

### **Situation Statement**

The Starwood Trust seeks to develop a litigation action to obtain repayment of a significant quantity of full faith and credit sovereign obligations of the Government of China (the "Debt"), in addition to recovery of damages accruing from the tortuous actions of certain third parties which have actively assisted the Chinese Government in avoiding repayment of the Debt.

### **Breach of Contract**

The repayment obligation of the Debt, which was issued by the pre-1949 Chinese Government, was inherited by the People's Republic of China (the "PRC") under the successor government doctrine of settled international law which affirms continuity of obligations among internationally recognized successive governments. The loan agreement states that the Debt is intended to be "a binding engagement upon the Republic of China and its successors." The Debt was excluded from a 1979 settlement of Chinese debts and in 1987 China concluded a discriminatory settlement accord with Debt holders in Great Britain (which China paid in 1991); an agreement that excluded from settlement any of the Debt held by non-UK citizens. In 1983 and again in 2006, the Chinese Ministry of Finance issued an official communiqué addressed to "the Embassy of the United States of America in China," in which the Chinese government formally repudiated the Debt and announced that it would not repay any of the Debt held by American citizens. The United States Foreign Claims Settlement Commission has determined that the Debt represents an unpaid general obligation of the Chinese Government. The creation and sale of the Debt had a direct effect in the United States.

### **Third Party Tort Liability**

The international credit rating agencies have assigned and continue to maintain, publish and distribute a sovereign credit rating for the Chinese Government which ignores the rated government's actions of repudiation, selective default, discriminatory settlement, and exclusionary payments to equally-ranked general obligation creditors. The prevailing ratings do not conform to their published criteria (i.e., evaluation of an issuer's *willingness to pay*) and definitions (compare the definitions of Standard & Poor's published rating of "A+" to the truthful, factually correct rating of "Selective Default"). The gatekeeper role of the three primary rating agencies, which collectively control 95% of the industry, empowers them with the ability to determine whether an existing debt will be repaid prior to the creation and sale of new debt, or whether the defaulting issuer may create and sell new debt without settlement of the defaulted debt. The agencies are also paid by private and state-owned issuers to assign ratings to debt offered and sold internationally by Chinese domestic corporations, and the volume of such debt issuance (and thus, ratings revenue) is dependent on the quality of the prevailing sovereign rating. The prevailing "investment grade" sovereign ratings assigned by the three primary rating agencies enables the Chinese Government to continue to access the international capital markets without offering settlement of the repudiated Debt.

Subsequent to the assignment of a demonstrably false and artificial international sovereign credit rating to the PRC which conceals the existence of the Chinese Government's obligation, and refusal, to repay the Debt as well as the related actions of the PRC, the international credit rating agencies, debt underwriters, paying agents and others conspired to create and profit from the operation of an enterprise constituted as "*Capitalist China*." The enterprise engages in a continuing pattern of periodic and ongoing creation and sale of both sovereign debt of the PRC, including at least nine internationally-issued sovereign obligations (most recently in 2003 in the U.S., Luxembourg and Hong Kong, and again in 2004, which debt was sold outside the U.S.) and

additional debt of Chinese domestic corporations, rated for a fee and sold internationally for a fee. The enterprise is constructed for the purpose of generating substantial fees for the participants, whose actions enable the PRC to create and sell new sovereign debt and maintain an international sovereign benchmark through the operation of an artificial sovereign credit rating and non-disclosure of China's defaulted full faith and credit sovereign debt, and further enable the PRC to avoid the repayment of the Debt and circumvent such repayment obligation by the making of exclusionary payments to equally-ranked general obligation creditors while selectively excluding any payment to the Debt holders. The actions of the participants in the enterprise have had and continue to have the effect of depriving the defaulted creditors of the ability to enforce the debt contract. See the following statement by Dr. Adam Lerrick, professor of economics at Carnegie Mellon University and an expert on sovereign debt defaults, evidencing the proximity between the effect of misleading ratings and the "taking" of defaulted creditors' enforcement ability:

*"If large-scale financing was supplied to governments in default, the incentive for the debtor to conclude a deal was destroyed."*

The intentional and injurious assignment of demonstrably false and artificial "investment grade" sovereign credit rating classifications in conjunction with the creation and sale of new debt of the Chinese Government operates precisely to this effect. At the heart of the enterprise is an orchestrated pattern of concerted and deliberate actions by capital markets gatekeepers to reap profits from the creation and sale of new debt of both the Government of China and domestic Chinese corporations at the expense of the Debt holders by enabling the PRC to avoid repayment of the Debt. Such wrongful actions have had and continue to have the effect of the taking of rights in property of the Debt holders including the involuntary subordination of the rights of the Debt holders. As a direct consequence of such actions, the Debt holders are unable to enforce the debt contract and are thus injured in their property. Possible tort claims may comprise fraud and racketeering, aiding and abetting, unjust enrichment, breach of fiduciary duty, involuntary subordination of Debt holders' rights, tortious interference with contract and possibly antitrust injury in the instance of the international credit rating agencies. The Trustee also seeks to obtain a court order restraining the payment of exclusionary and discriminatory payments by the enterprise to other equally-ranked general obligation creditors of China, absent a proportional payment to the Trust.

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## I. Introduction

Sovereign Advisers, Inc. is the designated Trustee of Starwood Trust, an Arizona Grantor Trust. The Trust is established for the purpose of consolidating the claims of various parties holding certain defaulted full faith and credit pre-1949 sovereign obligations of the Chinese Government into the Trust for recovery of repayment, including the pursuit of judicial recovery of damages through U.S. courts against various parties which the Trustee believes have conspired to act as willing participants in the continuing operation of the enterprise constituted as "*Capitalist China*" (comprised of the international credit rating agencies, paying agents and debt underwriters) which operates to the effect of enabling China to avoid repayment of its full faith and credit sovereign debt and thereby operates to the further effect of the taking of rights in property of the debt holders, whom have been injured in their property by the continuing operation of the enterprise. The nature of the contemplated litigation is that of racketeering, fraud, aiding and abetting, unjust enrichment, breach of fiduciary duty, breach of contract, involuntary subordination of debt holders' rights, tortious interference with contract and possibly antitrust injury in the instance of the international credit rating agencies. The Trustee also seeks to obtain a court order restraining the payment of exclusionary and discriminatory payments by the enterprise to other equally-ranked general obligation creditors of China, absent a proportional payment to the Trust.<sup>1</sup> The Trustee has arranged for, and is prepared to commit, the financial resources necessary to aggressively prosecute litigation of the matter through a final adjudication.<sup>2</sup>

## II. Factual Narrative

### Preamble:

- ▶ The successor Government doctrine of settled international law affirms continuity of obligations among internationally-recognized successive Governments.
- ▶ The People's Republic of China is the internationally-recognized successor Government to the internationally-recognized predecessor Government of the Republic of China, which contracted full faith and credit sovereign debt of the Chinese Government, and which loan agreement states that such debt is intended to be "a binding engagement upon the Republic of China and its successors."

### Factual Summary:

- ▶ The debt at issue is the following full faith and credit sovereign obligation of the Chinese Government: "The Chinese Government Five Per Cent Reorganisation Gold Loan of 1913." The debt was contracted by the internationally recognized Government of China and had a 47 year tenor scheduled to mature in 1960.
- ▶ The debt was offered and sold in the United States as it was in other countries.

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<sup>1</sup> See the following information:

[http://www.globalsecuritieswatch.org/Memorandum\\_re\\_Interception\\_of\\_Payments.pdf](http://www.globalsecuritieswatch.org/Memorandum_re_Interception_of_Payments.pdf)

<sup>2</sup> The People's Republic of China's 10 year benchmark sovereign bond matured in 2008. A second sovereign bond is scheduled to mature in 2009. In order to maintain a secondary market benchmark for the continuation of international debt issuance by Chinese Government agencies and domestic Chinese corporations, the Government must maintain the periodic issuance of international sovereign obligations. The fact of litigation must generally be disclosed in documents pertaining to the creation and sale of new sovereign debt. The disclosure of pending or imminent litigation, particularly of the nature of racketeering may be presumed to constitute a significant barrier to the creation and sale of new sovereign debt, and will act to further impede, or even preclude, the expansion of international debt issuance by domestic Chinese corporations.

▶ The Chinese Government serviced and paid currently on the debt for a period of approximately 26 consecutive years until the event of default. The primary causality of the default was the invasion of Chinese territory by the armed forces of the Government of Japan.

▶ Subsequent to defaulting on the debt, the Chinese Government affirmed the validity of its debt and stated its intention to resume servicing the debt when economic conditions permit.<sup>3</sup>

▶ The covenants of the Loan Agreement contractually obligated the five syndicate banks to establish and maintain a sinking fund for the protection of the debt holders. The monies comprising the sinking fund were not paid to any debt holders, have not been accounted for, and remain a liability of the four surviving syndicate banks. In 2008, two of the surviving banks refused without explanation a payment demand asserted by a debt holder.<sup>4</sup>

▶ Until recently, the communist party in control of the People's Republic of China has ignored the existence of the debt and has taken no action regarding the debt, other than stating that it was unable to repay the debt. Because the People's Republic of China had not taken a positive action regarding the debt as of the date of the 1979 U.S.-China Treaty, the debt was excluded from the scope of the Treaty.<sup>5</sup> The United States Foreign Claims Settlement Commission has determined that the defaulted debt remains an unpaid general obligation of the Government of China.<sup>6</sup>

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<sup>3</sup> See letter dated December 11, 1979 authored by J. Brian Atwood, Assistant Secretary for Congressional Relations, United States Department of State, addressed to the Honorable Charles A. Vanik, Chairman, Subcommittee on Trade, Committee on Ways and Means, U.S. House of Representatives. We note that this letter is dated subsequent to the date of the U.S.- China Treaty and contains the following statements: "The Government of China pledged its intention to resume service on the debts when economic conditions permitted..." "Because the PRC has not repudiated the bonds, however, a valid claim under the principles of international law has not arisen. In our view, the appropriate channel for seeking compensation remains the Foreign Bondholders Protective Council." The language of the letter evidences the fact that as of the date of the letter, the People's Republic of China had not yet taken any action to repudiate the debt.

<sup>4</sup> The surviving syndicate banks include Deutsche Bank, Hong Kong and Shanghai Banking Corporation (HSBC), Credit Agricole, S.A. (CASA) as successor to Banque De L'indo Chine, and The Bank of Tokyo-Mitsubishi UFJ, Ltd. as successor to The Yokohama Specie Bank, Limited. Successor entities typically inherit preexisting liabilities.

<sup>5</sup> See letter dated November 27, 1979 prepared by Mr. John Petty, President, Foreign Bondholders Protective Council, addressed to the Honorable Abraham A. Ribicoff, Chairman, Subcommittee on International Trade, United States Senate, which states in part, "The Foreign Bondholders Protective Council, Inc. wishes to bring to the Subcommittee's attention and to express concern that the Claims Settlement Agreement between the United States and People's Republic of China dated May 11, 1979 fails to settle any of the claims by U.S. citizens with respect to the defaulted obligations of the Government of China with which the Council is concerned and that China is unwilling to negotiate separately on this particular class of claims."

<sup>6</sup> See, e.g., *In the Matter of the Claim of Carl Marks & Co. Inc.* (Claim No. CN-0420; Decision No. CN-472, entered as a Proposed Decision on June 17, 1970 and reaffirmed as the Final Decision of the Commission on March 11, 1971); *In the Matter of the Claim of Catharine E. Olive* (Claim No. CN-2-012; Decision No. CN-2-058, entered as a Proposed Decision on October 17, 1979 and reaffirmed as the Final Decision of the Commission on Nov. 21, 1979); and *In the Matter of the Claim of Welthy Kiang Chen* (Claim No. CN-2-015; Decision No. CN-2-066, entered as a Proposed Decision on October 17, 1979 and reaffirmed as the Final Decision of the Commission on April 1, 1981). See the Final Decision of the Commission in *Carl Marks & Co., Inc.*, Foreign Claims Settlement Commission, Claim No. CN-0420; Decision No. CN-472, March 11, 1971. See in particular, the statement articulated by the Commission in its decision: "... a claim based upon such bonds does not come within the purview of Title V of the International Claims Settlement Act of 1949, as amended." The settlement of such claims is therefore outside the authority of the Foreign Claims Settlement Commission. The Foreign Claims Settlement Commission is an independent quasi-judicial federal agency organized administratively as a separate agency within the United States Department of Justice. The Commission's primary mission is to determine the validity and monetary value of claims of United States nationals for loss of property or for personal

▶ Subsequent to the execution of the U.S.-China Treaty in 1979, the People's Republic of China repudiated the debt in an *Aide Memoire* dated February 2, 1983, thereby invoking accepted principles of international law.<sup>7</sup>

▶ Subsequent to the 1983 *Aide Memoire*, the People's Republic of China concluded an exclusionary debt settlement accord with similarly situated debt holders in Great Britain in 1987, with payment actually occurring in 1991.<sup>8</sup>

▶ Subsequent to concluding the exclusionary debt settlement accord with similarly situated debt holders in Great Britain, the People's Republic of China continues to refuse to negotiate any settlement accord with the United States Foreign Bondholders Protective Council on behalf of any United States debt holders.

#### Creation of the "Capitalist China" Enterprise:

#### Phase I – Assignment of an International Sovereign Credit Rating Which Conceals the Existence of Defaulted Full Faith and Credit Sovereign Debt Which is the Repayment Obligation of the People's Republic of China:

▶ Subsequent to concluding the exclusionary debt settlement accord with similarly situated debt holders in Great Britain, and after selectively defaulting on full faith and credit sovereign debt which it is obligated to repay under international law, the People's Republic of China reportedly sought to obtain, and did subsequently obtain, an international sovereign credit rating which it denied seeking, and which rating concealed and continues to conceal the existence of the Chinese Government's defaulted full faith and credit sovereign debt, of which the People's Republic of China is the obligor under accepted conventions of settled international law.<sup>9</sup> The rating also concealed and continues to conceal the further actions of the rated government, the People's Republic of China, as shown below.

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injury in foreign countries, as authorized by Congress, upon referral by the Secretary of State, or following government-to-government claims settlement agreements. The Commission was vested with the authority for adjudicating claims against the Chinese Communist regime arising since 1949. The Foreign Claims Settlement Commission does not have, nor has it ever had, the authority to settle any claims against the government of China arising prior to 1949, including any claims related to the defaulted debt, which entered into default in 1939. See also, the letter dated December 11, 1979 prepared by the U.S. Department of State and addressed to the Chairman of the U. S. House of Representatives Subcommittee on Trade of the Committee on Ways and Means, acknowledging that the defaulted Chinese debt owned by American citizens was outside the scope of the 1979 U.S. - China Agreement between the governments of the United States and China, and referring United States claimants to the U.S. Foreign Bondholders Protective Council. See the following document for additional information:

[http://www.globalsecuritieswatch.org/Amended\\_SEC\\_Complaint.pdf](http://www.globalsecuritieswatch.org/Amended_SEC_Complaint.pdf)

<sup>7</sup> See *Aide Memoire* of the Ministry of Foreign Affairs of the People's Republic of China dated February 2, 1983 (reproduced from the U.S. Foreign Broadcast Information Service, China Daily Report, Volume 1, Number 028, February 9, 1983, p. B-1). The People's Republic of China stated that, "...the Chinese Government recognizes no debts incurred by the past reactionary Governments of China and has no obligation to repay them." That the Government of the People's Republic of China understood its obligation for repayment of the defaulted debt is implicit to the decree of repudiation. There would have been no occasion for repudiation were there no obligation.

<sup>8</sup> Sovereign debt is treated as commercial debt by U.S. federal courts and is generally accorded a 20 year statute of limitations for judicial recovery actions. The statute of limitations generally re-tolls upon any acknowledgement of the debt by the debtor.

<sup>9</sup> See Reuters article entitled, "China Said to Seek Bond Credit Rating" and reported by the New York Times (May 12, 1988). The People's Republic of China reportedly engaged Morgan Stanley to act as an adviser in 1988 for the purpose of obtaining an international sovereign credit rating in order to resume international debt financing, and which credit rating the Chinese government denied seeking. Morgan Stanley was also reportedly the main consignee of debt issued in 2001, and the 2001 debt sale marked the return of the Chinese government to the international credit markets. We also note that Goldman Sachs,

<p style="text-align: center;"><b>Actions of the Post-1949 Government of the People’s Republic of China</b></p>	<p style="text-align: center;"><b>Date</b></p>
<p>1. The act of repudiation of the Chinese Government’s defaulted full faith and credit sovereign debt</p>	<p style="text-align: center;">1983 and again in 2006</p>
<p>2. The practice of selective default</p>	<p style="text-align: center;">Continues in effect at present</p>
<p>3. The practice of making exclusionary and non-proportional payments to selected equally-ranked general obligation creditors (e.g., purchasers of its recently issued debt) while refusing payment to preexisting equally-ranked general obligation creditors (e.g., the debt holders)</p>	<p style="text-align: center;">Continues in effect at present</p>
<p>4. Rejection of the successor government doctrine of settled international law affirming continuity of obligations among internationally recognized successive governments</p>	<p style="text-align: center;">Continues in effect at present</p>
<p>5. Discriminatory and exclusionary settlement(s) of the defaulted debt with selected groups of similarly situated debt holders (e.g., a settlement with debt holders in Great Britain and a pending settlement with debt holders in France)</p>	<p style="text-align: center;">Debt settlement accord concluded with Great Britain in 1987 (paid in 1991) and settlement negotiations in progress with the Government of France</p>

According to Standard and Poor’s published methodology, its evaluation of metrics includes a borrower’s *willingness* to pay:

“Standard & Poor’s sovereign credit ratings are an assessment of each government’s ability and willingness (*emphasis added*) to service its debt in full and on time.”

According to Standard and Poor’s published criteria for defining “selective default”:

“An obligor rated ‘SD’ (Selective Default) has failed to pay one or more of its financial obligations (rated or unrated) when it came due. An ‘SD’ rating is assigned when Standard & Poor’s believes that the obligor has selectively defaulted on a specific issue or class of obligations but it will continue to meet its payment obligations on other issues or classes of obligations in a timely manner (*emphasis added*).”

Compare the immediate facts to the published definition of the prevailing international sovereign credit rating assigned to China (‘A+’), and published and distributed by Standard and Poor’s Ratings Services:

“An obligor rated ‘A’ has strong capacity to meet its financial commitments but is somewhat more susceptible to the adverse effects of changes in circumstances and economic conditions than obligors in higher-rated categories. The ratings from ‘AA’ to ‘CCC’ may be modified by the addition of a plus (+) or minus (-) sign to show relative standing within the major rating categories.”<sup>10</sup>

The pervasive global regulatory and prudential codification of the credit ratings published by the three primary Nationally Recognized Statistical Rating Organizations (NRSROs) acts to imbue such ratings with

which acted as the 2003 credit rating adviser to the Chinese government, was provided with notice of the Chinese government’s defaulted sovereign debt in early 2002 by our letter dated January 2, 2002.

<sup>10</sup> When applied to a sovereign issuer, this rating classification denotes an investment grade debt rating for an issuer which has no full faith and credit sovereign obligations remaining in a state of default.

the force and effect of law, and their dominant position in a largely unregulated industry provides the three primary credit rating agencies with the ability to dictate whatever rating is most consistent with the maximization of profits to the agencies.<sup>11</sup> The specific rating classifications assigned to individual issuers and then published and distributed by the ratings oligopoly are shaped and directly influenced by the “issuer pay” revenue model, as demonstrated by the findings of the recent investigation conducted by the United States Securities and Exchange Commission (SEC), during which the SEC uncovered evidence of numerous instances in which the three primary NRSROs violated conflict of interest rules and considered their own profit in order to create highly saleable obligations which they rated for a fee.<sup>12</sup> If the three primary NRSROs had assigned, published and distributed a truthful credit rating in the instance of the People’s Republic of China, and which rating was consistent with the criteria and methodologies published by the agencies, then China would be unable to create and sell new sovereign debt without honoring the repayment obligation involving the defaulted full faith and credit sovereign debt. The rating enabled and continues to enable the People’s Republic of China to reenter the international capital markets, create and sell new international debt and establish a sovereign benchmark, further enabling domestic Chinese

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<sup>11</sup> The three primary Nationally Recognized Statistical Rating Organizations consist of Standard & Poor’s Ratings Services, Moody’s Investors Service and Fitch Ratings. These three organizations collectively control over 95% of the industry, and the duopoly consisting of Standard & Poor’s and Moody’s controls 80% of the industry. Note that since the United States Securities and Exchange Commission did not adopt the proposed rule requiring entities designated as NRSROs to apply “...systematic procedures designed to ensure credible and reliable ratings,” the agencies are able to operate free from any such requirement. Thus, whenever the agencies are confronted with evidence of having assigned a false rating to an issuer, the agencies typically claim either (1) that they were deceived along with the investing public until after the fact; or (2) that the agencies are merely publishers of “editorials” upon whose opinions no person is required to rely; or (3) as publishers, the agencies are afforded freedom of speech protection by the First Amendment. The First Amendment does not protect actions which are intentional, knowingly misleading and injurious. Further, the Ninth Circuit decided in *Dible v. City of Chandler* (Case No. 05-16577; D.C. No. CV-03-00249-JAT, September 5, 2007) that publication for the primary motive of profit is not afforded First Amendment protection. Also, note the Court’s statement in *County of Orange v. McGraw-Hill Companies* (No. SA CV 96-0765-GLT, 1997 U.S. Dist., LEXIS 22459, C.D. Cal. June 2, 1997): “S&P’s position in the securities field may have caused it to assume an independent professional duty enforceable in a tort action.” The Court further noted that the ratings could be the basis of liability if the plaintiff proved by clear and convincing evidence that Standard and Poor’s acted with knowledge that the ratings were false or with reckless disregard of their truth or falsity. Note further that in *Jefferson County School District v. Moody’s Investors Service* (175 F.3d 848, Tenth Circuit, 1999), the Court reasoned that Moody’s publication was protected by the First Amendment because it neither stated nor implied an assertion that was provably false. The prevailing China sovereign classifications are provably false by the application of the agencies’ own criteria. See also the following: agencies may be held liable in situations where the agency entertained serious doubts about the truth or falsity of its publication (*St. Amant v. Thompson*, 390 U.S. 727, 731, 1968); agencies may be held liable in situations where the agency knew that there was a “high degree of awareness of the probable falsity” of its publication (*Garrison v. Louisiana*, 379 U.S. 64, 74, 1968). In the immediate instance, the intentional actions of the agencies through the abuse of their privileged NRSRO status have had the effect of infliction of a tort injury upon an entire class of persons. Revealingly, the circumstances comprising the immediate instance (i.e., the prevailing ratings contrasted with the actions of the People’s Republic of China including the refusal to repay the debt) have been described as a “sensitive issue” and as a “hot potato” in published accounts appearing in financial industry publications. Each of the three primary credit rating agencies were notified of the injurious falsity of the prevailing sovereign ratings assigned to China by our letter dated May 18, 2006, accessible at:

<http://www.globalsecuritieswatch.org/S&P.pdf>

<sup>12</sup> See the results of the investigation contained in a report entitled, “Summary Report of Issues Identified in the Commission Staff’s Examinations of Select Credit Rating Agencies.” The report is accessible at:

[http://www.globalsecuritieswatch.org/SEC\\_Investigative\\_Report.pdf](http://www.globalsecuritieswatch.org/SEC_Investigative_Report.pdf)

The following email from one ratings analyst to a colleague is referenced in the report and evidences the standard of care applied by the agencies: “Let’s hope we are all wealthy and retired by the time this house of cards falters.”

corporations to purchase credit ratings from the three primary international credit rating agencies with which to create and sell new debt internationally.

In light of the “issuer-pay” revenue model (which explains the motivation for the failure of agencies to include information that is relevant according to their rating process), it is essential to understand that by virtue of the “sovereign ceiling” custom, rating agencies do not normally assign a rating to any one private or public issuer of a given country that is higher than the rating assigned to that country's government. Therefore, if the rating agencies had rated China in “default”, they would have needed to rate any and all Chinese corporate issuers as “defaults.” As a consequence they would have been deprived of the rating fees from every single Chinese corporate issuer, beyond the fees obtained for rating the Chinese Government for the entire period since “post-1949 China” re-emerged in the international capital markets.

By truthfully rating the Chinese Government in default - as their published rating methodologies clearly show agencies should have done - the agencies would have automatically forfeited the revenue stream from the entire country; amounting to a revenue shortfall in the billions of dollars for the three leading rating agencies. The conflict of interest motivation is therefore much more powerful than in the case of “structured products” ratings, since assigning a negative rating to a sovereign deprives an agency of the revenue flow from an entire country, and not from an isolated structured product arranger. This is particularly relevant in the immediate instance as a concerted effort appears to be underway by various parties seeking to expand international debt issuance by Chinese domestic corporations.<sup>13</sup>

▶ The wrongful and self-serving actions of the three primary NRSROs is so egregious in the immediate instance that the United States Congress has taken the action of introducing concurrent resolutions: Senate Concurrent Resolution 78 (SCR 78) and House Resolution 1179 (HR1179), condemning the actions of the three primary NRSROs.<sup>14</sup> The language of both resolutions states in part:

“Whereas the wrongful actions of the Government of the People’s Republic of China are improperly concealed by the continuing publication of artificial “investment grade” sovereign credit rating classifications assigned to the Chinese government by the 3 primary Nationally Recognized Statistical Rating Organizations (NRSROs) and this concealment fails to conform to the published definitions of those Organizations;

Whereas the continued publication of artificial “investment grade” sovereign credit rating classifications assigned to the Government of the People’s Republic of China provides an incentive to the Chinese government to avoid a negotiated settlement with United States citizens regarding China’s default on its sovereign debt obligations;

Whereas the lack of transparency concerning the selective default of the Government of the People’s Republic of China poses a material risk to the investing public and threatens the integrity of the United States capital markets; ...”

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<sup>13</sup> See recent statements by William H. Gross, Managing Director at Pacific Investment Management Company (PIMCO) regarding Chinese corporate bonds (Financial News, Nov. 15, 2007); Moody’s promotion advising Chinese corporations on how to exploit China’s artificial sovereign credit rating to issue debt internationally (<http://globalsecuritieswatch.org/Moody%27s-Promotion.pdf>); Chinese media statements referencing the “great potential of China’s corporate bond market” ([http://www.zhonghuarising.com/2008/02/chinese\\_corporate\\_bond\\_market.html](http://www.zhonghuarising.com/2008/02/chinese_corporate_bond_market.html)); and the proximity of multiple Chinese corporate credit rating upgrades to China’s sovereign rating upgrade (<http://www.alacrastore.com/storecontent/spcred/662522>).

<sup>14</sup> See Senate Concurrent Resolution 78, accessible at:

<http://globalsecuritieswatch.org/S.Con.Res.78.pdf>

and House Resolution 1179, accessible at:

[http://globalsecuritieswatch.org/House\\_Con\\_Res\\_1179.pdf](http://globalsecuritieswatch.org/House_Con_Res_1179.pdf)

See also the legislative briefing circular on this issue, accessible at:

[http://www.globalsecuritieswatch.org/Legislative\\_Brief.pdf](http://www.globalsecuritieswatch.org/Legislative_Brief.pdf)



▶ The operation of the enterprise is dependent upon the assignment and publication of an artificial sovereign credit rating for the People's Republic of China and could not be operated in the fact of a truthful rating.<sup>15</sup> In the instance of China, the sovereign credit ratings published by the three primary Nationally Recognized Statistical Rating Organizations fail to conform to their published criteria and published definitions. The ratings are widely published, extensively relied upon, and distributed via the U.S. and international mails and wires.<sup>16</sup>

▶ The wrongful actions of the participants in the enterprise may have operated to decrease an obligation of the same nature as obligations which are reportedly held in the possession of, and owed to, the United States Government, in violation of the provisions of the False Claims Act.<sup>17</sup> The actions of U.S. dealers in debt sold by the People's Republic of China and various instrumentalities thereof may also be subject to criminal penalties pursuant to the Johnson Debt Default Act.<sup>18</sup> The language of the Johnson Debt Default Act states, in part:

*"Hereafter, it shall be unlawful within the United States or any place subject to the jurisdiction of the United States for any person to purchase or sell the bonds, securities, or other obligations of, any foreign government or political subdivision thereof, issued after the passage of this Act, or to make any loan to such foreign government, political subdivision, organization, or association, except a renewal or adjustment of existing indebtedness while such government, political subdivision, organization, or association, is in default in the payment of its obligations, or any part thereof, to the Government of the United States."*

Pursuant to the Act, it is a federal criminal offence for any party subject to the jurisdiction of the United States to deal in the obligations of, or engage in the provision of loans or extending of credit to, any foreign government, or organization thereof, which is in default on debt owed to the Government of the United States. The language of the Act may reasonably be construed to prohibit the underwriting, offer or sale of obligations of the Government of the People's Republic of China or its state-owned enterprises. It may be persuasively argued that the actions of the participants have operated to the effect of perpetrating a fraud upon the United States Government, e.g., that the actions of the participants, which have attempted, and continue to attempt to defraud the United States Government and which actions are constituted as criminal acts pursuant to both the False Claims Act and the Johnson Debt Default Act, which Acts criminalize offences thereunder; such offences to include both the use of a fake record to decrease an obligation to the U.S. Government as well as the provision of assistance to an issuer in the sale of debt obligations (and not just those obligations offered within the United States) if such issuer is in default on any obligation payable to the United States government.

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<sup>15</sup> A summary of the actions of the three primary credit rating agencies with respect to the sovereign ratings published for the Chinese Government, including the Chinese Government's recent credit rating history, is accessible at:

[http://www.globalsecuritieswatch.org/China\\_Sovereign\\_Credit\\_Rating\\_History.pdf](http://www.globalsecuritieswatch.org/China_Sovereign_Credit_Rating_History.pdf)

<sup>16</sup> Goldman Sachs acted as the credit rating adviser to the People's Republic of China immediately prior to China receiving an upgrade of its sovereign credit rating by Standard and Poor's, which occurred immediately in advance of the creation and sale of the Chinese Government's sovereign debt in 2003. Goldman Sachs was previously notified by us in writing (by letter dated January 2, 2002) regarding the existence of the Chinese Government's defaulted full faith and credit sovereign debt which is the repayment obligation of the People's Republic of China and which the Chinese Government refuses to repay in violation of international law. The letter was sent to the attention of Mr. Henry Paulson, then-Chief Executive Officer of Goldman Sachs, and Mr. Norman Feit, Managing Director and Director of Litigation for Goldman Sachs. Mr. Feit is alleged to have subsequently stated to the president of the American Bondholders Foundation during a telephone conversation on the matter that he would "see how the international credit rating agencies will treat the matter."

<sup>17</sup> 31 U.S.C. § 3729 *et seq.*

<sup>18</sup> 48 Stat. 574, 31 U.S.C.A. §804a (April 13, 1934). A summary of the Johnson Debt Default Act may be viewed on the world wide web at the following URL:

[http://www.globalsecuritieswatch.org/US\\_Johnson\\_Debt\\_Default\\_Act.pdf](http://www.globalsecuritieswatch.org/US_Johnson_Debt_Default_Act.pdf)

**Published Definitions**  
**International Sovereign Credit Rating Classifications**

**Exhibit 1**  
**Prevailing Sovereign Credit Rating Classifications**  
Long-Term Foreign Currency Debt of the Chinese Government

<b>Agency</b>	<b>Rating</b>	<b>Definition</b>
Standard & Poor's	A+	An obligor rated 'A' has strong capacity to meet its financial commitments but is somewhat more susceptible to the adverse effects of changes in circumstances and economic conditions than obligors in higher-rated categories. The ratings from 'AA' to 'CCC' may be modified by the addition of a plus (+) or minus (-) sign to show relative standing within the major rating categories.
Moody's	A1	Obligations rated 'A' are considered upper-medium grade and are subject to low credit risk. Moody's appends numerical modifiers 1, 2, and 3 to each generic rating classification from 'Aa' through 'Caa'. The modifier 1 indicates that the obligation ranks in the higher end of its generic rating category.
Fitch	A+	High credit quality. 'A' ratings denote expectations of low default risk. The capacity for payment of financial commitments is considered strong. This capacity may, nevertheless, be more vulnerable to adverse business or economic conditions than is the case for higher ratings. The modifiers '+' or '-' may be appended to a rating to denote relative status within major rating categories. Such suffixes are not added to the 'AAA' Long-term rating category, to categories below 'CCC', or to Long-Term IDR categories below 'B'.

Compare the above artificial sovereign credit rating classifications with the published definitions maintained by the same agencies as illustrated in Exhibit 2, which definitions truthfully describe the genuine rating classifications in light of the factual evidence (i.e., the actions of the People's Republic of China with respect to evasion of repayment of its defaulted sovereign debt, including the actions of repudiation; selective default; rejection of the successor government doctrine of settled international law; discriminatory settlement with Great Britain; and the practice of preferential, exclusionary and discriminatory payments to selected general obligation creditors of the Government of China).

**Exhibit 2**  
**Truthful and Factually Conforming (i.e., Non-Injurious) Rating Classifications**  
Long-Term Foreign Currency Debt of the Chinese Government  
As Determined by Conformance of Agencies' Published Criteria and Definitions to  
Facts Comprising the Actions of the People's Republic of China, Including:  
[1] **Repudiation**; [2] **Selective Default**; [3] **Rejection of Successor Government Doctrine of International Law**; [4] **Discriminatory Settlement with Great Britain**; [5] **Preferential and Discriminatory Payments to Selected General Obligation Creditors**

<b>Agency</b>	<b>Rating</b>	<b>Definition</b>
Standard & Poor's	SD (Selective Default)	An obligor rated SD (Selective Default) has failed to pay one or more of its financial obligations (rated or unrated) when it came due. An SD rating is assigned when Standard & Poor's believes that the obligor has selectively defaulted on a specific issue or class of obligations but it will continue to meet its payment obligations on other issues or classes of obligations in a timely manner.
Moody's	Ba (high range)  Caa (low range)	Bonds which are rated Ba are judged to have speculative elements; their future cannot be considered as well-assured. Often the protection of interest and principal payments may be very moderate, and thereby not well safeguarded during both good and bad times over the future. Uncertainty of position characterizes bonds in this class.  Bonds which are rated Caa are of poor standing. Such issues may be in default or there may be present elements of danger with respect to principal or interest.
Fitch	RD (Restricted Default)	RD: Restricted default. RD ratings indicate an issuer that in Fitch Ratings' opinion has experienced an uncured payment default on a bond, loan or other material financial obligation but which has not entered into bankruptcy filings, administration, receivership, liquidation or other formal winding-up procedure, and which has not otherwise ceased business. This would include the selective payment default on a specific class or currency of debt; the uncured expiry of any applicable grace period, cure period or default forbearance period following a payment default on a bank loan, capital markets security or other material financial obligation; the extension of multiple waivers or forbearance periods upon a payment default on one or more material financial obligations, either in series or in parallel; and execution of a coercive debt exchange on one or more material financial obligations.

▶ The three primary international credit rating agencies continue to engage in a pattern of concealing the actions of the People’s Republic of China, including the actions of repudiation, selective default, and exclusionary payments to selected general obligation creditors, and continue a pattern of periodically upgrading China’s international sovereign credit rating in advance of new debt issues by China.<sup>19</sup>

Phase II – Participants Operate the “Capitalist China” Enterprise to Profit from the Creation of New Debt and Enable the People’s Republic of China to Avoid Repayment of the Existing Debt by the Making of Exclusionary and Non-Proportional Payments to Equally-Ranked General Obligation Creditors, Resulting in the Involuntary Subordination of the Rights of the Existing Debt Holders:

▶ The debt underwriters continue to create and sell new debt of the Chinese Government and the paying agents continue the practice of making discriminatory and exclusionary payments to selected equally-ranked general obligation creditors of the Chinese Government.

**Exhibit 3  
Participants Engaged in the Creation and Sale  
of Recently-Issued Chinese Government Debt<sup>20</sup>**

<b>Year of Issue</b>	<b>Clearing Agents</b>	<b>Joint Lead Managers and Joint Bookrunners</b>	<b>Fiscal Agents and Principal Paying Agents</b>	<b>Legal Advisors</b>
<p><b>2004</b></p> <p>Offered and Sold in Europe and in Asia</p>	<p>Euroclear Bank S.A./N.V. as operator of the Euroclear System (“Euroclear”)</p> <p>Clearstream Banking S.A. (“Clearstream”)</p>	<p><b>The Bonds</b></p> <p>Deutsche Bank (Global Coordinator) BNP Paribas UBS Investment Bank</p> <p><b>The Notes</b></p> <p>Merrill Lynch International (Global Coordinator) Goldman Sachs (Asia) L.L.C. JPMorgan Morgan Stanley</p>	<p><b>Fiscal Agent and Principal Paying Agent</b></p> <p>JPMorgan Chase Bank, London Branch</p> <p><b>Luxembourg Paying and Listing Agent</b></p> <p>JPMorgan Chase Bank Luxembourg S.A.</p>	<p><b>To the Issuer as to United States Law</b></p> <p>Sidley Austin Brown &amp; Wood LLP</p> <p><b>To the Underwriters as to United States Law</b></p> <p>Davis Polk &amp; Wardell</p>
<p><b>2003</b></p> <p>Offered and Sold in the United States and in Luxembourg and in Hong Kong</p>	<p>Euroclear Bank S.A./N.V. as operator of the Euroclear System (“Euroclear”)</p> <p>Clearstream Banking S.A. (“Clearstream”)</p> <p><b>For Book Entry Securities</b></p> <p>Depository Trust Company</p>	<p>Goldman Sachs (Asia) L.L.C. JPMorgan Merrill Lynch &amp; Co.</p> <p><b>Underwriters</b></p> <p>Banc One Capital Markets Citigroup Global Markets Credit Suisse First Boston Daiwa Securities SMBC Europe Hong Kong and Shanghai Banking Corporation ICEA Securities Lehman Brothers International (Europe) Morgan Stanley &amp; Co. International Nomura International</p>	<p><b>Registrar and Fiscal, Paying and Transfer Agent</b></p> <p>JPMorgan Chase Bank, New York</p> <p><b>Luxembourg Paying and Listing Agent</b></p> <p>JPMorgan Chase Bank Luxembourg S.A.</p> <p><b>Paying Agents For Book Entry Securities</b></p> <p>Depository Trust Company</p>	<p><b>To the Issuer as to United States Law</b></p> <p>Sidley Austin Brown &amp; Wood LLP</p> <p><b>To the Underwriters as to United States Law</b></p> <p>Sullivan &amp; Cromwell LLP</p>

<sup>19</sup> S&P has maintained an "investment grade" rating for China since 2001, which S&P defines as an issuer not having any defaulted full faith and credit sovereign debt outstanding and unpaid. S&P presently maintains a "Stable" outlook for China following a series of four consecutive upgrades of China's credit rating. Note that S&P affirmed China's "investment grade" credit rating the very next day (October 22, 2003) following the Congressional hearing on China’s defaulted sovereign debt, in order to strengthen the sale of China's sovereign bonds and notes registered in the U.S. the same month (October 2003).

<sup>20</sup> All 2004 data derived from the Offering Circular dated October 21, 2004. All 2003 data derived from the U.S. Registration Statement no. 333-108727 (October 16, 2003). The Common Code for this offering of notes is 017941941, the ISIN is US712219AJ30 and the CUSIP is 712219AJ3. The Prospectus and the Supplement to the Prospectus may be accessed and viewed on the world wide web at the following URL: <http://www.sec.gov/Archives/edgar/data/909321/000114554903001347/u98681p1e424b5.htm>

▶ In June 2006, the People's Republic of China accepted the principle of continuing negotiations with the Government of France from the earlier June 2004 discussions to negotiate an exclusionary debt settlement accord with similarly situated debt holders in France. The Minister for Foreign Affairs was identified as holding the necessary authority to negotiate the issues and the People's Republic of China maintains intergovernmental contact with the Government of France informing the French administration of its progress on the matter.

▶ The People's Republic of China again repudiated the debt in a letter dated November 12, 2006 addressed to the Embassy of the United States of America in China. This action by the People's Republic of China continues to remain concealed by the prevailing sovereign credit ratings assigned to the Chinese Government by the three primary NRSROs.

▶ Subsequent to the assignment of a demonstrably false and artificial international sovereign credit rating to the People's Republic of China which conceals the existence of the Chinese Government's defaulted debt as well as the actions of the People's Republic of China, the international credit rating agencies, debt underwriters, paying agents and others conspired to create and profit from the enterprise constituted as "*Capitalist China*." The enterprise engages in a continuing pattern of periodic and ongoing creation and sale of both sovereign debt of the People's Republic of China, including at least nine internationally-issued sovereign obligations (most recently in 2003 in the U.S., Luxembourg and Hong Kong, and again in 2004, which was sold outside the U.S.) and additional debt of Chinese domestic corporations rated for a fee and sold internationally for a fee. The enterprise is constructed for the purpose of generating substantial fees for the participants, whose actions enable the People's Republic of China to create and sell new sovereign debt and maintain an international sovereign benchmark through the operation of an artificial sovereign credit rating and non-disclosure of China's defaulted full faith and credit sovereign debt, and further enable the People's Republic of China to avoid the repayment of the defaulted debt and circumvent such repayment obligation by the making of exclusionary payments to equally-ranked general obligation creditors while selectively excluding any payment to the defaulted creditors.<sup>21</sup> The actions of the participants in the enterprise have had and continue to have the effect of depriving the defaulted creditors of the ability to enforce the debt contract. See the following statement by Dr. Adam Lerrick, professor of economics at Carnegie Mellon University and an expert on sovereign debt defaults, evidencing the proximity between the effect of misleading ratings and the "taking" of defaulted creditors' enforcement ability:

*"If large-scale financing was supplied to governments in default, the incentive for the debtor to conclude a deal was destroyed."*

The intentional and injurious assignment of demonstrably false and artificial "investment grade" sovereign credit rating classifications in conjunction with the creation and sale of new debt of the Chinese Government operates precisely to this effect.<sup>22</sup> At the heart of the enterprise is an orchestrated pattern of

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<sup>21</sup> The following statement appears in the 2003 debt prospectus: The notes will rank equally with each other and with all other general and (subject to the provisions in the notes providing for the securing of such obligations in the event certain other obligations of China are secured) unsecured obligations of China for money borrowed and guarantees given by China in respect of money borrowed by others. China will pledge its full faith and credit for the due and punctual payment of the notes and for the due and timely performance of all obligations of China with respect to the notes. In the absence of proportional payments to the defaulted debt holders, neither China nor the paying agents treat the new debt as ranking equally with all other general unsecured obligations of China, nor does China deliver the timely performance of all obligations of China.

<sup>22</sup> In the 2003 prospectus supplement, the law firm of Sidley Austin concealed the fact of a public hearing entitled, "U.S.-China Ties: Reassessing the Economic Relationship" conducted by the House Committee on International Relations, which invited and did include testimony pertaining to the existence of the defaulted sovereign debt of the government of China, and which hearing occurred prior to the date of the 2003 prospectus supplement. Sidley Austin also concealed the existence of a House Concurrent Resolution (H.Con.Res. 60) in the United States Congress which specifically referenced the existence of the defaulted sovereign debt of the government of China. It is revealing to note that subsequent to the receipt of constructive notice provided by the letter prepared by the law firm of Stites & Harbison dated December

concerted and deliberate actions by capital markets gatekeepers to reap profits from the creation and sale of new debt of both the Government of China and domestic Chinese corporations at the expense of the defaulted debt holders by enabling the People's Republic of China to avoid repayment of the defaulted debt. Such wrongful actions have had and continue to have the effect of the taking of rights in property of the defaulted debt holders including the involuntary subordination of the rights of the defaulted debt holders. As a direct consequence of such actions, the defaulted debt holders are unable to enforce the debt contract and are thus injured in their property.<sup>23</sup>

Links to Additional Information:

1. Rating History: International Sovereign Credit Rating of the People's Republic of China:  
[http://www.globalsecuritieswatch.org/China\\_Sovereign\\_Credit\\_Rating\\_History.pdf](http://www.globalsecuritieswatch.org/China_Sovereign_Credit_Rating_History.pdf)
2. Conference Brief provided to the United States Securities and Exchange Commission:  
[http://www.globalsecuritieswatch.org/SEC\\_Conference\\_Brief.pdf](http://www.globalsecuritieswatch.org/SEC_Conference_Brief.pdf)
3. Complaint Filed with the United States Securities and Exchange Commission:  
[http://www.globalsecuritieswatch.org/Sovereign\\_Disclosure\\_Obligation.pdf](http://www.globalsecuritieswatch.org/Sovereign_Disclosure_Obligation.pdf)
4. Amendment to Complaint Filed with the United States Securities and Exchange Commission:  
[http://www.globalsecuritieswatch.org/Amended\\_SEC\\_Complaint.pdf](http://www.globalsecuritieswatch.org/Amended_SEC_Complaint.pdf)
5. United States House of Representatives Resolution 1179:  
[http://globalsecuritieswatch.org/House\\_Con\\_Res\\_1179.pdf](http://globalsecuritieswatch.org/House_Con_Res_1179.pdf)
6. United States Congress Legislative Briefing Circular:  
[http://www.globalsecuritieswatch.org/Legislative\\_Brief.pdf](http://www.globalsecuritieswatch.org/Legislative_Brief.pdf)
7. Letter to Chairman of the United States Securities and Exchange Commission:  
[http://www.globalsecuritieswatch.org/Letter\\_to\\_Christopher\\_Cox.pdf](http://www.globalsecuritieswatch.org/Letter_to_Christopher_Cox.pdf)
8. European Union Consultation on the Credit Rating Agencies:  
[http://www.globalsecuritieswatch.org/EU\\_Consultation%20Public\\_Comment\\_\(Short\\_Version\).pdf](http://www.globalsecuritieswatch.org/EU_Consultation%20Public_Comment_(Short_Version).pdf)
9. Article Published in *Risk Review* Magazine:  
<http://www.garpdigitalibrary.org/download/GRR/2089.pdf>

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31, 2003, Sidley Austin failed to take any action to amend the 2003 U.S. registration statement and prospectus. Such failure evidences the application of a reckless standard of care.

<sup>23</sup> 18 U.S.C. §1961-68. Section 1964(c) of the Racketeer Influenced and Corrupt Organizations (RICO) Act allows civil claims to be brought by any person injured in their business or property by reason of a RICO violation.

### Table of Exhibits

<b>Exhibit A</b>	1) Statement Appearing in the People's Republic of China's 2003 U.S. Sovereign Debt Offering Prospectus Falsely Describing the Ranking and Timely Performance of all Obligations of China  2) Statement Appearing in the People's Republic of China's 2003 U.S. Sovereign Debt Offering Prospectus Falsely Describing the Record of the Government as to Repayment of its Full Faith and Credit Sovereign Obligations on Time and as to the Full Amounts Due
<b>Exhibit B</b>	Statement of Repudiation of the Debt by the People's Republic of China
<b>Exhibit C</b>	Moody's Promotion to Chinese Corporations
<b>Exhibit D</b>	Request by the Chairman of the Joint Economic Committee of the United States Congress for an Investigation into the Demonstrably False Ratings Assigned to the People's Republic of China by the Three Primary NRSROs
<b>Exhibit E</b>	United States Senate Concurrent Resolution 78
<b>Exhibit F</b>	Schedule of the Chinese Government's Defaulted Full Faith and Credit Sovereign Debt

## **Exhibit A**

**Falsely-Described Ranking and Timely Repayment  
of General Obligations of China  
(2003 U.S. Debt Prospectus)**

## EXHIBIT A

### Offering Summary

*This offering summary highlights information contained elsewhere in this prospectus supplement and the accompanying prospectus. It is not complete and does not contain all the information that you should consider before investing in the notes. You should read this entire prospectus supplement and the accompanying prospectus carefully.*

Issuer	The People's Republic of China.
Notes offered	US\$1,000,000,000 aggregate principal amount of 4.75% notes due 2013.
Issue date	October 29, 2003.
Maturity date	October 29, 2013.
Issue price	99.426% of the principal amount of the notes plus accrued interest, if any.
Interest rate	4.75% per year.
Interest payment dates	April 29 and October 29 of each year, beginning on April 29, 2004.
Ranking	The notes will rank equally with each other and with all other general and (subject to the provisions in the notes providing for the securing of such obligations in the event certain other obligations of China are secured) unsecured obligations of China for money borrowed and guarantees given by China in respect of money borrowed by others. China will pledge its full faith and credit for the due and punctual payment of the notes and for the due and timely performance of all obligations of China with respect to the notes.
Listings	China has applied for listing of and permission to deal in the notes on the Luxembourg Stock Exchange and The Stock Exchange of Hong Kong Limited.
Form	The notes will be issued in the form of global securities registered in the name of Cede & Co., nominee of The Depository Trust Company, or DTC.
Clearance and settlement	Beneficial interests in the notes will be shown on, and transfer of such beneficial interests will be effected only through, records maintained by DTC and its participants, unless certain contingencies occur, in which case the notes will be issued in definitive form. You may elect to hold interests in the notes through DTC, Euroclear Bank S.A./N.V., or Euroclear, or Clearstream Banking, <i>société anonyme</i> , or Clearstream, if you are a participant in these clearing and settlement systems.
Payment of principal and interest	Principal and interest on the notes will be payable in U.S. dollars. As long as the notes are in the form of a book-entry security, payments of principal and interest will be made through the facilities of DTC.
Common Code, ISIN and CUSIP	The Common Code is 017941941, the ISIN is US712219AJ30 and the CUSIP is 712219AJ3.



In the United States, the disclosure obligations for registered sovereign issuances are governed by the Securities and Exchange Commission's Schedule B, which affirmatively requires only minimal disclosure including pricing, payments schedule, and volume. However, an affirmative obligation by registered sovereign issuers to speak with respect to additional disclosure does exist in that statements made in connection with an offering of securities, although literally true, may not be misleading through their incompleteness as specified by Rule 10b-5 and Section 10(b) of the Exchange Act. Under Rule 10b-5 and Section 10(b) of the Exchange Act, a duty is imposed upon an issuer to refrain from disclosing materially incomplete statements (i.e., the prohibition against "half-truths"). Accordingly, a source of a sovereign's obligation to disclose additional risks in the offering documents arises from additional disclosure which the sovereign volunteers. In the event that a registered sovereign issuer may elect to provide additional disclosure beyond the requirements imposed by SEC Schedule B, such statements must constitute full and complete disclosure and not be misleading through their incompleteness. Under Rule 10b-5, statements that are literally true can create liability if they create a materially misleading interpretation because they omit some key fact (or, in other words, are "half-truths"). The duty not to make "half-truths" under Rule 10b-5 applies to both registered and non-registered sovereign bond issuances. We refer now to the inadequate disclosure contained in the prospectus dated October 16, 2003 and in the prospectus supplement dated October 22, 2003 pertaining to the registered offering, sale and issuance of sovereign obligations of the People's Republic of China, and offer an obvious example of a disclosure obligation required by Rule 10b-5 and Section 10(b) of the Exchange Act which is omitted from mention in the above offering document.

Example of failure to fully disclose key facts, constituting a violation of Rule 10b-5 and Section 10(b) of the Exchange Act:

Voluntary Disclosure: **Debt Record** (*page 69 of the prospectus*) –

"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."

Omission: This statement is misleading to offerees and prospective purchasers. Both the prospectus and the prospectus supplement intentionally omit any mention of the existence of pre-1949 defaulted full faith and credit sovereign obligations of the Government of China, which under accepted conventions of international law, the payment obligation for such indebtedness was incurred by the central government of China in 1949 and on which that government has since settled with British bondholders while continuing to evade the claims of American bondholders.

As we have previously described, neither the prospectus nor the prospectus supplement contain any mention whatsoever regarding the existence of repudiated full faith and credit sovereign debt of the Government of China which remains unpaid in a state of default, and for which the People's Republic of China is liable for repayment under settled international law as the internationally-recognized successor government of China, and which government continues to engage in actions evidencing both selective default and discriminatory settlement under settled international law. Such actions act to create the risk of seizure of proceeds of any securities offering by the Government of China or any of its state owned enterprises and also act to expose purchasers of sovereign obligations issued by the People's Republic of China to the risk of injunctions enjoining discriminatory, exclusionary, and non-proportional payments to such purchasers.

## **Exhibit B**

### **Statement of Repudiation of the Debt By the People's Republic of China**

中 华 人 民 共 和 国 财 政 部

Ministry of Finance, People's Republic of China

Embassy of the United States of America in China:

We acknowledge the receipt of the letter dated 2 November 2006 from the Economic Section of your embassy. Upon discussion with our Treasury Department, with reference to the request by the two U.S. citizens for the Chinese Government to repay their gold certificates bought in 1913, our reply is as follows:

In accordance with the Notice of the Ministry of Finance and the Ministry of Foreign Affairs Concerning Dealing with the Public Bonds Issued by the Defunct Chinese Governments ((82) Cai Wai Zi No.021), "the People's Government will make no repayment with regard to all the public bonds issued by both the Beiyang Government and the Kuomintang Reactionary Government." All the gold certificates of 1913 that the said two U.S. citizens hold are those which were issued by the Kuomintang Government. Therefore, the Government of the People's Republic of China has no obligation to repay them.

(Seal)

International Department, Ministry of Finance  
People's Republic of China  
12 November 2006

San Li He St., Xichengqu, Beijing 100820, People's Republic of China  
Tel: (86-10)6855-1171 Fax: (86-10)6855-1125

07/10 2017 15:32 FAX

10: 余相斌 65326422

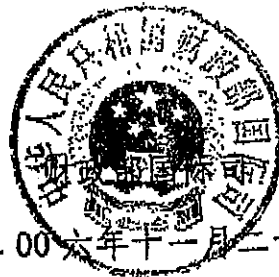
**中华人民共和国财政部**  
Ministry of Finance, People's Republic of China

**FAX IN**  
1-2 DEC 2006

美国驻华大使馆:

贵使馆经济处 11 月 2 日来函收悉。关于两位美国公民要求中国政府对其购买于 1913 年的金元券进行偿付一事，经商我部国库司，现作答如下：

根据《财政部 外交部关于处理我国旧政府发行的公债券问题的通知》((82) 财外字第 021 号) 的有关规定，“关于北洋政府和国民党反动政府所发行的一切公债， 人们政府不能偿还。”此次两位国民持有的全部 1913 年金元券属于国民党政府发行的公债，因此，中华人民共和国政府不能偿还。



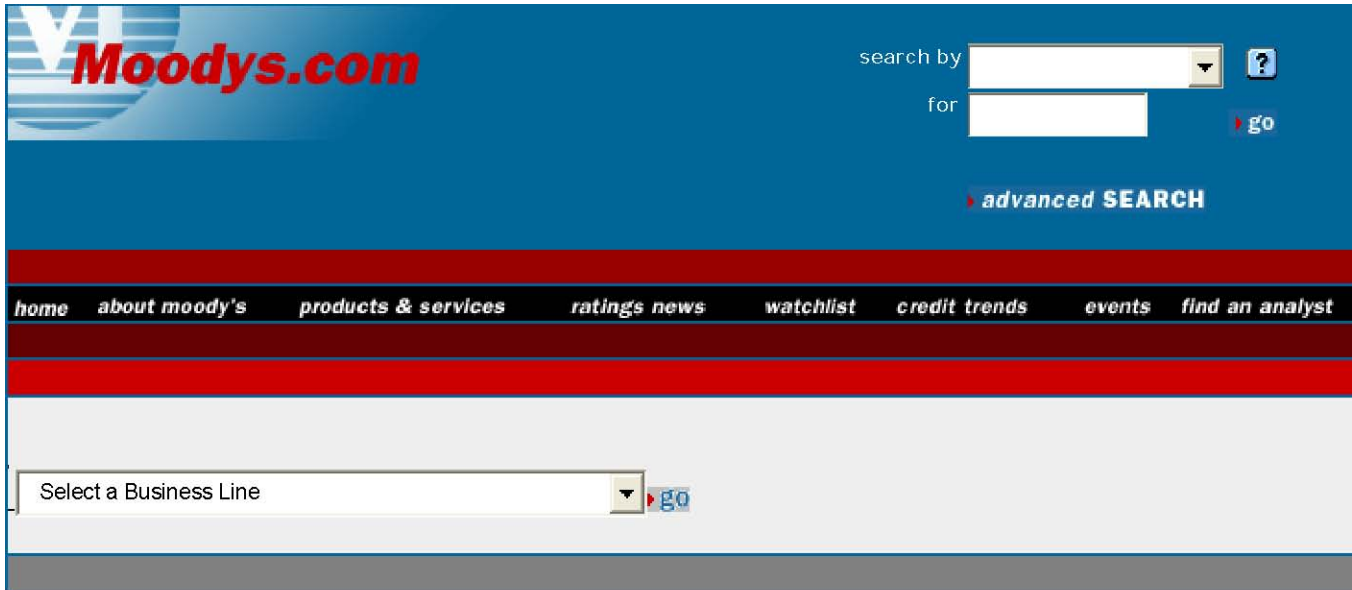
二〇〇六年十一月二十日

## **Exhibit C**

**Moody's Promotes Artificial China Sovereign Rating to Chinese Corporations in Bid to Generate Windfall Ratings Profits**

# Exhibit C

## Moody's Promotes Artificial China Sovereign Rating to Chinese Corporations in Bid to Generate Windfall Ratings Profits



### ARCHIVED EVENTS CALENDAR

[Upcoming Events](#)

[Archived Events](#)

[Your Events](#)

#### Event Details

**Briefing: Credit Ratings and Opportunities for Chinese Issuers in the Global Bond Market**

#### Date and Location

Thursday, 13-Oct-2005  
Shanghai, CHINA

#### Discussion Details

**China Sovereign Rating; Overview of International Bond Market**

**Opportunities for Chinese Issuers**



**Moody's Investors Service**

A leading provider of independent credit ratings, research and financial information to the capital markets.

## **Exhibit D**

**Request by the Chairman of the Joint Economic Committee of the United States  
Congress for an Investigation into the Demonstrably False Ratings Assigned to the  
People's Republic of China by the Three Primary NRSROs**

**JIM SAXTON**  
THIRD DISTRICT, NEW JERSEY  
WWW.HOUSE.GOV/SAXTON  
**JOINT ECONOMIC COMMITTEE**  
CHAIRMAN  
**RESOURCES COMMITTEE**  
SUBCOMMITTEES:  
FISHERIES AND OCEANS  
NATIONAL PARKS



**ARMED SERVICES COMMITTEE**  
SUBCOMMITTEES:  
TERRORISM, UNCONVENTIONAL  
THREATS AND CAPABILITIES  
CHAIRMAN  
PROJECTION FORCES  
MILITARY PERSONNEL

## U.S. House of Representatives

Washington, DC 20515

May 24, 2005

In regards to: Complaint filed on behalf of defaulted creditors of the Government of China, alleging misleading sovereign credit ratings and inadequate disclosure pertaining to the offer, sale and trading of debt securities of the People's Republic of China including violations of international law

Mr. William H. Donaldson, Chairman  
U.S. Securities and Exchange Commission  
450 Fifth Street, N.W.  
Washington, D.C. 20549

Dear Chairman Donaldson:

I am writing to you in reference to the Complaint (dated March 31, 2005) filed with the Division of Market Regulation, alleging that the Nationally Recognized Statistical Rating Organizations (NRSROs) assigned inappropriate and misleading sovereign credit ratings to the long-term foreign currency debt of the People's Republic of China. Furthermore, the Complaint alleges that the NRSROs should reclassify the sovereign credit ratings of the People's Republic of China.

Since the SEC's Division of Market Regulation regulates the NRSROs, I request that the SEC review the very serious allegations contained in this Complaint in considering a formal investigation. Please keep me informed on the status of this Complaint. I look forward to learning the results. Thank you for your prompt attention to this matter.

Sincerely,

Jim Saxton, Chairman  
Joint Economic Committee

cc: Mr. Michael Macchiaroli, Associate Director  
SEC Division of Market Regulation



**Exhibit E**

**United States Senate Concurrent Resolution 78**

110TH CONGRESS  
2D SESSION

# S. CON. RES. 78

Expressing the sense of Congress that the People's Republic of China and all enterprises owned or controlled by the People's Republic of China should make proper disclosures with the Securities and Exchange Commission regarding the selective default status of certain bonds.

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IN THE SENATE OF THE UNITED STATES

APRIL 28, 2008

Mr. INHOFE submitted the following concurrent resolution; which was referred to the Committee on Foreign Relations

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## CONCURRENT RESOLUTION

Expressing the sense of Congress that the People's Republic of China and all enterprises owned or controlled by the People's Republic of China should make proper disclosures with the Securities and Exchange Commission regarding the selective default status of certain bonds.

Whereas sovereign debt obligations (in this resolution referred to as "bonds") of the Government of the People's Republic of China were offered and sold in the United States capital markets;

Whereas the bonds constitute full faith and credit sovereign obligations of the internationally recognized Government of the People's Republic of China;

Whereas the People's Republic of China subsequently defaulted on the bonds;

Whereas the United States Foreign Claims Settlement Commission determined that the bonds constitute an unpaid general obligation of the Government of the People's Republic of China;

Whereas under the successor government doctrine of settled international law (establishing the continuity of obligations among successor governments), the repayment obligation for the bonds is the obligation of the Government of the People's Republic of China;

Whereas the Government of the People's Republic of China has been duly notified by representatives of the affiliated United States creditors of the demand for repayment of the bonds;

Whereas the Government of the People's Republic of China continues to refuse to repay the bonds held by United States citizens and has officially repudiated the debts; a clear violation of United States law, international law, rules and regulations of the World Bank and the International Monetary Fund, and the United Nations Charter;

Whereas the Government of the People's Republic of China honored repayment of the bonds held by British citizens while rejecting the claims of United States citizens;

Whereas the Government of the People's Republic of China, its state-owned enterprises, and other entities controlled by the People's Republic of China continue to enjoy open and unfettered access to the United States capital markets, while the Government of the People's Republic of

China continues to reject the lawful claims of United States citizens;

Whereas the sales of securities in the United States capital markets issued by Chinese entities, including the Government of the People's Republic of China and its state-owned enterprises, fail to disclose both the existence of the defaulted debt of the Government of the People's Republic of China and the continued evasion of repayment of the bonds, the discriminatory treatment of United States citizens, and the People's Republic of China's repudiation of official debt;

Whereas the wrongful actions of the Government of the People's Republic of China are improperly concealed by the continuing publication of artificial "investment grade" sovereign credit rating classifications assigned to the Chinese government by the 3 primary Nationally Recognized Statistical Rating Organizations (NRSROs) and this concealment fails to conform to the published definitions of those Organizations;

Whereas the continued publication of artificial "investment grade" sovereign credit rating classifications assigned to the Government of the People's Republic of China provides an incentive to the Chinese government to avoid a negotiated settlement with United States citizens regarding China's default on its sovereign debt obligations;

Whereas the lack of transparency concerning the selective default of the Government of the People's Republic of China poses a material risk to the investing public and threatens the integrity of the United States capital markets; and

Whereas to provide relief to United States bondholders, restore transparency, uphold the rule of law, and affirm the validity of public debt contracts: Now, therefore, be it

1       *Resolved by the Senate (the House of Representatives*  
2 *concurring)*, That it is the sense of Congress that the Peo-  
3 ple's Republic of China and its government-owned and  
4 controlled enterprises should be required to properly dis-  
5 close material information concerning the selective default  
6 status of these bonds in all prospectuses and filings with  
7 the Securities and Exchange Commission.

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## **Exhibit F**

### **Schedule of the Chinese Government's Defaulted Full Faith and Credit Sovereign Debt**

**Table 1: List of Chinese External Debt Issues**

External Debt of Chinese government as compiled from Kulmann (1977) and Stanley (1970). Each is coded by date of issue, type of debt and face value of issue, converted into U.S. Dollars at exchange rates prevailing at the time. Loan yields are as specified on the bond at issue, not market yields based upon issue price, thus they are typically a lower bound on the actual bond yield. Currency indicates the currency or form of payment promised on the loan. The purpose of loans is briefly identified, and the type of security or collateral is listed. Place of issue indicates the location the debt was issued. Multiple locations indicate multiple bond issues.

<b>Date</b>	<b>Type</b>	<b>US dollar amount (millions) if known</b>	<b>Yield</b>	<b>Currency</b>	<b>Purpose</b>	<b>Security or collateral if known</b>	<b>Place of Issue</b>
1861	loan	200,000		tael	war	Shanghai custom voucher	
1862	loan	336,587	11	tael	war		
1862	loan	169,370		tael			
1864	loan	100,000	6.5	tael	armory		
1865	loan				none	none	
1866	loan			Tael	none		
1866	loan	1,333,000		tael		maritime customs and provincial revenues	
1867	loan	800,000		tael	war		
1868	loan	1,413,000	7.25	tael	war		
1874	loan	3,260,000	8	sterling	war		Hong Kong
1877	bond	3,333,000	8	tael	war	maritime customs	Hong Kong London
1878	loan	2,333,300	10	tael	war		
1878	bond	1,667,000	5.5	tael	none		Berlin
1879	bond		7	tael	none		Hong Kong
1881	loan	2,667,700	8	tael	war		
1883	loan	667,700		tael	war		
1883	loan	667,700		tael	war		
1884	loan	667,000	8	tael	war		
1884	loan	667,000	8	tael	war		
1884	loan			sterling	armory		
1885	loan	2,667,700		tael	war		
1885	bond	6,543,000	7	sterling	war	maritime customs	Hong Kong London
1885	loan	6,522,000	6	sterling	rail	maritime customs	London
1885	bond	3,409,000	6	sterling	none	maritime customs	Hong Kong London
1886	loan	2,000,000		tael	war		

1886	bond	76,000	7	tael	none		Shanghai
1887	loan		5.5	DM	none	Chihli customs	Frankfort Berlin
1888	loan		7	tael	yellow river		
1893	loan			tael	none		
1894	bond	726,000	7	tael	war	maritime customs	Shanghai Hong Kong Amsterdam Hamburg
1895	bond	4,347,000	6	sterling	indemnity	maritime customs	London
1895	bond	13,043,470	6	sterling	indemnity	maritime customs	London
1895	bond	4,347,000	6	sterling	indemnity	maritime customs	Frankfort Berlin Hamburg
1895	bond	4,347,000	6	sterling	indemnity	maritime customs	London
1895	bond	68,782,000	4	gold	none	maritime customs	Paris St. Petersburg Geneva Brussels Amsterdam Frankfort
1896	bond	69,565,000	5	gold	indemnity	maritime customs	London Berlin
1896	bond	3,333,000	6	tael	rail	Chinese Eastern Railway	Shanghai London
1897	bond	19,565,217	4	sterling	rail	Lung-Tsing U Hai Railway and land	Brussels
1898	bond	8,000,000	5	franc	rail	Cheng-Tai Railway	Paris
1898	bond	69,565,000	4.5	gold	indemnity	maritime customs, salt Lik in revenues, customs bonds	London Berlin
1899	bond	10,000,000	5	sterling	rail	Chinese Northern Railway	London
1899	bond	22,500,000	5	franc	rail	Peking-Hankow rail revenues	Paris Geneva Brussels Amsterdam
1900	bond	3,000,000	5	dollar	rail		New York
1900	bond	1,121,739	5	sterling	cable	government guarantee	London
1901	loan		5	sterling	cable		
1901	bond	300,000,000	4	sterling	indemnity	maritime custom	Shanghai
1903	bond	8,000,000	5	franc	rail	railway and direct obligation of government	Paris
1904	loan	14,772,700	5	sterling	rail	existing and future railway	London
1904	certificates	20,454,500		sterling	rail		
1904	bond			sterling	rail		
1904	bond			dollar	war		
1905	bond			yen	war		
1905	loan	4,444,000	5	sterling	indemnity	maritime customs and provincial revenues	London Berlin
1905		4,888,800		sterling	rail	opium revenues/internal revenue bonds	London
1905	loan	8,200,000	5	franc	rail	railway	



1905	loan		5	sterling	rail	existing railway and its revenue	London
1906	bond			dollar	war		
1906	loan		4	sterling	rail		
1907	loan	400,000		yen	rail		
1907	bond	6,521,700	5	sterling	rail	railway	London
1907		4,782,600	4.5	sterling	rail	Canton-Hankow railway and its revenues	
1908	bond	6,521,000	5	sterling	rail	direct obligation of government, railway	
1908		1,075,000	5	yen	rail	Kirin-Changchun-railway	Tokyo
1908	bond	23,585,000	5	sterling	rail	railway	London Berlin
1909	cert.			chinese gold dollar	war		
1909	loan	22,727,270	5(4.5)	sterling	rail		
1909	loan		5(7)	sterling	repay debts	provincial likin revenues, direct obligation of government	
1909	loan	160,000	5	yen	rail	Hsin-Feng Railway	Tokyo
1910	loan		7	tael	local	guarantee of the central government	
1910	loan		7	tael	local	Kiangnan salt revenues	
1910	loan	12,766,000	5	sterling	rail	railway and provincial revenue	London Berlin
1910	loan	2,888,510	5	sterling	rail		
1911	loan	5,000,000	5	yen	none	Peking-Hankow railway revenue	
1911	loan	5,000,000	5	yen	rail	railway and revenue of Kiangsu Province	
1911	loan		7	tael	local	3rd charge on the ichang salt revenues	Shanghai London Paris Berlin New York
1911	loan		7	tael	local	1st charge on likin revenues of Kwang-Tung	
1911	loan	2,885,000	5	sterling	armory	salt taxes, direct obligation of government	
1911	loan	39,216,000	5	sterling	rail	revenue on general revenue form Hunan and Hupeh prov.	
1912	loan	1,500,000	8	yen	rail	revenues and stock of Kiangsi railway	Tokyo

1912	loan	1,000,000	8	yen			
1912	loan	10,714,000		sterling	repay debts		
1912	loan	1,607,100	6	sterling	rail		
1912	loan		7	M	local	silk likin revenues	
1912	bond		8	M	local	central government guarantee	
1912	bond		8	tael	Treasury	taxes of agricultural products and supplementary customs revenues	
1912	bond		6	tael	Treasury		Shanghai
1912	loan	35,087,700	5	sterling	repay debts	surplus of salt gabelle and other government sources	London
1912	loan		5	M	armory	government guarantee	
1913	loan	15,686,000	5	sterling	rail	Lung-Tsing-U-Hai Railway	Paris Brussels
1913	loan	1,765,000	5	sterling	none	tax on transfer of property and title deeds	Brussels
1913	loan	17,655,000	5(6)	sterling	rail		
1913	loan	19,608,000	5.5	sterling	rail		
1913	loan	3,019,600	6	sterling	rail		
1913	loan	98,039,200	5	sterling	repay debts		London Paris St. Petersburg Brussels Tokyo
1913	loan	4,706,000	6	sterling	repay debts		London
1913	loan	7,843,100	6	sterling	none		London
1914	loan	1,960,784	6	sterling	none		
1914	loan	28,864,000	5	franc	government expenses/rail way	industrial enterprises it was issued for, municipal taxes	Paris
1914	loan	41,667,000	5	sterling	rail	secured upon a second mortgage on the Chiaokia-Tayuan-fu railway	London
1914	loan	1,562,000	6	sterling	repay debts	surplus profits of the Peking-Mukden railway	Shanghai London
1914	loan	19,230	5	franc	rail		
1914	bond		8	m	Treasury		
1914	bond	3,745,455	5	sterling	rail		
1915	loan	2,488,000	6	yen	none	mining concessions in Hunan and Anhwei	
1915	bond	2,488,000		yen	rail	1st charge on railway	
1915	bond			yen	war		

1915	loan		7(8,10)	franc	repay debts		
1916	bond	1,150,000	8	dollar	rail		
1916	bond	5,500,000	8	dollar	Treasury		
1916	loan		8	tael			
1916	loan	5,871,400	8	sterling	repay debts		
1916	loan	301,600		yen	local		Tokyo
1916	loan	1,010,000		yen	industry		Tokyo
1916	loan	301,600		yen	industry		Tokyo
1917	loan	505,000		yen	industry		Tokyo
1917	bond	1,010,000	6.5	yen	local		Tokyo
1917	certificates(?)	2,564,000	7.5	yen	repay debts	bank shares and treasury bonds	Tokyo
1917	loan	667,000		yen	local/industry	factory and local government guarantee	Tokyo
1917	loan	769,000		yen	local	provincial salt taxes	
1917	loan	1,179,000		yen	rail		
1917	loan		7		repay debts	Bank of Bhina notes	Tokyo
1917	bond	2,122,640	7	franc	Treasury		
1917	bond	52,173		taels			
1917	loan	272,700	6	sterling	none	peking octroi	
1917	loan	1,090,900	6	sterling	none	peking octroi	
1917	loan		7	yen	repay debts	surplus salt revenues	
1917	loan	769,230		yen	local		
1917	loan	10,256,000	7.5	yen	none	Treasury bonds	
1917		3,333,000	6(5)	yen	rail	properties of railway and government guarantee	
1917	loan	41,025		yen	local/industry		
1917	loan	128,200		yen	local		
1917	loan	25,600		yen	local/industry		
1917	loan	25,600		yen	industry		
1918	loan	66,200	9	sterling	education		
1918	loan		10	taels	none		
1918	loan	1,052,000	8	yen	purchase		
1918	bond	755,500	8	sterling	telecommunication	none	
1918	loan	2,667,600	8	sterling	army equipment	direct obligation of the government	London
1918	loan	444,400	8	sterling	telecommunication	government treasury	

1918	loan	526,000		yen	military	Kailan mining Adm.	Tokyo
1918	loan	5,261,000	7	yen	repay debts	surplus salt revenues	Tokyo
1918	loan	1,052,000	7	yen	local	rights to cooperate in local iron-mining	Tokyo
1918	loan	526,000		yen	government	surplus salt revenues	Tokyo
1918	loan	526,000		yen	local	sundry taxes of Fukien	Tokyo
1918	loan	526,000		yen	industry		Tokyo
1918	loan	7,368,000	7	yen	government		Tokyo
1918	loan	1,052,000	7	yen	rail	revenues of the railway	Tokyo
1918	loan	52,600		yen	rail		Tokyo
1918	loan	1,578,900		yen	telecommunic ation		Tokyo
1918	loan	10,521,000	7.5-9	yen	telecommunic ation	all telegraph properties not previous pledged	Tokyo
1918	loan	526,000		yen	local		Tokyo
1918	loan	10,521,000	5	yen	rail		Tokyo
1918	loan	1,578,900		yen	rail	collieries in Fengtien owned by prov. Gov.	
1918	loan	1,578,900		yen	industry		
1918	loan	5,261,000		yen	repay debts		
1918	loan	2,382,200	8	sterling	telecommunic ation	exclusive rights to communicate with systems outside china	
1918	loan	5,261,000	7.5	yen	rail		
1918	loan	15,789,000	7.5	yen	local	Kirin and Heilongkiang gold mines and government forests	
1918	loan	10,521,000	8	yen	rail	treasury bonds	
1918	loan	10,521,000	8	yen	rail		
1918	loan	5,261,000	7	yen			
1918	loan	5,261,000	7	yen			
1918	bond		8	chinese dollar	industry		
1918	loan	1,206,000	10	yen			
1918	loan	1,538,000	7	yen	rail	Peking-Suiyuan railway	
1918	loan	5,128,300	8	yen	telecommunic ation	present and future gov. tel. Adm. Rev.	
1919	loan	901,000	6	sterling		title deeds taxes	

1919	loan	258,500		yen	none		
1919	loan	891,900	8	sterling	none		
1919	loan	572,000	10	taels	none		
1919	loan	752,000	9	franc	none		
1919	loan	76,000	9	franc	none		
1919	loan	8,122,000	8	sterling	transportation		London
1919	bond	796,300	5	franc	Treasury		
1919	loan	448,000	10.8	taels	none		
1919	loan	27,700	9	franc	none		
1919	bond	3,703,000	7	franc	Treasury		
1919	bond	25,000,000	6	dollar	Treasury	wine and tobacco revenues	New York
1919	loan	5,727,000	7.5	sterling	rail	earnings from Taokow-Tchingwha railway	
1919	bond	5,500,000	5.5	dollar	Treasury	wine and tobacco revenues	New York Chicago
1920	loan		12	chinese dollar	repay debts		
1920	bond	2,593,000	5	franc	none		
1920	bond	1,075,500	9	franc	none		
1920	loan	36,590	9	sterling	education		
1920	loan	104,070	8	franc	local		
1920	loan	410,000	10.2	yen	none		
	loan	15,384		yen	none		
1920	loan	70,000		dollar	education		
1920	loan	60,000	6	dollar	education		
1920	loan		8	belgian franc	haikow harborLTUH railway line		Brussels
1920	loan	545,400	5	sterling	rail		
1920	loan	3,076,000	9	yen	telecommunic ation	telegraph installations, equipment, properties and revenues	Tokyo
1920	loan		8	fl	rail		Amsterdam
1920	loan	1,328,000	9	yen	none		
1921	loan		12	taels	Treasury		
1921	bond	701,000	8	yen	Treasury		
1921	loan	1,718,800		yen	none		
1921	loan		10	sterling	none		
1921	loan	45,100	10	franc	education		
1921	loan		8	belgian franc	rail		Brussels
1921	loan	25,000	14	yen	education		Tokyo

1921	loan	28,850	10	yen	education		Tokyo
1921	loan	938,983	8	dollar	none		
1921	loan	240,000		yen	rail		
1921	loan	1,442,000		yen	rail		
1922	bond	14,234,000	8	yen	repay debts	salt-surplus revenues	
1922	loan	541,000	15	yen	forestry&mining		
1922	loan	3,720,000	8	sterling	rail	projected railway from Paotow London to Ningshia and from Peking to Paotow	
1922	bond	6,831,000	6	yen	Treasury	customs and salt revenues after all prior claims	
1923	loan	7,121,000	8	belgium francs	rail	LTUH railway line	Brussels
1923	loan	6,870,000	8	fl	rail	LTUH railway line	Amsterdam
1923	bond	19,417,000	6	yen	Treasury	railway and government guarantee	
1923	loan		8	taels	rail	railway	
1925	bond	43,893,900	5	dollar	indemnity	maritime customers revenues and native Chinese custom revenues	Shanghai London Paris New York
1925	loan	4,340,000	8	franc	rail	LTUH railway line	Paris New York
1925	loan	21,600	8	sterling	rail	China's shared profits in Shanghai-Nanking railway	
1925	loan	33,010,000	8	sterling	reorganize bonds	taxes on transfer of property and title deeds and Peking octroi	
1928	bond	5,000,000	6	Gold	indemnity	maritime customs revenues	Brussels
1928	bond		8	fl	rail		
1929	bond	757,300	8	sterling	rail	rolling stock purchased	
1930	bond	20,000,000	2	dollar	repay debts		
1933	loan	17,105,386	5	dollar	purchase		
1933	bond	100,000,000	5.5	dollar	treasury		
1933	bond	4,400,000	9.6	dollar	indemnity	maritime customs	
1934	loan	4,000,000	6	taels	rail		
1934	bond	7,352,000	6	sterling	rail	secured on a portion of the original box er indemnity	London
1934	loan	5,333,000	5.5	taels	rail		

1935	loan	1,172,000	6	sterling	bridge		
1935	bond	5,294,000		yen	rail		Tokyo
1936	loan	750,000		sterling	industry		
1936	loan	5,500,000	6	sterling	rail	direct obligation of the government and also secured on railway/bridge revenues	Shanghai
1937	loan				rail		
1937	bond	4,900,000	4	dollar	reorganize bonds	direct charge on entire salt revenues	
1937	loan	15,000,000	5	sterling	rail	surplus salt revenues not yet pledged	
1937	loan	18,500,000	5	sterling	rail	rail	
1937	loan	4,000,000	6	sterling	rail		
1937	loan		6	cgu	rail		
1937	loan	1,920,000	6	sterling	rail		
1938	loan		7	francs	rail	Kwangtung mining taxes	
1982	loan	40,816,000	8.7	yen	none		Tokyo

Table VI: Capital and Organization of the Provincial Railway Companies, 1903-1911

Name	Date of Establishment	Organizer(s)	Total Projected Capital (Initially Projected Capital)	Capital Actually Received	Projected Route	Official Subsidies (provincial surtaxes)	Guaranteed Interest (per annum)
Szechwan Railway Company (Ch'uan-Han)	July 1903 (reorganized April 1907)	Hsi-liang, Governor-general of Szechwan	50,000,000 taels (15,000,000 taels)	Ch\$16,000,000 (commercial investment only)	Ch'engtung-Chungking-Hankow	rice, opium, opium-smoking lamp, officials' salary, tea, salt	4%
Swatow-Ch'aochow Railway	Dec. 1903	Chang Yunnan, overseas trader	Ch\$2,500,000	Ch\$3,600,000	Swatow-Ch'aochow		6%
Peking-Kalgan Railway	May 1905	Ch'en Chao-Ch'ang, expectant <i>taot'ai</i> of Chihli	7,500,000 taels	1,600,000 taels	Peking-Kalgan	government fund (net profit from the Peking-Mukden Railway)	
Yunnan-Szechwan Railway	May 1905	Ting Chen-to, Governor-general of Yunnan	20,000,000 taels (6,000,000 taels)	1,000,000 taels (1910)	Kunming-Luchow (Szechwan)	salt, grain, public funds, lottery tickets, copper coins	4% (changed to 6%)
Anhui Railway Co.	July 1905	Li Ching-fang, former associate-director of Shanghai-Nanking Railway	20,000,000 taels (4,000,000 taels)	Ch\$892,000 (1909)	Wuhu-Kuangteh	rice, salt, lottery tickets, interest of public funds, lumber, stamps, housing rent	5%
Chekiang Railway Co.	August 1905	T'ang Shou-ch'ien, former Salt Commissioner of Lianghuai	Ch\$40,000,000 (Ch\$6,000,000)	Ch\$10,600,000	Hangchow-Soochow-Shanghai		7%
Fukien Railway Co.	Sept. 1905	Chen P'ao-chun, ex-sub-reader of Cabinet Chancellery	Ch\$6,000,000	Ch\$1,733,915 (including investment Ch\$500,000)	Ch'angchow-Ch'uanchow-Foochow	grain, salt, Fukienese officials' salary, commercial transaction	6%
Kiangsi Railway Co.	Nov. 1905	Li You-feng, ex-provincial treasurer of Nanking	20,000,000 taels (5,000,000 taels)	Ch\$9,600,000 (including commercial investment Ch\$2,100,000)	Nanch'ang-Kiukiang	salt, officials' salary, steamship navigation, opium smoking, relief fund	7%
Hupei Company of Canton-Hankow Railway	March 1906	Liang Ting-feng, Hupei Judicial Commissioner	Ch\$10,000,000	Ch\$400,000 (commercial investment only)	Wuch'ang-Hunan	lottery tickets, rice	
Hsinning Railway Co.	April 1906	Ch'en Yi-hsi, overseas trader	Ch\$2,500,000	Ch\$3,333,670	Hsinning-Sanchiahai		5%
Kiangsu Railway Co.	May 1906	Wang Ch'ing-mu, Junior Councillor of Commerce Ministry	Ch\$10,000,000	Ch\$4,600,000	Shanghai-Kiahsing-Soochow		7%
Tat'ung-P'uchow (Shansi) Railway Co.	June 1906	Ho Fun-K'un, ex-provincial commissioner of Kansu	20,000,000 taels (2,000,000 taels)	227,000 taels (including grain surtax 200,000 taels)	T'aiyuan-P'ing-yao (eventually Tat'ung-P'uchow)	grain interest of public funds, land tax, opium, corvee services	4%
Kwangtung Company of the Canton-Hankow Railway	July 1906	Cheng Kuan-yung, expectant <i>taot'ai</i>	Ch\$44,000,000	Ch\$44,000,000	Canton-Yichang (Hunan)		
Hunan Company of the Canton-Hankow Railway	Aug. 1906	Yüan Shu-hsun, Metropolitan governor of Peking		Ch\$1,400,000 (commercial investment only)	Ch'angsha-Chuchow	rice, salt, poll tax, housing rent, officials' salary, land tax	
Kwangsi Railway Co.	Sept. 1906	Yu Shih-mei, vice-minister of Education	Ch\$30,000,000 (Ch\$15,000,000)	Ch\$100,000 (1909)	Kweilin-Hunan, Kweilin-Kwangtung, Linchow-Nanning-Yunnan	'Contributed' funds for purchasing official posts and titles.	6%
Hupei Company of the Szechwan-Hankow Railway	Sept. 1906	Chang Chih-tung governor-general of Hukwang	Ch\$20,000,000	Ch\$656,900 (including commercial investment Ch\$59,000)	Hanyang-Ichang	rice, lottery tickets	6%
Heilungchiang Railways	April 1907	Ch'eng Te-ch'uan, Tartar general of Heilungchiang			Harbin-Tsitsihar, Tsitsihar-Tsingshan	1,000,000 taels (land reclamation fund)	
Honan (Loyang-T'ungkuan) Railway Co.	Sept. 1907	Liu Ko, Junior Councillor of Rites Ministry	Ch\$15,000,000	Ch\$900,000 (commercial investment only)	Loyang-T'ungkuan	salt, land	
Sian-T'ungkuan (Shensi) Railway Co.	May 1909 (formally registered)	Yen Nai-chü, expectant <i>taot'ai</i>	6,000,000 taels	640,000 taels (registered capital only)	Sian-T'ungkuan	opium, salt, grain, community debt, public funds	5%

Sources: Yu-ch'uan-pu, ed. *Kuei-cheng chi-yao ch'u-pien* (First Collection of Documents concerning Railway Affairs), contracts and charters; *Kuei-cheng chi-yao ts'e-pien* (Second Collection of Documents Concerning Railway Affairs), contracts and charters; *Yu-ch'uan-pu tso-i lui-pien* (Collected memorials of the Yu-ch'uan-pu), railway affairs; *Yu-ch'uan-pu tso-i hsi-pien* (Supplementary Collection of Memorials of the Yu-ch'uan-pu), railway affairs; Hsieh Pin, *Chung-kuo t'ieh-tao shih* (History of Chinese Railways) 238-42; Tseng K'un-hua, *Chung-kuo t'ieh-tao shih* (History of