

Notice on Launching a Pilot Program to Refine Bond Pricing and Allocation Mechanism for Overseas Issuers (the “Notice”)

All market participants,

To improve the efficiency of cross-border investment and financing on China’s Interbank Bond Market (“**CIBM**”), facilitate market-based offering and pricing of bonds and promote the open-up of the bond market regulatory regime, a notice (this “**Notice**”) is hereby promulgated to set out the relevant matters on the pilot program (the “**Pilot Program**”) to refine bond pricing and allocation mechanism for overseas issuers as follows:

I. Scope of the Pilot Program

(I) The issuers eligible to deploy the Pilot Program include foreign governmental agencies, international development institutions and overseas non-financial enterprises that possess extensive experience in offering debt securities on the international market. Such issuers may opt to rely on this Notice to conduct pricing and allocation in bond offerings on the CIBM.

II. Description of the Pilot Program

(II) Issuers and the other parties involved shall conduct bookbuilding and subscription of bonds in accordance with the self-regulatory rules of the National Association of Financial Market Institutional Investors (“**NAFMII**”).

After the bookbuilding session ends, all the principal underwriters and the members of underwriting syndicate (if any) shall deliver the Investor Subscription Information Form with the information on compliant subscription orders to the issuer and the bookrunner appointed by the issuer to perform duties relating to bond allocation (the “**Bond Allocation Manager**”), specifying, among other things, the full name of each investor¹, the type of each investor as well as its subscription price and subscription amount.

The issuer and the Bond Allocation Manager shall keep the information on the Investor Subscription Information Form strictly confidential. The relevant information can only be used for determining the issuance amount of the bonds and making decisions on pricing and allocation, and not for any other purpose.

(III) The issuer may determine the issuance amount of the bonds before the bookbuilding process or adopt a dynamic adjustment mechanism in the offering to

¹ Where it is significantly difficult for any principal underwriter or member of the underwriting syndicate to share an investor’s full name, a serial number can be used instead, and the type and characteristics of the investor shall be specified in detail.

determine the issuance amount.

Issuers who have adopted the dynamic adjustment mechanism in the offering shall specify the range of the issuance amount in the offering documents and determine the minimum issuance amount no later than one (1) hour before the bookbuilding process ends². After the bookbuilding process ends, the issuer may increase the issuance amount within the above-referenced range of issuance amount on the basis of the subscription orders.

(IV) The bookrunner shall determine the final interest rate on the bonds following the market-based principle, by reference to the Dutch auction rule, and in accordance with the pricing methods disclosed in the Issuance Plan and the Subscription Statement. No institution or individual may interfere or manipulate the final interest rate.

(V) The issuer and the Bond Allocation Manager may allocate the bonds with certain flexibility pursuant to the allocation principles disclosed in the Issuance Plan and the Subscription Statement, which shall also disclose the concrete measures to prevent improper transfer of benefits and the risk that investors may not receive allocations in full or at all. No institution or individual may seek, directly or indirectly, improper benefits through bond allocation.

The issuer may adopt the discretionary allocation mechanism only for the investors who have submitted subscription orders at the final interest rate, or for all the investors who have submitted eligible subscription orders.

If the issuer adopts the discretionary allocation mechanism only for the investors who have submitted subscription orders at the final interest rate, the subscription orders at interest rates lower than the final interest rate shall receive allocation in full, and the allocation to the subscription orders at the final interest rate shall be conducted in accordance with the allocation plan formulated under the previously disclosed bond allocation principles. The Bond Allocation Manager shall provide detailed explanations on the bond allocation process and the allocation plan for subscription orders³ at the final interest rate and enter the relevant records into the central bookbuilding system.

If the issuer adopts the discretionary allocation mechanism for all the investors who have submitted eligible subscription orders, the relevant parties shall comply with the following provisions:

1. The issuer shall determine a pre-allocation amount based on subscription orders. Such pre-allocation amount shall not be lower than the issuance amount³. The

² The issuer may determine the final issuance amount before the bookbuilding process ends, in which case the issuance amount may not be adjusted after the bookbuilding process ends.

³ Issuers shall in principle ensure that the issuance amount be no less than 80% of the pre-allocation amount. If the issuance amount is less than 80% of the pre-allocation amount, the issuer shall apply the discretionary allocation mechanism only to the investors who have submitted subscription orders at the final interest rate. The total amount of eligible subscription orders shall be the sum of the amounts of all the compliant subscription orders at no higher than the final interest rate.

bookrunner shall list all the compliant subscription orders based on the interest rates therein (from the lowest to the highest). By reference to the Dutch auction principle, the subscription interest rate corresponding to the pre-allocation amount shall be the final interest rate on the bonds.

2. The Bond Allocation Manager and the issuer shall adhere to the principles of fairness, impartiality and orderly placement, establish internal control policies and procedures with respect to bond allocation to prevent improper transfer of benefits, and take effective measures to prevent anyone from interfering, through the allocation mechanism, with market-based pricing.
3. The Bond Allocation Manager shall formulate a bond allocation plan in accordance with the previously disclosed allocation principles, strengthen its end-to-end monitoring of, and record in detail, the process of determining the bond allocation plan, and ensure to keep records of the entire process for future inspections.
4. The Bond Allocation Manager shall disseminate the bond allocation plan it has formulated (with the names of the investors redacted) to all the principal underwriters and the members of the underwriting syndicate (if any) to seek their feedback. After having collected such feedback, the Bond Allocation Manager shall deliver to the issuer the bond allocation plan and the feedback so collected.
5. The issuer may consider the information relating to subscription orders and the underwriters' feedback, make adjustments to the bond allocation plan. The bond allocation plan shall become effective upon the issuer's confirmation and approval. The Bond Allocation Manager shall share the final bond allocation plan (with the names of the investors redacted) with all the principal underwriters and the members of the underwriting syndicate (if any).

(VI) Upon the issuer's confirmation and approval on the allocation plan, the Bond Allocation Manager shall promptly deliver a Confirmation on Investor's Allocation Amount to the principal underwriters and the members of the underwriting syndicate (if any) who have received bond allocations. The Bond Allocation Manager shall promptly inform the principal underwriters and the members of the underwriting syndicate (if any) that have not received any allocation.

(VII) The members of the underwriting syndicate shall distribute the corresponding amount of the bonds to the respective investors in accordance with the Confirmation on Investor's Allocation Amount delivered by the Bond Allocation Manager.

(VIII) Issuers are encouraged to conduct non-deal roadshows on a regular basis to strengthen their communication and interaction with investors, and expand the potential investor base.

Issuers are also encouraged to include, among other factors, each principal underwriter's capabilities in market-based sales and marketing, pricing and market making in assessing mandates of principal underwriters.

Issuers are encouraged to set a narrow interest rate range for subscription to facilitate subscriptions by investors.

Issuers are also encouraged to determine the final interest rate on bonds through the method of "benchmark bond + basis points".

III. Self-regulatory Supervision

(IX) Issuers conducting bond pricing and allocations pursuant to this Notice shall make a record filing of the Issuance Plan and the Subscription Statement with NAFMII before releasing their offering documents to the market.

(X) The Bond Allocation Manager shall submit a special report to NAFMII within three (3) business days upon the completion of bookbuilding, describing the bond allocation principles and process, the allocation results and the reasons therefor. The Bond Allocation Manager shall actively cooperate with NAFMII on its post-issuance inspections.

(XI) NAFMII shall conduct self-regulatory supervision of the implementation of the Pilot Program. Suspected involvement of the relevant parties in any of the following circumstances in bond offerings may result in NAFMII's inspections, and, if the circumstances are serious, NAFMII shall initiate a self-regulatory investigation.

1. any relevant parties' improper transfer of benefits in bond allocation;
2. any underwriter deliberately providing the issuer or the Bond Allocation Manager with false or misleading information on investors' subscriptions for the purpose of increasing its allocations;
3. any underwriter's failure to distribute bonds in strict compliance with the Confirmation on Investor's Allocation Amount; or
4. any investor's failure to pay its subscription monies due to its subscription size exceeding its subscription ability.

IV. Promulgation and Effectiveness

(XII) This Notice shall take effect as of the date of its promulgation. Matters not specified in this Notice shall be governed by reference to the *Rules for the Registration and Issuance of Debt Financing Instruments of Non-Financial Enterprises*, the *Guidelines for Standardizing the Issuance of Debt Financing Instruments of Non-Financial Enterprises*, the *Operating Procedures for Bookbuilding for Debt Financing Instruments of Non-Financial Enterprises* and other relevant NAFMII self-regulatory rules.

National Association of Financial Market Institutional Investors

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Appendix 1:

[Bond Name]

Investor Subscription Information Form

[Name of issuer]:

The information on the compliant subscription orders submitted through us during the process of subscription for [Bond Name] (the “**Bonds**”) is as follows:

Subscribing Investor Serial number	Full Name of Subscribing Investor ¹	Type of Subscribing Investor	Subscription Interest Rate	Subscription Amount (RMB10,000)	Remarks
1					
2					
...				

Note 1: Asset managers with incorporated or unincorporated products.

Note 2: Whether an investor’s subscriptions are for its principal account or wealth management/asset management account (if applicable) shall be specified.

Note 3: Where it is significantly difficult to provide an investor’s full name, a serial number can be provided instead, and details of the type and characteristics of such investor shall be provided.

If you have any questions, please contact us promptly:

Contact person: XX

Contact phone number: XX

Facsimile: XX

Underwriter:

YY/MM/DD

Appendix 2:

[Bond Name]

Allocation Plan

Underwriter	Subscribing Investor Serial Number¹	Type of Subscribing Investor	Subscription Interest Rate	Subscription Amount (RMB10,000)	Allocation Amount (RMB10,000)	Remarks
Underwriter 1	1					
	2					
	3					
Underwriter 2	1					
	2					
.....					

Note 1: Corresponds to the Subscribing Investor Serial Number in the Investor Subscription Information Form.

Appendix 3:

[Bond Name]

Confirmation on Investor's Allocation Amount

[Name of principal underwriter/member of underwriting syndicate]:

The allocation for [Bond Name] (the “**Bonds**”) is now completed. The issuance amount of the Bonds is RMB xxx million. Your final allocation amount is RMB xxx million. Detailed allocation information is as follows.

Investors Receiving Allocation¹	Allocation Amount (RMB10,000)	Remarks
Investor 1		
Investor 2		
... ..		

Note 1: Asset managers with incorporated or unincorporated products. Whether the investor's subscriptions are for its principal account or wealth management/asset management account (if applicable) shall be specified.

You shall distribute the Bonds to the corresponding investors pursuant to the above table.

If you have any questions, please contact us promptly:

Contact person: XX

Contact phone number: XX

Facsimile: XX

Bond Allocation Manager:

YY/MM/DD