and medium-size enterprise development and guarantee employment. Fourth, the RMB exchange rate remains basically stable and moves in both directions. Fifth, by taking the non-occurrence of systemic financial risks as the bottom line, the People's Bank of China implements the principles of marketization and the rule of law, steadily pushing forward the disposal of financial risks, and intensifying the write-off and disposal of non-performing loans.

In recent years, China's macro leverage ratio remained generally stable due to the combined effect of policy measures. In response to the outbreak of the pandemic, the central government has planned a fiscal budget deficit of RMB3.76 trillion this year, an increase of RMB1.0 trillion from last year. The deficit-to-GDP ratio is increased to more than 3.6% from 2.8% last year to stabilize and boost market confidence. In addition, China moderately increased government bond issuance and government investment to hedge against economic downturn. China issued RMB1.0 trillion of special central government bonds to mitigate the COVID-19 epidemic effect and has also raised the quota for local government special bonds to RMB3.75 trillion, representing an increase of RMB1.6 trillion as compared with 2019.

In the first half of 2020, there were gradual increases in China's macro leverage levels, which embodied the credit support of counter-cyclical policy for the recovery of the real economy. In response to the outbreak of COVID-19, the People's Bank of China will employ monetary policy to strike a fine balance between the economic growth and the stabilization of the leverage.

The following table sets forth the volume of the money supply as of the end of 2015 to 2019 and the first half of 2020.

Money Supply

	2015	2016	2017	2018	2019	1H2020
Item	**Year-end figure**	**Year-end figure**	**Year-end figure**	**Year-end figure**	**Year-end figure**	**Half year - end figure**
			(in billions of RMB)			
Money & quasi-money (M2).........................	139,227.8	155,006.7	169,023.5	182,674.4	198,648.9	213,494.9
Money (M1)...	40,095.3	48,655.7	54,379.0	55,168.6	57,600.9	60,431.8
Currency in Circulation (M0)........................	6,321.7	6,830.4	7,064.6	7,320.8	7,719.0	7,945.9

Notes:

(1) Since October 2011, M2 has included deposits of Housing Provident Fund Management Center and deposits of non-depositary financial institutions in depository financial institutions.

(2) The People's Bank of China revised the methodology of accounting for money supply statistics in January 2018. Specifically, as a result of revisions, money market funds, which were previously treated as deposits of money market funds (CDs included), are now treated as the total of money market fund units held by the non-deposit taking financial institutions, household sector and non-financial companies.

Source: The People's Bank of China.

The following table sets forth the total stock of savings deposit and loans denominated in RMB and foreign currencies from financial institutions as of the end of 2015 to 2019.

Savings Deposit and Outstanding Loans Denominated in RMB and Foreign Currencies from Financial Institutions

	2015		2016		2017		2018		2019	
Item	Year-end figure	Increase	Year-end figure	Increase	Year-end figure	Increase	Year-end figure	Increase	Year-end figure	Increase
	(in billions of RMB, except percentages)									
Savings deposit.............	139,775.2	12.4	155,524.7	11.3	169,272.7	8.8	182,515.8	7.8	198,164.3	8.6
Domestic households .	55,192.9	8.9	60,652.2	9.9	65,198.3	7.5	72,443.9	11.1	82,129.6	13.4
Deposits in RMB....	54,607.8	8.7	59,775.1	9.5	64,376.8	7.7	71,603.8	11.2	81,301.7	13.5
Domestic non-financial enterprises	45,520.9	13.7	53,089.5	16.6	57,164.1	7.7	58,910.5	3.1	62,114.7	5.4
Loans............................	99,346.0	13.4	112,055.2	12.8	125,607.4	12.1	141,751.6	12.9	158,602.1	11.9
Domestic short-term loans	36,668.4	7.3	38,002.0	3.6	41,115.3	8.2	44,320.0	7.8	47,238.0	6.6
Domestic medium and long-term loans.............	53,892.4	14.2	63,505.2	17.8	75,089.4	18.2	85,457.1	13.8	97,180.5	13.7

Source: Statistical Communiqué of the People's Republic of China on the 2015-2019 National Economic and Social Development, the National Bureau of Statistics of China.

The following table sets forth the financial position of Monetary Authority as of the end of 2015 to 2019 and the end of the first half of 2020.

Balance Sheet of Monetary Authority(1)

Item	2015	2016	2017	2018	2019	As of 1H2020
	(in billions of RMB)					
Foreign Assets	25,383.1	22,979.6	22,116.4	21,764.8	21,863.9	21,833.3
Foreign Exchange	24,853.8	21,942.5	21,478.8	21,255.7	21,231.7	21,174.3
Monetary Gold	2,33.0	254.2	254.2	257.0	285.6	285.6
Other Foreign Assets	296.4	782.9	383.4	252.2	346.6	373.5
Claims on Government	1,531.3	1,527.4	1,527.4	1,525.0	1,525.0	1,525.0
Of which: Central Government	1,531.3	1,527.4	1,527.4	1,525.0	1,525.0	1,525.0
Claims on Other Depository Corporations	2,662.6	8,473.9	10,223.0	11,151.8	11,774.9	11,161.9
Claims on Other Financial Corporations	665.7	632.4	598.7	464.3	462.3	474.8
Claims on Non-financial Sector	7.2	8.1	10.2	2.8		
Other Assets	1,533.9	749.7	1,817.5	2,340.6	1,486.9	1,398.2
Total Assets	**31,783.7**	**34,371.2**	**36,293.2**	**37,249.2**	**37,113.1**	**36,393.1**
Reserve Money	27,637.8	30,898.0	32,187.1	33,095.7	32,417.5	30,833.9
Currency Issue	6,988.6	7,488.4	7,707.4	7,914.6	8,285.9	8,541.3
Deposits of Financial Corporations					22,602.4	20,720.3
Deposits of Other Depository Corporations	20,649.2	23,409.5	24,380.2	23,551.1	22,602.4	20,720.3
Deposits of Other Financial Corporations						
Deposits of Non-financial Institutions			99.5	1,630.0	1,529.2	1,572.3
Deposits of financial corporations excluded from Reserve Money	282.6	648.5	501.9	401.6	457.4	475.0
Bond Issue	657.2	50.0		20.0	102.0	95.0
Foreign Liabilities	180.7	319.5	88.0	116.5	84.2	119.9
Deposits of Government	2,717.9	2,506.3	2,862.6	2,822.5	3,241.5	3,825.3
Own Capital	22.0	22.0	22.0	22.0	22.0	22.0
Other Liabilities	285.5	-73.1	631.6	771.0	788.5	1,022.2
Total Liabilities	**31,783.7**	**34,371.2**	**36,293.2**	**37,249.2**	**37,113.1**	**36,393.1**

Notes:

(1) Since 2017, RMB accounts with international financial organizations are calculated on a net basis.

(2) Deposits of non-financial institutions refers to deposits at the People's Bank of China by paying institutions.

Source: The People's Bank of China.

RMB Internationalization

The RMB internationalization was further developed as the RMB was increasingly used in cross-border payment and financing worldwide in 2019. More foreign central banks held RMB-denominated assets as reserves and the RMB as an invoicing currency witnessed remarkable progress. The RMB played a positive role in the international monetary system.

At the end of the fourth quarter of 2019, the size of the RMB reserves was the fifth largest in the International Monetary Fund (IMF)'s Currency Composition of the Official Foreign Exchange Reserves (COFER), with a market share of 1.95%. The RMB ranked fifth as a global payment currency, with a market share of 1.76%.

RMB Exchange Rate

China has a managed floating exchange rate system which is based on market supply and demand with reference to a basket of currencies, aiming to maintain the flexibility of the RMB exchange rate, adjust the macro economy and balance of payments as an "automatic stabilizer" and strengthen the macro prudential management when necessary, stabilize market expectations and maintain the basic stability of the RMB exchange rate at a reasonable and balanced level.

On August 11, 2015, the People's Bank of China announced changes to the RMB/USD central parity quoting mechanism. Under the new mechanism, market makers were asked to submit to China Foreign Exchange Trade System (CFETS) quotes that took the closing rate of the previous day into account, in conjunction with market demand and supply and exchange rate movements of major currencies. On December 11, 2015, CFETS published the CFETS exchange rate index to guide market participants to adopt a more effective exchange rate of RMB based on a basket of currencies, with the intention to maintain the RMB exchange rate basically stable at an adaptive and equilibrium level. In this regard, the formation of daily RMB/USD central parity quoting mechanism was to be based on the "previous closing rate plus changes in the currency basket". In May 2017, a 'counter-cyclical' factor was added to the central parity quoting mechanism, which led to a new formation of daily RMB/USD central parity quoting mechanism, namely "previous closing rate plus changes in the currency basket plus counter-cyclical".

Since 2020, cross-border capital flows stayed generally stable, the foreign exchange market witnessed balanced supply and demand and the stability of market expectations maintained. The RMB exchange rate has remained broadly stable at an adaptive and equilibrium level based on market supply and demand and it has been moving in both directions.

The following table sets forth the annual average central parity of RMB against major currencies for the year from 2015 to 2019.

Annual Average Central Parity of RMB against Major Currencies

Date	USD/CNY	EUR/CNY	100 JPY/CNY	GBP/CNY
2019	6.8985	7.7255	6.3347	8.8108
2018	6.6174	7.8016	5.9890	8.8187
2017	6.7518	7.6303	6.0244	8.6988
2016	6.6423	7.3426	6.1243	8.9855
2015	6.2284	6.9141	5.1543	9.5344

Sources: China Foreign Exchange Trade System.

The following table sets forth the exchange rate of RMB against SDR as of the end of 2015 to 2019.

The Exchange Rate of RMB against SDR

Item	2015	2016	2017	2018	2019
RMB per SDR (End of Period)	8.9984	9.3256	9.2734	9.5760	9.6975

Source: The People's Bank of China.

Foreign Exchange Market

China's foreign exchange market, an important part of China's financial markets, continues to expand and open up. In 2013, the foreign exchange management system for trade in services was reformed. Pre-approval for trade in services was completely cancelled, and all trade in services related businesses were handled directly at banks. To further expand the high-level two-way opening of the financial industry, there were a couple of new cross-border securities investment initiatives were launched such as "Shanghai-Hong Kong Stock Connection", "Mainland China-Hong Kong Mutual Recognition of Funds", "Shenzhen-Hong Kong Stock Connect", "Bond Connect". The Silk Road Fund, the Sino-Latin American Production Capacity Cooperation Investment Fund, and the China-Africa Capacity Cooperation Fund were established to actively build a funding platform for the One Belt and One Road initiative. In 2015, the policy of willingness settlement of foreign exchange capital of foreign-funded enterprises was promoted to the whole country. The foreign exchange management of foreign direct investment was substantially simplified, and the foreign direct investment achieved basically convertible. From 2016 to 2017, China improved the macro-prudential management of full-cover cross border financing, promoted the two-way opening of the interbank bond market and established a sound, open and competitive domestic foreign exchange market. On October 1, 2016, the addition of RMB into Special Drawing Right (SDR) basket took effect. In 2019, State Administration of Foreign Exchange (SAFE) decided to cancel the investment quota limitation of qualified foreign institutional investors (QFII) and RMB qualified foreign institutional investors (RQFII). In this regard, foreign institutional investors with corresponding qualifications will only need to go through registration procedure, so as to remit funds independently to make securities investment in accordance with the regulations. Therefore, the convenience of foreign investors to participate in the domestic financial market will be greatly further improved, and China's bond and stock market will be better and more widely accepted by the international market.

SAFE refines the two-faceted management framework of "macro-prudence + micro-regulation" for the foreign exchange market and guards against cross-border capital flow risks to safeguard the country's economic and financial security. Macro prudence management adopts a market-based approach to counter-cyclically adjust the procyclical fluctuations of the foreign exchange market, preventing international economic and financial risks from spreading across markets, institutions, currencies, and borders, and maintaining the stability of the foreign exchange market. Micro-supervision management maintains the order of the foreign exchange market in accordance with laws and regulations, emphasizes anti-money laundering, anti-terrorist financing, and anti-tax evasion, and maintains the stability, consistency and predictability of policies and enforcement standards across cycles.

The following table sets forth foreign exchange market data for the years from 2015 to 2019 and for six months ended June 30, 2020.

Foreign Exchange Market

	2015	2016	2017	2018	2019	June 2020
			(in billions of RMB)			
Products						
Spot	51,552.1	58,834.9	64,007.7	73,496.7	78,317.3	35,906.1
Forward	3,071.3	2,525.3	2,863.1	3,548.9	2,625.7	1,558.4
Foreign Exchange and Currency Swaps	53,783.8	67,441.2	91,342.6	110,287.7	113,760.9	52,656.9
Option	2,521.9	6,396.7	4,060.7	5,641.5	5,858.0	2,535.7
Total	110,929.0	135,198.1	162,274.0	192,974.8	200,561.9	92,657.1

Source: State Administration of Foreign Exchange.

Financial Institutions

Financial institutions in China can be classified as banking financial institutions, insurance financial institutions and securities financial institutions.

China's financial regulatory structure historically was comprised of the People's Bank of China, acting as the central bank, the China Banking Regulatory Commission, the China Insurance Regulatory Commission and the China Securities Regulatory Commission, playing the roles of regulators for banking, insurance and securities sectors, respectively.

In 2017, the Financial Stability and Development Committee was established. The role of the Financial Stability and Development Committee is to strengthen the People's Bank of China's macro-prudential management and systemic risk prevention responsibilities, strengthen the supervisory responsibilities of financial regulatory authorities, and ensure financial security and stable development.

In 2018, the First Plenary Session of the 13th National People's Congress voted "Institutional Reform Plan of the State Council" into effect, announcing to merge functions of China Banking Regulatory Commission and China Insurance Regulatory Commission and replace the two commissions with China Banking and Insurance Regulatory Commission. Hence, the financial regulatory framework of "One Bank and Three Commissions" was reshuffled into "One Committee, One Bank and Two Commissions".

In recent years, the People's Bank of China, the China Banking and Insurance Regulatory Commission, the China Securities Regulatory Commission and the State Administration of Foreign Exchange have announced and promoted a number of measures for further opening up financial sector.

First, relaxation on the access of foreign financial institutions. The restrictions on the foreign ownership of banking, securities, fund management, futures, and life insurance have been completely removed. The business scope of foreign financial institutions has been greatly expanded, and restrictions on the scale of assets, operating life and shareholder qualifications have been relaxed; Second, continuation of the two-way opening up the Chinese capital market. The quota limitation on the qualified foreign institutional investor (QFII) and

RMB qualified foreign institutional investor (RQFII) programmes has been completely abolished. The restrictions on the ratio of domestic and foreign currency remittances by foreign institutional investors have been relaxed. Foreign-invested institutions are permitted to carry out bond underwriting and rating business in the interbank market, and are permitted to apply for a Class-A lead underwriting license to conduct leading underwriting business for debt financing instruments of non-financial enterprises. The scope of the foreign issuers and investors in the bond markets continues to be expanded. Furthermore, the supporting services such as accounting, taxation, and trading service are improved; Third, the access restrictions in the areas such as corporate credit rating and payment and clearing have been cancelled by granting foreign institutions national treatment.

The China Securities Regulatory Commission is committed to forming a high level opening up of the capital market and promoting two-way opening up of the domestic and international markets. There are four main aspects:

First, the China Securities Regulatory Commission continues to improve the product system for opening up, further expand the investment scope and products of the Shanghai-Shenzhen-Hong Kong Connect, broaden the interconnection of ETFs, facilitate the allocation of ETFs equity and RMB bond assets by foreign institutional investors. Moreover, the China Securities Regulatory Commission continues to improve the range of product portfolios accessible to foreign investors and create conditions that will equip foreign institutional investors with sound risk-hedging tools for their investments in the securities and bond markets. Second, the revised rules for the Qualified Foreign Institutional Investor (QFII) and the Renminbi Qualified Foreign Institutional Investor (RQFII) programs will be unveiled and implemented as soon as possible, aiming to improve the convenience of international capital investment and enhance and deepen the connection between domestic and overseas markets. Third, the China Securities Regulatory Commission will implement policies to relax restrictions on foreign shareholding in the securities, funds and futures industry, encouraging high quality overseas securities, funds and futures financial institutions to expand their footprints in Chinese market and supporting domestic financial institutions in exploring overseas opportunities. Fourth, the China Securities Regulatory Commission will actively participate in international financial governance and prevent and combat risks in cross-border capital markets in a timely manner, strengthen communication and policy coordination with overseas capital market regulators, enhance cooperation in auditing and supervising cross-border listed companies, crack down on financial fraud, and jointly safeguard the legitimate rights and interests of investors in all countries. In the meanwhile, the China Securities Regulatory Commission will raise its own regulatory standards and improve cross-border capital monitoring and risk warning mechanisms to prevent and respond to imported risks.

The following table sets forth assets and liabilities information of China's financial institutions as of the end of 2019 and the first quarter of 2020.

Assets and Liabilities Statistics of Financial Institutions

	As of December 31, 2019		As of March 31, 2020	
	Outstanding	**Year on year Growth Rate**	**Outstanding**	**Year on year Growth Rate**
	(in trillions of RMB)	*(%)*	*(in trillions of RMB)*	*(%)*
Total Assets of Financial Institutions	318.7	8.6	332.9	9.8
Of which: Banking Institutions	290.0	8.1	302.4	9.5
Securities Institutions	8.1	16.6	8.8	13.5
Insurance Institutions	20.6	12.2	21.7	13.7
Total Liabilities of Financial Institutions	289.4	8.1	302.6	9.5
Of which: Banking Institutions	265.5	7.7	276.9	9.1
Securities Institutions	5.8	20.4	6.5	15.6
Insurance Institutions	18.1	10.8	19.2	14.1
Owner's Equities of Financial Institutions	29.3	13.4	30.4	12.8
Of which: Banking Institutions	24.5	13.0	25.5	13.4
Securities Institutions	2.3	8.1	2.4	8.2
Insurance Institutions	2.5	23.1	2.5	10.4

Notes:

(1) The total assets, total liabilities and owner's equities of financial institutions are the sums of corresponding indicators of banking institutions, securities institutions and insurance institutions. Thereinto banking institutions refer to legal entities (also covering overseas branches), including financial asset management companies (only applicable for the data as at December 31, 2019) but excluding central bank. Securities institutions include security companies, future companies and fund companies. The total assets of security companies and future companies contain the assets of their own and customer's. Insurance institutions refer to property insurance companies, personal insurance companies, reinsurance companies, insurance group companies and insurance asset management companies.

(2) Source: the People's Bank of China, the China Banking and Insurance Regulatory Commission and the China Securities Regulatory Commission.

(3) The year-on-year growth rate is calculated on a comparable basis.

(4) Since 2020, the China Banking and Insurance Regulatory Commission incorporated financial asset investment companies into "Banking Financial Institutions".

Source: The People's Bank of China.

Securities Market

Stock Market

China's two securities exchanges, the Shanghai Stock Exchange and the Shenzhen Stock Exchange, were established in 1990 and 1991, respectively. The China Securities Regulatory Commission regulates the country's securities markets. In accordance with China's Securities Law (2019 Revised), the securities regulator aims to protect the lawful rights and interests of investors, maintain the social and economic order and safeguard public interest and promote the development of the socialist market economy.

The following table sets forth the number of listed companies, the total market capitalization and the value of trading in equity securities on the Shanghai Stock Exchange and the Shenzhen Stock Exchange as at the end of 2015 to 2019.

Statistics of Stock Market

	Equity Financing	Volume of Trading	Turnover of Trading	Volume Issued at End of Period	Total Market Capitalizati at End of Period	Number of listed company at End of Period	Index: Shanghai Stock Exchange Composite Index	Index: Shenzhen Stock Exchange Component Index
	(in billions of RMB)	*(in millions of RMB)*	*(in billions of RMB)*	*(in billions of shares)*	*(in billions of RMB)*			
2015	214.7	1,122,989	18,238.8	4,301.5	53,130.4	2,827	3,539	12,665
2016	109.6	762,885	9,828.8	4,875.0	50,768.6	3,052	3,104	10,177
2017	113.9	609,349	8,023.8	5,374.7	56,708.6	3,485	3,307	11,040
2018	34.0	621,279	5,325.3	5,758.1	43,492.4	3,584	2,494	7,240
2019	86.6	1,053,022	11,301.5	6,172.0	59,293.5	3,777	3,050	10,431

Source: The People's Bank of China.

Debt Market

China has two segmented bond markets, namely interbank market and the exchange market. The interbank market consists of the interbank foreign exchange market and the interbank RMB market. The interbank foreign exchange market consists of the interbank RMB/foreign exchange market, the foreign currency pairs market, the foreign currency lending market, and the related derivatives market. With the membership system and a market making mechanism, it supports foreign exchange trading among market participants. The interbank RMB market consists of money market, bond market, and the related derivatives market, serving as an important platform for financial institutions to manage their liquidity, assets-liabilities, investment and trade, interest rates and credit risks, as well as being a major platform for transmitting the monetary policies of the People's Bank of China. The two securities exchanges, the Shanghai Stock Exchange and the Shenzhen Stock Exchange, are also the exchange market for bond market. The regulator of the exchange market for bonds market is China Security Regulatory Commission.

The following table sets forth statistics of debt market from 2015 to 2019.

Statistics of Domestic Debt Securities

	Government Securities		Central Bank Bills		Financial Bonds		Corporate Debenture Bonds		International Institution Bonds		Total	
	Issue	Outstanding	Issue	Outstanding	Issue	Outstanding	Issue	Outstanding	Issue	Outstanding	Issue	Outstanding
		(in billions of RMB)		*(in billions of RMB)*		*(in billions of RMB)*		*(in billions of RMB)*		*(in billions of RMB)*		*(in billions of RMB)*
2015.12	2,702	15,452.4	0	422.2	13,150	18,459.6	7,222	14,432.9	30	12.5	23,104	48,779.6
2016.12	2,686	22,573.4	0	0	17,561	23,649.9	3,037	17,518.0	0	53.7	23,284	63,795.0
2017.12	2,772	28,153.8	0	0	24,850	27,830.1	3,908	18,325.2	0	101.3	31,530	74,410.4
2018.12	4,495	33,006.9	0	0	23,580	32,258.5	8,557	20,560.3	53	155.0	36,685	85,980.7
2019.12	4,062	37,727.3	0	22.0	25,443	36,462.2	10,680	24,617.6	35	165.9	40,220	98,995.0

Note: Corporate debenture bonds include non-financial enterprise financing instruments, enterprise bonds, corporate bonds, convertible bonds, etc.

Source: The People's Bank of China, National Development and Reform Commission, China Securities Regulatory Commission, China Central Depository & Clearing Co., Ltd, Shanghai Clearing House.

PUBLIC FINANCE

The Ministry of Finance

The Ministry of Finance is responsible for developing and implementing fiscal policy. The Ministry of Finance, among its other duties:

- prepares and implements the state budget;
- oversees the receipt and disbursement of budgeted revenues and expenditures;
- establishes taxation and financial accounting policies;
- administers China's borrowings from foreign governments and international organizations;
- engages in debt security offerings on behalf of the Central People's Government; and
- negotiates tax treaties with foreign nations.

Fiscal Policy

China is currently implementing a more proactive fiscal policy, the highlights of which include:

- Raising the deficit rate appropriately to send a clear positive signal to the markets. In 2020, China will raise the fiscal deficit rate to over 3.6%, increasing the size of the deficit by RMB1 trillion to RMB3.76 trillion as compared to 2019.
- Increasing moderately the issuance of government bonds and government investment, and hedging against the economic downturn. It issued RMB1 trillion COVID-19 special government bonds, mainly for maintaining employment and other basic living needs. In addition, China plans to issue RMB3.75 trillion special local government bonds, an increase of RMB1.6 trillion over 2019.
- Reducing taxes and fees to overcome business difficulties. China has introduced a series of policies to reduce taxes and fees, including increasing tax incentives for small and micro-sized enterprises and self-employed individuals; implementing preferential tax treatment policies for the production and supply of key materials in relation to epidemic prevention and control; granting tax and fee reduction to enterprises greatly affected by the COVID-19; increasing tax incentives to encourage social donations; and improving tax and fee support policies to stabilize foreign trade including export tax rebates; and reforming personal income tax regime and reducing social security rates. In 2019, the actual tax and fee reductions reached RMB2.36 trillion. In the first half of 2020, the actual tax and fee reductions reached more than RMB1.5 trillion, and it is estimated that the actual tax and fee reductions will reach RMB2.5 trillion for the year of 2020. Small and micro-sized enterprises are the key support target of tax and fee reduction policy.
- Increasing transfer payments to relieve the pressure of local governments for "security in three areas" (guarantee in basic living needs, wages, and operation). The central finance, through channels such as coordinating new deficits, carrying forward funds from previous years, and reducing its expense, has steadily increased support for local finance, with focus on old revolutionary base regions, ethnic minority areas, border areas, impoverished areas, and areas greatly affected by the COVID-19. For the year of 2020, the transfer payments from the central government to local governments will reach RMB8,391.5 billion, representing an increase of RMB950 billion or 12.8% compared to 2019. The general transfer payments increased by 7.5% compared to 2019, and the balanced transfer payments increased 10.0% compared to 2019, the county-level basic financial guarantee and funds arrangement increased 10.0% compared to 2019, and the transfer payment for seniors, juniors, border areas and impoverished areas increased 12.4% compared to 2019.
- Strengthening budget balance and hedging against the COVID-19 impact on revenues. The government will tighten its expense and significantly reduce its non-urgent and unnecessary expense. Also, the

government will ensure the expense in basic living needs and key areas. Utilising the Central People's Government's new deficit, increasing support to the local governments, and further balancing local revenue and expenditure.

The Third Session of the Thirteenth National People's Congress approved the Report on the Execution of the Central and Local Budgets for 2019 and on the Draft Central and Local Budgets for 2020 on May 22, 2020. The national general public budget revenues of 2020 are expected to be RMB18.0 trillion, a decrease of 5.3% over 2019. The national general public budget expenditures are expected to be RMB24.8 trillion for 2020, an increase of 3.8% over 2019. For the first half of 2020, general public budget revenue reached RMB9,617.6 billion, representing a 10.8% decrease over the same period in 2019, and general public budget expenditures for the first half of 2020 amounted to RMB11,641.1billion.

State Budget

The state budget includes both the central and local government budgets. The central government budget is reviewed and approved by the National People's Congress. The local government budget at all levels is reviewed and approved by the respective local people's congress.

The Chinese government's fiscal year begins on January 1 and ends on December 31 of each year.

The following table sets forth the general public budget revenues and expenditures for the period from 2015 to 2019.

General Public Budget Revenues and Expenditures

	Year ended December 31,				
	2015	**2016**	**2017**	**2018**	**2019**
	(in billions of RMB)				
General Public Budget Revenues					
Tax Revenues	12,492.2	13,036.1	14,437.0	15,640.3	15,799.2
Non-tax Revenues	2,734.7	2,924.4	2,822.3	2,695.7	3,239.0
Total	15,226.9	15,960.5	17,259.3	18,336.0	19,038.2
General Public Budget Expenditures					
Total	17,587.8	18,775.5	20,308.5	22,090.4	23,887.4

Source: China Statistical Yearbook of 2016-2019, the National Bureau of Statistics of China; Report on the Execution of the Central and Local Budgets for 2019 and on the Draft Central and Local Budgets for 2020.

General Public Budget Revenues

General public budget revenues consist of tax revenues and non-tax revenues.

The following table sets forth tax revenues for the period from 2015 to 2019.

Tax Revenue

	Year ended December 31,				
	2015	**2016**	**2017**	**2018**	**2019**
	(in billions of RMB)				
Domestic Consumption Tax [(1)]	1,054.2	1,021.7	1,022.5	1,063.2	1,256.2
Domestic Value-added Tax [(2)]	3,110.9	4,071.2	5,637.8	6,153.1	6,234.6
Business Tax [(3)]	1,931.3	1,150.2	N/A	N/A	N/A
Company Income Tax	2,713.4	2,885.1	3,211.7	3,532.4	3,730.0
Individual Income Tax	861.7	1,008.9	1,196.6	1,387.2	1,038.8
Tariff Duties	256.1	260.4	299.8	284.8	288.9

Note:

(1) excluding consumption tax from import products.

(2) excluding value-added tax from import products.

(3) since May 1, 2016, the reform program to replace the business tax with a value-added tax has rolled out nationwide and expanded to all industries. Therefore, all business tax payers now pay a value-added tax rather than the business tax.

Source: China Statistical Yearbook of 2019, the National Bureau of Statistics of China; the Ministry of Finance.

Central Government Revenues and Local Governments Revenues

General public budget revenues can be classified into general public budget revenues of the central government and the local governments.

The following table sets forth general public budget revenues of the central government and its respective percentage of major general public budget revenues for the period from 2015 to 2019.

Revenues of the Central Government

	Year ended December 31,				
	2015	**2016**	**2017**	**2018**	**2019**
	(in billions of RMB, except for percentage)				
General public budget revenues of the central government	6,926.7	7,236.6	8,112.3	8545.6	8,930.5
% of general public budget revenues	45.5%	45.3%	47.0%	46.6%	46.9%

Source: China Statistical Yearbook of 2016-2019, the National Bureau of Statistics of China; Report on the Execution of the Central and Local Budgets for 2019 and on the Draft Central and Local Budgets for 2020.

In the first six months of 2020, general public budget revenue of central government reached RMB4,434.7 billion, representing a 14.0% decrease over the same period in 2019.

The following table sets forth general public budget revenues of the local governments and its respective percentage of major general public budget revenues for the period from 2015 to 2019.

Revenues of the Local Governments

	Year ended December 31,				
	2015	**2016**	**2017**	**2018**	**2019**
	(in billions of RMB, except for percentage)				
General public budget revenues of the local governments	8,300.2	8,723.9	9,146.9	9,790.3	10,107.7
% of general public budget revenues	54.5%	54.7%	53.0%	53.4%	53.1%

Source: China Statistical Yearbook of 2016- 2019, the National Bureau of Statistics of China; Report on the Execution of the Central and Local Budgets for 2019 and on the Draft Central and Local Budgets for 2020.

In the first six months of 2020, general public budget revenue of local governments reached RMB5,182.9 billion, representing a 7.9% decrease over the same period in 2019.

The following table sets forth general public budget expenditures for the period from 2015 to 2019.

General Public Budget Expenditures

	2015	**2016**	**2017**	**2018**	**2019**
	(in billions of RMB)				
Expenditures for Education	2,627.2	2,807.3	3,015.3	3,216.9	3,491.3
Expenditures for Science and Technology	586.3	656.4	726.7	832.7	952.9
Expenditures for Culture, Sport and Media	307.7	316.3	339.2	353.8	403.3
Expenditures for Social Security and Employment	1,901.9	2,159.1	2,461.2	2,701.2	2,958.0
Expenditures for Energy Conservation and Environment Protection	480.3	473.5	561.7	629.8	744.4
Expenditures for Urban and Rural Community Affairs	1,588.6	1,839.5	2,058.5	2,212.4	2,568.1
Expenditures for Agriculture, Forestry and Water Conservancy	1,738.0	1,858.7	1,908.9	2,108.6	2,242.0
Expenditures for Transportation	1,235.6	1,049.9	1,067.4	1,128.3	1,141.3
Expenditures for Debt Interests Payment	354.9	507.5	627.3	740.3	833.8

Source: China Statistical Yearbook of 2016-2019, the National Bureau of Statistics of China; the Ministry of Finance.

In the first six months of 2020, general public budget expenditures reached RMB1, 164.1 billion, representing a 5.8% decrease over the same period in 2019.

Taxation

Taxation System

China has established a fiscal revenue allocation system between the Central People's Government and local governments. Under this fiscal revenue allocation system, taxes are divided into three categories: (1) the Central People's Government taxes, including value-added tax and consumption tax on imports, customs duties, domestic consumption tax, vehicle purchase tax, ship tonnage tax, marine petroleum resource tax, and stamp duty on securities transactions; (2) local government taxes, including environmental protection tax, real estate tax, urban land use tax, urban maintenance and construction tax, land value-added tax, resource tax, stamp tax, vehicle and vessel tax, farmland occupation tax, deed tax, tobacco tax and education surcharge tax; and (3) shared taxes allocated by the central and local governments in accordance with the proportions set out by the State Council, including domestic value-added tax, corporate income tax, and personal income tax.

Currently, there are 18 types of taxes in China, including value-added tax, consumption tax, corporate income tax, induvial income tax, resources tax, urban land use tax, real estate tax, urban maintenance and construction tax, farmland occupation tax, land value-added tax, vehicle purchase tax, vehicle and vessel tax, stamp duty, deed tax, tobacco tax, customs duty, ship tonnage tax, and environmental protection tax.

The tax authorities are the departments in charge of tax collection and administration in China. The central government has established the State Administration of Taxation, which is a body directly under the State Council in charge of taxation. The state and provincial tax bodies at or below the provincial level were merged in 2018 to undertake the specific duties including, among others, tax and non-tax collection and administration within their respective jurisdictions.

Taxation Reform

Since the adoption of the reform and opening up policy more than 40 years ago, China's tax system has undergone several major reforms, and thus it gradually becomes more robust. The tax reform has played an important role in guaranteeing the government fiscal revenues, strengthening macroeconomic regulation and control, and promoting economic and social development.

- Since the implementation of the reform of the tax revenue allocation system and fiscal management system in 1994, China has established a collection and administration system with two separate tax bodies: the state taxation bureau and the local taxation bureau.
- In 2013, the Decision of the Central Committee of the Communist Party of China on Some Major Issues Concerning Comprehensively Deepening the Reform proposed to deepen the reform of the taxation system, stabilize tax burdens, improve the local tax system, gradually increase the proportion of direct tax, promote the reform of value-added tax, and simplify tax rate appropriately
- In 2014, China began a structural tax cut to increase and decrease certain tax and the reform to replace business tax with value-added tax becomes the most important structural tax cut.
- In 2016, the Outline of the Thirteen Five-Year Plan for Social and Economic Development mentioned a series of taxation reform, including fully completing the reform program to replace the business tax with a value-added tax and establishing standardized consumption value-added tax system. In the same year, the reform program to replace the business tax with a value-added tax has rolled out nationwide and expanded to all industries. Accordingly, the State Council adjusted fiscal revenue sharing arrangement of value-added tax, under which the central government will share 50% of value-added tax revenue whereas the local governments will share 50% value-added tax revenue according to the places of tax payment.
- Since January 1, 2018, China began collecting environmental protection taxes in accordance with the Environmental Protection Tax Law of the People's Republic of China.
- In 2018, the Standing Committee of the 13th National People's Congress proposed legislative plans for ten taxes, including value-added tax, consumption tax and real estate tax, and amendment to the Tax Administration Law.

- A larger scale tax and fee reduction policy was implemented in 2019, reducing taxes and fees by RMB2.36 trillion for the year, in particular for the manufacturing industry and small and micro-sized enterprises which enjoy the most benefit.

Through the reforms above, China's tax system has been further simplified and standardized, the tax burden has been made more equitable and reduced, and the role of macroeconomic regulation and control of taxation has been further strengthened, thus achieving a sustained and steady increase in tax revenue on the basis of promoting sustained and steady economic growth.

GOVERNMENT AND EXTERNAL DEBT

As used in this section, "external debt" or "external borrowings" means borrowings from sources outside China; "internal debt" or "internal borrowings" means borrowings from sources inside China; and "direct", when used with reference to any debt or borrowings (e.g., "direct debt"), means debt incurred directly by the central government in the name of China.

The State Development and Reform Commission is responsible to administer medium- and long-term external debt with a maturity of one year or more. The State Administration of Foreign Exchange is responsible to regulate and supervise the registration, account, use and repayment of external debt as well as foreign exchange settlement and sales. Also, the State Administration of Foreign Exchange monitors and calculates external debt.

The Ministry of Finance is responsible to prepare and implement policies for internal debt of the government and administer external borrowings by the government and borrowing from multilateral development organizations and the foreign governments. Under the Budget Law, local governments are not permitted to incur any indebtedness unless specifically authorized by the central government.

At present, the overall level of Chinese government debt risk is under control, and the debt ratio (i.e. debt balance/GDP) of Chinese government debt is lower than that of major market economies and emerging market countries.

The following table sets forth China's government debt as of the dates indicated.

Government Debt

	At December 31,				
	2015	**2016**	**2017**	**2018**	**2019**
	(in billions of RMB)				
Government Debt					
Local Government Debt [(1)]	16,007.4	15,316.4	16,470.6	18,386.2	21,307.2
Central Government Debt	10,659.9	12,006.7	13,477.0	14,960.8	16,803.8

Note:

(1) The amount of local government debt for 2015 and 2016 is the sum of general debt and special debt.

Source: Ministry of Finance.

The following table sets forth the internal and external debt of the central government as of the dates indicated.

Internal and External Debt of the Central Government

	At December 31,				
	2015	**2016**	**2017**	**2018**	**2019**
	(in billions of RMB)				
Internal Debt of Central Government	10,546.7	11,881.1	13,344.7	14,820.9	16,603.2
External Debt of Central Government	113.2	125.6	132.3	139.9	200.6
Total Debt of Central Government	10,659.9	12,006.7	13,477.0	14,960.8	16,803.8

Source: Ministry of Finance.

The following table sets forth the general and special debt of local government as of the dates indicated.

General and Special Debt of the Local Governments

	At December 31,				
	2015	**2016**	**2017**	**2018**	**2019**
	(in billions of RMB)				
General Debt of Local Government	9,927.2	9,786.8	10,332.2	10,993.9	11,869.4
Special Debt of Local Government	6,080.2	5,529.6	6,138.4	7,392.3	9,437.8
Total	16,007.4	15,316.4	16,470.6	18,386.2	21,307.2

Source: Ministry of Finance.

External Debt

Debentures are China's primary source of external debt, which accounted for approximately 25.5% of China's total external debt outstanding at December 31, 2019. Loans, trade credits and prepayments, currency deposits, debt of inter-company lending under direct investments and the special drawing rights accounted for approximately 22.0%, 18.0%, 20.0%, 12.0% and 0.5% respectively, of China's total external debt outstanding at December 31, 2019. At the end of 2019, China's total outstanding external debt was US$2.1 trillion.

The Ministry of Finance, on behalf of the central government, has raised funds in the international capital markets through various debt securities since 1993. The Ministry of Finance's principal objective is to give full play to the pricing benchmark function of the market-oriented interest rate of treasury bonds.

Unless the central government expressly provides otherwise, the government authorities are not allowed to provide guarantee. Debtors that have their external debt registered with the State Administration of Foreign Exchange have the right to buy foreign currencies from the banks in order to service the interest and principal payments on their registered external debt.

Foreign Debt Objectives

With respect to the total foreign debt of one country, the internationally recognized thresholds of external debt metrics are to:

- limit the external debt servicing ratio (i.e., the ratio of principal and interest payments on external debt to the revenues from exports) to 20% or less;
- limit the debt ratio (i.e., the ratio of the outstanding amount of external debt to the revenues from exports) to 100% or less;
- limit the liability ratio (i.e., the ratio of the outstanding amount of external debt to GDP) to 20% or less; and
- limit the ratio of short-term external debt to foreign exchange reserves to 100% or less.

As at the end of 2019, the external debt servicing ratio, the debt ratio, the liability ratio and the ratio of short-term external debt to foreign exchange reserves of the China's total foreign debt was 6.7%, 77.8%, 14.3% and 38.8%, respectively. China's major external debt metrics were all within the internationally recognized criteria .

The following table sets forth China's total external debt as of the dates indicated.

China's Total External Debt

	At December 31,				
	2015	2016	2017	2018	2019
	(in billions of US$)				
China's External Debt					
Total	1,383.0	1,415.8	1,758.0	1,982.8	2,057.3

Source: State Administration of Foreign Exchange.

The following table sets forth the China's medium- and long-term and short-term external debts and their respective percentages of total outstanding external debt as of the dates indicated.

China's External Debt by Maturity

	At December 31,				
	2015	2016	2017	2018	2019
	(in billions of US$, except for percentages)				
Medium- and Long-term Debt	495.6	549.8	612.7	693.6	852.0
Percentage of Total Outstanding External Debt	35.8%	38.8%	34.9%	35.0%	41.4%
Short-term Debt	887.4	866.0	1,145.2	1,289.2	1,205.3
Percentage of Total Outstanding External Debt	64.2%	61.2%	65.1%	65.0%	58.6%

Note:

(1) Since 2016, the numbers of previous years in this table are adjusted according to the restated figures of balance of payments.

Source: State Administration of Foreign Exchange.

The following table sets forth the China's external debt by borrowers as of the dates indicated

China's External Debt by Borrowers

	At December 31,				
	2015	**2016**	**2017**	**2018**	**2019**
	(in billions of US$)				
General Government	111.4	123.9	168.7	232.3	270.9
Central Bank	43.0	55.5	23.4	29.6	36.3
Other Deposit-taking Company	612.0	604.2	845.5	898.7	918.0
Other Sectors	427.2	427.7	521.2	592.3	592.3
Direct Investment: Intercompany Loan	189.4	204.5	199.1	229.9	239.8
Total	1,383.0	1,415.8	1,758.0	1,982.8	2,057.3

Note:

(1) Since 2015, the numbers are adjusted according to the latest restated figures of balance of payments.

Source: State Administration of Foreign Exchange.

Debt Record

The central government has always paid when due the full amount of principal of, any interest and premium on, and any amortization or sinking fund requirements of, external and internal indebtedness incurred by it since the PRC was founded in 1949.

USE OF PROCEEDS

The net proceeds from the sale of the Bonds will be used by the Ministry of Finance for general governmental purposes.

TAXATION

The following summary of certain taxation provisions under the PRC and Hong Kong laws is based on current law and practice. It does not purport to be comprehensive and does not constitute legal or tax advice. Prospective investors should consult their own tax advisers regarding the tax consequences of an investment in the securities.

The Bonds are not subject to any individual or enterprise income tax or stamp duty in the PRC nor to any profits tax or stamp duty in Hong Kong.

CERTAIN U.S. FEDERAL INCOME TAX CONSEQUENCES

The following is a summary of certain U.S. federal income tax consequences of the acquisition, ownership and disposition of Bonds by a U.S. Holder (as defined below). This summary deals only with initial purchasers of Bonds at the "issue price" (the first price at which a substantial amount of Bonds are sold for money, excluding sales to underwriters, placement agents or wholesalers) in the initial offering that are U.S. Holders and that will hold the Bonds as capital assets. The discussion does not cover all aspects of U.S. federal income taxation that may be relevant to, or the actual tax effect that any of the matters described herein will have on, the acquisition, ownership or disposition of Bonds by particular investors (including consequences under the alternative minimum tax or net investment income tax), and does not address state, local, non-U.S. or other tax laws (such as estate or gift tax laws). This summary also does not discuss all of the tax considerations that may be relevant to certain types of investors subject to special treatment under the U.S. federal income tax laws (such as financial institutions, insurance companies, individual retirement accounts and other tax-deferred accounts, tax-exempt organisations, dealers in securities or currencies, investors that will hold the Bonds as part of straddles, hedging transactions or conversion transactions for U.S. federal income tax purposes, persons that have ceased to be U.S. citizens or lawful permanent residents of the United States, investors holding the Bonds in connection with a trade or business conducted outside of the United States, U.S. citizens or lawful permanent residents living abroad, investors that are required to take certain amounts into income no later than the time such amounts are reflected on an applicable financial statement or investors whose functional currency is not the U.S. dollar).

As used herein, the term "**U.S. Holder**" means a beneficial owner of Bonds that is, for U.S. federal income tax purposes, (i) an individual citizen or resident of the United States, (ii) a corporation created or organised under the laws of the United States, any state thereof or the District of Columbia, (iii) an estate the income of which is subject to U.S. federal income tax without regard to its source or (iv) a trust if a court within the United States is able to exercise primary supervision over the administration of the trust and one or more U.S. persons have the authority to control all substantial decisions of the trust, or the trust has validly elected to be treated as a domestic trust for U.S. federal income tax purposes.

The U.S. federal income tax treatment of a partner in an entity or arrangement treated as a partnership for U.S. federal income tax purposes that holds Bonds will depend on the status of the partner and the activities of the partnership. Prospective purchasers that are entities or arrangements treated as partnerships for U.S. federal income tax purposes should consult their tax advisers concerning the U.S. federal income tax consequences to them and their partners of the acquisition, ownership and disposition of Bonds by the partnership.

This summary is based on the tax laws of the United States including the Internal Revenue Code of 1986, as amended, (the "**Code**") its legislative history, existing and proposed regulations thereunder, published rulings and court decisions, as well as on the income tax treaty between the United States and the People's Republic of China (the "**Treaty**") all as of the date hereof and all subject to change at any time, possibly with retroactive effect.

THE SUMMARY OF U.S. FEDERAL INCOME TAX CONSEQUENCES SET OUT BELOW IS FOR GENERAL INFORMATION ONLY. ALL PROSPECTIVE PURCHASERS SHOULD CONSULT THEIR TAX ADVISERS AS TO THE PARTICULAR TAX CONSEQUENCES TO THEM OF ACQUIRING, OWNING, AND DISPOSING OF THE BONDS, INCLUDING THEIR ELIGIBILITY FOR THE BENEFITS OF THE TREATY, THE APPLICABILITY AND EFFECT OF STATE, LOCAL, NON-U.S. AND OTHER TAX LAWS AND POSSIBLE CHANGES IN TAX LAW.

Payments of Interest

General

Interest on a Bond will be taxable to a U.S. Holder as ordinary income at the time it is received or accrued, depending on such holder's method of accounting for U.S. federal income tax purposes. Interest paid by the Ministry of Finance on the Bonds generally will constitute income from sources outside the United States.

Effect of PRC Withholding Taxes

As discussed in "Taxation," under current law payments of interest on the Bonds to foreign investors may become subject to PRC withholding taxes. As discussed under "Terms and Conditions of the 2023 Bonds—Taxation and Withholding", "Terms and Conditions of the 2025 Bonds – Taxation and Withholding", "Terms and Conditions of the 2030 Bonds – Taxation and Withholding" and "Terms and Conditions of the 2050 Bonds – Taxation and Withholding", the Ministry of Finance is liable for the payment of additional amounts to U.S. Holders so that U.S. Holders receive the same amounts they would have received had no PRC withholding taxes been imposed. For U.S. federal income tax purposes, U.S. Holders will be treated as having actually received the amount of PRC taxes withheld by the Ministry of Finance with respect to a Bond, and as then having actually paid over the withheld taxes to the PRC taxing authorities. As a result, the amount of interest income included in gross income for U.S. federal income tax purposes by a U.S. Holder with respect to a payment of interest may be greater than the amount of cash actually received (or receivable) by the U.S. Holder from the Ministry of Finance with respect to the payment.

Subject to certain limitations, a U.S. Holder generally will be entitled to a credit against its U.S. federal income tax liability, or a deduction in computing its U.S. federal taxable income, for PRC income taxes withheld by the Ministry of Finance. Interest generally will constitute "passive category income" for purposes of the foreign tax credit. The rules governing foreign tax credits are complex. Prospective purchasers should consult their tax advisers concerning the foreign tax credit implications of PRC withholding taxes.

Sale and Retirement of Bonds

A U.S. Holder generally will recognise gain or loss on the sale or retirement of a Bond equal to the difference between the amount realised on the sale or retirement and the U.S. Holder's adjusted tax basis of a Bond. A U.S. Holder's adjusted tax basis in a Bond generally will be its U.S. dollar cost. The amount realised does not include the amount attributable to accrued but unpaid interest, which will be taxable as interest income to the extent not previously included in income. Gain or loss recognised on the sale or retirement of a Bond will be capital gain or loss and will be long-term capital gain or loss if the U.S. Holder's holding period in the Bonds exceeds one year.

Backup Withholding and Information Reporting

Payments of principal and interest on, and the proceeds of sale or other disposition of Bonds, by a U.S. paying agent or other U.S. intermediary will be reported to the IRS and to the U.S. Holder as may be required under applicable regulations. Backup withholding may apply to these payments, if the U.S. Holder fails to provide an accurate taxpayer identification number or certification of exempt status or fails to comply with applicable certification requirements. Certain U.S. Holders are not subject to backup withholding. U.S. Holders should consult their tax advisers about these rules and any other reporting obligations that may apply to the ownership or disposition of Bonds, including requirements related to the holding of certain "specified foreign financial assets".

PRC TAXATION

In the opinion of the Law Department of the Ministry of Finance of China, PRC legal counsel to China, the following summary accurately describes the principal PRC tax consequences of ownership of the debt securities by beneficial owners who, or which, are not residents of China for PRC tax purposes and do not conduct business activities in China.

The Bonds are not subject to any individual or enterprise income tax or stamp duty in the PRC.

SUBSCRIPTION AND SALE

The Ministry of Finance and the Joint Lead Managers have entered into a subscription agreement dated on or about October 13, 2020 (the "Subscription Agreement"), as supplemented by the pricing supplement dated October 14, 2020, pursuant to which the Ministry of Finance has agreed to sell to the Joint Lead Managers, and the Joint Lead Managers have agreed to subscribe and pay for or procure subscribers to subscribe and pay for each of the 2023 Bonds at their issue price of 99.926% of their principal amount, the 2025 Bonds at their issue price of 99.734% of their principal amount, the 2030 Bonds at their issue price of 99.756% of their principal amount and the 2050 Bonds at their issue price of 98.707% of their principal amount.

The Ministry of Finance is entitled to be released and discharged from its obligations under the Subscription Agreement prior to the closing of the issue of the Bonds.

Each Manager named below has severally and not jointly agreed to purchase, and the Ministry of Finance has agreed to issue and sell to each such Manager, the principal amount of the Bonds set forth opposite the name of such Manager. The Ministry of Finance agrees to pay an underwriting commission to each Manager.

2023 Bonds

Managers	Principal Amount (USD)
Bank of China Limited	96,159,000
Bank of Communications Co., Ltd. Hong Kong Branch	96,158,000
China Construction Bank (Asia) Corporation Limited	96,153,000
China International Capital Corporation Hong Kong Securities Limited	96,153,000
Merrill Lynch (Asia Pacific) Limited	96,153,000
Citigroup Global Markets Inc.	96,153,000
Crédit Agricole Corporate and Investment Bank	96,153,000
CTBC Bank Co., Ltd.	96,153,000
Deutsche Bank AG, London Branch	96,153,000
Goldman Sachs (Asia) L.L.C.	96,153,000
J.P. Morgan Securities plc	96,153,000
Mizuho Securities Asia Limited	96,153,000
Standard Chartered Bank	96,153,000
Total	1,250,000,000

2025 Bonds

Managers	Principal Amount (USD)
Bank of China Limited	173,082,000
Bank of Communications Co., Ltd. Hong Kong Branch	173,082,000
China Construction Bank (Asia) Corporation Limited	173,076,000
China International Capital Corporation Hong Kong Securities Limited	173,076,000
Merrill Lynch (Asia Pacific) Limited	173,076,000
Citigroup Global Markets Inc.	173,076,000
Crédit Agricole Corporate and Investment Bank	173,076,000
CTBC Bank Co., Ltd.	173,076,000
Deutsche Bank AG, London Branch	173,076,000
Goldman Sachs (Asia) L.L.C.	173,076,000
J.P. Morgan Securities plc	173,076,000
Mizuho Securities Asia Limited	173,076,000
Standard Chartered Bank	173,076,000
Total	2,250,000,000

2030 Bonds

Managers	**Principal Amount (USD)**
Bank of China Limited	153,847,000
Bank of Communications Co., Ltd. Hong Kong Branch	153,847,000
China Construction Bank (Asia) Corporation Limited	153,846,000
China International Capital Corporation Hong Kong Securities Limited	153,846,000
Merrill Lynch (Asia Pacific) Limited	153,846,000
Citigroup Global Markets Inc.	153,846,000
Crédit Agricole Corporate and Investment Bank	153,846,000
CTBC Bank Co., Ltd.	153,846,000
Deutsche Bank AG, London Branch	153,846,000
Goldman Sachs (Asia) L.L.C.	153,846,000
J.P. Morgan Securities plc	153,846,000
Mizuho Securities Asia Limited	153,846,000
Standard Chartered Bank	153,846,000
Total	2,000,000,000

2050 Bonds

Managers	Principal Amount (USD)
Bank of China Limited	38,465,000
Bank of Communications Co., Ltd. Hong Kong Branch	38,464,000
China Construction Bank (Asia) Corporation Limited	38,461,000
China International Capital Corporation Hong Kong Securities Limited	38,461,000
Merrill Lynch (Asia Pacific) Limited	38,461,000
Citigroup Global Markets Inc.	38,461,000
Crédit Agricole Corporate and Investment Bank	38,461,000
CTBC Bank Co., Ltd.	38,461,000
Deutsche Bank AG, London Branch	38,461,000
Goldman Sachs (Asia) L.L.C.	38,461,000
J.P. Morgan Securities plc	38,461,000
Mizuho Securities Asia Limited	38,461,000
Standard Chartered Bank	38,461,000
Total	500,000,000

The Ministry of Finance has agreed to indemnify the Managers against certain liabilities incurred in connection with the issue of the Bonds. In addition, The Ministry of Finance has agreed to reimburse the Managers for certain of their expenses in connection with the issue of the Bonds. The Subscription Agreement may be terminated by the Ministry of Finance in certain circumstances.

The Bonds are offered for sale in those jurisdictions where it is lawful to make such offers. Any Bonds offered in the United States by a Manager will either be offered directly by such Manager or through its respective U.S. broker-dealer affiliates or agents, as applicable.

Certain of the Managers and their affiliates have engaged, and may in the future engage, in various financial advisory, investment banking and/or commercial banking transactions with, and may perform services for, the Ministry of Finance and its affiliates in the ordinary course of business for which they have received, and for which they may in the future receive, fees and expenses.

In addition, in the ordinary course of their business activities, the Managers and their affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (including bank loans) for their own account and for the accounts of their customers. Such investments and securities activities may involve securities and/or instruments of the Ministry of Finance or its affiliates.

United States

The Bonds have not been and will not be registered under the Securities Act. Subject to certain exceptions, the Bonds may not be offered, sold or delivered within the United States.

The Bonds are being offered and sold outside of the United States in reliance on Regulation S. The Subscription Agreement provides that the Joint Lead Managers may directly or through their respective U.S. broker-dealer affiliates arrange for the offer and resale of Bonds within the United States only to QIBs in reliance on Rule 144A.

In addition, until 40 days after the commencement of the offering of the Bonds, an offer, sale, resale, pledge or any transfer of Bonds within the United States by any dealer (whether or not participating in the offering) may violate the registration requirements of the Securities Act if such offer, sale, resale, pledge or any transfer is made otherwise than in accordance with Rule 144A.

United Kingdom

Each Joint Lead Manager has represented, warranted and undertaken that (a) it has only communicated or caused to be communicated and will only communicate or cause to be communicated an invitation or inducement to engage in investment activity (within the meaning of Section 21 of the Financial Services and Markets Act 2000 (the "FSMA")) received by it in connection with the issue or sale of the Bonds in circumstances in which Section 21(1) of the FSMA does not apply to the Ministry of Finance; and (b) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to the Bonds in, from or otherwise involving the U.K.

Hong Kong

Each Joint Lead Manager has represented and agreed that it has not issued or had in its possession for the purposes of issue, and will not issue or have in its possession for the purposes of issue, whether in Hong Kong or elsewhere, any advertisement, invitation or document relating to the Bonds, which is directed at, or the contents of which are likely to be accessed or read by, the public of Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than with respect to Bonds which are or are intended to be disposed of only to persons outside Hong Kong or only to "professional investors" as defined in the Securities and Futures Ordinance (Cap. 571) of Hong Kong and any rules made under that Ordinance.

Mainland China

The Bonds are not intended to be offered directly or indirectly within the Mainland China. This Offering Circular has not been and will not be submitted to or approved by or registered with any governmental authorities in the PRC and may not be supplied to the public in the Mainland China. This Offering Circular does not constitute an offer to sell or the solicitation of an offer to purchase any Bonds in the Mainland China. The Bonds may only be offered to investors in Mainland China which are authorised to invest in the Bonds.

Each Joint Lead Manager has represented, warranted and agreed that the Bonds not being offered or sold and may not be offered or sold, directly or indirectly, in Mainland China, except where permitted by applicable law of Mainland China.

Taiwan

The Bonds have not been and will not be registered or filed with, or approved by, the Financial Supervisory Commission of Taiwan and/or other government authority or agency of Taiwan pursuant to relevant securities laws and regulations of Taiwan and may not be issued, offered or sold within Taiwan through a public offering or in circumstances which constitute an offer within the meaning of the Securities and Exchange Act of Taiwan that requires a registration, filing or approval of the Financial Supervisory Commission of Taiwan and/or other government authority or agency of Taiwan. No person or entity in Taiwan has been authorised to offer or sell the Bonds in Taiwan. The Bonds may be made available outside Taiwan for purchase outside Taiwan by Taiwan resident investors, but may not be offered or sold in Taiwan.

Macau

This is an offering targeted at institutional investors. Each Joint Lead Manager has represented, warranted and agreed that the Bonds may not be promoted, distributed, sold or delivered in Macau, or any document relating to the Bonds be distributed or circulated in Macau, except under the terms of and in compliance with the Macau Financial System Act approved by the Decree Law no. 32/93/M ("FSA") and Guidelines no. 009/B/2019-DSB/AMCM as well as any other laws in Macau that may apply to the offer and sale of the Bonds in Macau. The Bonds are not authorised for public offer in Macau under the FSA and Guidelines no. 009/B/2019-DSB/AMCM, thus may not be offered or sold in Macau, unless such offer is made by Macau licensed financial institution according to the FSA and upon their communication to the Monetary Authority of Macau and Chongwa (Macao) Financial Asset Exchange Co., Ltd., in observation of the guidelines and recommendations issued by the Monetary Authority of Macau from time to time.

Singapore

Each Joint Lead Manager has acknowledged that this Offering Circular has not been registered as a prospectus with the Monetary Authority of Singapore. Accordingly, each Joint Lead Manager has represented and agreed that it has not offered or sold any Bonds or caused the Bonds to be made the subject of an invitation for subscription or purchase and will not offer or sell any Bonds or cause the Bonds to be made the subject of an invitation for subscription or purchase, and has not circulated or distributed, nor will it circulate or distribute, this Offering Circular or any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of the Bonds, whether directly or indirectly, to any person in Singapore other than (i) to an institutional investor (as defined in Section 4A of the SFA) pursuant to Section 274 of the SFA, (ii) to a relevant person (as defined in Section 275(2) of the SFA) pursuant to Section 275(1) of the SFA, or any person pursuant to Section 275(1A) of the SFA, and in accordance with the conditions specified in Section 275 of the SFA, or (iii) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA.

Where Bonds are subscribed or purchased under Section 275 of the SFA by a relevant person which is:

(a) a corporation (which is not an accredited investor (as defined in Section 4A of the SFA)) the sole business of which is to hold investments and the entire share capital of which is owned by one or more individuals, each of whom is an accredited investor; or

(b) a trust (where the trustee is not an accredited investor) whose sole purpose is to hold investments and each beneficiary of the trust is an individual who is an accredited investor,

securities or securities-based derivatives contracts (each term as defined in Section 2(1) of the SFA) of that corporation or the beneficiaries' rights and interest (howsoever described) in that trust shall not be transferred within six months after that corporation or that trust has acquired the Bonds pursuant to an offer made under Section 275 of the SFA except:

(i) to an institutional investor or to a relevant person, or to any person arising from an offer referred to in Section 275(1A) or Section 276(4)(i)(B) of the SFA;

(ii) where no consideration is or will be given for the transfer;

(iii) where the transfer is by operation of law;

(iv) as specified in Section 276(7) of the SFA; or

(v) as specified in Regulation 37A of the Securities and Futures (Offers of Investments) (Securities and Securities-based Derivatives Contracts) Regulations 2018 of Singapore.

Japan

The Bonds have not been and will not be registered under the Financial Instruments and Exchange Act of Japan (Law No. 25 of 1948, as amended; the "FIEA") and each Joint Lead Manager has represented and agreed that it will not offer or sell any Bonds, directly or indirectly, in Japan or to, or for the benefit of, any resident of Japan (as defined under Item 5, Paragraph 1, Article 6 of the Foreign Exchange and Foreign Trade Act (Law No. 228 of 1949, as amended)), or to others for re offering or resale, directly or indirectly, in Japan or to, or for the benefit of, a resident of Japan, except pursuant to an exemption from the registration requirements of, and otherwise in compliance with, the FIEA and any other applicable laws, regulations and ministerial guidelines of Japan.

France

Each of the Joint Lead Managers has represented and agreed that it has only offered or sold and will only offer or sell, directly or indirectly, any Bonds to the public in France pursuant to an exemption under Article 1(4) of the Prospectus Regulation and Article L.411-2 1° of the French Code monétaire et financier, and that this Offering Circular and any other offering material relating to the Bonds and such offers, sales and distributions have been and will be made in France only to qualified investors (investisseurs qualifiés), all as defined in, and in accordance with, Regulation (EU) 2017/1129 as amended.

Germany

Each Joint Lead Manager has represented and agreed that the Bonds have not been and will not be offered or sold or publicly promoted or advertised by it in Germany other than in compliance with the Regulation (EU) 2017/1129 of the European Parliament and of the Council of June 14, 2017 on the prospectus to be published when securities are offered to the public or admitted to trading on a regulated market, and repealing Directive 2003/71/EC or, as the case may be, the German Capital Investment Act (Vermögensanlagengesetz) each as amended from time to time and all other applicable legislation and regulation in Germany governing the issue, offering and sale of securities.

Switzerland

The Bonds may not be publicly offered, sold or advertised, directly or indirectly, in, into or from Switzerland and will not be listed on the SIX Swiss Exchange or any other exchange or regulated trading facility in Switzerland. Neither this Offering Circular nor any other offering or marketing material relating to the Bonds constitutes (i) a prospectus as such term is understood pursuant to Article 652a or 1156 of the Swiss Code of Obligations, (ii) a listing prospectus within the meaning of the listing rules of the SIX Swiss Exchange or any other regulated trading facility in Switzerland, or (iii) a prospectus as such term is defined in the Swiss Federal Act on Collective Investment Schemes and neither this Offering Circular nor any other marketing material relating to the Bonds may be publicly distributed or otherwise made publicly available in Switzerland. Neither this Offering Circular nor any other offering and marketing material relating to the offering or the Bonds have been or will be filed with or approved by the Swiss Financial Market Supervisory Authority FINMA or any other Swiss regulatory authority.

Republic of Italy

The offering of the Bonds has not been registered pursuant to Italian securities legislation and, accordingly, no Bonds may be offered, sold or delivered, nor may copies of this Offering Circular or of any other document relating to any Bonds be distributed in the Republic of Italy, except:

(i) to qualified investors (*investitori qualificati*), as defined pursuant to Article 2 of Regulation (EU) No. 1129 of 14 June 2017 (the "PD Regulation") and any applicable provision of Legislative Decree No. 58 of February

24, 1998 , as amended (the "Financial Services Act") and Italian *Commissione Nazionale per le Società e la Borsa* ("CONSOB") regulations;; or (ii) in other circumstances which are exempted from the rules on public offerings pursuant to Article 1 of the PD Regulation, Article 34-*ter* of CONSOB Regulation No. 11971 of 14 May 1999, as amended from time to time, and applicable Italian laws.

Any offer, sale or delivery of the Bonds or distribution of copies of this Offering Circular or any other document relating to the Bonds in the Republic of Italy under (i) or (ii) above must: (a) be made by an investment firm, bank or financial intermediary permitted to conduct such activities in the Republic of Italy in accordance with the Financial Services Act, CONSOB Regulation No. 20307 of February 15, 2018 (as amended from time to time) and Legislative Decree No. 385 of September 1, 1993, as amended (the "Banking Act"); and (b) comply with any other applicable laws and regulations or requirement imposed by CONSOB, the Bank of Italy (including the reporting requirements, where applicable, pursuant to Article 129 of the Banking Act and the implementing guidelines of the Bank of Italy, as amended from time to time) and/or any other Italian authority.

Canada

The Bonds may be sold only to purchasers purchasing, or deemed to be purchasing, as principal that are accredited investors, as defined in National Instrument 45-106 *Prospectus Exemptions* or subsection 73.3(1) of the *Securities Act* (Ontario), and are permitted clients, as defined in National Instrument 31-103 *Registration Requirements, Exemptions and Ongoing Registrant Obligations*. Any resale of the Bonds must be made in accordance with an exemption from, or in a transaction not subject to, the prospectus requirements of applicable securities laws.

Securities legislation in certain provinces or territories of Canada may provide a purchaser with remedies for rescission or damages if this Offering Circular (including any amendment thereto) contains a misrepresentation, provided that the remedies for rescission or damages are exercised by the purchaser within the time limit prescribed by the securities legislation of the purchaser's province or territory. The purchaser should refer to any applicable provisions of the securities legislation of the purchaser's province or territory for particulars of these rights or consult with a legal advisor.

Pursuant to section 3A.4 of National Instrument 33-105 *Underwriting Conflicts* ("NI 33-105"), the Joint Lead Managers are not required to comply with the disclosure requirements of NI 33-105 regarding underwriter conflicts of interest in connection with this offering.

General

Each Joint Lead Manager has represented, warranted and agreed that it has complied and will comply with all applicable laws and regulations in each country or jurisdiction in which it purchases, offers, sells or delivers Bonds or possesses, distributes or publishes this Offering Circular or any other offering material relating to the Bonds. Persons into whose hands this Offering Circular comes are required by the Ministry of Finance and the Joint Lead Managers to comply with all applicable laws and regulations in each country or jurisdiction in which they purchase, offer, sell or deliver Bonds or possess, distribute or publish this Offering Circular or any other offering material relating to the Bonds, in all cases at their own expense.

CLEARING AND SETTLEMENT

The information sets out below is subject to any change in or reinterpretation of the rules, regulations and procedures of DTC, Euroclear or Clearstream currently in effect. The information in this section concerning such clearing systems has been obtained from sources that the Ministry of Finance believes to be reliable, but none of the Ministry of Finance, the Joint Lead Managers or the Fiscal Agent takes any responsibility for the accuracy of this section. The Ministry of Finance only takes responsibility for the correct extraction and reproduction of the information in this section. Investors wishing to use the facilities of any of the clearing systems are advised to confirm the continued applicability of the rules, regulations and procedures of the relevant clearing system. Neither the Ministry of Finance nor any other party to the Fiscal Agency Agreement will have any responsibility or liability for any aspect of the records relating to, or payments made on account of, beneficial ownership interests in the Bonds held through the facilities of any clearing system or for maintaining, supervising or reviewing any records relating to such beneficial ownership interests.

BOOK-ENTRY OWNERSHIP

The Bonds will be evidenced on issue by the Unrestricted Global Certificates, registered in the name of a nominee of, and shall be deposited with a custodian for, DTC for the accounts of Euroclear and Clearstream, and the Restricted Global Certificates (registered in the name of a nominee of, and shall be deposited with a custodian for, DTC).

The Ministry of Finance, and a relevant joint lead manager appointed for such purpose that is an eligible DTC participant, will make application to DTC for acceptance in its book-entry settlement system of the Bonds represented by the Unrestricted Global Certificates and the Restricted Global Certificates. The Ministry of Finance will also make application to Euroclear and/or Clearstream for acceptance in their respective book-entry systems in respect of the Bonds to be represented by the Unrestricted Global Certificates. The Unrestricted Global Certificates and Restricted Global Certificates will each have a CUSIP, an ISIN and a Common Code. The Restricted Global Certificates will be subject to restrictions on transfer contained in a legend appearing on the front of such Global Certificate, as set out under "Transfer Restrictions*"*. In certain circumstances, as described below, transfers of interests in the Restricted Global Certificates may be made as a result of which such legend may no longer be required.

Upon the Global Certificates being registered in the name of a nominee of, and deposited with a custodian for, DTC, DTC will electronically record the nominal amount of the Bonds held within the DTC system. Investors may hold their beneficial interests in the Global Certificates directly through DTC if they are participants in the DTC system, or indirectly through organisations (including Euroclear and Clearstream) which are direct or indirect participants in such system (together, such direct and indirect participants of DTC shall be referred to as "DTC participants"). All interests in the Global Certificates, including those held through Euroclear or Clearstream may be subject to the procedures and requirements of DTC. Those interests held through Euroclear, Clearstream may also be subject to the procedures and requirements of such system.

PAYMENTS AND RELATIONSHIP OF PARTICIPANTS WITH CLEARING SYSTEMS

Each of the persons shown in the records of DTC as the holder of a Bond represented by a Global Certificate must look solely to DTC for his share of each payment made by the Ministry of Finance to the holder of such Global Certificate and in relation to all other rights arising under such Global Certificate, subject to and in accordance with the respective rules and procedures of DTC. The Ministry of Finance expects that, upon receipt of any payment in respect of Bonds represented by a Global Certificate, DTC or its nominee will immediately credit the relevant participants' or accountholders' accounts in the relevant clearing system with payments in amounts proportionate to their respective beneficial interests in the face amount of the relevant Global Certificate as shown on the records of the relevant clearing system or its nominee. The Ministry of Finance also expects that payments by DTC participants to owners of beneficial interests in a Global Certificate held through such DTC participants will be governed by standing instructions and customary practices. Save as aforesaid, such persons shall have no claim directly against the Ministry of Finance in respect of payments due on the Bonds for so long as the Bonds are represented by such Global Certificate and the obligations of the Ministry of Finance will be discharged by payment to the registered holder, as the case may be, of such Global Certificate in respect of each amount so paid. None of the Ministry of Finance, or any Agent shall have any responsibility or liability for any aspect of the records relating to or payments made on account of ownership interests in any Global Certificate or for maintaining, supervising or reviewing any records relating to such ownership interests.

TRANSFER OF BONDS

Transfers of interests in the Global Certificates within Euroclear, Clearstream and DTC will be in accordance with the usual rules and operating procedures of the relevant clearing system. The laws of some states in the United States require that certain persons take physical delivery in definitive form of securities. Consequently, the ability to transfer interests in the Restricted Global Certificates to such persons may be limited. Because DTC can only act on behalf of participants, who in turn act on behalf of indirect participants, the ability of a person having an interest in the Restricted Global Certificates to pledge such interest to persons or entities that do not participate in DTC, or otherwise take actions in respect of such interest, may be affected by the lack of a physical note in respect of such interest.

Beneficial interests in the Unrestricted Global Certificate will be effected only through records maintained by DTC and its direct or indirect participants, including Euroclear and Clearstream. In the case of Bonds to be cleared through Euroclear, Clearstream, and/or DTC, transfers may be made at any time by a holder of an interest in the Unrestricted Global Certificates to a transferee who wishes to take delivery of such interest through the Restricted Global Certificates provided that any such transfer will, subject to the applicable procedures of Euroclear, Clearstream and/or DTC from time to time, only be made upon receipt by any transfer agent of a written certificate from Euroclear or Clearstream, as the case may be, (based on a written certificate from the transferor of such interest) to the effect that such transfer is being made to a person that the transferor reasonably believes is a QIB within the meaning of Rule 144A purchasing the Bonds for its own account or any account of a QIB, in each case in a transaction meeting the requirements of Rule 144A and in accordance with any applicable securities laws of any state of the United States. Any such transfer made thereafter of the Bonds represented by such Unrestricted Global Certificates will only be made upon request through Euroclear or Clearstream by the holder of an interest in the Unrestricted Global Certificates to the agent of details of that account at DTC to be credited with the relevant interest in the Restricted Global Certificates. Transfers at any time by a holder of any interest in the Restricted Global Certificates to a transferee who takes delivery of such interest through the Unrestricted Global Certificates will, subject to the applicable procedures of Euroclear, Clearstream and/or DTC from time to time, only be made upon delivery to any transfer agent of a certificate setting forth compliance with the provisions of Regulation S and giving details of the account at Euroclear or Clearstream, as the case may be, and DTC to be credited and debited, respectively, with an interest in each relevant Global Certificate.

Subject to compliance with the transfer restrictions applicable to the Bonds described above and under "*Transfer Restrictions",* cross-market transfers between DTC, on the one hand, and directly or indirectly through Euroclear or Clearstream accountholders, on the other, will be effected by the relevant clearing system in accordance with its rules and through action taken by the custodian of the Global Certificates, the Registrar, the Principal Paying Agent and other paying agents.

On or after the Issue Date, transfers of Bonds between accountholders in Euroclear and/or Clearstream and transfers of Bonds between participants in DTC will generally have a settlement date two business days after the trade date (T+2). The customary arrangements for delivery versus payment will apply to such transfers.

Cross-market transfers between accountholders in Euroclear or Clearstream and DTC participants will need to have an agreed settlement date between the parties to such transfer. Because there is no direct link between

DTC, on the one hand, and Euroclear and Clearstream, on the other, transfers of interests between the Global Certificates will be effected through the Principal Paying Agent and other paying agents, the custodian of the Global Certificates, the Registrar and any transfer agent receiving instructions (and where appropriate certification) from the transferor and arranging for delivery of the interests being transferred to the credit of the designated account for the transferee. Transfers will be effected on the later of (i) three business days after the trade date for the disposal of the interest in the relevant Global Certificate resulting in such transfer and (ii) two business days after receipt by the Principal Paying Agent or other paying agent or the Registrar, as the case may be, of the necessary certification or information to effect such transfer. In the case of cross-market transfers, settlement between Euroclear or Clearstream accountholders and DTC participants cannot be made on a delivery versus payment basis. The securities will be delivered on a free delivery basis and arrangements for payment must be made separately.

For a further description of restrictions on transfer of the Bonds, see "Transfer Restrictions".

DTC will take any action permitted to be taken by a holder of Bonds only at the direction of one or more DTC participants in whose accounts with DTC interests in the Global Certificates are credited and only in respect of such portion of the aggregate nominal amount of the relevant Global Certificate as to which such DTC participant or participants has or have given such direction. However, the custodian of the Global Certificates will surrender the relevant Global Certificate for exchange for individual Definitive Certificates in certain limited circumstances.

DTC is a limited purpose trust company organised under the laws of the State of New York, a "banking organisation" under the laws of the State of New York, a member of the U.S. Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code and a "clearing agency" registered pursuant to the provisions of Section 17A of the Exchange Act. DTC was created to hold securities for its participants and facilitate the clearance and settlement of securities transactions between participants through electronic computerised book-entry changes in accounts of its participants, thereby eliminating the need for physical movement of notes. Direct participants include securities brokers and dealers, banks, trust companies, clearing corporations and certain other organisations. Indirect access to DTC is available to others, such as banks, securities brokers, dealers and trust companies, that clear through or maintain a custodial relationship with a DTC direct participant, either directly or indirectly.

Although Euroclear, Clearstream and DTC have agreed to the foregoing procedures in order to facilitate transfers of beneficial interests in the Global Certificates among participants and accountholders of Euroclear, Clearstream and DTC they are under no obligation to perform or continue to perform such procedures, and such procedures may be discontinued at any time. None of the Ministry of Finance or any Agent will have any responsibility for the performance by Euroclear, Clearstream or DTC or their respective direct or indirect participants or accountholders of their respective obligations under the rules and procedures governing their operations. While the Global Certificates are lodged with DTC, Bonds represented by individual Definitive Certificates will not be eligible for clearing or settlement through Euroclear, Clearstream, or DTC.

DEFINITIVE CERTIFICATES

Each Global Certificate is exchangeable in whole or, in certain circumstances, in part, for definitive certificates as described in the relevant Global Certificate. In exchange for the relevant Global Certificate, as provided in the Fiscal Agency Agreement, the Registrar will deliver or procure the delivery of an equal aggregate face amount of duly executed Definitive Certificates in or substantially in the form sets out in the Fiscal Agency Agreement. Subject to the terms of the Fiscal Agency Agreement, any definitive certificates issued in exchange for interests in a Restricted Global Certificate will bear the legend as set out under "Transfer Restrictions".

PRE-ISSUE TRADES SETTLEMENT

It is expected that delivery of Bonds will be made against payment therefor on the Issue Date, which could be more than two business days following the date of pricing. Under Rule 15c6-l under the Exchange Act, trades in the secondary market generally are required to settle within two business days ("T+2"), unless the parties to any such trade expressly agree otherwise. Accordingly, purchasers who wish to trade Bonds on the date of pricing or the next succeeding business day will be required, by virtue of the fact the Bonds initially will settle beyond T+2, to specify an alternative settlement cycle at the time of any such trade to prevent a failed settlement. Settlement procedures in other countries will vary. Purchasers of Bonds may be affected by such local settlement practices and purchasers of Bonds who wish to trade Bonds on the date of pricing or the next succeeding business day should consult their own adviser.

TRANSFER RESTRICTIONS

Because of the following restrictions, purchasers are advised to consult legal counsel prior to making any offer, sale, resale, pledge or other transfer of the Bonds.

The Bonds have not been and will not be registered under the Securities Act, and may not be offered or sold in the United States except pursuant an effective registration statement or to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act. Accordingly, the Bonds are being offered and sold (1) in the United States only to QIBs within the meaning of and in reliance on Rule 144A under the Securities Act and (2) outside the United States in offshore transactions pursuant to Regulation S under the Securities Act. Terms used herein that are defined in Rule 144A or Regulation S under the Securities Act are used herein as defined therein, as applicable.

Transfer Restrictions

Beneficial interests in the Restricted Global Certificates will be subject to certain restrictions on transfer set out in the Restricted Global Certificates and in the Fiscal Agency Agreement while the Bonds are represented by the Restricted Global Certificates and such Restricted Global Certificates will bear the legend as set out under "Transfer Restrictions". Subject to certain exceptions, beneficial interests in the Restricted Global Certificates may only be held by persons who are QIBs, holding their interests for their own account or for the account of one or more QIBs. By acquisition of a beneficial interest in a Restricted Global Certificate, the purchaser thereof will be deemed to represent, among other things, that it is a QIB and that, if in the future it determines to transfer such beneficial interest, it will transfer such interest in accordance with the procedures and restrictions contained in the Restricted Global Certificates while the Bonds are represented by the Restricted Global Certificates.

No Unrestricted Global Certificates may be transferred to a person who takes delivery in the form of a Restricted Global Certificate unless (i) the transfer is to a person reasonably believed to be a QIB, (ii) such transfer is made in reliance on Rule 144A, and (iii) the transferor provides the Registrar with a written certification substantially in the form sets out in the Fiscal Agency Agreement to the effect that the transferor reasonably believes that the transferee is a QIB purchasing the beneficial interest for its own account or any account of a QIB, in each case, in a transaction meeting the requirements of Rule 144A and that such transaction is in accordance with any applicable securities laws of any state of the United States or any other jurisdiction.

No beneficial interest in the Restricted Global Certificates may be transferred to a person who takes delivery in the form of a beneficial interest in the Unrestricted Global Certificate unless (i) the transfer is in an offshore transaction in reliance on Rule 904 of Regulation S and (ii) the transferor provides the Registrar with a written certification substantially in the form sets out in the Fiscal Agency Agreement to the effect that the transfer is being made in an offshore transaction in accordance with Regulation S.

Any Unrestricted Global Certificate that is transferred to a person who takes delivery in the form of a Restricted Global Certificate will, upon transfer, cease to be represented by the Unrestricted Global Certificate and become an interest in the Restricted Global Certificate, and, accordingly, will thereafter be subject to all transfer restrictions and other procedures applicable to beneficial interests in the Restricted Global Certificate for as long as it retains such an interest.

Any Restricted Global Certificate that is transferred to a person who takes delivery in the form of an Unrestricted Global Certificate will, upon transfer, cease to be represented by the Restricted Global Certificate and become an interest in the Unrestricted Global Certificate and, accordingly, will thereafter be subject to all procedures applicable to the Unrestricted Global Certificate for so long as it remains represented by the Unrestricted Global Certificate. No service charge will be made for any registration of transfer or exchange of Bonds, but the Ministry of Finance may require payment of a sum sufficient to cover any tax or other governmental charge payable in connection therewith.

Any beneficial interest in either the Restricted Global Certificates or the applicable Unrestricted Global Certificate that is transferred to a person who takes delivery in the form of a beneficial interest in the other

Global Certificate will, upon transfer, cease to be a beneficial interest in such Global Certificate and become a beneficial interest in the other Global Certificate, as applicable and, accordingly, will thereafter be subject to all transfer restrictions and other procedures applicable to a beneficial interest in such other Global Certificate, as applicable, for so long as such person retains such an interest.

The Ministry of Finance is a foreign government as defined in Rule 405 under the Securities Act, and is eligible to register securities on Schedule B of the Securities Act. Therefore, the Ministry of Finance is not subject to the information provision requirements of Rule 144A(d)(4)(i) under the Securities Act.

Restricted Global Certificates

Each prospective purchaser of Bonds within the United States pursuant to Rule 144A, by accepting delivery of this Offering Circular, will be deemed to have represented, agreed and acknowledged as follows (terms used herein that are defined in Rule 144A are used herein as defined therein):

- the purchaser (i) is a QIB within the meaning of Rule 144A, (ii) is acquiring the Bonds for its own account or for the account of a QIB and (iii) is aware, and each beneficial owner of the Bonds has been made aware, that the sale of the Bonds to it is being made in reliance on Rule 144A. If it is acquiring any Bonds for the account of one or more QIBs, it represents that it has sole investment discretion with respect to each such account and that it has full power to make the herein acknowledgments, representations and agreements on behalf of each such account;
- the purchaser understands that such Bonds have not been and will not be registered under the Securities Act and may not be offered, sold, resold, pledged or otherwise transferred except (a) in accordance with Rule 144A to a person that it and any person acting on its behalf reasonably believe is a QIB purchasing for its own account or for the account of a QIB, (b) in an offshore transaction in accordance with Rule 903 or Rule 904 of Regulation S or (c) pursuant to an exemption from registration under the Securities Act provided by Rule 144 thereunder (if available), in each case in accordance with any applicable securities laws of any state of the United States;
- the purchaser understands that the Bonds offered in reliance on Rule 144A hereby will bear a legend to the following effect, unless the Ministry of Finance determines otherwise in accordance with applicable law:

  "THE BONDS REPRESENTED HEREBY HAVE NOT BEEN AND WILL NOT BE REGISTERED UNDER THE UNITED STATES SECURITIES ACT OF 1933 (THE "SECURITIES ACT") OR WITH ANY SECURITIES REGULATORY AUTHORITY OF ANY STATE OR OTHER JURISDICTION OF THE UNITED STATES. THE HOLDER HEREOF, BY PURCHASING THE BONDS REPRESENTED HEREBY, AGREES FOR THE BENEFIT OF THE MOF THAT THE BONDS REPRESENTED HEREBY MAY BE REOFFERED, RESOLD, PLEDGED OR OTHERWISE TRANSFERRED ONLY IN COMPLIANCE WITH THE SECURITIES ACT AND OTHER APPLICABLE LAWS AND ONLY (1) PURSUANT TO RULE 144A UNDER THE SECURITIES ACT ("RULE 144A") TO A PERSON THAT THE HOLDER AND ANY PERSON ACTING ON ITS BEHALF REASONABLY BELIEVE IS A QUALIFIED INSTITUTIONAL BUYER WITHIN THE MEANING OF RULE 144A UNDER THE SECURITIES ACT PURCHASING FOR ITS OWN ACCOUNT OR A PERSON PURCHASING FOR THE ACCOUNT OF A QUALIFIED INSTITUTIONAL BUYER WHOM THE HOLDER HAS INFORMED, IN EACH CASE, THAT THE REOFFER, RESALE, PLEDGE OR OTHER TRANSFER IS BEING MADE IN RELIANCE ON RULE 144A, (2) IN AN OFFSHORE TRANSACTION WITHIN THE MEANING OF REGULATION S UNDER THE SECURITIES ACT ("REGULATION S") IN ACCORDANCE WITH RULE 903 OR RULE 904 OF REGULATION S OR (3) PURSUANT TO AN EXEMPTION FROM REGISTRATION PROVIDED BY RULE 144 UNDER THE SECURITIES ACT (IF AVAILABLE), IN EACH CASE IN ACCORDANCE WITH ANY APPLICABLE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES. NO REPRESENTATION CAN BE MADE AS

TO THE AVAILABILITY OF THE EXEMPTION PROVIDED BY RULE 144 UNDER THE SECURITIES ACT FOR RESALE OF THIS BOND."

- the purchaser understands that Bonds offered in reliance on Rule 144A will be represented by a Restricted Global Certificate. Before any interest in a Bond represented by a Restricted Global Certificate may be offered, sold, resold, pledged or otherwise transferred to a person who takes delivery in the form of an interest in the applicable Unrestricted Global Certificates, it will be required to provide the Registrar with a written certification (in the form provided in the Fiscal Agency Agreement) as to compliance with applicable securities laws; and

- the purchaser understands that the Ministry of Finance, the Registrar and the Joint Lead Managers and their affiliates and others will rely upon the truth and accuracy of the foregoing acknowledgements, representations and agreements.

For so long as the Bonds are held in global form, Bondholders may not require transfers to be registered during the period beginning on the fifteenth business day before the due date for any payment of principal or interest in respect of such Bonds.

Prospective purchasers are hereby notified that sellers of the Bonds may be relying on the exemption from the provisions of Section 5 of the Securities Act provided by Rule 144A.

Unrestricted Global Certificates

Each purchaser of Bonds outside the United States pursuant to Regulation S, by accepting delivery of this Offering Circular and the Bonds, will be deemed to have represented, agreed and acknowledged that:

- it is, or at the time Bonds are purchased will be, the beneficial owner of such Unrestricted Global Certificates and (i) it is located outside the United States (within the meaning of Regulation S) and (ii) it is not an affiliate of the Ministry of Finance or a person acting on behalf of such an affiliate;

- it understands that such Bonds have not been and will not be registered under the Securities Act; and

- it understands that the Ministry of Finance, the Registrar, the Joint Lead Managers and their affiliates, and others will rely upon the truth and accuracy of the foregoing acknowledgments, representations and agreements.

GENERAL INFORMATION

1. **Clearing Systems:** The Bonds have been accepted for clearance through DTC.

   The securities codes for the Restricted Global Certificates are as follows:

	CUSIP	ISIN	Common Code
2023 Bonds:	16955E AA8	US16955EAA82	224370911
2025 Bonds:	16955E AB6	US16955EAB65	224371012
2030 Bonds:	16955E AC4	US16955EAC49	224371063
2050 Bonds:	16955E AD2	US16955EAD22	224371144

   The securities codes for the Unrestricted Global Certificates are as follows:

	CUSIP	ISIN	Common Code
2023 Bonds:	Y15025 AA0	USY15025AA02	224370962
2025 Bonds:	Y15025 AB8	USY15025AB84	224371039
2030 Bonds:	Y15025 AC6	USY15025AC67	224371098
2050 Bonds:	Y15025 AD4	USY15025AD41	224371179

2. **Legal Entity Identifier**: the Legal Entity Identifier of the Ministry of Finance is 300300CHN201808MOF68.

3. **Authorisations:** The Ministry of Finance has obtained all necessary consents, approvals and authorisations in connection with the issue and performance of the Bonds.

4. **Listing:** The Bonds will be listed on the SEHK and ISM.

5. **Significant Change:** There has been no significant change in the PRC's tax and budgetary systems, sovereign debt, foreign trade and balance of payments, foreign exchange reserves, financial position and resources and income and expenditure figures since December 31, 2019.

6. **Legal Proceedings:** There are no governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which the Ministry of Finance is aware) during the 12 months preceding the date of this Offering Circular which may have, or have had in the recent past, significant effects on the financial position of the Ministry of Finance.

7. **Yield:** The yield of the 2023 Bonds, the 2025 Bonds, the 2030 Bonds and the 2050 Bonds is 0.425%, 0.604%, 1.226% and 2.310% on an annual basis respectively. The yields are calculated as at the Issue Date on the basis of the relevant Issue Price. They are not an indication of future yields.

8. **Available Documents:** From the date hereof and for so long as any of the Bonds remains outstanding, copies (and English translations where the documents in question are not in English) of the government budget for the current fiscal year, will be available for inspection at the specified office of the Fiscal Agent at 60 Wall Street 24th Floor, New York, New York 10005, USA, during normal business hours.

9. **Immunity:** To the extent that the Ministry of Finance may claim for itself immunity from any Proceedings (as defined in the *Terms and Conditions of the Bonds*), and to the extent that in any such jurisdiction there may be attributed to the Ministry of Finance such immunity (whether or not claimed), the Ministry of Finance hereby agrees not to claim and hereby waives and will waive such immunity in

the face of the courts; provided, however, that the Ministry of Finance has not waived, and shall not waive, its sovereign and other immunity with respect to assets of the PRC wherever located from execution or attachment, whether in aid of execution, before judgment or otherwise.

10. In addition, the MOF has not waived its sovereign immunity in connection with any action arising out of or based on United States federal or State securities laws.

ISSUER

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FISCAL AGENT, PRINCIPAL PAYING AGENT AND REGISTRAR

Deutsche Bank Trust Company Americas

U.S. PAYING AGENT, U.S. TRANSFER AGENT AND U.S. REGISTRAR

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