

Annual Report



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2004

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Jiang Chaoliang
Chairman

Year 2004 was a glorious new page in the history of Bank of Communications. With the support of fellow shareholders and all circles of society, we consciously abided by the State policies and fulfilled the tasks and objectives defined by the Board of Directors. Adhering to the well-positioned operational ideology and strategy, we have achieved breakthroughs in the Bank's reform and development through concerted efforts.

In 2004, reform initiatives were implemented on the Bank's joint-stock system in an all-round way. Thanks to the completion of financial restructuring and the introduction of The Hongkong and Shanghai Banking Corporation Limited, the National Council for Social Security Fund and China SAFE Investments Ltd. as our overseas or domestic strategic investors, the Bank's equity structure was optimized, the governance structure streamlined, and the mechanisms improved. Furthermore, the cooperation with HSBC was intensified and our major financial indicators stood at the leading position among our domestic peers. The business kept growing in a sustainable, healthy and coordinated way and the operating revenues increased stably. The total assets and deposits both exceeded one trillion yuan and the pre-provision profit also exceeded 10 billion yuan, all having fulfilled a milestone leap.

On behalf of the Board of Directors, I would like to express my heart-felt acknowledgement to my fellow shareholders and all circles of society for their support to Bank of Communications!

2005 is a critical year for the deepening of China's financial reform and also the commencing year for Bank of Communications to consolidate the achievements of reform and development and to accelerate the strategic transformation. We will expedite the paces of reform and strive towards the goal of "an international public bank, an innovative bank, a comprehensive bank, and a bank with intensive operation and advanced management." To achieve that, we shall speed up the structural adjustment and change the mode of growth so as to achieve all-round coordinated and sustainable business development, on the principle that "development is the nonnegotiable reason and the foremost undertaking, quality is the nonnegotiable restriction and the foremost responsibility, and profit is the nonnegotiable task and the foremost goal."

Bank of Communications shall always progress together with the society and prosper together with its shareholders and customers. With firm resolve, enterprising spirits and down-to-earth style of work, the over 50,000 staff members of the entire bank will be committed to provide our customers with better service, create more values for our shareholders and make greater contribution to the society!

Chairman:



Zhang Jianguo
President

2004 was a year with historic significance for Bank of Communications. Thanks to the vigorous support of the central government and related government authorities and to the solicitude and assistance from the shareholders and all circles of society, we have achieved break-through in the in-depth reform on the joint-stock system, sustained, healthy and coordinated business growth, as well as pleasing performance results.

In 2004, our performance mounted up to a new level. Both the total assets and total deposits surmounted 1 trillion yuan while the non-performing assets ratio dropped to less than 3%, all having fulfilled a milestone leap. As of the end of 2004, the total assets of the Bank reached 1,138.6 billion yuan, growing by 22.61% over that at the beginning of the year. Deposit balance increased by 18.77% over that at the beginning of the year. The loan balance increased by 14.66% over that at the beginning of the year. The NPL ratio in terms of the 5-level classification system was 2.91%. The Bank achieved a pre-tax profit of 7.119 billion yuan, with a growth rate of 75.26% compared with that of the previous year.

In 2004 we achieved remarkable success in business operations and management, as manifested in the following respects:

Firstly, we kept good business growth through timely adapting to the variations in macro economic and financial situation. By optimizing the allocation of resources to support key business items, keeping a rational pace of development and enhancing marketing for hi-end clients and high-quality projects, the total assets, deposits and profit all fulfilled a historic leap. And there was an increase of market share of our major business items.

Secondly, we steadfastly carried out the macro-control policies and further optimized the business structure. In 2004, taking the implementation of the central government's macro-control policy as an opportunity to adjust and optimize our business structure, we strengthened credit guidance and marketing for key clients and vigorously promoted the fee-based business. There was further optimization of loan portfolio, among which the weight of loans extended to the focal industries increased by 2 percentage points, the weight of personal loan balance increased by 3 percentage points, and the percentage of loans extended to restrained industries such as the real estate, wholesale & retail sale, accommodation & dining dropped. The weight of the revenue generated from fee-based business continued increasing.

Thirdly, we strengthened risk management in an all-round way. As a result, the NPL balance and ratio continued to descend after the centralized NPL carve-out. On the basis of the carve-out resulting in the significant improvement of assets quality, we enhanced the risk management at the front office, promoted the vertical management of credit extension and internal audit functions, and constructed an extensive risk management system so as to curb the emergence of non-performing assets systematically. In addition, we established and streamlined the policies and measures of risk

identification, measurement, control and management; established risk warning system, watch list and a monitoring system over NPL-encumbered branches; introduced tools such as RAROC (Risk Adjusted Return On Capital) and RAPA (Risk Adjusted Performance Assessment); fulfilled dynamic loan-by-loan monitoring by utilizing the NPL migration analysis; regularly performed the provision evaluation by facility by means of discounted cash flow methodology; and implemented risk classification for non-credit assets. As of the end of 2004, the NPL balance defined under the 5-level classification system decreased by 1.182 billion yuan and the NPL ratio descended by 0.51 percentage points compared with that at the end of June 2004.

Fourthly, the governance structure was being transformed in a benign direction and the operation and management capacity was being stably improved. With the deepening of the reform on the joint-stock system, the Bank's governance structure was further optimized. Under the direction of the Board of Directors and the supervision of the Board of Supervisors, the senior management was able to perform their role of business operation and management effectively. By referring to the mainstream mode of organizational structures of the leading international peers, a restructured customer-centric, profit-targeted, specialized and vertical organizational structure was being put in place step by step, featuring the separation and checks-and-balances among the front, middle and back office. The extensive risk management system was initiated, the reform on the internal audit system was expedited, and the financial management was further enhanced. The performance assessment system was further streamlined. The cooperation with The Hongkong and Shanghai Banking Corporation Limited, our strategic partner, was intensified in an all-round way, which has positively impacted our introduction of advanced operational ideology, financial products, management mechanism and technology.

Fifthly, the capacity in technology application was continuously improved and the paces of product development speeded up. Phase I of the data centralization project was put into operation successfully. The technologically advanced system has already shown its positive effect in improving the operation and management competence. Furthermore, we have achieved periodical progress in Phase II of the project. Thanks to the accelerated development of the management accounting system and the successful roll-out of the internal financial accounting management system, we managed to unify the financial accounting system, measures and process within the whole bank. Product development was accelerated. New products such as the dual-currency credit card, "Delibao" (a kind of foreign exchange structural deposit) and "MoneyGram" were launched into the market. The Bank also obtained from regulatory authorities the licenses for individual exchange selling, forward exchange settlement and derivatives trading.

What we achieved in 2004 was attributable to the support of the central government and relating authorities and of our shareholders and all circles of society. On behalf of the senior management of the Bank, I would like to express my heart-felt acknowledgement to the senior government officials, our shareholders and friends from all circles of life for their solicitude and support!

Faced with the complicated external operational environment, the increasingly rigid capital restriction and the step-by-step interest rate deregulation, and in the light of the periodical achievement in our system reform and development that has surmounted a new historic level, we will practice the strategic transformation of management and development since 2005. Focusing on the adjustment of business structure and the transformation of growth mode, we shall continue to enhance marketing, expedite growth and enhance management capability. We shall explore a new way of development featuring strong innovativeness, low resources consumption, high operation returns and extensive technological application, where we can exploit our advantages to the full so as to keep business growing in a stable and healthy way.

We firmly believe that, with the support of all social circles, the understanding and assistance of our shareholders, and through the joint efforts of the entire staff, Bank of Communications is sure to continuously promote sustainable growth, continuously improve the management and continuously carry forward the strategic transformation, and that the targets and objectives set for year 2005 are sure to be achieved!

President: 张建国

Board Members



Jiang Chaoliang



Li Jun



Raymond OR Ching Fai

Mr. Jiang Chaoliang,
Chairman, Chinese nationality,
48 years old, Senior Economist.

Mr. Li Jun,
Director, Executive Vice President,
Chinese nationality, 49 years old,
Senior Economist.

Mr. Raymond OR Ching Fai,
Director, General Manager and
Executive Director of the Hong
Kong and Shanghai Banking
Corporation, Ltd., British
nationality, 56 years old.



Zhang Jianguo



Zhang Jixiang



William FUNG Kwok Lun

Mr. Zhang Jianguo,
Vice Chairman, President,
Chinese nationality, 51 years
old, Senior Economist.

Mr. Zhang Jixiang,
Director, Board Secretary,
Chinese nationality, 52 years
old, Associate Researcher,
receives the State Council
Special Allowance.

Mr. William FUNG Kwok Lun,
Director, Group Managing
Director, Li&Fung Limited,
Hong Kong Permanent Resident,
56 years old.



Qiao Wei



Hu Huating



Li Keping

Mr. Qiao Wei,
Vice Chairman, Executive Vice
President, Chinese nationality, 60
years old, Senior Economist.

Mr. Hu Huating,
Director, Chinese nationality, 48
years old.

Mr. Li Keping,
Director, Director of the
Investment Department of the
National Council for Social
Security Fund, Chinese
nationality, 49 years old.



Li Zexing



Li Guanglin



Ian R. Wilson

Mr. Li Zexing,
Director, Deputy General
Manager of Research and
Legal Dept. of China SAFE
Investments Ltd., Chinese
nationality, 41 years old,
Senior Economist.

Mr. Li Guanglin,
Director, Director and Chief
Accountant of Yuxi Hongta
Tobacco (Group) Co., Ltd.,
Chinese nationality, 41 years
old, Senior Accountant.

Mr. Ian R. Wilson,
Independent Director, British
nationality, 64 years old.



Gao Shiqing



Li Ruge



Thomas J. Manning

Mr. Gao Shiqing,
Director, Assistant General
Manager of Capital Airports
Holding Company, Chinese
nationality, 44 years old,
Engineer.

Mr. Li Ruge,
Director, Deputy Chief
Accountant, China GuoDian
(Group) Corporation, Chinese
nationality, 42 years old,
Senior Accountant.

Mr. Thomas J. Manning,
Independent Director,
Managing Director of Bain &
Company, Nationality of
U.S.A., 50 years old.



Shen Weiming



Xie Qingjian

Mr. Shen Weiming,
Director, Chief Economist,
Shanghai Tobacco (Group)
Corp., Chinese nationality, 58
years old, Senior Economist.

Mr. Xie Qingjian,
Independent Director,
Consultant of the People's Bank
of China, Chinese nationality, 61
years old, Senior Economist.

Annual Report 2004

Section 1. Important Notice

The financial data in this annual report are quoted from the Financial Statements complied in accordance with the Enterprises Accounting Standards and Accounting System for Financial Institutions promulgated in PRC. The Financial Statements have been audited by Pan-China Certified Public Accountants Co., Ltd., a domestic auditor in China. The Company's Board of Directors and its board members assure that the materials recorded in this report do not contain any false record, misleading statement or significant omission and shall be accountable for the truth, accuracy and completeness of the said materials in terms of individual and joint liability.

Cui Leiping
Chairman of Board of
Supervisors

Section 2. Profile of the Company

1. Registered Name of the Company in Chinese: 交通银行股份有限公司

Registered Name of the Company in English:

Bank of Communications Co., Ltd. (shortened as “Bank of Communications” or “the Company”)

2. Legal Representative of the Company: JIANG Chaoliang

3. Registered Address and Office Address of the Company:

Registered Address: 18 Xian Xia Lu, Shanghai, PRC Postal Code 200336

Office Address: 188 Yin Cheng Zhong Lu, Shanghai, PRC Postal Code 200120

Website: <http://www.bankcomm.com>

4. Board of Directors Office

Address: 188 Yin Cheng Zhong Lu, Shanghai, PRC Postal Code 200120

Telephone: 86-21-58766688

Fax: 86-21-58798398

E-mail: dongban@bankcomm.com

5. Other Information

Date of Initial Registration: March 30, 1987

Date of Registration Alteration: December 24, 2004

Business License Number: 1000001000595

Taxation Registration Number: Guo Shui Hu Zi No. 31004410000595X

Di Shui Hu Zi No. 31004410000595X

Type of Ownership: Joint-Stock Company

Domestic Certified Public Accountant retained by the Company: Pan-China Certified Public Accountants
Co., Ltd.

International Certified Public Accountant retained by the Company: PricewaterhouseCoopers

6. Information Disclosure

The annual report of the Company is available at the Company’s website: <http://www.bankcomm.com>

The hard copies of the annual report are available at the Board of Directors Office and the Company’s major business outlets.

7. This report is compiled in both Chinese and English. Should any discrepancy arise between the two versions, the Chinese version shall prevail.

Section 3. Summary of Accounting Data and Performance Results

1. Main financial data of the reporting period

(Unit: RMB '000 Yuan)

Item	2004
Total profit	7,118,549
Net profit	915,110
Distributable profit	0
Undistributed profit	0
Operating profit	8,891,411
Investment income	5,437,580
Subsidy income	0
Net income from non-operating activities	-1,772,862

2. Main accounting data and financial indicators for the last three years previous to the end of the reporting period

(Unit: RMB '000 Yuan)

Item	2004	2003	2002
Net profit	915,110	4,311,941	4,935,676
Total asset	1,138,634,004	928,633,477	731,782,012
Share capital	39,070,063	17,108,155	15,909,537
Return on equity (ROE) ^{Note}	1.74%	23.96%	-

Note: The calculation of ROE was based on financial year end numbers.

3. Supplementary financial data during the reporting period

(Unit: RMB '000 Yuan)

Item	Dec. 31, 2004	Dec. 31, 2003
Placements from banks	9,409,933	9,724,279
Total amount of deposits	1,011,871,551	852,026,849
Of which: long-term deposits	32,315,117	13,772,029
Total amount of loans	638,146,899	556,559,832
Of which: short-term loans	350,956,452	302,754,703
Inward and outward documentary bills	13,709,832	10,585,363
Discounted bills	40,580,668	24,045,301
Medium and long-term loans	217,569,750	163,392,791
Overdue loans	4,446,194	3,386,925
Stagnant loans	10,694,926	45,846,253
Dead loans	189,077	6,548,496

4. Provision for loan losses

(Unit: RMB '000 Yuan)

Item	Dec. 31, 2004	Dec. 31, 2003
Balance at the beginning of the period	38,862,633	42,695,900
Provisions	3,058,650	4,954,089
Amounts recovered	51,110	43,440
Amounts written-off	33,381,888	8,830,796
Balance at the end of the period	8,590,505	38,862,633

5. Supplementary financial indicators

(Unit: RMB '000 Yuan)

REGULATORY INDICATORS	REGULATORY STANDARD	Dec.31,2004	Dec.31,2003	Dec.31,2002
CAR (%)	≥ 8%	9.72	7.41	8.83
Tier-1 capital adequacy ratio (%)	≥ 4%	6.77	6.36	6.18
Liquidity ratio (%)	RMB ≥ 25% Foreign currency ≥ 60%	66.30 57.05	53.02 98.20	51.42 181.94
Loans-to-deposits ratio(%)	RMB ≤ 75% Foreign currency ≤ 85%	64.00 65.17	67.77 67.55	67.67 43.07
Placements from/with banks ratio(%)	Placements from banks ≤ 4% Placements with banks ≤ 8%	0.001 0.51	0.04 0.78	0.01 1.38
NPL ratio(%) (on the five-category classification basis)	≤ 15%	2.91	12.60	18.53
Single largest customer lending to total loans(%)	≤ 10%	7.19	8.83	7.47
Top ten customers' loans to total loans(%)	≤ 50%	34.59	48.79	42.90

Note: 1) Among the above regulatory indicators, the NPL ratio, the ratio of single largest customer lending to total loans and the ratio of top ten customers' loans to total loans are recalculated according to regulatory requirements, the rest indicators are in compliance with the figures reported to the People's Bank of China (and the China Banking Regulatory Commission, also known as CBRC); Except the NPL ratio (on the five-category classification basis) and the CAR , the rest indicators shall not include the data of the overseas branches.

2) CAR on Dec. 31, 2003 and Dec. 31, 2002 is calculated in accordance with the "Notice of Regulatory Indicators and Assessment Measures on Assets/Liabilities Proportion Management of Commercial Banks" released by the People's Bank of China in 1996. CAR on Dec. 31, 2004 is calculated in accordance with CBRC's decree "Managerial Measures on Commercial Banks'CAR (2004 No. 2)". The datas above are in line with those reported to the People's Bank of China (and the CBRC).

3) CAR = Net amount of capital / total amount of weighted risk assets on or off the balance sheet × 100%

Of which: Net amount of capital = tier-1 capital + tier-2 capital – deductible items

4) Liquidity ratio = balance of current asset at the end of the period / balance of current liabilities at the end of the period × 100%

- 5) Loans-to-deposits ratio = balance of total loans at the end of the period / balance of total deposits at the end of the period
× 100%
- 6) Placements with banks ratio = balance of placements with banks at the end of the period / balance of total deposits at the end
of the period × 100%
- 7) Placements from banks ratio = balance of placements from banks at the end of the period / balance of total deposits at the end
of the period × 100%
- 8) NPL ratio(on the five-category classification basis) = balance of sub-standard, doubtful and loss loans at the end of the period /
balance of total loans at the end of the period × 100%
- 9) Single largest customer lending to total loans = loan balance of the single customer / net amount of capital × 100%
- 10) Top ten customers' loans to total loans = total amount of the loan granted to the top ten largest customers / net amount of
capital × 100%

6. Changes in the shareholders' equity

(Unit: RMB '000 Yuan)

Item of Shareholders equity	Opening Amount	Increase	Decrease	Closing Amount
Share capital ^{Note 1}	17,108,155	21,961,908	-	39,070,063
Capital surplus ^{Note 2}	11,747,026	11,766,004	10,094,245	13,418,785
Surplus reserve ^{Note 3}	8,938,730	-	8,938,730	-
Of which: Public welfare fund	436,923	-	436,923	-
Undistributed profit ^{Note 4}	-19,794,650	19,794,650	-	-
Total shareholders' equity	17,999,261	53,522,562	19,032,975	52,488,848

Note: 1) In June of 2004, the Company received the total investment of RMB 18,000,000,000 from Ministry of Finance, China SAFE Investments Ltd., National Council for Social Security Fund, of which, RMB 13,555,556,000 are to increase paid-in capital, RMB 4,444,444,000 are accounted to the capital surplus.

According to the resolution of the Shareholders' General Meeting on June 20, 2004, the Company granted allotments at the proportion of "2 allotment shares per 15 shares" for the registered shareholders, who registered on the equity registration date on April 30, 2004 (except that of the Ministry of Finance). The price of per allotment share is RMB 1.80. The equity of the allotment shares granted can be transferred according to the related stipulations under "the Articles of Association of Bank of Communication Co., Ltd.". As of July 9, 2004, 1033 shareholders confirmed the intention on the capital increase in the Company, and paid the corresponding fund for the capital increase. The actual funds charged to the accounts are RMB 1,136,539,000, of which, RMB 631,410,000 and RMB 505,129,000 are charged to the share capital account and the capital surplus account respectively by the Company.

On Aug. 18, 2004, HSBC remitted the subscribing amount totaling USD 1,747,199,000 into the Company's account. Of which, USD 939,377,000 (equivalent to RMB 7,774,943,000) and USD 807,822,000 (equivalent to RMB 6,686,101,000) are charged to the share capital account and capital surplus account respectively.

- 2) In 2004, the Company accepted non-cash asset donation and accordingly increased capital surplus RMB 55,557,000 and provision on equity investment contributed RMB 74,773,000 to capital surplus account.

In accordance with "Notice of the issues related to the reform and restructure of Bank of Communications No. CAI JIN 57(2004) " released by the Ministry of Finance, the Company can use a portion of owners' equity to write off the losses caused by disposing problem assets and supplemented provisions with the approval of the Shareholders' General Meeting. The sequence of writing-off are undistributed profit, surplus reserve (including public welfare fund) and capital surplus. Therefore, the Company used capital surplus of RMB 9,940,810,000 to make up the accumulated losses, and other factors that decreased capital surplus amounted to RMB 153,435,000.

- 3) The decrement of the surplus reserve for the amount of RMB 8,938,730,000 of the period is due to making up the accumulated losses.

7. Capital composition and changes

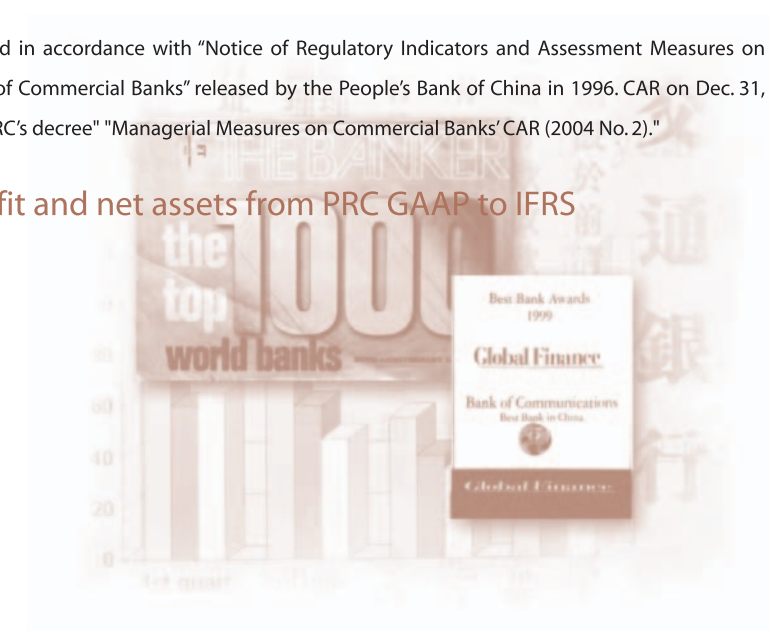
(Unit: RMB 100 million)

Item	Dec. 31, 2004	Dec. 31, 2003
Net amount of capital	667.27	434.99
Of which: tier-1 capital	465.13	373.70
Total amount of weighted risk assets on or off the balance sheet	6866.44	5872.23
Tier-1 capital adequacy ratio	6.77%	6.36%
Capital adequacy ratio (CAR)	9.72%	7.41%

Note: CAR on Dec. 31, 2003 was calculated in accordance with "Notice of Regulatory Indicators and Assessment Measures on Assets/Liabilities Proportion Management of Commercial Banks" released by the People's Bank of China in 1996. CAR on Dec. 31, 2004 was calculated in accordance with CBRC's decree "Managerial Measures on Commercial Banks' CAR (2004 No. 2)."

8. Reconciliation of net profit and net assets from PRC GAAP to IFRS

See attachments.



Section 4. Shareholder Changes and Status

1. As of the end of the reporting period, the Company has 2,595 shareholders in total.

2. Shareholding of major shareholders at the end of the reporting period:

NO.	NAME OF SHAREHOLDER	SHARES HELD	PERCENTAGE(%)
1	Ministry of Finance PRC	9,974,982,648	25.53
2	The Hongkong & Shanghai Banking Corporation Limited	7,774,942,580	19.90
3	National Council for Social Security Fund	5,555,555,556	14.22
4	China SAFE Investments Ltd.	3,000,000,000	7.68
5	Capital Airports Holding Company	985,447,500	2.52
6	Shanghai Tobacco (Group) Corp.	378,328,046	0.97
7	Yunnan Hongta Group	345,215,314	0.88
8	Shandong Electric Power Corporation	300,000,000	0.77
9	Huaneng Capital Service Co., Ltd.	198,041,710	0.51
10	China FAW Group Corporation	177,376,500	0.45
Total		28,689,889,854	73.43

Note: The Company is not acquainted with the related party relationship between the above entities.

3. Equity changes of the top 10 shareholders in the reporting period

As of Dec.31, 2004, the top 10 shareholders made changes as follows:

- (1) The Hongkong & Shanghai Banking Corporation Limited purchased 7,774,942,580 shares;
- (2) National Council for Social Security Fund purchased 5,555,555,556 shares;
- (3) China SAFE Investments Ltd. purchased 3,000,000,000 shares of the Company;

(4) Capital Airports Holding Company was assigned 985,447,500 shares from Shanghai State-owned Assets Management Co., Ltd. and Beijing State-owned Assets Management Co., Ltd.

4. Information of shareholders holding more than 5% equity of the Company

(1) Ministry of Finance PRC

The Ministry of Finance is a government department of the PRC responsible for the macro readjustment of public revenue and expenditure, fiscal policies, tax policies and state-owned capital management. Its office address is: No.3 Nan San Xiang, San Li He, Xicheng District, Beijing.

(2) The Hongkong and Shanghai Banking Corporation Limited

HSBC's registered and office address is: HSBC Main Building, 1 Queen's Road Central, Hong Kong SAR. As of December 31, 2003, its total assets were HKD2148.741 billion, and total capital HKD138.858 billion.

(3) National Council for Social Security Fund PRC

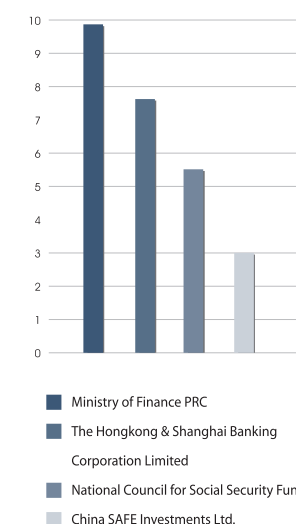
The office address of National Council for Social Security Fund PRC is Jia 2 Yue Tan Bei Jie, Xicheng District, Beijing. The council is entrusted by the State Council to manage the National Social Security Fund, a specialized fund for the purpose of supplementing the expenditure of social security.

(4) China SAFE Investments Ltd.

China SAFE Investments Ltd. is a solely state-owned investment company established under the approval of the State Council in compliance with Company Law. The Company is invested by the State and exercises on behalf of the State the rights and duties to the major PRC financial institutions including Bank of China and China Construction Bank. Its operation is limited to equity investments authorized by the State Council and it is not allowed to be involved in other commercial activities.

Equity changes of the shareholders in the reporting period

(Unit: billion shares)



Section 5. Directors, Supervisors, Senior Executives and Employees

1. Directors, Supervisors and Senior Executives currently in office

(1) Basic Information :

Post	Name	Sex	Age	Tenure of Office Starting from
Chairman of the Board	JIANG Chaoliang	Male	48	2004.06
Vice Chairman, President	ZHANG Jianguo	Male	51	2004.06
Vice Chairman, Executive Vice President	QIAO Wei	Male	60	2000.10
Director, Executive Vice President	LI Jun	Male	49	2000.06
Director, Board Secretary	ZHANG Jixiang	Male	52	2004.09
Director	HU Huating	Male	48	2004.09
Director	Raymond OR Ching Fai	Male	56	2004.09
Director	William FUNG Kwok Lun	Male	56	2004.09
Director	LI Keping	Male	49	2004.09
Director	LI Zexing	Male	41	2004.09
Director	GAO Shiqing	Male	44	2004.09
Director	SHEN Weiming	Male	58	2004.06
Director	LI Guanglin	Male	41	2003.07
Director	LI Ruge	Male	42	2000.06
Independent Director	XIE Qingjian	Male	61	2004.09
Independent Director	Ian R. WILSON	Male	64	2004.09
Independent Director	Thomas J. MANNING	Male	49	2004.09
Chairman of Board of Supervisors	CUI Leiping	Male	58	2004.09
Supervisor	YIN Baoyu	Female	60	2004.06
Supervisor	LIU Sha	Female	50	2004.11
Supervisor	CHEN Qing	Female	45	2004.11
Supervisor	NING Jinbiao	Male	48	2004.06
Supervisor	TENG Tieqi	Male	48	2004.09
Supervisor	JI Keliang	Male	66	2004.09
External Supervisor	LIU Qiang	Male	39	2004.06
External Supervisor	CHEN Zheng	Female	37	2004.09
Secretary of the Disciplinary Commission	XU Junkang	Male	59	1996.11
Executive Vice President	PENG Chun	Male	43	2004.09

Post	Name	Sex	Age	Tenure of Office Starting from
Executive Vice President	QIAN Wenhui	Male	43	2004.12
Chief Financial Officer	YU Yali	Female	47	2004.08
Chief Information Officer	HOU Weidong	Male	45	2004.08

(2) Posts of the Directors, Supervisors and Senior Executives at other companies

Name	Post at Our Company	Posts and Directorships at Other Companies
LI Jun	Director,EVP	Director, Yangtze River Economy United Development (Group) Co., Ltd.
Raymond OR Ching Fai	Director	General Manager, Executive Director, HSBC; Chairman, HSBC Insurance (Asia-Pacific) Holdings Limited; the director of Cathay Pacific Airways Ltd., Esprit Holdings Ltd., Hang Seng Bank Ltd., Hong Kong Interbank Clearing Ltd., Hutchison Whampoa Limited, iBusiness Corporation.com Ltd.
William FUNG Kwok Lun	Director	Group Managing Director, Li&Fung Limited; Directors at 47 companies. Just to name a few, Mr. Fung is the director of The Hongkong and Shanghai Banking Corporation Ltd., HSBC Holdings plc., CLP holdings Ltd., chinadotcom Corporation, VTech Holdings Ltd.and Convenience Retail (Asia) Ltd.
LI Keping	Director	Director of the Investment Department of the National Council for Social Security Fund
LI Zexing	Director	Deputy General Manager of Research and Legal Dept. of China SAFE Investments Ltd.
GAO Shiqing	Director	Assistant General Manager, Capital Airports Holding Company; Chairman, Jinfei Civil Aviation Economic Development Co., Ltd.; Chairman, Capital Airports Construction & Investment Co., Ltd.; Chairman, Shenzhen Zenitek Investment Development Co., Ltd.
SHEN Weiming	Director	Chief Economist, Shanghai Tobacco (Group) Corp.; Chairman of 7 companies affiliated to Shanghai Tobacco (Group) Corp.; Director of Shanghai Jieqiang Tobacco, Sugar & Wine (Group) Co., Ltd. and China Pacific Insurance (Group) Co., Ltd.; Chairman of Supervisory Board, Shanghai Tobacco Logistics Co., Ltd.; Vice Chairman of Supervisory Board, Guan Sheng Yuan (Group) Co., Ltd.

Name	Post at Our Company	Posts and Directorships at Other Companies
LI Guanglin	Director	Director, Chief Accountant, Yuxi Hongta Tobacco (Group) Co., Ltd.; Director, China Everbright Bank Co., Ltd., Hongta Securities Co., Ltd.; Executive director, Yunnan Industrial Holdings Co., Ltd.
LI Ruge	Director	Deputy Chief Accountant, China GuoDian (Group) Corporation; Chairman, Guangdong Golden Horse Tourism Group Stock Co., Ltd.; Vice Chairman, Xiangcai Securities Co., Ltd.; Vice Chairman, Hua Xia Bank Co., Ltd.; Director, V-Sun Securities Co., Ltd.
XIE Qingjian	Independent Director	Consultant, the People's Bank of China
Thomas J. MANNING	Independent Director	Managing Director, Bain & Company; Director, Saybot LLC
NING Jinbiao	Supervisor	Deputy General Manager, Huaneng Capital Service Co., Ltd.
TENG Tieqi	Supervisor	Deputy General Manager, China FAW Group Corporation
JI Keliang	Supervisor	Chairman, Chief Engineer, China Kweichow Moutai Distillery Co., Ltd.; Director, Kweichow Moutai Co., Ltd.
LIU Qiang	External Supervisor	Deputy Chief Accountant, Daqing Petroleum Administration Bureau
CHEN Zheng	External Supervisor	Manager of the Asset Management Department of Nanjing State-owned Assets Investment Management Holding (Group) Co., Ltd.

The Company's directors, supervisors and senior executives other than the above mentioned do not assume posts at any other company.

(3) Annual compensation

In 2004, the Company's directors and supervisors were paid compensations for the amount of RMB 5.3 million, among whom the independent directors accepted RMB 112,500 and the independent supervisors accepted RMB 86,666.

The top 5 senior executives in terms of compensation received were paid RMB 3.8 million.

During the above mentioned period, the directors and supervisors of the Company other than the above mentioned people were not paid any compensation or allowance by the Company.

At present, except Mr. ZHANG Jixiang, who receives the State Council Special Allowance, none of the senior executives of the Company enjoys any policy allowance. Their pension schemes are implemented according to the State's cooperative retirement pension program in compliance with relevant State policies.

2. Changes of Directors, Supervisors and Senior Executives in the reporting period

1) On June 20, 2004, the Company's annual Shareholders' General Meeting elected the members of the 4th Board of Directors, who were JIANG Chaoliang, ZHANG Jianguo, QIAO Wei, XU Junkang, LI Jun, PENG Chun, CHEN Shaochang, SHEN Weiming, LI Guanglin, LI Ruge, XU Zhe, TENG Tieqi, JI Keliang, XIA Jinghan, QING Hong and YAN Su. The meeting also elected members of the 4th Board of Supervisors (staff supervisors not included), who were NING Jinbiao, DONG Mei, ZHAO Lijun, LI Chao and LIU Qiang.

2) On June 20, 2004, the 1st Session of the 4th Board of Directors elected by voting Mr. JIANG Chaoliang as the Chairman of the Board and Messrs. ZHANG Jianguo and QIAO Wei as the Vice Chairmen. The meeting also approved to appoint Mr. ZHANG Jianguo as President of the Company.

3) On July 30, 2004, the 2nd Session of the 4th Board of Directors approved to appoint Mr. ZHANG Jixiang as the Board Secretary of the Company.

4) On August 23, 2004, the 3rd Session of the 4th Board of Directors passed the proposal on appointing Mdm. YU Yali as the Company's Chief Financial Officer and Mr. HOU Weidong as the Chief Information Officer.

5) On September 23, 2004, the 2nd Interim Shareholders' General Meeting in 2004 elected Messrs. ZHANG Jixiang, HU Huating, Raymong OR Ching Fai, William FUNG Kwok Lun, LI Keping, LI Zexing and GAO Shiqing as directors and Messrs. XIA Bin, XIE Qingjian, Ian R. WILSON and Thomas J. MANNING as independent directors of the Company and approved the resignation of CHEN Shaochang, XU Zhe, TENG Tieqi, JI Keliang, XIA Jinghan, QING Hong, YAN Su, XU Junkang and PENG Chun from directorship of the Company. The meeting elected Messrs. CUI Leiping, TENG Tieqi and JI Keliang as supervisors of the Company and approved the resignation of Ms. DONG Mei and Mr. ZHAO Lijun from supervisors. The meeting elected Mr. CHEN Zheng as an external supervisor of the Company and approved the resignation of Mr. LI Chao from external supervisor.

6) On September 23, 2004, the 4th Session of the 4th Board of Directors passed the proposal on appointing Mr. Peng Chun as Executive Vice President of the Company.

7) On November 5, 2004, the Company's Staff Congress approved that Mr. ZHOU Xingwen and Mdm. SUN Xiaomei no longer assume the post as staff supervisors and elected LIU Sha and CHEN Qing as staff supervisors.

8) On Dember 15, 2004, the 5th Session of the 4th Board of Directors passed Mr. XIA Bin's resignation from directorship and approved appointing Mr. QIAN Wenhui as Executive Vice President of the Company.

3. Employees

As of the end of the reporting period, there are 54,408 employees in the Company. To break down, 589 or 1.08% employees hold senior professional titles, 14,319 or 26.32% employees hold middle professional titles, 941 or 1.73% hold master degrees or above, 16,327 or 30.01% employees hold bachelor degrees, and 29,509 or 54.24% are graduates from vocational college or high schools.

Section 6. Governance Structure

1. Corporate governance profile

Since its re-establishment in 1987, the Company has strived to continuously improve on and optimize the corporate governance. Currently, a corporate governance structure has been put in place with a diversified shareholding structure as its basis, shareholder value maximization as its objective, and the Shareholders' General Meetings, Board of Directors, Board of Supervisors and senior management having their respective and clearly-defined rights and responsibilities, operating in accordance with norms and with orderly checking and balancing among themselves. There are the Auditing Committee, Risk Management Committee and Human Resources and Compensation Committee under the Board of Directors and under the Board of Supervisors are the Nomination Committee and the Supervision Committee. The establishment and functioning of these special committees have played important roles on strengthening the effectiveness of scientific decision-making of the Board of Directors and Board of Supervisors, and improving corporate governance of the Company.



2. Independent directors' performance of their duties

The Company selected through voting four independent directors at the 2nd Interim Shareholders' General Meeting on September 23, 2004. This meeting examined and passed the *Working Rules for Independent Directors of Bank of Communications*. On December 15, 2004, Mr. Xia Bing resigned from the post of independent director for personal reasons. These engaged independent directors of the Company have been actively participating in the meetings of the Board of Directors and the respective special committees, and involved themselves with various significant decision-makings of the Company. The independent directors, namely Xie Qingjian, Ian R. Wilson and Thomas J. Manning, participated in the 4th and 5th session of the 4th Board of Directors.

3. Appraisal, stimulation mechanisms and relevant restriction mechanisms for directors, internal supervisors and senior management and their implementations

Human Resources & Compensation Committee set up by the Board of Directors of the Company is responsible for drafting compensation schemes for senior management of the Company, which are implemented after approval of the Board of Directors. At the 2nd Interim Shareholders' General Meeting of the Company on September 23, 2004, the *Motion on Long-term Stimulation Scheme of Bank of Communications* was passed. With authorization from the Shareholders' General Meeting, the 4th session of the 4th Board of Directors of the Company passed the *Motion on Adoption of Value-Added Stock Option Form for Initial Authorization of Long-Term Stimulation Scheme of Bank of Communications*.

Section 7. Shareholders' General Meeting

1. Annual Shareholders' General Meeting

The Shareholders' General Meeting 2004 of the Company was held in Shanghai on June 20, 2004. Attending shareholders and agents authorized by shareholders numbered 282 in total, representing 16,499,013,439 shares, or 96.44% of all the shares of the Company, which were complied with the related stipulations in *the Company Law* and *the Articles of Association* of the Company.

At the Shareholders' General Meeting 2004 of the Company, the following resolutions were reviewed and discussed, and passed by item-by-item vote in the way of name-bearing balloting:

- 1) Working Report of the 3rd Board of Directors, Bank of Communications
- 2) Working Report of the President
- 3) Amendment to the Articles of Association of Bank of Communications Co., Ltd. (Draft)
- 4) Report on Financial Closing and Tentative Plan of Profits Distribution for Year 2003 of Bank of Communications
- 5) Report on Financial Budget for Year 2004 of Bank of Communications
- 6) Bank of Communications' Plan of Recapitalization, Financial Restructuring and Introduction of Overseas Strategic Investors

2. Interim Shareholders' General Meetings

(1) The 1st interim Shareholders' General Meeting 2004 of the Company was held in the form of correspondence voting from April 8 to May 10 of 2004. At this meeting, a total of 2,744 voting ballots were dispatched representing 17,108,154,510 shares held by shareholders. As of May 10, 2004, a total of 2,520 voting ballots were received by the Company, representing 16,495,874,133 shares held by shareholders, or 96.42% of the total shares of the Company, which were complied with the related stipulations in the *Company Law* and the *Articles of Association* of the Company. The *Motion on Issuance of Subordinated Term Debentures to Supplement tier-2 Capital of Bank of Communications* was reviewed and discussed, and passed by vote in the way of name-bearing ballots.

(2) The 2nd interim Shareholders' General Meeting 2004 of the Company was held on September 23, 2004. Attending shareholders and agents authorized by shareholders were numbered at 273 in total, representing 37,784,728,687 shares, or 96.71% of all the shares of the Company, which were complied with the related stipulations in *the Company Law* and *the Articles of Association* of the Company.

At the 2nd interim Shareholders' General Meeting 2004 of the Company, the following resolutions were reviewed and discussed, and passed by item-by-item vote in the way of name-bearing balloting:

- 1) Motion on Simultaneous Listing of H Shares and A Shares and Relevant Authorization Proceedings
- 2) Motion on Amending the Articles of Association of Bank of Communications Co., Ltd.
- 3) Motion on Long-term Stimulation Scheme of Bank of Communications
- 4) Rules on Procedures for Shareholders' General Meeting of Bank of Communications
- 5) Rules on Procedures for the Board of Directors of Bank of Communications
- 6) Rules on Procedures for the Board of Supervisors of Bank of Communications
- 7) Working Rules of Independent Directors of Bank of Communications
- 8) Motion on Compensation for Independent Directors and External Supervisors of Bank of Communications
- 9) Motion of Displacing Some of the Directors and Adding Independent Directors
- 10) Motion on Adding Supervisors and Replacing Some of the Supervisors

Section 8. Report of the Board of Directors

1. Business performance within reporting period

(1) Scope of main business

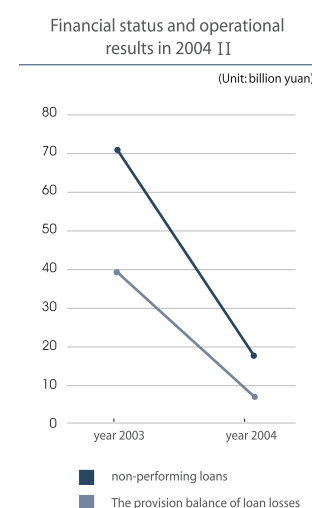
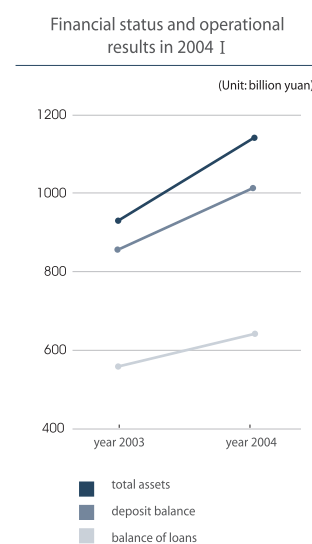
The scope of major business of the Company is approved and permitted by the China Banking Regulatory Commission (CBRC), including: deposit-taking, granting of transferred loans, provision of on-shore and offshore settlement services, bills discounting, issuance of financial bonds and securities, acting as agent on issuance, redemption and underwriting of government bonds, purchase and sale of government bonds, funds takings and placements, purchase and sale of foreign currencies, provision of letters of credit and guarantee services, acting as agent on collection and payment, acting as insurance agent, provision of safety deposit box service and other activities.

(2) Financial status and operational results within reporting period

Within the reporting period, the Company earnestly carried out the scientific perceptive on development, strictly implemented the macro adjustment and control policies stipulated by the central government, actively pushed forward the reform of shareholding system, constantly strengthened risk management, with the results that various businesses have achieved healthy and rapid development. The financial status and operational results of the period are as follows:

— Both the total assets and deposit balance of the Company leaped above the milestone RMB 1 trillion. By the end of 2004, the integrated assets of the Company reached 1,138.6 billion yuan, increasing by 210 billion yuan or 22.61% compared with the end of the previous year. The integrated balance of deposit totaled 1,011.9 billion yuan, increasing by 159.9 billion yuan or 18.77% compared with the end of the previous year.

— The integrated balance of loans totaled 638.1 billion yuan, increasing by 81.6 billion yuan or 14.66% compared with the end of the previous year.



— The significant improvement of assets quality ranked the Company at the leading position of its local peers. According to the overall scheme of deepening shareholding system reform, the Company smoothly completed the centralized disposal of non-performing loans before June 30, 2004. In the meanwhile, the Company constantly strengthened risk management through establishing and improving the policies, regulations and measures for risk identification, measurement, control and management. By the end of 2004, the balance of non-performing loans was 18.5 billion yuan, decreasing by 51.6 billion yuan. The NPL ratio slid from 12.60% to 2.91%. The provision balance of loan losses was 8.591 billion yuan, decreasing by 30.272 billion yuan or 77.90%.



— By means of issuing subordinate term debentures, implementing financial restructuring and introducing overseas strategic investor, the Company built up its capital strength. Under the statistic principle of the CBRC, the net tier-1 capital was 46.513 billion yuan and the net capital was 66.727 billion yuan. As of the end of 2004, the tier-1 capital adequacy ratio reached 6.77% and the capital adequacy ratio reached 9.72%.

— Operating income totaled 40.754 billion yuan, up 8.476 billion yuan or 26.26% on a year-on-year basis. The net profit totaled 915 million yuan, down 3.397 billion yuan or 78.78% compared with the previous year. As of the end of 2004, earnings per share (EPS) was 0.02 yuan and the return on equity (ROE) was 1.74%.

(3) Top ten loan customers

At the end of the reporting period, the top ten loan customers of the Company were as followed: Sinopec Stockholding Co., Ltd., Shanghai Municipal Construction and Investment Co., Ltd., Highway Administration of Transportation Bureau of He'an Province, Sinopec, Transportation Bureau of Jilin Province, China Netcom Corporation (CNC) He'nan Branch, Sinochem Corporation, Shanghai Secco Petrochemical Company Ltd., Baosteel Group Yigang Co., Ltd., China Eastern Airlines.

2. Risk management

(1) Credit risk management

In 2004, the Company drafted *Several Opinions on Present Work of Credit Management of Bank of Communications*, offering policy opinions on the regional distribution and industry distribution and ten major issues in present credit management of the Company under the new circumstances, thus becoming the overall guidance to the present work of credit management of the Company. In accordance with the requirements of the World Bank technical aid program—Improving the Lending Process of Bank of Communications, detailed management methods were laid down for high risk areas such as group customers, related enterprises and long-distance loans, thus effectively improved the monitoring instruments of the Company for risky industries and risky loans in the macro adjustment and control situation.

In 2004, for the purpose of establishment of an overall risk management system, the Company constituted the risk management headquarters which was composed of the four departments of risk monitoring, credit management, NPL management and legal & compliance, which are responsible for risk monitoring, loan review, doubtful assets disposal and legal conformity inspection, respectively.

Initiated by the World Bank technical aid program, the "double 10-category classification method" of rating for customers and credit management, has been rolled out to all the branches and sub-branches of the Company. Through analysis of the financial and non-financial status, the quality of financial statements, the industry and the corresponding position of customers, the "double 10-category classification method" then rates these customers into 10 levels. Based on the customer ratings, credit issuance business is also rated into 10 categories with composite analysis of factors such as means of guarantees, purposes and loan portfolio. The 10-category ratings results of credit management have an explicitly corresponding relation to the 5-category loans classification and may be directly converted into 5-category classification results.

(2) Management of liquidity risks

Based on the liquidity risks management tenets of "unified management, categorized monitoring, early warning and guaranteed payment", the Company has performed identification and monitoring toward potential liquidity risks to ensure liquidity safety of the Company.

By the end of 2004, all the various liquidity indexes of the Company met the requirements of regulatory authorities. By the end of reporting period, in domestic branches, the loans-to-deposits ratio in RMB and the foreign currency was 64% and 65.17% respectively.

(3) Management of market risks

The Company applies quota management against market risks by drafting internal approving procedures and operational standards aiming at quotas of various kinds and categories. Based on overall considerations of factors such as nature, scale and complexity of business, capital strength, risk-bearing abilities, previous performance, professional skills, management information systems, internal control levels and external market changes and development, etc., the Company sets up trading quotas, risk quotas and loss-stopping



quotas and regular reviews and updates are applied as well.

(4) Management of interest rate risk

Based on fund sources range and utilization of the Company, we shall properly allocate the fund terms so as to perform analysis and management toward assets/liabilities interest rate gaps.

(5) Management of exchange rate risks

In the process of operations on foreign exchange fund, the Company mainly applies the method of assets/liabilities currency source/utilization matching. The Company discourages the cross-currency funding match in the fund utilization, avoiding as far as possible foreign exchange exposure generated by difference in funding source currency and application currency of the fund.

(6) Management of operational risks

The major operational risks the Company faces in business operations are:

- 1) Authorization of credit management. When developing business for the Company, the authorized personnel may operate in a manner beyond the authorization, or fail to execute adequately comprehensive and unified management for credit extension, thus bring about a certain risk.
- 2) Management of post responsibilities. The Company has laid down detailed operational procedures for various operational posts. However, operations derailed from normal procedures may arise due to reasons of operators themselves or wrong operational management, thus resulting in potential risks on the Company.
- 3) Internal control environment. Due to the diversity and disparity of the financial environment, it is hard for a single regulation or system to provide to-the-point counter measures for the specialty of risks faced by every branches and sub-branches, thus management and operational risks may arise.

The Company has strictly followed the requirements of the State's financial regulatory authorities in respect of strengthening the integrity, reasonability and effectiveness of internal control systems, and established and improved on the internal control system and standardized business operations to ensure the operation of various businesses with legality, compliance and soundness, thus effectively preventing and tackling the risks, ensuring the overall realization of development strategies and business objectives of the Company. Currently, the Company has established a comprehensive, reasonable and lawful internal control system and has effectively carried it out.

3. Routine work of the Board of Directors

During the reporting period, the Board has been carefully implementing all guidelines and policies of the state, strictly fulfilling the rights granted by laws and regulations such as the *Company Law* and the *Articles of Association* of the Company, fully exerting the strategic decision-making function, closely cooperating with the senior management and effectively promoting various business of the Company to grow continuously, healthily and rapidly. All members on the Board have been devoted to their responsibilities, working diligently and contributing significantly to the construction of the Board and the perfecting of the corporate governance of the Company.

(1) Meetings of the Board of Directors and contents of resolutions within the reporting period

Within the reporting period, eight meetings of the Board of Directors were convened, including three meetings of the 3rd Board of Directors and five meetings of the 4th. Detailed information of the meetings is as follows:



1) The 9th session of the 3rd Board of Directors was held in Shanghai on March 30, 2004. The meeting reviewed and passed *Amendment to the Articles of Association of Bank of Communications Co., Ltd. (Draft)*, *Motion on Candidate Selection Method for Members of 4th Board of Directors of Bank of Communications*, *Motion on Candidate Selection Method for Members of Board of Supervisors of Bank of Communications*, *Motion on Candidate Selection Method for Independent Directors of Bank of Communications*, *Motion on Establishment and Improvement of Special Committees of Board of Directors of Bank of Communications*, *Motion on Issuance of Subordinated Term Debentures to Supplement tier-2 Capital of Bank of Communications*, *Motion on Scheme of Convening Shareholders' General Meetings of 2004 of Bank of Communications* and *Motion on Rewarding Senior Management of the Head Office in 2003*.

2) The 10th session of the 3rd board of directors was held in Shenzhen on May 25-26, 2004. The meeting reviewed and passed *Working Report of 3rd Board of Directors of Bank of Communications*, *Working Report of the President*, *Report on Financial Closing and Preliminary Plan for Profits Distribution for 2003 of Bank of Communications*, *Report on Financial Budget for 2004 of Bank of Communications*, *List of Candidate Members of 4th Board of Directors of Bank of Communications*, *List of Candidate Supervisors of Board of Supervisors of Bank of Communications*, *Motion on Scheme of Convening Shareholders' General Meetings of 2004 of Bank of Communications*, *Motion on Secretary of Board of Directors not Concurrently assuming the Post of General Manager of Board of Directors Office of Bank of Communications* and *Motion on Mr. Ying Xiaoming Assuming Post of General Manager of Board of Directors Office of Bank of Communications*.

3) The 11th session of the 3rd Board of Directors was held in the form of voting by correspondence on June 17, 2004. The meeting reviewed and passed *Motion on Recapitalization and Implementing Financial Restructuring and Introduction of Overseas Strategic Investors by Bank of Communications*.

4) The 1st session of the 4th Board of Directors was held in Shanghai on June 20, 2004. The meeting reviewed, discussed and passed *Motion on Election of Chairman and Vice Chairmen of Board of Directors of Bank of Communications* and *Motion on Appointment of President of Bank of Communications*.

5) The 2nd session of the 4th Board of Directors was held in Shanghai on July 30, 2004. The meeting reviewed and passed *Motion on Signing of Relevant Agreements between Bank of Communications and HSBC Co., Ltd.*, *Motion on Listing of H Share Market and Relevant Authorization Proceedings of Bank of Communications*, *Articles of Association of Bank of Communications Co., Ltd. (Draft)*, *Motion on Adjustment Scheme for Composition of the 4th Board of Directors of Bank of Communications*, *Long-Term Stimulation Scheme of Bank of Communications*

(Draft), *Rules of Procedures of Shareholders' General Meetings of Bank of Communications (Draft)*, *Rules of Procedures of Board of Directors of Bank of Communications (Draft)*, *Rules of Auditing Committee of Board of Directors of Bank of Communications (Draft)*, *Rules of Risk Management Committee of Board of Directors of Bank of Communications (Draft)*, *Rules of Human Resources & Compensations Committee of Board of Directors of Bank of Communications (Draft)*, *Working Rules of Independent Directors of Bank of Communications (Draft)*, *Motion on Compensations for Independent Directors and External Supervisors of Bank of Communications*, *Rules of President of Bank of Communications (Draft)*, *Working Rules of Secretary of Board of Directors of Bank of Communications (Draft)*, *Information Release Administration of Bank of Communications (Draft)*, *Motion on Recruitment of Secretary of Board of Directors of Bank of Communications*, *Motion on Transfer of Shares of the Company Held by State-Owned Assets Management Co., Ltd. of Shanghai and Beijing Municipalities*, *Motions of Engagement of Relevant Intermediaries for H Shares Listing* and *Motion on Convening the 2nd Interim Shareholders' General Meeting 2004 of Bank of Communications*.

6) The 3rd session of the 4th Board of Directors was held in Shanghai on August 23, 2004. The meeting reviewed and passed *Motion on Scheme of Simultaneous Listing of H and A Shares and Relevant Authorization Proceedings of Bank of Communications*, *Motion on Changes in Some Members of Directors and Adding Independent Directors*, *Motion on Changes in Relevant Proceedings for Second Provisional Shareholders' General Meeting of 2004 of Bank of Communications*, *Motion on Changes in Relevant Contents for "Motion on Long-Term Stimulation Scheme of Bank of Communications (Draft)"* and *Motion on Appointment of Chief Financial Officer and Chief Information Officer for Bank of Communications*.

7) The 4th session of the 4th Board of Directors was held in Shanghai on September 23, 2004. The meeting reviewed and passed *Motion on Establishment of Auditing Committee of Board of Directors of Bank of Communications*, *Motion on Establishment of Risk Management Committee of Board of Directors of Bank of Communications*, *Motion on Establishment of Human Resources & Compensation Committee of Board of Directors of Bank of Communications*, *Motion on Establishment of Seoul Branch of Bank of Communications*, *Motion on Appointment of Mr. Peng Chun as Executive Vice President of Bank of Communications* and *Motion on Adoption of Value-Added Stock Option Form for Initial Authorization of Long-term Stimulation Scheme of Bank of Communications*.

8) The 5th session of the 4th Board of Directors was held in Shanghai on December 15, 2004. The meeting reviewed and passed *Motion on Approval of Resignation of Mr. Xia Bing as Independent Director*, *Motion on Appointment of Mr. Qian Wenhui as Executive Vice President of Bank of Communications*, *Motion on Overall Scheme of Organizational Restructuring of Bank of Communications* and *Motion on Purchase of Liabilities Insurance for Directors, Supervisors and Senior Management of Bank of Communications*.

(2) Meetings of special committees of the Board of Directors within the reporting period

Within the reporting period, Bank of Communications established three special committees of the Board of Directors, namely Auditing Committee, Risk Management Committee and Human Resources & Compensation Committee. The special committees convened two meetings respectively. Detailed information of the meetings is as follows:



- 1) On September 23, 2004, the Auditing Committee, Risk Management Committee and Human Resources & Compensation Committee of the Board of Directors respectively convened their first meetings in Shanghai.
- 2) On December 15, 2004, the Auditing Committee, Risk Management Committee and Human Resources & Compensation Committee of the Board of Directors respectively convened their second meetings in Shanghai.

(3) Major work accomplished by the Board of Directors during the reporting period

1) The successful term change of the Board of Directors and the appointment of the senior management. The 3rd Board of Directors of the Company which should be due in 2003 delayed the term change work till 2004 as affected by the SARS. With the concern and support of regulatory authorities and the shareholders, the Board strictly followed laws, regulations, regulatory requirements and *the Articles of Association* of the Company, carefully organized and successfully accomplished the recommendation and nomination of candidates of directors. The Shareholders' General Meeting held on June 20 2004 elected the 4th Board of Directors of the Company. The new Board whereat held a meeting to elect the chairman and vice chairmen of the Board and engaged the president of the Company. After this, the Board of Directors, strictly abiding by legal procedures, appointed several other senior management staff such as the executive vice presidents, secretary to the Board, chief financial officer and chief information officer.

2) Strictly executing the motions of Shareholders' General Meeting and promoting the shareholding system reform smoothly. The Company held three shareholders' general meetings which worked out 19 motions on major items such as the issuing of subordinate term debentures, amending the Articles of Association of the Company, electing new Board of Directors and the Board of Supervisors, implementing financial restructuring, introducing foreign strategic investor, and going listing simultaneously on the H-share market and the A-share market. The Board carefully implemented all motions of the Shareholders' General Meetings. Hereinto, major achievements have been made in terms of furthering the shareholding system reform. Before June 30, the Board accomplished financial restructuring in terms of enriching capital, centralized disposal of problem loans and increasing provision coverage of the NPLs. During the same period, the Board also introduced domestic strategic investors such as the National Council for Social Security Fund and China SAFE Investments Ltd. On August 6, the Company successfully signed the strategic cooperative agreement with HSBC as the Company's foreign strategic investor. On August 18, the Company accomplished the equity closing with HSBC. After the financial restructuring and the introduction of foreign stakes, capital strength of the Company has been greatly enhanced, with 39.07 billion yuan of paid-in capital. Moreover, the Company also launched the simultaneous listing plan on the H-share market and the A-share market opportunely in the second half of 2004. Now, the plan is ongoing in an orderly way.

3) The Board of Directors fully played its role in making strategic decisions and improved self-construction. During the reporting period, eight sessions of the Board worked out 54 motions in terms of issuing subordinate term debentures, electing new Board of Directors, amendment of Articles of Association of the Company, financial restructuring, introducing foreign strategic investors, appointing senior management

staff, setting up overseas branches, going listing simultaneously on the H-share market and the A-share market, and organizational restructuring. The Board of Directors and its special committees were all operated according to legal procedures and standards of operation. The Board of Directors thus fully exerted its role in terms of making strategic decisions. Meanwhile, the Board carefully fulfilled the regulatory requirements of the China Banking Regulatory Commission and highlighted self-construction from the major five aspects as follows: Firstly, the Board worked out a series of regulations and systems such as the Rules of Procedure for the Shareholders' General Meeting, the Board of Directors and the Board of Supervisors, Working Regulations for the Board Special Committees, Working Rules for Independent Directors, Working Rules for President of BoCom, and Working Rules of the Board Secretary. Secondly, the Board adjusted and optimized member composition of the Board. By the end of 2004, the Board of Directors had 17 members, including four executive directors, 10 non-executive directors and three independent non-executive directors. Thirdly, the Board set up the Auditing Committee, the Risk Management Committee and the Human Resources & Compensation Committee. After the establishment of the three committees, each of them convened two meetings and worked out their working plans for the year and provided many valuable opinions and suggestions based on the reports of internal auditing, risk management and human resources and compensation. Fourthly, the independent directors, who are all well-known professionals on economy and finance, fully played their roles on the Board. They gave active and important play in making decisions, safeguarding the interests of non-institutional shareholders and regulating management of the Company. Fifthly, the Board of Directors Office was set up with the General Administration Division, the Equity Administration Division and the Information Disclosure Division as subordinates. These offices are solely responsible for the routine work of the Board.

4) Strictly abiding by laws, regulations and regulatory requirements, the Company constantly perfected the corporate governance. In 2004, the Board, besides exerting the decision-making role and improving self-construction, also kept on perfecting the corporate governance of the Company by strictly following laws, regulations and regulatory requirements from the three main aspects as stated below. Firstly, the Board amended the *Articles of Association* twice so as to keep pace with the changes of laws and regulations such as the *Company Law* as well as meeting the requirements for the dual public listing. The modified *Articles of Association* of the Company were presented and passed by the annual Shareholders' General Meeting and the second interim Shareholders' General Meeting in 2004. Secondly, the Board attached great significance to information disclosure. The Administrative Rule of Information Disclosure of the Company was developed, examined and passed by the Board so as to further standardize the form, content and procedure of information disclosure and enrich the contents of the annual report. Thirdly, the Board established and perfected a stimulation and restriction mechanism for directors, supervisors and the senior management. A fair, just and open performance evaluation standard and procedure were adopted. The stimulation mechanism closely connected the salary with the Company's profits and personal performance.

5) The Board of Directors fully supported the work of the senior management and speeded up the internal reforms. In 2004, the Board offered consistently full support to the senior management in their managerial administration and speeded up all internal reforms. Firstly, the Company spared no efforts constructing an all-round risk management system, enhancing the centralized and vertical administration of credit management



and auditing system, and setting up the Risk Monitoring Department to take responsibility for comprehensive and thorough risk management. Meanwhile, the system of loan evaluation and NPLs provisioning on a loan-by-loan basis was further improved. Secondly, the Company speeded up the organizational restructuring. By the end of 2004, the adjustment of the structure in the headquarters with clients as the core and profits as the target was basically accomplished, in which the front, middle and back offices separated and restrained with each other. Thirdly, the Company promoted the construction of the information technology system with the data concentration project as the major task and has gradually realized the centralization of all data and colligation of business. Fourthly, the Company steadily promoted the strategic cooperation with HSBC. The two parties, adhering to the principle of "mutual understanding, mutual benefits, long-term cooperation and joint development," steadfastly promoted the strategic cooperation. By now, the cooperation in areas such as credit card business, corporate banking and international banking businesses have made favorable progress. Meanwhile, the Technical Support and Assistance (TSA) project provided by HSBC has also been put into operation.

Section 9 Report of the Board of Supervisors

1. Meetings of the Board of Supervisors

The Board of Supervisors called on five meetings during the reporting period, whose contents are as follows:

- 1) On June 20, 2004, the 1st Session of the 4th Supervisory Board of Bank of Communications was held in Shanghai, with all the eight supervisors present at the meeting and taking a vote. The meeting examined and passed *Motion on Electing the Interim Caller of the 4th Supervisory Board of Bank of Communications*, and elected Supervisor, Mdm Yin Baoyu the interim caller.
- 2) On July 29, 2004, the 2nd Session of the 4th Supervisory Board of the Company was held in Shanghai and seven of the eight supervisors attended the meeting and took the vote. The meeting examined and passed *Rules on Procedure for the Board of Supervisors of Bank of Communications Co., Ltd. (Draft)*, *Motion on the Adjustment Plan of the Organizational Structure of the 4th Supervisory Board of Bank of Communications* and *Motions on Changes of Some Supervisors*.
- 3) On August 25, 2004, the 3rd Session of the 4th Supervisory Board was held in the form of voting via correspondence. All the eight supervisors voted to pass *Motion on Recommending Mr. Cui Leiping as Candidate of Chairman of the 4th Supervisory Board of Bank of Communications*.
- 4) On September 23, 2004, the 4th Session of the 4th Supervisory Board of the Company was held in Shanghai and nine supervisors all attended the meeting and took a vote. The meeting examined and passed *Motion on Electing the Chairman of the 4th Supervisory Board of Bank of Communications* and elected Mr. Cui Leiping, with all nine votes, as the Chairman of the 4th Supervisory Board of the Company. The meeting also examined and passed *Motion on Setting Up the Nominating Committee of the 4th Supervisory Board of Bank of Communications*, *Motion on Setting Up the Auditing Committee of the 4th Supervisory Board of Bank of Communications* and *Motion on Offering Traffic Allowances to the External Supervisors of Bank of Communications*.
- 5) On December 15, 2004, the 5th Session of the 4th Supervisory Board of the Company was held in Shanghai. Seven of the nine supervisors attended the meeting, but all the nine supervisors took their votes. The meeting examined and passed *Motion on Personnel Change of the Nominating Committee of the 4th Supervisory Board of Bank of Communications*, *Motion on the Personnel Change on the Auditing Committee of the 4th Supervisory Board of Bank of Communications*, *Motion on Giving Authorization of the Chairman of the 4th Supervisory Board of Bank of Communications*, *Motion on the Auditing Committee's Establishment of the Auditing Plan*, *Working Rules of the Board of Supervisors of Bank of Communications*, *Working Rules of the Nominating Committee of the Board of Supervisors of Bank of Communications*, *Working Rules of the Auditing Committee of the Board of Supervisors of Bank of Communications* and *Procedure and Standards for Election and Nomination of Supervisors of the Supervisory Board of Bank of Communications*.

2. Inspection and Supervision of the Board of Supervisors

1) From November 2004 to March 2005, the Board of Supervisors debriefed the work report of 21 departments of the Head Office, analyzing 331 reports made by relative departments and offices of the Head Office after inspecting the branches.

2) In November 2004, the Board of Supervisors investigated the credit management of Chongqing Branch and presented the "Inspection Report on Credit Management of Chongqing Branch" to the Chairman of the Board and the senior management of the Head Office.

3. Independent Opinions of the Board of Supervisors on Certain Issues

(1) On lawful operation of the Company

During the reporting period, the Company committed itself to lawful operation and standardized management. By carefully rectifying problems as required by the regulatory authority, the Company further improved the internal control system and highlighted measures on warding off risks. The decision-making procedure of the Company is legal. Directors and the senior management are diligent and conscientious with their work. They were not found to have committed any malpractice that broke laws or regulations, or harmed the benefits of the Company or shareholders.



(2) On validity of the financial report

The 2004 annual financial reports of the Company have been audited by Pricewaterhouse Coopers and Pan-China Certified Public Accountants. They also presented the auditing reports without reserved opinions or elaboration paragraphs. The financial reports fairly reflect the financial status and operational achievements of the Company in its major aspects.

(3) Utilization of the raised capital

During the reporting period, the Company raised 12 billion yuan of subordinate term debts and the actualized projects are consistent with the committed projects.

(4) Assets purchasing and selling

During the reporting period, the Company had no acquisition or sales of assets.

During the reporting period, the Company transferred to China Cinda Asset Management Corporation 41.4 billion yuan of doubtful loan principal and 11.6 billion yuan of loss loan principal. As agreed, the Company has received 20.7 billion yuan from China Cinda Asset Management Corporation for the latter's purchasing of the

above-stated non-performing loans. The Company was not found to have committed any insider's transaction or other malpractices that might harm the benefits of some of the shareholders.

(5) Related party transactions

During the reporting period, the related party transactions of the Company were fair and reasonable, and such correlative transactions haven't been found to have any activity that might damage benefits of the shareholders or the Company.

(6) The auditing report

Pricewaterhouse Coopers and Pan-China Certified Public Accountants both presented auditing reports without reserved opinions and elaborated paragraphs.

(7) Execution of resolutions of Shareholders' General Meetings

The Board of Supervisors has no objections to the reports and motions that the Board of Directors presented to the Shareholders' General Meetings for examination. The Board of Supervisors also supervised the execution of the resolutions of the Shareholders' General Meetings and drew the conclusion that the Board has carefully fulfilled these resolutions.

Section 10 Major Events

1. Major litigations and arbitrations

The Company was involved in no litigations or arbitrations with material influence on the operation during the reporting year. As of December 31, 2004, the litigations in which the Company was defendant that had not been verdict involved a total amount of 2.601 billion yuan. The provisions have been drawn for the amount of 989 million yuan among that total amount on December 31, 2004. The concrete losses are unpredictable.

2. Major events such as purchasing, custody, merging, splitting or setting up branches

In October 2004, the Company began to adopt the flattened management remodeling the Company's institutional administration, in which the provincial branches was set up as the key unit. We have followed three-tier administrative structure, namely the Head Office-Provincial Branches or branches directly under the Head Office-Branches and sub-branches under provincial branches, with 92 branches and sub-branches in total, among which there are 27 provincial branches, 7 branches directly under the Head Office and 58 branches and sub-branches subordinated to the provincial branches.

3. Major related party transactions

During the reporting period, the related party transactions of the Company are deposits and loans held by shareholders and the connected parties. All the related party transactions are executed in accordance with related laws and regulations, as well as the operational rules and reviewing process of the Company. The interests are calculated in a normal way and the transactions are all included in the normal businesses of the Company. As of the end of the reporting period, the Company involved in no material related party transactions.

4. Engagement of accounting firms

The Pricewaterhouse Coopers was engaged as the auditing institution to work out the annual report according to international accounting standards while the Pan-China Certified Public Accountants was engaged to act as the auditing institution to work out the annual report according to the domestic accounting standards.

5. Other major events

By implementing financial restructuring, the Company sold non-performing loans to the China Cinda Asset Management Corporation in June 2004, including 41.4 billion yuan of doubtful loan principal and 11.6 billion yuan of loss loan principal. As agreed, the Company has received the sum of 20.7 billion yuan from China Cinda Asset Management Corporation for purchasing the above-stated non-performing loans.

In accordance with the resolution achieved at the Shareholders' General Meeting on June 20, 2004 and the People's Bank of China's "Reply on Bank of Communication's Scheme of Deepening the shareholding System Reform" approved by the State Council, the Company undertook the recapitalization in 2004.

The Ministry of Finance added 5 billion yuan investment and its total stake in the Company is 25.53%. The China SAFE Investments Ltd. subscribed 3 billion shares or a 7.68% stake in the Company. The National Council for Social Security Fund subscribed 5,555,555,556 shares or a 14.22% stake in the Company. As a strategic investor, HSBC subscribed 7,774,942,580 shares or a 19.9% stake in the Company. Meanwhile, the Company granted allotment shares at the proportion of "2 allotment shares per 15 shares" for the registered shareholders, who registered on the equity registration date on April 30, 2004 (except that of the Ministry of Finance). The price of per allotment share is RMB 1.80. As of July 9, 2004, 1033 shareholders confirmed the intention on the capital increase in the Company and paid the corresponding fund of 1,136,539,026.00 yuan, representing 631,410,570 shares.

Section 11 Financial Reports

1. Auditor's report
2. Financial statements
3. Notes to the financial statements

See attachments.

Section 12 Documents for Reference

1. Reserved copy of the annual report with the signature of the Chairman of the Board of Directors of the Company;
2. The accounting statements with the signatures and seals of the legal representative, person in charge of accounting work and person in charge of the accounting institution;
3. Original copy of the auditor's report with the seal of the accounting firm, the signatures and seals of the certified public accountants;
4. "Articles of Association of Bank of Communications Co., Ltd."

Section 13 Business Network

See attachments.

Signature of the Chairman:

The Board of Directors of Bank of Communications Co., Ltd.

April 5, 2005



AUDITOR'S REPORT

AUDITOR'S REPORT

Pan-China CPA Co., Ltd. Shen Zi (2005) No.85

To the shareholders of the Bank of Communications Co., Ltd.:

We have audited the accompanying Balance Sheets of the Bank of Communications Co., Ltd. (the "Bank") as at 31 December 2004, 31 December 2003, 31 December 2002 and its profit and loss accounts for the three-year then ended and cash flow statements for the year of 2004 and 2003. Setting out these financial statements is the responsibility of the Bank's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with China's Independent Auditing Standards. Those Standards require that plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting policies used and significant accounting estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above conform with the applicable Accounting Standards for Business Enterprises and the Accounting System for Financial Institutions and the relevant accounting rules for the banks mentioned in the notes to the financial statements, and present fairly, in all material respects, the financial position of the Bank as at 31 December 2004, 2003 and 2002; the results of its operations for the three years respectively; and cash flows for the year of 2004 and 2003.

Pan-China Certified Public Accountants Co., Ltd.



Beijing, China

Date Month, 2005

China CPA



Financial Statements

BALANCE SHEET

Prepared by Bank of Communications Co., Ltd.

In RMB '000 Yuan

Item	Note	Dec. 31, 2004	Dec. 31, 2003	Dec. 31, 2002
Current assets:				
Cash and bank	7.1	8,491,743	7,891,724	6,888,357
Precious metals		-	-	-
Placement with central banks	7.2	119,884,573	104,698,492	76,383,968
Placement with other banks	7.3	8,925,474	14,464,728	4,209,720
Deposits with inter-banks		-	-	-
Deposits with the branches or sub-branches of the Bank		-	-	-
Loan to other banks	7.5	48,476,990	49,944,425	46,007,592
Loan to non-banking financial institutions	7.6	865,440	1,131,160	3,915,252
Short-term loans	7.7	350,956,452	302,754,703	246,342,284
Bills negotiation of export & import LC	7.8	13,709,832	10,585,363	5,605,275
Fund of Negotiation LC		-	-	-
Interests receivable	7.9	3,533,052	2,474,493	2,336,330
Other receivables	7.10	8,571,768	9,792,487	6,823,822
Less: provision for other receivables	7.11	2,579,487	2,131,874	1,885,824
Account receivables , net		9,525,333	10,135,106	7,274,328
Discounted bills	7.12	40,580,668	24,045,301	16,333,851
Short-term investments	7.13	68,432,151	28,993,955	10,029,023
Commissioned loan and investement		-	-	-
Securities purchased under resale agreements	7.14	27,027,360	28,583,470	42,527,627
Expenses to be amortized		-	-	-
Long-term bond investment matured within one year	7.15	30,203,403	13,578,640	111,920,174
Other long-term invesment maturing within one year		-	-	-
Other current assets	7.16	2,636,328	5,195,224	221,306
Total current assets		729,715,747	602,002,291	477,658,757
Long-term assets:				
Medium and long-term loans	7.17	217,569,750	163,392,791	111,089,279
Overdue loans	7.18	4,446,194	3,386,925	3,211,176
Doubtful loans	7.19	10,694,926	45,846,253	47,063,523

Financial Statements

BALANCE SHEET (Continue)

Prepared by Bank of Communications Co., Ltd.

In RMB '000 Yuan

Item	Note	Dec. 31, 2004	Dec. 31, 2003	Dec. 31, 2002
Loss loans	7.20	189,077	6,548,496	8,954,550
Less: loan loss provision	7.21	8,590,505	38,862,633	42,695,900
Rental receivable		445	9,935	16,376
Long-term debt securities investment	7.23	150,110,963	106,124,555	92,581,364
Long-term equit trustment	7.24	1,879,724	1,811,947	1,488,392
Less: Long-term investment provision	7.25	504,320	651,700	544,754
Long-term investments, net		151,486,367	107,284,802	93,525,002
Fixed assets - cost	7.26	27,607,613	24,727,890	20,019,698
Less: Accumulated depreciation	7.26	8,922,105	7,008,608	6,873,220
Fixed assets - net book value	7.26	18,685,508	17,719,282	13,146,478
Less: Impairment provision	7.26	9,917	6,186	5,291
Fixed assets, net	7.26	18,675,591	17,713,096	13,141,187
Construction in progress	7.27	1,202,452	1,261,798	463,050
Fixed assets pending for disposal		40,623	12,862	13,150
Total long-term assets		395,714,920	306,594,325	234,781,393
Intangible and other assets:				
Intangible asset	7.28	374,584	578,982	512,563
Long-term deferred expenses	7.29	463,786	463,175	355,182
Foreclosed assets	7.30	5,046,859	6,188,912	6,316,391
Other long-term assets	7.31	1,555,154	1,055,130	847,832
Total intangible and other assets		7,440,383	8,286,199	8,031,968
Deferred taxation:				
Deferred tax assets	7.32	5,762,954	11,750,662	11,309,894
Total assets		1,138,634,004	928,633,477	731,782,012

The accompanying notes form an integral part of these financial statements.

Financial Statements

BALANCE SHEET (Continue)

Prepared by Bank of Communications Co., Ltd.		In RMB '000 Yuan		
Item	Note	Dec.31,2004	Dec.31,2003	Dec.31,2002
Current liabilities:				
Short-term deposits		549,965,175	478,119,426	361,446,221
Short-term saving deposits	7.33	317,378,803	280,450,099	237,313,725
Deposit from government finance departments		1,623,462	235,284	219,730
Loan from central banks		28,000	-	-
Deposits with other banks	7.34	16,406,819	14,414,707	16,455,030
Deposits from interbanks		-	-	-
Deposits from the branches or sub-branches of the Bank		-	-	-
Loan from other banks	7.35	9,409,933	9,724,279	7,759,017
Securities sold under repurchase agreements		400,000	450,000	220,000
Outward remittance		8,905,433	10,020,758	8,767,714
Remittance payable and temporary deposits		1,493,120	1,477,608	1,934,971
Entrusted deposits	7.36	1,033,060	652,972	1,064,939
Short-term pledged deposits	7.37	50,646,091	29,978,267	22,701,699
Interest payable	7.38	6,596,448	5,503,840	4,904,565
Payroll payables	7.39	491,941	372,156	253,776
Welfare payable		131,139	90,196	73,443
Tax payable	7.40	677,207	485,282	461,836
Dividends payable		25,488	33,628	270,802
Other payables	7.41	11,083,204	13,361,845	9,694,125
Provisions	7.42	989,067	356,000	-
Accrued expenses		13,183	12,300	12,534
Deferred income	7.43	353,846	263,733	113,014
Issuance of short-term securities		-	-	-
Other current liabilities		15,422	65,727	193,190
Total current liabilities		977,666,841	846,068,107	673,860,331

Financial Statements

BALANCE SHEET (Continue)

Prepared by Bank of Communications Co., Ltd.		In RMB '000 Yuan		
Item	Note	Dec.31,2004	Dec.31,2003	Dec.31,2002
Long-term liabilities:				
Long-term corporate deposits		32,315,117	13,772,029	11,616,805
Long-term retail deposits		55,185,345	46,493,355	35,842,674
Long-term pledged deposits	7.44	3,264,438	1,500,781	395,548
Re-lending deposit		1,952,431	1,465,347	1,215,766
Long-term debt securities in issue	7.45	15,634,660	1,212,058	-
Long-term payables		-	-	-
Other long-term liabilities		126,324	122,539	205,127
Total long-term liabilities		108,478,315	64,566,109	49,275,920
Deferred taxation:				
Deferred tax liabilities		-	-	-
Owners' equity:				
Share capital	7.46	39,070,063	17,108,155	15,909,537
Capital surplus	7.47	13,418,785	11,747,026	5,261,659
Statutory reserves	7.48	-	8,938,730	8,938,730
Including: Statutory welfare reserves		-	436,923	436,923
Undistributed profits	7.49	-	(19,794,650)	(21,464,165)
Total owners' equity		52,488,848	17,999,261	8,645,761
Total liabilities and owners' equity		1,138,634,004	928,633,477	731,782,012
The accompanying notes form an integral part of these financial statements.				

Legal representative: JIANG Chaoliang	President: ZHANG Jianguo	Person in charge of the accounting organization: YU Yali	Prepared by: ZHANG Jiazhi
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Financial Statements

INCOME STATEMENT

Prepared by Bank of Communications Co., Ltd.		In RMB '000 Yuan		
Item	Note	Dec. 31, 2004	Dec. 31, 2003	Dec. 31, 2002
1. Operating income		40,754,473	32,278,303	27,310,562
Interest income	7.50	28,285,613	22,210,122	18,305,503
Interest income arising from financial institutions	7.51	4,229,427	3,502,124	3,495,083
Commission income		1,935,110	1,393,713	1,066,538
Foreign exchange gain		718,176	601,563	421,063
Investment income	7.52	5,437,580	4,374,412	3,933,470
Other operating income		148,567	196,369	88,905
2. Operating expenditures		30,223,707	26,234,724	18,982,693
Interest expenses	7.53	12,322,675	9,726,710	8,687,878
Interest expenses arising from financial institutions	7.54	891,850	602,208	650,056
Commission expenses		309,358	285,235	244,756
Operating expenses		11,598,094	9,069,987	8,010,666
Foreign exchange loss		147,743	65,171	40,443
Other operating expenses	7.55	4,953,987	6,485,413	1,348,894
3. Supplementary expenses	7.56	1,639,355	1,260,031	1,050,303
4. Operating profit		8,891,411	4,783,548	7,277,566
Add: Non-operating income	7.57	320,596	293,917	284,563
Less: Non-operating expenses	7.58	2,093,458	1,015,387	424,622
5. TOTAL PROFIT		7,118,549	4,062,078	7,137,507
Less: Income tax	7.59	6,203,439	(249,863)	2,201,831
6. NET PROFIT		915,110	4,311,941	4,935,676
The accompanying notes form an integral part of these financial statements.				

Legal representative: JIANG Chaoliang	President: ZHANG Jianguo	Person in charge of the accounting organization: YU Yali	Prepared by: ZHANG Jiazhi
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Financial Statements

PROFIT DISTRIBUTION STATEMENT

Prepared by Bank of Communications Co., Ltd.		In RMB '000 Yuan		
Item	Note	Dec. 31, 2004	Dec. 31, 2003	Dec. 31, 2002
1. Net profit		915,110	4,311,941	4,935,676
Add: Undistributed profit at the beginning of the year		(19,794,650)	(21,464,165)	(25,394,733)
Other carrying forward		18,879,540	-	-
2. Distributable profits		-	(17,152,224)	(20,459,057)
less: Appropriation for statutory surplus reserve		-	-	-
Appropriation for statutory public welfare fund		-	-	-
Appropriation for public welfare fund of general provision		-	-	-
3. Distributable profit to shareholders		-	(17,152,224)	(20,459,057)
less: Preferred stock dividend payable		-	-	-
Appropriation for unstatutory surplus reserve		-	-	-
Common stock dividend payable		-	636,381	1,005,108
Common stock dividend conserted into share capital		-	2,006,045	-
4. Undistributed profit	7.49	-	(19,794,650)	(21,464,165)
The accompanying notes form an integral part of these financial statements.				

Legal representative: JIANG Chaoliang	President: ZHANG Jianguo	Person in charge of the accounting organization: YU Yali	Prepared by: ZHANG Jiazhi
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CASH FLOW STATEMENT

Prepared by Bank of Communications Co., Ltd.		In RMB '000 Yuan	
Item	Note	2004	2003
1. Cash flow from operating activities			
Proceeds from medium and long-term loans		48,966,769	39,327,171
Proceeds from current deposits,net		54,252,122	90,952,981
Proceeds from deposits other than current deposit,net		104,964,339	91,105,121
Proceeds from entrusted loans,net		19,635,631	3,837,617
Funds borrowed from other banks,net	7.62	1,992,112	(2,040,323)
Funds borrowed from other financial institutions,net	7.63	(286,346)	1,965,262
Interest receipts		31,546,593	25,724,802
Fees and commission receipts		1,935,110	1,393,713
Recovery of loans previously written off		51,110	43,440
Recovery of loan sold		20,700,000	-
Cash received relating to other operating activities		8,545,976	7,631,176
Sub-total cash inflows		292,303,416	259,940,960
Medium and long-term loans drawn down		103,143,728	91,630,683
Short-term loans drawn down,net		82,628,196	74,456,382
Entrusted loans drawn down,net		19,255,544	4,249,584
Deposits placed with other banks,net		11,423,352	15,889,910
Placements placed with other financial institution,net	7.64	(2,353,101)	1,187,606
Interest payments		11,807,469	9,724,759
Fees and commission payments		309,358	285,234
Cash paid to and on behalf of employees		4,153,164	3,418,926
Payments of income taxes		90,834	250,589
Payments of other taxes		1,572,327	1,176,901
Cash paid relating to other operating activities		5,705,189	4,399,306
Sub-total cash outflows		237,736,060	206,669,880
Net cash flows from operating activities		54,567,356	53,271,080
2. Cash flows from investing activities			
Cash received relating to investment income		102,055	63,215
Cash received from dividends or profit		-	-

CASH FLOW STATEMENT (Continue)

Prepared by Bank of Communications Co., Ltd.		In RMB '000 Yuan	
Item		2004	2003
Cash received relating to interest income from bonds		4,588,124	4,745,368
Net cash received from disposal of fixed assets,intangible assets and other long-term assets			
Assets and other long-term assets		11,415	6,745
Cash received relating to other investment activities		-	-
Sub-total cash inflows		4,701,594	4,815,328
Cash paid to acquire fixed assets,intangible assets and other long-term assets		4,413,732	3,220,101
intangible assets and other long-term assets			
Cash paid to equity investments		-	-
Cash paid to acquire bonds		103,729,237	31,667,992
Cash paid relating to other investment activities		-	-
Sub-total cash outflows		108,142,969	34,888,093
Net cash flows from investing activities		(103,441,375)	(30,072,765)
3. Cash flows from financing activities			
Proceeds from equity increments		33,597,502	-
Cash received from distribution of bonds		14,147,926	1,207,173
Cash received from lend activities		-	-
Cash received relating to other financing activities		-	-
Sub-total of cash inflows		47,745,428	1,207,173
Repayment of loans		4,252	-
Cash payment for financing activities charges		-	-
Cash paid relating to distribution of shares, profits or interets		43,661	722,501
Cash paid for net decrease in registered capital		-	-
Cash paid relating to other financing activities		-	-
Sub-total of cash outflows		47,913	722,501
Net cash flows from financing activities		47,697,515	484,672
4. Effect of foreign exchange rate changes on cash		-	-
5. Net increase in cash and cash equivalents		(1,176,504)	23,682,987

The accompanying notes form an integral part of these financial statements.

CASH FLOW STATEMENT (continue)

Prepared by Bank of Communications Co., Ltd.		In RMB '000 Yuan
Item	2004	2003
1. Investing and financing activities that do not involve cash receipts and payments		
Repay liabilities with fixed assets	-	-
Repay liabilities with investment	-	-
Invest with fixed assets	-	-
Repay liabilities with other physical assets	-	-
Financial leasing fixed assets	-	-
Acceptance of donation of non-cash assets	-	-
Investment converted loan	-	-
2. Reconciliation of net profit to cash flows from operating activities		
Net profit	915,110	4,311,941
add: Provision for doubtful loans or reversed of provision for doubtful loans	827,321	782,248
Impairment provision of investment risk	39,616	106,946
General provision for loans	3,058,650	4,954,089
Impairment provision for fixed assets	3,731	895
Depreciation of fixed assets	2,617,929	1,646,952
Amortization of intangible assets	121,538	39,171
Loss of disposal of fixed assets, intangible assets and other long-term assets	22,467	2,816
Loss on written-off of fixed assets	-	-
Other operating expenses	1,599,162	918,734
Investment loss, net	(5,477,196)	(4,481,358)
Increase in operating receivables	(110,257,450)	(141,534,436)
Increase in operating payables	161,096,479	186,523,082
Net cash flows from operating activities	54,567,356	53,271,080
3. Net increase in cash and cash equivalents		
Cash at the end of the year	8,491,743	7,891,724
less: Cash at the beginning of year	7,891,724	6,888,357
add: Cash equivalents at the end of year	67,140,217	68,916,740
less: Cash equivalents at the beginning of year	68,916,740	46,237,120
Net increase in cash and cash equivalents	(1,176,504)	23,682,987

The accompanying notes form an integral part of these financial statements.

Legal representative: JIANG Chaoliang	President: ZHANG Jianguo	Person in charge of the accounting organization: YU Yali	Prepared by: ZHANG Jiazhi
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NOTES TO THE FINANCIAL STATEMENTS

(All amounts are stated in RMB '000 Yuan unless otherwise stated)

1. GENERAL INFORMATION AND PRINCIPAL ACTIVITIES

Bank of Communications Co., Ltd. (the “Bank”) was restructured and established in Shanghai in April 1987 as a joint stock commercial bank after it is ratified by the Circular of the State Council on the notice issued by the State Council (1986 No. 81) “Re-establishing the Bank” and the notice issued by People’s Bank of China (the “PBOC”) “Implementing Circular of the State Council on Re-establishing the Bank”(【1987】No. 40).

On 30 March 1987, the Bank obtained the enterprise legal person operation license with registered Code of Industry and Commerce 01595 and registered capital of RMB 2 billion.

Pursuant to the PBOC’s notice “Approval for Registered Capital Expansion” on 13 Feb. 1990, the Bank’s registered capital increased from RMB 2 billion to 5 billion and obtained the enterprise legal person operation license registered number 10000595-X with registered capital of RMB 5 billion.

Pursuant to the PBOC’s notice issued on 11 June 1992 “Approval for the Bank increasing its registered capital to 8 billion”, the registered capital of the Bank was increased from 5 billion to 8 billion.

Pursuant to the approval from the PBOC (Yin Fu【1993】No.425) “Suggestions on deepening the reform of the Banks in near future”, the Bank implemented the policy of concentrating the rights and interests of shareholders and implement unified shares in the light of “Implementation measures for unified legal person of the Bank” and “Rules on shares equivalent of the Bank”. As a result, the shareholders of each branch of the Bank become the direct investors of the headquarters.

Pursuant to the PBOC’s notice “Approval for changing the legal person and increasing the registered capital of the Bank” on 5 January 1995, the Bank increased its registered capital to RMB 12 billion. The Bank obtained enterprise legal person operation license (registered No. 1000001000595-X), on 22 April 1995,

Pursuant to the notice (Cai Zhai Zi【1999】No.103) of the Ministry of Finance (“MOF”) “Approval for additional capital of the Bank” and the notice from the PBOC (Yin Ban Han【1999】No.395) “Approval for additional issuance of capital and common shares of the Bank”, the Bank increased its capital and expand its shares in October 1999. Besides, pursuant to the notice issued by the China Banking Regulatory Commission (the “CBRC”) “Approval for changing registered capital of the Bank”(【2004】No. 86), the registered capital of the Bank was increased from RMB 12 billion to 17,108,155,000 in June 2004.

The Bank obtained the enterprise legal person operation license (registered No. 1000001000595) on 24 December 2004, with the registered capital of RMB 17,108,155,000, and the legal representative Mr. Jiang Chaoliang.

Pursuant to the PBOC’s notice (Yin Fu【2004】No. 33) “Approval for overall program on deepening the shareholding system reform of the Bank”, the CBRC’s notice issued in June 2004 (Yin Jian Fu【2004】No. 119) “Approval for absorbing the investment from Hong Kong & Shanghai Banking Corp. by the Bank” and the shareholder’s resolution “Expanding the capital and common shares of the Bank, implementing financial restructuring and introducing foreign strategic investors” on 20 June 2004, the Bank increased its capital.

As at 18 August 2004, the Bank had finished its expansion of capital and shares with the paid-in capital increased to RMB 39,070,063,000. Pursuant the CBRC’s notice (Yin Jian Fu【2004】No.166) “Approval for the change of registered capital of the Bank”, the Bank increased its registered capital from RMB 17,108,155,000 to RMB 39,070,063,000.

The Bank acquired “Finance License” issued by the CBRC (No. B10512900H0001) on 8 January 2004.

The Bank had 86 domestic branches and 4 overseas branches in Hong Kong, New York, Tokyo and Singapore respectively before October 2004. In October 2004, in order to optimize the resources distribution and implement horizontal structure management, the Bank decided to adjust and restructure its branches according to provincial jurisdictions. The main framework of the management system is: headquarters-provincial branch (or direct branch)-sub-branch affiliated to provincial branches. After the

adjustment, there are 92 branches and sub-branches in China. Among them, 27 are provincial branches, 7 direct branches and 58 sub-branches. The Bank has adopted new institutional management approach in an all-round way since 1 January 2005.

The principal activities showed based on business license are: deposit-taking, granting of transferred loans, provision of on-shore and offshore settlement services, bills discounting, issuance of financial bonds and securities, acting as agent on issuance, redemption and underwriting of government bonds, purchase and sale of government bonds, funds takings and placements, purchase and sale of foreign currencies, provision of letters of credit and guarantee services, acting as agent on collection and payment, acting as insurance agent, provision of safety deposit box service and other activities.

2. CRITERIA FOR THESE FINANCIAL STATEMENTS

- 1. The Bank is going to be listed on Shanghai Stock Exchange and issue A shares. According to No.18 Regulation on the Formulation of Information Disclosure of Public Listed Security Company—Special Regulations on Information Disclosure of Commercial Banks issued by China Securities Regulatory Commission (the “CSRC”), the Bank shall prepare and disclose publicly its financial statements of the year 2002, 2003 and 2004 in line with China Accounting Standards [Accounting Standards for Business Enterprises and Accounting System for Financial Institution].
- 2. Also, the Bank is going to go public on the main board market in Hong Kong Stock Exchanges and issue H shares. According to the requirements of Hong Kong Stock Exchange, the Bank shall prepare and disclose publicly its financial statements of 2002, 2003 and 2004 in the light of International Accounting Standards.
- 3. The current financial statements are prepared in line with the accounting policies stipulated by Chinese Accounting Standards. Different from the financial statements required by international accounting standards, the current financial statements are not the consolidated financial statements. According to Chinese Accounting Standards, these financial statements of the Bank do not include the financial statements of both its domestic Subsidiary companies (severing ties with them) and its overseas’ subsidiary companies (special sector with relatively small scale). However, the financial statements formulated by the Bank in line with international accounting standards include the financial statements of both the domestic and overseas’ Subsidiary companies and other bodies under the control of the Bank (various economic entities established with the collected funds of the staff or by the Trade Union of the Bank).
- 4. There are some differences of the financial status and business outcomes between the financial statements based on Chinese Accounting Standards and international financial report standards. These differences are listed in note 15.
- 5. The Bank originally implements “Accounting System for Financial Institutions” promulgated by the MOF of the PRC and the PBOC in 1993. However, when formulating these financial statements, the Bank has changed its accounting policy in the light of relevant requirements of the notice (MOF Cai Kuai 【2001】 No. 49) “Circular on Distributing Accounting System for Financial Institutions” and the complementary regulation (Cai Kuai 【2000】 No. 20) “On the Accounting of Relevant Business of the Commercial Banks that Openly Issues Securities”. Details are listed in note IV.
- 6. The financial statements of 2002, 2003 and 2004 of the Bank are formulated on the basis of individual financial statements and other data of each branch or entity that constitutes the framework of the Bank. When these statements are consolidated, major internal transactions and their balance are mutually offset.

3. PRINCIPAL ACCOUNTING POLICIES & ESTIMATIONS

(1) Accounting policies

The Bank implements Accounting Standards for Business Enterprises and the Accounting System for Financial Institutions and other relevant accounting rules.

(2) Accounting year

The Bank’s accounting year starts on 1 January and ends at 31 December.

(3) Reporting currency

The Bank uses Renminbi (“Rmb”) as reporting currency and all amounts in the financial statements are stated in RMB ’000.

(4) Basis of accounting and measurement principles

Unless otherwise stated, the Bank’s basis of accounting is the accrual method, and all accounts are recorded using the historical cost convention, namely, assets measured according to the practical cost when it is obtained and corresponding amount of reduced-value reserve withdrew in the light of the Accounting System for Financial Institutions.

(5) The accounting and discount method for non-accounting standard currency and the discount method of financial statements for non-reporting currency

The Bank employs separate account system to record the non-accounting standard money business. That is to say, the business is entered into the account book according to the amount of the original money.

At the end of accounting period, the financial statements of non-reporting currency will be converted into reporting currency in line with the baseline foreign exchange rate of that date issued by the PBOC. The influence of the change of foreign exchange rate is reflected on the foreign exchange rate flocculation items of each financial statement, with the balance listed in “Foreign exchange gain or loss”. In addition, pursuant to the MOF’s notice (Cai Shang Zi 【1995 No.454】) “Notice on Revising the Financial System of Foreign Exchange Business of Finance and Insurance Institutions”, the Bank has prepared foreign exchange operation capital for foreign exchange capital management, which can either be purchased by RMB or allocated by the MOF. The difference between the amount of discount account standard currency and the amount of the original account standard currency falls into the items of “capital surplus” account.

(6) Cash equivalents

Cash equivalent refer to short-term (holding period of less than 90 days), highly-liquid assets that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. Cash equivalents include other deposits with the PBOC, demand deposits and time deposits with a tenor less than 90 days and other monetary.

(7) Provision for doubtful accounts

1) Provision for doubtful accounts

The Bank adopts allowance method for any potential bad debts.

The Bank provides doubtful accounts according to the specific nature of the accounts receivable. But it will not withdraw bad debt reserve for the interest receivable of loans and securities investment. The Bank will analyze the sum of money of day-to-day loans within the trade and that from such financial companies as well as other accounts receivable items by items according to their potential receivables. It will employ individual identification method to prepare for doubtful accounts.

The provisions for doubtful accounts are accounted for as current profit or loss. In case of sound evidence showing the accounts receivable really cannot be received, the provision of doubtful accounts will be the first items to be decreased. The deficit directly goes into the current profit and loss.

2) Identification criterion for bad debt loss

The doubtful loans of the Bank refer to the accounts receivable that still have not been received after the liquidation with the bankrupt assets or heritage of the debtor due to his bankruptcy or death. It also includes the accounts receivable that have not been received due to the failure of the debtor to fulfill his debt obligations and clear indications that such accounts cannot be received. Accounts receivable mentioned above, proved to be definitely unrecoverable will be recognized as bad debts and be written off after approved by the authority.

(8) Discounted bills

Discounted bills refer to the discount sum of money of the clients or other financial institutions that hold the undue commercial money order having been accepted.

The discount bills are calculated on the par value of the discount bills or instruments and the discount interest income is recognized in accordance with the holding period. On the date of preparing the balance sheet, the discount interests of non-maturing bills from the date of balance sheet to the date are deferred. The deferred incomes from discount interest are listed as the deferred earnings on the balance sheet.

(9) Loan classification

1) Short-term, medium-term and long-term loans

Loans are classified by maturity. Those loans due within 1 year (including 1 year) are classified as short-term loans. Those loans due in more than 1 year are classified as medium-term and long-term loans. The portions of medium and long-term loans maturing within 1 year are classified as short-term loans.

2) Overdue loans

Overdue loans refer to any loans whose borrowers fail to repay by the due date (including the extension period); the passive advance resulted from the inadequate deposit balance of the acceptor, or the discounting customer when the acceptor fails to pay discounted bill; or advances resulted from off-balance sheet businesses such as letters of credit and letters of guarantee. These advances are treated as overdue loans from the date the advances are made.

3) Doubtful loans

Stagnant loans refer to overdue loans that have been overdue for more than 90 days.

4) Loss loans

The criteria for identifying bad debt loans are as follows:

- A. The borrower is bankrupt, closed or dismissed and the loan cannot be recovered after debt collection;
- B. The borrower is dead or is declared to be dead or missing according to the civil laws of the PRC while the loan cannot be recovered from the liquidation of its asset or legacy;
- C. The loan cannot be paid wholly or in part, or the loan cannot be recovered considering the insurance compensation, if any, as a result of the borrower being suffered from major natural disaster or accident;
- D. The borrower and the guarantor have completely stopped their operating activities or their business licenses have been withdrawn notwithstanding that they are not bankrupt or their operating activities have not been ceased, and the loans granted thereto cannot be recovered after taking legal procedures;
- E. The borrower is punished for offending the law. Its assets cannot meet its obligation and there are no other obligation undertakers. The loan cannot be recovered even after debt collection;
- F. Those loans for which the Bank resorts to law when the borrowers and guarantors are unable to repay when they are due or when borrowers and guarantors have no properties for the Bank to carry out the court enforcement for repayment;
- G. When the borrower is unable to repay the loans for the reasons of A to F above, the portion unable to be recovered from the foreclosed collaterals after taking into consideration the expenses required to be incurred for the foreclosure;
- H. When the borrowers and guarantors are unable to repay in relation to letters of credit, accepted bills and letter of guarantee, etc, for the reasons of F to G above;
- I. Net losses borne by the Bank due to forgery, imposture or fraudulence of bank cards;
- J. The amount of student loans that cannot be recovered after disposal of relevant collaterals and pledges and collection from the guarantors within the recourse period;
- K. The loans specifically approved to be written off by the State Council.

5) Accrued loans and non-accrued loans refer to the loans that both their principal and receivable interest do not exceed 90 days. To loans whose principal or the receivable interest weren't collected for 90 days of overdue, the Bank will stop the provision of the interest revenue and turn these loans into non-accrued loans.

(10) Accounting method for loan losses

The Bank adopts the allowance method to calculate the loan losses.

Provision for loss on the loan include: short-term loans, discount bills, inward and outward documentary bills, medium and long-term loans, overdue loans, stagnant loans and doubtful loans, etc.

According to Accounting Standards for Business Enterprises and Accounting System for Financial Institutes and International Financial Reporting Standards (No.39), (the “IFRS”) Financial Tools - Confirmation and Measurement, provision for loss on the loan including exclusive and specific provision. Among them, the exclusive reserve is the balance provisions between the book value on the basis of analyzing the risk degree of loans and the predicted future cash flow. The specific provision refers to the risk provision for certain country, region, industry or loan. At present, there are no provisions of specific provisions in the Bank.

The provisions for bad or doubtful assets are utilized upon the write-off of the corresponding assets. Recoveries of assets, which have been written off, are credited to the profit and loss account as other operating income.

In addition, pursuant to Accounting System for Financial Institutions, the Bank will set aside general provision when it conducts profit allocations to make up any unidentified potential losses.

(11) Short-term investments

Short-term investments represent short-term bonds. Short-term investments are initially recorded at cost, which is the balance of the total amounts paid after deducting interest due to be collected.

The interest received during the holding period directly reduces the carrying value of investment except for the portion already recorded in interest receivables. Investment gain and loss is recognized upon disposal or maturity.

Short-term investments are measured by the lower between the cost and market price of each. The Bank provides provision for short-term investments at the balance between the cost and market price of individual short-term investment.

(12) Securities purchased under resale agreements & items sold under repurchase agreements

Price of securities bought under resale agreements & items sold under repurchase agreements is recorded based on the actual received amount and the income and expenditure are identified on accrual basis. The transaction targets of securities bought under resale agreements & items sold under repurchase agreements include: loans, bonds and discounted bills.

(13) Long-term debt investments

Long-term debt investments are recorded at cost when they were acquired. Cost refers to the total price paid on acquisition net of incidental expenses, such as commission to brokers, taxes and handling charges, and interest receivables for the period from issuance date or the previous interest payment date to the acquisition date of the investment. The difference between the initial cost and the par value of bonds is treated as premium or discount on investment in bonds and is amortized using straight-line method over the period from the acquisition date to the maturity date. For debt investments where the principal and interest are to be repaid upon maturity in total, the accrued interest is recorded in the “interest receivable from long-term investments” account. For debt investments where the interest is paid by installments, the accrued interest is accounted for separately in the “accounts receivable”.

(14) Long-term equity investments

Long-term equity investments are recorded at cost when they are acquired.

Cost method should be used to account for long-term equity investments when an investor does not have control or significant influence over the investees. Equity method should be used to account for long-term equity investments when an investor can control, joint control or has significant influence over the investees.

Pursuant to the Law of the PRC on Commercial Banks, commercial banks in China cannot engage in trust investment and securities business within its territory, invest in non-self-use fixed assets or in non-bank institutions or enterprises unless otherwise stipulated. Those have already invested in enterprises before the promulgation of the law shall withdraw from the business. As at 31 December 2004, the non-bank subsidiaries and joint-venture enterprises of the Bank in China were all under the process of cutting ties with them. The Bank adopts cost method to record long-term equity investments mentioned above.

(15) Doubtful long-term investments

Due to such reasons as the continuing decrease of market price or the worsening of the operation of the investees, the collectable long-term investments may be lower than book value and the difference cannot be recovered in the predictable future. The difference between the collectable amount and the book value is recorded in the provision for long-term investments.

Pursuant to the Law of the PRC on Commercial Banks' the Bank fulfilled de-linking disposal and provided provision for long-term investments based on receivable amount.

(16) Fixed assets and depreciation

Fixed assets refer to properties and buildings, plant and other equipment related to the production and operation used in the production or supply of goods or services, for rental to others, or for other management purposes with useful lives of greater than one year.

Fixed assets are initially recorded at cost when purchased or constructed by the Bank. The relevant expenditures in relation to purchasing or construction of fixed assets occurred before use will be capitalized. There are no capitalized loans fees.

Fixed assets are initially recorded at cost when purchased or constructed by the Bank. Depreciation of fixed assets is calculated on the straight-line method to write off the cost of each asset to their residual values, which is 3% of the cost, over their estimated useful lives.

Follow-up expenditures related to fixed assets will be recorded in the book value of fixed assets if the potential inflow of profits into the Bank exceeds original estimate. However, the added record amount shall not exceed the receivable amount of the fixed assets. Other follow-up expenditures in relation to fixed assets other than mentioned above will be directly recorded as profit and loss. The decoration fee of the fixed assets will be capitalized in accordance with capitalization principle.

Depreciation of fixed assets is calculated on the straight-line method to write off the cost of each asset to their residual values, which is 3% of the cost, over their estimated useful lives.

The classification of fixed assets and their estimated useful lives are as follows:

Type	Impairment period	Residual rate	Annual depreciation rate
Buildings	25-50 years	3%	1.94%-3.88%
Electronic equipment	3 years	3%	32.33%
Motor vehicles	4-8 years	3%	12.13%-24.25%
Device and equipment	5-11 years	3%	8.82%-19.40%
Decoration of fixed assets	The shorter one between the interval of two decorations and the remaining useful year, or between the remaining lease period and the rest of service year		

The Bank regularly reviews recoverable amount of the fixed assets. A provision for impairment would be made for a fixed asset in full when the fixed assets can no longer bring in future economic benefits to the Bank. Provision for impairment for the difference between the carrying value of a fixed asset and its recoverable amount would be made when its ability to bring in future economic benefits to the Bank is suffered from significant adverse impacts. The recoverable amount refers to the higher of the net selling price and the value in use. When all or part of the conditions for impairment loss occurred in prior periods may no longer exist, the Bank writes back the amount estimated to be recovered in the impairment loss account.

(17) Construction in progress

Construction in progress is recorded at actual paid expenditure. Cost comprises construction and other direct costs, original cost of plant and equipment, installation, including interest costs on specific borrowings used to finance the assets incurred before the assets reaching their expected usable condition. Construction in progress is transferred to the fixed assets account when the asset has reached the expected usable condition. Depreciation of fixed assets will be calculated next month and the adjustment will not be made until the completion final account is made.

A construction in process will be recorded at the lower of book value and the recoverable value at the end of the project and a provision for impairment is made according to the difference between the expected recoverable amount and book value.

There is no capitalization of the loans in the Bank.

(18) Intangible assets

An intangible asset is recorded at actual cost when acquired. Subsequent expenditures on an intangible asset after its recognition should be recognized as an expense when incurred.

The cost of intangible asset should be amortized evenly over the life of the shortest among the its expected useful period, beneficial period specified in the contract or the effective period stipulated by law starting from the month acquired. For those that the contract has not specified beneficial period and the law has not stipulated the effective period should be amortized in not more than 10 years.

The lower of the carrying value and recoverable amount at the end of the intangible asset is used for calculation. The provision for intangible impairment is made according to the difference between the predicted recoverable amount and the carrying value.

(19) Long-term prepaid expenses and amortization

Long-term prepaid expenses refer to long-term prepayments that should be amortized for more than 1 year (excluding one year). Long-term prepaid expenses mainly include renovation costs for operational buildings under operating lease, rental prepayment and other capital expenditures. Long-term prepaid expenses also include expenses incurred during the pre-operating period for pre-operating branches and sub-branches. Among them, the pre-operating fees are first recorded as long-term prepaid expenses, and are then charged in full to the profit and loss in the first month the branch or subbranch commences commercial operations.

In case the long-term prepaid expenses cannot bring benefits in future accounting period, all unamortized amount will be reversed to the profit and loss in that period.

(20) Foreclosed assets

Foreclosed assets are recorded at the actual loans and the recoverable interest balance of the sheet recognized when acquired.

The Bank carries out regular review on the recoverable amount of the assets. The value of foreclosed assets is recorded with the lower one between the carrying value and the recoverable value at the end of the period. When the recoverable value is lower than the carrying value, provision for impairment is made. The recoverable amount refers to the higher of net selling price of a foreclosed asset and the current value of the future cash flows expected to arise from using the asset and from its disposal at the end of its useful life. The Bank will write back the amount estimated to be recovered in the impairment loss account when the recoverable amount raises the foreclosed asset value.

(21) Provision for impairment of suspension assets

The Bank conducts regular review on the recoverable amount of the assets. The value of suspension assets is recorded with the lower between the carrying value and the recoverable value at the end of the period. When the recoverable value is lower than the carrying value, provision for impairment is made.

(22) Bonds payable

Bonds payable are recorded at the total issuance amount received. The difference between the total amount of issuing value of the bonds and the total par value of the bonds is recognized as the bond premium or discount, and is amortized by straight-line method during the bond deposit period. The interest payable is calculated based on accrual method.

(23) Staff social security and welfare

The Bank participates in worker's social security system set up by government institutions according to regulations, which include pension, Medicare, public funding system for housing, etc., the corresponding expenditures being recorded in the profit and loss of that period when it occurs.

The Bank provides the general welfare at 14% of the total salary.

(24) Income recognition

The Bank will recognize the income when it provides financial product or service, through which the transaction related benefits can flow into the Bank and the income amount can be measured in a reliable way.

- 1) **Loan interest:** Interests on loans are recognized as income periodically in accordance with the contractual interest rates. For interest receivables from loans that are overdue within 90 days (including 90 days), interest income should be continued to be recognized. For interest receivables that are overdue for more than 90 days (excluding 90 days), regardless of the overdue status of the corresponding loan principal, recognition of interest income should be ceased and the related interest receivable should be recorded in an off-balance sheet account and be recognized as income upon actual receipt.
- 2) **Income from financial institutions:** The Bank calculates and determines income from financial institutions in accordance with the time of use right of alienated capital and appropriate interest rate.
- 3) **Fees and commission income:** The Bank will recognize fees and commission income when it provides clients with relevant services.

(25) Expense recognition

Interest expenditures and other expenditures are accounted on an accrual basis.

(26) Income tax

The accounting of the enterprises of the Bank adopts the debt method under tax effect accounting method. The amount of income tax of that period is determined according to the income tax payable and the affected amount of income tax resulting from tentative differences. The affected amount of income tax caused by tentative differences is deferred and allocated to future periods. When the tax rate changes or new tax is levied, adjustments will be made to the affected amount of income tax resulting from the previously recognized temporary difference. When writing back the affected amount of income tax caused by temporary difference, the recovered value is calculated in accordance with current income tax rate.

Temporary differences mainly come from such items as loan loss, amount payable and the impairments of other assets. When it is indicated that there is enough tax payable in the future to compensate the above temporary differences, the deferred income tax is recognized.

The loss of asset realized is included in earnings before taxation (ETB) according to the tax authority's approval for deduction before taxation; the corresponding deferred income tax will go into the income tax charge of that period. In actual accounting, the Bank

will adjust the current income tax charge in line with the balance between the deferred income tax asset recognized on the date of balance sheet and that of the previous date of balance sheet.

When there is a tax deficit in the Bank, the tax deficit may offset the income tax of next years (no more than 5 years) and there will be enough tax payable in the future, the losses tax payable that can be offset is recognized as deferred tax debits.

(27) Derivative financial instruments

Major financial derivatives include foreign currency forwards, foreign currency swaps, interest rate swaps, currency interest swaps and bonds option. These transactions are conducted to reduce market risks arising from certain transactions with customers. The Bank accounts for the unsettled derivative transactions as off-balance sheet items. The unrealized gain or loss resulted from the currency forwards and swaps at the balance sheet date are recognized in the profit and loss account of the period. The gain or loss resulted from the interest swaps are recognized in the profit and loss account of the period when the contracts settled at maturity.

(28) Commission business

The Bank accepts commission business. The client (as the truster) provides the capital and the Bank (as the trustee) grants, supervises, utilizes and helps to collect the loans on agent basis according to the target, usage, amount, period and interest rate identified by the truster with the risk covered by the truster. The capital provided by truster is listed into the trusted items on the basis of actual received amount by the Bank. When the Bank grants loans according to the intention of truster, the amount is recorded in the trusted loan items according to the actual grant amount or investment amount. At the end of the period, the Bank will list the trusted capital items on balance sheet in the light with the difference between the trusted capital and trusted loans.

The Bank will collect service charge when carrying out trust loans but not the advance money for clients. The service charge collected will be recognized on an accrual basis in accordance with income recognition conditions.

(29) Lease

Lease refers to the agreement signed by the lessor who transfers the use right of asset to the lessee for the set period for obtaining rent. Leases where substantially all the risk and rewards of ownership of the assets transfer to the lessees are accounted for as financial leases, otherwise as operating leases.

1) Financial lease

The assets leased by the Bank of which the lower one of the original carrying value of the leased assets beginning the date of leasing and the current value of the total minimum lease receipts will be regarded as the amount of leased assets entering into the account book. The lowest lease payment is regarded as the entering value of long-term accounts payable. The difference between the two is recorded as unrecognized financing charge.

The initial direct charges incurred during the lease negotiations or signing the lease contract, which may directly belong to lease items such as stamp tax, commission, lawyer fee and travel expenses are recognized as the expense of current period when they incur. The contingency lease is regarded as the period charge as it actually incurs.

The unrecognized financial fee is amortized on the straight-line method over the lease period.

In calculating the depreciation of an asset leased, the Bank should adopt a depreciation policy for leased assets consistent with that for depreciable assets owned by the lessee. If there is reasonable certainty that the lessee will obtain ownership of the leased asset by the end of the lease term, the leased asset should be fully depreciated over its remaining useful life. If there is no reasonable certainty that the lessee will obtain ownership of the leased asset by the end of the lease term, the leased asset should be fully depreciated over the shorter of the lease term or its remaining useful life.

2) Operating leases

Rental payments under operating lease are charged to the profit and loss account on straight-line basis over the period of the relevant leases; Initially-occurred-payments are charged to the profit and loss account of that period; contingent leases are recorded current expenses when occurred.

4. CHANGES IN ACCOUNTING POLICIES AND ESTIMATES, AND CORRECTIONGS AND IMPACTS OF ACCOUTING ERRORS

(1) Significant changes in accounting policies

1) Accounting method for interest receivable and interest income

Pursuant to the notice of the MOF (Cai Jin Zi 【2001】 No.25) “Concerning the Adjustment of the Accounting Method for Interest Receivable of Financial Institutions”, the Bank records its interest receivable and interest income at first. It stipulates that if the loan interest overdue over 180 days (excluding 180 days), the interest receivable should be recorded as the profit and loss of current period regardless of the principal is overdue or not. For the interest already listed in profit and loss, it should be cancelled out if the loan principal or the interest receivable overdue for more than 180 days (excluding 180 days). The compound interest receivable and the interest receivable of loan principal that overdue over 180 days (excluding 180 days) should be recorded as the profit and losses of the current period in which it is obtained. To this change of accounting policy, the Bank did not carry out retrospective application in 2001.

From 2002, pursuant to the MOF’s notice (Cai Jin Zi 【2002】 No.5) “Circular on Reducing the Accounting Period of Interest Receivable of Financial Institutions”, the Bank and its branches across China record its interest receivable and income. The notice stipulates that the interest receivable within 90 overdue days (including 90 days) should be recorded as the profit and loss of the current period commencing from the date when loan interest is settled. If the loan interest exceeds the time limit for over 90 days (excluding 90 days), the accrued interest receivable should not record as the profit and loss of the current period no matter the principal exceeds the deadline or not and be included as off-sheet accounting. It will be listed in profit and loss account when actually recovered. For the accrued interest receivable listed in the profit and loss account, it is used to reduced the interest revenue that has already recorded in the profit and loss account after the loan principal or the interest payable are overdue over 90 days (excluding 90 days) and written back to off-sheet accounts. The Bank did not carry out retrospective adjustment on this change of accounting policy in 2002.

Pursuant to the **MOF’s** notice (Cai Jin Zi 【2000】 No. 20) “Additional Regulations on the Accounting of Relevant Business of Commercial Banks Issuing Public Securities” and “Accounting System for Financial Institutions”, the Bank conducts retrospective application on the change of accounting method for the interest receivable mentioned above. It is similar to the implementation of the stipulated accounting policy in the document issued by MOF (Cai Jin Zi 【2002】 No.5) “Circular on Reducing the Accounting Period of Interest Receivable of Financial Institutions”, which has been carried out by the Bank for a long time.

2) Accounting method for discount interest

The Bank changes the recognition of interest income on cash-basis accounting to recognition on an accrual basis.

3) Provisions for doubtful accounts

In the past, the Bank and its branches in China provide provision for bad accounts at 3‰ of the balance of the accounts receivable at the end of each year. In accordance with the notice issued by the MOF (Cai Jin 【2001】 No. 127) “Notice on Administrative Policy for the Making Provision and Writeoff of Doubtful Accounts”, the Bank did not provides provisions for bad loans from 2001 and stops writing off bad accounts. The provision for bad loans is transferred into bad loan accounts as at 31 December 2000

Pursuant to the document of the MOF (Cai Kuai Zi 【2000】 No.20) “Additional Regulations on the Accounting of Relevant Business of Commercial Banks Issuing Public Securities” and “Accounting System for Financial Institutions”, the Bank changes its accounting method for bad loans. That is, it does not provide provisions for the interest receivable of loans and bonds investment. For the amounts of inter-bank loans or the loans borrowing from financial companies and other accounts receivable, the Bank will analyze them items by items and identify provisions for bad loans in an individual case.

4) Provisions for doubtful loans

In accordance with the notice issued by the **MOF** (Cai Jin 【2001】 No. 127) “Notice on Administrative Policy for the Making Provision

and Writeoff of Doubtful Accounts”, the Bank and its branches in China previously provide provision for doubtful loans at 1% of the balance of bad loans at the end of the accounting period. Among them, the assets made such provisions include loans (including mortgage, pledge and guarantee etc.), bankcard overdraft, discounted bills, bank acceptance bill advance money, advance money for letter of credit, guarantee advance money, inward and outward documentary bills , equity investment and creditor investment (excluding security investments adopting the lower of cost and market price method and the investment of the principal and interest of state bonds purchased), placements with or from banks, interest receivable (excluding the interest receivable of loans), dividend receivable, reinsurance accounts receivable and rent receivable, etc.

Now, pursuant to Accounting Standards for Business Enterprises and Accounting System for Financial Institutions, and in accordance with No.39 Standard of International Finance Report Standards “Financial Tools: Recognition and Measurement”, the Bank make provisions for loan losses based on the difference between the carrying value of loan asset and the current value of the expected future cash flow in the light of analysis on the risk and the receivable potential of the loan assets.

5) Provisions for the depreciation of short-term investment

The Bank did not provide provisions for the depreciation of short-term investment previously. At present, pursuant to Accounting Standards for Business Enterprises and Accounting System for Financial Institutions, it makes provisions for the impairment of short-term investment by the lower of cost and market value at the end of the short-term investment. The provisions are made on the difference of the current market price of single investment and the cost.

6) Provisions for the impairment of long-term investment

The Bank did not provide provisions for the impairment of long-term investment previously. Now, pursuant to Accounting Standards for Business Enterprises and Accounting System for Financial Institutions, it provides provisions for the impairment of long-term investment. The approach is taking the lower of the carrying value of the long-term investment at the end of the investing period and the amount receivable. It provides provisions for the impairment of each long-term investment on the difference of receivable amount and carrying value.

7) Provisions for the impairment of fixed assets

In the past, the Bank and its branches in China did not provide provisions for the impairment of fixed assets. Now, pursuant to Accounting Standards for Business Enterprises and Accounting System for Financial Institutions, it provides provisions for the impairments of fixed assets if the receivable amount is lower than the carrying value of the fixed assets on the difference between the receivable amount and the carrying value.

8) Provisions for the impairment of construction in process

In the past, the Bank and its branches in China did not provide provisions for the impairment of construction in process. Now, pursuant to Accounting Standards for Business Enterprises and Accounting System for Financial Institutions, the construction in process is recorded at the lower of between the carrying value and the year-end balance receivable. The Bank provides provisions for the construction in process by the difference between the carrying value and the year-end balance receivable.

9) Provisions for the impairment of intangible assets

The Bank and its branches in China did not provide provisions for the impairment of intangible assets in the past. Now, pursuant to Accounting Standards for Business Enterprises and Accounting System for Financial Institutions, it provides provisions for the impairment of intangible assets if the receivable amount is lower than the carrying value due to reasons like the new technology. The provisions are made on the basis of each intangible asset.

10) Accounting method for long-term prepaid expenses

Among long-term prepaid expenses of the Bank, the expenses incurred during pre-operating period for the branches and sub-branches were previously amortized within 5 years commencing on the date of operation after they finished pre-operating period.

Notes to the Financial Statements

Now, pursuant to Accounting Standards for Business Enterprises and Accounting System for Financial Institutions, it recorded the expenses for pre-operating branches or sub-branches incurred during pre-operating period as long-term prepaid expenses, and are then charged in full to the profit and loss in the first month the branch or sub-branch commences commercial operations.

11) Provisions for the impairment of foreclosed assets

The Bank and its branches in China did not provide provisions for the impairment of foreclosed assets previously. Now, pursuant to Accounting Standards for Business Enterprises and Accounting System for Financial Institutions, it provides provisions for the impairment of foreclosed assets if the receivable amount is lower than carrying value.

12) Provisions for the impairment of the suspension assets

The Bank and its branches in China did not provide provisions for the impairment of the suspension assets, which are listed in other long-term assets. Now, pursuant to Accounting Standards for Business Enterprises and Accounting System for Financial Institutions, it provides provisions for the impairment of such assets if the asset amount receivable is lower than the carrying value.

13) Accounting Method for Income Tax

The accounting method for the income tax of the Bank adopted tax payable method in the past. Now it adopted tax effect accounting method.

Pursuant to Accounting Standards for Business Enterprises “Changes in Accounting Policies and Accounting Estimates, and Corrections of Accounting Errors, and on the basis of the changes of the above-mentioned No. 1-13 Accounting policies, the Bank adopts retrospective application method, resulting in a decrease in the beginning undistributed profits for 2002 by RMB 31,858,041,000, in a increase in relevant items of 2002 and 2003 accordingly. Influences on the net profits of each year during the reporting period are as follows:

Item	2003	2002
1. Interest income	-	2,854,764
2. Provisions for Bad debts	(782,248)	(587,354)
3. Discount interest	-	32,868
4. Provisions for loan loss	5,174,634	3,384,759
5. Provisions for the impairment of short-term investments	-	-
6. Provisions for the impairment of long-term investments	(106,946)	(60,217)
7. Provisions for the impairment of fixed assets	(895)	(5,291)
8. Provisions for the impairment of construction in process	-	-
9. Provisions for the impairment of intangible assets	-	-
10. Long-term prepaid expenses	2,651	(6,677)
11. Provisions for the impairment of foreclosed assets	(324,077)	(444,136)
12. Provisions for the impairment of suspension assets	(329,316)	17,783
13. Change of income tax accounting method	440,768	(1,657,869)
Total	4,074,571	3,528,630

The amount influenced by retrospective application due to the change of other accounting policies other than the change of income tax accounting policy is included in the data of the section 13 “Change of Income Tax Accounting Method”.

Notes to the Financial Statements

The scope of the provisions loads above-mentioned includes placements with inter-banks, financial companies and other accounts receivable. The details are as follows:

Item	2003	2002
Provision for placements with inter-banks	(67,325)	(28,453)
Provisions for placements with financial companies	(244,064)	(76,120)
Provisions for other accounts receivable	(470,859)	(482,781)
Total	(782,248)	(587,354)

(2) Correction of major accounting errors

The Bank has adjusted such items as net profit and loss and other relevant accounts of each period against major accounting errors occurred. For the significant accounting errors before the statement period of the Bank, it has adjusted the retained earnings at the beginning of the reporting period, other relevant accounts in the financial statements being adjusted accordingly.

5. MAJOR TAXES

(1) Income tax

Pursuant to the provisional regulations of the PRC on income tax and other related regulations, the Bank provides income tax at a rate of 33% for domestic enterprises.

Apart from paying enterprise's income tax in accordance with the income tax rate of the residential countries, overseas branches of the Bank (among them, the income tax of Hong Kong Branches with relatively-large scale in the year 2002, 2003 and 2004 were 16%, 17.5% and 17.5% respectively) should also pay income tax at the rate of 16.5% of the income in China (the income tax of overseas branches adopted fixed rate discount at unified 16.5% of the total taxable income overseas). The difference incurred from the different tax rates will be paid by the head office.

The Bank pays for income tax on the basis of the general financial statements of each year, combining with the general income tax amount resulting from the data of annual tax paying applications of domestic branches, which have been examined and approved by local tax authorities, as well as the taxable revenue translated at fixed rate discount for oversea branches, the Bank finally prepares the general income tax declaration sheet of the Bank and pays the tax to tax authorities where the head office locates.

Pursuant to the document issued by the State Administration of Taxation (Guo Shui Han 【2001】 No. 354) “Circular on the Issues the Bank Paying Income tax”, the Bank and its branches gather and pay income tax before the end of 2001 in accordance with “Circular of the State Administration of Taxation on the Unified Calculation, Decentralized Management, Pre-paying Locally and Collected Settlement of Income Tax for Central (Consolidated) Tax Paying Enterprises”. It pays income tax in a combined way. The head office and 20 branches including Shanghai branch pre-pay 10% of the income tax payable each year to the local tax authorities. Other direct branches and sub-branches pre-pay 60% of the income tax payable to the local tax authorities each year.

Pursuant to the document issued by the State Administration of Taxation (Guo Shui Han 【2002】 No. 342) “Circular on the Issue of Income tax Paid by the Bank, except that the head office and 20 branches including Shanghai Branch and 14 newly-established branches including Shenzhen branch prepay the income tax at the rate of 15% each year to the local tax authorities, other branches and sub-branches still pre-pay income tax to the local tax authorities at the rate of 60% of the income tax payable.

Pursuant to the document issued by the State Administration of Taxation (the “SAOT”) (Guo Shui Han 【2003】 No. 425) “Circular on the Issue of Combined Income tax Paid by the Bank”, the Bank paid the combined income tax in Shanghai in 2003 in accordance with the SAOT’s document (Guo Shui Fa 【2001】 No. 13) “Circular of the SAOT on the Unified Calculation, Decentralized Management, Pre-paying Locally and Collected Settlement of Income Tax for Central (Consolidated) Tax Paying Enterprises”. Meanwhile its branches and sub-branches would not pre-pay income tax to the local tax authorities.

Pursuant to the document issued by the SAOT (Guo Shui Fa 【2004】 No. 1997) “Notice on the Issue of Income tax Paid by the Bank”

Notes to the Financial Statements

and (Guo Shui Han 【2001】 No. 13) “Circular of the State Administration of Taxation on the Unified Calculation, Decentralized Management, Pre-paying Locally and Collected Settlement of Income Tax for Central (Consolidated) Tax Paying Enterprises”, the Bank pays the combined income tax in Shanghai and its branches and sub-branches do not pre-pay income tax to local tax department.

The pre-tax deductible items of income tax are implemented in accordance with relevant national regulations.

(2) Business tax

The Bank and its domestic branches pay business tax on the basis of business amount. Pursuant to the notice issued by the MOF and the State Administration of Taxation (Cai Shui 【2001】 No. 21) “Notice on Reduction of Business Tax Rate for Financial and Insurance Companies”, business tax is provided at 5% (2001:7%, 2002: 6%) of total operating income after deducting interest income from financial institutions and government bonds since 1 January 2003. The individual branches of the Bank pay business tax to their local tax bureaus respectively.

(3) Urban maintenance and construction surcharges

Urban construction is levied at 7% (1% or 5% in some branches or sub-branches) of the local tax bureaus (5% of business tax).

(4) Educational surcharges

It is levied at 3% of the local tax bureaus (5% of the business tax).

6. HOLDING SUBSIDIARY COMPANY AND JOINT VENTURE

1) Pursuant to the Law of the PRC on Commercial Banks, commercial banks shall not engage in trust investment and securities business in China. They shall not invest in non-self-use properties or non-bank financial institutions or enterprises, unless it is stipulated otherwise by the State. Those who have invested in enterprises shall have no relationship with them. As at 31 December 2004, all the investments that the Bank accounts for over 50% (including 50%) of shareholding are targeting at banks and non-bank subsidiary company investments other than specially-approved investments. Those investments are all under the Tuo-gou process. The Bank adopts cost accounting method and has made provisions for the impairment of long-term investment in accordance with receivable amount. But it has not included the above-mentioned non-banking subsidiary companies into the consolidated financial statements.

At 31 December 2004, the basic situation of the non-banking subsidiary companies of the Bank is listed in 24 (3) of Note VII.

2) The Bank’s subsidiary companies that invest in overseas market mainly engage in such businesses as shareholding, fiduciary services, insurance and the development of real estate. Because of the special trade and relatively small scale of overseas investments, they impose no significant impacts on the financial statements during the reporting period. Therefore, the current financial statements have not consolidated the above-mentioned subsidiary companies.

As at 31 December 2004, the basic situation of overseas long-term ownership investment of the Bank with shares over 50% is shown in Section 24 (4) of Note VII.

7. ANNOTATION OF MAJOR items OF FINANCIAL STATEMENTS

(1) Cash and bank

Item	31 December 2004	31 December 2003
Cash	8,491,743	7,891,724
Bank deposits	-	-
Total	8,491,743	7,891,724

Notes to the Financial Statements

(2) Placement with central banks

Item	31 December 2004	31 December 2003
Statutory deposits reserve	61,669,830	50,246,480
Reserve deposit	57,941,430	54,253,880
Financial deposit to the PBOC	273,313	198,132
Total	119,884,573	104,698,492

1) Statutory deposits reserve refers to the deposit reserve for general deposits submitted to the PBOC in accordance with relevant regulations. General deposits refers to the deposits drew from institutions, deposits beyond fiscal budget, personal savings deposits, unit deposits, net amount of entrusted capital and other deposits.

Pursuant to relevant regulations, reserve rate of deposits denominated in RMB was 6% from 1 January 2002 to 21 September 2003 and adopted 7% from 21 September 2003, readjusted to 7.5% on 25 April 2004. Reserve rate of deposits denominated in Rmb for foreign currency deposits is 2% since 25 April 2004.

2) Reserve deposit refers to the surplus reserve deposited in the **PBOC** by the Bank for settlement.

3) Fiscal deposits with the **PBOC** refer to fiscal deposits to the **PBOC** in accordance with relevant regulations, including the central budget revenue and the deposits with local coffers as agent business.

(3) Placement with other banks

Item	31 December 2004	31 December 2003
Deposits to or from domestic financial institutions	5,689,497	4,234,856
Deposits to or from overseas financial institutions	3,235,977	10,229,872
Total	8,925,474	14,464,728

The balance of deposits to or from financial institutions at 31 December 2004 reduced by 38.29% compared with that of 31 December 2003, mainly because the allocation and transfer of capital by Hong Kong Branch at the end of the period led to dramatic decrease of the deposits to or from overseas financial institutions.

Among them, the year-end balance of structural deposits is RMB 389,241,000 (RMB 1,153,606,000 at 31 December 2003). The structural deposits are those general deposits embedded with derivatives such as interests and options.

As at 31 December 2004, the amount of currency from shareholders who hold over 5% (including 5%) of shares of the Bank in deposits with financial institutions was equivalent to RMB 100,519,000£”with the details in (III) of X Section.

(4) Cash and cash equivalents

Item	31 December 2004	31 December 2003
Cash & deposits	8,491,743	7,891,724
Cash equivalents	67,140,217	68,916,740
Among them : Reserve deposit	57,941,430	54,253,880
Fiscal deposits with the PBOC	273,313	198,132
Deposits with banks	8,925,474	14,464,728
Total	75,631,960	76,808,464

Notes to the Financial Statements

(5) Loans to other banks

Item	31 December 2004	31 December 2003
Placements with domestic financial institutions	2,807,062	3,933,740
Placements with overseas financial institutions	45,984,643	46,254,764
Total	48,791,705	50,188,504
Less: Provisions for bad loans	314,715	244,079
Net value of placement with financial institutions	48,476,990	49,944,425

As at 31 December 2004, there were no placements from the shareholders who hold over 5% (including 5%) shares of the Bank.

(6) Loan to non-banking financial institutions

Item	31 December 2004	31 December 2003
Placements with domestic financial companies	1,749,717	1,783,551
Placements with overseas financial companies	-	-
Total	1,749,717	1,783,551
Less: Provision for bad loans	884,277	652,391
Net value of placements with financial companies	865,440	1,131,160

As at 31 December 2004, there were no placements from the shareholders who hold over 5% (including 5%) shares of the Bank.

(7) Short-term loans

Item	31 December 2004	31 December 2003
Unsecured loans	89,011,100	66,020,178
Guaranteed loans	176,797,229	156,898,574
Collateralized loans	68,272,30	65,542,210
Pledged loans	16,875,823	14,293,741
Total	350,956,452	302,754,703

As at 31 December 2004, there were no loans from the shareholders who hold over 5% (including 5%) of the shares of the Bank among the short-term loans.

(8) Bills negotiation of export & import LC

Item	31 December 2004	31 December 2003
Outward bills	1,600,525	1,100,287
Inward bills	9,052,152	8,044,742
Outward factoring	261,702	13,104
Outward collection financing	411,452	399,582
Outward invoice financing	840,198	242,011
Bale loans	1,543,803	785,637
Total	13,709,83	10,585,363

Notes to the Financial Statements

The balance of inward and outward documentary bills at 31 December 2004 increased 29.52% compared with that of 31 December 2003, mainly because the amount of trade settlement goes up year-by-year. Meanwhile, the Bank is adjusting loan structure, promoting new products for trade financing and expanding inward and outward documentary bills.

(9) Interests receivables

1) Listed according to account period

Account period	31 December 2004		31 December 2003	
	Amount	Percentage	Amount	Percentage
< 1 year	3,533,052	100.00%	2,474,493	100.00%
1 – 3 year	-	-	-	-
>3 years	-	-	-	-
Total	3,533,052	100.00%	2,474,493	100.00%

2) Listed according to contents

Item	31 December 2004	31 December 2003
Loan interest receivable	1,245,625	1,051,318
Bond investment interest receivable	2,259,269	1,384,217
Other interests receivable	28,158	38,958
Total	3,533,052	2,474,493

As at 31 December 2004, there were no interest receivables of shareholders who hold over 5% (including 5%) of the shares of the Bank in interest receivables.

(10) Other receivables

1) Analysis according to account period

Account period	31 December 2004			31 December 2003		
	Amount	Percentage	Bad loan	Amount	Percentage	Bad loan
<1 year	5,042,400	58.83%	175,778	5,995,986	61.23%	130,511
1 – 2 year	301,988	3.52%	168,241	1,055,397	10.78%	211,492
2 – 3 year	678,986	7.92%	229,211	286,735	2.93%	161,783
>3 years	2,548,394	29.73%	2,006,257	2,454,369	25.06%	1,628,088
Total	8,571,768	100.00%	2,579,487	9,792,487	100.00%	2,131,874

The other receivables with account period over 3 years mainly come from various non-business currency on credit previously that has not received until now such as short-term loans to others, the capital involved in unclosed lawsuit cases with the litigation expense paid or that on credit before closing the case. As at 31 December 2004, the Bank has made corresponding provisions for bad loans on the basis of receivable amount of the receivables in accordance with individual identification method.

Notes to the Financial Statements

2) Analysis according to the contents

Item	31 December 2004	31 December 2003
Temporary payments	5,054,713	6,136,392
Cash deposits paid	24,372	27,312
Other pre-paid accounts	392,058	524,622
Advance accounts	3,100,625	3,104,161
Total	8,571,768	9,792,487

Temporary payments are uncollected receivables during in business process, including such items as settlement and exchange in the same city, credit card settlement funds for transfer and the cost of the receivable certificate.

Advance payments mainly refer to various non-operating credit payments, such as temporary short-term loans to others, the funds involved in unclosed lawsuit cases with the litigation expense paid or that on credit before settling the case.

As at 31 December 2004, there were other receivables from shareholders who hold over 5% (including 5%) shares of the Bank.

(11) Provisions for other receivables

Item	31 December 2004
Balance at 1 January 2004	2,131,874
Additions in the current period	524,799
Received in the current period	-
Writing off in the current period	77,186
Balance, at 31 December 2004	2,579,487

All above-mentioned provisions are the provisions for doubtful loans of other receivables.

(12) Discounted bills

Item	31 December 2004	31 December 2003
Discounted bills	25,841,356	20,496,957
Transferred discount	14,648,896	3,501,244
Buying foreign currency bills	25,794	21,421
Guaranteed bills	64,622	25,679
Total	40,580,668	24,045,301

As at 31 December 2004, there were no discounted bills from shareholders who hold over 5% (including 5%) shares of the Bank.

Notes to the Financial Statements

(13) Short-term investments

Item	31 December 2004	31 December 2003
Government bond	7,865,716	5,541,494
Financial bond	12,449,427	11,652,766
Central bank bill	42,149,715	7,339,106
Hong Kong Government and public department bond	5,391,555	3,966,078
Other short-term bonds	575,738	494,511
Total	68,432,151	28,993,955

1) All the government bonds, financial bonds and bills of the PBOC held by the Bank are transacted in inter-bank bond market. Because the transaction is not active, there is no reference market price for disclosure. Taking account the receivable interest factor for the bonds, there is no depreciation for the above-mentioned short-term investments at the end of the reporting period.

2) The bonds of HK government and its public departments and other short-term bonds are the foreign currency bonds purchased in the overseas market. There is no depreciation for the above-mentioned short-term investments at the end of the reporting period.

3) The balance of short-term investments at 31 December 2004 went up by 136.02% compared with that of 31 December 2003. This is brought about by the expansion of capital and shares of the Bank and the increase of investments in government bonds and financial bonds thanks to the Notice of secondary debts by the Bank in 2004.

4) As at 31 December 2004, apart from the PBOC bills with book value of RMB 12,000,000,000 in short-term investments cannot be cashed until the 19 May 2005, there are no major constraints on cash realization of other short-term investments.

(14) Securities purchased resale agreements

Item	31 December 2004	31 December 2003
Government bonds	16,936,497	16,076,707
Financial bonds	9,716,500	12,492,400
Other bonds	374,363	14,363
Total	27,027,360	28,583,470

As at 31 December, 2004, there were no securities bought under resale agreements from shareholders who hold over 5% (including 5%) shares of the Bank.

Notes to the Financial Statements

(15) Long-term bond investment matured within one year

1) Listed according to type

Item	31 December 2004	31 December 2003
Government bonds	20,816,961	5,908,364
Financial bonds	8,705,859	7,431,167
HK government and public department bonds	42,173	38,912
Other long-term bonds	638,410	200,197
Total	30,203,403	13,578,640

2) Listed according to specified item

Type	Mature date	Interest(%)	31 December 2004			
			Book value	Premium	Accrual interest	Total
Government bonds	2005.3.1-2005.12.28	1.72-6.80	20,589,260	2,792	224,909	20,816,961
Financial bonds	2005.1.16-2005.12.14	1.99-8.00	8,726,126	(35,093)	14,826	8,705,859
Hong Kong government and public department bonds	2005.2.7-2005.10.1	4.00-7.25	41,406	243	524	42,173
Other long-term bonds	2005.5.3-2005.12.11	2.10-7.68	623,668	7,698	7,044	638,410
Total			29,980,460	(24,360)	247,303	30,203,403

The balance of Long-term investments maturing within one year at 31 December 2004 increased by 122.43% compared with that of 31 December 2003 mainly because the expansion of capital and shares of the Bank and the increase of investments in bonds thanks to the Notice of secondary debts by the Bank in 2004.

(16) Other current assets

Item	31 December 2004	31 December 2003
Buying back credit assets	2,394,700	5,060,000
Inter-bank transactions in the same province or municipality	200,015	121,900
Others	41,613	13,324
Total	2,636,328	5,195,224

The accounts inter-branches within the Bank are mainly involved in exchange clearance of the city and current transfer among the province or municipality.

Others are mainly the balance of such items as pre-exchange, e-payment running accounts, low value consumables and expenses to be amortized.

Notes to the Financial Statements

The balance of other current assets at 31 December 2004 reduced by 49.25% compared with that of 31 December 2003 mainly because the Bank reduced buying unsecured loans under resale agreements by 52.67% at 31 December 2004.

(17) Medium-term and long-term loans

Type	31 December 2004		
	Total	1-5 years	> 5 years
Unsecured loans	38,949,976	28,312,512	10,637,464
Guaranteed loans	64,734,208	45,674,726	19,059,482
Collateralized loans	102,538,447	29,667,638	72,870,809
Pledged loans	11,347,119	4,832,044	6,515,075
Total	217,569,750	108,486,920	109,082,830

Type	31 December 2003		
	Total	1-5 years	> 5 years
Unsecured loans	33,041,995	25,800,445	7,241,550
Guaranteed loans	57,941,555	44,311,964	13,629,591
Collateralized loans	60,362,241	12,401,927	47,960,314
Pledged loans	12,047,000	6,245,342	5,801,658
Total	163,392,791	88,759,678	74,633,113

As at 31 December 2004, there were no loans from the shareholders who hold over 5% (including 5%) of the shares of current bank in the balance of medium-term and long-term loans.

(18) Overdue loans

Type	31 December 2004	31 December 2003
Unsecured loans	392,155	177,159
Guaranteed loans	2,183,444	1,481,046
Collateralized loans	1,735,256	1,501,623
Pledged loans	135,339	227,097
Total	4,446,194	3,386,925

As at 31 December 2004, there were no overdue loans from the shareholders who hold over 5% (including 5%) of the shares of the Bank.

Notes to the Financial Statements

(19) Doubtful loans

31 December 2004					
Type of loans	Total	90 Day-1 year	1 – 2 year	2 – 3 years	> 3 years
Unsecured loans	514,002	269,418	49,761	66,845	127,978
Guaranteed loans	5,059,050	3,273,961	1,028,663	159,959	596,467
Collateralized loans	4,682,704	2,172,520	836,595	752,879	920,710
Pledged loans	439,170	310,320	118,182	7,500	3,168
Total	10,694,926	6,026,219	2,033,201	987,183	1,648,323

31 December 2003					
Type of loans	Total	90 Day-1 year	1 – 2 year	2 – 3 years	> 3 years
Unsecured loans	3,681,102	333,260	164,712	73,056	3,110,074
Guaranteed loans	28,872,050	4,155,658	4,747,607	3,111,653	16,857,132
Collateralized loans	12,558,266	2,762,975	1,952,671	1,860,557	5,982,063
Pledged loans	734,835	305,481	103,865	52,842	272,647
Total	45,846,253	7,557,374	6,968,855	5,098,108	26,221,916

As at 31 December 2004, there were no stagnant loans from the shareholders who hold over 5% (including 5%) of shares of the Bank.

The balance of stagnant loans at 31 December 2004 reduced by 76.67% compared with that of 31 December 2003 mainly because the financial restructuring of the Bank in June 2004. Non-performing loans including bad or stagnant loans, have been disposed collectively.

(20) Loss loans

Type	31 December 2004	31 December 2003
Unsecured loans	2,318	611,819
Guarantee loans	143,232	4,653,676
Mortgage loans	12,893	1,218,152
Pledge loans	30,634	64,849
Total	189,077	6,548,496

As at 31 December 2004, there were bad loans from the shareholders who hold over 5% (including 5%) of shares of the Bank.

The balance of bad loans at 31 December 2004 declined by 97.11% compared with that of 31 December 2003, mainly because the Bank conducted financial restructuring in June 2004 and disposed the non-performing loans including bad and stagnant loans in a centralized way.

Notes to the Financial Statements

(21) Loan loss provisions

Item	31 December 2004	31 December 2003
Balance at the beginning of the period	38,862,633	42,695,900
Additions in current period	3,058,650	4,954,089
Return in current period	51,110	43,440
Writing off in current period	33,381,888	8,830,796
Balance at the end of the period	8,590,505	38,862,633

The balance of provisions for loan loss at 31 December 2004 reduced by 77.90% compared with that of 31 December 2003 mainly because the Bank conducted financial restructuring in June 2004 and disposed the non-performing loans and corresponding loan loss provisions have been transferred or written off at the same time.

The written-off provisions for loan loss of 2004 include those written off loan of in normal way RMB 2,265,253 thousand and one-time-centralized written-off loans as well as that due to selling loans totaling RMB 31,116,635 thousand as a result of the financial restructuring in June 2004.

(22) Accrued loans and non-accrued loans

Item	31 December 2004	31 December 2003
Accrued loans	627,262,896	504,165,083
Non-accrued loans	10,884,003	52,394,749
Total	638,146,899	556,559,832

(23) Long-term debt securities investment

1) Listed according to type

Item	31 December 2004	31 December 2003
Government bonds	61,423,790	50,489,564
Financial bonds	92,931,092	64,408,007
Central Bank bills	20,800,000	-
Bond of HK Government and its public departments	1,155,912	785,190
Other long-term bonds	4,003,572	4,020,434
Sub-total	180,314,366	119,703,195
Less: Long-term bonds investment maturing within one year	30,203,403	13,578,640
Total	150,110,963	106,124,555

Notes to the Financial Statements

2) Listed according to classification

Bond type	Mature date	Interest (%)	31 December 2004				Decline reserve made
			Book value	Premium	Accrued interest	Total	
Government bonds	2006.2.20 -2032.5.24	2.00-11.83	60,951,056	(62,520)	535,255	61,423,791	61,258
Financial bonds	2006.1.15 -2024.10.15	1.10-9.00	92,838,158	13,614	79,319	92,931,091	30,721
PBOC bills	2007.12.10、 2009.6.30	1.89、4.11	20,800,000	-	-	20,800,000	-
HK government bond	2006.2.20 -2024.11.04	2.30-8.00	1,140,016	(1,201)	17,097	1,155,912	-
Other long-term bonds	2006.1.18 -2016.5.17	1.08-7.68	3,937,673	37,920	27,979	4,003,572	19,875
Subtotal			179,666,903	(12,187)	659,650	180,314,366	111,854
Less: long-term investment maturing within one year	2005.1.16- 2005.12.28	1.72-8.00	29,980,460	(24,360)	247,303	30,203,403	110,505
Total			149,686,443	12,173	412,347	150,110,963	1,349

As at 31 December 2004, the book value of the PBOC bills included the balance of specific PBOC bills RMB 20,700,000, 000. The specific PBOC bills refer to the special target bills issued by the PBOC in accordance with “Operation Measures of the Bank on Disposing Doubtful Loans and Specific Capital Supporting Financial Restructuring” and purchased by the Bank with currencies income resulting from selling the doubtful loans. The Bank signed an agreement with the PBOC in June 2004. The circulating amount of specific bills is verified as RMB 20,700, 000,000, which is 50% of the book value of the total doubtful loans (RMB 41,399,913,000). Specific bills are 5-year-fixed-interest (at annual rate of 1.89%) account bonds with interest paid yearly. These specific bills are collectively entrusted by the Central Settlement Corporation. They cannot be circulated, transferred, pledged, passed the ownership or regarded as the compensation for the debt of the Bank without the permit from the PBOC. As at 31 December 2004, the Bank had acquired the purchasing qualification for specific bills and subscribed for it with RMB 20,700,000,000 from selling all doubtful loans.

Among them, the year-end balance of structural bonds is RMB 7,046,029,000 (RMB 1,282,889,000 at the end of 2003). The structural bonds are bonds with embedded interest or options circulated by other financial institutions.

As at 31 December 2004, the book value of government bonds was RMB 400,000,000 to pledge securities counter-purchase.

At 31 December 2004, the balance of long-term bonds investment increased by 41.45% compared with that of 31 December 2003. The main reason is mentioned above, the Bank purchased specific bills of the PBOC by RMB 20,700, 000,000, expanded its capital and shares in 2004, as well as the increased investments in government bonds and financial bonds thanks to circulating secondary liabilities.

As at 31 December 2004, the balance of bond investments circulated by the shareholders who hold over 5% (including 5%) of the shares of the Bank among the long-term bond investments was equivalent to RMB 413,930,000. (Please refer to (III) of Section X for details)

Notes to the Financial Statements

(24) Long-term equity investment

1) Listed according to the nature of investing unit

Item	31 December 2004		31 December 2003	
	Amount	Dip reserve	Amount	Dip reserve
Investing domestic banks	15,329	2,000	81,542	25,837
PBOC special approved investment	90,000	-	90,000	-
Other equity investment	1,774,395	390,466	1,640,405	536,769
Total	1,879,724	392,466	1,811,947	562,606

Among them, equity investments to other domestic banks are shown in the following table.

Name of investees	Investment time	Investment percent	31 December 2004		31 December 2003	
			Book balance	Provisions for depreciation	Book balance	Provisions for depreciation
Hainan Development Bank	1993-2	6.67%	4,000	2,000	4,000	2,000
Nanjing City Commercial Bank Co. Ltd.	1990-9	0.23%	2,329	-	2,329	-
Yueyang City Commercial Bank Co., Ltd.	1992-6	6.00%	3,000	-	3,000	-
Shanghai Pudong Development Bank Co., Ltd.	1992-10	0.30%	6,000	-	6,000	-
Zhejiang Commercial Bank	1993-5	20.00%	-	-	66,213	23,837
Total			15,329	2,000	81,542	25,837

The special investments of the Bank approved by the PBOC are the investments toward China Yinlian Co., Ltd.. Pursuant to the document approved by the PBOC (Yin Fu 【2001】 No. 234)"Official Reply of the PBOC on Establishing China Yinlian Co., Ltd., the Bank had invested RMB 90,000,000 in China Yinlian Co., Ltd. As at December 2004, the Bank accounted for 5.45% of the total shares of China Yinlian Co., Ltd.

2) Listed according to the type of domestic or overseas investment

Item	31 December 2004		31 December 2003	
	Book balance	Provisions for depreciation	Book balance	Provisions for depreciation
Domestic equity investments	894,954	388,300	1,172,384	558,440
Among them:				
Holdings Subsidiary company	100,000	91,000	217,460	187,460
Joint company	81,692	70,190	149,784	99,179
Other equity investment	713,262	227,110	805,140	271,801
Overseas equity investment	984,770	4,166	639,563	4,166
Total	1,879,724	392,466	1,811,947	562,606

Notes to the Financial Statements

Apart from the investments in domestic banks and in the items approved by the PBOC, all the long-term equity investments in domestic market were long-term equity investments before the promulgation of the Law on Commercial Banks in 1995. These investments are being cleared over the past few years.

The details of domestic equity investments with over 50% shares held by the Bank are referred to (3).

The details of overseas equity investment with over 50% shares held by the Bank are referred to (4).

The details of other domestic equity investments of the Bank are shown in (5).

3) The details of domestic equity investments with over 50% shares held by the Bank are shown in the following table.

Name of investees	Investment time	Ratio	31 December 2004		31 December 2003	
			Book balance	Provisions for depreciation	Book balance	Provisions for depreciation
Beijing Jingtong Taihe Real Estate Management Company	1992-12	100%	30,000	21,000	30,000	-
BC* Changsha Branch Real Estate Development Co., Ltd.	1991-12	100%	-	-	1,000	1,000
Guangyuan City Develop. Corp. Yaohua Branch	1992-10	100%	-	-	13,000	13,000
BC Dalian Branch Real Estate Development Co., Ltd	1987-9	100%	20,000	20,000	20,000	20,000
BC Daqing Heihe Hotel	1993-5	100%	-	-	8,000	8,000
Fuzhou Guangtong Real Estate Development Co., Ltd.	1993-8	100%	-	-	3,000	3,000
Fushun Litong Real Estate Development Co. Ltd.	1993-12	100%	-	-	700	700
BC Jilin Branch Labor Service Co.	1993-2	50%	-	-	2,500	2,500
Jilin Jinlong Reat Estate Develop. Co.	1992-12	100%	-	-	10,000	10,000
Jilin YinyiReal Estate Develop. Co.	1993-2	100%	-	-	1,200	1,200
China Lease Co., Ltd. Jilin Agent	1993-2	100%	-	-	5,390	5,390
Nanjing Yintong RealEstate Develop	1991-5	100%	-	-	10,000	10,000
Panzhigua Pacific R&E Develop. Co.	1992-9	60%	-	-	14,300	14,300
Qingdao Huatong R&E Develop. Co	1994-1	98%	-	-	15,100	15,100
BC Shijiazhuang Bran. R&E Development Co., Ltd.	1992-7	100%	50,000	50,000	50,000	50,000
Tianjin Tiantong R&E Company	1993-4	100%	-	-	12,160	12,160
Weihai No.2 Urban Development Co.	1992-9	100%	-	-	14,800	14,800
Xinyu Tongcheng R&E Develop. Co	1992-10	100%	-	-	3,150	3,150
Zigong Zitong Real Estate Development Company	1992-9	100%	-	-	3,160	3,160
Shantou BC R&E Development Co.	1992-9	100%	-	-	-	-
Chongqing Jinling R&E Develop Co.	1992-7	100%	-	-	-	-
Total			100,000	91,000	217,460	187,460

Notes to the Financial Statements

* Note: BC stands for the Bank; R&E stands for real estate.

The main reason of the decrease of holdings subsidiary companies in 2004 is that the Bank has transferred the equity investments of some subsidiary companies or liquidated some of them.

4) Overseas equity investments with over 50% shares held by the Bank are shown as follows:

Name of investees	Investment time	%	31 December 2004		31 December 2003	
			Book balance	Provisions for depreciation	Book balance	Provisions for depreciation
BC Trust Co., Ltd.	1981-10	100%	38,419	-	37,305	-
BC (Agent) Co., Ltd.	1981-08	100%	723	-	694	-
Jiaotong Securities Co.	1998-06	100%	212,719	-	64,565	-
Jiaotong Finance CO., Ltd.	1979-03	100%	193,392	-	190,346	-
Jinjia Trade Co., Ltd.	1982-04	100%	96,553	-	81,296	-
China Jiaotong Insurance Co., Ltd.	2000-11	100%	264,400	-	106,148	-
Qiaohui Co., Ltd.	1967-03	100%	-	-	35,674	-
Qiaotong Development Co., Ltd.	1985-02	100%	99,692	-	53,087	-
Total			905,898	-	569,115	-

5) Major details of other ownership investments in China are as follows:

Name of investees	Investment time	%	31 December 2004		31 December 2003	
			Book balance	Provisions for depreciation	Book balance	Provisions for depreciation
Jilin Power Co., Ltd.	1993-11	0.45%	9,000	-	9,000	-
Hunan Gaoxin Industrial CO., Ltd.	1993-6	4.21%	8,000	2,400	8,000	2,400
Dandong Lease joint Company	1992	17.00%	7,000	7,000	7,000	7,000
Hainan Yintong International Industrial Co., Ltd.	1992-6	8.25%	8,250	8,250	8,250	8,250
Haiguotou Industrial Co., Ltd.	1992-10	1.40%	5,750	5,750	5,750	5,175
Hainan Zhonghailian R&E Co., Ltd.	1992-10	5.18%	7,000	7,000	7,000	7,000
Hainan Huandao Industrial Co., Ltd.	1992-10	7.00%	6,470	3,235	6,470	-
Hainan Yangguang City Develop. Co., Ltd.	1993-2	8.42%	24,000	22,080	24,000	15,120
Hainan Yangou Land Development Co., Ltd	1993-1	5.00%	21,286	-	53,300	31,980
Lanzhou Baochuan Aluminum Industry Co	1993-2	4.00%	10,405	-	10,405	-
Nanjing International Group Co., Ltd.	1993	4.05%	11,000	-	11,000	-
Yintai Holdings Co., Ltd.	1993	1.70%	6,360	-	6,360	-
Shantou Electricity Development Co., Ltd	1992-10	4.80%	10,000	2,500	10,000	-
Shantou Aviation Investment Co., Ltd.	1995-4	3.45%	10,000	5,000	10,000	-
Shanghai Aijian Co., Ltd.	1992-8	0.22%	7,000	-	7,000	-
Shenneng Co., Ltd.	1992-8	0.31%	15,400	-	15,400	-
China No.1 Pencil Co., Ltd.	1992-6	3.97%	17,583	-	17,583	-

Notes to the Financial Statements

Name of investees	Investment time	%	31 December 2004		31 December 2003	
			Book balance	Provisions for depreciation	Book balance	Provisions for depreciation
Shanghai Jinjiang International Hotel Development Co., Ltd.	1993-2	1.29%	7,500	-	7,500	-
Shanghai Yuanshui Co., Ltd.	1992-8	0.13%	6,000	-	6,000	-
Shanghai Keji Investment Co., Ltd.	1993-2	6.56%	20,000	6,500	20,000	4,000
Shanghai Hualian Shangsha Co., Ltd.	1992-6	0.68%	6,545	-	6,545	-
Shanghai No.1 Department Co., Ltd	1992-6	0.36%	6,250	-	6,250	-
Shanghai Commercial Center Co., Ltd.	1992-8	2.00%	6,620	662	6,620	-
Shanghai Guolian Co., Ltd.	1993-3	10.00%	24,664	-	24,664	-
Shenzhen Meishi Power Plant Co., Ltd.	1992-4	10.00%	5,200	-	5,200	-
Wuhan Hanshang Group Co., Ltd.	1992-4	5.08%	8,400	-	8,400	-
Hong Kong and Macao International Finance Co., Ltd.	1994-4	10.00%	10,000	10,000	10,000	10,000
Zhenjiang Hualian Shangsha Co., Ltd.	1992-10	13.25%	6,750	6,750	6,750	6,750
Changjiang Economic Joint Development Co., Ltd.	1992-5	8.90%	51,500	-	51,500	-
China Huayuan (Group) Co., Ltd.	1992-7	8.05%	35,000	-	35,000	-
China Pufa Machinery Plant Co., Ltd.	1993-8	5.39%	10,772	-	10,772	-
General Clearing Center of People's Bank of China	1998-6	10.40%	-	-	15,000	15,000
Shanghai Pudong Development Bank Co., Ltd.	1992-10	0.30%	6,000	-	6,000	-
China Yinlian Co., Ltd.	2002-1	5.45%	90,000	-	90,000	-
Changjiang Economic Joint Development (Group) Co., Ltd.	1992-6	7.20%	7,200	7,200	7,200	7,200
China Huayang Financial Leasing Co., Ltd.	1988-1	6.00%	10,449	10,449	10,449	10,449
China Jingu International Trust Investment Co., Ltd.	1993-11	10.50%	-	-	27,333	17,898
Other equity investments			209,908	122,334	227,439	123,579
Total			713,262	227,110	805,140	271,801

(25) Long-term investment provision

Item	31 December 2003	Current increase	Current write-off	31 December 2004
Provisions for the depreciation of long-term equity investments	562,606	16,856	186,996	392,466
Provisions for the depreciation of long-term bonds investment	89,094	22,760	-	111,854
Total	651,700	39,616	186,996	504,320

Notes to the Financial Statements

(26) Fixed assets, accumulated depreciation and provision for the impairment of fixed assets

Type	31 December 2003	Increase	Decrease	31 December 2004
Fixed assets: cost				
House and buildings	15,368,182	2,167,981	127,750	17,408,413
Electronic equipments	5,103,858	1,079,224	394,849	5,788,233
Transport tools	801,767	68,845	124,923	745,689
Fixed asset decoration	2,017,235	207,847	20,726	2,204,356
Device and equipment	1,436,345	199,560	175,582	1,460,323
Financing leased fixed assets	503	464	368	599
Total	24,727,890	3,723,921	844,198	27,607,613
Accumulated depreciation				
House and buildings	1,507,772	807,705	44,639	2,270,838
Electronic equipments	2,962,815	1,164,097	383,366	3,743,546
Vehicles	497,324	134,674	108,556	523,442
Fixed assets decoration	1,287,086	253,247	6,653	1,533,680
Device and equipments	753,259	258,071	160,900	850,430
Financial leased fixed assets	352	136	319	169
Total	7,008,608	2,617,930	704,433	8,922,105
Net book value of fixed assets before provisions for impairment	17,719,282			18,685,508
Less:Provisions for the impairment of fixed assets	6,186	3,731	-	9,917
Net book value of fixed assets	17,713,096			18,675,591

The increased RMB 1,306,123,000 in fixed assets is transferred from the construction in process.

The provisions for the impairment of fixed assets are provided for the impairment of houses and buildings.

(27) Construction in process

Project	Expected amount	31 December 2003	Current increase	Current decrease	31 December 2004	Source	Progress percent
Office building of the headquarters of BC Xi'An Branch	139,890	83,140	38,000	-	121,140	Self	87%
Data center of headquarters	700,000	10,653	101,330	-	111,983	Self	16%
New office building of BC Lanzhou Branch	111,420	1,262	68,380	-	69,642	Self	63%
Xiamen Branch Headquarters Office Building	139,440	51,596	2,965	-	54,561	Self	39%
Shanghai Branch Accounting Archives Building	36,740	-	31,243	-	31,243	Self	85%
Office and Operation Building of BC Jining Branch	44,350	16,314	14,000	-	30,314	Self	68%

Notes to the Financial Statements

Project	Expected amount	31 December 2003	Current increase	Current decrease	31 December 2004	Source	Progress percent
New Building of BC Foshan Branch	35,740	29,730	-	-	29,730	Self	83%
Operation building of Beijing Branch Hepingli Sub-branch	32,310	-	29,241	-	29,241	Self	91%
Operation building of Chongqing Branch Minzulu Sub-branch	25,740	19,769	4,139	-	23,908	Self	93%
Operation building of Hangzhou Branch Wulin Sub-branch	26,230	-	23,200	-	23,200	Self	88%
Others		1,049,334	1,078,382	1,432,209	695,507		
Total		1,261,798	1,390,880	1,432,209	1,220,469		
Provision for depreciation of the construction in process		-	18,017	-	18,017		
Total		1,261,798			1,202,452		

As at 31 December 2004, there were no capitalized loans in the balance of the construction in process of the Bank.

(28) Intangible assets

Item	31 December 2003	Current increase	Current amortization	Current dispose and transfer	31 December 2004
Computer software	150,893	122,433	50,239	10,158	212,929
Land-use right	377,959	25,618	61,761	233,455	108,361
Other	50,130	25,044	9,538	12,342	53,294
Total	578,982	173,095	121,538	255,955	374,584

(29) Long-term deferred Expenses

Item	31 December 2003	Current increase	Current decrease	31 December 2004
House rentals	311,642	178,025	155,161	334,506
Pre-operating expenses for branches and sub-branches not yet commenced operations	-	191	191	-
Other long-term prepaid expenses	151,533	52,328	74,581	129,280
Total	463,175	230,544	229,933	463,786

Other long-term prepaid expenses are mainly such expenses as property management expenses, insurance and the rentals for fixed assets amortized over one-year.

(30) Foreclosed assets

Item	31 December 2004	31 December 2003
Foreclosed assets	6,831,533	7,211,341
Less: provision for depreciation of such assets	1,784,674	1,022,429
Net value of foreclosed assets	5,046,859	6,188,912

Notes to the Financial Statements

(31) Other long-term assets

Item	31 December 2004	31 December 2003
Suspension assets	786,638	795,303
Less: Provision for the depreciation of such assets	664,063	560,324
Net value of suspension assets	122,575	234,979
Issuance government bonds acting as agent	27,397	179,669
Purchase and sale of government bonds acting as agent	1,379,852	640,451
Others	25,330	31
Total	1,555,154	1,055,130

The suspension assets in other long-term assets mainly refer to the assets acquired previously through various operation approaches and they have been recovered or waiting for clearance.

(32) Deferred tax assets

Temporary different items	31 December 2004	31 December 2003
Provision for loan loss	426,968	10,051,221
Provision for the depreciation of other assets	1,949,065	1,724,226
The adjustment of the interest between the loan interest settlement date and that of the base date	(248,934)	(176,275)
Unused deductible loss	3,630,660	27,767
Others	5,195	123,723
Total	5,762,954	11,750,662

1) According to the approval from the MOF and State Tax Authority (财金函 (2005) 4号 《关于交通银行股份制改革过程中财务缺口问题的通知》、国税函 <2005> 228号 《国家税务总局关于交通银行财务重组后有关企业所得税问题的通知》),RMB11,002,000,000 was identified as tax loss in the year 2004. Since 1 Jan. 2005,it can be deducted from the income tax arising from the profits for the future 5 years. Therefore, the Bank had RMB 3,630,660,000 deferred income tax debits that can be deducted as at 31 Dec. 2004.

2) Other deferred income tax debits are mainly the temporary differences caused by tax and the depreciation of fixed assets.

3) The balance of the deferred income tax debits at 31 December 2004 reduced by 50.96% compared with that of 31 December 2003, mainly because the Bank conducted financial restructuring in June 2004, disposed the non-performing loans, transferred provisions for doubtful loans of the above-mentioned, wrote back the deferred income tax debits in relation to the transfer of provisions for bad loans that are recognized in the previous year at the same time, which is recorded in income tax expenses in 2004. Please refer to 59 of Section VII for details.

Notes to the Financial Statements

(33) Short-term savings deposit

Type	31 December 2004	31 December 2003
Current savings deposits	78,779,681	68,049,953
Fixed or current savings deposits	3,100,090	3,875,266
Individual check deposits	795,938	565,321
Individual credit card deposits	77,431,422	62,403,439
Time savings deposits	157,271,672	145,556,120
Total	317,378,803	280,450,099

(34) Deposits with other banks

Item	31 December 2004	31 December 2003
Deposits from or to domestic financial institutions	16,176,905	13,486,426
Deposits from or to overseas financial institutions	229,914	928,281
Total	16,406,819	14,414,707

As at 31 December 2004, the sums of money from the shareholders who hold over 5% (including 5%) shares of the Bank in deposits from financial institutions equal to RMB 30,044,000. The details are shown in (III) of Section X.

(35) Placements from banks

Item	31 December 2004	31 December 2003
Placements from domestic financial institutions	2,667,608	312,400
Placements from overseas financial institutions	6,742,325	9,411,879
Total	9,409,933	9,724,279

As at 31 December 2004, the sums of money from the shareholders who hold over 5% (including 5%) shares of the Bank in borrowing from financial institutions were RMB 1,183,796,000. The details are shown in (III) of Section X.

(36) Entrusted deposits

Item	31 December 2004	31 December 2003
Entrusted deposit	32,312,535	12,676,904
Less: Entrusted loans	31,279,475	12,023,932
Trust capital	1,033,060	652,972

The balance of trust capital at 31 December 2004 increased by 58.21% compared with that of 31 December 2003, mainly because the increase of intermediate business by the Bank in 2004.

Notes to the Financial Statements

(37) Short-term pledged deposits

Type	31 December 2004	31 December 2003
Deposits for issuance of letters of credit	4,827,363	3,233,921
Lease security deposits	500	23,753
Deposits for bank bills acceptance	36,445,764	22,674,787
Deposits for guarantees	3,013,645	1,588,439
Guarantee deposits for personal financing	2,462,944	24,178
Other guarantee deposits	3,895,875	2,433,189
Total	50,646,091	29,978,267

The balance of inflow short-term security deposits at 31 December 2004 went up by 68.94% compared with that of 31 December 2003, mainly brought about by the increase of such businesses as Bank acceptance bill, letters of credit, guarantee, and individual account money management.

(38) Interest payable

Item	31 December 2004	31 December 2003
Balance, at 1 January 2004	5,503,840	4,904,565
Additions of the year	12,077,986	9,619,821
Decrease of the year	10,985,378	9,020,546
Balance, at 31 December 2004	6,596,448	5,503,840

All deposits' interests payable are charged according to the amount, term of the deposits and the interest rate stipulated by the PBOC.

At 31 December 2004, the interests payable that should be paid to the shareholders who hold more than 5 % (including 5%) shares of our bank were RMB 98,592,000, please refer to 10 (3) for details.

(39) Payroll payables

At 31 December 2004, the balance of wages payroll is RMB 491,941,000; there are no arrears of the employees' wage in the Bank.

(40) Tax payable

Tax type	31 December 2004	31 December 2003
Sales tax	454,161	370,206
Income tax	74,729	33,653
Urban maintenance and construction tax	28,312	24,434
Other	120,005	56,989
Total	677,207	485,282

Compared with 31 December 2003, the balance of the tax payable at 31 December 2004 increased by 39.55% , mainly because the sales tax increased with the growth of the operating size.

Notes to the Financial Statements

(41) Other payables

1) Aging analysis

Aging	31 December 2004		31 December 2003	
	Amount	Percentage	Amount	Percentage
within one year	10,563,891	95.31%	12,695,251	95.01%
1-2 years	137,017	1.24%	238,255	1.78%
2-3 years	59,800	0.54%	35,114	0.27%
Over 3 years	322,496	2.91%	393,225	2.94%
Total	11,083,204	100.00%	13,361,845	100.00%

2) Listed on the basis of the contents

Item	31 December 2004	31 December 2003
Temporary loans collected	5,735,460	6,834,790
Housing subsidy payable	455,441	364,281
Entrusted interest collected	1,628	1,842
Promissory notes signed by the Bank, but not paid	3,088,304	1,729,866
Other	1,802,371	4,431,066
Total	11,083,204	13,361,845

The temporary receipts is calculated according to incurred payables, temporary collected, including cash more than in the accounts, long-term suspending deposits, sum of money that has not been withdrawn, settlement and funds to be transferred in the exchange business exchanges of the same city, temporary payables to the organizations and individuals, etc.

At 31 December 2004, there are no payables to the shareholders who hold more than 5 % (including 5%) shares of our bank.

(42) Expected liabilities

Item	31 December 2004	31 December 2003
Lawsuit loss	989,067	356,000
Total	989,067	356,000

The lawsuit loss refers to the expected loss charged due to the unsettled lawsuit cases, etc. as our bank is defendant at 31 December 2004 and 31 December 2003.

(43) Deferred income

Item	31 December 2004	31 December 2003
Discount interests received in advance	353,846	263,733
Total	353,846	263,733

Notes to the Financial Statements

(44) Long-term guarantee deposits

Type	31 December 2004	31 December 2003
Deposits for issuance of letters of credit	128,394	413,229
Lease guarantee deposits	24,917	-
Deposits for bank bills acceptance	1,344,352	516,543
Deposits for guarantees	188,219	135,908
Guarantee deposits for personal financing	1,088,783	104
Other guarantee deposits	489,773	434,997
Total	3,264,438	1,500,781

The balance of the long-term guarantee deposits at 31 December 2004 is increased by 117.52% than that at 31 December 2003 due to the increase of the businesses such as the Bank acceptance, personal financing, etc.

(45) Issuance of long-term bonds

Bond name	Issuing place	Issuing amount	Issuing date	Maturing date	Interest rate	31 December 2004		
						Book value	Interest	Total
Secondary bonds (1)	China	RMB 12 billion	Jun. 2004 to Jul. 2004-1-30	Jul. -Aug. 2009	4.50%	12,000,000	274,580	12,274,580
Deposit certificate (2)	Singapore	USD 150 million	Jan. 30, 2004	Jul. 30, 2007	3 months' LIBOR+0.20%	1,238,829	-	1,238,829
Deposit certificate (3)	Hong Kong	HKD 843.5 million USD43.84 million	Sept., 2003 May, 2004 Oct., 2004	Sept. 2006 to Oct. 2009	2.35% to 6.9%	1,260,579	8,695	1,269,274
Deposits certificate (4)		HKD 0.8 billion	Sept. 2, 2003	Sept. 2006 to Sept. 2008	HIBOR+0.2% to 0.26%	851,440	537	851,977
Total						15,350,848	283,812	15,634,660

1) Pursuant to the CBSC' s approval document (Yin Jian Fu 【2004】 No. 85) "Reply to the time-fixed secondary liabilities raised by the Bank" and "Resolution on issuance of the time-fixed secondary liabilities to supplement of affiliated capital" proposed by the temporary general meeting of shareholders of the Bank in 2004, the Bank has raised secondary liabilities amounting to RMB 12,000 million. In accordance with regulations under CBSC's document (Yin Jian Fa 【2003】 No. 25) "Notice on charging the fixed-time secondary fixed liabilities to affiliated capital" , the term of the liabilities issued by the Bank is 61 months, the liabilities are charged to the affiliated capital without any security, no use to make up the loss on the daily business, the issuing objects are the enterprises (excluding commercial banks) who have legitimate and stable capital sources authorized by and registered in the administrative authorities.

At 31 December 2004, the Bank has signed agreement with 7 organizations "Agreement on Communication Bank's time-fixed secondary liabilities" of RMB 12,000 million and has actually received the subscription capital of RMB 12,000 million from these organizations. Pursuant to the agreement, the interest rate of the liabilities shall be confirmed once each year, the yearly-interest rate shall plus 2.52% based on the basis of one-year-fixed-deposits stipulated by the PBOC, the initial rate per annum of the liabilities is 4.5%.

Notes to the Financial Statements

- 2) Such deposits certificates are USD Floating Rate Negotiable Certificate of Deposit issued in Singapore by the Bank.
- 3) Such deposits certificates are Callable Retail Certificate of Deposit issued in Hong Kong by the Bank.
- 4) Such deposits certificates are Certificate of Deposit issued in Hong Kong by the Bank.

(46) Share capital

Item	2004	2003	2002
Balance, at beginning of the year	17,108,155	15,909,537	15,909,537
Increase of the year	21,961,908	1,198,618	-
Decrease of the year	-	-	-
Balance at the end of the year	39,070,063	17,108,155	15,909,537

Item	31 December, 2004	Proportion
Sponsor shares:		
State-owned shares	9,974,983	25.53%
State-owned legal person's shares in China	663,146	1.70%
General legal person owned shares in China	-	-
Legal person owned shares outside China	-	-
Sub-total	10,638,129	27.23%
Raised shares:		
State-owned shares	6,312,293	16.16%
State-owned legal person's shares in China	12,701,490	32.50%
General legal person owned shares in China	1,619,518	4.15%
Legal person owned shares outside China	7,798,633	19.96%
Sub-total	28,431,934	72.77%
Total	39,070,063	100.00%

- 1) In accordance with the State Council's document (Guo Fa 【1986】 No. 81) "Notice on Restructuring Communication Bank" and the PBOC's notice (Yin Fa 【1987】 No. 40) "On Implementing State Council's 'Notice on Restructuring Communication Bank'", in April 1987, the Bank was restructured into a national stock-holding commercial bank and its registered capital is RMB 2,000 million (the registration of the incorporation license No: Gong Shang Qi Jin Zi 01595)
- 2) In 1994, pursuant to PBOC's document (Yin Fu 【1993】 No. 425) "Opinions On Deepening Communication Bank Reform Recently", the Bank implements the management system, i.e. "Uniform legal person, operation at separate level, independent settlement, strict examination" and adopts the operating model of stock holding liability limited corporation. In accordance with the "Measures on Implementation of Uniform legal Person System in Communication Bank" and "Detailed Regulations on Share Conversion of Communication Ban", the Bank centralized the shareholders' equity, uniformed the share conversion in the whole bank, instead, all former shareholders of branches and sub-branches shall invest in the headquarter of the Bank so as to become shareholders. After converted into new shares, the former shareholders contributed their investments with their net assets in general management division and all branches and sub-branches that converted totally into RMB 9,848,046,000.

Notes to the Financial Statements

- 3) After established as a legal person on 31 October 1999, the Bank collected subscribe monetary capital amounted to RMB 611,360,000 from shareholders.
- 4) After the Bank was established as a legal person, as at 31 October 1999, the distributable dividend of RMB 1,251,206,000 of central finance was converted into additional convertible share capital by MOF.
- 5) In 1995, approved by the PBOC, the Bank's registered capital was increased to RMB 12,000 million acquired the incorporation business license (No. 1000001000595) with the registered capital RMB 12,000 million.
- 6) In October 1999, in accordance with the MOF's document (Cai Zhai Zi 【1999】 No. 103) "Reply to Issues On Communication Bank's Supplementing Capital" and the PBOC administrative office's document (Yin Ban Han 【1999】 No. 395) "Reply to Communication Bank's Increase of Capital and Additional Offerings", the Bank begun to begin to increase its capital and additional offerings. As at 30 November 2003, we received newly-increased paid-in capital by RMB 5,397,543,000. As at 30 November 2003, after finishing the increase of capital and additional offerings, the book value of the paid-in capital of the Bank amounted to RMB 17,108,155,000. Pan-China Certified Public Accountants verified the capital injection and issued the capital verification report (Tian Jian Yan Zi 【2004】 No. 19).Pursuant to the document (Yin Jian Fu 【2004】 No. 86) "CBSC's Reply to Communication Bank's Changes in Registered Capital" in June 2004, the Bank changed its registered capital from RMB 12,000 million to RMB 17,108.155 million.
- 7) In June 2004, pursuant to the PBOC's document (Yin Fu 【2004】 No. 33) "Reply to Overall Scheme on Deepening Stock-Holding System Reform of Bank of Communication" and the "Proposal on Increase of Capital and Additional offerings and Implementation of Financial restructuring, Introduction of Overseas Strategic Investor" passed at the general meeting of shareholders on 20 June 20 2004, it was approved the supplementing capital of the Bank.
- Pursuant to the MOF's document (Cai Jin 【2004】 No. 58) "Notice on Increase of Capital of Central Finance into Bank of Communication". the MOF decided to increase the investment of RMB 5,000 million in the Bank on the basis of RMB 1 /share; Central Golden & Exchange Investment Co., Ltd. invests RMB 3,000 million in the Bank on the basis of RMB 1 /share; State Council for Social Security Fund (the NCSF) and the Bank signed an equity investment agreement, the NCSF shall buy the oriented-issuance common 5,555,556,000 shares (par value: RMB 1/share) with the determined price RMB1.8 /share, the total investment is RMB 10,000 million.
- In June Of 2004, the Bank received the total investment of RMB 18,000 million from the MOF, Central Golden & Exchange Investment Co., Ltd., NCSF, of which, RMB 13,555,556,000 are charged to the share capital and RMB 4,444,444,000 are charged to the capital surplus.
- 8) Pursuant to the shareholders' resolution on June 20, 2004, the Bank offered bonus shares at the proportion of "2 bonus shares per 15 shares" for the registered shareholders (on the equity registration date) on 30 April 30 2004. The price of per bonus share is RMB 1.80, the equity of the bonus shared offered may be transferred pursuant to the regulations related to the share transfer under the Bank's Articles of Association. On 9 July 2004, 1033 shareholders confirmed to increase capital of the Bank and paid the corresponding capital. As a result, the actual paid-in capital is increased to RMB 1,136,539,000, of which, RMB 631,410,000 and RMB 505,129,000 are charged to the share capital and the capital surplus respectively by the Bank.
- 9) In accordance with the documents (Yin Ban Han 【2001】 No. 529)"Reply PBOC's Administrative Office to Foreign Capital's Taking equity interests of Communication Bank,(Yin Fu 【2004】 No. 33)"Reply to Overall Scheme on Deepening Stock-Holding System Reform with Bank of Communication" and "Proposal on Increase of Capital and Additional offerings and Implementation of Financial restructuring, "Introduction of Overseas Strategic Investor" was passed by shareholders on 20 June 2004, the Bank signed a comprehensive agreement including "Taking equity interests agreement" with HSBC on 6 August 2004, the agreement specified that HSBC should buy 7,774,943,000 common shares newly-issued (par value: RMB 1) accounting for 19.90% of the total common shares publicly-issued. The total subscribed price is on the basis of RMB 1.86 /share calculated at the exchange rate of 5 working days prior the date of completion of transaction that HSBC stipulated by the State Administration for Foreign Exchanges with transaction currency by USD on the date of completion of transaction.

Notes to the Financial Statements

On 18 August 2004, the HSBC remitted USD 1,747,199,000 into the Bank's account, of which, USD 939,377,000 (converted into RMB 7,774,943,000) and USD 807,822,000 (converted into RMB 6,686,101,000) are charged to the share capital and capital surplus respectively. The HSBC's investment was approved by the CBRC pursuant to the document (Yin Jian Fu 【2004】 No. 119) "CBSC's Reply to Communication Bank Absorption of the HSBC's investment and taking the equity interests".

On 18 August 2004,the Bank's actual paid-in share capital was increased to RMB 39,070,063,000, which was verified by Pan-China Certificated Public Accountants who issued the capital verification report (Tian Jian 【2005】 Yan Zi No.001). Pursuant to the notice issued by the CBSC (Jin Fu 【2004】 No. 166) "CBSC's Reply to the Bank's Changes in Registered Capital" in October 2004,the Bank was approved to change its registered capital from RMB 17,108,155,000 into RMB 39,070,063,000.

(47) Capital surplus

Item	1 January 2002	Increase of the year	Decrease of the year	31 December 2002
Capital premium	4,162,858	-	-	4,162,858
Foreign currency translation differences	1,037,583	52,928	-	1,090,511
Increased value in reassessed assets	-	-	-	-
Acceptance of non-cash assets donated	404	679	-	1,083
Provision for equity investment	-	-	-	-
Other capital surplus	7,207	-	-	7,207
Total	5,208,052	53,607	-	5,261,659

Item	1 January 2003	Increase of the year	Decrease of the year	31 December 2003
Capital premium	4,162,858	1,198,618	-	5,361,476
Foreign currency translation differences	1,090,511	10,523	-	1,101,034
Increased value of reassessed asset	-	5,196,435	-	5,196,435
Acceptance of non-cash assets donated	1,083	79,791	-	80,874
Provision for equity investment			-	
Other capital surplus	7,207	-	-	7,207
Total	5,261,659	6,485,367	-	11,747,026

Item	1 January 2004	Increase of the year	Accumulated lossesmade up at the year	Decrease of the year	31 December 2004
Capital premium	5,361,476	11,635,674	5,361,476	-	11,635,674
Foreign currency translation differences	1,101,034	-	-	1,853	1,099,181
Increased value of reassessed assets	5,196,435	-	4,572,127	151,582	472,726
Acceptance of donation of non-monetary asset	80,874	55,557	-	-	136,431
Provision for equity investment	-	74,773	-	-	74,773
Other capital surplus	7,207	-	7,207	-	-
Total	11,747,026	11,766,004	9,940,810	153,435	13,418,785

Notes to the Financial Statements

1) Capital premium of the Bank capital surplus refers mainly to:

① Before October 1999,the capital premium generated from the Bank's shareholders' investment was RMB 853,753,000. In October 1999, in accordance with MOF's document (Cai Zhai Zi 【1999】 No. 103)"Reply to Issue on Communication Bank's Supplementing Capital" and the document of Administrative Office of PBOC (Yin Ban Han 【1999】 No. 395) "Reply to the Bank's Increase of Capital and Additional Offerings", the Bank began to increase its capital and additional offerings. From October 1999 to 30 November 2003, the total premium generated from the Bank's shareholders' investment was RMB 4,507,723,000, of which, the increased capital surplus from October 1999 to the end of 2001 was RMB 3,309,105,000. There was no change in the capital premium in 2002,the increased capital surplus in 2003 was RMB 1,198,618,000.

②Pursuant to the PBOC's document (Yin Fu 【2004】 No.33)"Reply to Overall Scheme on Deepening Stock Holding System Reform of the Bank" and the"Proposal on Increase of Capital and Additional offerings and Implementation of Financial restructuring, Introduction of Overseas Strategic Investor" passed by shareholders on 20 June 2004,the Bank add its supplementing capital. At 31 December 2004, the Bank received premium generated within 2004 from the Bank offered bonus shares at the proportion of "2 bonus shares per 15 shares" of the shareholders registered on 30 April 2004 and premium from NCSSF's and HSBC's investment totaling RMB 11,635,674,000 that were charged to the capital premium.

2) The reasons for foreign currency translation differences except the capital surplus of the Bank: in accordance with the MOF's notice (Cai Shang Zi 【1995】 No. 454)"Notice on Modification of Financial System on Foreign Currency for Financial and Insurance Institutions" promulgated in 1995, in order to open foreign exchange business with RMB and foreign exchange operating capital approved and allocated by the MOF, the differences between the amount of the local booking currency converted and original book value of the local booking currency are charged to capital surplus.

3) The capital surplus represents the increase of the reassessed assets in accordance with the MOF's notice (Cai Jin Han 【2003】 No.130)'Reply on Increase of Reassessment of the Value of the Bank's Fixed Assets" and was recognized according to the appraisal report (Tian Xing Bao Zi 【2003】 No.62) issued by Beijing Tan Jian Industrial Assets Appraisal Co.

In 2004, the increase of the reassessed assets value decreased by RMB 151,582,000 for the book value of the fixed assets is not complete that led to the reassessment Increase repeatedly accounted due to the assets clearance and capital verification on the benchmark date of 31 December 2002, the Bank adjusted in 2004.

4) The reasons for the capital premium , increase of assets reassessment and other capital surplus used to make up losses in 2004 are: in accordance with MOF's notice (Cai Jin 【2004】 No. 57)"Notice on Issues of the Bank's Reform and Restructuring",the Bank was approved to use portion of owners' equity to write off the losses of the verification and write-off, supplementary provision; meanwhile, approved by the shareholders the Bank write off the retained profits, statutory surplus (including public welfare reserve) and capital surplus. In June 2004, the "Proposal on Increase of Capital and Additional Offerings and Implementation of Financial restructuring, Introduction of Overseas Strategic Investor" passed at the general meeting of shareholders, the Bank decided to use the surplus reserve and capital surplus accumulated before the end of June 2004 to make up the losses due to the assets losses with the assets verification and write-off and supplementary provision during the financial restructure. As off 31 December 2004, the Bank used the capital surplus of RMB 9,940,810,000 and the surplus reserve of RMB 8,938,730,000 respectively(totaling RMB 18,879,540,000) to make up the accumulated losses.

(48) Surplus reserve

Item	1 January 2002	Increase of the period	Decrease of the period	31 December 2002
Statutory surplus reserve	4,062,517	-	-	4,062,517
Statutory public welfare fund	436,923	-	-	436,923
Discretionary surplus reserve fund	4,439,290	-	-	4,439,290
Total	8,938,730	-	-	8,938,730

Notes to the Financial Statements

Item	1 January 2003	Increase of the period	Decrease of the period	31 December 2002
Statutory surplus reserve	4,062,517	-	-	4,062,517
Statutory public welfare fund	436,923	-	-	436,923
Discretionary surplus reserve fund	4,439,290	-	-	4,439,290
Total	8,938,730	-	-	8,938,730

Item	1 January 2004	Increase of the period	Decrease of the period	31 December 2004
Statutory surplus reserve	4,062,517	-	4,062,517	-
Statutory public welfare fund	436,923	-	436,923	-
Discretionary surplus reserve fund	4,439,290	-	4,439,290	-
Total	8,938,730	-	8,938,730	-

The decrease of the surplus reserve of this period is due to making up the accumulated losses, refer to notes 7.47(4) for details.

(49) Undistributed profits

Item	2004	2003	2002
1. Net profits	915,110	4,311,941	4,935,676
Plus: Undistributed profits at 1 January	(19,794,650)	(21,464,165)	(25,394,733)
Other carrying forward	18,879,540		
2. Distributable profits	-	(17,152,224)	(20,459,057)
Less: Provision of statutory surplus reserve	-	-	-
Provision of statutory public welfare fund	-	-	-
General provision	-	-	-
3. Distributable profits for shareholders	-	(17,152,224)	(20,459,057)
Less: preference share dividend payable	-	-	-
Provision of discretionary surplus reserve	-	-	-
Common share dividend payable	-	636,381	1,005,108
Common share dividend convertible into share capital	-	2,006,045	-
4. Undistributed profits	-	(19,794,650)	(21,464,165)

1) In accordance with "the Bank's profit distribution plan in 2001" passed by the shareholders in June 2002, the Bank distributed RMB 1,005,108,000 accounting for 52% of the net profits without being audited financial statements in 2002.

2) In accordance with "Communication Bank's profit distribution plan in 2001" passed by the shareholders in July 2003, the Bank distributed RMB 636,381,000 accounting for 52% of the net profits of the original financial statements in 2003.

3) In accordance with MOF's document (Cai Jin Zi 【2003】 No. 68)"Reply to the Earnings of Overseas Branches of Communication Bank Converted into and Increased Central Financial Share Before 1998", the undistributed profits of RMB 2,006,045,000 of overseas branches for 1987-1998 were converted into and increased the capital at par value RMB 2.00/share.

4) At 31 December 2004, the Bank used the capital surplus RMB 9,940,810,000 and the surplus reserve RMB 8,938,730,000 (totaling RMB 18,879,540,000) to make up the losses, the undistributed profit at the end of the period is nil.

Notes to the Financial Statements

5) In accordance with "Accounting System for Financial Institutions", the Bank must provide general provision at the profits distribution. However, as at 31 December 2004, before the Bank's make up the losses with the capital surplus and surplus reserve, there are still accumulated losses that have not been made up at the end of the report period, the Bank has not provide the general provision at the end of each report period.

6) In accordance with "Constitution of Communication Bank Co., Ltd.", the Bank must provide the statutory surplus and public welfare reserve against the profits distribution. As at 31 December 2004, before the Bank made up the losses with the capital surplus and surplus reserve, there are still accumulated losses that have not been made up at the end of each period, the Bank has not provide the statutory surplus and public welfare reserve at the end of each period.

(50) Interests income

Item	2004	2003	2002
Interest income on loans	27,327,237	21,517,017	17,865,191
Interest income on discounted bills	917,661	637,636	400,327
Other interests income	40,715	55,469	39,985
Total	28,285,613	22,210,122	18,305,503

(51) Interest income arising from financial institution

Item	2004	2003	2002
Interests income of deposits with PBOC	1,854,313	1,501,736	1,696,510
Interests income of deposits with banks	2,163,710	1,878,551	1,742,550
Interests income from other financial institutions	211,404	121,837	56,023
Total	4,229,427	3,502,124	3,495,083

(52) Investment income

Item	2004	2003	2002
Income from bonds investment	5,361,236	4,129,770	3,868,373
Income from equity investment	76,344	244,642	65,097
Total	5,437,580	4,374,412	3,933,470

The income from the equity investment in 2003 increased by 308.24% than that in 2002, because the long-term equity investment outboard which may be controlled, jointly-controlled or significant was recorded with the equity method for the first time by the Bank in 2003 and increased the income from investment.

(53) Interests expenses

Item	2004	2003	2002
Interest expenses of demand deposits	1,555,842	1,205,060	1,093,270
Interest expenses of demand savings	597,390	718,439	645,625
Interest expenses of time deposits	2,932,336	2,193,765	2,054,057
Interest expenses of time savings	3,337,806	2,999,136	2,694,829
Other interest expenses	3,899,301	2,610,310	2,200,097
Total	12,322,675	9,726,710	8,687,878

Notes to the Financial Statements

In 2004, the interests expenses of the Demand deposits are lower than that of the same time of last year, mainly because the interests expenses of deposits of the individual credit cards charged originally to the interests expenses of the Demand deposits are recognized in other interests expenses since 2004.

Other interests expenses mainly refer to the interests expenses of the financial deposits, guarantee deposits, credit card deposits, private enterprises' deposits, etc. at all periods.

(54) Interest expenses arising from financial institution

Item	2004	2003	2002
Interest expenses with the PBOC	4,933	20,927	7,203
Interest expenses with banks	445,196	295,876	215,985
Other Interest expenses with financial institutions	441,721	285,405	426,868
Total	891,850	602,208	650,056

(55) Other operating expenses

Item	2004	2003	2002
Provision for depreciation of all assets in value	4,813,479	6,400,917	1,258,801
Other	140,508	84,496	90,093
Total	4,953,987	6,485,413	1,348,894

Other operating expenses fluctuated on certain degree at all periods because the differences exist in the charged provision for depreciation of all assets in value.

In 2003 other operating expenses increased by 380.79% than that at the same time in 2002 mainly due to the great changes of the charged provisions for the loan losses, of which, the provided provisions for the loan losses was RMB 241,422,000 and RMB 4,954,089,000 in 2002 and in 2003 respectively. The decrease The provided provisions for the loan losses in 2002 decreased mainly because comparing with 2001, the Bank enhanced the supervision and control over the non-performing loans, pushed more rapidly the payers for overdue repayment, strengthened the demand payment of the non-performing loans security and the pawn that led to the increase of the pawn while obtaining the repayment of a great deal of the bad loans with the Bank in 2002, therefore, the charged provisions for the loan losses decreased greatly in 2002. On other hand, the increase of non-performing loans in 2003 led to the increase of the charged provisions accordingly.

(56) Business tax and surcharges

Item	2004	2003	2002
Business tax	1,486,769	1,143,757	969,274
Urban maintenance and construction surcharges	101,963	78,496	54,529
Educational surcharges	50,623	37,778	26,500
Total	1,639,355	1,260,031	1,050,303

Notes to the Financial Statements

(57) Non-operating income

Item	2004	2003	2002
Income from penalty	18,665	18,690	15,209
Income from disposal of fixed assets	11,415	6,745	4,562
Other	290,516	268,482	264,792
Total	320,596	293,917	284,563

(58) Non-operating expenses

Item	2004	2003	2002
Donation expenses	11,112	12,064	9,838
Penalty expenses	6,881	4,964	6,183
Losses on disposal of fixed assets	33,453	8,970	7,685
Housing subsidy paid in one-time	108,914	93,577	261,533
Expected lawsuit losses	633,067	356,000	-
Provision for impairment of fixed assets and construction in progress	21,748	895	5,291
Losses on financial restructuring	1,188,599	-	-
Depreciation for reassessed fixed assets in value	-	447,282	-
Other	89,684	91,635	134,092
Total	2,093,458	1,015,387	424,622

In accordance with the MOF's document (Cai Jin 【2001】 No. 28) "Regulations on Financial issues Related to Housing System for Financial Institutions", based on the local governmental policy on the housing subsidy, the one-time-paid housing subsidies are paid to the employees who have offered the services or have no house or their houses are not attained the stipulated standards before 31 December 1998, such subsidies are charged to the non-operating expenses. One-time-paid the housing subsidies paid to the employees who meet the above-mentioned standards are charged to the non-operating expenses in the Bank.

In 2004, non-operating expenses increased by 106.17% than that at the same period in 2003, mainly because the expected losses on the lawsuit in 2004 increased compared with that at the same period in 2003, and the losses of RMB 1,188,599,000 on the financial restructuring in June 2004 are charged to the non-operating expenses of the same period, among which, the losses on the financial restructuring in 2004 referred to the restructuring losses during the implementation of financial restructure in the Bank in June 2004 on centralized disposal of the bad loan, i.e. the net value of bad loans within the scope of the financial restructuring exceeded the paid- in amount of the sales items on the transferring benchmark date of 31 May 2004.

The non-operating expenses in 2003 increased by 139.13% than that at the same period in 2002 caused by the expected losses on unsettled lawsuits, depreciation of fixed assets reassessment charged to the non-operating expenditures.

(59) Income tax in 2004

Item	2004	2003	2002
Amount of income tax payables	215,731	190,905	543,962
Deferred income tax	5,987,708	(440,768)	1,657,869
Total	6,203,439	(249,863)	2,201,831

Notes to the Financial Statements

The income tax in 2004 increased by RMB 6,453,302,000 than that at the same period in 2003, mainly because all bad loans with book value RMB 11,605,321,000 were written off in one-time during the financial restructuring in June 2004, the doubtful loans RMB 41,399,913,000 were sold to China Xin Da Assets Management Corporation, the disposal doubtful loan amounts to RMB 53,005,234,000. The Bank transferred the provision for the loan losses related to the loans above-mentioned in 2004, while the balance after deduction of unused and deductible for the losses from the deferred income tax debits which is approved is transferred to the income tax expenses 2004.

In 2003, the income tax decreased by RMB 2,451,694,000 than that in 2002, because the deferred income tax debits unrecognized previously was recognized in 2003, and wrote back to the deferred income tax liabilities recognized in the previous year.

Adjustment of the expected income tax expenses and the actual income tax expenses as follows:

Item	2004	2003	2002
Total profits	7,118,549	4,062,078	7,137,507
Less: total amount of the profits of branches outboard	487,428	545,593	395,398
Total amount of the profits of branches inboard	6,631,121	3,516,485	6,742,109
Income tax calculated at the statutory tax rate of 33%	2,188,270	1,160,440	2,224,896
Effect of following adjustment on the income tax items:			
Add: Tax liabilities expenses of non-deductible for the tax payment	956,885	867,571	669,708
Less: Tax liabilities of non-taxable items income	772,372	733,413	662,025
Less: Recognize deferred income assets which were not recognized in previous year (1)	-	1,294,276	119,026
Less: Write back deferred income liabilities recognized in the previous year (2)	-	510,267	-
Add: Accounted back the deferred income tax debits of previous year related to the financial restructuring losses (3)	10,660,727	-	-
Less: Exemption from the payment of the income tax payables in 2004 (4)	3,360,129	-	-
Less: Unused and losses deductible approved (4)	3,602,893	-	-
Aggregated income tax expenses adjusted of branches in China	6,070,488	(509,945)	2,113,553
Add: Income tax expenses of branches outboard (5)	132,951	260,082	88,278
Total	6,203,439	(249,863)	2,201,831

1) The Bank did not confirm whether the taxation authorities allowed the Bank to use the temporary balance of the provision for the loan losses to deduct the taxable amount of income tax in future in the previous year, therefore, the deferred income tax debits caused have not been fully recognized . In 2003, through communication with the taxation authorities, the Bank confirmed that the temporary balance from the above-mentioned causes could be fully deducted, thus, the Bank recognized in 2003 the related deferred income tax debits, the income tax expenses decreased by RMB 1,294,276,000.

2) The temporary balance from some non-deductible fixed assets depreciation was recognized as deferred income tax reliabilities in the previous year. In 2003, the increase in the reassessment of the above-mentioned fixed asset. Pursuant to the MOF's approval, the depreciation of fixed assets in value is allowed to be deducted before tax accordingly. Therefore, the deferred income tax debits RMB 510,267,000 recognized in the previous year were wrote back in 2003.

3) The Bank verified and wrote off the bad loans of RMB 11,605,321,000 in one-time during implementation of financial restructuring in June 2004, sold the doubtful loans of RMB 41,399,913,000 to China Xin Da Assets Management Corporation by the transferring price RMB 20,700,000,000, the related losses thus caused was RMB 32,305,234,000. At 31 December 2004, the Bank

Notes to the Financial Statements

resold the provision for the loan losses related to the above-mentioned loan, at the same time, the deferred income tax debits of RMB 10,660,727,000 related to the provision for the resold loan losses transferred to the income tax in 2004.

4) The taxable losses from the written-off of bad loan in one-time during the implementation of financial restructuring in June 2004 and sales of doubtful loan to China Xin Da Assets Management Corporation in 2004, in accordance with the MOF's notice (Cai Jin Han 【2005】 No. 4)"Notice on Financial Deficiency during Reform on Stock-Holding System of Bank of Communication", it was verified that the financial deficiency of the Bank is RMB 11,002,000,000, and according to approval of the MOF, the Bank may be made up by the Bank's income taxable of the profit totally amounted to RMB 11,002,000,000 in the future years. Thus, the Banks' taxable income amount of RMB 3,360,129,000 is exempted in 2004.

At the same time, because the Bank may make up the financial deficiency arising from financial restructuring with income taxable of the profit amounted to RMB 11,002,000,000 in the future years, at 31 December 2004, the Bank's deferred income tax debits related to the unused and deductible above-mentioned losses is RMB 3,630,660,000. Considering that the deferred income tax debits related to the unused and deductible losses of the current period of RMB 27,767,000 (refer to Note 7.31) recognized in 2003, the Bank recognized the related deferred income tax debits of RMB 3,602,893,000 in 2004.

5) Composition of income tax of branches outboard in the following years:

Item	2004	2003	2002
Income taxable at the local tax rate	80,632	101,019	2,604
Deduct the income taxable in-shore at the specified tax rate	94,549	89,886	68,469
Write back the deferred income tax debits in the current period	(42,230)	69,177	17,205
Total	132,951	260,082	88,278

(60) Irregular profits & losses

Item	2004	2003	2002
Net profits	915,110	4,311,941	4,935,676
Irregular profits & losses			
Less: non-operating income	309,181	287,172	280,001
Add: non-operating expenses	849,658	1,005,522	411,646
Less: profits & losses on disposal of fixed assets	(22,038)	(2,225)	(3,123)
Less: write back charged provision for all items depreciation in value of previous year	-	-	-
Add: losses on financial restrucutrting	1,188,599	-	-
Total adjusted items	1,751,114	720,575	134,768
Less: effects of adjusted items above-mentioned on income tax	179,693	232,170	39,186
Less: recognition of non-recognized deferred income tax debits in previous year	-	1,294,276	119,026
Less: write back non-recognized deferred income tax liabilities in previous year	-	510,267	-
Add: write back deferred income tax debits in previous year related to the financial restructuring losses	10,660,727	-	-
Less: exemption from taxable income tax in 2004	3,360,129	-	-
Less: unused and deductible losses approved	3,602,893	-	-
Net profits after deduction of irregular profits & losses	6,184,236	2,995,803	4,912,232

(61) Return /share and return rate of net assets

Profits in the report period	2004			
	Return rate of net asset		Return /share	
	Entirely shared	Weighted mean	Entirely shared	Weighted mean
Operating profits	16.94%	27.24%	0.23	0.33
Net profits	1.74%	2.80%	0.02	0.03
Net profits after deduction of irregular profits & losses	11.78%	18.95%	0.16	0.23

Profits in the report period	2003			
	Return rate of net asset		Return /share	
	Entirely shared	Weighted mean	Entirely shared	Weighted mean
Operating profits	26.58%	30.11%	0.28	0.29
Net profits	23.96%	27.14%	0.25	0.27
Net profits after deduction of irregular profits & losses	16.64%	18.86%	0.18	0.18

Profits in the report period	2002			
	Return rate of net asset		Return /share	
	Entirely shared	Weighted mean	Entirely shared	Weighted mean
Operating profits	84.17%	109.82%	0.46	0.46
Net profits	57.09%	74.48%	0.31	0.31
Net profits after deduction of irregular profits & losses	56.82%	74.13%	0.31	0.31

(62) Net amount of deposits from banks

The Banks' net amount of deposits from other banks in 2004 is RMB 1,992,112,000 and RMB -2,040,323,000 in 2004 and 2003 respectively.

The balance of the Banks' deposits from other banks is RMB 16,455,030,000, RMB 14,414,707,000 and RMB 16,406,819,000 at 31 December 2002, 31 December 2003 and 31 December 2004 respectively.

The balance at the end of 2003 is less than that of 2002 due to the effect of the dealing volume of the capital market. The re-deposits from securities corporations decreased on certain degree; the balance at the end of 2004 is greater than that at the end of 2003 due to the rapid growth of deposits from the funds.

(63) Net placements from other financial institutions

In 2004 and 2003, the Bank's net placements from other financial institutions are RMB -286,346,000 and RMB 1,965,262,000 respectively.

The placements from other financial institutions include placements from other banks, the PBOC. Because the Bank has less borrowing from the central bank, thus, the changes in the placements from other banks lead to remarkable fluctuation of the net placements from other financial institutions at the above time points.

At 31 December 2002, 31 December 2003 and 31 December 2004 the balance of borrowings from other banks is RMB 7,759,017,000, RMB 9,724,279,000 and RMB 9,409,933,000 respectively.

(64) Net placements with banks and financial institutions

In 2004 and 2003, the Bank's net placements with banks and financial institutions are RMB -2,353,101,000 and RMB 1,187,600,000 respectively.

The placements with banks and financial institutions include placements with other banks and financial corporations.

The balance of the Banks' placements with other banks is RMB 46,007,592,000, 49,944,425,000 and 48,476,990,000 at 31 December 2002, 31 December 2003 and 31 December 2004 respectively.

Placements with other commercial banks are more than with others, the changes fluctuated with the changes of the market demand for the capital borrowing and lending among the other banks.

The balance of the Banks' lending to the financial institutions is RMB 3,915,252,000, RMB 1,131,160,000 and RMB 865,440,000 at 31 December 2002, 31 December 2003 and 31 December 2004 respectively.

Due to the greater credit risk of the financial companies compared with other commercial banks, the Bank reduces gradually the loan amount to the financial companies and the net placements with the financial institutions fluctuated greatly accordingly.

8. OFF-SHEET ITEMS

(1) Off-sheet non-risk business: including mainly settlement services, agent business(such as acting as agent on collection and payment, acting as insurance agent, acting as agent on issuance, redemption, underwriting of government bonds, etc.)

(2) Financial derivatives

The following are the presented contract value on financial derivatives at 31 December 2003 and 31 December 2004 respectively. The contract value is a benchmark to measure the changes in the financial derivatives and an indication to calculate the transaction volume, but it may not be used to estimate the risks.

Item	31 December 2004	31 December 2003
Contract on interest rate swap	13,536,117	4,566,222
Currency interests rate swap	3,758,632	-
Foreign currency contract	49,051,820	69,997,072
Of which: Currency forwards	3,817,672	4,375,281
Swap	45,234,148	65,621,791
Option	608,108	80,201
Total	66,954,677	74,643,495

Notes to the Financial Statements

(3) Off-sheet business of contingent risk, in addition to the business on financial derivatives, includes the following businesses:

Item	31 December 2004	31 December 2003
Letter of guarantee	30,866,617	21,911,947
Issuance of L/C	25,653,988	21,942,581
Bankable bill	103,348,441	73,017,250
Total	159,869,046	116,871,778

(4) Off-sheet uncollected interest receivables

Account age	31 December 2004		31 December 2003	
	Amount	Percentage	Amount	Percentage
Within 1 year	1,056,718	13.86%	4,264,138	13.14%
1-3 years	1,501,694	19.69%	10,014,743	30.86%
Over 3 years	5,067,648	66.45%	18,170,958	56.00%
Total	7,626,060	100.00%	32,449,839	100.00%

In 2004, the reasons for great decrease of the off-sheet uncollected interest payables are: the Bank signed agreement on "Purchase of Bad Loan with China Xin Da Assets Management Corp. ("Xin Da Corp") in Shanghai in June 2004, which stipulated that the scope of the non-performing loan restructuring is within the accounting of the local and foreign currency credit subject on 31 May 2004 and the doubtful loans finally recognized based on the 5-classe-classification (excluding non-credit assets, the loans that the lawsuit is overdue without the principal or subordinate creditor's right), and the written-off assets and assets offset in one-time, the interests receivable in-sheet and off-sheet related to the above-mentioned loans are based on the principle of "interests in line with the principal", together have been transferred to Xin Da Corporation. Refer to attached Note 14 for details.

9. RISK POSITION OF FINANCIAL INSTRUMENTS

(1) Credit risks

Credit risks include short-term loans, medium-term and long-term loans, overdue loans, NPL, bad loans, Inward and outward documentary bills, discounted bills, etc.

Credit risks refer to the risks of the transaction counterparts' or debtor's breach of contract. In case all the transaction counterparts centralize in an individual industry or region, the credit risks are greater, because the various transaction counterparts will be influenced by the same economic development in the same regions or on the same industry, which finally influences their repayment capability.

Credit risks centralization: in case a certain amount of customers engage in the same operating activities, or in the same geographical location or engage in the industry of the same economic characteristics leading their capability to fulfill the contract to be influenced by the same economic changes. The extent of the credit risks centralization reflects the sensibility of the corporation's performance to a certain specific industry or geographic location.

The business scope of the Bank includes China and Hong Kong, New York, Tokyo, Singapore, and other regions outside China. The economic development of all regions has its own characteristics, because of the wide regional distribution. Therefore, the risks in each region are varied.

Notes to the Financial Statements

I) Loans classified on the regional basis:

Region	31 December 2004	31 December 2003
Shanghai	68,610,866	63,809,541
Beijing	70,857,858	46,368,232
Tianjin	11,705,278	8,222,214
Chongqin	13,944,065	14,118,142
Zhejiang	45,964,410	36,599,478
Jiangsu	80,276,099	66,620,959
Anhui	14,650,175	12,153,230
Liaoning	24,870,664	32,600,710
Jilin	11,371,495	10,149,543
Heilongjiang	13,482,808	14,113,190
Guizhou	4,504,600	4,242,347
Hubei	25,087,874	22,576,225
Hunan	6,105,108	5,640,656
Jiangxi	6,006,088	5,065,719
Guangdong	53,101,808	45,352,947
Guangxi	10,733,110	10,325,485
Hebei	12,552,289	12,235,608
Shandong	35,384,015	29,067,336
Henan	28,526,134	25,750,363
Sichuan	10,516,251	10,602,534
Fujian	7,535,686	5,567,699
Yunnan	8,252,223	10,004,542
Hainan	2,360,452	3,156,812
Sinkang	6,305,361	5,477,060
Shanxi	10,071,795	9,364,778
Gansu	6,484,543	4,940,125
Shanxi	7,795,628	6,718,144
Inner Mongolia	1,520,961	1,208,059
Overseas business	404,903	391,695
Hong Kong	35,363,731	30,567,148
New York	1,353,237	1,183,098
Tokyo	928,503	1,047,004
Singapore	1,518,881	1,319,209
Total	638,146,899	556,559,832
Less: provision for loan losses	8,590,505	38,862,633
Net amount of loan	629,556,394	517,697,199

Notes to the Financial Statements

2) Loan classified on industrial basis:

Industry	31 December 2004	31 December 2003
Agriculture, forestry, husbandry, fishery	3,067,617	4,925,652
Industry	193,292,989	170,069,005
Electrical power	30,906,220	22,403,524
Water, coal, gas	6,317,228	4,674,679
Commerce, trade, food and drinks	62,064,649	58,054,200
Foreign affairs & trade	13,646,367	22,993,538
Post and communication	15,150,926	14,532,734
Traffic and transportation	43,961,628	33,838,596
Education	15,385,775	11,037,317
Scientific research	4,625,324	3,128,762
Construction	21,189,429	18,349,563
Real estates	65,544,489	59,777,846
Geology, water conservancy storehouse	2,630,194	2,099,004
Finance & insurance	19,462,312	8,628,456
Service	34,254,841	29,723,899
Health, sport, welfare	3,833,436	2,818,626
Literature	2,859,757	3,088,537
Individual	85,777,000	60,186,943
Other	14,176,718	26,228,951
Total	638,146,899	556,559,832
Less: provision for loan losses	8,590,505	38,862,633
Net amount of loans	629,556,394	517,697,199

3) Loans of top ten customers

Organization	31 December 2004	Loan term	Interest rate of loan
A company	4,796,353	3months-4years	RMB 4.698%-5.22% USD,LIBOR+0.7%
B company	2,855,300	2.44-11.96years	RMB 4.779%-4.941%
C company	2,800,000	1-7years	RMB 4.779%-5.76%
D company	2,000,000	1years	RMB 4.779%
E company	1,968,000	1month-10years	RMB 4.70%-5.76%
F company	1,950,000	1-2.72years	RMB 4.779%-4.941%
G company	1,749,245	3-6months	USD 3months LIBOR+0.4% to 3months LIBOR+0.5%
H company	1,679,670	9-19.61years	RMB 5.184%-5.589%
I company	1,661,391	0.12-3years	RMB 3.6%-5.2154%
J company	1,617,605	0.5-8years	RMB 4.536%-4.941%
Total	23,077,564		

Notes to the Financial Statements

Organization	31 December 2003	Loan term	Interest rate of loans
A company	3,841,486	6months-4years	RMB 4.356%-5.022% USD,LIBOR+0.45%
B company	3,555,340	1-10years	RMB 3.9825%-4.1175%; USD,LIBOR+0.40%
C company	3,260,000	1-7years	RMB 4.799%-5.76%
D company	2,110,000	1-2.75years	RMB 4.779%-4.941%
E company	2,022,832	4months-8years	RMB 3.78%-4.1175%; USD,LIBOR+0.25% to LIBOR+0.28%
F company	1,650,000	6months-3years	RMB 5.04%-5.58%
G company	1,446,000	2years	RMB 4.575%-5.49%
H company	1,135,553	1year	RMB 5.58%-8.64%
I company	1,100,000	3years	RMB 4.941%-5.94%
J company	1,100,000	9-10years	RMB 5.76%
Total	21,221,211		

The provisions for the loan losses have not been deducted from the above customers' loans.

(2) Currency risks

RMB is the local currency of account in the Bank, USD and HKD are the major currencies of the foreign currencies transactions, the exchange rate between RMB, USD and HKD subject to the adjustment and control of **PBOC** in China. The Bank's assets and liabilities are presented mainly by RMB, the rest is presented mainly by USD and HKD.

Item	Dec. 31, 2004				Total
	RMB	USD converted into RMB	HKD converted into RMB	Other currencies converted into RMB	
Assets					
Cash & bank deposits	7,010,596	578,578	402,269	500,300	8,491,743
Deposits with central bank and other banks	123,480,561	2,711,918	207,934	2,409,634	128,810,047
loans	558,755,532	37,496,214	26,865,392	6,439,256	629,556,394
Placements with banks and financial corporations	3,250,180	35,502,047	5,821,408	4,768,795	49,342,430
Bonds investment	205,779,481	22,991,432	12,219,474	7,644,275	248,634,662
Other assets	75,049,037	(796,737)	4,258,705	(4,712,277)	73,798,728
Total assets	973,325,387	98,483,452	49,775,182	17,049,983	1,138,634,004
Liabilities					
Deposits	880,188,809	77,725,941	43,007,861	10,948,940	1,011,871,551
Deposits from other banks	14,592,935	4,381,376	2,430,053	4,412,388	25,816,752
Other liabilities	40,470,460	4,429,091	2,272,914	1,284,388	48,456,853
Total liabilities	935,252,204	86,536,408	47,710,828	16,645,716	1,086,145,156
Net position of asset liabilities	38,073,183	11,947,044	2,064,354	404,267	52,488,848

Notes to the Financial Statements

Item	31 December 2003				
	RMB	USD converted into RMB	HKD converted into RMB	Other currencies converted into RMB	Total
Assets					
Cash & bank deposits	5,793,958	749,487	535,024	813,255	7,891,724
Deposits with central bank and other banks	106,452,657	580,734	8,660,961	3,468,868	119,163,220
loans	455,936,761	32,388,538	24,447,855	4,924,045	517,697,199
Placements with banks and financial corporations	4,742,415	21,956,323	18,324,170	6,052,677	51,075,585
Bonds investment	116,138,799	16,350,219	10,953,708	5,165,330	148,608,056
Other assets	90,140,859	(8,459,299)	3,305,758	(789,625)	84,197,693
Total assets	779,205,449	63,566,002	66,227,476	19,634,550	928,633,477
Liabilities					
Deposits	722,720,568	56,575,732	61,897,972	10,832,577	852,026,849
Deposits from other banks	14,449,642	3,192,165	117,994	6,379,185	24,138,986
Other liabilities	22,733,461	5,699,249	2,922,476	3,113,195	34,468,381
Total liabilities	759,903,671	65,467,146	64,938,442	20,324,957	910,634,216
Net position of asset liabilities	19,301,778	(1,901,144)	1,289,034	(690,407)	17,999,261

(3) Liquidity risks

Liquidity refers to the rapid converting-to-cash ability of the assets without the value loss. The increase on demand of loans in the future will lead to the increase the demand for the liquidity; the liquidity supply will decrease in case the deposits decreased to a great extent and the term of the loan were too long to be recovered. The great changes in the interest rate may also impose impact on the liquidity. These factors and expected events such as a great deal of deposits withdrawal, occurrence of a lot of unexpected non-performing loan, difficulties in the currency market, etc. shall impose adverse effect on the liquidity. The Bank may control the liquidity risks pursuant to the various terms of the assets and liabilities.

Item	31 December 2004						
	Immediate repayment	Within 3 months	3 M to 1 Y	1 to 5 Y	Over 5 Y	Overdue	Total
Assets							
Cash & bank deposits	8,491,743	-	-	-	-	-	8,491,743
Deposits with central bank and other banks	128,810,047	-	-	-	-	-	128,810,047
loans	-	145,871,710	284,422,884	98,023,355	87,581,763	13,656,682	629,556,394
Placements with banks and financial corporations	-	48,582,225	555,025	20,000	-	185,180	49,342,430
Bonds investment	2,295,601	28,935,944	54,138,774	111,359,094	51,749,623	155,626	248,634,662
Other assets	13,885,261	30,052,649	396,093	10,467,057	18,671,674	325,994	73,798,728
Total assets	153,482,652	253,442,528	339,512,776	219,869,506	158,003,060	14,323,482	1,138,634,004

Notes to the Financial Statements

Item	31 December 2004						
	Immediate repayment	Within 3 months	3 M to 1 Y	1 to 5 Y	Over 5 Y	Overdue	Total
Liabilities							
Deposits	491,828,368	286,328,058	171,691,467	58,692,508	3,331,150	-	1,011,871,551
Deposits with other banks	16,419,219	8,740,695	656,838	-	-	-	25,816,752
Other liabilities	22,508,157	6,996,448	639,588	18,312,660	-	-	48,456,853
Total liabilities	530,755,744	302,065,201	172,987,893	77,005,168	3,331,150	-	1,086,145,156
Net position of asset liabilities	(377,273,092)	(48,622,673)	166,524,883	142,864,338	154,671,910	14,323,482	52,488,848

Item	31 December 2003						
	Immediate repayment	Within 3 months	3 M to 1 Y	1 to 5 Y	Over 5 Y	Overdue	Total
Assets							
Cash & bank deposits	7,891,724	-	-	-	-	-	7,891,724
Deposits with central bank and other banks	119,163,220	-	-	-	-	-	119,163,220
Loan	-	103,392,971	240,428,347	87,018,734	58,955,813	27,901,334	517,697,199
Borrowing and lending with other banks	-	44,032,446	5,718,278	20,000	-	1,304,861	51,075,585
Bonds investment	271,756	17,916,551	20,968,869	72,082,431	37,336,285	32,164	148,608,056
Other assets	15,432,477	33,257,173	12,267,554	6,043,392	17,162,948	34,149	84,197,693
Total assets	142,759,177	198,599,141	279,383,048	165,164,557	113,455,046	29,272,508	928,633,477
Liabilities							
Deposits	428,036,722	170,438,695	198,493,833	53,323,257	1,734,342	-	852,026,849
Deposits with other banks	12,643,662	11,035,133	460,191	-	-	-	24,138,986
Other liabilities	25,548,602	6,210,073	12,299	2,697,407	-	-	34,468,381
Total liabilities	466,228,986	187,683,901	198,966,323	56,020,664	1,734,342	-	910,634,216
Net position of asset liabilities	(323,469,809)	10,915,240	80,416,725	109,143,893	111,720,704	29,272,508	17,999,261

The analysis above matches the maturing date of the assets and the liabilities with the unmatched factors under control. Generally, due to the uncertainty of the transactions, the maturing date of the assets and liabilities will not completely matched. This may increase the Bank's earning, and may also increase the losses.

(4) Interests risks

The Bank engages in the businesses such as loan and deposits mainly in China. Currently, the interest rate of RMB is stipulated by the PBOC uniformly, the Bank may not control itself the risks arising from the RMB interest rate; however, the Bank may analysis macro-economic situation and the interest level of the market timely. The Bank shall reduce the risk from the changes on the interests by means of adjusting the structure and term of the related assets and liabilities in advance.

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Our businesses in terms of the loans and deposits activities are based on the interests stipulated by PBOC. From 1 January 2002 to 31 December 2004, RMB deposit interests have undergone the PBOC's adjustment on 21 February 2002, 29 October 2004 respectively. During this period above-mentioned, the RMB interests in terms of loans and deposits are as follows:
(Unit: interest rate per annum %)

Item	29 October 2004 to 31 December 2004	21 February 2002 to 28 October 2004	1 January 2002 to 20 February 2002
Short-term loans	5.22~5.58	5.04~5.31	5.58~5.85
Medium & long-term loans	5.76~6.12	5.49~5.76	5.94~6.21
Individual house loans	3.78~5.31	3.60~5.04	Plus stipulated interest margin based on interest rate of 3 months time deposits or based on the lower level statutory interest rate of the loan
Demand deposits	0.72	0.72	0.99
Time deposits	1.71~3.60	1.71~2.79	1.98~2.88
Conventional deposits	1.44	1.44	1.71
Notice deposits	1.08~1.62	1.08~1.62	1.35~1.89
With central bank:			
Of which: deposits	Statutory provision for deposits:1.89 provision for excess-deposits:1.62	1.89(Interest rate of provision for excess-deposits after Dec .21, 2003 adjusted to 1.62)	2.07
Rediscount	3.24	2.97(before 25 March 2004) 3.24(after 25 March 2004)	2.16~2.97

Discount interest is determined by adding the points based on the re-discount interest, but the highest shall not exceed the loan interest rate of the same period (including floating).

The PBOC decided to raise up the benchmark interest rate of the financial institutions since 29 October 2004, widening the floating range of the interest rate of RMB loan and permitting the fall of RMB deposits: no-upper-limit set up for the loan interest rate generally for the financial institutions (excluding town and countryside credit units) with the extent of the floating downward unchanged, 0.9-time of the benchmark interest rate. It also permitted the deposits interest rate floating downward, namely the interest rates of all RMB deposits with the financial institutions may be floated within a range without exceeding the benchmark interest rate of the deposits of all grades, but the interest rate of the deposits may not be floating upward.

In accordance with PBOC's document (Yin Fa 【2000】 No.267), the interest rate of various foreign currencies loans and their interest settlement methods shall be determined by themselves pursuant to changes in the interest rates of the international market and capital cost, risk differences and other factors; the interest rate of wholesale deposits are determined through consulting between the customers and the Bank; the Bank shall implement the interest rate of petty deposits of foreign currency shall be determined by the Bank association.

Notes to the Financial Statements

During the report period, Hong Kong branch of the Bank determined the interest rates of the deposits and loans of all terms Pursuant to the market interest rate, the mean interest rates are as follows:

	2004	2003	2002
deposits	0.81%	1.01%	1.45%
loans	2.23%	2.72%	3.32%

10. RELATED PARTY BALANCE AND TRNSACTIONS

(1) Relationship with related party

1) Holding sub-companies

I . Holding operating sub-companies

① General situation

Name of related party	Economic nature	Registered location	Core business	Legal representative
Beijing Jing Tong Tai He PropertyManagement Corp.	Ownership by whole-people	No.Bing 17,Xi Chang An Ave. Xicheng District, Beijing	Property management, lease, labor service	Yu Biao
Real Estate Development Corp.Dalian branch, Communication Bank	Ownership by whole-people	No. 1, Mingsheng Street, Zhongshan District , Dalian	Real Estate Development	Hu Dianjun
Hua Tong Construction Development Co., Ltd. Dalian Economic & Technologic Development Zone (Note)	Limited liabilities company	No. 3 Haerbin Road, Dalian Development Zone	Real estate developer of Class 3	Wang Jianjun
Hua Tong Economic Development Co., Ltd. Dalian Economic & Technologic Development Zone (Note)	Joint operation	Hua Tong Industrial Park of Dalian Development Zone	Industrial workshop management	Wan Jianjun
Shi Jia Zhuang Real Estate Development Corp., Communication Bank	Ownership by whole-people	No. 22 Zi Qiang Road, Shi Jia Zhuang	Real estate development	Huo Guangzhi
Shantou Real Estate Development Corp., Communication Bank	Ownership by whole-people	No.105, Building 42, West District, Jin Tao Zhuang, Shan Tou	Real estate operation	Chen Zhenyuan
Qongqing Jin Ling Real Estate Development Corp.,	Ownership by whole-people	No. 13, Renmin Road, Yu Zhong District, Chongqing	Urban construction & comprehensive development(class 2)	Zhou Yonghua
Communication Finance Co., Ltd.	Limited liabilities company	Room 301, Far-East Development Plaza, No. 121 mid - Depu Road , Zhonghua , Hong Kong	Accepting deposits, providing financial services	Yang Dongping
Communication Bank(Agent) Co., Ltd.	Limited liabilities company	Room 301, Far-East Development Plaza, No. 121 mid - Depu Road , Zhonghua , Hong Kong	As agent, providing professional services	Yang Dongping

Notes to the Financial Statements

Name of related party	Economic nature	Registered location	Core business	Legal representative
Communication Bank Trust Co., Ltd.	Limited liabilities company	Room 301, Far-East Development Plaza, No. 121 mid - Depu Road , Zhonghua , Hong Kong	Providing professional trust services	Shen Shaozhen
Jin Jia Trading Co., Ltd.	Limited liabilities company	Room 301, Far-East Development Plaza, No. 121 mid - Depu Road , Zhonghua , Hong Kong	Real estate investment	Yang Dongping
Qiao Hui Co., Ltd.	Limited liabilities company	Room 301, Far-East Development Plaza, No. 121 mid - Depu Road , Zhonghua , Hong Kong	Real estate investment and joint operation investment in China	Yang Dongping
Qiao Tong Development Co., Ltd.	Limited liabilities company	Room 301, Far-East Development Plaza, No. 121 mid - Depu Road , Zhonghua , Hong Kong	Holding real estate	Yang Dongping
Yu Zhan Investment Co., Ltd.(note)	Limited liabilities company	Room 301, Far-East Development Plaza, No. 121 mid - Depu Road , Zhonghua , Hong Kong	joint operation investment in China	Shou Fugang
Yu Ying Co., Ltd. (note)	Limited liabilities company	Room 301, Far-East Development Plaza, No. 121 mid - Depu Road , Zhonghua , Hong Kong	Real estate investment	Shen Shaozhen
Communication Securities Co., Ltd.	Limited liabilities company	Room 301, Far-East Development Plaza, No. 121 mid - Depu Road , Zhonghua , Hong Kong	Buying & selling share & securities business for customers	Shen Shaozhen
Keruier Computer (Shenzhen) Co., Ltd. (note)	Limited liabilities company	Floor 11-15 Yujing Plaza, Heping Road, Luohu District, Shenzhen , Guangdong , China	PC soft/ware/hardware, electronic instrument, communication network development	Chen Jiayou
Weihan Investment Co., Ltd. (note)	Limited liabilities company	Room 301, Far-East Development Plaza, No. 121 mid - Depu Road , Zhonghua , Hong Kong	Real estate development	Zou Yanmei
Chuangcheng Co., Ltd. (note)	Limited liabilities company	Room 301, Far-East Development Plaza, No. 121 mid - Depu Road , Zhonghua , Hong Kong	Real estate investment	Zou Yanmei
Jieying Secretary Co., Ltd. (note)	Limited liabilities company	Room 301, Far-East Development Plaza, No. 121 mid - Depu Road , Zhonghua , Hong Kong	Secretary services	Chen Xia fang
Yi Jian Co., Ltd. (note)	Limited liabilities company	Room 301, Far-East Development Plaza, No. 121 mid - Depu Road , Zhonghua , Hong Kong	Real estate development	Zou Yanmei

Notes to the Financial Statements

Name of related party	Economic nature	Registered location	Core business	Legal representative
China Communication Insurance Co., Ltd.	Limited liabilities company	16 th Floor, Communication Plaza.No. 231-235, Goashida Road, Wanzi, HongKong	Buy all types of insurance for customers	Guan Wanfei
Chuan Ye Qi Co., Ltd. (note)	Limited liabilities company	Room 301, Far-East Development Plaza, No. 121 mid - Depu Road , Zhonghua , Hong Kong	Real estate development	Yang Dongping

Note: these companies are the sub-companies of the holding sub-companies of our bank.

② Registered capital and its changes

Name of related party	31 December 2003	Increase of the year	Decrease of the year	31 December 2004
Beijing Jin Tong Tai He Real Estate Management Corp.	30,000	-	-	30,000
Real Estate Development Corp. Dalian branch, Communication Bank	7,195	-	-	7,195
Hua Tong Construction Development Co., Ltd. Dalian Economic & Technologic Development Zone	9,093	-	-	9,093
Hua Tong Economic Development Co., Ltd. Dalian Economic & Technologic Development Zone	982	-	-	982
Shi Jia Zhuang Real Estate Development Corp., Communication Bank	50,000	-	-	50,000
Shantou Real Estate Development Corp., Communication Bank	5,000	-	-	5,000
Qongqing Jin Ling Real Estate Development Corp.,	20,000	-	-	20,000
Communication Finance Co., Ltd.	HKD90,000	-	-	HKD90,000
Communication Bank(Agent) Co., Ltd.	HKD200	-	-	HKD200
Communication Ban k Trust Co., Ltd.	HKD50,000	-	-	HKD50,000
Jin Jia Trading Co., Ltd.	HKD1	-	-	HKD1
Qiao Hui Co., Ltd.	HKD5,000	-	-	HKD5,000
Qiao Tong Development Co., Ltd.	HKD50,000	-	-	HKD50,000
Yu Zhan Investment Co., Ltd.	HKD10	-	-	HKD10
Yu Ying Co., Ltd. (note)	HKD10	-	-	HKD10
Communication Securities Co., Ltd.	HKD100,000	HKD200,000	-	HKD300,000
Keruier Computer (Shenzhen) Co., Ltd.	USD3,000	-	-	USD3,000
Weihan Investment Co., Ltd.	HKD10	-	-	HKD10

Notes to the Financial Statements

Name of related party	31 December 2003	Increase of the year	Decrease of the year	31 December 2004
Chuangcheng Co., Ltd.	HKD10	-	-	HKD10
Jieying Secretary Co., Ltd.	HKD5,000	-	-	HKD5,000
Yi Jian Co., Ltd.	HKD10	-	-	HKD10
China Communication Insurance Co., Ltd.	HKD100,000	HKD200,000	-	HKD300,000
Chuan Ye Qi Co., Ltd. (note)	HKD10	-	-	HKD10

③ Shares held and its changes

Name of related party	31 December 2003	Proportion of shareholding	31 December 2004	Proportion of shareholding
Beijing Jin Tong Tai He Real Estate Management Corp.	30,000	100%	30,000	100%
Real Estate Development Corp. Dalian branch, Communication Bank	20,000	100%	20,000	100%
Hua Tong Construction Development Co., Ltd. Dalian Economic & Technologic Development Zone	7,275	80%	7,275	80%
Hua Tong Economic Development Co., Ltd. Dalian Economic & Technologic Development Zone	982	100%	982	100%
Shi Jia Zhuang Real Estate Development Corp., Communication Bank	50,000	100%	50,000	100%
Shantou Real Estate Development Corp., Communication Bank	-	100%	-	100%
Qongqing Jin Ling Real Estate Development Corp.,	-	100%	-	100%
Communication Finance Co., Ltd.	HKD90,000	100%	HKD90,000	100%
Communication Bank(Agent) Co., Ltd.	HKD200	100%	HKD200	100%
Communication Ban k Trust Co., Ltd.	HKD50,000	100%	HKD50,000	100%
Jin Jia Trading Co., Ltd.	HKD0.002	100%	HKD0.002	100%
Qiao Hui Co., Ltd.	HKD3,000	100%	HKD3,000	100%
Qiao Tong Development Co., Ltd.	HKD50,000	100%	HKD50,000	100%
Yu Zhan Investment Co., Ltd.	HKD0.002	100%	HKD0.002	100%
Yu Ying Co., Ltd. (note)	HKD10	100%	HKD10	100%
Communication Securities Co., Ltd.	HKD60,000	100%	HKD175,000	100%
Keruier Computer (Shenzhen) Co., Ltd.	39,733	100%	39,733	100%
Weihan Investment Co., Ltd.	HKD10	100%	HKD10	100%
Chuangcheng Co., Ltd.	HKD10	100%	HKD10	100%
Jieying Secretary Co., Ltd.	HKD 2,000	100%	HKD 2,000	100%

Notes to the Financial Statements

Name of related party	31 December 2003	Proportion of shareholding	31 December 2004	Proportion of shareholding
Yi Jian Co., Ltd.	HKD10	100%	HKD10	100%
China Communication Insurance Co., Ltd.	HKD100,000	100%	HKD250,000	100%
Chuan Ye Qi Co., Ltd. (note)	HKD 0.1	100%	HKD 0.1	100%

II. Liquidated, closed or transferred holding sub-companies during the report period

Sub-company's Name	Core business	Shares held by Communication Bank before liquidation, close or transfer	Investment proportion of Communication Bank	Date of liquidation, close or transfer
Real Estate development Corp, Changsha Branch, Communication Bank	Real estate development	1,000	100%	2003-12-12
Yao Hua branch(investment) urban Construction & Comprehensive Development Corp. of Guangyuan	Real estate development	10,000	100%	2004-12-10
Fuzhou Guang Tong Real Estate development Corp	Real estate development	3,000	100%	2003-11-10
Fu Sun Li Tong Real Estate development Corp	Real estate development	700	100%	2004-10-8
Nan Jing Yin Tong Real Estate Corp.	Real estate development	10,000	100%	2004-6-25
Pacific Real Estate Comprehensive Development Corp. of Pan Zhi Hua	Real estate development	14,000	60%	2002-6-21
Qindao Hua Tong Estate development Corp	Real estate development	15,100	98%	2002-1-16
Suzhou Shen Tong Real Estate Corp.	Real estate investment	3,000	100%	2002-11-10
Tian Jin Tiantong Real Estate Corp.	Commercial houses sales	12,160	100%	2002-10-15

2) Other related organizations and persons with the share holding relationship

Other related organizations and persons with the share holding relationship include all types of economic entities established through employees' raised funds, trade union's investment, etc. and important managerial persons such as directors, supervisors, senior executives, etc. The Bank has no balance of equity investment in these entities, which may directly or indirectly be controlled by the Bank.

Although the Bank hasn't any equity investment in these entities, but the Bank may directly or indirectly control them. At 31 December 2004, there are 19 relatively-small-size economic entities like this, mainly engaging in labor services, real estates management, etc., their economic size is relatively small.

3) Related party without shareholding relationship

I . Shareholders holding more than 5% (including5%) shares

As at 31 December 2004, except the shareholder who holds 25.53% and Central Gold & Exchanges Investment Co. Ltd. who hold 7.68% of the Banks' shares that are not the related parties, but are the parties of the equity investment Pursuant to the regulations

Notes to the Financial Statements

of MOF, other shareholders who hold more than 5% (including 5%) shares of the Bank are the related parties of the Bank, their general situations are as follows: (unit: 1000 shares)

Shareholder name	Shares	Holding proportion
HSBC	7,774,943	19.90%
NCSSF	5,555,556	14.22%

NCSSF and HSBC were not our related parties before they invested in the Bank to take the equity interests of the Bank in June and August 2004 respectively.

II. Affiliated companies

① Affiliated operating companies

Name of related party	Holding proportion
Ling Yun Corp. of Dalian High & New-Tech Industrial Park	20.00%
Nan Jing International Leasing Co., Ltd.	25.00%
Shanghai Changjiang Communication Equipment United Corp.	33.34%
Zhenjiang Changfa Industrial Co., Ltd.	34.00%
Shanghai Xin Da Investment Consulting Corp.	20.00%
Tong Chan High-Tech Development Co., Ltd.	25.00%

② Affiliated operating companies which were liquidated

Name of company	Proportion of shareholding	Date of liquidation, close or transfer
Dan Dong Tong Da Industrial Corp.	25%	2004-6-16
Jinan Real Estate & Comprehensive Development Holding Co., Ltd.	25%	2004-1-5
Henan Zhongyuan International Leasing Co., Ltd.	49%	2004-9-30
Shanghai International Finance Co., Ltd.	25%	2004

III. Key managerial personnel and other enterprises

At 31 December 2004, due to directors, supervisors and senior executives taking post as the chairman and general manager in other banks, the related relationship came into being with 21 entities such as China Guizhou Maotai Plant, HSBC Insurance Group (Asia-Pacific) Co., Ltd., Changchun First Auto Sihuan Holding Co., Ltd., etc.

(2) Related party transactions

The conditions and interest rate in terms of related parties' transactions with the Bank are in accordance with the regulations stipulated by the Bank.

Notes to the Financial Statements

1) Net increase and decrease of loans

Name of related parties	2004	2003	2002
Holding sub-company	(1,196,533)	224,323	(155,142)
Of which: Beijing Jin Tong Tai He Real Estate Management Corp.	(95,000)	(5,000)	-
Real Estate Development Corp. Dalian branch, Communication Bank	(155,245)	(3,500)	(11,655)
Hua Tong Construction Development Co., Ltd. Dalian Economic & Technologic Development Zone	(167,682)	(1,268)	-
Hua Tong Economic Development Co., Ltd. Dalian Economic & Technologic Development Zone	(10,000)	-	-
Shi Jia Zhuang Real Estate Development Corp., Communication Bank	(28,200)	(600)	-
Shantou Real Estate Development Corp., Communication Bank	(372,200)	(6,000)	-
Qongqing Jin Ling Real Estate Development Corp.,	-	-	(111,000)
Cuangcheng Co., Ltd.	(74)	205	(5)
Communication Securities Co., Ltd.	(268,764)	247,186	810
Communication Bank (Agent) Co., Ltd.	(26,117)	115	(2)
Qiao Hui Co., Ltd.	(371)	1,037	(20)
Jin Jia Trading Co., Ltd.	(420)	1,162	(25)
Yu Ying Co., Ltd.	(614)	1,697	(36)
Yu Zhan Investment Co., Ltd.	792	(196)	(143)
Communication Bank Trust Co., Ltd.	(6,398)	2,155	5,307
Keruier Computer (Shenzhen) Co., Ltd.	(65,521)	(14,656)	24,273
Chuangqi Co, Ltd.	(719)	1,986	(62,646)
Other entities and persons with control relationship	(20,105)	(7,635)	(4,310)
Shareholders holding shares of more than 5%(incl.5%)	-	-	-
Joint operating company	(9,900)	-	-
Of which: Zhenjiang Industrial Co., Ltd.	(9,900)	-	-
Same Key managerial personnel and entities	328,300	-	-
Of which: First Fu Ao Auto Spare Parts Co., Ltd.	108,300	-	-
Changchun First Auto Sihuan Holding Co., Ltd.,	220,000	-	-
Total	(898,238)	216,688	(159,452)

2) Recognized interest income of loans lent to the related parties in 2002, 2003 and 2004

Related parties	2004	2003	2002
Holding sub-companies	8,391	8,524	12,196
Other entities and persons with controlling relationship	49	57	293
Same Key managerial personnel and entities	13,205	-	-
Total	21,645	8,581	12,489

Notes to the Financial Statements

In 2002 and 2003, most of the loans lent to related parties are overdue, thus, the recognized interest income of the loans of all period decreased.

3) Net increase and decrease of deposits

Name of related parties	2004	2003	2002
Joint operating company	347,084	326,326	32,444
Of which: Beijing Jin Tong Tai He Real Estate Management Corp.	22,505	(10,342)	(5,837)
Real Estate Development Corp.Dalian branch, Communication Bank	-	(19)	19
Hua Tong Construction Development Co., Ltd.Dalian Economic & Technologic Development Zone	7	10	(81)
Hua Tong Economic Development Co., Ltd.Dalian Economic & Technologic Development Zone	100	(236)	490
Shi Jia Zhuang Real Estate Development Corp., Communication Bank	73	(705)	48
Shantou Real Estate Development Corp., Communication Bank	(1,997)	3,513	(50)
Qongqing Jin Ling Real Estate Development Corp.,	3,598	-	-
Chuangcheng Co., Ltd.	4,754	1,033	2,205
Communication Securities Co., Ltd.	(94,694)	214,091	29,857
Qiao Hui Co., Ltd.	25,524	(7)	(17,919)
Qiao Tong Development Co., Ltd.	56,317	193	(1,017)
Jie Ying Secretary Co., Ltd.	(13)	69	7
Wei Han Investment Co., Ltd.	3,477	(882)	2,350
Yu Ying Co. Ltd.	(29,911)	12,426	7,584
Yi Jian Co. Ltd.	124,733	5,427	1,278
Chuang Qi Co. Ltd.	123,070	32,350	16,109
Jin Jia Trading Co. Ltd.	(3,991)	9,399	(3,499)
Communication Bank (Agent) Co., Ltd.	(10,554)	11,427	24
Communication Securities Co., Ltd.	(14,492)	20,694	530
Communication Finance Co., Ltd.	2,934	1,630	11,390
Yu Zhan Investment Co., Ltd.	860	-	-
China Communication Insurance Co. Ltd.	141,699	23,652	-
Nan Jing Yin Tong Real Estate Corp.	(6,915)	2,603	(11,044)
Other entities and persons with control relationship	2,995	(5,883)	1,110
Shareholders holding more than 5% (incl.5%) shares of our bank	3,003,632	-	-
Of which: NCSSF	3,000,002	-	-
HSBC	3,630	-	-

Notes to the Financial Statements

Name of related parties	2004	2003	2002
Joint operating companies	1,296	263	829
Of which: Nanjing International Leasing Co., Ltd.	1,296	263	829
Same Key managerial personnel and entities	20,295	-	-
Of which: First Fu Ao Auto Spare Parts Co., Ltd.	153	-	-
Changchun First Auto Sihuan Holding Co., Ltd.,	16,716	-	-
China Guizhou Maotai Co., Ltd	3,423	-	-
Capital Airport Construction & Investment Co., Ltd	3	-	-
Total	3,375,302	320,706	34,383

4) Recognized interest expenses due to deposits from related parties in 2002, 2003 and 2004

Name of related parties	2004	2003	2002
Holding sub-companies	3,367	2,439	3,082
Other entities and persons with control relationship	99	142	146
Shareholders holding more than 5% (incl. 5%) shares of the Bank	62,637	-	-
Joint operating company	186	159	579
Same Key managerial personnel and entities	235	-	-
Total	66,524	2,740	3,807

5) Financing income from financial institutions

Name of related parties	2004
Shareholders holding more than 5% (incl. 5%) shares of our Bank	2,000
Of which: NCSSF	235
HSBC	1,765

6) Investment income

Name of related parties	2004
Shareholders holding more than 5% (incl. 5%) shares of our Bank	3,910
Of which: HSBC	3,910

7) Fees and commission income

Name of related parties	2004
Shareholders holding more than 5% (incl. 5%) shares of our Bank	215
Of which: HSBC	215

Notes to the Financial Statements

8) Rental income received from related parties

Name of related parties	2004	2003	2002
Holding sub-company	674	678	612
Of which: Communication Securities Co., Ltd.	674	678	612

9) Other service fees income received from related parties

Name of related parties	2004	2003	2002
Holding sub-company	9,143	-	-
Of which: Of which: Communication Securities Co., Ltd. Securities Co., Ltd.	993	-	-
Communication Bank Trust Co., Ltd.	8,150	-	-

10) Financing expenses to financial institutions

Name of related parties	2004
Shareholders holding more than 5% (incl. 5%) shares of our Bank	5,771
Of which: HSBC	5,771

11) Expenses of the rental and real estates fees paid to related parties

I. Rental expenses

Name of related parties	2004	2003	2002
Holding sub-company	23,551	24,814	32,462
Of which: Jin Jian Trading Co., Ltd.	8,149	10,042	14,253
Yu Ying Co., Ltd.	13,027	12,162	15,825
Cuang Cheng Co., Ltd.	2,236	2,529	2,304
Qiao Hui Co., Ltd.	101	81	80
Jie Ying Secretary Co., Ltd.	38	-	-
other entities and persons with controlling relationship	2,174	1,790	3,117
Total	25,725	26,604	35,579

Notes to the Financial Statements

II. Real estates expenses

Name of related parties	2004	2003	2002
Holding sub-company	3,703	-	-
Of which: Beijing Jing Tong Tai Real Estate management Co., Ltd.	3,288	-	-
Communication Bank Trust Co., Ltd.	415	-	-
other entities and persons with controlling relationship	19,848	14,623	19,370
Total	23,551	14,623	19,370

III. Other expenses

Name of related parties	2004	2003	2002
Holding sub-companies	4,515	-	-
Of which: Communication Bank (Agent) Co., Ltd.	44	-	-
Communication Bank Trust Co., Ltd.	4,471	-	-
Other entities and persons with controlling relationship	9,231	16,367	18,367
Total	13,746	16,367	18,367

(3) Related transactions unsettled

1) Loans

Name of related parties	31 December 2004	31 December 2003	31 December 2002
Holding sub-companies	1,561,245	2,757,778	2,533,455
Of which: Beijing Jing Tong Tai Real Estate management Co., Ltd.	60,000	155,000	160,000
Real Estate Development Corp. Dalian branch, Communication Bank	-	155,245	158,745
Hua Tong Construction Development Co., Ltd. Dalian Economic & Technologic Development Zone	-	167,682	168,950
Hua Tong Economic Development Co., Ltd. Dalian Economic & Technologic Development Zone	-	10,000	10,000
Shi Jia Zhuang Real Estate Development Corp., Communication Bank	-	28,200	28,800
Shantou Real Estate Development Corp., Communication Bank	-	372,200	378,200
Chuang Cheng Co., Ltd.	46,402	46,476	46,271
Communication Securities Co., Ltd..	-	268,764	21,578

Notes to the Financial Statements

Name of related parties	31 December 2004	31 December 2003	31 December 2002
Communication Bank (Agent) Co., Ltd.	-	26,117	26,002
Qiao Hui Co., Ltd..	314,579	314,950	313,913
Jin Jia Trading Co., Ltd..	263,175	263,595	262,433
Yu Ying Co., Ltd..	384,424	385,038	383,341
Yu Zhan Investment Co., Ltd..	41,974	41,182	41,378
Communication Bank Trust Co., Ltd..	1,064	7,462	5,307
Keruier Computer (Shenzhen) Co., Ltd..	-	65,521	80,177
Chuang Qi Co., Ltd.	449,627	450,346	448,360
other entities and persons with controlling relationship	700	20,805	28,440
Joint operating company	-	9,900	9,900
Of which: Zhenjiang Changfa Industrial Co., Ltd.	-	9,900	9,900
Same Key managerial personnel and other enterprises	328,300	-	-
Of which: Fu Ao First Auto Spare Parts Co., Ltd.	108,300	-	-
Changchun First Auto Sihuan Holding Co., Ltd..	220,000	-	-
Total	1,890,245	2,788,483	2,571,795

2) Other receivables

Name of related parties	31 December 2004	31 December 2003	31 December 2003
Holding sub-companies	10,418	8,191	7,734
Of which: Real Estate Development Corp. Dalian branch, Communication Bank	-	5,263	5,324
Shi Jia Zhuang Real Estate Development Corp., Communication Bank	-	600	-
China Communication Insurance Co. Ltd.	-	2,328	2,410
Communication Bank Trust Co. Ltd.	10,418	-	-
other entities and persons with controlling relationship	-	31	36
Total	10,418	8,222	7,770

Notes to the Financial Statements

3) Deposits with other banks

Name of related parties	31 December 2004
Shareholders holding more than 5% (incl. 5%) shares of our bank	100,519
Of which: HSBC.	100,519

4) Deposits

Name of related parties	31 December 2004	31 December 2003	31 December 2003
Holding sub-company	1,104,194	757,110	430,784
Of which: Beijing Jin Tong Tai He Real Estate Management Corp.	34,169	11,664	22,006
Real Estate Development Corp. Dalian branch, Communication Bank	-	-	19
Hua Tong Construction Development Co., Ltd. Dalian Economic & Technologic Development Zone	38	31	21
Hua Tong Economic Development Co., Ltd. Dalian Economic & Technologic Development Zone	439	339	575
Shi Jia Zhuang Real Estate Development Corp., Communication Bank	258	185	890
Shantou Real Estate Development Corp., Communication Bank	1,697	3,694	181
Qongqing Jin Ling Real Estate Development Corp.,	3,598	-	-
Chuang Cheng Co. Ltd.	8,003	3,249	2,216
Communication Securities Co., Ltd.	162,821	257,515	43,424
Qiao Hui Co. Ltd.	57,802	32,278	32,285
Qiao Tong Development Co. Ltd.	71,520	15,203	15,010
Jie Ying Secretary Co. Ltd.	936	949	880
Wei Han Investment Co. Ltd.	5,126	1,649	2,531
Yu Ying Co. Ltd.	21,436	51,347	38,921
Yi Jian Co. Ltd.	131,449	6,716	1,289
Chuang Qi Co. Ltd.	171,545	48,475	16,125
Jin Jia Trading Co. Ltd.	15,960	19,951	10,552
Communication Bank (Agent) Co., Ltd.	1,142	11,696	269

Notes to the Financial Statements

Name of related parties	31 December 2004	31 December 2003	31 December 2002
Communication Bank Trust Co., Ltd.	66,098	80,590	59,896
Communication Finance Co., Ltd.	183,946	181,012	179,382
Yu Zhan Investment Co. Ltd.	860	-	-
China Communication Insurance Co. Ltd.	165,351	23,652	-
Najing Yin Tong Real Estate Corp.	-	6,915	4,312
other entities and persons with controlling relationship	15,843	12,848	18,731
Shareholders holding more than 5% (incl. 5%) shares of our Bank	3,003,632	-	-
Of which: NCSSF	3,000,002	-	-
HSBC	3,630	-	-
Affiliated operating companies	21,204	19,908	19,645
Of which: Nan Jing International Leasing Co. Ltd.	21,204	19,908	19,645
Same Key managerial personnel and entities	20,295	-	-
Of which: Fu Ao First Auto Spare Parts Co., Ltd.	153	-	-
Changchun First Auto Sihuan Holding Co., Ltd.,	16,716	-	-
China Guizhou Maotai Co., Ltd	3,423	-	-
Capital Airport Construction & Investment Co., Ltd	3	-	-
Total	4,165,168	789,866	469,160

5) Interests payables

Name of related parties	31 December 2004	31 December 2003	31 December 2002
Holding sub-companies	382	-	-
Of which: Communication Bank Trust Co., Ltd.	220	-	-
China Communication Insurance Co., Ltd.	162	-	-
other entities and persons with controlling relationship	-	10	13
Shareholders holding more than 5% (incl. 5%) shares of our bank	98,592	-	-
Of which: NCSSF	97,440	-	-
HSBC	1,152	-	-
Total	98,974	10	13

Notes to the Financial Statements

6) Other payables

Name of related parties	31 December 2004	31 December 2003	31 December 2002
Holding sub-company	456	9,455	8,485
Of which: Real Estate Development Corp. Dalian branch, Communication Bank	-	2,344	2,043
Yu Ying Co. Ltd.	-	7,111	6,442
Communication Bank Trust Co., Ltd..	456	-	-
other entities and persons with controlling relationship	103	-	4
Total	559	9,455	8,489

7) Deposits from banks

Name of related	31 December 2004
Shareholders holding more than 5% (incl. 5%) shares of our Bank	30,044
Of which: HSBC.	30,044

8) Placements from banks

Name of related parties	31 December 2004
Shareholders holding more than 5% (incl. 5%) shares of our bank	1,183,796
Of which: HSBC	1,183,796

9) Off-sheet interest receivables from related parties

Related parties	31 December 2004	31 December 2003	31 December 2002
Holding sub-company	33,855	491,365	404,632
Other entities and persons with controlling relationship	141	4,737	3,014
Joint operating company	-	8,241	7,245
Total	33,996	504,343	414,891

Notes to the Financial Statements

10) Guarantee, L/C, bank acceptances provided to the related parties

Name of related parties	31 December 2004	31 December 2003	31 December 2002
Holding sub-company	1,809	-	-
Of which: Qiao Hui Co., Ltd.	213	-	-
Communication Bank Trust Co., Ltd.	1,596	-	-
Shareholders holding more than 5% (incl. 5%) shares of our bank	25,215	-	-
Of which: HSBC.	25,215	-	-
Total	27,024	-	-

11) The Bank's bonds investments issued related parties

Name of related parties	31 December 2004
Shareholders holding more than 5% (incl. 5%) shares of our Bank	413,930
Of which: HSBC	413,930

12) Undue financial derivatives contracts

Name of related parties	31 December 2004
Shareholders holding more than 5% (incl. 5%) shares of our Bank	10,942,844
Of which: HSBC	10,942,844

13) Credit commitments

Name of related parties	31 December 2004
Shareholders holding more than 5% (incl. 5%) shares of our Bank	35,611
Of which: HSBC	35,611

Credit commitments above-mentioned refer to the loan commitment due to the Bank's participation in the undertakings of the syndicate-banking loan organized by HSBC.

Notes to the Financial Statements

11. CONTINGENCIES

As at 31 December 2004, as defendant, the Bank's object amount of the unsettled lawsuit cases is RMB 2,601,206,000. The expected liabilities that the Bank has accrued approximately amounted to RMB 989,067,000 in terms of lawsuits with the Bank.

12. COMMITMENTS

(1) Loan commitments

At 31 December 2004, the Bank has promised to the special customers that within the validity of the agreement in the future, we shall provide credit line totaling RMB 37. 192 billion Pursuant to the agreed terms and conditions, of which, the irrevocable loan commitments are RMB 10.965 billion.

(2) Commitments on operating lease

As the commitment party, pursuant to the irrevocable leasing contract, the minimum leasing payment that the Bank has to pay is as follows:

Type	Within one year	1-5 years	Over 5 years	Total
Business site leased	498,561	1,140,598	531,647	2,170,806
Equipment leased	1,312	501	129	1,942
Other operating leases	1,683	3,046		4,729
Total	501,556	1,144,145	531,776	2,177,477

(3) Capital commitments

In terms of fixed assets purchase, the capital commitments are as follows:

Type	Within one year	1-5 years	Over 5 years	Total
Approved contract, but not signed	7,836	-	-	7,836
Contract signed, but not paid	470,612	10,847	527	481,986
Total	478,448	10,847	527	489,822

13. SUBSEQUENT EVENT

As at 2005, the Bank does not need to disclose any matters after balance sheet date.

14. OTHER IMPORTANT MATTERS

In accordance with the MOF's notice (Cai Jin 【2004】 No. 57) "Notice On Issues of Reform and Restructure of Communication Bank", the PBOC's notice (Yin Fu 【2004】 No. 33) "PBOC's Reply to Overall Scheme of Deepening Communication Bank's Reform on Stock-Holding System", and with the approval from shareholders of the Bank in 2004, the Bank signed an "Agreement on acquisition of non-performing loan with Xin Da Corp.in Shanghai on 7 June 2004. The agreement stipulated that the object scope of the non-performing loans restructuring is recorded within the accounting of the local and foreign currency credit subject on 31 May 2004 and the doubtful loans finally recognized based on the 5-class classification method (excluding non-credit assets, loans that the principal or subordinate creditor's right lost the lawsuit effectives), and the written-off and offset-in-one-time assets, the interests receivable in-sheet and off-sheet related to the above-mentioned loans are based on the principle of "interests in line with the principal", together have been transferred to Xin Da Corp. Refer to Note 14 for details.

On 10 June 2004, the Bank worked out and signed "Scheme to transfer non-performing loans" with Xin Da Corp. The scheme stipulated that the benchmark date to transfer the secondary non-performing loans is 31 May 2004; that the Bank transferred the doubtful loans amounted to RMB 41.4 billion to Xin Da Corp. at 31 May 2004; its off-sheet and in-sheet interests are RMB 15.5 billion at 20 March 2004; the total written-off principal of the non-performing loans in one-time in 2004 was RMB 11.6 billion as at 31 May 2004, its off-sheet and in-sheet interests are RMB 6.8 billion at 31 May 2004; the total principal amount of the assets transferred that was written off in 2003 and in the first quarter of 2004 is RMB 11.1 billion at 31 May 2004;. Its off-sheet and in-sheet interests are RMB 6.7 billion at 20 March 2004; the specific credit amounts of the each loan transferred should be based on the figures confirmed by both parties, the relevant interests after 21 March 2004 shall be calculated by Xin Da Corp. itself.

As at 31 December 2004, the Bank has finished the above-mentioned scheme and received RMB 20.7 billion from Xin Da Corp. to purchase the non-performing loans above-mentioned.

15. APPROVAL OF FINANCIAL STATEMENTS

The current financial statements were approved by the board of directors of the Bank on 6 April 2005.

Reconciliation of net profit and net assets from PRC GAAP to IFRS:
(All amounts expressed in RMB hundred millions unless otherwise stated.)

	Net Assets	Net Profit
PRC GAAP figures	52,489	915
Adjustments for accounting standard differences:		
1. Interest income from investment securities	643	525
2. Revaluation surplus from fixed assets and investment properties	3,543	(291)
3. Differences arising from the transfer of the non-performing loans to China Cinda Asset Management Corporation	(966)	1,243
4. Valuation of derivative products	(310)	(225)
5. Consolidated adjustments	(1,018)	(308)
6. Deferred taxes	(875)	(60)
7. Others	47	(195)
IFRS figures	53,553	1,604

Explanation of the adjustments for accounting standard differences:

1. Interest income from investment securities

In accordance with PRC GAAP, no interest income should be accrued on investment securities intended to be held for less than one year. Under IFRS, interest income is recognised on interest-bearing instruments on an accruals basis using the effective interest method.

2. Revaluation surplus/deficit from fixed assets and investment properties

In 2004, the Company carried out a further revaluation exercise on fixed assets and investment properties for the purpose of the preparation of its IFRS financial statements. The valuation surplus/deficit arising from the 2004 valuation has been reflected in IFRS accounts. However, since such revaluation was not a valuation approved by the Ministry of Finance of the PRC, the valuation surplus/deficit arising from the revaluation has not been recognised in PRC GAAP financial statements. The differences arising from fixed assets and investment property valuation exercise in 2004 has been reflected as an accounting standard difference accordingly.

3. Differences arising from the transfer of the non-performing loans to China Cinda Asset Management Corporation

On 27 June 2004, the Company disposed of non-performing loans (the "Transferred Loans") to China Cinda Asset Management Corporation in exchange for a bill issued by the People's Bank of China (the "Bills"). The amount of carrying value of the Transferred Loans in excess of the fair value of the Bills, net of tax, was offset against capital surplus in its IFRS financial statements.

Reconcillation of Net Profit and Net Assets From PRC GAAP to IFRS

Under PRC GAAP, the above charges against capital surplus has been further analysed into three parts and treated differently from those of IFRS financial statements:

- the amount of disposal loss at Company level (i.e. the difference between the carrying value of the loans and the face value of the consideration) was charged to profit and loss account in the Company's PRC GAAP financial statements in accordance with PRC GAAP. There is no provision in the PRC GAAP that such losses, even though arising from the recapitalization process initiated by the shareholders, qualify a direct charge to the equity.
- the loss arising from the recognition of external liability by the Group via the subsidiaries was not recognized in the Company's PRC GAAP financial statements, because such subsidiaries are not consolidated.
- the amount of Bills was recorded at face value under PRC GAAP but was recorded at fair value under IFRS.

4. Recognition of derivative financial instruments at fair value

In accordance with International Accounting Standards No.39, derivative financial instruments are initially recognized at cost and subsequently re-measured to fair value. Changes in fair value of derivatives held for trading are included in net trading income. However, such derivative financial instruments are still accounted for as off balance sheet items in the Company's PRC GAAP financial statements.

5. Consolidation adjustments

Subsidiaries, which are those companies and other entities (including Special Purpose Entities) in which the Group, directly or indirectly, has control, are consolidated in the Company's IFRS financial statements. However, under PRG GAAP, it is allowed not to consolidate subsidiaries which are intended to be disposed of in the near future.

6. Deferred taxes

In both PRC GAAP and IFRS financial statements prepared by the Company, deferred income tax is provided, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Accordingly, all adjustments on accounting standard differences also gave rise to corresponding deferred taxation differences.

7. Others

All other differences are adjustments with minor amounts.

Business Network

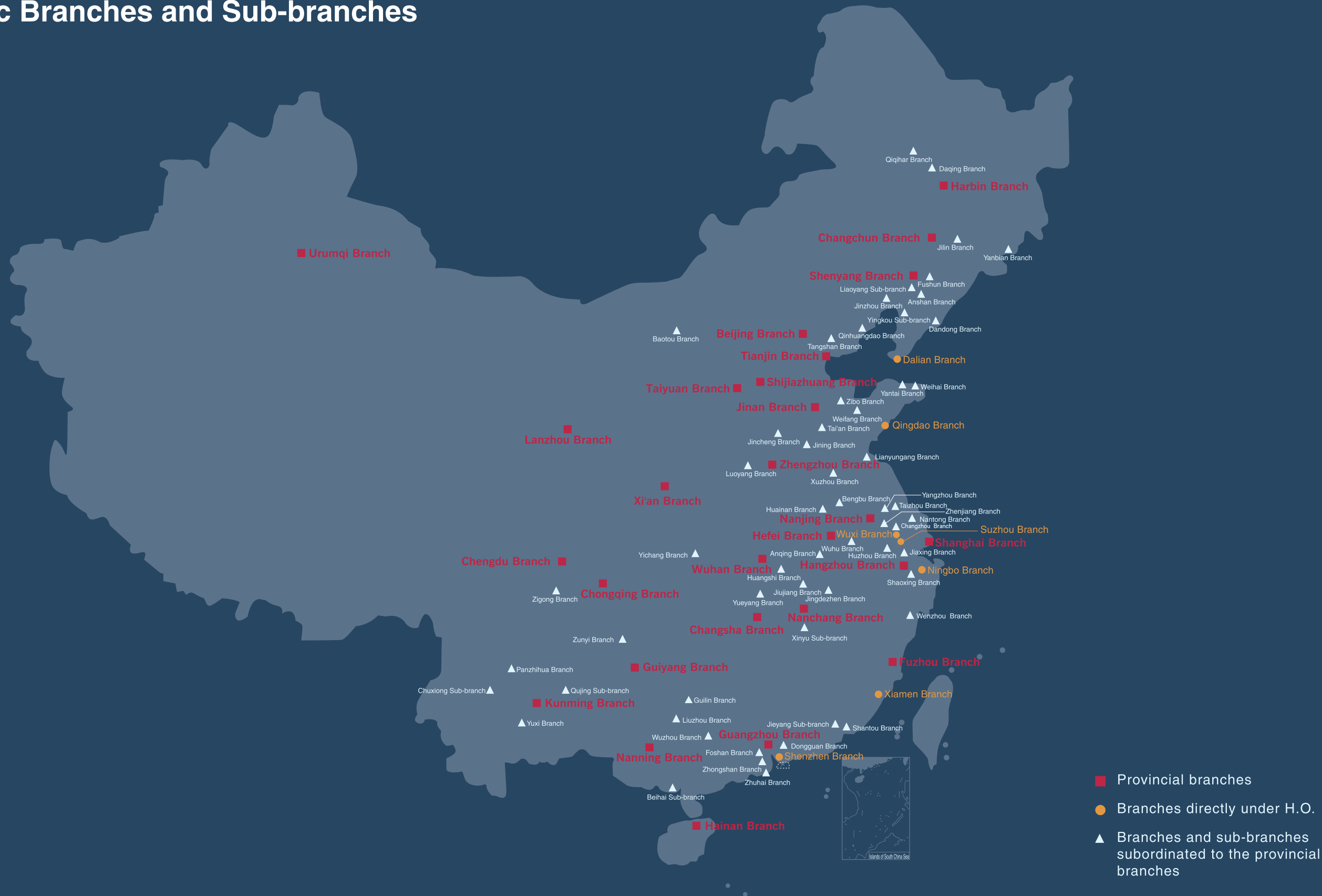
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Business Network

Domestic Branches and Sub-branches	125
Overseas Network	133

Domestic Branches and Sub-branches



Domestic Branches and Sub-branches

■ Beijing Branch

33 Jin Rong Da Jie,
Xi Cheng District, Beijing
TEL: (010)66101616
TLX: 222915 BCOMB CN
SWIFT: COMMCNSHBJG
P.C.: 100032
FAX: (010)88086008

■ Tianjin Branch

35 Nanjing Lu, He Xi District, Tianjin
TEL: (022)23403701
SWIFT: COMMCNSHTJN
P.C.: 300200
FAX: (022)23302004

■ Baotou Branch

24 Gang Tie Da Jie,
Qing Shan District, Baotou
TEL: (0472)5143280
SWIFT: COMMCNSHBTU
P.C.: 014030
FAX: (0472)5144698

■ Shijiazhuang Branch

22 Zi Qiang Lu, Shijiazhuang
TEL: (0311)7026358
SWIFT: COMMCNSHSJZ
P.C.: 050000
FAX: (0311)7016376

■ Tangshan Branch

103 Xin Hua Dong Dao, Tangshan
TEL: (0315)3720100
SWIFT: COMMCNSHTSN
P.C.: 063000
FAX: (0315)2849299

■ Qinhuangdao Branch

174 Wen Hua Bei Lu,
Hai Gang District, Qinhuangdao
TEL: (0335)3038260
SWIFT: COMMCNSHQHD
P.C.: 066000
FAX: (0335)3028046

■ Taiyuan Branch

BoCom Tower, 35 Jie Fang Lu,
Taiyuan
TEL: (0351)4070094
SWIFT: COMMCNSHTYN
P.C.: 030002
FAX: (0351)4071457

■ Jincheng Branch

998 Huang Hua Jie, Jincheng
TEL: (0356)2026882
P.C: 048000
FAX: (0356)2029840

■ Shenyang Branch

100 Shi Yi Wei Lu,
Shen He District, Shenyang
TEL: (024)22719497
SWIFT: COMMCNSHSYG
P.C.: 110014
FAX: (024)22825238

■ Anshan Branch

38 Er Yi Jiu Lu,
Tie Dong District, Anshan
TEL: (0412)5554790
SWIFT: COMMCNSHASN
P.C.: 114001
FAX: (0412)5554785

■ Fushun Branch

2-1 Xi Yi Lu, Xin Fu District, Fushun
TEL: (0413)2861877
SWIFT: COMMCNSHFSN
P.C.: 113008
FAX: (0413)2648493

■ Dandong Branch

68 Jin Shan Da Jie, Dandong
TEL: (0415)2131250
SWIFT: COMMCNSHDDG
P.C.: 118000
FAX: (0415)2126504

■ Jinzhou Branch

42 Yun Fei Jie, Er Duan, Jinzhou
TEL: (0416)3124258
SWIFT: COMMCNSHJIN
P.C.: 121000
FAX: (0416)3125832

■ Yingkou Branch

21 Bo Hai Da Jie Xi, Yingkou
TEL: (0417)2881234
SWIFT: COMMCNSHYKU
P.C.: 115003
FAX: (0417)2837764

■ Liaoyang Sub-branch

114 Xin Yun Da Jie, Liaoyang
TEL: (0419)2126778
P.C.: 111000
FAX: (0419)2151178

■ Changchun Branch

502 Tong Zhi Jie, Changchun
TEL: (0431)8928485
SWIF: COMMCNSHCCN
P.C.: 130061
FAX: (0431)8579990

■ Jilin Branch

4 Song Jiang Dong Lu, Jilin
TEL: (0432)2102998
SWIFT: COMMCNSHJLN
P.C.: 132001
FAX: (0432)2102996

■ Yanbian Branch

172 Guang Ming Jie, Yanji
TEL: (0433)2520486
SWIFT: COMMCNSHYBN
P.C.: 133000
FAX: (0433)2520418

■ Harbin Branch

242 Guogeli Da Jie,
Nan Gang District, Harbin
TEL: (0451)82644467
SWIFT: COMMCNSHHEB
P.C.: 150001
FAX: (0451)82644448

■ Qiqihar Branch

205 Bu Kui Da Jie,
Jian Hua District, Qiqihar
TEL: (0452) 2559771
SWIFT: COMMCNSHQQH
P.C.: 161006
FAX: (0452) 2559777

■ Daqing Branch

2 Re Yuan Jie Dong Feng Lu,
Dong Feng Xin Cun, Daqing
TEL: (0459)6688863
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P.C.: 163311
FAX: (0459)6688860

■ Shanghai Branch

99 Zhong Shan Nan Lu, Shanghai
TEL: (021)63111000
TLX: 33438 COMSH CN
SWIFT: COMMCNSHSHI
P.C.: 200010
FAX: (021)63744799

■ Nanjing Branch

124 Zhong Shan Bei Lu, Nanjing
TEL: (025)83278888
SWIFT: COMMCNSHNJG
P.C.: 210009
FAX: (025)83322050

■ Xuzhou Branch

56 Zhong Shan Nan Lu, Xuzhou
TEL: (0516) 5608180
SWIFT: COMMCNSHIUZ
P.C.: 221006
FAX: (0516)5608186

■ Lianyungang Branch

141 Hai Lian Zhong Lu,
Xin Pu District, Lianyungang
TEL: (0518)5414580
SWIFT: COMMCNSHLYG
P.C.: 222003
FAX: (0518)5411387

■ Yangzhou Branch

2 Wen He Bei Lu, Yangzhou
TEL: (0514)7344635
SWIFT: COMMCNSHYAN
P.C.: 225002
FAX: (0514) 7348552

■ Taizhou Branch

99 Xi Cang Lu, Taizhou
TEL: (0523)6242741
SWIFT: COMMCNSHTAI
P.C.: 225300
FAX: (0523)6210456

■ Nantong Branch

27 Ren Min Zhong Lu, Nantong
TEL: (0513)5058018
SWIFT: COMMCNSHNTG
P.C.: 226001
FAX: (0513)5058028

■ Zhenjiang Branch

229 Jie Fang Lu, Zhenjiang
TEL: (0511)5021069
SWIFT: COMMCNSHZJG
P.C.: 212001
FAX: (0511) 5021124

■ Changzhou Branch

171 Yan Ling Xi Lu, Changzhou
TEL: (0519)6607696
SWIFT: COMMCNSHCHA
P.C.: 213003
FAX: (0519)6607630

■ Hangzhou Branch

173 Qing Chun Lu, Hangzhou
TEL: (0571)87216198 87082330
TLX: 351123 BOCOM CN
SWIFT: COMMCNSHHAN
P.C.: 310006
FAX: (0571)87082330

■ Wenzhou Branch

BoCom Plaza,
Chezhandadao, Wenzhou
TEL: (0577)8806879
SWIFT: COMMCNSHWEN
P.C.: 325000
FAX: (0577)88068567

■ Jiaxing Branch

236 Zhong Shan Xi Lu, Jiaxing
TEL: (0573) 2052112
SWIFT: COMMCNSHJXG
P.C.: 314001
FAX: (0573)2052110

■ Huzhou Branch

299 Ren Min Lu, Huzhou
TEL: (0572)2212138
SWIFT: COMMCNSHHUZ
P.C.: 313000
FAX: (0572)2214738

■ Shaoxing Branch

283 Ren Min Zhong Lu, Shaoxing
TEL: (0575)5115890
SWIFT: COMMCNSHSXG
P.C.: 312000
FAX: (0575)5137247

■ Hefei Branch

38 Hua Yuan Jie, Hefei
TEL: (0551)2637010
SWIFT: COMMCNSHHFI
P.C.: 230001
FAX: (0551)2637010

Domestic Branches and Sub-branches

■ Wuhu Branch

BoCom Tower, Beijing Xi Lu, Wuhu
TEL: (0553)3839500
SWIFT: COMMCNSHWHU
P.C.: 241000
FAX: (0553)3839531

■ Bengbu Branch

88 Nan Shan Lu, Bengbu
TEL: (0552)2040377
SWIFT: COMMCNSHBBU
P.C.: 233000
FAX: (0552)2040376

Huainan Branch

95 Chao Yang Zhong Lu, Huainan
TEL: (0554)6657888
P.C.: 232001
FAX: (0554)6651788

■ Anqing Branch

99 Long Shan Lu, Anqing
TEL: (0556)5509699
SWIFT: COMMCNSHAQG
P.C.: 246004
FAX: (0556)5509641

■ Fuzhou Branch

116 Hu Dong Lu, Fuzhou
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FAX : (0591)87874837

■ Nanchang Branch

21 Yong Shu Lu, Nanchang
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Jingdezhen Branch

1 Chang Nan Da Dao, Jingdezhen
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P.C.: 333000
FAX: (0798)8570660

Xinyu Sub-branch

98 Bei Hu Xi Lu, Xinyu
TEL: (0790)6441577
P.C.: 338000
FAX: (0790)6441943

■ Jiujiang Branch

139 Xun Yang Lu, Jiujiang
TEL: (0792)8231117
P.C.: 332000
FAX: (0792)8118426

■ Jinan Branch

98 Gong Qing Tuan Lu, Jinan
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SWIFT: COMMCNSHJNN
P.C.: 250012
FAX : (0531)6106390

■ Zibo Branch

100 Zhong Xin Lu,
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FAX: (0533) 2180511

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P.C.: 261041
FAX: (0536) 8190228

■ Yantai Branch

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SWIFT: COMMCNSHYTI
P.C.: 264000
FAX: (0535) 6677086

■ Weihai Branch

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SWIFT: COMMCNSHWHI
P.C.: 264200
FAX: (0631) 5226058

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P.C.: 272119
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■ Taian Branch

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FAX: (0538) 8220402

■ Zhengzhou Branch

11 Zheng Hua Lu, Zhengzhou
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SWIFT: COMMCNSHZHE
P.C.: 450008
FAX : (0371)5751011

■ Luoyang Branch

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SWIFT: COMMCNSHLYA
P.C.: 471000
FAX : (0379)3938888

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FAX: (027)85487112

■ Huangshi Branch

380 Yi Yang Lu, Huangshi
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SWIFT: COMMCNSHHSI
P.C.: 435000
FAX: (0714)6221614

■ Yichang Branch

22 Sheng Li Si Lu, Yichang
TEL: (0717)6484982
SWIFT: COMMCNSHYCG
P.C.: 443000
FAX: (0717)6484831

■ Changsha Branch

37 Shao Shan Zhong Lu, Changsha
TEL: (0731)5555522
SWIFT: COMMCNSHCSA
P.C.: 410007
FAX: (0731)5603737

Yueyang Branch

Yin Du Mansion,
Nan Hu Da Dao, Yueyang
TEL: (0730)8224418
P.C.: 414000
FAX: (0730)8225694

■ Guangzhou Branch

123 Jie Fang Nan Lu, Guangzhou
TEL: (020)83271333
SWIFT: COMMCNSHGUA
P.C.: 510120
FAX: (020)83270386

■ Zhuhai Branch

BoCom Tower,
1227 Ji Da Jiu Zhou Da Dao Dong,
Zhuhai
TEL: (0756)3338822
SWIFT: COMMCNSHZHI
P.C.: 519015
FAX: (0756)3330881

■ Shantou Branch

83 Jin Sha Lu, Shantou
TEL: (0754)8611888
SWIFT: COMMCNSHSTU
P.C.: 515041
FAX: (0754)8611962

■ Dongguan Branch

190 Qi Feng Lu, Dongguan
TEL: (0769)2336998
SWIFT: COMMCNSHDGN
P.C.: 523008
FAX: (0769)2336908

■ Zhongshan Branch

30 Yue Lai Nan Lu, Shi Qi, Zhongshan
TEL: (0760)8818308
SWIFT: COMMCNSHZSN
P.C.: 528400
FAX: (0760)8808917

■ Foshan Branch

1-1 Ti Yu Lu, Foshan
TEL: (0757)83215360
SWIFT: COMMCNSHFSA
P.C.: 528000
FAX: (0757)83333125

■ Jieyang Sub-branch

6 Bei Huan Cheng Lu,
Rong Cheng District, Jieyang
TEL: (0663)8650297
P.C.: 522000
FAX: (0663)8634640

■ Nanning Branch

228 Ren Min Dong Lu, Nanning
TEL: (0771) 2835260
SWIFT: COMMCNSHNNG
P.C.: 530012
FAX: (0771) 2835475

■ Liuzhou Branch

32 Yue Jin Lu, Liuzhou
TEL: (0772)2860711
SWIFT: COMMCNSHLIU
P.C.: 545001
FAX: (0772) 2866680

■ Guilin Branch

8 Nan Huan Lu, Guilin
TEL: (0773)2829898
SWIFT: COMMCNSHGLN
P.C.: 541002
FAX: (0773) 2826506

■ Wuzhou Branch

47 Da Zhong Lu, Wuzhou
TEL: (0774)2832582
SWIFT: COMMCNSHWUZ
P.C.: 543000
FAX: (0774)2827711

■ Beihai Sub-branch

BoCom Tower, Yun Nan Lu, Beihai
TEL: (0779) 3088836
SWIFT: COMMCNSHBHI
P.C.: 536000
FAX: (0779) 3038440

■ Hainan Branch

45, Guo Mao Lu, Finance and
Trade Zone, Haikou
TEL: (0898)68532666
SWIFT: COMMCNSHHNN
P.C.: 570125
FAX: (0898)68532333

Domestic Branches and Sub-branches

■ Chongqing Branch

158 Zhong Shan San Lu,
Yu Zhong District, Chongqing
TEL: (023)63639888
SWIFT: COMMCNSHCQG
P.C.: 400015
FAX: (023)63851916

■ Kunming Branch

67 Hu Guo Lu, Kunming
TEL: (0871)3105250
SWIFT: COMMCNSHKMG
P.C.: 650021
FAX : (0871)3107584

■ Urumqi Branch

3 Dong Feng Lu, Urumqi
TEL: (0991)2833597
TLX: 79289 BCW CN
SWIFT: COMMCNSHWLM
P.C.: 830002
FAX : (0991)2840184

■ Wuxi Branch

198 Ren Min Zhong Lu, Wuxi
TEL: (0510)2718733
TLX: 362051 WCBS CN
SWIFT: COMMCNSHWXI
P.C.: 214001
FAX : (0510)2701640

■ Chengdu Branch

211 Xi Yu Long Jie, Chengdu
TEL: (028)86525666
SWIFT: COMMCNSHCDU
P.C.: 610015
FAX : (028)86525555

■ Qujing Sub-branch

50 Cui Feng Lu, Qujing
TEL: (0874)3339214
P.C.: 655000
FAX : (0874)3313926

■ Dalian Branch

6 Zhong Shan Plaza,
Zhong Shan District, Dalian
TEL: (0411)82639911
SWIFT: COMMCNSHDLN
P.C.: 116001
FAX: (0411)82656612

■ Suzhou Branch

77 Nan Yuan Bei Lu, Suzhou
TEL: (0512)65188666
SWIFT: COMMCNSHSUZ
P.C.: 215006
FAX : (0512)65186051

Zigong Branch

108 Wu Xing Jie,
Zi Liu Jing District, Zigong
TEL: (0813)2105667
P.C.: 643000
FAX : (0813)2105667

■ Yuxi Branch

61 Yu Xin Lu, Hong Ta District, Yuxi
TEL: (0877)2056555 2052899
P.C.: 653100
FAX : (0877)2056555 2053566

■ Ningbo Branch

55 Zhong Shan Dong Lu, Ningbo
TEL: (0574)87361089
SWIFT: COMMCNSHNBO
P.C.: 315000
FAX: (0574)87262365

Panzhuhua Branch

21 Xin Hua Jie, Panzhuhua
TEL: (0812)3334197
P.C.: 617000
FAX : (0812)3334197

■ Chuxiong Sub-branch

96 Bei Pu Lu, Chuxiong
TEL: (0878)3124223
P.C.: 675000
FAX : (0878)3121712

■ Xiamen Branch

9 Hu Bin Zhong Lu, Xiamen
TEL: (0592)2295012
SWIFT: COMMCNSHIMN
P.C.: 361004
FAX: (0592)2295013

■ Guiyang Branch

4 Sheng Fu Lu, Guiyang
TEL: (0851)5861461
SWIFT: COMMCNSHGYG
P.C.: 550001
FAX: (0851)5861460

■ Xian Branch

16 An Ban Jie, Xian
TEL: (029)87259535
SWIFT: COMMCNSHIAN
P.C.: 710004
FAX: (029)87210455

■ Qingdao Branch

6 Zhong Shan Lu, Qingdao
TEL: (0532)2967888
SWIFT: COMMCNSHQDO
P.C.: 266001
FAX: (0532)2897062

■ Zunyi Branch

108 Zhong Hua Lu,
Hong Hua Gang District Zunyi
TEL: (0852)8824421
P.C.: 563000
FAX: (0852)8825356

■ Lanzhou Branch

252 Qing Yang Lu, Lanzhou
TEL: (0931)8820448
SWIFT: COMMCNSHLAN
P.C.: 730030
FAX: (0931)8810479

■ Shenzhen Branch

2066 Shen Nan Zhong Lu, Shenzhen
TEL: (0755)83680000
SWIFT: COMMCNSHSZN
P.C.: 518031
FAX: (0755)83680033

Branches and Sub-branches marked with

■ are authorized to conduct international banking business

Overseas Network



Hong Kong Branch

20 Pedder St., Central, Hong Kong
TEL: (00852)-28419611
TLX: 73409 COMBK HX,
61466 COMBK HX
SWIFT: COMMHKHHXXX
CAB: 6527 COMMUBANK
FAX: (00852)-29738778

New York Branch

One Exchange Plaza, 55 Broadway
New York, NY 10006-3008 U.S.A
TEL: (001)-(212)-376-8030
TLX: 49611348 COMBKNY
SWIFT: COMMUS33XXX
FAX: (001)-(212)-376-8089

Tokyo Branch

3-5-1, Toranomom Minato-ku
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TEL: (0081)-(3) 3432-1818
TLX: 25349
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Singapore Branch

50 Raffles Place # 26-04 Singapore
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