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## Important Notice

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The Board of Directors and the directors of China Minsheng Banking Corp., Ltd. (the Bank) warrant that there are no misstatements, misleading presentations or material omissions in this report and shall assume full responsibility for its existence, accuracy and completeness of the contents hereof.

The 2004 Annual Report was reviewed and approved by the 18th meeting of 3rd session of Board of Directors of the Bank on February 21, 2005. Although Director Chen Jian and Director Feng Lun didn't attend the meeting in person and Director Annie Wu and Director Gao Shangquan asked for absence during the meeting, these four directors respectively entrusted one of other directors to exercise their voting rights.

The 2004 financial statements have been audited by PricewaterhouseCoopers Zhong Tian CPAs Limited Company and PricewaterhouseCoopers China Limited, respectively in accordance with the generally accepted auditing principles in the People's Republic of China ("PRC GAAP") and the International Auditing Standards ("IAS"). The auditors have issued unqualified reports to those financial statements.

Board of Directors  
China Minsheng Banking Corp., Ltd.

Mr. Jing Shuping (Chairman of the Board of Directors), Mr. Dong Wenbiao (President), Mr. Hong Qi and Ms. Wu Touhong who are senior executives responsible for finance and accounting, Mr. Wang Jianping (Head of the Financial Planning and Treasury Department) and Ms. Bai Dan (Head of the Accounting and Settlement Department) warrant the existence and completeness of the financial statements in this annual report.

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## Message from the Chairman

During 2004, the robust Chinese economy continued to achieve a record of rapid and healthy growth, although the PRC government implemented a number of macro-economic tightening policies aimed to prevent the economy from over-heating, which China Minsheng Banking Corp., Ltd. experienced for its first time since its establishment.

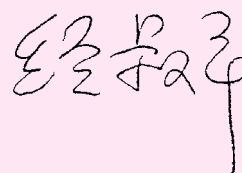
Under this circumstance, we fought against difficulties related to the macroeconomic tightening policies with concerted efforts, by working out and adopting a series of effective and proactive measures and delivered a satisfying result of operation to the shareholders and the society. In 2004, all business lines of us well performed beyond the operating targets set at the beginning of the year and our brand has been continuously enhanced in the market. The business portfolio adjustment is beginning to create positive result. We restructured our internal auditing functions and successfully issued subordinated bonds in the year.

In 2005, we will continue to focus our efforts on business portfolio adjustment and enhancement, by restructuring our organizational framework and

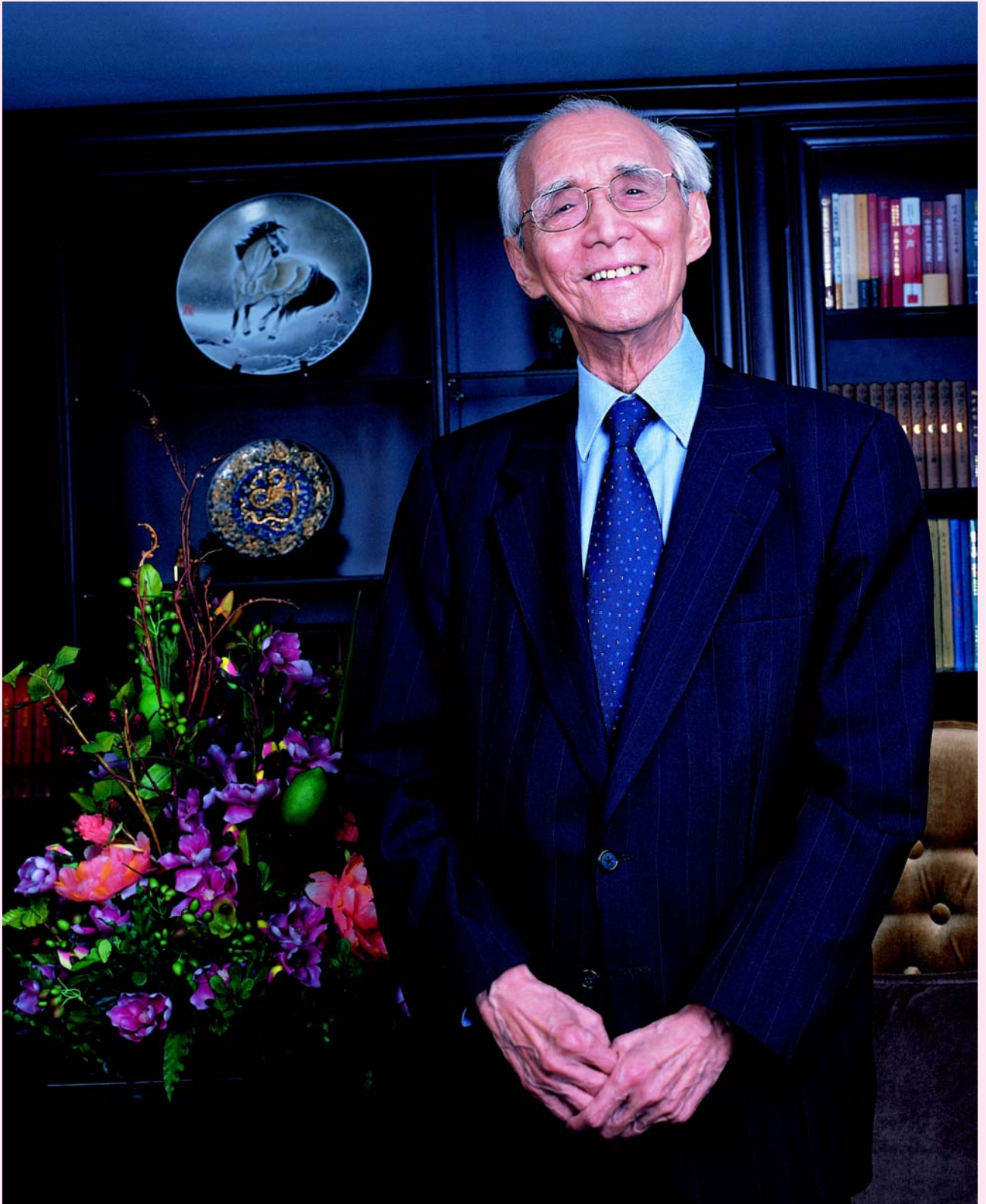
streamlining business operation, through scientific and advanced business planning. We aim to further improve our core competitiveness by upgrading our business development and management efficiency and delivering different and competitive services and products based on characteristics of each geographic market where our branches operate.

We take honesty, integrity and all-win as our consistent tenet and pursue to add value to our shareholders. Looking into to the future, in the spirit of courageous exploration and continuous innovation, we will try our best to further upgrade all our business and become a qualified competitor in the international financial market, making China Minsheng a time-honored bank.

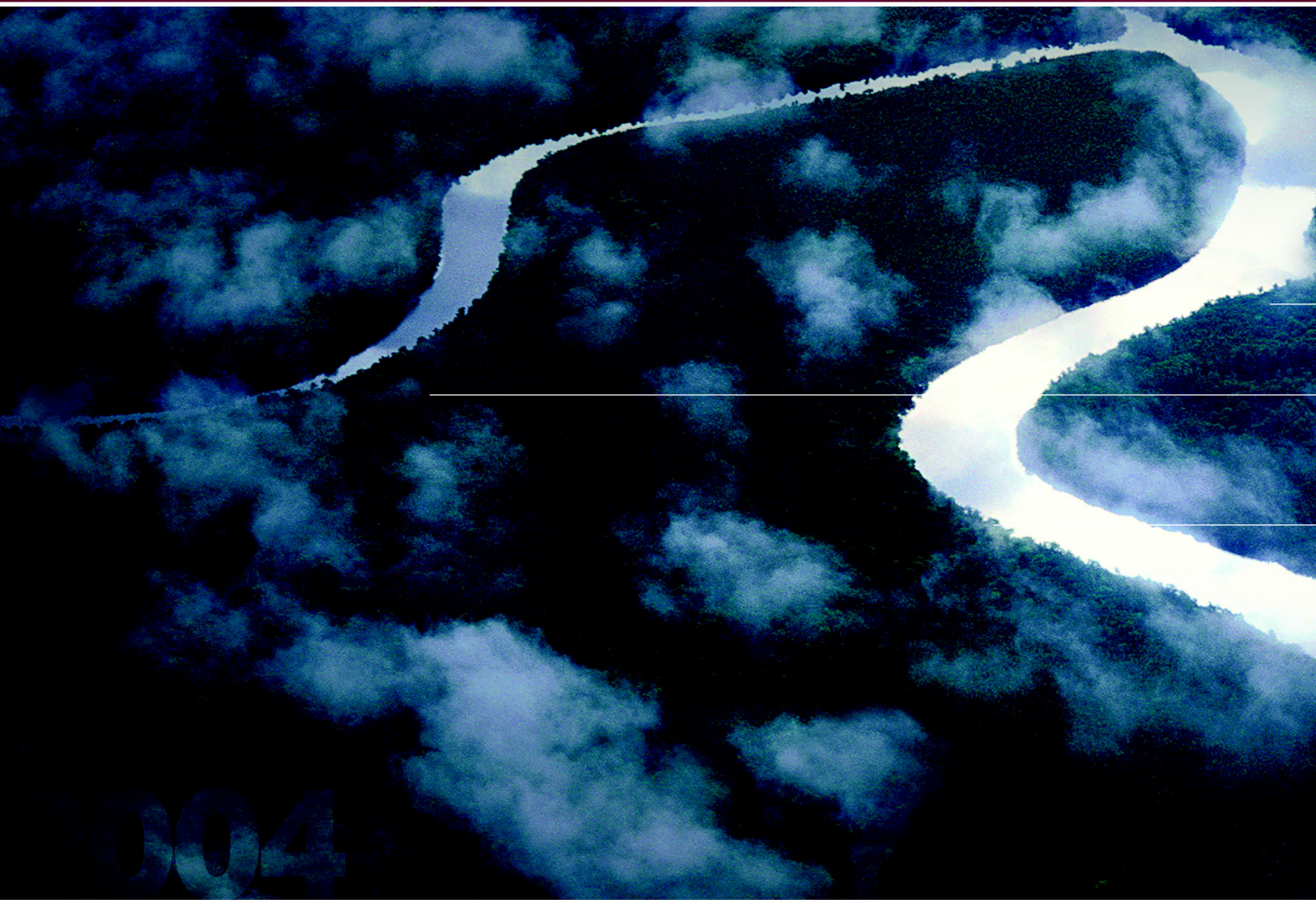
At last but not least, on behalf of the Board of Directors, I would like to express our sincere thankfulness to government and regulatory authorities at all levels, financial institutions, all societies and our customers for their consistent supports and cares. Also, I would like to thank all employees for their diligence and all investors!



Jing Shuping



Jing Shuping, Chairman of the Board

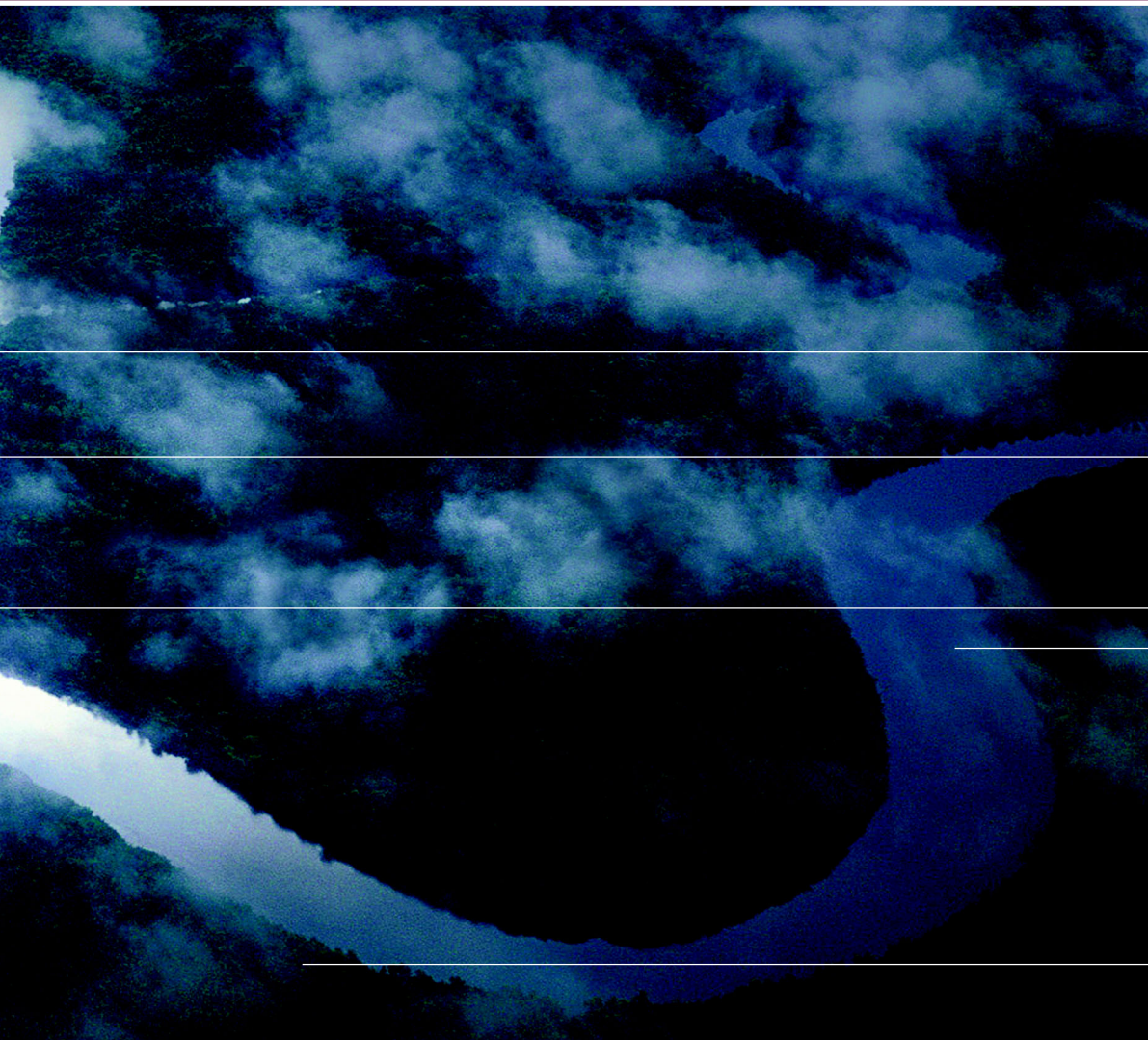


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## I. Company Profile

1. Registered Chinese name:

中国民生银行股份有限公司  
(Abbreviation: 中国民生银行)

Registered English name:

CHINA MINSHENG BANKING CORP., LTD.  
(Abbreviation: CMBC, hereafter referred to as the "Bank")

2. Legal representative:

Mr. Jing Shuping

3. Secretary to the Board of Directors:

Mr. Mao Xiaofeng

Address: No. 2, Fuxingmennei Avenue, Xicheng District, Beijing 100031, China  
Tel: (+86-10)5856 0807  
Fax: (+86-10)5856 0681  
E-mail: cmbc@cmbc.com.cn

4. Registered address and Office address

Registered address:

No. 4, Zhengyi Road, Dongcheng District, Beijing 100006, China

Office address:

No. 2, Fuxingmennei Avenue, Xicheng District, Beijing 100031, China  
Website: www.cmbc.com.cn  
E-mail: cmbc@cmbc.com.cn

5. Newspapers specified for information disclosure:

China Securities Journal, Shanghai Securities News and Securities Times

Website for publishing annual report as designated by China Securities Regulatory Commission (CSRC):  
www.sse.com.cn

Place of keeping annual report:

Office of the Board of Directors and the Board of Supervisors of the Bank.

## 6. Listing place:

Shanghai Stock Exchange

Abbreviation of stock: Minsheng Bank

Stock code: 600016

Abbreviation of Convertible Corporate Bonds: Minsheng Convertible Bonds

Code: 100016

## 7. Other information

Date of initial registration: February 7, 1996

Date of change of registration: December 30, 2002

Registered address: No.4 Zhengyi Road, Dongcheng District, Beijing

Business license serial number: 1000001898

Tax registration certificate number:

Jingguoshui Dong Zi 110101100018988

Dishui Jing Zi 110101100018988000

Trustee for unlisted shares:

China Securities Depository & Clearing Co., Ltd., Shanghai Branch

Domestic accounting firm appointed: PricewaterhouseCoopers Zhong Tian CPAs Limited Company

Address: 11 Floor, PwC Center, No.202, Hubin Road, Shanghai 200021, China

International accounting firm appointed: PricewaterhouseCoopers China Limited

Registered Address: Clarendon House, 2 Church Street, Hamilton, Bermuda

8. This report has been prepared and printed in both Chinese and English. Should there be any inconsistency between the Chinese and English versions, the Chinese version prevails.



## II. Financial and Business Highlights

### 1. Key Financial Indicators of Year 2004

(Unit: RMB'000)

| Item  | PRC GAAP audited | IFRS audited |
|---|------------------|--------------|
| Total profit                                      | 2,865,446        | 2,805,118    |
| Net profit  | 2,038,401        | 2,007,396    |
| Net profit after exclusion of extraordinary items | 2,024,401        | 2,007,396    |
| Profit from main business operations              | 2,844,550        | 2,805,118    |
| Profit from other business operations             | -                | -            |
| Operating profit                                  | 2,844,550        | 2,805,118    |
| Investment income                                 | 2,210,254        | 2,222,132    |
| Subsidies income                                  | -                | -            |
| Net non-operating profit/loss                     | 20,896           | -            |
| Net cash flow from operating activities           | -15,098,370      | -15,098,370  |
| Net increase in cash and cash equivalents         | -20,950,113      | -20,950,113  |

Note: 1. The calculations are based on the Q&A No.1 Concerning Disclosure Convention for Companies Offering Shares to the Public - Extraordinary Profit/Loss, and the Contents and Formats Standards No.2 Concerning Information Disclosure of Companies Offering Shares to the Public.

2. The Bank further expanded its asset business during the reporting period, which led to the negative cash flow from operating activities.

3. Extraordinary profit/loss items excluded include RMB14,627,000 of non-operating income and RMB 6,269,000 of non-operating expenses.

| Extraordinary profit/loss items                    | Amount (RMB'000) |
|--|------------------|
| Non-operating income                               | 14,627           |
| -Income from fine                                  | 4,100            |
| -Other income                                      | 10,527           |
| Non-operating expenses                             | -6,269           |
| - Reversal provision for fixed assets impairment * | -16,553          |
| -Other expenses                                    | 10,284           |
| Income tax effect of extraordinary items           | 6,896            |
| <b>Total</b>                                       | <b>14,000</b>    |

\*In 2004, according to the valuation report by independent property valuer, there was evidence supporting that the factors had changed by which provisions for fixed assets impairment were made in previous reporting periods, thus recoverables of certain fixed assets were higher than the net book amounts. The Bank thus reversed an amount of RMB16,553,000 from provision for impairment made in previous periods.

### 2. Key Financial Highlights for the Years Ended December 31, 2002, 2003 and 2004

(Unit: RMB'000 except per share data)

| Item   | 2004             |              | 2003 PRC GAAP Audited |                   | 2002 PRC GAAP Audited |                   |
|--|------------------|--------------|-----------------------|-------------------|-----------------------|-------------------|
|  | PRC GAAP audited | IFRS audited | After adjustment      | Before adjustment | After adjustment      | Before adjustment |
| Revenue from main business operations              | 17,958,779       | 17,970,422   | 12,037,114            | 12,037,114        | 7,213,677             | 7,213,677         |
| Net profit   | 2,038,401        | 2,007,396    | 1,391,252             | 1,391,252         | 871,823               | 891,540           |
| Total assets                                       | 445,398,682      | 445,297,018  | 361,064,410           | 361,064,410       | 243,662,453           | 246,280,853       |
| Total liabilities                                  | 432,491,524      | 432,580,165  | 351,414,206           | 351,414,206       | 237,299,467           | 240,277,043       |
| Shareholders' equity (excluding minority interest) | 12,907,158       | 12,716,853   | 9,650,204             | 9,650,204         | 6,362,986             | 6,003,810         |

| Item   | 2004             |              | 2003 PRC GAAP Audited |                   | 2002 PRC GAAP Audited |                   |
|--|------------------|--------------|-----------------------|-------------------|-----------------------|-------------------|
|  | PRC GAAP audited | IFRS audited | After adjustment      | Before adjustment | After adjustment      | Before adjustment |
| Fully diluted EPS  | 0.39             | 0.38         | 0.38                  | 0.38              | 0.34                  | 0.34              |
| EPS valued at latest capital stock                                   | 0.39             |              | 0.38                  |                   |                       |                   |
| Weighted average EPS   | 0.40             | 0.39         | 0.41                  | 0.41              | 0.34                  | 0.34              |
| EPS after exclusion of extraordinary profit/loss                     | 0.39             | 0.39         | 0.38                  | 0.38              | 0.34                  | 0.34              |
| Net assets per share   | 2.49             | 2.45         | 2.66                  | 2.66              | 2.46                  | 2.32              |
| Adjusted net assets per share  | 2.42             | 2.44         | 2.56                  | 2.56              | 2.36                  | 2.22              |
| Net cash flow from operating activities per share                    | -2.91            | -2.91        | 6.94                  | 6.94              | 13.68                 | 13.68             |
| ROE (%)  | 15.79            | 15.79        | 14.42                 | 14.42             | 13.70                 | 14.85             |
| Fully diluted ROE after exclusion of extraordinary profit/loss(%)    | 15.68            | 15.79        | 14.43                 | 14.43             | 13.66                 | 14.81             |
| Weighted average ROE after exclusion of extraordinary profit/loss(%) | 17.20            | 16.87        | 19.48                 | 19.48             | 14.48                 | 15.35             |

Note: 1. The calculations are based on Article 21 of the Contents and Formats Standards No.2 Concerning Information Disclosure of Companies Offering Shares to the Public - Contents and Formats of Annual Report (revised in 2004), and the Standards No.9 Concerning Information Disclosure of Companies Offering Shares to the Public - Calculation and Disclosure of ROE and EPS.

2. The PRC GAAP audited numbers before adjustments of 2002 and 2003 were disclosed in the 2003 Annual Report of the Bank.

3. According to the Announcement on Share Conversion of Convertible Bonds of China Minsheng Banking Corp., Ltd. dated January 4, 2005, as of December 31, 2004, 644,751,274 shares (including additional shares from stock dividend and transferring from capital surplus to the already converted shares) of "Minsheng Bank" (600016) stock were converted from "Minsheng Convertible Bonds" (100016), pushing the Bank's total capital stock to 5,184,447,195 shares, with an increase of 1,559,187,827 shares from the beginning of the reporting period. EPS calculated at the capital stock of the year end thus became RMB 0.39.

4. The calculation of audited EPS under IFRS is based on IFRS No.33 - EPS Calculation.

### 3. Reconciliations between Audited Financials under PRC GAAP and IFRS

(Unit: RMB'000)

| Item  | Net profit | Net assets | Total assets | Total liabilities |
|---|------------|------------|--------------|-------------------|
| Items under PRC GAAP  | 2,038,401  | 12,907,158 | 445,398,682  | 432,491,524       |
| Adjustment made under IFRS:   |            |            |              |                   |
| Reversal provision for impairment of long-term bond investment  | 10,898     | 10,898     | 10,898       | -                 |
| Derivatives carried at fair values  | -115,109   | -133,507   | 8,117        | 141,624           |
| Write-off of pre-operating expenses of new branches/sub-branches  | 3,270      | -17,536    | -17,536      | -                 |
| Stock issuance expenses recorded as capital surplus   | 11,360     | -13,140    | -8,498       | 4,642             |
| Capitalization of convertible bond issuance expenses  | 17,429     | 26,466     | -            | -26,466           |
| Capitalization of subordinated bond issuance expenses   | 11,824     | 11,824     | -            | -11,824           |
| Deduction of equity account due to unrealised loss of AFS securities at fair value after income tax deduction | -          | -135,588   | -135,588     | -                 |
| Deferred income tax and other adjustments   | 29,323     | 60,278     | 40,943       | -19,335           |
| Sub-total of adjustments  | -31,005    | -190,305   | -101,664     | 88,641            |
| Supplementary IFRS audited financial statements   | 2,007,396  | 12,716,853 | 445,297,018  | 432,580,165       |

Note: In accordance with PRC GAAP, outstanding amount of financial derivative transactions should be booked as off-balance sheet items, while realized profit/loss should be recorded in the income statement when the financial derivatives are due for settlement. However, under IFRS, financial derivatives are valued at fair value in the balance sheet and unrealized profit/loss are thus confirmed in the income statement, which led to a lower net profit under IFRS of the year than the amount under PRC GAAP. In addition, under PRC GAAP, the issuance expenses of the Bank's convertible bond in 2003 and sub-ordinated bond in 2004 were recorded as operating expenses of the year respectively, while under IFRS these expenses were capitalized, which resulted in a higher net profit in IFRS income statement than in PRC GAAP income statement. As a result of above adjustments, the net profit in IFRS statement is slightly lower than that in the PRC GAAP statement.

#### 4. Provision for Bad Debt under PRC GAAP and IFRS

(Unit: RMB'000)

|                                | December 31, 2004 | December 31, 2003 |
|--------------------------------|-------------------|-------------------|
| Balance at year beginning      | 3,226,216         | 2,332,093         |
| Provision made in the year     | 1,360,249         | 1,014,930         |
| Write-off/disposal in the year | -338,765          | -120,807          |
| Balance at year end            | 4,247,700         | 3,226,216         |
| Including: — general provision | 2,489,882         | 1,910,085         |
| — specified provision          | 1,757,818         | 1,316,131         |

Note: The Bank has not made special provision.

According to the Accounting Standards for Business Enterprises, bad debt provisions made against lendings to other banks and impairment of foreclosed assets which have been already included in the total provisions were deducted from the total provisions and then listed separately.

In compliance with the Rules on Writing-off Bad Debts of the Bank and the Measures on Loss from Debt Restructuring of the Bank, which were approved at the 11th meeting of the 3rd Session of the Board of Directors on August 8, 2004, the Bank wrote off part of the non-performing assets and restructured debts.

#### 5. Supplementary Financial Data for the Years Ended December 31, 2002, 2003 and 2004

(Unit: RMB'000)

| Item                              | December 31, 2004 |              | December 31, 2003 | December 31, 2002 |
|-----------------------------------|-------------------|--------------|-------------------|-------------------|
|                                   | PRC GAAP audited  | IFRS audited | PRC GAAP audited  | PRC GAAP audited  |
| Total deposits                    | 380,044,302       | 380,044,302  | 274,644,117       | 186,735,067       |
| — Long-term deposits              | 73,986,691        | 73,986,691   | 48,328,540        | 24,332,907        |
| Borrowing from other banks        | 1,219,919         | 1,219,919    | 3,139,640         | 1,269,868         |
| Total loans                       | 288,362,143       | 288,362,143  | 201,772,909       | 128,346,279       |
| — Short-term loans                | 136,454,464       | 136,454,464  | 104,444,517       | 70,140,618        |
| Import & export documentary bills | 1,520,084         | 1,520,084    | 1,356,354         | 513,371           |
| Discounted bills                  | 29,940,167        | 29,940,167   | 21,621,964        | 25,147,868        |
| Medium & long-term loans          | 117,050,744       | 117,050,744  | 71,708,361        | 29,711,811        |
| Overdue loans                     | 447,511           | 447,511      | 201,232           | 481,975           |
| Idle loans                        | 2,942,683         | 2,942,683    | 2,433,604         | 2,277,578         |
| Bad loans                         | 6,490             | 6,490        | 6,877             | 73,058            |

Note: 1. In accordance with the statistical standards for deposits stipulated by the PBOC, total deposits include: short-term corporate deposits, short-term savings, inward remittance received and temporary deposits, short-term bail deposits, long-term corporate deposits, long-term savings, long-term bail deposit and institutional deposits.

2. Long-term deposits include long-term corporate deposits, long-term savings deposits and long-term bail deposits.

3. Total loans include short-term loans, import & export documentary bills, discounted bills, medium & long-term loans, overdue loans, idle loan and bad loans.

#### 6. Supplemental to the 2004 Income Statement

The audited EPS and ROE under PRC GAAP and IFRS are calculated in compliance with the Standard No.9 Concerning Information Disclosure of Companies Offering Shares to the Public - Calculation and Disclosure of ROE and EPS.

##### (1) PRC GAAP audited

| Item  | Profit during the reporting period<br>(RMB '000) | ROE (%)       |                  | EPS (RMB)     |                  |
|---|--|---------------|------------------|---------------|------------------|
|   |  | Fully diluted | Weighted average | Fully diluted | Weighted average |
| Profit from main business operations                    | 2,844,550  | 22.04         | 24.17            | 0.55          | 0.55             |
| Operating profit  | 2,844,550  | 22.04         | 24.17            | 0.55          | 0.55             |
| Net profit  | 2,038,401  | 15.79         | 17.32            | 0.39          | 0.40             |
| Net profit after exclusion of extraordinary profit/loss | 2,024,401  | 15.68         | 17.20            | 0.39          | 0.39             |

## (2) IFRS audited

| Item  | Profit during the reporting period<br>(RMB '000) | ROE (%)       |                  | EPS (RMB)     |                  |
|---|--|---------------|------------------|---------------|------------------|
|   |  | Fully diluted | Weighted average | Fully diluted | Weighted average |
| Profit from main business operations                    | 2,805,118  | 22.06         | 23.57            | 0.53          | 0.54             |
| Operating profit  | 2,805,118  | 22.06         | 23.57            | 0.53          | 0.54             |
| Net profit  | 2,007,396  | 15.79         | 16.87            | 0.38          | 0.39             |
| Net profit after exclusion of extraordinary profit/loss | 2,007,396  | 15.79         | 16.87            | 0.38          | 0.39             |

## 7. Supplementary Financial Ratios Calculated by Year-end Number and Average Number for the Years Ended December 31, 2002, 2003 and 2004

| Key financial ratios (%)                  | Standard value     | 2004     |         | 2003     |         | 2002     |         |       |
|---|--------------------|----------|---------|----------|---------|----------|---------|-------|
|   |                    | Year-end | Average | Year-end | Average | Year-end | Average |       |
| CAR                                       | ≥ 8                | 8.59     | 7.56    | 8.62     | 7.87    | 8.22     | 8.54    |       |
| Liquidity ratio                           | RMB                | ≥ 25     | 59.37   | 55.01    | 76.10   | 57.84    | 64.46   | 48.76 |
|   | Foreign currencies | ≥ 60     | 91.38   | 110.70   | 107.53  | 156.83   | 36.46   | 46.9  |
| Loan to deposit ratio                     | RMB                | ≤ 75     | 69.20   | 69.55    | 65.20   | 64.09    | 55.24   | 58.26 |
|   | Foreign currencies | ≤ 85     | 50.14   | 62.01    | 54.16   | 43.75    | 24.9    | 20.34 |
| Interbank lending<br>& borrowing ratio    | Borrowing ratio    | ≤ 4      | 0.31    | 0.37     | 1.18    | 1.11     | 0.45    | 0.74  |
|   | Lending ratio      | ≤ 8      | 1.66    | 1.51     | 5.67    | 5.51     | 5.71    | 8.67  |
| International commercial borrowing ratio  | ≤ 100              | 0.00     | 0.48    | 3.70     | 3.10    | 3.72     | 1.41    |       |
| NPL ratio                                 |                    | 1.31     | 1.25    | 1.29     | 1.60    | 2.04     | 2.51    |       |
| Interest recovery rate                    | -                  | 98.40    | 97.25   | 97.44    | 95.99   | 95.44    | 94.72   |       |
| Loan ratio of the largest single customer | ≤ 10               | 5.62     | 5.40    | 7.70     | 5.99    | 4.94     | 8.19    |       |
| Loan ratio of the largest ten customers   | ≤ 50               | 46.51    | 48.90   | 49.12    | 50.88   | 49.37    | 61.8    |       |

Note: NPL ratio = (substandard loans + doubtful loans + loss loans) / total outstanding loans.

## 8. Changes in Shareholders' Equity during the Reporting Period

## (1) PRC GAAP audited

(Unit: RMB'000)

| Item                              | Opening balance  | Increase of the year | Decrease of the year | Closing balance   |
|-----------------------------------|------------------|----------------------|----------------------|-------------------|
| Capital stock                     | 3,625,259        | 1,559,188            | -                    | 5,184,447         |
| Capital surplus                   | 4,061,730        | 1,461,959            | 575,198              | 4,948,491         |
| Surplus reserve                   | 471,693          | 305,760              | -                    | 777,453           |
| -Welfare reserve                  | 178,777          | 101,920              | -                    | 280,697           |
| Retained earnings                 | 1,494,044        | 2,038,401            | 1,532,850            | 1,999,595         |
| Currency translation effect       | -2,522           | -306                 | -                    | -2,828            |
| <b>Total shareholders' equity</b> | <b>9,650,204</b> | <b>5,365,002</b>     | <b>2,108,048</b>     | <b>12,907,158</b> |

Main causes for the changes in shareholders' equity:

In accordance with the 2003 profit distribution and capital surplus transferring into share plan adopted at the 2003 annual general meeting, a stock dividend at 20% and share issue at 15% transferred from capital surplus were allocated to all 3,834,654,638 shares outstanding as of April 16, 2004, totally resulted in an increase of 1,342,129,123 shares. According to the Issuance Brochure of Convertible Corporate Bonds of the Bank, the convertible bonds of RMB 4 billion issued by the Bank could be converted into shares from August 27, 2003. By the end of December 31, 2004, a total amount of RMB 3,691,156,000 of "Minsheng Convertible Bonds" (100016) had been converted into "Minsheng Bank Stock" (600016) issued by the Bank, which resulted in an increase of 644,751,274 shares (including additional shares from stock dividend and transferring from capital surplus to the already converted shares). A total of RMB 308,844,000 of the "Minsheng Convertible Bonds" remained unconverted, accounting for 7.72% of the total convertible bonds issued by the Bank. During the reporting period, a total of 1,559,187,827 new shares were issued either through stock dividend, transferring from capital surplus or conversion from convertible bonds which amounted to 217,058,703 shares. At the end of this reporting period, the total outstanding shares reached to 5,184,447,195.

## (2) IFRS audited

(Unit: RMB'000)

| Item  | Opening balance  | Increase of the year | Decrease of the year | Closing balance   |
|---|------------------|----------------------|----------------------|-------------------|
| Capital stock   | 3,625,259        | 1,559,188            | -                    | 5,184,447         |
| Capital surplus   | 4,267,261        | 1,253,330            | 599,697              | 4,920,894         |
| Surplus reserve   | 471,693          | 305,760              | -                    | 777,453           |
| -Statutory surplus reserve  | 292,916          | 203,840              | -                    | 496,756           |
| -Welfare reserve  | 178,777          | 101,920              | -                    | 280,697           |
| Retained earnings   | 1,497,929        | 2,007,396            | 1,532,850            | 1,972,475         |
| Unrealized gain/loss on available-for-sale securities, net of tax | -95,622          | -39,966              | -                    | -135,588          |
| Currency translation effect                                       | -2,522           | -306                 | -                    | -2,828            |
| <b>Total shareholders' equity</b>                                 | <b>9,763,998</b> | <b>5,085,402</b>     | <b>2,132,547</b>     | <b>12,716,853</b> |

Note: 1.The increase of retained earnings resulted from the profit increase during the reporting period.  
2.The increase of unrealized loss (net of tax) on available-for-sale securities resulted from its lower fair value than its cost.  
3.Other changes of shareholders' equity were due to the same reason in note 1.

## 9. Capital Structure and Changes

(Unit: RMB million)

| Item                      | December 31, 2004 | December 31, 2003 | December 31, 2002 |
|---------------------------|-------------------|-------------------|-------------------|
| Net capital               | 21,339            | 13,275            | 8,912             |
| Including: - Core capital | 12,560            | 9,903             | 6,450             |
| -Supplementary capital    | 8,829             | 3,379             | 2,466             |
| - Deduction               | 50                | 7                 | 4                 |
| Net risk-weighted assets  | 248,506           | 154,068           | 108,416           |
| Core CAR                  | 5.04%             | 6.43%             | 5.95%             |
| CAR                       | 8.59%             | 8.62%             | 8.22%             |

Note: The above table is disclosed in accordance with the Administrative Measures Concerning Capital Adequacy Ratio of Commercial Banks (2004) promulgated by the CBRC under which the CAR as of December 31, 2004 was calculated. The CARs as of and before December 31, 2003 were calculated in compliance with the then effective Guideline on Preparing Off-site Regulatory Indicators Statements and Reporting of the Off-site Regulatory Indicators Statement for Commercial Banks promulgated by the PBOC.

### III. Changes in Capital Stock and Information on Shareholders

#### 1. Changes in Shares and Convertible Bonds

##### (1) Changes in shares

The changes in shares of the Bank during the reporting period are indicated in the following table:

(Unit: Share)

|  | Before the change    | Increase/decrease (+,-) |                           |  |                     |  |                      | After the change     |
|--|----------------------|-------------------------|---------------------------|--|---------------------|--|----------------------|----------------------|
|  |                      | Right issue             | Share from stock dividend | Share transferred from capital surplus | Additional issuance | Share converted from convertible bonds | Sub-total            |                      |
| <b>1 Unlisted shares</b>                         |                      |                         |                           |  |                     |  |                      |                      |
| (1) Promoters' shares                            | 2,682,512,719        | -                       | 536,502,544               | 402,376,908                            | -                   | -                                      | 938,879,452          | 3,621,392,171        |
| Including:                                       |                      |                         |                           |  |                     |  |                      |                      |
| State-owned legal person shares                  |                      |                         |                           |  |                     |  |                      |                      |
| Domestic legal person shares                     | 2,682,512,719        | -                       | 536,502,544               | 402,376,908                            | -                   | -                                      | 938,879,452          | 3,621,392,171        |
| Overseas legal person shares                     |                      |                         |                           |  |                     |  |                      |                      |
| Others   |                      |                         |                           |  |                     |  |                      |                      |
| (2) Other legal person shares                    |                      |                         |                           |  |                     |  |                      |                      |
| (3) Employee shares                              |                      |                         |                           |  |                     |  |                      |                      |
| (4) Preference shares or others                  |                      |                         |                           |  |                     |  |                      |                      |
| Total unlisted shares:                           | 2,682,512,719        | -                       | 536,502,544               | 402,376,908                            | -                   | -                                      | 938,879,452          | 3,621,392,171        |
| <b>2. Listed shares</b>                          |                      |                         |                           |  |                     |  |                      |                      |
| (1) Ordinary shares in RMB                       | 942,746,649          | -                       | 230,428,384               | 172,821,288                            | -                   | 217,058,703                            | 620,308,375          | 1,563,055,024        |
| (2) Domestic listed shares in foreign currencies |                      |                         |                           |  |                     |  |                      |                      |
| (3) Overseas listed shares in foreign currencies |                      |                         |                           |  |                     |  |                      |                      |
| (4) Others                                       |                      |                         |                           |  |                     |  |                      |                      |
| Total listed shares:                             | 942,746,649          | -                       | 230,428,384               | 172,821,288                            | -                   | 217,058,703                            | 620,308,375          | 1,563,055,024        |
| <b>3. Total shares:</b>                          | <b>3,625,259,368</b> | <b>-</b>                | <b>766,930,928</b>        | <b>575,198,196</b>                     | <b>-</b>            | <b>217,058,703</b>                     | <b>1,559,187,827</b> | <b>5,184,447,195</b> |

Note: In accordance with the 2003 profit distribution and capital surplus transferring into share plan adopted at the 2003 annual general meeting, a stock dividend at 20% and share issue at 15% transferred from capital surplus were allocated to all 3,834,654,638 shares outstanding as of April 16, 2004, totally resulted in an increase of 1,342,129,123 shares. During the reporting period, a total of 217,058,703 shares were converted from convertible bonds. As a result, 1,559,187,827 new shares were issued during the year through stock dividend, transferring from capital surplus and convertible bonds conversion. At the end of this reporting period, the total outstanding shares reached to 5,184,447,195.

##### (2) Changes in convertible bonds

The changes are indicated in the following table:

(Unit: RMB)

|                   | Before the change | Increase/decrease              | After the change |
|-------------------|-------------------|--------------------------------|------------------|
|                   |                   | Conversion, redemption, resale |                  |
| Convertible bonds | 1,970,699,000     | -1,661,855,000                 | 308,844,000      |

Note: The changes in convertible bonds resulted from the conversion started from August 27, 2003. For details, please refer to China Securities Journal, Shanghai Securities News and Securities Times on January 5, 2005.

## 2. Share Issuance and Listing

### (1) Share issuance in the last three years

Approved by the PBOC with its document of Yin Fu [1999] No.234 and the CSRC with its document of Zhengjian Faxing Zi [2000] No. 146, the Bank issued 350,000,000 common shares at a price of RMB11.80 per share in Shanghai Stock Exchange on November 27, 2000. After such issuance, the common shares of the Bank were listed at Shanghai Stock Exchange on December 19, 2000.

### (2) Total shares and structure changes during the reporting period

During the reporting period, the Bank implemented the 2003 plan of profit distribution and capital surplus transferring into shares. The conversion of convertible bonds resulted in an increase of 644,751,274 shares (including additional shares from stock dividend and transferring from capital surplus to the already converted shares). The total number of shares at the end of this reporting period climbed to 5,184,447,195. For total shares and the relevant structure, please refer to the "Changes in Shares" table listed as above.

### (3) During the reporting period, the Bank did not issue any internal employee shares.

## 3. Issuance and Listing of Convertible Bonds

Approved by the CSRC with its document of Zhengjian Faxing Zi [2003] No. 13, the Bank issued RMB 4 billion of convertible corporate bonds on February 27, 2003 which were listed at Shanghai Stock Exchange on March 18, 2003. The Issuance Brochure and the Listing Announcement were published respectively on February 21, 2003 and March 13, 2003 in China Securities Journal, Shanghai Securities News and Securities Times.

## 4. Conversion Price Adjustments on Convertible Bonds

In accordance with the articles of issuance in the Issuance Brochure and the issuance requirements on convertible bonds stipulated by the CSRC, consequent to the Bank's dividend distribution of RMB 0.06 in cash, a stock dividend at 20% and a share issue at 10% transferring from capital surplus for each outstanding share on April 14, 2003, the conversion price per share

for the convertible bonds issued by the Bank was then adjusted from RMB 10.11 to RMB 7.73 accordingly. For details, please refer to China Securities Journal, Shanghai Securities News and Securities Times on April 8, 2003.

On April 16, 2004, the Bank paid out cash dividend RMB 0.12 (including tax), a 20% stock dividend and a 15% share issue from capital surplus for each outstanding share, the conversion price per share for the convertible bonds issued by the Bank was further adjusted from RMB 7.73 to RMB 5.64. For details, please refer to China Securities Journal, Shanghai Securities News and Securities Times on April 13, 2004.

## 5. Issuance of the Subordinated Bonds

Approved by the PBOC with its document Yin Fu [2004] No. 59 and by the CBRC with its document Yinjianfu [2004] No.159 respectively, the Bank issued the subordinated bonds of RMB 5.8 billion by private issuance in the national inter-bank bond market. The subordinated bonds included those of RMB 4.315 billion with fixed annual interest of 5.1% and those of RMB 1.485 billion with floating annual initial issuing interest of 4.65% (benchmark interest rate of 2.25% plus basic interest spread of 2.4%). The floating rate will be adjusted in accordance with any adjustment on PBOC benchmark interest rate. The term of the subordinated bonds issued is 10 years and the interest will be paid once a year. As of November 8, 2004, the proceeds of RMB 5.8 billion from subordinated bonds issuance have been fully transferred into the Bank's account, which implicated the completion of the subordinated bonds issuance.

## 6. Shareholders and Convertible Bonds Holders

### (1) Total numbers of shareholders and convertible bonds holders

At the end of the reporting period, the Bank had altogether 315,232 accounts of shareholders, including 58 domestic unlisted legal person share holders and 315,174 accounts of publically listed share holders. The Bank has a total of 760 accounts of convertible bonds holders.

### (2) Top ten shareholders, the pledging status of their shares and convertible bonds holders

## 1) Top ten shareholders

(Unit: Share)

| Shareholders Name   | Shares held on December 31, 2004 | Shares held on January 1, 2004 | Increase/decrease  | % of total capital stock |
|---|----------------------------------|--------------------------------|--------------------|--------------------------|
| New Hope Investment Co., Ltd.                                       | 362,126,525                      | 268,241,870                    | 93,884,655         | 6.98%                    |
| China Fanhai Holding Co., Ltd.                                      | 341,084,250                      | 252,655,000                    | 88,429,250         | 6.58%                    |
| Oriental Group Co., Ltd.  | 285,040,370                      | 252,655,000                    | 32,385,370         | 5.50%                    |
| China Shipowners Association for Mutual Protection                  | 276,650,750                      | 213,785,000                    | 62,865,750         | 5.34%                    |
| China Small and Medium Enterprise Investment & Development Co., Ltd | 262,582,398                      | 194,505,480                    | 68,076,918         | 5.06%                    |
| Xiamen Fuxin Group Company  | 250,040,992                      | 185,215,550                    | 64,825,442         | 4.82%                    |
| China Coal Power Group Company                                      | 236,135,250                      | 174,915,000                    | 61,220,250         | 4.55%                    |
| Shanghai Jiante Biotechnology Co., Ltd.                             | 194,313,073                      | 143,935,610                    | 50,377,463         | 3.75%                    |
| Sichuan South Hope Industry Co., Ltd.                               | 170,489,651                      | 126,288,630                    | 44,201,021         | 3.29%                    |
| Harbin Shirble Electric-heat Co., Ltd.                              | 131,186,250                      | 97,175,000                     | 34,011,250         | 2.53%                    |
| <b>Total</b>  | <b>2,509,649,509</b>             | <b>1,909,372,140</b>           | <b>600,277,369</b> | <b>48.41%</b>            |

Note: 1. According to the 2003 profit distribution and capital surplus transferring into shares plan adopted by the 2003 annual shareholders' general meeting, a 20% of stock dividend and a 15% share issue from capital surplus were distributed to the above shareholders.

2. On July 5, 2004, Oriental Group Co., Ltd., transferred 56,043,880 shares of the Bank, part of the total shares it held with the Bank, to International Finance Corporation (IFC), which was announced on July 6, 2004 in China Securities Journal, Shanghai Securities News and Securities Times.

3. On November 12, 2004, China Shipowners Association for Mutual Protection ("China Shipowners"), transferred 13,500,000 shares, part of the total shares it held with the Bank, to Oriental Group Industry Co., Ltd.. On December 24, 2004, China Shipowners bought 1,541,000 shares of the Bank from Tianjin Gangtian Group Company. China Shipowners thus became the 4th largest shareholder of the Bank.

4. On December 29, 2004, China Nonferrous Metal Industry's Foreign Engineering & Construction Co., Ltd. ("China Nonferrous") transferred 54,000,000 shares of the Bank to Shanxi Haixin Industry Co., Ltd.. China Nonferrous, the 10th largest shareholder before the transfer, became the 11th largest shareholder of the Bank after the transfer, while Harbin Shirble Electric-heat Co., Ltd. became the 10th largest shareholder.

5. On January 19, 2005, China Coal Power Group Company, transferred all of 236,135,250 shares it held in the Bank to Asia Financial Holdings Pte., Ltd. ("AFH Singapore"), which was announced on January 22, 2005 in China Securities Journal, Shanghai Securities News and Securities Times.

**Type of shares:** the shares held by the above-mentioned top ten shareholders were unlisted legal person shares.

**Related parties:** Wei Anning, the legal representative of Sichuan South Hope Industrial Co., Ltd. is a director of New Hope Investment Co., Ltd..

No other related parties have been identified by the Bank.

So far, no strategic investors or common legal persons have become shareholders through allotment of new shares issuance and no shareholders have represented the government.

Among legal person shareholders of the Bank, AFH Singapore and IFC are overseas legal person shareholders (the status change of transferred shares is in process), holding 236,135,250 shares and 56,043,880 shares of the Bank respectively, totally representing 5.63% of the total capital stock of the Bank.

## 2) Top ten listed shareholders

| Shareholders Name   | Shares held (share) | % of total capital stock | Share type       |
|---|---------------------|--------------------------|------------------|
| 易方达 50 指数证券投资基金(Efunds 50 Index Securities Investment Fund)                                 | 41,317,391          | 0.80%                    | Domestic A share |
| 嘉实服务增值行业证券投资基金(Jiashi Service & Value Added Industry Securities Investment Fund)            | 20,828,737          | 0.40%                    | Domestic A share |
| 上证 50 交易型开放式指数证券投资基金(SSE 50 Index Transactors and Open Contract Securities Investment Fund) | 17,168,956          | 0.33%                    | Domestic A share |
| 中信经典配置证券投资基金(CITIC Classic Allocation Securities Investment Fund)                           | 14,660,935          | 0.28%                    | Domestic A share |
| 健特药业(Jiante Pharmaceuticals)  | 13,791,126          | 0.27%                    | Domestic A share |
| 全国社保基金一零六组合(Investment Portfolio 106 of National Social Security Fund)                      | 11,813,393          | 0.23%                    | Domestic A share |



| Shareholders Name  | Shares held (share) | % of total capital stock | Share type       |
|--|---------------------|--------------------------|------------------|
| 同盛证券投资基金(Tongsheng Securities Investment Fund)   | 8,324,031           | 0.16%                    | Domestic A share |
| 长城久泰中信标普 300 指数证券(Greatwall Jiutai CITIC and S&P joint 300 Index Securities Investment Fund) | 5,954,649           | 0.11%                    | Domestic A share |
| 华安上证 180 指数增强型证券投资基金(Huaan SSE 180 Index Enhancement Securities Investment Fund)             | 5,798,144           | 0.11%                    | Domestic A share |
| 博时裕富证券投资基金(Boshi Yufu Securities Investment Fund)  | 5,204,298           | 0.10%                    | Domestic A share |

Related parties: No related parties within the above top ten listed share holders and between them and top ten shareholders of the Bank have been identified by the Bank.

### 3) Top ten convertible bonds holders

| Bond holder  | Bonds held (in RMB) | % of total principal amount | Share type       |
|--|---------------------|-----------------------------|------------------|
| 鹏华行业成长证券投资基金(Penghua Industry Growth Securites Investment Fund)  | 110,949,000         | 2.77%                       | Convertible bond |
| 东方证券股份有限公司(Oriental Securities Co., Ltd.)                        | 23,394,000          | 0.58%                       | Convertible bond |
| CITIGROUP GLOBAL MARKETS LIMITED                                 | 16,155,000          | 0.40%                       | Convertible bond |
| 上海绿地投资经营有限公司(Shanghai Greenland Investment Management Co., Ltd.) | 14,549,000          | 0.36%                       | Convertible bond |
| 融通债券投资基金 (Rongtong Bond Investment Fund)                         | 11,057,000          | 0.28%                       | Convertible bond |
| 融鑫证券投资基金(Rongxin Securities Investment Fund)                     | 10,715,000          | 0.27%                       | Convertible bond |
| 普天债券投资基金(Putian Bond Investment Fund)                            | 10,139,000          | 0.25%                       | Convertible bond |
| 汉盛证券投资基金(Hansheng Securities Investment Fund)                    | 10,126,000          | 0.25%                       | Convertible bond |
| 上海绿地汽车修理有限公司(Shanghai Greenland Auto Maintenance Co., Ltd.)      | 7,510,000           | 0.19%                       | Convertible bond |
| 厦门国际信托投资公司 (Xiamen International Trust & Investment Co., Ltd.)   | 7,000,000           | 0.18%                       | Convertible bond |

#### 4) Major changes in profitability, asset and credit quality of the Bank's covertible bonds issuance guarantor

Industrial and Commercial Bank of China (ICBC) has been the issuance guarantor of the Bank's convertible bonds. During the reporting period, ICBC's profitability, asset and credit quality had no significant changes.

#### 5) Pledging and freezing status of shares owned by shareholders with more than 5% of the Bank's shares

The 341,084,250 shares held by China Fanhai Holding Co.,

Ltd. have been pledged in favor of Hebei Provincial Construction Investment Corporation for the period from Decemer 28, 2004 to February 5, 2006.

The Oriental Group Co., Ltd. pledged 208,445,000 and 72,955,750 shares in favor of Shenyang branch of CITIC Industrial Bank for the period from May 14, 2003 to January 8, 2008 and for the period from April 19, 2004 to January 8, 2008, respectively.

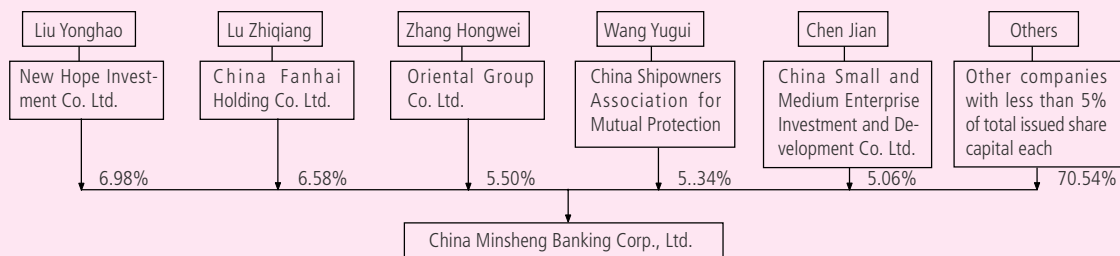
Since China Small and Medium Enterprise Investment & Development Co., Ltd. has equity disputes with Hong Kong Huamao Financial Serivce Co., Ltd., the 262,582,398 shares it held within the Bank have been seized and frozen by PRC courts as following details:

(Unit: ten thousand shares)

| Frozen by   | Shares frozen | Frozen period           |
|---|---------------|-------------------------|
| The High People's Court of Beijing                              | 10,008.00     | 07/02/2002 - 06/06/2005 |
| The High People's Court of Beijing                              | 2,902.40      | 07/02/2002 - 06/06/2005 |
| The Supreme People's Court                                      | 4,454.09      | 18/08/2003 - 06/06/2005 |
| The Supreme People's Court                                      | 1,936.56      | 18/08/2003 - 06/06/2005 |
| The Supreme People's Court                                      | 6,755.37      | 19/04/2004 - 06/06/2005 |
| The Intermediate People's Court of Xiamen City, Fujian Province | 36.90         | 18/08/2003 - 13/06/2005 |
| The Intermediate People's Court of Xiamen City, Fujian Province | 97.60         | 18/08/2003 - 13/06/2005 |
| The Intermediate People's Court of Xiamen City, Fujian Province | 15.00         | 18/08/2003 - 13/06/2005 |
| The Intermediate People's Court of Xiamen City, Fujian Province | 52.32         | 14/06/2004 - 13/06/2005 |
| Sub-total   | 26,258.24     |                         |

### (3) Controlling shareholders and deemed controlling shareholders

The following persons directly or indirectly control, or are entitled to exercise, or control the exercise of, 5%, or more of the Bank's total issued share capital:



The Bank does not have controlling shareholders or other persons entitled to exercise, or control the exercise of, 5%, or more of the Bank's total issued share capital.

### (4) Shareholders holding more than 5% of the Bank's total issued share capital

#### A. New Hope Investment Co., Ltd.

Established in November 2002, its legal representative is Liu Yonghao. Main businesses include venture capital investment, investment management, financial advisory, wealth management consultancy, technological advisory, etc. Registered capital is RMB 576,555,600 with major shareholders of Sichuan New Hope Co., Ltd. and Sichuan New Hope Agricultural Co., Ltd..

#### B. China Fanhai Holding Co., Ltd.

Established on April 7, 1988, its legal representative is Lu Zhiqiang. Main businesses include technology, culture and education; real estate, infrastructure and industrial investment; capital market operation, asset management; hotel and property management; telecommunications, office automation, sales of building decoration materials and equipments (excluding those need special licenses); economical, technological and managerial consulting services related to the above businesses. Registered capital is RMB 1 billion. Main shareholders include Shandong Fanhai Group who invests RMB 674,717,000 or 89.96% of total equity, Guangcai Industry Investment Group who invests RMB 75 million or 10% total equity, and China Electronic Engineering Group Corporation who invests RMB 283,000 or 0.04% of total equity.

#### C. Oriental Group Co., Ltd. (Stock code: 600811)

Established on August 16, 1989, the legal representative is Zhang Hongwei. Its domestic shares were issued on November 9, 1993 and listed on January 6, 1994 at Shanghai Stock Exchange. Main businesses include equity investment in commercial bank and life insurance firm, chain supermarkets with focus on construction materials, e-commerce, processing and manufacturing of alloy

materials, port services and real estate, etc. Registered capital is RMB 757,794,510 or 757,794,510 shares, of which promoters' legal person shares are 227,422,600 and listed domestic A shares are 530,371,903.

#### D. China Shipowners Association for Mutual Protection

Established on January 1, 1984, the legal representative is Wei Jiafu. Main businesses include protection and indemnity insurance, business training, marine exchange, international cooperation and consulting services. As a non-commercial organization, it had a registered capital of RMB 100,000.

#### E. China Small and Medium Enterprise Investment and Development Co., Ltd.

With original name of China Township and Village Enterprise Investment and Development Co., Ltd. and established in December 1992, its legal representative is Cao Jiren. Main businesses include planning, development and construction of clustered industrial zones of township and village enterprises and small & medium-sized cities and towns; real estate development and management; project financing, investment and technological development for township and village enterprises; warehousing, transportation, leasing and sales of materials for the production and construction of township and village enterprises (excluding those need special licenses); sales of textiles; investment development consultancy, HR training, high-tech development and information technology services related to the above businesses. Its registered capital is RMB 185,520,000. Main shareholders include Guodi Land Settlement Co., Ltd. and Beihai Zhongfa Investment Co., Ltd., altogether holding 95.17% of its total share capital, and the remaining 4.83% is held by the Bank of Communications and Guizhou Township and Village Enterprise Investment Co., Ltd. and others.



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# 22 IV. Directors, Supervisors, Senior Executives and Employees



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## IV. Directors, Supervisors, Senior Executives and Employees

### 1. Directors, Supervisors and Senior Executives

#### 1) Basic information

(Unit: Share)

| Name           | Gender | Age | Position                               | Term                  | Shares held at year beginning | Shares held at year end |
|----------------|--------|-----|--|-----------------------|-------------------------------|-------------------------|
| Jing Shuping   | M      | 86  | Board Chairman                         | 16/06/2003-16/06/2006 | 0                             | 0                       |
| Zhang Hongwei  | M      | 50  | Board Vice Chairman                    | 16/06/2003-16/06/2006 | 0                             | 0                       |
| Liu Yonghao    | M      | 53  | Board Vice Chairman                    | 16/06/2003-16/06/2006 | 0                             | 0                       |
| Wang Yugui     | M      | 53  | Director                               | 16/06/2003-16/06/2006 | 0                             | 0                       |
| Feng Lun       | M      | 45  | Director                               | 16/06/2003-16/06/2006 | 0                             | 0                       |
| Li Anmin       | M      | 60  | Director                               | 16/06/2003-16/06/2006 | 0                             | 0                       |
| Chen Jian      | M      | 46  | Director                               | 16/06/2003-16/06/2006 | 0                             | 0                       |
| Huang Xi       | F      | 42  | Director                               | 16/06/2003-16/06/2006 | 0                             | 0                       |
| James Stent    | M      | 59  | Independent Director                   | 16/06/2003-16/06/2006 | 0                             | 0                       |
| Annie Wu       | F      | 56  | Independent Director                   | 08/01/2004-16/06/2006 | 0                             | 0                       |
| Wu Zhipan      | M      | 48  | Independent Director                   | 16/06/2003-16/06/2006 | 0                             | 0                       |
| Zhang Ke       | M      | 51  | Independent Director                   | 16/06/2003-16/06/2006 | 0                             | 0                       |
| Gao Shangquan  | M      | 75  | Independent Director                   | 16/06/2003-16/06/2006 | 0                             | 0                       |
| Dong Wenbiao   | M      | 47  | Director, President                    | 16/06/2003-16/06/2006 | 0                             | 0                       |
| Hong Qi        | M      | 47  | Director, Vice President               | 16/06/2003-16/06/2006 | 0                             | 0                       |
| Huang Diyan    | M      | 74  | Chairman of the Supervisory Board      | 24/12/2004-16/06/2006 | 0                             | 0                       |
| Lu Zhiqiang    | M      | 53  | Vice Chairman of the Supervisory Board | 16/06/2003-16/06/2006 | 0                             | 0                       |
| Wang Liang     | M      | 62  | Supervisor                             | 16/06/2003-16/06/2006 | 0                             | 0                       |
| Zhao Pinzhang  | M      | 48  | Supervisor                             | 16/06/2003-16/06/2006 | 0                             | 0                       |
| Gao Feng       | M      | 61  | Supervisor                             | 16/06/2003-16/06/2006 | 0                             | 0                       |
| Yuan Meizhen   | F      | 48  | Supervisor                             | 16/06/2003-16/06/2006 | 0                             | 0                       |
| Huang Dianpeng | M      | 52  | Supervisor                             | 16/06/2003-16/06/2006 | 1,944                         | 2,624                   |
| Wei Anning     | M      | 41  | Supervisor                             | 16/06/2003-16/06/2006 | 0                             | 0                       |
| Zhang Hongjiu  | M      | 50  | Supervisor                             | 24/12/2004-16/06/2006 | 0                             | 0                       |
| Liang Yutang   | M      | 47  | Vice President                         | 18/01/2005-16/06/2006 | 0                             | 0                       |
| Shao Ping      | M      | 47  | Vice President                         | 18/01/2005-16/06/2006 | 0                             | 0                       |
| Mao Xiaofeng   | M      | 32  | Secretary to the BOD                   | 16/06/2003-16/06/2006 | 0                             | 0                       |
| Wu Touhong     | F      | 45  | CFO                                    | 16/06/2003-16/06/2006 | 0                             | 0                       |

- Note:**
1. Gao Shangquan, Wu Zhipan, James Stent, Zhang Ke and Annie Wu are independent directors of the Bank;
  2. Gao Feng, Zhao Pinzhang, Yuan Meizhen are staff representative supervisors of the Bank;
  3. Annie Wu, Hong Qi were elected as directors at the extraordinary general meeting on January 8, 2004. For details, please refer to the Announcement on the Resolution of the 1st Extraordinary General Meeting of the Bank in 2004 published in China Securities Journal, Shanghai Securities News and Securities Times on January 9, 2004.
  4. On February 25, 2004, the 5th meeting of the 3rd session Board of Directors of the Bank approved Liu Changming's resignation from the position of Vice President of the Bank. This was announced in China Securities Journal, Shanghai Securities News and Securities Times on February 27, 2004.
  5. On December 24, 2004, the 3rd extraordinary general meeting elected Huang Diyan and Zhang Hongjiu as external supervisors, which was announced in China Securities Journal, Shanghai Securities News and Securities Times on December 25, 2004.
  6. On December 24, 2004, the 7th meeting of the 3rd session Board of Supervisors of the Bank approved to elect Huang Diyan and Lu Zhiqiang as Chairman and Vice Chairman of the Supervisory Board of the Bank, respectively, which was announced in China Securities Journal, Shanghai Securities News and Securities Times on December 28, 2004.
  7. On January 18, 2005, the 16th meeting of the 3rd session Board of Directors of the Bank approved to appoint Shao Ping and Liang Yutang as vice presidents of the Bank, which was announced in China Securities Journal, Shanghai Securities News and Securities Times on January 19, 2005.

## 2) Postion of directors, supervisors of the Bank in the shareholding companies

| Name           | Holding company  | Position        | Term                     |
|----------------|--|-----------------|--------------------------|
| Lu Zhiqiang    | China Fanhai Holding Co., Ltd.                                       | Board Chairman  | May 25, 1999 - present   |
| Zhang Hongwei  | Oriental Group Co., Ltd.   | Board Chairman  | May 2002 - present       |
| Liu Yonghao    | New Hope Investment Co., Ltd.  | Board Chairman  | November 2002 - present  |
| Wang Yugui     | China Shipowners' Association for Mutual Protection                  | General Manager | 1993 - present           |
| Wei Anning     | Sichuan South Hope Industry Co., Ltd.                                | Chairman        | November 2002 - present  |
| Li Anmin       | Shanxi Antai Group Co., Ltd.   | Chairman        | 1991 - present           |
| Chen Jian      | China Small and Medium Enterprise Investment & Development Co., Ltd. | President       | 2001 - present           |
| Huang Xi       | Xiamen Fuxin Group Co.,Ltd.  | Chairman        | September 2001 - present |
| Wang Liang     | Dongguan Fenggang Yantian Development Company                        | Director        | June 2001 - present      |
| Huang Dianpeng | Liaohé Forage Group Company  | Chairman        | 1996 - present           |

## 3) Main working experience of current directors, supervisors and senior executives

| Name  | Position      | Working experience   |
|---|---------------|--|
| Jing Shuping  | Chairman      | 1939-1942: Deputy Manager, Shanghai Xinzhong Industrial Company  |
|   |               | 1942-1955: Deputy General Manager, Shanghai Huaming Tobacco Company  |
|   |               | 1953-1955: Deputy General Manager, Shanghai Democratic Construction Association  |
|   |               | 1953-1956: General Manager, Shanghai Joint Tobacco Production and Sales Company  |
|   |               | 1953-1956: Director, Shanghai Tobacco Industry Association   |
|   |               | 1955-1956: Deputy Secretary General, Shanghai Federation of Industry and Commerce  |
|   |               | 1955-1956: Deputy Secretary General, Shanghai People's Political Consultative Conference                                     |
|   |               | 1954-2003: Member of Standing Committee, Chinese Peoples' Political Consultative Conference (CPPCC)                          |
|   |               | 1956-1993: Deputy Secretary General, Secretary General, Vice Chairman, All-China Federation of Industry and Commerce (ACFIC) |
|   |               | 1979- present: Director, Executive Director, China International Trust & Investment Co., Ltd.                                |
|   |               | 1979-2000: General Manager, Chairman, China International Economic Consulting Corporation                                    |
|   |               | 1989-present: Advisor, Honorable Advisor, International Business Leaders Advisory Council for the Mayor of Shanghai          |
|   |               | 1993-2002: Chairman, ACFIC   |
|   |               | 1996- present: Chairman, China Minsheng Banking Corp., Ltd.  |
| 1996-present: Vice President, Honorable President, Chinese Guangcai Promotion Committee |               |  |
| 1998-2003: Vice Chairman, CPPCC   |               |  |
| Zhang Hongwei   | Vice Chairman | 1978-1988: Chairman and General Manager, Oriental Group Inc.   |
|   |               | 1988-1992: Chairman & President, Oriental Group Inc.   |
|   |               | 1993- present: Chairman, Oriental Group Inc.<br>Chairman, Oriental Group Co., Ltd.   |
|   |               | 2000-present: Vice Chairman, China Minsheng Banking Corp., Ltd.  |
|   |               | 1993-present: Member of 8th and 9th CPPCC; Standing Committee Member, 10th CPPCC   |
|   |               | 1997-present: Vice Chairman, ACFIC   |
| Liu Yonghao   | Vice Chairman | 1973-1982: Lecturer, Sichuan Machinery Institute of Technology   |
|   |               | 1982-1993: Vice Chairman, Chengdu Hope Inc.  |
|   |               | 1993- present: President, New Hope Group   |
|   |               | 1997-present: Chairman, Sichuan New Hope Co., Ltd.   |

| Name        | Position             | Working experience   |
|-------------|----------------------|--|
|             |                      | 1997- present: Chairman, Sichuan New Hope Real Estate Development Co., Ltd.  |
|             |                      | 1998- present: Chairman, Sichuan New Hope Agricultural Ltd.  |
|             |                      | 2001- present: Chairman of the Supervisory Board, Minsheng Life Insurance Co., Ltd.  |
|             |                      | 2002- present: Chairman, New Hope Investment Co., Ltd.   |
|             |                      | 1993- present: Vice President, China Feed Industry Association   |
|             |                      | 1994- present: Vice President, Chinese Guangcai Promotion Committee  |
|             |                      | 1993- 2002: Vice Chairman, ACFIC   |
|             |                      | 1993- present: Member, CPPCC   |
|             |                      | 1998- 2003: Member of Standing Committee, 9th CPPCC  |
|             |                      | 2003- present: Member of Standing Committee, 10th CPPCC; Deputy Director of Economic Committee of 10th CPPCC   |
| Wang Yugui  | Director             | 1977-1981: Crew, Director, Tianjin Ocean Shipping Company  |
|             |                      | 1981-1993: Insurance Claim Officer, China Ocean Shipping Corp.   |
|             |                      | 1993- present: General Manager, China Shipowners Association for Mutual Protection   |
| Feng Lun    | Director             | 1984-1985: Teacher, Central Communist Party School   |
|             |                      | 1986-1986: Deputy Division Director, Administrative Office of Economic Commission of Wuhan Municipal City  |
|             |                      | 1987-1988: Analyst, the Propaganda Department of the Central Communist Party   |
|             |                      | 1988-1991: Deputy Director, System Comparison Research Institute, the Economic Restructuring Commission of the State Council; Deputy Director, the Economic Reform Office of Hainan Province |
|             |                      | 1991- present: Chairman, Vantone Industrial Group Co., Ltd.  |
|             |                      | 1993- present: Chairman, Beijing Vantone Real Estate Co., Ltd.   |
| Li Anmin    | Director             | 1984-1993: Factory Director, Yi-an Coal Coking Plant of Jiexiu City  |
|             |                      | 1993-2000: Chairman and General Manager, Shanxi Antai Group Co., Ltd.  |
|             |                      | 2000- present: Chairman, Shanxi Antai Group Co., Ltd.  |
| Chen Jian   | Director             | 1984-1985: Editor, the Institute of Agricultural Economics of Chinese Academy of Agricultural Sciences   |
|             |                      | 1985-1989: Reporter, Agricultural Department of People's Daily   |
|             |                      | 1989-1990: Deputy Secretary-General, China Foundation for Poverty Alleviation  |
|             |                      | 1990-1992: Director, Agricultural Division of the Research Office of the State Council   |
|             |                      | 1992-present: Vice Chairman, China Small and Medium Enterprises Investment and Development Co.   |
| Huang Xi    | Director             | 1982-1989: Teacher on mathematics, Xiamen Xinglin Middle School  |
|             |                      | 1989-2001: Finance Controller, Supervisor, Director, Xiamen Fuxin Property Co., Ltd. and Xiamen Fuxin Group Co., Ltd.  |
|             |                      | 2001- present: Chairman, Xiamen Fuxin Group Co., Ltd.  |
|             |                      | 2002-2005: Chairman, Xiamen Fuxin OEIC Co., Ltd.   |
| James Stent | Independent Director | 1984-2002: Senior Executive & Vice President, Bank of Asia   |
|             |                      | 2002-2002: Consultant, International Water Institute   |
| Annie Wu    | Independent Director | 1970-1970: Director, Hong Kong Hotel for Japan World Exposition Expo'70  |
|             |                      | 1970-1990: Managing Director, Starlight Ltd. of Hongkong Land Ltd.   |
|             |                      | 1990- present: Managing Director, Hng Kong Beijing Air Catering Ltd.   |
| Wu Zhipan   | Independent Director | 1988-1995: Lecturer, Associate Professor, Beijing University   |
|             |                      | 1996-1999: Dean, Professor, Law Department of Beijing University   |
|             |                      | 1999-2002: Dean, Law School, Beijing University  |
|             |                      | 2000-2002: Assistant President, Beijing University and Dean of Law School  |
|             |                      | 2002-present: Vice President, Beijing University   |

| Name  | Position                               | Working experience  |
|---|--|---|
| Zhang Ke  | Independent Director                   | 1982-1984: Consultant and Project Manager, China International Economic Consultants Corporation of CITIC Group  |
|   |  | 1985-1986: Departmental Manager, China International Economic Consultants Corporation of CITIC Group  |
|   |  | 1987-1992: Deputy Executive Director, Zhongxin Accountant's Firm of CITIC Group   |
|   |  | 1993-1996: Deputy General Manager, Zhongxin Coopers Accounting Firm; A partner of Coopers International Limited   |
|   |  | 1997-1999: General Manager, Zhongxin Coopers Accounting Firm; Deputy Executive Director of Coopers PRC  |
|   |  | 1999 – present: Chairman, Chief Partner, Shinewing CPA Firm   |
| Gao Shangquan   | Independent Director                   | 1952-1953: Official, the Bureau of Machinery of the People's Government of Northeast China  |
|   |  | 1953-1978: Researcher, No.1 Machinery Ministry and Agricultural Machinery Ministry  |
|   |  | 1978-1979: Deputy Director, the Agricultural Machinery Office of the State Council  |
|   |  | 1979-1982: Division Director, the State Machinery Commission  |
|   |  | 1982-1985: Deputy Director-General and Director-General, the State Economic Restructuring Commission  |
|   |  | 1985-1993: Deputy Director, State Economic Restructuring Commission   |
|   |  | 1993-1999: Vice President, China Society of Economic Reform   |
| 1999 – present: President, China Society of Economic Reform   |  |   |
| Dong Wenbiao  | Director, President                    | 1981-1990: Lecturer, Deputy Director and Deputy President, Henan Finance and Management College   |
|   |  | 1990-1993: Managing Director of Zhengzhou Branch, Bank of Communications  |
|   |  | 1993-1995: Chairman & President, Haitong Securities Co., Ltd.   |
|   |  | 1995-1996: Deputy Chief, Preparatory Group for China Minsheng Bank  |
|   |  | 1996-2000: Vice President, China Minsheng Banking Corp., Ltd.   |
|   |  | 1999 – present: Director, China Minsheng Banking Corp., Ltd   |
| 2000 – present: President, China Minsheng Banking Corp., Ltd. |  |   |
| Hong Qi   | Director, Vice President               | 1985-1991: Section Chief, PBOC Head Office  |
|   |  | 1991-1994: Deputy Director, the Securities Research Institute of China Renmin University  |
|   |  | 1994-1995: Managing Director of Beihai Branch, Bank of Communications   |
|   |  | 1995-1996: Preparatory Group for China Minsheng Bank  |
|   |  | 1996-1998: Director of the Business Department, China Minsheng Bank Corp., Ltd.   |
|   |  | 1998-1999: General Manager of Beijing Branch, China Minsheng Banking Corp., Ltd.  |
|   |  | 1999 – present: Executive Vice President, China Minsheng Banking Corp., Ltd.  |
| 2003 – present: Director, China Minsheng Banking Corp., Ltd.  |  |   |
| Huang Diyan   | Chairman of the Supervisory Board      | 1954-1983: Staff Member, Deputy Division Director, Manager, Deputy General Manager, General Manager, Overseas Net Work Management Department, Bank of China (BOC), Head Office  |
|   |  | 1983-1994: Executive Director of BOC, Deputy Director of Hong Kong and Macau Affairs Management Dept of BOC, Vice Chairman of the board of directors of BOC, Director of Hong Kong and Macau Affairs Management Dept of BOC |
|   |  | 1994-1999: Advisor, the Hong Kong & Macau Affairs Management Dept, BOC  |
|   |  | 1996-2003: Director, China Minsheng Banking Corp., Ltd.   |
| Lu Zhiqiang   | Vice Chairman of the Supervisory Board | 1971-1978: Engineer, Weifang Diesel Engines Factory   |
|   |  | 1978-1980: Engineer, Weifang Power Machine Factory  |
|   |  | 1980-1985: Deputy Director, Administrative Office of Weifang Technology Development Center  |
|   |  | 1985 – present: Chairman, China Fanhai Group Co., Ltd.  |
|   |  | 1997 – present: Chairman, Guangcai Investment (Group) Co., Ltd.   |
|   |  | 1998 – present: Chairman, Guangcai Construction Group Co., Ltd.   |
| 1999 – present: Chairman, China Fanhai Holding Co., Ltd.      |  |   |



| Name           | Position   | Working experience   |
|----------------|------------|--|
|                |            | 2002-present: Vice Chairman, Minsheng Life Insurance Co., Ltd.   |
|                |            | 2002-present: Director, Haitong Securities Co., Ltd.   |
|                |            | 1996-2003: Director, China Minsheng Banking Corp., Ltd.  |
|                |            | 2003-present: Supervisor, China Minsheng Banking Corp., Ltd.   |
| Wang Liang     | Supervisor | 1968-1985: Deputy Director, the Finance Department of Kunming Railway Bureau   |
|                |            | 1985-1987: Director, the Finance Department of the Chinese Academy of Sciences (Guangzhou)   |
|                |            | 1987-1989: President, Guangzhou Huacheng Accounting Firm   |
|                |            | 1989-1993: Vice President, Guangzhou Academy of Economic Research  |
|                |            | 1993-2003: Vice Chairman, Guangzhou Federation of Industry and Commerce; Chairman, Guangzhou Shanghui Economic Development Corporation; Chairman of Guangzhou Xinlian Company      |
|                |            | 2002-present: Director, Dongguan Fenggang Yantian Development Company  |
| Zhao Pinzhang  | Supervisor | 1978-1989: Section Chief, Liaoyuan Sub-branch of China Construction Bank   |
|                |            | 1989-1995: Director, Vice President, Liaoyuan Sub-branch of Bank of Communications   |
|                |            | 1995-1996: General Manager, Liaoyuan Branch of China Pacific Insurance Co., Ltd.   |
|                |            | 1996-1998: Deputy Director, Preparatory Group for Safebox Business of China Minsheng Banking Corp., Ltd.   |
|                |            | 1998-2000: Deputy General Manager, Beijing Branch of China Minsheng Banking Corp., Ltd.; Managing Director of Shijiazhuang Sub-branch of China Minsheng Banking Corp., Ltd.        |
|                |            | 2000-2001: General Manager, Risk Management Department of China Minsheng Banking Corp., Ltd.   |
|                |            | 2001-present: General Manager, Credit Assessment Department of China Minsheng Banking Corp., Ltd.  |
|                |            | 2003-present: Chief Credit Officer, China Minsheng Banking Corp., Ltd.   |
| Gao Feng       | Supervisor | 1967-1977 Guizhou Geological Company, Shandong Geological Company  |
|                |            | 1978-1987: Division Director, the Ministry of Coal Industry  |
|                |            | 1988-1993: Deputy Director, the Policy & Regulation Bureau of the Ministry of Coal Industry  |
|                |            | 1994-1997: General Manager, China Coal Transportation & Sales Corporation; First Deputy General Manager, China National Coal Machinery & Equipment Group Company                   |
|                |            | 1998-1999: Deputy Secretary General, ACIFC   |
|                |            | 2000-2003: Secretary to the Board, China Minsheng Banking Corp., Ltd.  |
|                |            | 2003 – present: Supervisor of the Supervisory Board, China Minsheng Banking Corp., Ltd.  |
| Yuan Meizhen   | Supervisor | 1977-1985: Section Chief, Personal Bureau of Daye City, Hubei Province   |
|                |            | 1985-1998: Director, the Organization Department of the Central Committee of CPC   |
|                |            | 1998- present: Director of the Party Office, General Office, Labor Union of Beijing Branch, Director of Disciplinary & Monitoring Department of China Minsheng Banking Corp., Ltd. |
| Huang Dianpeng | Supervisor | 1981-1984: Teng'ao Bone Meal Factory, Anshan City  |
|                |            | 1984-1991: Founder, Haicheng Joint Forage Company  |
|                |            | 1991-1998: Chairman and General Manager, Liaohe Forage Group Company   |
|                |            | 1998-2004: General Manager of three joint-ventures with ABN, UK  |
|                |            | 2004- present: Chairman and General Manager, Liaohe Forage Company   |
| Wei Anning     | Supervisor | 1982-1984: Lecturer, Ningxia Radio & TV University   |
|                |            | 1986-1990: Assistant Research Fellow, the Institute of Economics of the Chinese Academy of Social Sciences   |
|                |            | 1994-1998: Economist, Agricultural & Natural Resources Bureau of the World Bank  |
|                |            | 1998-2003: Director of Northeast Asia and Research Director, Rabobank Nederland (Hongkong)   |
|                |            | 2003-present: Director, Senior Vice President, Sichuan New Hope Group Co., Ltd.; Chairman, Sichuan South Hope Industry Co., Ltd.   |

| Name   | Position                   | Working experience  |
|--|----------------------------|---|
| Zhang Hongjiu  | Supervisor                 | 1983-1984: Teaching Research Office of Law Department, Beijing University   |
|  |                            | 1984-1996: General Manager, C&C Law Office (Legal advisory office of CITIC)   |
|  |                            | 1996 – present: Managing Partner, Beijing Jingtian Gongcheng Law Firm   |
| Liang Yutang   | Vice President             | 1985-1992: Deputy Director, the Academic Secretariat of Henan Finance and Management College  |
|  |                            | 1992-1994: General Manager, the Real Estate Development Company Zhengzhou Branch, Bank of Communications  |
|  |                            | 1994-1995: Manager, Integrated Planning Department, Bank of Communications  |
|  |                            | 1995-2002: Deputy General Manager and General Manager, Funds Planning Department and Financial Institutions Department, China Minsheng Banking Corp., Ltd.                  |
|  |                            | 2002-2003: General Manager, Beijing Branch, China Minsheng Banking Corp., Ltd.  |
|  |                            | 2003 – present: Assistant to the President, and General Manager of Beijing Branch, China Minsheng Banking Corp., Ltd.   |
| Shao Ping  | Vice President             | 1986-1988: Deputy Section Chief, the Commercial Committee of Weicheng District, Weifang City, Shandong Province   |
|  |                            | 1988-1993: Deputy General Manager, the Urban Credit Cooperatives of Weicheng District, Weifang City, Shandong Province  |
|  |                            | 1993-1995: Deputy General Manager, the Federation of Urban Credit Cooperatives of Weifang City, Shandong Province   |
|  |                            | 1995-1996: Preparation Group of China Minsheng Banking Corp., Ltd.  |
|  |                            | 1996-1999: Deputy General Manager, Credit Department of China Minsheng Banking Corp., Ltd.  |
|  |                            | 1999-2000: General Manager, Credit Department of China Minsheng Banking Corp., Ltd.   |
|  |                            | 2000-2003: Managing Director, Shanghai Branch of China Minsheng Banking Corp., Ltd.   |
|  |                            | 2003 – 2005: Assistant to the President, and Managing Director of Shanghai Branch, China Minsheng Banking Corp., Ltd.   |
|  |                            | 2005-present: Vice President, China Minsheng Banking Corp., Ltd.  |
|  |                            | Mao Xiaofeng  |
| 1994-1995: Assistant to the Governor, Zhijiang Dongzu Autonomous County of Hunan Province  |                            |   |
| 1995-1996: Deputy Secretary of the Party Committee of Zhijiang Dongzu Autonomous County of Hunan Province  |                            |   |
| 1996-2002: Deputy Director, Director, General Office of the Youth League Central Committee (YLCC); Assistant to the Director, YLCC Industrial Development Center |                            |   |
| 2002-2003: Deputy Director, Excutive Office, China Minsheng Banking Corp., Ltd.  |                            |   |
| 2003 – present: Secretary to the Board of Directors, China Minsheng Banking Corp., Ltd.  |                            |   |
| Wu Touhong   | Chief Financial Controller | 1981-1984: Officer, the Science and Education Bureau of PBOC  |
|  |                            | 1984-1993: Deputy Director, Education Department, Industrial and Commercial Bank of China (ICBC)  |
|  |                            | 1993-1995: Deputy General Manager, Beijing Securities Department of Trust & Investment Company, ICBC  |
|  |                            | 1996-1998: Deputy General Manager, HR Department, China Minsheng Banking Corp., Ltd.  |
|  |                            | 1998-2000: Director, Executive Office, China Minsheng Banking Corp., Ltd.   |
|  |                            | 2000-2002: General Manager, Beijing Branch, China Minsheng Banking Corp., Ltd.  |
|  |                            | 2002-2003: Deputy Secretary, Disciplinary Committee, China Minsheng Banking Corp., Ltd.; Director, Disciplinary & Monitoring Department, China Minsheng Banking Corp., Ltd. |
|  |                            | 2003-present: Secretary, Discipline Committee of the Communist Party and Head of Disciplinary and Monitoring Department, China Minsheng Banking Corp., Ltd.                 |
|  |                            | 2003 – present: Chief Financial Controller, China Minsheng Banking Corp., Ltd.  |

4) Positions of current directors, supervisors and senior executives in other institutions except the shareholding companies

| Name          | Name of Other Institutions  | Position                          |
|---------------|---|-----------------------------------|
| Jing Shuping  | China Foundation of International Strategic Studies                       | Chairman                          |
|               | China Foundation of International Studies and Academic Exchanges          | Chairman                          |
|               | Taiwan Studies Association  | Vice Chairman                     |
|               | National Council for Social Security Fund                                 | Member                            |
|               | Chinese Foundation for Health Express                                     | Chairman                          |
| Zhang Hongwei | Oriental Group Industry Co., Ltd.   | Chairman                          |
|               | Haitong Securities Co., Ltd.  | Director                          |
| Liu Yonghao   | Hope Group Co., Ltd.  | President                         |
|               | Sichuan New Hope Co., Ltd.  | Chairman                          |
|               | Sichuan New Hope Property Development Co., Ltd.                           | Chairman                          |
|               | Sichuan New Hope Agricultural Co., Ltd.                                   | Chairman                          |
|               | Minsheng Life Insurance Co., Ltd.   | Chairman of the Supervisory Board |
| Wang Yugui    | Everbright Bank of China  | Supervisor                        |
|               | Haitong Securities Co., Ltd.  | Supervisor                        |
|               | Minsheng Securities Co., Ltd.   | Director                          |
|               | China Marine Law Association  | Executive Director                |
|               | The Standard Steamship Owner's Protection and Indemnity Association of UK | Director                          |
| Feng Lun      | Wantone Industrial Group Co., Ltd.  | Chairman                          |
|               | Beijing Wantone Property Co., Ltd.  | Chairman                          |
|               | Beijing Wantone New Concept Integrated Housing Development Co., Ltd.      | Chairman                          |
|               | Beijing Wanneng Xinghe Industry Co., Ltd.                                 | Chairman                          |
|               | Beijing Dong Dong Culture & Arts Co., Ltd.                                | Director                          |
|               | Haitong Securities Co., Ltd.  | Supervisor                        |
| Li Anmin      | None  |                                   |
| Chen Jian     | Beijing Chengxiang Huamao Shopping Center Co., Ltd.                       | Chairman                          |
|               | Beijing Jianning Sports Investment & Development Co., Ltd.                | Chairman                          |
|               | Beijing Maoyuanyuan Real Estate Development Co., Ltd.                     | Chairman                          |
|               | Hunan Laodie Agricultural Sci-tech Development Co.,Ltd.                   | Director                          |
| Huang Xi      | Xiamen Fuxin OEIC Co., Ltd.   | Chairman                          |
|               | Xianmen Fuxin Property Co., Ltd.  | Director                          |
|               | Fujian Jimei University   | Director                          |
|               | Chengyi School of Jimei University  | Director                          |
| James Stent   | WildChina Company Limited   | CEO                               |
| Annie Wu      | China Food Recommendation Co., Ltd.                                       | Managing Director                 |
|               | Hong Kong Beijing Air Catering Co., Ltd.                                  | Managing Director                 |
|               | Hong Kong Shanghai Air Catering Co., Ltd.                                 | Managing Director                 |
|               | China Air Catering Co., Ltd.  | Managing Director                 |
|               | Hong Kong Hainan Air Catering Co., Ltd.                                   | Managing Director                 |
|               | Hong Kong Xiamen Air Catering Co., Ltd.                                   | Managing Director                 |
|               | Hong Kong Qingdao Air Catering Co., Ltd.                                  | Managing Director                 |

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| Name          | Name of Other Institutions  | Position                             |
|---------------|---|--------------------------------------|
|               | Hong Kong Tianjin Air Catering Co., Ltd.                                  | Managing Director                    |
|               | Hong Kong Nanjing Air Catering Co., Ltd.                                  | Managing Director                    |
|               | Northern Air Catering Co., Ltd.   | Managing Director                    |
|               | Window of the World Co., Ltd.   | Managing Director                    |
|               | Munich Reinsurance Company (HK Branch)                                    | Director                             |
|               | Proactive Technology Holdings Limited (Hong Kong)                         | Non-Executive Director               |
|               | Cuiyuan Co., Ltd.   | Vice Chairman                        |
|               | Beijing Air Catering Co., Ltd.  | Vice Chairman                        |
|               | Beijing Aircraft Carpet Co., Ltd.   | Vice Chairman                        |
|               | Colliers International Property Services (Beijing) Co., Ltd.              | Chairman                             |
|               | Shanghai Eastern Air Catering Co., Ltd.                                   | Vice Chairman & Managing Director    |
|               | Nanjing Jiangsu Eastern Air Catering Co., Ltd.                            | Vice Chairman                        |
|               | Dalian Meihang Air Catering Co., Ltd.                                     | Vice Chairman                        |
|               | Southwest Air Catering Co., Ltd.  | Vice Chairman                        |
|               | Qingdao Eastern Air Service Co., Ltd.                                     | Vice Chairman                        |
|               | Hainan Air Catering Co., Ltd.   | Vice Chairman                        |
|               | Xiamen International Airport Catering Co., Ltd.                           | Vice Chairman                        |
|               | Shenzhen Air Catering Co., Ltd.   | Vice Chairman                        |
| Wu Zhipan     | Petro China Co., Ltd.   | Supervisor                           |
|               | Air China Group Co., Ltd.   | Director                             |
|               | Fortune SGAM Fund Management Co., Ltd.                                    | Director                             |
|               | Zhongfu Industry Co., Ltd.  | Director                             |
| Zhang Ke      | Shinewing CPA Firm Co., Ltd.  | Chairman & Managing Partner          |
|               | Beijing Shinewing Strategic Management and Consultancy Co., Ltd.          | Chairman                             |
|               | China CPAs Association  | Vice Chairman                        |
|               | Beijing Huicong International Information Co., Ltd.                       | Independent Director                 |
|               | Air China Co., Ltd.   | Independent Director                 |
| Gao Shangquan | China Society of Economic Reform  | Chairman                             |
|               | Chinese Research Society for Restructuring and Development of Enterprises | Chairman                             |
|               | China Institute for Reform and Development (Hainan)                       | President                            |
|               | Beijing University  | Professor and PHD Candidates Advisor |
|               | School of Management of Zhejiang University                               | Professor, Dean                      |
|               | China Reform Foundation   | Chairman                             |
|               | Baoshan Iron & Steel Co., Ltd.  | Independent Director                 |
|               | Minmetals Development Co., Ltd.   | Independent Director                 |
|               | China United Telecommunications Corp., Ltd.                               | Independent Director                 |
| Dong Wenbiao  | Fortis Haitong Investment Management Co., Ltd.                            | Director                             |
| Hong Qi       | None  |                                      |
| Huang Diyan   | None  |                                      |
| Lu Zhiqiang   | Fanhai Group Co., Ltd.  | Chairman and CEO                     |
|               | Guangcai Investment (Group) Co., Ltd.                                     | Chairman                             |
|               | Guangcai Construction Group Co., Ltd.                                     | Chairman                             |

| Name           | Name of Other Institutions                                    | Position  |
|----------------|---|---|
|                | Beijing Guangcai Property Co., Ltd.                           | Chairman  |
|                | Wuhan Wangjiadun CBD Construction & Investment Co., Ltd.      | Chairman  |
|                | Minsheng Life Insurance Co., Ltd.                             | Vice Chairman   |
|                | Fanhai Industry Co., Ltd.                                     | Chairman of the Supervisory Board                     |
|                | Fanhai Construction Holding Co., Ltd.                         | Supervisor  |
|                | Haitong Securities Co., Ltd.                                  | Director  |
|                | CPPCC   | Member  |
|                | ACFIC   | Member of Executive Committee<br>& Standing Committee |
|                | Chinese Guangcai Promotion Committee                          | Vice President  |
|                | ACFIC Shandong  | Vice President  |
|                | Board of Trustees of Fudan University                         | Director  |
| Wang Liang     | None  |   |
| Zhao Pinzhang  | None  |   |
| Gao Feng       | The Supreme People's Procuratorate                            | External Procurator                                   |
| Yuan Meizhen   | None  |   |
| Huang Dianpeng | Liaoning Puzhong Nutritious Food Co., Ltd.                    | General Manager                                       |
|                | Shanghai Greenland Bio-tech Cooperation Company               | Chairman and CEO                                      |
|                | China Feed Industry Association                               | Vice President  |
| Wei Anning     | Sichuan New Hope Co., Ltd.                                    | Director, Executive Vice President                    |
|                | Hohhot Jinguan Property Co., Ltd.                             | Chairman  |
|                | New Hope Investment Co., Ltd.                                 | Director  |
|                | Fujian Lianhua International Trust & Investment Limited       | Director  |
| Zhang Hongjiu  | Beijing Jingtian Gongcheng Law Firm                           | Managing Director                                     |
|                | Zhongxing Commercial (Shenyang) Co., Ltd.                     | Independent Director                                  |
|                | China International Economic and Trade Arbitration Commission | Arbitrator  |
| Liang Yutang   | None  |   |
| Shao Ping      | None  |   |
| Mao Xiaofeng   | None  |   |
| Wu Touhong     | None  |   |

## 5) Annual remuneration

In light of the Remuneration Scheme for Directors and Supervisors of the Bank adopted by the 4th meeting of the 3rd session of Board of Directors of the Bank and the 1st Extraordinary General Meeting of the Bank in 2004 respectively, as well as the Provisional Measures on Annual Remuneration Scheme for Senior Executives of the Bank adopted by the 4th meeting of the 3rd session of Board of Directors of the Bank, the Bank started to adopt both schemes from January 2004. During the reporting period, there were 24 directors

and supervisors, 4 senior executives (including 2 directors) receiving remuneration from the Bank. Their annual package (including tax) are as following:

Directors and supervisors of the Bank receive:

- 1) basic salaries of RMB 72,000 per year and per person, 2) duty allowance of RMB 18,000 per year for each of the position in the special committees under the Board of Directors, and 3) meeting allowance of RMB 3,000 for each meeting the directors and supervisors attend.

|   |                   |
|---|-------------------|
| Total Annual Remuneration   | RMB 14,061,300    |
| Total remuneration of the top three directors                               | RMB 3,704,500     |
| Total remuneration of the top three senior executives                       | RMB 4,921,600     |
| Allowance to independent directors  | None              |
| Total remuneration of 5 independent directors                               | RMB 783,000       |
| Directors and supervisors taking no remuneration or allowance from the Bank | None              |
| Remuneration Range  | Number of persons |
| RMB 2 million and above   | 2                 |
| RMB 1 million – 1.99 million  | 4                 |
| RMB 500,000-990,000   | 1                 |
| RMB 0-490,000   | 17                |

#### 6) Reasons for dismissal of directors, supervisors and senior executives during the reporting period

On February 25, 2004, the 5th meeting of the 3rd session Board of Directors of the Bank approved Mr. Liu Changming's resignation from the position of Vice President of the Bank due to his health condition, which was announced on February 27, 2004 in China Securities Journal, Shanghai Securities News and Securities Times.

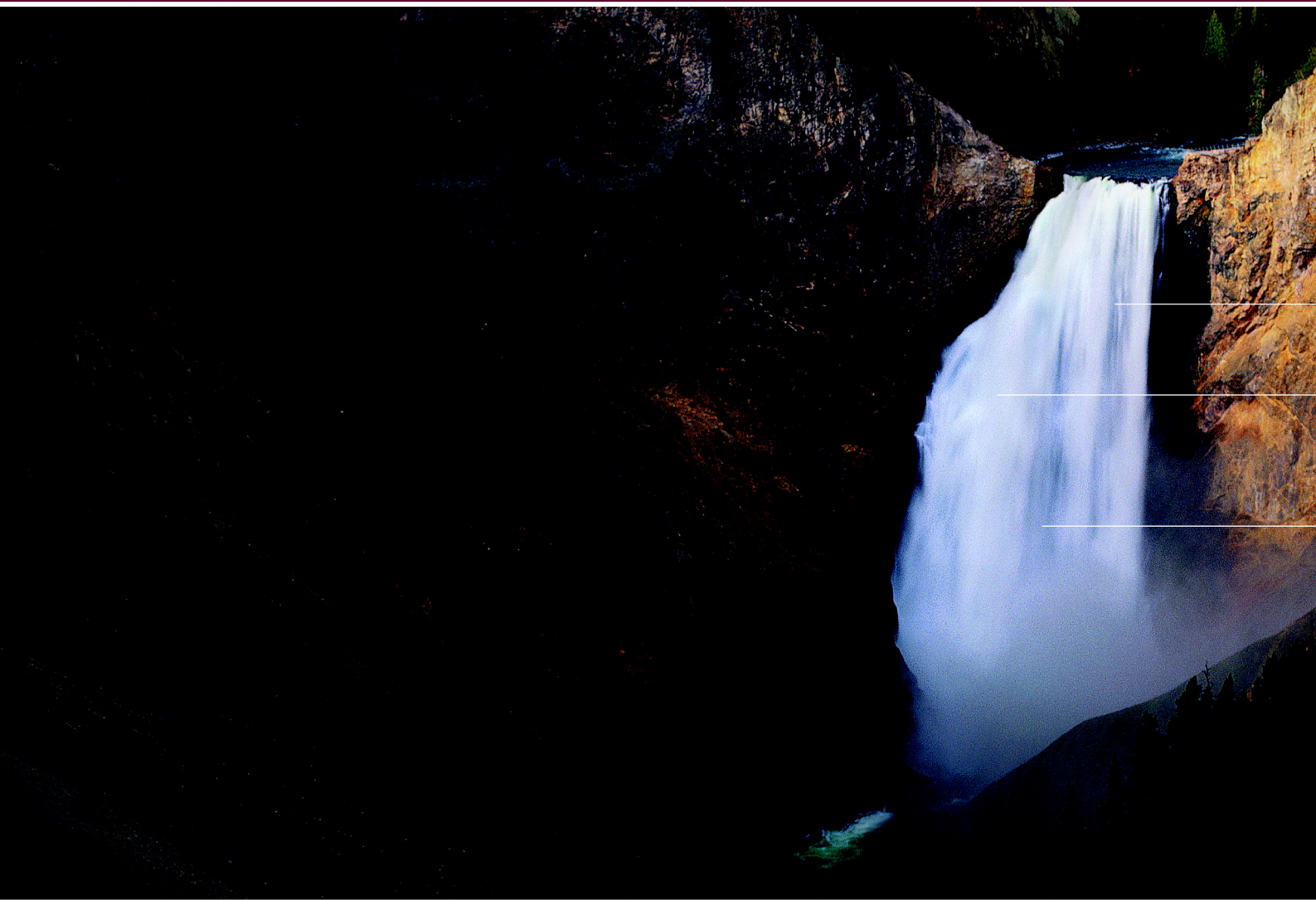
On December 27, 2004, the 5th meeting of the 3rd session Board of Directors of the Bank approved Mr. Lu Zhiqiang's resignation from the position of Chairman of the Supervisory Board of the Bank on a fact that he couldn't exclusively focus his time and energy on the

position while having other responsibilities, such as chairman or other positions of other enterprises. For details, please refer to China Securities Journal, Shanghai Securities News and Securities Times on December 28, 2004.

## 2. Employees

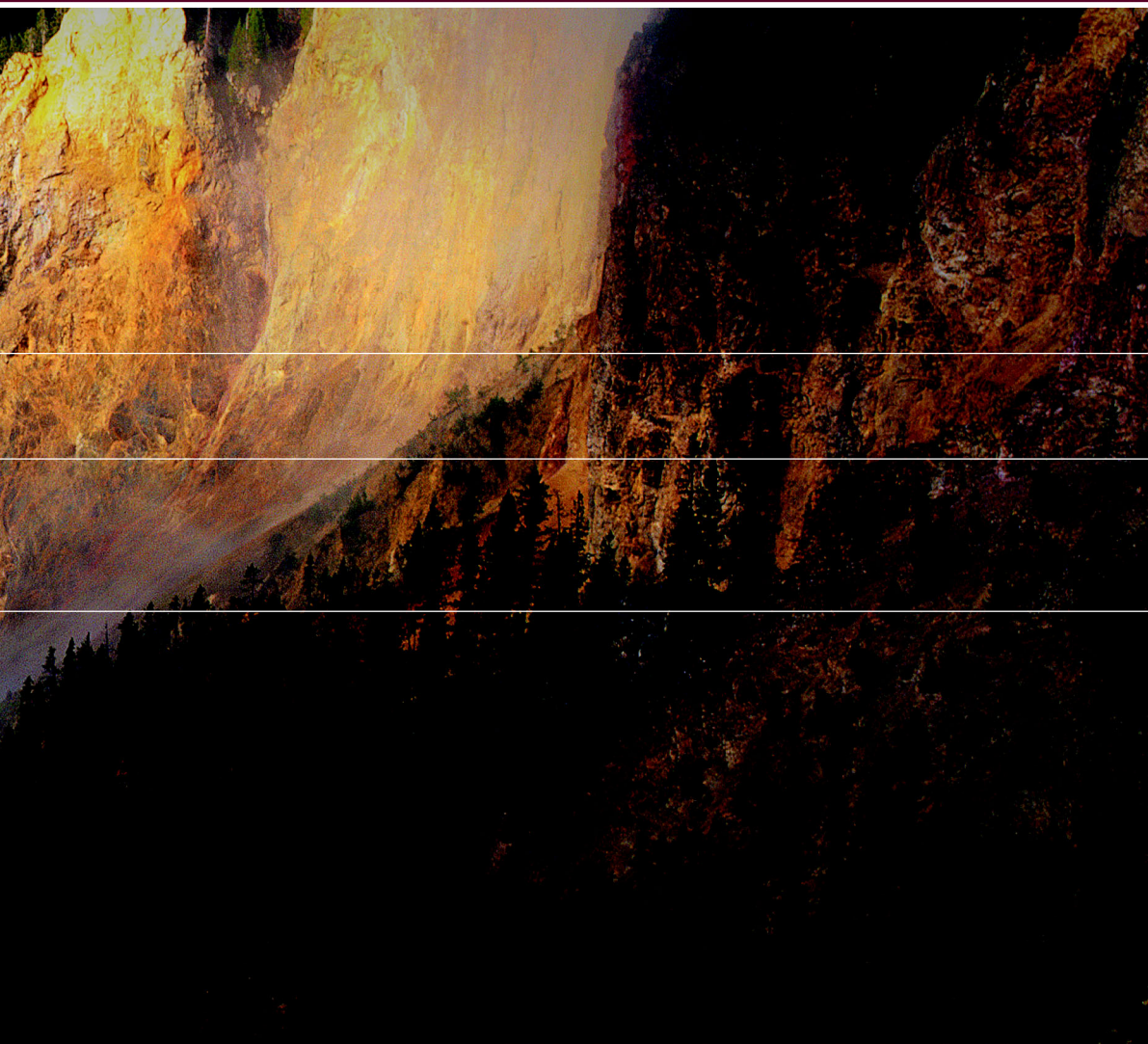
As of the end of the reporting period, the Bank had 6,382 employees, of whom 1,119 were managerial personnel 332 were administrative personnel and 4,931 were business staffs. In terms of educational background, 473 hold master's degrees, 4,476 hold diplomas or bachelor's degrees and 1,433 with other educations.

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## V. Corporate Governance

### 1. Summary of Corporate Governance

The Bank has strictly complied with the Company Law and Commercial Bank Law and related regulatory regulations on corporate governance and has focused on improving the corporate governance framework, enhancing the effectiveness of the corporate governance mechanism and quality of the Board of Directors' decision making continuously.

The Bank further revised its Article of Association in accordance with the relating regulations on corporate governance. The four special committees under the Board established in compliance with legal procedures have started to work according to the related working manuals. The 1<sup>st</sup> Extraordinary General Meeting of the Bank in 2004 elected additional independent directors and executive directors and the 5<sup>th</sup> meeting of the 3<sup>rd</sup> session BOD appointed more members to the special committees. The 11<sup>th</sup> meeting of the 3<sup>rd</sup> session BOD split the Audit and Related-party Transactions Committee into the Audit Committee and the Related-party Transactions Committee, the members of which were adjusted accordingly. The Bank has met the requirements of the regulatory authorities in terms of the number of independent directors and the organizational structure of the special committees.

The Bank has no controlling shareholder and operates fully independently in terms of personnel, assets and finance from shareholders.

During the reporting period, the Bank's development on corporate governance is as the following:

#### 1) Shareholders and Shareholders' General Meetings

All the unlisted shares of the Bank are legal person shares. The Bank has a relatively diversified shareholding structure with no controlling shareholders. The rational equity structure and the normative operations ensured the equality of all shareholders and full exercise of their rights.

In 2004, the Bank held the 2003 Shareholders' General Meeting, the 1<sup>st</sup>, 2<sup>nd</sup> and the 3<sup>rd</sup> Extraordinary Share-

holders' Meeting. The meetings strictly followed all the relating legal procedures in accordance with the regulations and ensured the shareholders' participation and execution of their rights. All shareholders' general meetings have lawyer's legal opinions.

In light of Several Rules on Enhancing the Protection of the Interests of Social Public Shareholders, the Bank adopted on-site voting and on-line voting for the proposals at the 3<sup>rd</sup> Extraordinary General Meeting in 2004.

#### 2) Directors and the BOD

The Bank appoints and elects directors in strict compliance with the rules on directors' qualification and selection procedures under the Articles of Association. The number and composition of the Bank's BOD are in line with related laws and regulations. The BOD carefully fulfills its duty and makes decisions based on the rules under the Articles of Association and the authorization of the Shareholders' General Meeting, paying special attention to the protection of the interests of Bank and all of its shareholders.

In 2004, the BOD of the Bank held 11 meetings and reviewed 54 proposals. Communications between directors and management have been improved. The special committees under the BOD has provided constructive recommendations for the decision making of the BOD to improve its scientificness by making careful study on the issues relating to the Bank.

#### 3) Supervisors and the BOS

The Bank appoints and elects supervisors in strict compliance with the rules on supervisors' qualification and selection procedures under the Articles of Association. The number and composition of the Bank's BOS are in line with related laws and regulations. In accordance with the requirement of the Corporate Governance Guidelines for Joint-stock Commercial Banks, the Bank has revised the provisions in the Articles of Association regarding the functions of the BOS to give it a clear and detailed definition, and added two provisions on appointing outside supervisors and establishing two special committees under the

BOS. In this regard, the Shareholders' General Meeting has elected 2 outside supervisors, established the Nomination Committee and the Monitoring Committee under the BOS, and elected the convenor. The current composition of the Bank's BOS has complied with the regulatory requirements.

In 2004, the BOS of the Bank prudently carried out its duties in accordance with the Articles of Association of the Bank and furtherly enhanced its monitoring and restricting functions. To examine and monitor the financial operations of the Bank, the BOS formulated and implemented rule and regulations, such as the Rules on Special Inspection and the Provisional Measures for the Information Exchange and Reporting System Establishment. Through communication with outside auditors and managements periodically and aperiodically and special examinations, the BOS submitted recommendations and improvement suggestions on potential risks and problems identified to the BOD and the management of the Bank.

#### 4) Information disclosure and transparency

The information disclosure of the Bank is strictly in compliance with the regulations of the regulatory authorities and the principle of reliability, accuracy, timeliness and completeness so as to ensure the shareholders' equal access to the information. The Bank has further standardized its investor relationship management and carefully handled the letters, phone calls, visits and consultations of shareholders to effectively protect the interests of all shareholders of the Bank, especially those of small and medium investors.

## 2. Independent Directors and Their Fulfillment of Duties

In January 2004, with 1 more independent director elected by the Shareholders' General Meeting, the total number of the independent directors of the Bank reached 5 persons, which has met the requirements on independent directors under the Guidelines for Joint-stock Commercial Banks on Corporate Governance and the Guidelines for Joint-stock Commercial Banks on Independent Directors and Outside Supervisors stipulated by the CBRC. The Independent directors of the

Bank diligently carried out their duties by attending the Board meetings and playing positive roles.

In light of the regulations under the Guidelines on Independent Directors Appointment in Listed Companies and the Notice on Several Issues Regarding Standardizing Fund Exchanges with Related Parties and Guarantee Business of Listed Companies, the Content and Format Standards No.2 Concerning Information Disclosure of Companies Offering Shares to the Public: Content and Format of Annual Report (2004 Revised) promulgated by the CSRC, the independent directors of the Bank put forward independent opinion on the following issues:

- (1) Opinion on the changes of the 2003 accounting policies and accounting estimations of the Bank;
- (2) The election of 2 more directors (Ms. Annie Wu and Mr. Hong Qi) by the 1st Extraordinary Shareholders' Meeting in 2004;
- (3) The remuneration scheme for the directors and supervisors of the Bank;
- (4) Special explanation and independent opinion on guarantee business of the Bank.

In compliance with the resolution of the 5<sup>th</sup> Meeting of the 3<sup>rd</sup> session BOD of the Bank, an Independent Investigation Committee comprising 3 independent directors of the Bank investigated issues in the registered name change process of the Bank. After two months' of diligent investigation, on April 8, 2004, the Independent Investigation Committee submitted the Investigation Report, which concluded the final results of the investigation over the name change and made recommendations on corporate governance issues that should be concerned and improved. Following the resolution of the 9<sup>th</sup> meeting of the 3<sup>rd</sup> session BOD of the Bank, the Bank engaged an internationally renowned consulting firm for a thorough review over the areas of the Bank's corporate governance that needed to be improved, and took proactive measures to implement and resolve the problems identified in the review and recommendations made.

## Presence of the Independent Directors in the Board Meetings:

| Independent Director | Due frequency of attending the Board meetings in the year | Presence in person (time) | Presence by proxies (time) | Absence (time) | Note   |
|----------------------|---|---------------------------|----------------------------|----------------|--|
| James Stent          | 11  | 9                         | 1                          | 1              | At the 9th meeting of the 3rd session BOD, James Stent entrusted Wu Zhipan to exercise his voting rights; At the 10th meeting of the 3rd session BOD, James Stent didn't vote due to absence for business trip.  |
| Annie Wu             | 11  | 11                        | 0                          | 0              | At the 5th meeting of the 3rd session BOD, Annie Wu took a temporary leave and entrusted Jing Shuping to exercise her voting rights; At the 9th meeting of the 3rd session BOD, Annie Wu took a temporary leave and entrusted Liu Yonghao to exercise her voting rights.   |
| Wu Zhipan            | 11  | 9                         | 1                          | 1              | At the 5th meeting of the 3rd session BOD, Wu Zhipan took a temporary leave and entrusted Gao Shangquan to exercise his voting rights; At the 12th meeting of the 3rd session BOD, Wu Zhipan didn't vote due to absence for business trip; At the 15th meeting of the 3rd session BOD, Wu Zhipan entrusted Wang Yugui to exercise his voting rights. |
| Zhang Ke             | 11  | 10                        | 0                          | 1              | At the 13 <sup>th</sup> meeting of the 3 <sup>rd</sup> session BOD, Zhang Ke didn't vote due to absence for business trip.   |
| Gao Shangquan        | 11  | 10                        | 1                          | 0              | At the 9th meeting of the 3rd session BOD, Gao Shangquan took a temporary leave and entrusted Wu Zhipan to exercise his voting rights; At the 11th meeting of the 3rd session BOD, Gao Shangquan entrusted Wu Zhipan to exercise his voting rights.  |

## Dissensions of the Independent Directors on related issues of the Bank:

| Independent Director | Issues Dissented   | Contents of the Dissension | Note                   |
|----------------------|--|----------------------------|------------------------|
| James Stent          |  |                            |                        |
| Annie Wu             |  |                            |                        |
| Wu Zhipan            | The Proposal on Reviewing the Qualification of Equity Participation of Asia Financial Holdings Pte., Ltd. and Approving Its Equity Participation in the Bank of the 13 <sup>th</sup> Meeting of the 3 <sup>rd</sup> Session BOD. |                            | Abstention from voting |
| Zhang Ke             | The Proposal on Establishing Suzhou Branch of the Bank of the 8 <sup>th</sup> Meeting of the 3 <sup>rd</sup> Session BOD   |                            | Abstention from voting |
| Gao Shangquan        |  |                            |                        |

## 3. Decision Making System

The supreme authority of the Bank is the Shareholders' General Meeting, taking charge of the management and supervision of the Bank through the BOD, BOS. The President is appointed by the BOD and is responsible

for the daily business operations and management of the Bank. The Bank adopts an one legal person system. Branches are all non-independent accounting units and conduct business operations and management with the

authorization of the Head Office for which the branches are responsible.

The Bank has no controlling shareholders and is totally independent from its major shareholders in terms of business, personnel, assets, organizations and finance. The Bank has independent and integral business and management capacity, while its BOD, BOS and internal departments are able to operate separately.

In May 2004, the 9<sup>th</sup> meeting of the 3<sup>rd</sup> session BOD of the Bank approved in principle the Adjustment Scheme on the Organizational Structure of the Bank, and authorized the management of the Bank to further revise and refine it for a gradual implementation. The adjustment scheme mainly covered the implementation of dedicated committee system of business operation and management under the lead of President. The Scheme will set up a Law and Compliance Affairs Department, an Asset and Liability Management Department, etc., and adjust the functions of current departments, as well as the integration of workflows, in compliance with its development requirement of internationalization and modernization.

#### 4. Performance Evaluation and Incentive System for Senior Executives

Starting from 2004, the Bank adopted a new measure of annual salary system for senior executives. Besides stimulating the senior executives in accomplishing all targets of business operations and management set by the BOD, the new measure is enriched with contents regarding intensifying the internal control, increasing economic benefits and improving management levels. The measure introduced qualitative evaluation on the basis of quantitative evaluation, ensuring scientific, thorough and complete evaluations on the senior executives. The establishment and implementation of this system made the senior executives more concerned about asset risks, internal control and overall management and tightly connected the target incentives with restriction of responsibilities, which may effectively avoid short-term operations and realize better prevention and control over risks.

On February 25, 2005, the 5<sup>th</sup> meeting of the 3<sup>rd</sup> session BOD approved the resolution on Implementa-

tion of Long-term Incentive Plan (Draft). The application of the plan will not only greatly facilitate the attraction and retention of high quality human resource, but also help the Bank establish and improve an incentive and control mechanism adapt to the need of the Bank's long-term strategy and development, and maximize the shareholders' value.

## VI. Shareholders' General Meeting

### 1. Notice, Calling and Convention of the Shareholders' General Meetings

Regarding the 2003 Annual General Meeting of the Bank, the relating resolutions of the BOD, notices of the meeting for the time, venue, topics proposed were announced in the China Securities Journal, Shanghai Securities News and Securities Times on February 27, 2004.

On March 29, 2004, the 2003 Annual General Meeting was convened in Beijing. 33 directors or their proxies attended the meeting, representing 2,141,369,389 shares with valid voting rights, or 55.97% of the total capital stock of the Bank. The meeting complied with the Company Law and the Articles of Association of the Bank.

### 2. Resolutions Approved by the General Meeting and Information Disclosed

The 2003 Annual General Meeting approved the following resolutions: Resolution on the 2003 Performance Report of the BOD of the Bank, Resolution on the 2003 Performance Report of the BOS of the Bank, Resolution on the 2003 Financial Statements of the Bank, Resolution on the 2003 Profit Distribution Plan of the Bank, Resolution on the 2003 Proposal of Capital Surplus Transferring into Capital Stock, Resolution on the 2004 Financial Budget Statement of the Bank, Resolution on Implementing the Long-term Incentive Scheme of the Bank, Resolution on Engaging Audit and Accounting Firm for the H Share Listing and the Remuneration, Resolution on Continuing to Engage Accounting Firm for 2004 and the Remuneration. These resolutions were published in China Securities Journal, Shanghai Securities News and Securities Times on March 30, 2004.

### 3. Election and Dimission of Directors, Supervisors and Senior Executives of the Bank

On January 8, 2004, the 1<sup>st</sup> Extraordinary General Meeting of the Bank in 2004 elected 2 new directors, Annie Wu and Hong Qi, which was announced in China

Securities Journal, Shanghai Securities News and Securities Times on January 9, 2004.

On February 25, the 5<sup>th</sup> meeting of the 3<sup>rd</sup> session BOD of the Bank adopted a resolution, approving Liu Changming's resignation from the position of Vice President of the Bank. It was announced in China Securities Journal, Shanghai Securities News and Securities Times on February 27, 2004.

On December 24, 2004, the 3<sup>rd</sup> Extraordinary General Meeting of the Bank in 2004 elected Huang Diyan and Zhang Hongjiu as the external supervisors of the 3<sup>rd</sup> session BOS. It was announced in China Securities Journal, Shanghai Securities News and Securities Times on December 25, 2004.

On December 24, the 7<sup>th</sup> meeting of the 3<sup>rd</sup> session BOS of the Bank adopted a resolution, electing Huang Diyan and Lu Zhiqiang as Chairman and Vice Chairman of the BOS respectively. It was announced in China Securities Journal, Shanghai Securities News and Securities Times on December 28, 2004.

On January 18, 2005, the 16<sup>th</sup> meeting of the 3<sup>rd</sup> session BOD of the Bank adopted a resolution, appointing Shao Ping and Liang Yutang as Vice Presidents of the Bank. It was announced in China Securities Journal, Shanghai Securities News and Securities Times on January 19, 2005.

### 4. Convention of Extraordinary General Meetings

On January 8, 2004, the 1<sup>st</sup> Extraordinary General Meeting of the Bank in 2004 was convened in Beijing. With the presence of 59 shareholders or proxies representing 2,242,729,295 shares with valid voting rights or 61.86% of the total capital stock of the Bank, the meeting was in compliance with the Company Law and the Articles of Association of the Bank. The meeting adopted the following resolutions: Resolution on the Proposal of H Share Listing of the Bank, Resolution on the Proceeds Usage and the Feasibility Analysis of the H Shares Issuance, Resolution on the Explanation of

Previous Proceeds Usage, Resolution on Amending the Articles of Association of the Bank and the Articles of Association of the Bank (Revised), Resolution on Electing New Independent Directors, Resolution on Electing New Executive Directors, Resolution on Proposing to the Extraordinary General Meeting to Extend Authorization to the BOD Regarding the H Share Listing, Resolution on Proposing to the Extraordinary General Meeting to Approve the H Share Listing and the Validity Period of the Resolution Regarding the H Share Listing, Resolution on the Remuneration Scheme for Directors and Supervisors of the Bank and Resolution on Purchasing the Second Part of Shanghai Lujiazui Zhongshang Tower and Its Reconstructed and Extended Sections. For details, please refer to the announcement of the 1st Extraordinary General Meeting of the Bank in 2004 published in China Securities Journal, Shanghai Securities News and Securities Times on January 9, 2004.

On September 10, 2004, the 2<sup>nd</sup> Extraordinary General Meeting of the Bank in 2004 was convened in Beijing. With the presence of 25 directors or proxies representing 2,787,215,385 shares with valid voting rights or 53.79% of the total capital stock of the Bank, the meeting was in compliance with the Company Law and the Articles of Association of the Bank. The meeting approved the following resolutions: Resolution on Issuing Subordinated Bonds of the Bank, Resolution on the Proceeds Usage and the Feasibility Analysis of the Subordinated Bonds Issuance, Resolution on Issuing Subordinated Bonds and Extending Special Authorizations within the Limit, Resolution on Several Measures on Tightening the Control over Related Party Transactions of the Bank, Resolution on Authorizing the BOD to Register the Change of Shareholders' Namelist due to the Share Transfers by Some of the Promoters of the Bank and the Name Changes of the Shareholders, Resolution on Authorizing the BOD to Update Relevant Approval, Reply and Change from the Related Authorities Resulted from the Change of the Bank's Office. For details, please refer to the Announcement of the 2nd Extraordinary General Meeting of the Bank in 2004 published in China Securities Journal, Shanghai Securities News and Securities Times on September 11, 2004.

On December 24, 2004, the 3<sup>rd</sup> Extraordinary General Meeting of the Bank in 2004 was convened in Beijing. 238 directors or proxies presented, representing 3,064,371,310 shares with valid voting rights or 59.14% of the total capital stock of the Bank, of whom 22 were unlisted share holders representing a total of 2,903,843,322 shares with valid voting rights, or 80.19% of the total unlisted shares of the Bank, and 216 were listed share holders holding a total of 160,527,988 shares with valid voting rights, representing 10.29% of the total listed shares of the Bank. The meeting complied with the Company Law, the Articles of Association of the Bank and the Rules on Enhancing Protection of the Interests of Public Shareholders issued by the CSRC. The meeting approved the following resolutions by registered voting: Resolution on Extending the Validity Period of the Resolution on the H Share Issuance and Listing and Authorizing the BOD to Handle All Matters in Relation to the H Share Issuance and Listing, Resolution on Increasing Audit Fees of H Share Issuance of the Bank, Resolution on Electing Mr. Huang Diyan and Mr. Zhang Hongjiu as the External Supervisors of the Bank. For details, please refer to the Announcement of the 3rd Extraordinary General Meeting of the Bank in 2004 published in China Securities Journal, Shanghai Securities News and Securities Times on December 25, 2004.

## VII. Report of the Board of Directors

### 1. Business Operations

#### 1) The scope and performance of main businesses

The Bank's main businesses include: public deposits taking, granting of short-term, medium and long term loans, granting of entrusted loans, domestic and international settlement, discounted bills, financial bonds issuance, government bonds issuance, cashing and underwriting agency services, purchasing/selling of government bonds, inter-bank borrowing and lending, purchasing/selling agency of foreign exchanges and other financial derivatives, wealth management in foreign exchanges, L/C and guarantees, agency services for collection/payment and insurance, safe box services and other financial services approved by the PBOC.

In 2004, the state government adopted a series of macroeconomic tightening measures to prevent economy from overheating, which has initially shown a positive result. The year of 2004 witnessed the Bank's continuous implementation of strategic business portfolio restructuring and significant progressing on digitalized system construction. Following with the operation guidelines set by the Board of Directors, the Bank worked hard to push forward the reforms, improve the management, overcome the negative impacts on business expansion from macroeconomic adjustment and succeed in meeting all business targets. As of the end of the reporting period, the Bank's total assets reached RMB445.4 billion, increasing by 23% or RMB84.3 billion compared to the previous year. Total deposits amounted to RMB380 billion, increased by 38% or RMB105.4 billion compared to the previous year. Total loans (including discounted bills) rose to RMB288.4 billion, increased by 43% or RMB86.6 billion. Net profit was RMB2.038 billion, increased by 47% or RMB647 million compared to the previous year. As of the end of the reporting period, the Bank's NPL ratio (according to the five-grade classification) stood at 1.31%, or 0.02% higher than that at the beginning of the year, while the absolute amount of NPL increased by RMB1.175 billion and reached to RMB3.775 billion. The quality of assets

still maintained one of the best in Chinese banks.

During the reporting period, the Bank persevered in pushing forward business development by continuously launching new products that meet the market and customers' demands, e.g. bill replacement, standard warehouse receipt financing, chattel financing, factoring, etc. The transaction volume of these products kept ahead among joint-stock commercial banks. Initial achievements have been made in business structure adjustment. As of the end of the reporting period, the balance of savings deposit from individuals amounted to RMB41.32 billion, or 10.9% of total deposit of the Bank, and accounted for 1.1% of savings deposit market shares in 17 cities we operate. The volume of banking cards of 11.29 million issued and the average deposit of card stood at No. 4 among joint-stock commercial banks. Outstanding loans to individuals amounted to RMB42.98 billion, or 14.9% of all outstanding loans of the Bank, and accounted for 2.16% market shares in this segment in China. The outstanding housing mortgage loans to individuals amounted to RMB40.38 billion, taking 2.57% market shares in Chinese mortgage market. Currently, the market share of cash self-service equipments in 17 cities we operate stood at 4.5%, which provided a convenient network to customers.

As of the end of the reporting period, the Bank has established 17 branches and 1 direct-reporting sub-branch in 18 cities nationwide, with a total of 216 branches and sub-branches. The Bank also successfully obtained three new business licenses for foreign exchange derivatives, fund custody and market-maker of inter-bank bonds, which have played positive role in expanding its business.

### (1) Operating income, operating profit and total assets

During the reporting period, the Bank's operating income and operating profit from main business operations were respectively recorded at RMB 17,958.779 million and RMB 2,844.55 million, and its total assets were RMB 445,398.682 million.

#### (i) Classification by line of business

(Unit: RMB thousand)

| Line of business   | Operating income  |
|--|-------------------|
| Loans  | 12,941,260        |
| Placement and deposits with other financial institutions | 2,193,152         |
| Bond investments   | 2,210,254         |
| Others   | 614,113           |
| <b>Total</b>   | <b>17,958,779</b> |

#### (ii) Classification by geographical locations

(Unit: RMB thousand)

| Location       | Operating income  | Operating profit | Total assets       |
|----------------|-------------------|------------------|--------------------|
| Northern China | 7,496,161         | 758,379          | 159,921,680        |
| Eastern China  | 4,903,863         | 1,133,640        | 133,678,155        |
| Southern China | 3,404,475         | 546,117          | 89,301,029         |
| Others         | 2,154,280         | 406,414          | 62,497,818         |
| <b>Total</b>   | <b>17,958,779</b> | <b>2,844,550</b> | <b>445,398,682</b> |

Note: Others refer to other banking units and aggregated adjustments to some accounting items of transactions among head office branches and sub-branches.

### (2) Major products or services and their market shares

According to the Credit Statement for Banks issued by the PBOC in December, 2004, the Bank's closing balance of deposits took 9.31% of the total deposits market of 11 national joint-stock commercial banks, up 0.94% against the beginning of the year.

### (3) Changes of main businesses or its structure in the reporting period against the previous period

The Bank operates within the scopes approved by the regulatory authorities. Its major income sources are loans, placements and deposits with other financial institutions, bond investment, settlement and agency services. During the reporting period, no other business with significant impact on the Bank's profit was reported. Since the end of the previous reporting period, the Bank had no significant changes in its main business operations.

### 2) The business and operation results of invested companies

In compliance with the Reply on the Preparation for the Establishment of China UnionPay Co., Ltd. (Yin Fu [2001] No.234) issued by the PBOC, the Bank had investment of RMB 50 million in China UnionPay Co., Ltd., accounting for 3.03% of the company's registered capital. The company has grown rapidly since its foundation in March 2002. However, due to its short operating time, the company was still in an aggregated loss as of December 31, 2004. With the steady increase of cross-bank transaction volume of bank cards, the company's financial condition is likely to keep improving accordingly.

### 3) Major customers

As of the end of the reporting period, total loans to the top ten largest customers amounted to RMB9,923,886,900, or 3.44% of the Bank's total loans.



#### 4) Problems and difficulties in the operation and solutions

During the reporting period, the Bank encountered some problems and difficulties. Since the beginning of the year, the macroeconomy tightening measures adopted by the government had achieved initial positive result and non-performing assets of the banking industry tended to increase. The domestic financial market has been gradually opened up which led to a stronger competition. The CBRC implemented new regulations and measures on capital adequacy for commercial banks and capital adequacy ratios played a more important role in controlling the asset growth. In addition, the PBOC raised the benchmark interest rates in the 4<sup>th</sup> quarter of 2004 and the CBRC started to charge regulatory fees to commercial banks, both of which increased the operational cost of a commercial bank. In response to the above-mentioned difficulties, the management of the Bank, guided by the Board of Directors, made an great effort to resolve these problems and well performed beyond the operational targets set at the beginning of the year.

(1) Sped up the business development through scientific business planning. The Bank emphasized the growing of assets business in the first half of the year and the retail banking achieved a balanced and rapid growth on assets and liabilities business. The banking network also kept a balanced development.

(2) Successfully issued subordinated bonds to support business development. Approved by the CBRC and PBOC, the Bank issued subordinated bonds by a private placement in the national inter-bank bond market. As of November 8, 2004, the proceeds of RMB5.8 billion have been fully transferred into the Bank's account, which was reviewed by PwC. The proceeds were recorded into the supplemental capital account of the Bank which ensured the Bank met the regulatory requirement of 8% on capital adequacy.

(3) Improved risk management system and enhanced risk control capability. The Bank reinforced the effort on non-performing assets working out and reduced the NPL ratio. By establishing three major regional credit assessment centers and optimizing the credit assessment process, the Bank further improved its independent and

integrated assessment system and increased the efficiency and professionalism. The Bank also set up and enhanced asset monitoring functions and engaged more staffs to this function. The five-class loan classification system was comprehensively improved and standardized, and the criteria for the classification was further refined.

(4) Enhanced product innovation to significantly support the business development. The Bank maintained to push forward business development through product innovation and continued to launch new products, such as bill replacement, standard warehouse receipt financing, etc., which met the market and customers' needs.

(5) Pushing forward the transformation of internal auditing system by establishing modernized internal auditing system. The Bank accomplished the construction of 3-level internal auditing system, and the whole internal auditing function has been controlled by the Head Office with professional guidance from specified experts, while the regional auditing centers operates on a flatter framework.

(6) Sped up the construction of IT platforms to support business growth and the streamlining of business operation. The HR management project has been put into force, while the management accounting system (MAS) has been developed and started into operation on a trial basis. The reengineering of core business processing system has also come to the stage of implementation.

(7) Steadily pushed forward H share issuance and listing and improved the relationship management with investors. The H share issuance and listing project was carried out smoothly as planned and major tasks have been almost completed. Communications with investors have been enhanced and investor relationship management has been improved.

(8) Intensified training to improve employees' capability. Many managing directors at sub-branch level and managerial staff at Head Office and branches were sent to long-term training programs held by universities in Hong Kong and Singapore.

## 2. Investment

### 1) Usage of proceeds from convertible bonds issuance

As approved by the CSRC with its document of Zhengjian Faxing Zi [2003] No.13, the Bank issued convertible bonds of RMB4 billion on February 27, 2003, with a par value of RMB100 for each bond. After deducting the issuance charge, the actual proceeds of RMB3.939 billion was transferred into the specified account on March 6, 2003, which was verified by PwC Zhong Tian CPAs Limited Company with its verification report of PwC ZT [2003] No. 32. Prior to the conversion of convertible bonds into ordinary shares, the Bank's convertible bonds were a source of medium and long-term funding. As of the end of the reporting period, the proceeds from the convertible bonds issuance have been completely put into use in accordance with the Issuance Brochure, and have achieved an expected return.

The details are as follows:

(1) The Bank's convertible bonds started to be converted into shares from August 27, 2003. As of the end of the reporting period, an amount of RMB3.691 billion of convertible bonds have been converted into

Minsheng Bank stocks, which increased the Bank's capital base.

(2) The residual proceeds were used in lendings to small and medium enterprises in leading industries and with good credit quality, investment in the money market and government bonds market.

### 2) Usage of proceeds from subordinated bonds issuance

In accordance with the approval from the PBOC with its document of Yinfu [2004] No.59 and the CBRC with its document of Yinjianfu [2004] No.159, the Bank issued RMB 5.8 billion of subordinated bonds by private placement in the national inter-bank bond market. The term of the subordinated bonds issued was 10 years, with interest to be paid once a year. The proceeds were transferred into the specified account on November 8, 2004 which was verified by PwC Zhong Tian CPAs Limited Company with its verification report of PwC ZT [2004] No. 212. The proceeds of RMB5.8 billion were recorded as supplementary capital of the Bank in accordance with the relating regulations, and will be used, by strictly complying to the commitments in the Issuance Brochure, in loans to corporations in leading industries and projects with good quality, in money market and government bonds market.

## 3. Financial Condition and the Result of Operation

### 1) Changes of key financial indicators and the main reasons

The table below shows the changes of key financial indicators and the main reasons compared with that in the previous year:

(Unit: RMB thousand)

| Key financial indicators                  | Closing amount | Increase/decrease percentage | Main reasons   |
|---|----------------|------------------------------|--|
| Total assets                              | 445,398,682    | 23%                          | Increase of loans, placements and deposits with other financial institutions |
| Total liabilities                         | 432,491,524    | 23%                          | Rapid growth of deposits and borrowings from other financial institutions    |
| Including: Long-term liabilities          | 80,341,851     | 59%                          | Increase of long-term corporate deposits and long-term savings               |
| Shareholders' equity                      | 12,907,158     | 34%                          | Conversion of convertible bonds into capital stock and retained profit       |
| Operating profit                          | 2,865,446      | 46%                          | Business expansion   |
| Net profit                                | 2,038,401      | 47%                          | Business expansion   |
| Net increase of cash and cash equivalents | (20,950,113)   | 1281%                        | Business expansion   |

## 2) Items with change of more than 30% in the comparative financial statements

(Unit: RMB thousand)

| Key financial indicators                     | Closing amount | Increase/decrease percentage | Main reasons   |
|--|----------------|------------------------------|--|
| Cash in hand and at bank                     | 1,471,945      | 38%                          | Increase in excess reserves  |
| Due from other banks                         | 2,077,177      | -57%                         | Decrease in due from other banks   |
| Lendings to other banks                      | 8,919,586      | 74%                          | Increase in lendings to other banks  |
| Short-term loans                             | 136,454,464    | 31%                          | Increase in short-term loans   |
| Other receivables, net                       | 612,059        | 106%                         | Increase in other receivables  |
| Discounted bills                             | 29,940,167     | 38%                          | Increase in discounted bills   |
| Short-term investments                       | 10,335,234     | 1203%                        | Increase in short-term investments   |
| Securities purchased under resale agreements | 11,518,877     | -38%                         | Decrease in securities purchased under resale agreements   |
| Medium and long-term Loans                   | 117,050,744    | 63%                          | Increase in medium to long-term loans  |
| Overdue loans                                | 447,511        | 122%                         | Increase in overdue loans  |
| Less: Provisions for impaired loans          | -4,247,700     | 32%                          | Increase in total loans  |
| Fixed assets, net                            | 2,698,034      | 69%                          | Increase in fixed assets   |
| Total long-term assets                       | 182,900,056    | 36%                          | Increase in long-term assets   |
| Intangible assets                            | 69,545         | 100%                         | Increase in intangible assets  |
| Total intangible and other assets            | 1,218,768      | 79%                          | Increase in intangible and other assets  |
| Defered income tax assets                    | 383,150        | 67%                          | Increase in deferred income tax assets   |
| Short-term savings deposits                  | 36,094,772     | 53%                          | Increase in short-term savings deposits  |
| Borrowings from the PBOC                     | -              | -100%                        | Decrease in borrowings from the PBOC   |
| Borrowings from other banks                  | 1,219,919      | -61%                         | Decrease in Borrowings from other banks  |
| Securities sold under repurchase agreements  | 6,965,915      | -71%                         | Decrease in securities sold under repurchase agreements  |
| Outward remittance                           | 367,674        | -53%                         | Decrease in outward remittance   |
| Inward remittance & temporary deposits       | 377,077        | -47%                         | Decrease in inward remittance & temporary deposits   |
| Short-term margin deposits                   | 35,432,961     | 76%                          | Increase in short-term guarantee deposits  |
| Interest payable                             | 1,632,185      | 48%                          | Increase in interest payable   |
| Payroll payable                              | 339,505        | 70%                          | Increase in number of staffs   |
| Welfare payable                              | 70,414         | 77%                          | Increase in number of staffs   |
| Tax payable                                  | 618,133        | 56%                          | Increase in tax payable  |
| Other payables                               | 978,164        | 31%                          | Increase in other payables   |
| Dividend payable                             | 24,535         | 3252%                        | Increase in dividend payable   |
| Long-term corporate deposits                 | 66,345,140     | 44%                          | Increase in long-term deposits   |
| Long-term savings deposits                   | 7,421,176      | 287%                         | Increase in long-term savings deposits   |
| Outstanding convertible bonds                | 312,769        | -84%                         | Increase in coversion from convertible bonds to shares   |
| Total long-term liabilities                  | 80,341,851     | 59%                          | Increase in long-term liabilities  |
| Capital stock                                | 5,184,447      | 43%                          | Dividend distribtuion, share transfer to capital stock and conversion of convertible bonds into shares during the year |
| Capital surplus                              | 777,453        | 65%                          | Capital surplus provisioning of the current year   |
| Retained earnings                            | 1,999,595      | 34%                          | Increase in profit   |
| Total shareholders' equity                   | 12,907,158     | 34%                          | Increase in shareholders' equity   |

| Key financial indicators                 | Closing amount | Increase/decrease percentage | Main reasons                                   |
|--|----------------|------------------------------|--|
| Operating income                         | 17,958,779     | 49%                          | Increase in operating income                   |
| Interest income                          | 12,941,260     | 64%                          | Increase in interest income                    |
| Fee and commission income                | 411,382        | 199%                         | Increase in intermediary business              |
| Other operating income                   | 93,410         | 82%                          | Increase in other operating income             |
| Operating expense                        | 14,354,159     | 49%                          | Increase in operating expenses                 |
| Interest expense                         | 5,568,425      | 54%                          | Increase in interest expense                   |
| Expenses to other financial institutions | 2,793,223      | 52%                          | Increase in inter-bank borrowings and lendings |
| Operating cost                           | 4,385,586      | 46%                          | Business expansion and increase in staffs      |
| Other operating expenses                 | 1,503,048      | 42%                          | Increase in other operating expenses           |
| Business tax and surcharges              | 760,070        | 68%                          | Increase in operating tax and surcharges       |
| Operating profit                         | 2,844,550      | 45%                          | Increase in operating profit                   |
| Total profit                             | 2,865,446      | 48%                          | Increase in total profit                       |
| Less: Income tax                         | 827,045        | 50%                          | Increase in total profit                       |
| Net profit                               | 2,038,401      | 47%                          | Increase in net profit                         |

## 4. Business Operation

### 1) Business network of the Bank

| Branches            | Number of banking outlets | Number of employees | Total assets (in RMB million) | Address  |
|---------------------|---------------------------|---------------------|-------------------------------|--|
| Head Office         | -                         | 603                 | 90,743                        | No. 2, Fuxingmennei Avenue, Beijing                            |
| Beijing Branch      | 39                        | 918                 | 94,329                        | No. 2, Fuxingmennei Avenue, Beijing                            |
| Guangzhou Branch    | 17                        | 567                 | 28,154                        | No. 189, Tianhe Bei Road, Guangzhou                            |
| Shanghai Branch     | 27                        | 844                 | 59,219                        | No. 48, Weihai Road, Shanghai                                  |
| Shenzhen Branch     | 21                        | 653                 | 33,706                        | Tower B, Jiahe Huaqiang Mansion, Middle Shennan Road, Shenzhen |
| Wuhan Branch        | 15                        | 414                 | 16,992                        | No. 2, Jiangnan Road, Wuhan                                    |
| Taiyuan Branch      | 11                        | 252                 | 19,437                        | No. 188, Wuyi Road, Taiyuan                                    |
| Shijiazhuang Branch | 10                        | 243                 | 9,695                         | No. 10, ShiXi Avenue, Shijiazhuang                             |
| Dalian Branch       | 9                         | 230                 | 9,296                         | No. 28, Yan'an Road, Zhongshan District, Dalian                |
| Nanjing Branch      | 11                        | 257                 | 15,991                        | No. 26, North Zhongshan Road, Nanjing                          |
| Hangzhou Branch     | 12                        | 321                 | 18,758                        | No. 25, Qingchun Road, Shangcheng District, Hangzhou           |
| Chongqing Branch    | 8                         | 236                 | 11,263                        | No. 18, Minzu Road, Yuzhong District, Chongqing                |
| Xi'an Branch        | 7                         | 149                 | 6,521                         | No. 78, South 2nd Ring Road, Xi'an                             |
| Fuzhou Branch       | 8                         | 176                 | 8,721                         | No. 173, Hudong Road, Fuzhou                                   |
| Jinan Branch        | 7                         | 198                 | 9,334                         | No. 229, Luoyuan Avenue, Jinan                                 |
| Ningbo Branch       | 4                         | 105                 | 4,492                         | No. 166-168, West Zhongshan Road, Ningbo                       |
| Chengdu Branch      | 5                         | 107                 | 6,323                         | No. 22, 2nd Section, Middle Renmin Road, Chengdu               |
| Tianjin Branch      | 1                         | 47                  | 996                           | Tianxin Plaza, No. 125, Weidi Road, Hexi District, Tianjin     |
| Shantou Sub-branch  | 4                         | 62                  | 1,429                         | 1/F, Binhai Tower, South Huashan Road, Shantou                 |
| <b>Total</b>        | <b>216</b>                | <b>6382</b>         | <b>445,399</b>                |  |

Note: Banking outlets managed by branches include business departments of branches, sub-branches and banking outlets.

## 2) Five-class classification of credit assets and provision percentage of impaired loans

The following table shows the five-grade classification of the Bank's credit assets and provision percentage of impaired loans:

(Unit: RMB ten thousand)

|                 | Loan<br>(Excluding discounted<br>bills) | Discounted<br>commercial<br>acceptance bills | Overdue loans to other<br>banks and financial<br>institutions | Total             | Percentage<br>range of provision | Regulatory standard<br>percentage |
|-----------------|---|--|---|-------------------|----------------------------------|-----------------------------------|
| Normal          | 24,980,286                              | 529,905                                      | -   | 25,510,190        | 1%                               | 1%                                |
| Special mention | 484,420                                 | -  | -   | 484,420           | 2%-5%                            | 2%                                |
| Substandard     | 198,494                                 | -  | -   | 198,494           | 20%-30%                          | 25%                               |
| Doubtful        | 129,156                                 | -  | -   | 129,156           | 40%-90%                          | 50%                               |
| Loss            | 49,842                                  | -  | 9,550   | 59,392            | 100%                             | 100%                              |
| <b>Total</b>    | <b>25,842,198</b>                       | <b>529,905</b>                               | <b>9,550</b>  | <b>26,381,652</b> |                                  |                                   |

Note: The Bank analyzes the collectibility of all loans, estimates potential loan losses and makes provisions for impaired loans at the end of the year. Provisions for impaired loans are reasonably accrued according to the result of risk categorization of assets while taking in consideration of several factors such as the repayment ability of the borrower, repayment of principles and interests of loans, rational values of collaterals and hypothecations, the capability of guarantor and internal credit management of the Bank.

## 3) Top ten borrowers

As of the end of the reporting period, the Bank's top ten borrowers include: Shandong Luneng Group Co., Ltd., China Electronics Corporation, Beijing Kaiheng Real Estate Co., Ltd., Hangzhou Hangqian Highway Development Co., Ltd., Zhejiang Hangpu Highway Co., Ltd, CITIC Real Estate Company, North China Power Group Corporation, Yima Jinjiang Energy Comprehensive Utilization Co., Ltd., Legend Holdings Limited and Hengyi Real Estate Development Co., Ltd.

## 4) Bad debt provisions for interest receivable and other receivables

As of the end of the reporting period, the Bank's

balance of bad debt provision amounted to RMB 33,580 million.

## 5) Interest-subsidized loan

As of the end of the reporting period, the Bank had no interested-subsidized loans.

## 6) Restructured loan

As of the end of the reporting period, the outstanding restructured loans amounted to RMB3,648,141,600, of which RMB 665,464,100 were overdue.

## 7) Average balances and interest rates of major types of loans and deposits

(Unit: RMB billion)

| Type                       | Average Balance | Average annual interest rate |
|----------------------------|-----------------|------------------------------|
| Short-term loans           | 124.2           | 4.83%                        |
| Medium and long-term loans | 99.2            | 5.09%                        |
| Corporate deposits         | 290.7           | 1.77%                        |
| Savings deposits           | 31.4            | 1.15%                        |

## 8) Government bonds investments with significant values

As of the end of the reporting period, the Bank held the following government bonds with significant values:

| Type of treasury bond             | Par value (in RMB ten thousand) | Annual interest rate (%) | Maturity date           |
|-----------------------------------|---------------------------------|--------------------------|-------------------------|
| 1996 PRC Government Bond          | 140,914                         | 11.83                    | 14-6-2006               |
| 1998 PRC Government Bond          | 98,288                          | 6.8                      | 18-5-2005               |
| 1998 PRC Government Overseas Debt | 66,328                          | 7.3                      | 15-12-2008              |
| 2001 PRC Government Bond          | 288,000                         | 3.36-4.69                | 13-7-2006 to 23-10-2021 |
| 2002 PRC Government Bond          | 265,660                         | 2.9-2.93                 | 6-12-2009 to 24-5-2032  |
| 2003 PRC Government Bond          | 728,000                         | 2.45-4.18                | 24-4-2008 to 24-10-2018 |
| 2004 PRC Government Bond          | 146,000                         | 3.2-4.89                 | 9-4-2007 to 25-5-2011   |
| <b>Total</b>                      | <b>1,733,190</b>                | <b>-</b>                 | <b>-</b>                |

## 9) Off-balance sheet items and important issues with potential significant impact on the Bank's financial condition and operation result

As of the end of the reporting period, the balance of major off-balance sheet items were as follows:

(Unit: RMB thousand)

|                            | As at December 31, 2004 | As at December 31, 2003 |
|----------------------------|-------------------------|-------------------------|
| Undrawn credit commitments | 108,988,697             | 106,634,318             |
| Bank acceptance            | 52,617,188              | 28,763,337              |
| Letter of gurantee issued  | 6,532,418               | 2,713,942               |
| L/C issued to overseas     | 6,143,764               | 5,831,470               |
| Interest receivable        | 1,043,596               | 681,317                 |
| Entrusted loans            | 12,984,681              | 6,181,578               |
| Leasing commitments        | 1,240,193               | 1,413,641               |

Note: Leasing commitments represent rentals payable by the Bank on leased office premises and equipments for business purpose, generally within 5 to 10 years.

## 10) Overdue liabilities

As of the end of the reporting period, the Bank has no overdue liabilities.

## 11) Non-performing loans and responding measures

During the reporting period, the Bank took effective measures to strengthen the monitoring, collecting and resolving of NPL. According to the caliber of the five-grade loan classification, as of the reporting period, the outstanding NPL of the Bank amounted to RMB3.775 billion with a NPL ratio of 1.31%.

The Bank has taken the following measures to reduce NPL and improve asset quality: (1) Established a Credit Policy Center at the Head Office to make timely adjust-

ment to credit policies and customer portfolio in accordance with the trend of marcoeconomic policy of the country; (2) Further refined the independent assessment system, the HR management system such as appraisal, evaluation, dimission and monitoring for independent assessment organizations and personnel was improved, the efficiency and quality of assessment were further improved; (3) Promoted the model of "Lending Centers" to gradually integrate four major functions of monitoring on lendings, on-going loan monitoring, documentation management and credit information and data management; improved examinations on the legal compliance and effectiveness

of the lending procedures to prevent operational risks; (4) Formulated basic rules and measures for standardizing credit exposures to group customers and related parties transactions and strengthened corresponding risk monitoring ; (5) Started adopting the accountability system for non-performing loans and required credit officers to strictly implement the Guidelines on Due Diligence of Credit Extending of Commercial Banks; (6) Quickened the reform on the vertical integration of asset management function by effectively collecting NPLs and new NPLs, significant results have been achieved accordingly.

12) Risks with potential significant impact and responses

#### (1) Credit risk

i. Strengthened the study on macroeconomy policies by the government, made timely adjustments to credit policies and customer structure; ii. Further improved the independent assessment system and continued to optimize credit examination and approval procedures; iii. Established effective risk monitoring system and implemented dynamic risk management; iv. Intensified the control over credit risk centralization; v. Strictly implemented the Guidelines on Due Diligence of Credit Extending for Commercial Banks; vi. Strengthened digitalization on credit management to improve the technology.

#### (2) Market risk

The currency and interest rate risk will become more significant with further marketization of interest rates. The Bank enhanced its research on the policies of interest rate and exchange rate and strengthened the construction of advanced MIS system and risk control technology.

#### (3) Counter risk

Established and intensified counter risk prevention system to effectively control and prevent counter risks; Enhanced training and moral education to improve personnel qualities and prevent fraud risks; Adopted technical measures such as account monitoring systems to improve risk prevention; Implemented concentrated

business processing model to control and reduce counter business risks.

#### (4) Technological risk

To ensure the security of the computer network system, the Bank has finished the general designs for the "Authentication and Key Agreement Management System", the "Banking Network Remote Service System" and the "Disaster Recovery and Security System", and has accomplished the implementation of the local disaster recovery and real time back-up project.

#### 13) Integrity, rationality and effectiveness of internal control system

Since its establishment, aiming at risk prevention and prudent operation, the Bank has gradually established and kept improving the internal control system in compliance with the rules and regulations under the Commercial Bank Law of the PRC, the Guidelines on Internal Control for Commercial Banks, the Guidelines on Corporate Governance for Joint-stock Commercial Banks and the Punitive Measures for Financial Violations, which formed an important component of the entire internal control system. The prevailing internal control system has generally penetrated into all business process and operation procedures of the Bank and covered all departments and positions, and has basically realized proactive prevention, on-going control and afterward monitoring and correction, which reflected the integrity, rationality and effectiveness and played a positive role in controlling financial risks.

The auditor's reports of PricewaterhouseCoopers Zhong Tian CPAs Limited Company and PricewaterhouseCoopers China Limited did not indicate any major deficiency in the completeness, rationality and effectiveness of the Bank's internal control system.

## 5. Changes in Business Environment, Macro Policies and Their Impact

In 2004, to prevent the overheating of the economy, the government implemented a series of macroeconomy tightening measures. Non-performing loans (NPLs) in the banking industry currently tend to

increase. The Bank's NPL rose dramatically in the third quarter of the year. However, by taking preventional measures, the Bank met all targets and plans in all businesses.

On February 23, 2004, the CBRC promulgated the Administrative Measures for the Capital Adequacy of Commercial Banks (No.2, 2004), which took effect on March 1, 2004. Given the fact that the capital adequacy ratios (CAR) of all Chinese commercial banks are generally low, the Measures set up a deadline of January 1, 2007, for the commercial banks to meet the minimum CAR requirement. By optimizing policies and procedures of risk management and stipulating plans for increasing capital base, the Bank has met the regulatory requirement on CAR.

On March 24, 2004, the PBOC promulgated the Notice on the Implementation of Differentiated Deposit Reserve Ratio System (Yinfa [2004] No. 60), which took effective on April 25, 2004. According to the differentiated deposit reserve ratio system, the deposit reserve ratio of financial institutional with CAR lower than 4% was raised by 0.5% to 7.5%. The year-end and average CAR of the Bank in 2003 were both above 4%, therefore the Bank would not be directly affected by this regulation.

On March 24, 2004, the PBOC promulgated the Notice on the Implementation of Floating Rate for Borrowing from the PBOC (Yinfa [2004] No. 59), which took effective on March 25, 2004. According to the floating rate system, it raised by 0.63% for the prevailing benchmark rate for borrowing from the PBOC, and raised by 0.27% for the prevailing benchmark rate for rediscounting to a rate of 3.24%. The change did not bring material effect to the business of the Bank.

On April 12, 2004, with the approval of the State Council, the PBOC raised the deposit reserve ratio of commercial banks by 0.5% to 7.5%, which was effective on April 25, 2004. The change did not bring material effect to the business of the Bank.

On June 17, 2004, the PBOC and the CBRC promulgated the Administrative Measures on Subordinated Bond Issuance for Commercial Banks, allowing commercial banks to issue subordinated bonds, which would

benefit commercial banks in terms of expanding their capital raising channels. Complied with the regulation, the Bank successfully issued RMB5.8 billion of subordinated bonds to increase its supplement capital.

In light of the Notice on Charging Regulatory Fees to Banking Institutions (Yinjianfa [2004] No.59) promulgated by the CBRC on September 2, 2004, the Bank should pay an institution regulatory fee by 0.08% of its paid-up capital as at the end of the previous year and pay the business regulatory fee by 0.02% of its total assets as at the end of the previous year. During the reporting period, the Bank has accrued and paid a total of RMB 75 million for both of the regulatory fees, which resulted in an effect of deduction of RMB 50 million to the Bank's after-tax profit of the reporting period.

On October 29, 2004, the PBOC promulgated the Notice on Adjusting Interest Rates for Deposits and Loans of financial Institutions to raise the benchmark interest rate for RMB deposits and loans, broaden the floating range of interest rates for RMB loans and allow banks to lower interest rates for RMB deposits. The benchmark interest rate for one year deposits with financial institutions was raised by 0.27% from 1.98% to 2.25%, while the benchmark interest rate for one year loans was raised by 0.27% from 5.31% to 5.58%. The interest rates for other deposits and loans were also adjusted accordingly, higher for medium and long-term ones than for short-term ones. The floating range of interest rates for loans of financial institutions was further broadened. Principally there will be no ceiling for interest rates for loans, while its bottom line remained at 90% of the benchmark interest rates. Interest rates for RMB deposits, allowed to be lowered, could float within the corresponding benchmark interests. Interest rates for deposits were not allowed to be raised. As a result of the raised benchmark interest rates for RMB deposits and loans by the PBOC, during the reporting period, the net interest expenses of the Bank increased by approximately RMB30 million.

## 6. The Auditors' Opinions

The 2004 PRC financial statements of the Bank were audited by PricewaterhouseCoopers Zhong Tian CPAs



Limited Company. The certified public accountants of the company, Wu Weijun and Tu Yi, signed and issued the PWCZT (2005) No. 653 unqualified auditors' report. PricewaterhouseCoopers China Limited audited the Bank's 2004 supplementary financial statements, which were prepared in accordance with the IFRS, and issued an unqualified auditors' report.

## 7. Measures to Be Taken in the Next Fiscal Year

In 2005, the Bank will be committed to implement all resolutions of the BOD and the five-year business plan by taking the opportunities and focusing on business portfolio adjustment and capability improvement, in an aim to enhance the core competitiveness of the Bank.

### 1) Building scientific development vision to ensure a steady and sustainable growth of all business

The Bank will maintain the continuous growth of such core business as deposits and loans, and promote balanced development of all business, while increase profitability. The Bank will continue to push forward retail banking business and maintain its competitiveness in the market by refining business development plans. The Bank will speed up the construction of branch networks and balance the development between new and current branches. The Bank also will enhance the study and exploitation on new business areas to lay a sound foundation for achieving a diversified business portfolio.

### 2) Enhancing risk management and strengthening risk prevention awareness

The Bank will continue to carry out real-time monitoring to each loan extended and improve the accountability system for NPLs by correcting any mistakes that might occur and by setting up effective incentive and punitive mechanism. The Bank will further optimize the independent assessment system and internal auditing system, while continuously broadening high-tech application and improving its quality. The Bank will enhance training to accounting staffs and strengthen their risk prevention awareness to control operational risks. The Bank will put more efforts on collecting non-performing assets.

### 3) Tightening the control over cost and raising ROA

The Bank will make full use of the data provided by the management accounting system for cost and benefit analysis, in order to improve the operational efficiency. A centralized account rendering system and a centralized procurement center will be set up for the whole bank to control the cost. Centralized business processing system will be adopted to reduce operational risks and improve customer service efficiency. The Bank will also increase the proportion of intermediary business and speed up the preparatory works for credit card issuance.

### 4) Improving incentive systems and enhancing employee's quality

The Bank will implement its Long-term Incentive Scheme to effectively attract and retain high quality management talents. The Bank will study and implement incentive models for junior employees to activate their creativity and enthusiasm. The Bank will continue to send key staff to overseas training and build up a high quality core team by pacing up studying and implementing training plans for middle and senior management. The Bank also endeavours in setting a fair, equitable and transparent HR system.

### 5) Promoting digitalized management and improving management efficiency

The construction of IT platform is essential for the growing stage of the Bank. The Bank will accelerate the construction of "Eight Systems" and the reconstruction of core business processing system to achieve scientific decision-making supported by digitalized IT platform, while abandoning the traditional management and decision-making models.

### 6) Finishing the H share issuance to support business development

The Bank will actively expand its capital through H share issuance in Hong Kong and international market. The Bank will bring in best practice from international market and advanced managerial techniques and improve its overall management, which will lay a foundation for its future business development.

## 8. Routine Works of the Board of Directors

1) BOD meetings and resolutions passed by the BOD during the reporting period

(1) On February 25, 2004, the 5th meeting of the 3rd session BOD of the Bank was convened in Beijing. With the 15 directors' attendance, the meeting was in compliance with the Company Law and the Articles of Association of the Bank. The meeting passed the following resolutions: Resolution on the Main Text and Abstract of the 2003 Annual Report of the Bank, Resolution on the 2003 Financial Closing Statements, Resolution on the 2004 Financial Budget Report, Resolution on the 2003 Profit Distribution Proposal, Resolution on the 2003 Proposal of Capital Surplus Transferring into Capital Stock, Resolution on the Performance Report of the BOD, Resolution on the Performance Report of the President, Resolution on Amendment of Certain Provisions of the Articles of Association, Resolution on Appointment of the Secretary to the BOD of the Bank, Resolution on Appointment of the Joint Company Secretary in Hong Kong and Hong Kong CPAs, Resolution on Appointment of the Authorized Representatives and Extending Authorization in Compliance with the Listing Rules Stipulated by the Stock Exchange of Hong Kong, Resolution on Extending Authorization to Related Persons in Compliance with the Listing Rules Stipulated by the Stock Exchange of Hong Kong, Resolution on Members Addition to the Special Committees of the BOD, Resolutions on Filing Listing Application (A1 Forms) to Hong Kong Stock Exchange and Commitments, Resolution on the Long-term Incentive Scheme (Draft) Implementation, Resolution on Engaging Accounting Firm for the H Share Listing and Remuneration, Resolution on Engaging Accounting Firms for 2004 and Remuneration, Resolution on the Construction of Science and Research Building of the Bank, Resolution on Determining the Interest Payment Method for Convertible Bonds, Resolution on Approval of Liu Changming's Resignation, Resolution on Senior Management Change of Dalian Branch, Resolution on Senior Management Change of Ningbo Branch, Resolution on Establishment of an Independent Investigation Committee, Resolution on Convening the 2003 Annual General Meeting of the Bank.

(2) On March 8, 2004, the 6th meeting of the 3rd session BOD of the Bank was convened by mail voting. With the presence of 14 directors (mail voting), the meeting complied with the Company Law and the Articles of Association of the Bank. The meeting passed the Resolution on Approval of the Equity Participation of New Bridge Capital Limited in the Bank.

(3) On March 15, 2004, the 7th meeting of the 3rd session BOD of the Bank was convened by mail voting. With the presence of 14 directors (mail voting), the meeting complied with the Company Law and the Articles of Association of the Bank. The meeting passed the Resolution on Not Exercising the Call Options on the Convertible Bonds by the Bank.

(4) On April 22, 2004, the 8th meeting of the 3rd session BOD of the Bank was convened by mail voting. With the presence of 15 directors (mail voting), the meeting complied with the Company Law and the Articles of Association of the Bank. The meeting passed the Resolution on the 2004 First Quarter Report of the Bank, Resolution on Senior Management Change of Wuhan Branch and Resolution on Establishment of Suzhou Branch.

(5) On May 21, 2004, the 9th meeting of the 3rd session BOD of the Bank was convened in Beijing. With the presence of 14 directors, the meeting complied with the Company Law and the Articles of Association of the Bank. The meeting passed the Resolution on Accepting the Report of the Independent Investigation Committee and Implementing the Proposal of Improvement on Corporate Governance, the Resolution on Adding Certain Auditing Items and Increasing Related Auditing Fees for the H share Issuance Project, Resolution on the Organizational Structure Adjustment of the Bank, Resolution on the Shares Transfer by Certain Promoters of the Bank and the Name Changes of the Shareholders, Resolution on the Change of the Bank's Head Office.

(6) On July 15, 2004, the 10th meeting of the 3rd session BOD of the Bank was convened by mail voting. With the presence of 14 directors (mail voting), the meeting complied with the Company Law and the Articles of Association of the Bank. The meeting passed the Resolution on Establishing Quanzhou Branch and

Resolution on Establishment of Wenzhou Branch.

(7) On August 8, 2004, the 11th meeting of the 3rd session BOD of the Bank was convened in Beijing. With the presence of 15 directors, the meeting complied with the Company Law and the Articles of Association of the Bank. The meeting passed the Resolution on Issuing Subordinated Bonds, Resolution on the Proceeds Usage and the Feasibility Analysis of the Subordinated Bonds Issuance, Resolution on Issuing Subordinated Bonds and Special Authorizations within the Limit, Resolution on the Additional Amendment of the Articles of Association, Resolution on Setting up the Related Parties Transaction Control Committee of the BOD and Adjustment of the Name, Functions and Members of the Audit and Connected Transaction Committee, Resolution on the Administrative Measures for Writing Off Bad Debts of the Bank (Revised), Resolution on the Measures for Debt Restructuring Losses of the Bank, Resolution on Measures on Tightening the Control over Related Parties Transactions of the Bank and Resolution on Calling the 2nd Extraordinary General Meeting of the Bank of 2004.

(8) On August 19, 2004, the 12th meeting of the 3rd session BOD of the Bank was convened by mail voting. With the presence of 13 directors (mail voting), the meeting complied with the Company Law and the Articles of Association of the Bank. The meeting passed the Resolution on the 2004 Interim Report (Main Text and Abstract) of the Bank.

(9) On October 13, 2004, the 13th meeting of the 3rd session BOD of the Bank was convened by mail voting. With the presence of 13 directors (mail voting), the meeting complied with the Company Law and the Articles of Association of the Bank. The meeting passed the Resolution on Approving Asia Financial Holdings Pte., Ltd.'s Equity Participation in the Bank.

(10) On October 27, 2004, the 14th meeting of the 3rd session BOD of the Bank was convened by mail voting. With the presence of 13 directors (mail voting), the meeting complied with the Company Law and the Articles of Association of the Bank. The meeting passed the Resolution on the 2004 Third Quarter Report of the Bank.

(11) On November 22, 2004, the 15th meeting of the 3rd session BOD of the Bank was convened in Beijing. With the presence of 15 directors, the meeting complied with the Company Law and the Articles of Association of the Bank. The meeting passed the Resolution on the Proposal to the Extraordinary General Meeting for Extending the Validity Period of the Resolution on the H share Listing and Related Authorization Period to the Board of Directors in Processing Related Issues, Resolution on Amendment of Certain Provisions in the Articles of Association of the Bank Following Comments from Regulatory Authority, Resolution on Adding Independent Directors to the Nomination Committee of the BOD, Resolution on Adding Independent Directors to the Remuneration and Evaluation Committee of the BOD, Resolution on Increasing the Auditing Expenses for H share Issuance, Resolution on Calling the 3rd Extraordinary General Meeting of the Bank in 2004.

## 2) Implementation of the resolutions of shareholders' meetings

Following the Resolution on 2003 Profit Distribution Plan of the Bank and the Resolution on 2003 Capital Surplus Transferring into Share Scheme passed by the 2003 Annual General Meeting, a 20% stock dividend, a share issue at 15% transferred from capital surplus reserve and a RMB1.20 (including tax) cash dividend were declared and paid out to 3,834,654,638 shares outstanding as at the registration date of April 16, 2004. The date of ex-rights (ex-dividend) was April 19, 2004 and the listing date of newly issued and listed shares was April 20, 2004. The cash dividend payment date was April 23, 2004. The related announcements were published on China Securities Journal, Shanghai Securities News and Securities Times on April 13, 2004. The stock and cash dividend plan have been implemented on April 19, 2004 and April 23, 2004, respectively.

Following the Resolution on Issuance Subordinated Bonds of the Bank, Resolution on the Proceeds Usage and the Feasibility Analysis of the Subordinated Bonds and Resolution on Subordinated Bonds Issuance and Special Authorizations within the Limit approved by the 2nd Extraordinary General Meeting of the Bank in

2004, the BOD submitted the application for the issuance of subordinated bonds and then proceeded with the issuing process. With the approval of CBRC by its documents of Yinjian Fu [2004] No. 159 on October 13, 2004 and the approval of PBOC with its document of Yin Fu [2004] No. 59, the Bank accomplished its issuance of subordinated bonds of RMB 5.8 billion on November 8, 2004. The proceeds from the issuance have been recorded as the supplemental capital of the Bank in accordance with related regulations.

In accordance with related resolutions on the Bank's H share issuance and listing approved in the 1st and the 3rd Extraordinary General Meetings in 2004, the BOD has been working on the listing application and necessary preparation.

## 9. Proposal of Profit Distribution

The Bank's audited net profit for the year 2004 under PRC GAAP and IFRS are RMB2,038,401,000 and RMB 2,007,396,000, respectively. The Bank's proposed 2004 profit distribution plan is: 10% of the profit after tax, or RMB203,840,000 is appropriated to statutory surplus reserve; 5% of the profit after tax, or RMB101,920,000 is appropriated to statutory welfare reserve. The audited profit distributable to shareholders under PRC GAAP and IFRS then become RMB1,999,595,000 and RMB1,972,475,000 respectively.

In accordance with Questions and Answers on Information Disclosure for Companies Offering Shares to the Public - Differences Between Results of Auditing under PRC GAAP and IFRS and Profit Distribution Base (Zhengjian Kuaiji Zi [2001] No.58), profit should be distributed based on the lower of distributable profit under PRC GAAP and IAS respectively. Thus, in this case, profit based on distributable profit under IFRS apply. The Bank plans to pay a stock dividend at 10% and a cash dividend of RMB0.07 (including tax) per share. The Bank's capital stock changes due to that the convertible bonds it issued can be converted into shares since August 27, 2003, and the amounts of the total capital stock basis for stock and cash dividend cannot be figured out. After the Profit Distribution Proposal is approved in the 2004 Annual General Meeting, the Bank will announce its total capital stock basis for stock

and cash dividend distribution, amount of the capital stock to be distributed, amount of retained profits and total capital stock after stock dividend distribution.

The above Profit Distribution Proposal should be implemented within two months following the approval of the 2004 Annual General Meeting.

## 10. Business Targets for Year 2005

Total assets are expected to reach RMB550 billion and total deposits reach RMB470 billion. Outstanding loans are expected to reach RMB355 billion and NPL ratio is expected to be lower than 2%.

## 11. Profit Forecast for Year 2005

Total income from business operations for year 2005 is expected to reach RMB 21.458 billion, and operation expenses rise to RMB 18.898 billion. Profit after tax is expected to reach RMB 2.55 billion.

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## VIII. Report of the Board of Supervisors

### 1. Meetings of the Board of Supervisors

1) On January 26, 2004, the 5th meeting of the 3rd session Board of Supervisors was held in Beijing. With six supervisors' presence, the meeting complied with the Company Law and the Articles of Association of the Bank. The following resolutions were reviewed and approved at the meeting: Resolution on the 2003 Annual Report (Text) and Abstract, Resolution on the 2003 Report (Draft) of the Board of Supervisors and the Resolution on Internal Auditing Report of Liu Changming's Dimission.

2) On May 2, 2004, after attended the 9th meeting of the 3rd session Board of Directors, the Board of Supervisors held a short meeting for discussion over the recent work assignment and made the decision to steadily implement all plans stipulated at the beginning of the year.

3) On November 22, 2004, the 6th meeting of the 3rd session Board of Supervisors of the Bank was held in Beijing. With seven supervisors' presence, the meeting complied with the Company Law and the Articles of Association of the Bank. The following resolutions were reviewed and approved at the meeting: Resolution on Establishment of the Nomination Committee in the Board of Supervisors, Resolution on Establishment of the Monitoring Committee in the Board of Supervisors, Resolution on the Implementation Rules of the Nomination Committee of the Board of Supervisors, Resolution on the Implementation Rules of the Monitoring Committee of the Board of Supervisors, Resolution on Nominating Mr. Huang Diyan as An External Supervisor, Resolution on Nominating Mr. Zhang Hongjiu as An External Supervisor.

4) On December 24, 2004, the 7th meeting of the 3rd session Board of Supervisors of the Bank was held in Beijing. With nine supervisors' presence, the meeting complied with the Company Law and the Articles of Association of the Bank. The following resolutions were reviewed and approved at the meeting: Resolution on the Proposal of Adding External Supervisors to the Nomination Committee of the Board of Supervisors and

Electing Convener for the Nomination Committee, Resolution on the Proposal of Adding External Supervisors to the Monitoring Committee of the Board of Supervisors and Electing Convener for the Monitoring Committee, Resolution on the Proposal of Mr. Lu Zhiqiang's Resignation as the Chairman of the Board of Supervisors, Resolution on the Proposal of Electing Mr. Huang Diyan as the Chairman of the Board of Supervisors, Resolution on the Proposal of Electing Mr. Lu Zhiqiang as the Vice Chairman of the Board of Supervisors.

### 2. Independent Opinion of the Board of Supervisors on Some Issues

During the reporting period, the Board of Directors held 11 meetings, in which 7 were held by mail voting. In light of the Company Law and the Articles of Association of the Bank, the Board of Supervisors attended all the BOD meetings as non-voting delegates. It supervised the fulfillment of duties of directors and senior executives of the Bank in an aim to protect the interests of shareholders and employees.

#### 1) Legitimacy of the Bank's operations

The Bank operates legally and its decision-making procedures comply with the Company Law and the Articles of Association. The Bank has established a sound and reliable internal control system. No breach of law or intended damage to the interests of the Bank has been identified in the performance of duties by the directors and senior executives of the Bank.

#### 2) Reliability of financial statements

The 2004 financial statements of the Bank fairly reflect its financial position and business operation. The 2004 financial statements were audited by PricewaterhouseCoopers Zhongtian CPAs Limited Company and PricewaterhouseCoopers China Limited in accordance with PRC GAAP and IFRS respectively. Unqualified independent auditors' reports were issued accordingly.

### 3) Usage of proceeds

During the reporting period, the Bank raised RMB5.8 billion capital through subordinated bonds issuance. Its actual usage consists with the commitment made in the Issuance Brochure.

### 4) Acquisition and disposal of assets

During the reporting period, the Bank had no significant acquisition or disposal of assets.

### 5) Related parties transactions

During the reporting period, all related parties transactions of the Bank were fairly conducted and no damage to the interests of the Bank was identified.

### 6) Internal control system

The internal control system of the Bank is sound, reliable and effective.

### 7) The Auditors' Reports

The accounting firms appointed by the Bank did not issue auditors' reports with explanatory paragraph, qualified opinion, disclaimer or adverse opinion.

### 8) Implementation of resolutions adopted by the shareholders' general meetings

The Board of Supervisors had no different opinion on the reports and proposals submitted by the Board of Directors to the shareholders' general meetings. Having supervised the implementation of the resolutions, the Board of Supervisors believed that the Board of Directors of the Bank actively implemented the resolutions approved by the general meetings.

## IX Major Events

### 1. Major Lawsuits and Arbitration Cases

During the reporting period, no litigation or arbitration cases with significant impact on the operation of the Bank arised. As of December 31, 2004, there were 18 outstanding lawsuits filed by the Bank, involving RMB 670.85 million and USD1.93 million.

As to the disclosed civil litigation in which the Bank was defendant and Yantai Zhongjiao Trade & Industry Co., Ltd. and Yantai Zhongjiao Trade Co., Ltd. were plaintiffs, the Shanghai High People's Court passed the sentence through retrial, in which the Bank should only bear the supplementary compensation of maximum RMB 900,000, the unrecoverable amounts from Yantai Zhongjiao Trade Co., Ltd. , to Hengrui International Trade (Shanghai) Co., Ltd.

### 2. Acquisition, Merger or Disposal of Assets

There was no major acquisition, merger or disposal of assets by the Bank within the reporting period.

### 3. Major Related Parties Transactions

The Bank had no related parties that control or are controlled by the Bank.

During the reporting period, all related parties transactions of the Bank were lendings to shareholders and related parties. All lendings to the related parties complied with the relating rules, regulations and procedures of the Bank. The principles and interests of these loans were paid in time, and there were no material impact on the business performance and financial condition of the Bank.



### 1) Loans to shareholders holding 5% or above of capital stock of the Bank:

(Unit: RMB thousand)

| Name  | Shares held (share) | Outstanding loans as of the end of 2004 | Outstanding loans as of the end of 2003 |
|---|---------------------|---|---|
| China Shipowners' Association for Mutual Protection                 | 276,650,700         | 27,000                                  | 69,000                                  |
| China Small & Medium Enterprises Investment & Development Co., Ltd. | 262,582,400         | 17,000                                  | 20,000                                  |
| <b>Total</b>  | <b>539,233,100</b>  | <b>44,000</b>                           | <b>89,000</b>                           |

Note: Each loan of the above is less than the equity investment made by the the corresponding shareholder in the Bank.

### 2) Outstanding loans to related parties

(Unit: RMB thousand)

| Name  | Relationship with the Bank | Outstanding loans as of the end of 2004 | Outstanding Loans as of the end of 2003 |
|---|----------------------------|---|---|
| Beijing Vantone Industry Co. Ltd                    | Related legal person       | 0                                       | 25,000                                  |
| Beijing Vantone World Real Estate Co. Ltd           | Related legal person       | 428,300                                 | 0                                       |
| Oriental Homeland Co., Ltd                          | Related legal person       | 150,000                                 | 150,000                                 |
| Beijing Guangcai Property Management Co. Ltd        | Related legal person       | 219,000                                 | 341,000                                 |
| Xiamen Xindi Industry Co. Ltd                       | Related legal person       | 132,000                                 | 132,000                                 |
| China Coal Import & Export Company                  | Related legal person       | 50,000                                  | 260,000                                 |
| Changxin Capital Investment and Management Co. Ltd. | Related legal person       | 250,000                                 | 350,000                                 |
| Beijing Shanhaitian Commodity and Trading Co. Ltd.  | Related legal person       | 100,000                                 | 100,000                                 |
| Shanghai Jiante Biotechnology Co. Ltd.              | Related legal person       | 0                                       | 90,000                                  |
| <b>Total</b>  |                            | <b>1,329,300</b>                        | <b>1,448,000</b>                        |

Note: In compliance with the 2004 Revised Listing Rules of Shanghai Stock Exchange, Administrative Measures Governing Related Transactions between Commercial Banks Insiders and Shareholders of CBRC (Effective on May 1, 2004) and Several Provisions Governing Tightening Control over Related Parties Transactions announced by the Bank, the Bank made fairly and sufficient related parties transaction disclosure during the reporting period. The above mentioned lendings have been confirmed by the related parties.

3) During the reporting period, the Bank had no guarantee business or outstanding debts between the Bank and its related parties.

### 4. Major Contracts and Their Fulfillment

During the reporting period, the Bank had no major custody, contract or leasing of assets of other companies, nor did it have any assets placed in the custody of and contracted or leased to other companies. The Bank had no major contract disputes, nor entrusted any cash assets to others for management.

On February 15, 2004, the Bank entered into a contract

on the transfer of Zhongshang Tower with Shanghai Zhongshang Suihua Property Co., Ltd., to purchase the entire Zhongshang Tower of 68,015.26 square meters at a total price of RMB 1,275,969,700. For details, please refer to China Securities Journal, Shanghai Securities News and Securities Times on February 18, 2004.

On February 4, 2005, the Bank made an announcement on major investment regarding the purchase, reconstruction and extension of Zhongshang Tower building, located at Lujiazui of Pudong, Shanghai. The estimated investment amounted to RMB 2.35 billion, including the purchase price of RMB 1,486.17 million and land usage fee of RMB 114 million, and the

estimated extension investment and refurbishment of RMB 612 million. The extension work will be from March 2005 to March 2007. For details, please refer to China Securities Journal, Shanghai Securities News and Securities Times on February 4, 2005.

## 5. Major Guarantees

The Bank had no other guarantees than the financial guarantees approved by the PBOC.

## 6. Commitments Made by the Bank

During the reporting period, the Bank had no commitments requiring explanation.

## 7. Appointment and Dismissal of Accounting Firms

According to the resolution passed by the shareholders' general meeting, the Bank continued to appoint PricewaterhouseCoopers China Limited as the auditor of annual financial statements prepared in compliance with IFRS, and PricewaterhouseCoopers Zhong Tian CPAs Limited Company as the auditor of annual financial statements prepared in compliance with PRC GAAP. The 2004 service charges of the two firms (including but not limited to all the miscellaneous fees such as transportation, accommodation and telecommunication) were RMB 17.91 million.

(Unit: RMB thousand)

| Service charges           | 2004          | 2003         |
|---------------------------|---------------|--------------|
| Financial Auditing Charge | 3,000         | 2,920        |
| Other Fees                | 14,410        | 2,510        |
| <b>Total</b>              | <b>17,410</b> | <b>5,430</b> |

Note: The 2004 audit service charges covered charges for the audit of the annual financial statements, capital verification and audit for the Bank's H share issuance, in which charges under the item of "Other Fees" were all related to the Bank's H share issuance.

PricewaterhouseCoopers China Limited has provided auditing services to the Bank for 9 years, while PricewaterhouseCoopers Zhong Tian CPAs Limited Company did for 5 years.

## 8. Punishment on the Bank, the Board of Directors and the Directors

During the reporting period, the Bank, the Board of Directors and the Directors received no inspection, administrative punishment or public criticism from the CSRC, nor any public condemnation from the Shanghai Stock Exchange.

## 9. Other Major Events

1) In January 2004, Beijing No.1 Intermediate People's Court made the judgment of first instance by sentencing Zhao Lanzeng, the former managing director of Zhongguancun sub-branch of the Bank's Beijing Branch, 20 years of imprisonment for illegally extending loans and embezzlement. Since this case happened before 2001 and the Bank has made adequate provisions for the possible bad debts involved, its financial condition may not be affected. For details of the case, please refer to the Bank's Announcement on the Status

of Major Cases in China Securities Journal, Shanghai Securities News and Securities Times on February 6, 2004.

2) In accordance with the approval of the CBRC with Yinjianfu (2003) No.123 document and the approval of Hong Kong Monetary Authority, the Bank established a Hong Kong Representative Office in January 2004. This event was announced in China Securities Journal, Shanghai Securities News and Securities Times on February 4, 2004.

3) On February 15, 2004, the Bank entered into a contract on the transfer of Zhongshang Tower with Shanghai Zhongshang Suihua Property Co., Ltd., to purchase the entire Zhongshang Tower property of 68,015.26 square meters at a total price of RMB 1,275,969,700. For details, please refer to China Securities Journal, Shanghai Securities News and Securities Times on February 18, 2004.

4) On February 20, 2004, the Bank published a clarification announcement against the claims made by Qiu Yingxin, chairman of Shenzhen Advance Technology Development Co., Ltd., a former shareholder of the Bank. For details, please refer to China Securities Journal, Shanghai Securities News and Securities Times on February 20, 2004.

5) On February 25, 2004, the BOD of the Bank approved to set up an Independent Investigation Committee to investigate issues occurred when the Bank changed its registered business name. For details, please refer to China Securities Journal, Shanghai Securities News and Securities Times on February 28, 2004.

6) On February 23, 2004, the CBRC promulgated the Administrative Measures for the Capital Adequacy of Commercial Banks with CBRC Decree (No.2, 2004), which took effect on March 1, 2004. In regard to the fact that the capital adequacy ratios (CAR) of all Chinese commercial banks are generally low, Article 53 of the Measures sets a deadline of January 1, 2007, for commercial banks to meet the minimum CAR requirement. By optimizing policies and procedures of risk management and by stipulating plans for increasing capital base, the Bank met the regulatory requirement on CAR.

7) On March 24, 2004, the PBOC promulgated the Notice on the Implementation of Differentiated Deposit Reserve Ratio System (Yinfa [2004] No. 60) and the Notice on the Implementation of Floating Rate for Borrowing from the PBOC (Yinfa [2004] No. 59). According to the first Notice, the differentiated deposit reserve ratio system, effective on April 25, 2004, raised the deposit reserve ratio for financial institutions with CAR lower than 4% by 0.5% to 7.5%. The 2003 year-end and average CAR of the Bank were both above 4%, therefore the Bank would not be directly affected by this regulation in year 2004. According to the second Notice, the floating rate for borrowing from the PBOC, effective on March 25, 2004, raised by 0.63% on the prevailing benchmark rate for borrowing from the PBOC and raised by 0.27% on the prevailing benchmark rate for rediscounted bills to 3.24%. The Bank wasn't materially affected by this regulation.

8) On April 12, 2004, with the approval of the State Council, the PBOC raised the deposit reserve ratio of commercial banks by 0.5% to 7.5%. This regulation had certain impact on the asset business of the Bank, but little on its operating profit.

9) On May 21, 2004, the 9th meeting of the 3rd session BOD of the Bank passed the Resolution on Acceptance of the Report of Independent Investigation Committee and Implementation of Optimization Measures for Corporate Governance, and made full disclosure of the Report.

10) On June 10, 2004, the Bank published a clarification announcement in response to the risk warning statement published by Shanghai Mozhihua Co., Ltd. on some media, which stated that Shanghai Branch of the Bank was the supervisor for the asset management items under the asset management agreement it entered into with Fujian Minfa Securities Co., Ltd, and should fulfill the obligations as the custodian of entrusted assets. In the clarification announcement, the Bank pointed out that the services it provided for this business were settlement, clearing of funds, account monitoring and negotiated custodian on customer's demands. In accordance with the agreement, the Bank should not be responsible for any profit/loss in the business under it. For details, please refer to China Securities Journal, Shanghai Securities News and Securities Times on June 10, 2004.

11) On July 5, 2004, the Bank received a notice from Oriental Group Co., Ltd., one of its shareholders, stating that approved by the CBRC and the Ministry of Commerce of PRC, the company transferred 56,043,880 shares out of 341,084,250 shares it held in the Bank to the International Finance Corporation (IFC). The legal procedures of the share transfer was completed with China Securities Depository & Clearing Corporation Limited (Shanghai) on July 2, 2004. After the transfer, IFC holds 56,043,880 shares, or 1.08% of the total capital stock of the Bank. For details, please refer to China Securities Journal, Shanghai Securities News and Securities Times on July 6, 2004.

12) On July 7, 2004, the Bank received a notice from China Coal Power Group Company, one of its shareholders, stating that it entered into a supplement

tary agreement with New Bridge Capital Limited of USA ("New Bridge") and agreed to end the previously signed share transfer agreement. China Coal Power Group Company signed a share transfer agreement with New Bridge on January 29, 2004, to transfer all 174,915,000 state-owned legal person shares it held in the Bank to New Bridge. On March 8, 2004, the 6th meeting of the 3rd session BOD approved the Resolution on Acceptance of Equity Participation by New Bridge in the Bank. This event was disclosed in China Securities Journal, Shanghai Securities News and Securities Times on March 10, 2004.

13) On July 14, 2004, the Bank published an office move announcement, informing that from July 20, 2004, the head office of the Bank has been moved to No.2 Fuxingmennei Ave., Xicheng District, Beijing. For details, please refer to China Securities Journal, Shanghai Securities News and Securities Times on July 14, 2004.

14) On July 19, 2004, at the 10th meeting of the 3rd session BOD, through mail voting, BOD approved the Resolution on Establishment of Quanzhou Branch and the Resolution on Establishment of Wenzhou Branch. For details, please refer to China Securities Journal, Shanghai Securities News and Securities Times on July 19, 2004.

15) On July 27, 2004, the Bank published an announcement on receiving the license of investment securities fund custody business. The Bank received the Notice on Approval of the Qualification of China Minsheng Banking Corp., Ltd. in Investment Securities Fund Custody (Zhengjian Jijin Zi [2004] No.101), which permitted the Bank to provide investment securities fund custody service. For details, please refer to China Securities Journal, Shanghai Securities News and Securities Times on July 27, 2004.

16) On June 17, 2004, the PBOC and CBRC promulgated the Administrative Measures on Subordinated Bonds Issuance for Commercial Banks, allowing commercial banks to issue subordinated bonds, which provide commercial banks with more capital raising channels. According to the regulation, the Bank successfully issued RMB 5.8 billion of subordinated bonds.

17) On August 8, 2004, the 11th meeting of the 3rd session of the BOD of the Bank passed the Resolution on Subordinated Bonds Issuance. For details, please refer to China Securities Journal, Shanghai Securities News and Securities Times on August 10, 2004.

18) On August 8, 2004, the 11th meeting of the 3rd session of the BOD of the Bank passed the Administrative Measures on Writing off Bad Debts and Administrative Measures on Loss in Debt Restructuring. The Bank wrote off RMB 260.5 million of bad debts in September 2004 in accordance with the measures.

19) In light of the Notice on Charging Regulatory Fees on Banking Institutions and their Business (Yinjianfa [2004] No.59) promulgated by the CBRC on September 2, 2004, the Bank should pay an institution regulatory fee as 0.08% of its paid-up capital as at the end of the previous year and pay a business regulatory fee as 0.02% of its total assets as at the end of the previous year. During the reporting period, the Bank accrued and paid a total of RMB 75 million for both of the regulatory fees, which dropped the Bank's net profit after tax of the reporting period by RMB 50 million.

20) On September 10, 2004, the 2nd Extraordinary General Meeting of the Bank passed the Resolution on the Subordinated Bonds Issuance. For details, please refer to China Securities Journal, Shanghai Securities News and Securities Times on September 11, 2004.

21) On October 16, 2004, the 13th meeting of the 3rd session BOD of the Bank, by the means of mail voting, passed the Resolution on the Bank's Acceptance of Equity Participation by Asia Financial Holdings Pte., Ltd.. In compliance with relating regulations, the share transfer was subject to the approval of the CBRC. For details, please refer to China Securities Journal, Shanghai Securities News and Securities Times on October 16, 2004.

22) On October 29, 2004, the PBOC promulgated the Notice on Adjusting Interest Rates for Deposits and Loans of Financial Institutions to raise the benchmark interest rate for RMB deposits and loans, broaden the floating range of interest rates for RMB loans and allow to lower interest rates for RMB deposits. As a result of the increase of benchmark interest rates for RMB

deposits and loans by the PBOC, during the reporting period, the net interest expenses of the Bank rose approximately by RMB 30 million.

23) On November 8, 2004, with the approvals of the PBOC and CBRC by their documents of YinFu [2004] No. 59 and YinjianFu [2004] No.159, the Bank has accomplished its issuance of RMB 5.8 billion of subordinated bonds by private placement in the national inter-bank bond market. All proceeds from the issuance have been recorded as the supplemental capital of the Bank in accordance with the relating regulations. For details, please refer to China Securities Journal, Shanghai Securities News and Securities Times on November 11, 2004.

24) On December 28, 2004, with the approval of CBRC Tianjin by its document of Yinjianhan [2004] No.21, the Tianjin Branch of the Bank was set up and started operation.

25) On January 20, 2005, with the approval of the CBRC by its document of YinjianFu [2004] No.183 and the approval of the State-owned Assets Supervision and Administration Commission, China Coal Power Group Company transferred 236,135,250 state-owned legal person shares it held (4.55% of the total capital stock of the Bank) to Asia Financial Holdings Pte., Ltd., Singapore. The legal procedure for the transfer was completed with China Securities Depository & Clearing Corporation Limited (Shanghai) on January 19, 2005.

## 10. Impropration of Funds by the Controlling Shareholders and Their Affiliated Companies

As of the end of the reporting period, the Bank had no prohibited fund transfer or impropration that have violated the Notice Concerning Several Issues on the Standardization of Listed Company's Fund Transfer with Related Parties and Their Guarantee Business issued by CSRC (Zhengjianfa [2003] No.56).

The Bank had no controlling shareholders. As of the end of the reporting period, the outstanding loans to related parties totaled RMB 1.373 billion, or 0.48% of the total loans of the Bank, which had no negative impact on the business operation and the financial condition of the Bank.

## 11. Specific Explanation and Independent Opinion on Guarantee Business of the Bank by the Independent Directors

In compliance with the CSRC document of Zhengjian Fa [2003] No. 56 and the Contents and Formats Standards No.2 Concerning Information Disclosure of Companies Offering Shares to the Public - Contents and Formats of Annual Report (revised in 2004), we, as the independent directors of China Minsheng Banking Corp., Ltd., have reviewed the guarantees business of the Bank on an impartial, fair and objective basis, and our specific explanation and opinion are as follows:

The result of the review shows that the guarantee business of the Bank is one of the typical banking businesses approved by the PBOC and the CBRC and is within its business scope. The Bank has consistently attached importance to this business in terms of risk management, and strictly follows the regulations on credit limit of the guarantee, operation flow of guarantee business, assessment and approval procedures. The Bank's risk control over the guarantee business is proved to be effective. The Bank will continuously tighten its risk mangement in an aim to support a healthy and sound growth of our business.

Independent Directors of China Minsheng Banking Corp., Ltd.:

James Stent, Annie Wu, Wu Zhipan, Zhang Ke, Gao Shangquan

## X Financial Statements

The Bank's 2004 financial statements have been audited by PricewaterhouseCoopers Zhong Tian CPAs Limited Company and PricewaterhouseCoopers China Limited according to PRC GAAP and IFRS respectively. The PWCZT (2005) No. 653 unqualified independent auditors' report has been signed by Wu Weijun and Tu Yi and issued accordingly.

1. Auditors' Reports
2. Financial Statements (Including Balance Sheet, Income Statement, Profit Distribution Statement, Statement of Cash Flows)
3. Notes to the Financial Statements ( Including Reconciliation of Financial Statements and Statement of Provision for Assets Impairment)

Please find the above contents in Appendix 1.

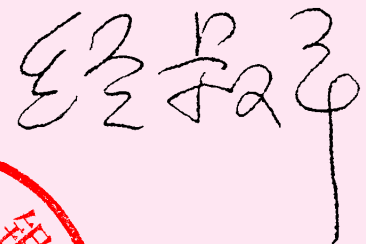
## XI Index of Documents for Reference

1. Financial statements signed and sealed by the legal representative, senior executive in charge of finance and accounting function and persons in charge of finance and accounting departments of the Bank
2. Original copy of the auditors' reports sealed by the accounting firms, sealed and signed by CPAs from the accounting firms
3. Text of the annual report signed by the Chairman of the BOD
4. All the originals of the documents and announcements disclosed during the reporting period in China Securities Journal, Shanghai Securities News and Securities Times
5. Articles of Association

## XII Appendices

Appendix I: Financial Statements

Appendix II: Supplementary Financial Statements




Jing Shuping  
Chairman

Board of Directors  
China Minsheng Banking Corp., Ltd.

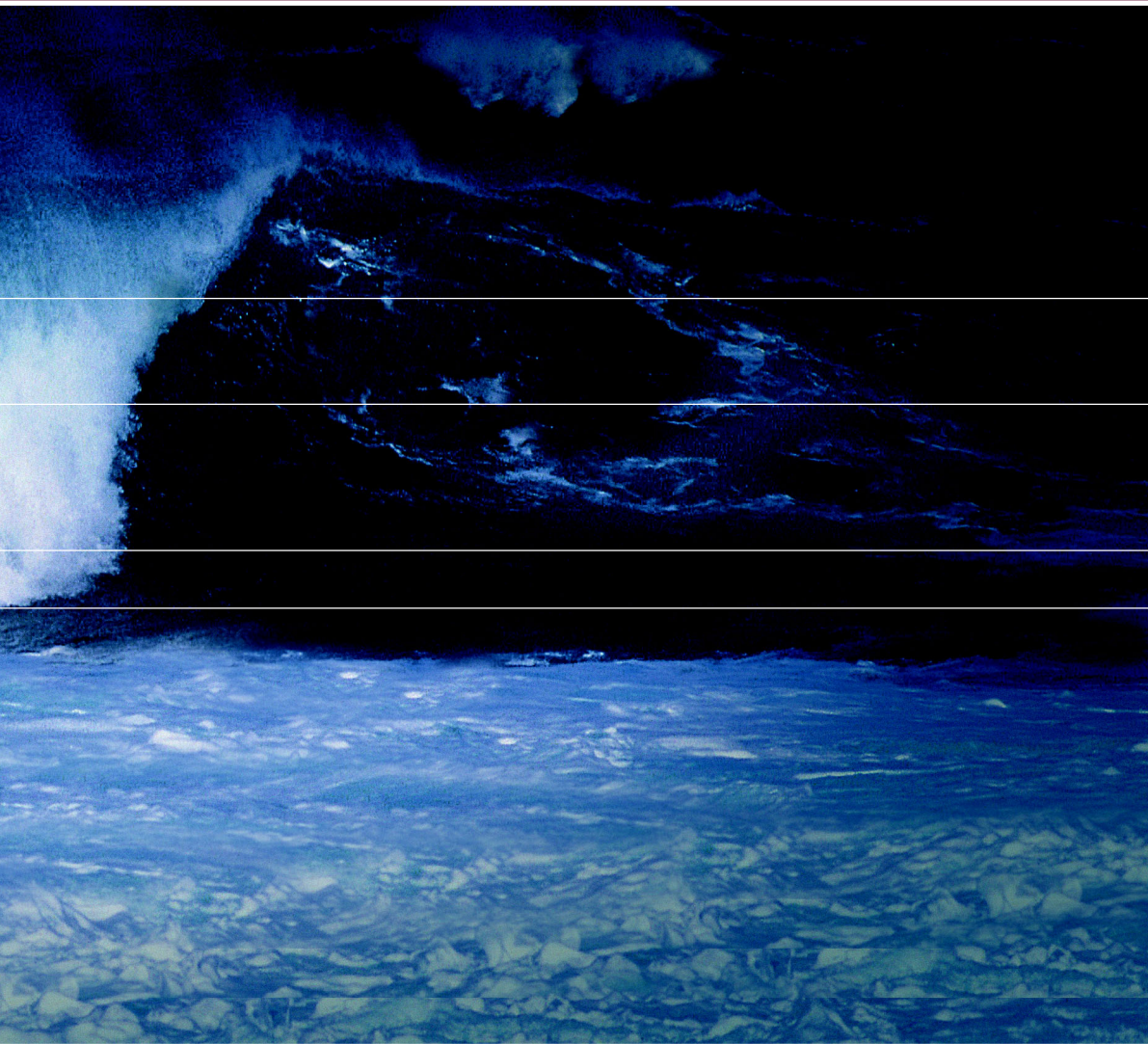
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66 Appendix I  
Financial Statements



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## Appendix I

# Financial Statements

CHINA MINSHENG BANKING CORP., LTD.

2004 Annual Financial Statements and  
Independent Auditors' Report

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## Independent Auditors' Report

Reference No.: PWCZT(2005) 653

### To the Shareholders of China Minsheng Banking Corp., Ltd.

We have audited the accompanying balance sheet of China Minsheng Banking Corp., Ltd. (the "Bank") as of 31 December 2004, and the related statements of income and cash flows for the year then ended. The management of the Bank is responsible for preparing these financial statements. Our responsibility is to form an opinion on these financial statements based on our audit.

We planned and conducted our audit in accordance with the Chinese Independent Auditing Standards (CIAS) for Certified Public Accountants, which provide us with reasonable assurance as to whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, of evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles 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 present fairly, in all material respects, the financial position of the Bank as of 31 December 2004 and the results of its operations and its cash flows for the year then ended, in accordance with the Accounting Standards for Business Enterprises and the "Accounting System for Financial Institutions" promulgated by the People's Republic of China.

Pricewaterhouse Coopers Zhong Tian CPAs Limited Company

February 21, 2005



Certified Public Accountant  
Wu Weijun, Tu Yi



## BALANCE SHEET

AS AT 31 DECEMBER 2004

FORM AFT (Commercial Bank)-01

■ All amounts expressed in Rmb'000 unless otherwise specified

| Assets  | Note V | 31 December 2004   | 31 December 2003   |
|---|--------|--------------------|--------------------|
| <b>Current Assets:</b>                        |        |                    |                    |
| Cash in hand and at bank                      | 1      | 1,471,945          | 1,066,223          |
| Deposits with the PBOC                        | 2      | 40,653,237         | 35,584,008         |
| Due from banks                                | 3      | 12,077,177         | 28,396,142         |
| Lending to other banks                        | 5      | 8,919,586          | 5,137,022          |
| Lending to non-bank financial institutions    | 6      | 2,322,782          | 3,284,114          |
| Short-term loans                              | 7      | 136,454,464        | 104,444,517        |
| Documentary bills                             | 8      | 1,520,084          | 1,356,354          |
| Interest receivable                           | 9      | 1,382,801          | 1,233,408          |
| Other receivables                             | 10     | 612,059            | 297,728            |
| Discounted bills                              | 11     | 29,940,167         | 21,621,964         |
| Short-term investment                         | 12     | 10,335,234         | 793,099            |
| Securities purchased under resale agreements  | 13     | 11,518,877         | 18,535,339         |
| Long-term bond investment due within one year | 14     | 3,688,295          | 3,522,318          |
| <b>Total current assets</b>                   |        | <b>260,896,708</b> | <b>225,272,236</b> |
| <b>Long-term Assets:</b>                      |        |                    |                    |
| Medium and long-term loans                    | 15     | 117,050,744        | 71,708,361         |
| Overdue loans                                 | 16     | 447,511            | 201,232            |
| Idle loans                                    | 17     | 2,942,683          | 2,433,604          |
| Bad loans                                     | 18     | 6,490              | 6,877              |
| Less: Provision for loan losses               | 19     | (4,247,700)        | (3,226,216)        |
| Long-term bond investment                     | 21     | 62,363,058         | 60,805,593         |
| Long-term equity investment                   | 22     | 50,000             | 50,000             |
| Fixed assets                                  | 23     | 2,698,034          | 1,596,631          |
| Construction in progress                      | 24     | 1,589,236          | 1,306,036          |
| <b>Total long-term assets</b>                 |        | <b>182,900,056</b> | <b>134,882,118</b> |
| <b>Intangible and other Assets:</b>           |        |                    |                    |
| Intangible assets                             |        | 69,545             | 34,756             |
| Long-term prepaid expenses                    | 25     | 372,651            | 364,581            |
| Foreclosed assets to be disposed              | 26     | 776,572            | 281,844            |
| <b>Total intangible and other assets</b>      |        | <b>1,218,768</b>   | <b>681,181</b>     |
| <b>Deferred Taxes:</b>                        |        |                    |                    |
| Deferred income tax assets                    | 27     | 383,150            | 228,875            |
| <b>Total Assets</b>                           |        | <b>445,398,682</b> | <b>361,064,410</b> |

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

CHINA MINSHENG BANKING CORP., LTD.

BALANCE SHEET (CONTINUED)

AS AT 31 DECEMBER 2004

FORM AFT (Commercial Bank)-01

■ All amounts expressed in Rmb'000 unless otherwise specified

| Liabilities & Shareholders' Equity                  | Note V | 31 December 2004   | 31 December 2003   |
|---|--------|--------------------|--------------------|
| <b>Current Liabilities:</b>                         |        |                    |                    |
| Short-term corporate deposits                       | 28     | 229,109,497        | 177,625,671        |
| Short-term individual savings                       | 29     | 36,094,772         | 23,580,519         |
| Fiscal deposits                                     |        | 5,080,466          | 4,421,935          |
| Borrowings from the PBOC                            |        | -                  | 300,000            |
| Deposits from banks                                 | 30     | 33,814,366         | 44,007,281         |
| Borrowings from other banks                         | 31     | 1,219,919          | 3,139,640          |
| Securities sold under repurchase agreements         | 32     | 6,965,915          | 23,780,348         |
| Outward remittance                                  |        | 367,674            | 782,664            |
| Inward remittance and temporary deposits            |        | 377,077            | 711,137            |
| Short-term margin deposits                          | 38     | 35,432,961         | 20,148,514         |
| Interest payable                                    | 33     | 1,632,185          | 1,102,758          |
| Payroll payable                                     |        | 339,505            | 199,160            |
| Payroll welfare payable                             |        | 70,414             | 39,692             |
| Taxes payable                                       | 34     | 618,133            | 396,671            |
| Other payables                                      | 35     | 978,164            | 746,920            |
| Dividends payable                                   |        | 24,535             | 732                |
| Accrued expenses                                    |        | 24,090             | 20,081             |
| <b>Total current liabilities</b>                    |        | <b>352,149,673</b> | <b>301,003,723</b> |
| <b>Long-term Liabilities:</b>                       |        |                    |                    |
| Long-term corporate deposits                        | 36     | 66,345,140         | 46,185,897         |
| Long-term individual savings                        | 37     | 7,421,176          | 1,918,648          |
| Long-term margin deposits                           | 38     | 220,375            | 223,995            |
| Convertible bonds                                   | 39     | 312,769            | 1,995,497          |
| Subordinated bonds                                  | 40     | 5,847,526          | -                  |
| Other long-term liabilities                         |        | 194,865            | 86,446             |
| <b>Total long-term liabilities</b>                  |        | <b>80,341,851</b>  | <b>50,410,483</b>  |
| <b>Total Liabilities</b>                            |        | <b>432,491,524</b> | <b>351,414,206</b> |
| <b>Shareholders' Equity:</b>                        |        |                    |                    |
| Capital stock                                       | 41     | 5,184,447          | 3,625,259          |
| Capital surplus                                     |        | 4,948,491          | 4,061,730          |
| Surplus reserve                                     |        | 777,453            | 471,693            |
| Retained earnings                                   |        | 1,999,595          | 1,494,044          |
| Currency translation variances                      |        | (2,828)            | (2,522)            |
| <b>Total Shareholders' Equity</b>                   |        | <b>12,907,158</b>  | <b>9,650,204</b>   |
| <b>Total Liabilities &amp; Shareholders' Equity</b> |        | <b>445,398,682</b> | <b>361,064,410</b> |

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

CHINA MINSHENG BANKING CORP., LTD.

INCOME STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2004

FORM AFT (Commercial Bank)-02

■ All amounts expressed in Rmb'000 unless otherwise specified

| Items                                    | Note V | 2004                | 2003               |
|--|--------|---------------------|--------------------|
| <b>Operating Income:</b>                 |        |                     |                    |
| Interest income                          | 42     | 12,941,260          | 7,892,582          |
| Income from other financial institutions | 43     | 2,193,152           | 1,791,424          |
| Fee and commission income                |        | 411,382             | 137,394            |
| Foreign exchange gain                    |        | 109,321             | 134,862            |
| Investment income                        | 44     | 2,210,254           | 2,042,780          |
| Other operating income                   |        | 93,410              | 51,436             |
| <b>Total operating income</b>            |        | <b>17,958,779</b>   | <b>12,050,478</b>  |
| <b>Operating Expenses:</b>               |        |                     |                    |
| Interest expenses                        | 42     | (5,568,425)         | (3,623,713)        |
| Expenses to other financial institutions | 43     | (2,793,223)         | (1,847,373)        |
| Fee and commission expenses              |        | (103,877)           | (99,019)           |
| Operating expense                        |        | (4,385,586)         | (3,004,969)        |
| Provision for assets impairment          | 45     | (1,503,048)         | (1,056,180)        |
| <b>Total operating expenses</b>          |        | <b>(14,354,159)</b> | <b>(9,631,254)</b> |
| <b>Business Tax and Surcharges</b>       | 46     | <b>(760,070)</b>    | <b>(451,553)</b>   |
| <b>Operating Profit</b>                  |        | <b>2,844,550</b>    | <b>1,967,671</b>   |
| Plus: Net non-operating income/expenses  |        | 20,896              | (26,557)           |
| <b>Profit Before Income Tax</b>          |        | <b>2,865,446</b>    | <b>1,941,114</b>   |
| Less: Income tax expense                 | 47     | (827,045)           | (549,862)          |
| <b>Net Profit</b>                        |        | <b>2,038,401</b>    | <b>1,391,252</b>   |

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

CHINA MINSHENG BANKING CORP., LTD.

PROFIT DISTRIBUTION STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2004

FORM AFT (Commercial Bank)-02 Att.

■ All amounts expressed in Rmb'000 unless otherwise specified

| Items  | 2004             | 2003             |
|--|------------------|------------------|
| <b>Net Profit</b>                                | <b>2,038,401</b> | <b>1,391,252</b> |
| Plus: Retained earnings at year beginning        | 1,494,044        | 984,027          |
| <b>Net Distributable Profit</b>                  | <b>3,532,445</b> | <b>2,375,279</b> |
| Less: Appropriation to statutory surplus reserve | (203,840)        | (139,125)        |
| Appropriation to statutory welfare reserve       | (101,920)        | (69,563)         |
| <b>Net Profit Distributable to Shareholders</b>  | <b>3,226,685</b> | <b>2,166,591</b> |
| Less: Dividends payable                          | (460,159)        | (155,203)        |
| Stock dividends transferred into shares          | (766,931)        | (517,344)        |
| <b>Retained Earnings</b>                         | <b>1,999,595</b> | <b>1,494,044</b> |

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

CHINA MINSHENG BANKING CORP., LTD.

CHANGES OF SHAREHOLDER' EQUITY

AS AT 31 DECEMBER 2004

FORM AFT (Commercial Bank)-01 Att.

■ All amounts expressed in Rmb'000 unless otherwise specified

|   | Note V | Capital stock | Capital surplus | Statutory surplus reserve | Statutory welfare reserve | Retained earnings | Other capital reserve | Total      |
|---|--------|---------------|-----------------|---------------------------|---------------------------|-------------------|-----------------------|------------|
| <b>Balance at 1 January 2004</b>              |        | 3,625,259     | 4,061,730       | 292,916                   | 178,777                   | 1,494,044         | (2,522)               | 9,650,204  |
| Arising in the year                           |        |               |                 |                           |                           |                   |                       |            |
| Net profit                                    |        | -             | -               | -                         | -                         | 2,038,401         | -                     | 2,038,401  |
| Cash dividends                                |        | -             | -               | -                         | -                         | (460,159)         | -                     | (460,159)  |
| Stock dividends                               | 41     | 766,931       | -               | -                         | -                         | (766,931)         | -                     | -          |
| Issue of shares-transfer from capital surplus | 41     | 575,198       | (575,198)       | -                         | -                         | -                 | -                     | -          |
| Appropriation to statutory surplus reserve    |        | -             | -               | 203,840                   | -                         | (203,840)         | -                     | -          |
| Appropriation to statutory welfare reserve    |        | -             | -               | -                         | 101,920                   | (101,920)         | -                     | -          |
| Conversion of bonds into capital stock        | 41     | 217,059       | 1,461,959       | -                         | -                         | -                 | -                     | 1,679,018  |
| Other   |        | -             | -               | -                         | -                         | -                 | (306)                 | (306)      |
| <b>Balance at 31 December 2004</b>            |        | 5,184,447     | 4,948,491       | 496,756                   | 280,697                   | 1,999,595         | (2,828)               | 12,907,158 |
|   |        |               |                 |                           |                           |                   |                       |            |
| <b>Balance at 1 January 2003</b>              |        | 2,586,721     | 2,532,123       | 153,791                   | 109,214                   | 984,027           | (2,890)               | 6,362,986  |
| Arising in the year                           |        |               |                 |                           |                           |                   |                       |            |
| Net profit                                    |        | -             | -               | -                         | -                         | 1,391,252         | -                     | 1,391,252  |
| Cash dividends                                |        | -             | -               | -                         | -                         | (155,203)         | -                     | (155,203)  |
| Stock dividends                               |        | 517,344       | -               | -                         | -                         | (517,344)         | -                     | -          |
| Issue of shares-transfer from capital surplus |        | 258,672       | (258,672)       | -                         | -                         | -                 | -                     | -          |
| Appropriation to statutory surplus reserve    |        | -             | -               | 139,125                   | -                         | (139,125)         | -                     | -          |
| Appropriation to statutory welfare reserve    |        | -             | -               | -                         | 69,563                    | (69,563)          | -                     | -          |
| Conversion of bonds into capital stock        |        | 262,522       | 1,788,279       | -                         | -                         | -                 | -                     | 2,050,801  |
| Other   |        | -             | -               | -                         | -                         | -                 | 368                   | 368        |
| <b>Balance at 31 December 2003</b>            |        | 3,625,259     | 4,061,730       | 292,916                   | 178,777                   | 1,494,044         | (2,522)               | 9,650,204  |

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

CHINA MINSHENG BANKING CORP., LTD.

CASHFLOWS STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2004

FORM AFT (Commercial Bank)-03

■ All amounts expressed in Rmb'000 unless otherwise specified

| Items  | Amount               |
|--|----------------------|
| <b>I. Cash Flows from Operating Activities</b>   |                      |
| Repayment of medium and long-term customer loans   | 28,115,809           |
| Net demand deposits received   | 40,736,444           |
| Other deposits received  | 407,924,588          |
| Net decrease of due from other banks with maturity over 3 months   | 3,478,322            |
| Repayment of lendings to other financial institutions, net   | 961,332              |
| Interests received   | 14,939,522           |
| Fee and commission received  | 411,382              |
| Temporary deposits received on bank promissory notes, net  | 185,100              |
| Cash received from other operation-related activities  | 407,992              |
| <b>Sub-total of cash inflows</b>   | <b>497,160,491</b>   |
| Granted medium and long-term customer loans  | (76,174,144)         |
| Net increase of outstanding short-term loans   | (40,491,880)         |
| Other deposits paid (exclusive of short-term deposits)   | (343,395,884)        |
| Net increase of restricted deposit reserve at the PBOC   | (6,991,483)          |
| Net increase of outward remittance   | (414,990)            |
| Net increase of lending to other banks with maturity over 3 months   | (2,361,166)          |
| Net decrease of deposits from banks  | (10,192,915)         |
| Net decrease of borrowings from other financial institutions   | (19,034,154)         |
| Net increase of securities purchased under resale agreements with other financial institutions and net increase of securities with maturity over 3 months purchased under resale agreements with other banks | (1,097,289)          |
| Interest paid  | (7,778,141)          |
| Fee and commission paid  | (92,053)             |
| Cash payment to and for employees  | (1,695,096)          |
| Payment of income tax  | (823,363)            |
| Payment of other taxes   | (696,565)            |
| Cash paid for other operation-related activities   | (1,019,738)          |
| <b>Sub-total of cash outflows</b>  | <b>(512,258,861)</b> |
| <b>Net cash flows from operating activities</b>  | <b>(15,098,370)</b>  |
| <b>II. Cash Flows from Investment Activities</b>   |                      |
| Sale and maturity of securities investment   | 23,281,985           |
| Interest of long-term bonds received   | 2,255,752            |
| Cash received from disposal of fixed assets, intangible assets and other long-term assets  | 34,138               |
| <b>Sub-total of cash inflows</b>   | <b>25,571,875</b>    |
| Purchase of investment securities  | (34,657,717)         |
| Purchase of fixed assets, intangible assets and other long-term assets   | (2,107,159)          |
| <b>Sub-total of cash outflows</b>  | <b>(36,764,876)</b>  |
| <b>Net cash flows from investment activities</b>   | <b>(11,193,001)</b>  |



CHINA MINSHENG BANKING CORP., LTD.

CASHFLOWS STATEMENT (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2004

FORM AFT (Commercial Bank)-03

■ All amounts expressed in Rmb'000 unless otherwise specified

| Items  | Amount              |
|--|---------------------|
| <b>III. Cash Flows from Financing Activities</b>               |                     |
| Net proceeds from issuance of subordinated bonds               | 5,788,176           |
| Cash paid for interest of convertible bonds                    | (10,256)            |
| Cash dividends paid  | (436,356)           |
| <b>Net cash flows from financing activities</b>                | <b>5,341,564</b>    |
| <b>IV. Effect of Changes on Currency Translation Variances</b> | <b>(306)</b>        |
| <b>V. Net Increase in Cash and Cash Equivalents</b>            | <b>(20,950,113)</b> |

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

CHINA MINSHENG BANKING CORP., LTD.

CASHFLOWS STATEMENT (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2004

FORM AFT (Commercial Bank)-03

■ All amounts expressed in Rmb'000 unless otherwise specified

| Supplemental Information  | Amount              |
|---|---------------------|
| <b>1. Reconciliation of Net Profit to Net Cash Flows from Operating Activities:</b> |                     |
| Net Profit  | 2,038,401           |
| Plus: Provision for bad debt  | 10,403              |
| Provision for assets impairment   | 1,503,048           |
| Reversal of impairment on fixed assets  | (16,553)            |
| Depreciation of fixed assets  | 251,544             |
| Amortization of intangible assets   | 8,492               |
| Amortization of deferred assets   | 131,961             |
| Losses on disposal of fixed assets, intangible assets and other long-term assets    | 198                 |
| Investment income   | (2,210,254)         |
| Interest expense of convertible bonds   | 6,562               |
| Interest expense of subordinated bonds  | 47,526              |
| Deferred income tax expense   | (154,275)           |
| Increase in operating receivables   | (93,444,896)        |
| Increase in operating payables  | 76,729,473          |
| <b>Net cash flows from operating activities</b>                                     | <b>(15,098,370)</b> |
| <br>  |                     |
| <b>2. Non-cash Investment and Financing Activities</b>                              |                     |
| Convertible bonds converted into capital stock                                      | 1,679,034           |
| <br>  |                     |
| <b>3. Net Increase in Cash and Cash Equivalents: (Note V-4)</b>                     |                     |
| Cash at end of year   | 1,471,945           |
| Less: Cash at beginning of year   | (1,066,223)         |
| Add: Cash equivalents at end of year  | 33,485,582          |
| Less: Cash equivalents at beginning of year   | (54,841,417)        |
| <b>Net increase in cash and cash equivalents</b>                                    | <b>(20,950,113)</b> |

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

## Note I Company Profile

China Minsheng Banking Corp., Ltd. (the "Bank") was established in the People's Republic of China ("PRC") on February 7, 1996 as a joint stock national commercial bank. Its establishment was approved by the State Council of the PRC and by the People's Bank of China (the "PBOC"). In 2000, the Bank issued 350,000,000 A-shares of common stock in local currency Renminbi ("RMB") and have been listed at the Shanghai Stock Exchange since 2000. For the details of the Bank's issuance of subordinated bonds in 2004 and the change of capital stock, please refer to Note V-40 "Subordinated Bonds" and Note V-41 "Capital Stock".

By the end of December 2004, the Bank has established 17 branches in such cities as Beijing, Shanghai, Guangzhou, Shenzhen, Wuhan, Dalian, Nanjing, Hangzhou, Chongqing, Xi'an, Ji'nan, Fuzhou, Ningbo, Chengdu, Taiyuan, Shijiazhuang and Tianjin. Apart from these branches, the Bank also has a sub-branch in Shantou, Guangdong Province, which directly reports to the Headquarters.

The business scope of the Bank covers:

- Deposit taking;
- Granting short-, mid- and long-term loans;
- Granting entrusted loans;
- Domestic and international settlement;
- Bill discounting;
- Issuing financial institution bonds;
- Acting as agent on issuing, cashing and underwriting of government bonds;
- Trading bonds issued by financial institutions and government, and corporate bonds in foreign currencies;
- Participating in inter-bank money market;
- Trading foreign exchanges and other derivative financial instruments for the Bank or on behalf of its customers;
- Issuing L/C and financial guarantees;
- Acting as agent on inward and outward payment, and selling insurance products;
- Offering safe-box service;
- Other financial businesses approved by the PBOC or CBRC.

## Note II Principal Accounting Policies and Accounting Estimates

### 1 Basis of preparation

The above financial statements are prepared in accordance with the Accounting Standards for Business Enterprises, the Accounting System for Financial Institutions and other regulations enacted by the Ministry of Finance of the PRC.

The disclosure in the notes to the financial statements are made in accordance with the Regulations on the Information Disclosure and Compiling for Publicly Listed Companies (No.18)-Special Provisions on the Disclosure of Commercial Banks promulgated by the China Securities Regulatory Commission (the "CSRC") and Provisional Regulation on Information Disclosure of Commercial Banks enacted by the PBOC.

### 2 Accounting period

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

### 3 Reporting currency

The Bank's reporting currency is Renminbi ("RMB"), the lawful currency of the PRC.

### 4 Basis of accounting and measurement basis

The Bank follows the accrual basis of accounting. Assets are initially recorded ataccrual cost upon acquisition and subsequently adjusted for impairment, if any.

### 5 Accounting method for business in foreign currencies and foreign currencies translation

In respect of foreign currency businesses, transactions are recorded at separate accounts denominated in different foreign currencies at the date of the transactions. As at the balance sheet date, balances on the accounts in foreign currencies are firstly translated into US dollar either at the PBOC benchmark exchange rates or the cross rates on the balance sheet date approved by the government to generate closing

## Note II Principal Accounting Policies and Accounting Estimates (Cont'D)

financial statements denominated in US dollar, which are then translated into RMB and consolidated with financial statements in RMB and finally come out the consolidated financial statements in RMB for the Bank.

All the assets and liabilities in the balance sheet are translated at the PBOC benchmark exchange rates on the balance sheet date or the cross rates approved by the government. Except for retained earnings, shareholders' equity accounts are translated at the PBOC benchmark exchange rates or the cross rates on the transaction date approved by the government. The retained earnings is recorded as the amount in the profit distribution statement after currency translation. The differences thus incurred are included in currency translation variances in the balance sheet which has already been translated into RMB. The income statement items are translated at the PBOC benchmark exchange rates or the cross rates on the balance sheet date approved by the government.

### 6 Cash and cash equivalents

For the purposes of cash flow statement, cash refers to all cash in hand and call deposits. Cash equivalents refer to short-term and highly-liquid investment with original maturities of three months or less that are readily converted to known amounts of cash and which are subject to an insignificant risk of change in value, including the non-restricted reserve balance with the PBOC, demand deposits with other banks, time deposits with an original maturity less than three months with other banks, lending to other banks, securities purchased under resale agreements, short-term bond investment of high liquidity in the bond market and other monetary assets.

### 7 Provision for bad debts

The Bank adopts allowance method for possible losses of bad debts.

The Bank discontinues the recognition of interests on loans and lending to banks and other financial institutions, upon the principal or accrued interests

overdue more than 90 days (See Note II-21). Therefore, the Bank does not establish provisions for interests receivable of loans and lending to banks and other financial institutions. For interests receivable of bonds investment, the Bank does not establish provisions for losses because of its nature of low credit risk. For problematic lending to banks and other financial institutions and other receivables, a provision for impairment is established for each impaired receivable based on the analysis of its recoverability.

Provisions for bad debt losses are charged into the income statement of the year. When there is objective evidence that an account receivable is uncollectible, it is written off against the related provision for bad debt losses made previously. If the provision is not sufficient to cover the loss, the remaining loss then is booked into the income statement of the year. Subsequent recoveries of those accounts receivable that have been recognized as bad debts losses and written off accordingly, are credited to bad debts provision account at the previously written-off amounts.

### 8 Discounted bills

Discounted bills refer to the discount lending to customers or other financial institutions against accepted commercial bills before maturity.

Discounted bills are booked as the par value of the discounted bill while the interest income is calculated and recognized according to the resting period of the bill. On the balance sheet date, the interest of the outstanding discounted bills for the period from the balance sheet date to the maturity date is deferred. The discounted bills are reported in the balance sheet as the difference between their value upon maturity and the deferred interest income.

### 9 Loans classification

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

Loans are classified into different types by the original maturity. Those loans with maturity no more than one year are classified as short-term loans while loans with

## Note II Principal Accounting Policies and Accounting Estimates (Cont'D)

maturity over one year are classified as medium or long-term loans.

### (2) Overdue loans

Overdue loans refer to any loans which fail to repay when the term (including the extension period) specified in the contract due date, or the forced advance made by the Bank when the acceptor fails to pay due discounted bill while the deposit at applicant's account is inadequate to cover, or the forced advance made by the Bank for the matured bill which was accepted by the Bank while the deposit at applicant's account is insufficient to cover, or forced advance resulted from off-balance sheet businesses such as L/C or letter of guarantee. These loans or advances are all treated as overdue loans from the date when loans overdue or the advances are made.

### (3) Idle loans

An overdue loan, if not repaid 90 days after its maturity, will be classified as idle loan.

### (4) Bad loans

The following constitutes the basis for classification of bad loans.

- a The unpaid amount of the loan after collection from the borrower and the guarantor, when the borrower and the guarantor are declared as bankrupt or closed or liquidated with their legal entities legally discontinued.
- b The unpaid amount of the loan after collection through the liquidation of borrower's assets or legacy and after collection from guarantor, in the case of the borrower is individual and has been dead, or is declared as dead or missing according to the Civil Code of the PRC.
- c The unpaid amount of the loan, in the case that the borrower suffered from significant natural disaster or accident and is not able to claim compensation from insurance policy, or the insurance compensation is not sufficient to cover, and even after the liquidation of the borrower's assets and after collection from guarantor.
- d The unpaid amount of the loan after collection from the borrower and the guarantor, even the borrower and the guarantor are not declared as bankrupt or closed or liquidated according to law but they have completely stopped operations with their legal entities discontinued and their business licenses have been withdrawn by the State Administration of Industry and Commerce at county level or above.
- e The unpaid amount of the loan which can not be recovered after collection, when the borrower is punished for offending criminal law, his/her assets can not meet his/her obligations and there are no other undertakers for the loan.
- f The unpaid amount of the loan after the Bank taking litigation against the borrower and guarantor who fail to repay the due loan and have no assets to carry out the court enforcement, and the court formally stops the enforcement.
- g The unpaid amount of the loan, when the borrower is unable to repay the due loan due to the above-mentioned reasons a-f, and the fair value of the legally foreclosed assets by the bank, deducting the take-over expenses, is still less than the principal and accrued interest, even after debt collection.
- h The unpaid amount of the forced advance, when the applicant and guarantor are unable to repay the advance resulting from issuance of letter of credit, accepted bill and letter of guarantee, etc, for the above-mentioned reasons a-g, even after debt collection.
- i Net losses of the Bank due to forgery, imposture or fraudulence of bank cards .
- j The amount of the loan to students that can not be recovered after legal disposal of the collateral and execution recourse against the guarantor within the valid recourse period after the due of the loan.
- k The loans written off with special approval by the State Council of the PRC.

## Note II Principal Accounting Policies and Accounting Estimates (Cont'D)

### (5) Accrual loan and non-accrual loan

Loan is placed as interest accrual status if the principal and the interest has not been past due for 90 days or more. If the principal or the interest has been past due for 90 days or more and the Bank ceases to accrue interest for the loan.

### 10 Provision for loan losses

Provision for loan losses is provided based on the impairment on the loan.

Provision for loan losses are taken from the following credit businesses such as short-term loans, discounting bills accepted by corporate customers (excluding rediscounted bills under repurchase agreements with financial institutions), inward and outward documentary bills, medium and long-term loans, overdue loans, idle loans, bad loans, L/C, letter of guarantee and accepted bills, etc.

The Bank assesses whether there is any objective evidence that a loan is impaired at the end of the year. Objective evidences may include significant financial difficulties of the borrower, a breach of contract such as default or delinquency, or the Bank's granting of concession to a borrower. If there is objective evidence that impairment loss on a loan carried at amortized cost has been incurred, a provision for impairment is established for each impaired loan. The amount of the provision is the difference between the carrying amount and the recoverable amount, being the present value of expected cash flows, including amounts recoverable from guarantees and collateral, discounted at the original effective interest rate of the impaired loan.

The provision for impaired loans also covers unidentified losses where there is objective evidence that possible loss has been incurred in the loan portfolio at the balance sheet date. These losses have been estimated based upon the Bank's historical experience of losses, and reflect the current economic climate in which the borrowers operate.

If a loan is identified as unrecoverable, it will be written off against the relevant provisions upon the approval of

the Board of Directors. Subsequent recoveries of those loans that have been written off, are credited to provision account at the previously written-off amount.

### 11 Short-term investment

Most of the short-term investment of the Bank is short-term bonds. Short-term bonds investment is recorded at cost on acquisition, excluding the due but uncollected interests. Interests received during the holding period, excluding those which have been charged into interests receivable, should be charged against the book value of the investment. An investment gain or loss is recognized when the investment is sold or due. Short-term investment is measured at the lower of the cost and the market value at the end of a period.

### 12 Long-term bonds investment

The long-term bonds investment is recorded at the purchase cost after deducting surcharges such as commissions to broker, taxation, fees and the interest accrued from the bond issuing date or the last coupon date to the purchase date. The premium (or discount) paid for the long-term bonds investment is amortized using straight-line method within holding period.

Interest income is accrued periodically. For the bonds investment that pays off the principal and interest upon maturity, the accrued interests are shown as long-term bonds investment—interest receivable in the long term bonds investment account; When bonds interests are paid periodically, the accrued interests at the balance sheet date are shown in the interests receivable account. The interest income of long-term bonds investment and the amortization of premium or discount are recorded into investment gain/loss account.

### 13 Long-term equity investment

Long-term equity investment is specially approved by the PBOC. The investment is recorded at the purchase cost. As the Bank has no control, or collaborated control or significant influence on the invested entity,

## Note II Principal Accounting Policies and Accounting Estimates (Cont'D)

the long-term equity investment is recorded using the cost method. The investment income is recognized when the invested entity announces distribution of cash dividends.

### 14 Provision for impairment of long-term investment

As the market value of long-term investment continually declines or business operation of invested entity deteriorates, the recoverable amount from long-term investment is less than book value and deteriorating trend is unlikely to recover in the expectable future. The difference between the recoverable amount and the book value is charged against the impairment provision of long-term investment.

### 15 Fixed assets and depreciation

Fixed assets refer to premises, buildings and equipments that are used in production, rendering of services, held for rental to others, or held for management purposes, which have useful lives of more than one year and have relatively high unit price.

Fixed assets purchased or constructed by the Bank are recorded at cost. Fixed assets are depreciated using the straight-line method to allocate the cost of assets to their estimated residual value of 3% of the cost over their estimated useful lives.

Repair and maintenance of fixed assets are expensed as incurred. Subsequent expenditure for major reconstruction, expansion, improvement and renovation are capitalized when it is possible that future economic benefits in excess of the original assessment of performance will flow to the Bank. Capitalized expenditures arising from major reconstruction, expansion and improvement are depreciated using the straight-line method over the remaining useful lives of the fixed assets. Capitalized expenditures arising from the renovation of fixed assets are depreciated using straight-line method over the estimated beneficial periods.

The following is a classification of fixed assets together

with the estimated service life span for each:

|   | Service life span |
|---|-------------------|
| Buildings   | 20-30 years       |
| Operation Equipment (including machinery, office equipment, and electronic equipment) | 5-10 years        |
| Motor vehicles  | 5 years           |

Fixed assets are periodically reviewed for repairment. If the recoverable amount is lower than the book value, a provision for impairment is then established as the amount of the difference between the two and is charged into income statement of the year. The recoverable amount refers to the higher of the net revenue from the disposal of the fixed asset or the cash flow from its continuous utilization and the disposal of the residual at the end of its service life. If there is evidence that the changes of factors, upon which the impairment provision on fixed asset is made, result in an exceeding of recoverable amount over carrying amount, the improvement can be credited back to the fixed asset impairment, but no more than the provision for impairment of fixed assets previously made.

### 16 Construction in progress

Construction in progress refers to the fixed assets under construction or being built and is stated at cost. Cost includes construction cost and other direct expenses, purchase cost of equipment, installation expenses, and also the interest expenses of financing for the project before it is completed and delivered for use. Construction in progress is transferred to fixed assets account upon its completion and delivery for use.

Provision for impairment of construction in progress is provided when:

- Construction in progress has been suspended for a long period and is not expected to re-commence within 3 years.
- Construction in progress has dropped behind in efficiency or technology and the economic benefits associated with the construction has significant uncertainty.

## Note II Principal Accounting Policies and Accounting Estimates (Cont'D)

### 17 Long-term prepaid expenses

Long-term prepaid expenses refer to those have been paid out and should be amortized over more than one year.

Long-term prepaid expenses of the Bank mainly include improvements cost for operational premises and other capital expenditures which are stated at cost. Long-term prepaid expenses also include those incurred in the pre-operating period before commercial operation of any branched and sub-branches.

Improvements for operational premises are amortized on the straight-line basis over the lesser of the remaining term of operating lease or the anticipated service life. All expenses incurred in the pre-operating period before commercial operation of any branches and sub-branches are recorded as long-term prepaid expenses and will be expensed in the first month of commercial operation. If the long-term prepaid expenses can not bring economic benefits to the Bank in the future, the carrying amount will be charged into the income statement of the year.

### 18 Foreclosed assets

Foreclosed assets are stated as the principal of the loan offset and recognized interest receivable. The Bank will review the recoverable amount of the assets regularly. On the balance sheet date, the carrying amount is adjusted based on the lesser of book value and recoverable value. If recoverable value is lower than book value, the Bank will establish a provision for impairment of foreclosed assets.

### 19 Subordinated bonds and convertible bonds

The subordinated bonds and convertible bonds issued by the Bank are stated as liabilities at issue price. The difference between issue price and par value of bonds is regarded as a premium or discount which will be amortized on straight-line basis during the term of the bonds.

The interest of subordinated bonds and convertible

bonds is accrued on an annual basis. The interest expenses, amortization of premium or discount, and issue expenses are capitalized into account related to the utilization of the proceeds from the issuance of the bonds or charged into finance expenses for the year.

When convertible bonds are converted into shares, the convertible number of share multiplied with the par value of shares will be booked into capital stock. The difference between the book value of the convertible bond and the par value of the shares deducted by the cash paid out to bond holders, will be recorded into capital surplus reserve.

### 20 Employee social security and benefits

Chinese employees of the Bank participate in employee social security plans, including pension, medical, housing and other welfare benefits, organized and administrated by the government authorities. The Bank also engages in the supplementary pension scheme provided by commercial insurance companies. The Bank has no other substantial commitments to employees.

In accordance with relevant regulations and contracts, the premiums and benefit contributions that should be borne by the Bank are calculated based on percentages of the total salary of employees, subject to a certain ceiling, and are paid to the labor and social welfare authorities. The related costs are charged as operating expenses of the year.

### 21 Revenue recognition

Interest incomes are recognized on an accrual basis.

A loan is placed as non-accrual status if the loan overdues, after the extension period if any, 90 days or more, or when the interest of a loan overdues 90 days or more since the interest accrual date. The interests of the non-accrual loan will not be recorded into the income statement of the year but will be recorded as off-balance sheet item. For the interest already recorded as receivables but not received for 90 days after the maturity of loan or interest is overdue for 90 days, the interest income previously booked in income statement



## Note II Principal Accounting Policies and Accounting Estimates (Cont'D)

will be deducted accordingly and be treated as off-balance sheet item. The compound interest on interest receivable will not be recorded in the income statement and also treated as off-balance sheet item. For the non-accrual loan, if any repayment is received, the outstanding principal of the loan should be offset first. After the principal is fully repaid, the remaining of repayment could be recognized as interest income of the year.

Fee and commission income is recognized on an accrual basis after the Bank provides service.

### 22 Expense recognition

Interest and other expenses are recognized on an accrual basis.

### 23 Securities purchased under resale agreements and securities sold under repurchase agreements

Securities purchased under resale agreements refer to the agreements pursuant to which the Bank purchases bonds, loans and bills at certain prices from the sellers who agree to buy back the items in the future at predetermined prices. Securities sold under repurchase agreements refer to the agreements pursuant to which the Bank sells bonds, loans and bills at certain prices to the buyers who agree to sell back the items in the future at predetermined prices.

Securities purchased under resale agreements and securities sold under repurchase agreements are stated at actual amount paid out or received, and booked into securities purchased under resale agreements account and securities sold under repurchase agreements account respectively at transaction date. The related discounted bills, bonds and loans under securities sold under repurchase agreements account are still reflected in related assets account.

The gain or loss resulted from the transaction of securities purchased under resale agreements or securities sold under repurchase agreements is recorded on an accrual basis as income from or expenses to financial institutions, within the resale or repurchase period.

### 24 Income tax

The Bank's treatment of the enterprise income tax adopts taxation effect method in the accounting.

Deferred income taxes are calculated on temporary difference under liability method. Temporary difference refers to the difference on taxable income due to the fact that taxation regulations and accounting policies recognize income, expense or loss on different dates. Temporary difference will adjust accumulated income tax effect with current effective tax rates.

The temporary difference mainly arises from provisions for impaired loans. When evidence suggests that the above-mentioned temporary difference could be offset by sufficient taxable income in the future, the deferred tax then could be recognized as assets.

The income tax payable calculated based on the tax rates applicable to the Bank will be charged to the income tax expense upon the realization of the profit.

### 25 Preparation of consolidated financial statements

These financial statements are consolidated ones based on individual financial statements and other information of Headquarters, Beijing branch, other branches and directly reporting sub-branch. All significant inter-branch balances and transactions are eliminated on consolidation basis.

### 26 Derivative financial instruments

The Bank engages in foreign exchange derivatives contracts, which include foreign exchange forwards and swaps, interest rate swaps, credit default swaps, foreign exchange call and put options, and bond options, some of which are embedded in other financial instruments. The derivatives transactions are mainly to reduce the market risk of the exposures in personal wealth management in foreign exchanges on behalf of clients.

The outstanding amount in financial derivatives contracts is stated as the off-balance sheet item. Relevant earnings or losses are recognized in the income statement on the date of settlement of the contracts.

## 27 Entrusted loans

On entrustment, the Bank provides custody and trustee services to the clients (as the consigner) who provide fund and bear the risks. According to the objects, use, amounts, terms and interest rates decided by the clients, the Bank (as the consignee) acts as an agent in lending, supervising, utilizing and collecting the loans while the consigner bears the risks. The fund provided by the consigner is recorded at the amount received in the account of entrusted fund. When the Bank lends loans upon the will of the consigner, it records the actual amount of fund taken out in the entrusted loan account.

The entrusted loans are recorded in off-balance sheet. The Bank does not make advance and only charges commission which is recognized as income on an accrual basis according to the accounting policy for the recognition of income.

## Note III Profit Distribution

According to Regulations on the Information Disclosure and Compiling for Publicly Listed Companies (No.4)-Difference on PRC GAAP and IFRS Auditing and Profit Distributable Base (CSRC Ji [2001] No. 58), listed financial institutions should make certain statutory surplus reserve and statutory welfare reserve based on PRC GAAP audited net profit. As for surplus reserve at discretion and profit distribution, the distributable profit base is the lower of the audited net profits under PRC GAAP and IFRS.

## Note IV Taxation

The main tax types, rates and taxable base are as following:

| Tax Types    | Rate | Taxable Base  |
|--------------|------|---|
| Business tax | 5%   | Operating income deducted by: <ul style="list-style-type: none"> <li>- Interest income from financial institutions</li> <li>- Interest income from investment on matured government bonds</li> <li>- Interest income from matured long-term financial bonds.</li> </ul> |
| Income tax   | 33%  | Taxable incomes   |

## Note V Notes to the Financial Statements

### 1 Cash in hand and at bank

|              | 31 December 2004 | 31 December 2003 |
|--------------|------------------|------------------|
| Cash in hand | 1,350,061        | 914,149          |
| Cash at bank | 121,884          | 152,074          |
| <b>Total</b> | <b>1,471,945</b> | <b>1,066,223</b> |

### 2 Deposits with the PBOC

The Bank is required to maintain a restricted general reserve deposit with the PBOC. Based on relevant regulations from the PBOC, the reserve deposit rate of local currency deposits was adjusted from 7% to 7.5% since 25 April 2004 (this reserve rate from 6% to 7% since 21 September 2003). And the reserve deposit rate of foreign currency deposits remains at 2% (2003: 2%). Deposits with the PBOC on 31 December included:

|                       | 31 December 2004  | 31 December 2003  |
|-----------------------|-------------------|-------------------|
| Restricted deposits   | 24,311,347        | 17,319,864        |
| Unrestricted deposits | 16,341,890        | 18,264,144        |
| <b>Total</b>          | <b>40,653,237</b> | <b>35,584,008</b> |

## 3 Due from banks

|                                     | 31 December 2004  | 31 December 2003  |
|-------------------------------------|-------------------|-------------------|
| Demand deposits with overseas banks | 1,660,402         | 3,049,497         |
| Demand deposits with domestic banks | 6,951,197         | 18,570,323        |
| Time deposits with domestic banks   |                   |                   |
| - Due within 3 months               | 372,443           | 204,865           |
| - Due over 3 months                 | 3,093,135         | 6,571,457         |
| <b>Total</b>                        | <b>12,077,177</b> | <b>28,396,142</b> |

## 4 Cash and cash equivalents

Cash and cash equivalents in the Cash Flows Statement consist of the following:

|  | 31 December 2004  | 31 December 2003  |
|--|-------------------|-------------------|
| Cash in hand and at bank   | 1,471,945         | 1,066,223         |
| Cash equivalent:   |                   |                   |
| Original maturity within 3 months:                                       |                   |                   |
| -Unrestricted deposits with the PBOC                                     | 16,341,890        | 18,264,144        |
| -Due from banks within 3 months  | 8,984,042         | 21,824,685        |
| -Loans and advances to banks within 3 months                             | 5,512,265         | 4,090,867         |
| -Securities purchased from banks under resale agreements within 3 months | 2,547,970         | 10,661,721        |
| -Short-term government securities within 3 months                        | 99,415            | -                 |
| Sub-total  | 33,485,582        | 54,841,417        |
| <b>Total</b>   | <b>34,957,527</b> | <b>55,907,640</b> |

## 5 Lending to other banks

|                           | 31 December 2004 | 31 December 2003 |
|---------------------------|------------------|------------------|
| Lending to domestic banks | 7,606,745        | 1,012,626        |
| Lending to overseas banks | 1,312,841        | 4,124,396        |
| <b>Total</b>              | <b>8,919,586</b> | <b>5,137,022</b> |

## 6 Lending to non-bank financial institutions

|  | 31 December 2004 | 31 December 2003 |
|--|------------------|------------------|
| Lending to domestic non-bank financial institutions            | 2,418,282        | 3,407,744        |
| Less: Provision for lending to financial institutions          | (95,500)         | (123,630)        |
| <b>Net lending to domestic non-bank financial institutions</b> | <b>2,322,782</b> | <b>3,284,114</b> |

## 7 Short-term loans

|                  | 31 December 2004   | 31 December 2003   |
|------------------|--------------------|--------------------|
| Credit loans     | 47,623,387         | 32,651,180         |
| Guaranteed loans | 64,273,361         | 52,438,699         |
| Collateral loans | 13,576,505         | 8,966,329          |
| Pledged loans    | 10,981,211         | 10,388,309         |
| <b>Total</b>     | <b>136,454,464</b> | <b>104,444,517</b> |

For details about short-term loans to shareholders with 5% or above of capital stock of the Bank, please see Note IX-“related party relationships and transactions”.

## 8 Documentary bills

|                           | 31 December 2004 | 31 December 2003 |
|---------------------------|------------------|------------------|
| Outward documentary bills | 606,810          | 264,393          |
| Inward documentary bills  | 913,274          | 1,091,961        |
| <b>Total</b>              | <b>1,520,084</b> | <b>1,356,354</b> |

Overdue inward and outward documentary bills are included in overdue or idle loans. For details, please see Note V-16 “Overdue loans” and Note V-17 “Idle loans”.

## 9 Interest receivable

|                              | 31 December 2004 | 31 December 2003 |
|------------------------------|------------------|------------------|
| Interest receivable on loans | 494,682          | 293,907          |
| Interest receivable on bonds | 827,960          | 873,457          |
| Other interest receivable    | 60,159           | 66,044           |
| <b>Total</b>                 | <b>1,382,801</b> | <b>1,233,408</b> |

As of 31 December 2004, the interest receivable from shareholders with 5% or above of capital stock of the Bank is RMB 65,000 (2003: RMB 135,000).

## 10 Other receivables

|                                      | 31 December 2004 | 31 December 2003 |
|--------------------------------------|------------------|------------------|
| Prepaid housing rents and deposits   | 92,763           | 80,398           |
| Prepaid equipment purchase costs     | 221,502          | 86,191           |
| Prepaid improvements on facilities   | 31,409           | 55,659           |
| Prepaid purchase costs of buildings  | 200,994          | 12,098           |
| Legal fees receivable                | 49,560           | 32,779           |
| Others                               | 49,413           | 53,782           |
| <b>Total</b>                         | <b>645,641</b>   | <b>320,907</b>   |
| Less: Provision on other receivables | (33,582)         | (23,179)         |
| <b>Net</b>                           | <b>612,059</b>   | <b>297,728</b>   |

| Maturity      | 31 December 2004 |              |                 | 31 December 2003 |              |                 |
|---------------|------------------|--------------|-----------------|------------------|--------------|-----------------|
|               | Amount           | % of balance | provision       | Amount           | % of balance | provision       |
| Within 1 year | 541,006          | 84%          | (6,582)         | 267,789          | 84%          | (4,099)         |
| 1-2 years     | 68,850           | 11%          | (5,107)         | 30,153           | 9%           | (5,793)         |
| 2-3 years     | 14,973           | 2%           | (9,472)         | 6,850            | 2%           | (2,866)         |
| Over 3 years  | 20,812           | 3%           | (12,421)        | 16,115           | 5%           | (10,421)        |
| <b>Total</b>  | <b>645,641</b>   | <b>100%</b>  | <b>(33,582)</b> | <b>320,907</b>   | <b>100%</b>  | <b>(23,179)</b> |

As of 31 December 2004, there were no receivables associated with shareholders with 5% or above of capital stock of the Bank (2003: nil).

## 11 Discounted bills

|                                  | 31 December 2004  | 31 December 2003  |
|----------------------------------|-------------------|-------------------|
| Discounted:                      |                   |                   |
| Bank acceptance bills            | 12,302,690        | 16,166,117        |
| Commercial acceptance bills      | 3,823,903         | 884,764           |
| Rediscounted:                    |                   |                   |
| Bank acceptance bills            | 12,338,009        | 3,867,918         |
| Commercial acceptance bills      | 1,475,142         | 703,071           |
| Foreign exchange bills purchased | 423               | 94                |
| <b>Total</b>                     | <b>29,940,167</b> | <b>21,621,964</b> |

## 12 Short-term investment

|                              | 31 December 2004  | 31 December 2003 |
|------------------------------|-------------------|------------------|
| Government bonds             | 106,887           | 75,513           |
| Short-term bills of the PBOC | 8,391,647         | 263,628          |
| Financial institution bonds  | 1,795,275         | 453,958          |
| Corporate bonds              | 41,425            | -                |
| <b>Total</b>                 | <b>10,335,234</b> | <b>793,099</b>   |

In the short-term investment, the Bank only has an investment on special PBOC bills with par value of RMB 5 billions which can not be disposed prior to the fixed maturity date on May 19, 2005. Other short-term investment does not have significant restrictions on its disposal.

## 13 Securities purchased under resale agreements

|  | 31 December 2004  | 31 December 2003  |
|--|-------------------|-------------------|
| Rediscounted bills under resale agreements | 1,668,377         | 12,255,205        |
| Loans purchased under resale agreements    | 5,730,500         | 5,792,634         |
| Bonds purchased under resale agreements    |                   |                   |
| -Government bonds                          | 1,054,444         | 346,500           |
| -Other bonds                               | 3,065,556         | 141,000           |
| <b>Total</b>                               | <b>11,518,877</b> | <b>18,535,339</b> |

## 14 Long-term bonds investment due within one year

| Bond Types                  | Maturity year | Annual interest rate(%) | Balance          | 31 December 2004 |                   |                  |
|-----------------------------|---------------|-------------------------|------------------|------------------|-------------------|------------------|
|                             |               |                         |                  | Including:       |                   |                  |
|                             |               |                         |                  | Face value       | Premium/ Discount | Accrued interest |
| Government bonds            | 2005          | 1.90-6.80               | 2,489,754        | 2,424,253        | 312               | 65,189           |
| Financial institution bonds | 2005          | 1.35-4.50               | 1,076,520        | 1,081,421        | (4,901)           | -                |
| Other bonds                 | 2005          | 3.13-7.60               | 122,021          | 121,184          | 837               | -                |
| <b>Total</b>                |               |                         | <b>3,688,295</b> | <b>3,626,858</b> | <b>(3,752)</b>    | <b>65,189</b>    |

| Bond Types                  | Maturity year | Annual Interest rate(%) | Balance          | 31 December 2003 |                  |                  |
|-----------------------------|---------------|-------------------------|------------------|------------------|------------------|------------------|
|                             |               |                         |                  | Including:       |                  |                  |
|                             |               |                         |                  | Face value       | Premium/Discount | Accrued interest |
| Government bonds            | 2004          | 1.90-6.50               | 2,561,358        | 2,505,080        | 1,192            | 55,086           |
| Financial institution bonds | 2004          | 2.23-5.14               | 581,414          | 581,186          | 228              | -                |
| Other bonds                 | 2004          | 3.295-7.88              | 379,546          | 374,935          | 4,611            | -                |
| <b>Total</b>                |               |                         | <b>3,522,318</b> | <b>3,461,201</b> | <b>6,031</b>     | <b>55,086</b>    |

## 15 Medium and long-term loans

|                  | 31 December 2004   |                   |                   | 31 December 2003  |                   |                   |
|------------------|--------------------|-------------------|-------------------|-------------------|-------------------|-------------------|
|                  | total              | 1-5 years         | Over 5 years      | total             | 1-5 years         | Over 5 years      |
| Credit loans     | 13,762,320         | 9,794,244         | 3,968,076         | 9,759,950         | 7,722,407         | 2,037,543         |
| Guaranteed loans | 30,906,879         | 21,876,043        | 9,030,836         | 26,828,199        | 23,043,650        | 3,784,549         |
| Collateral loans | 57,122,761         | 13,303,706        | 43,819,055        | 28,558,145        | 3,620,319         | 24,937,826        |
| Pledged loans    | 15,258,784         | 4,048,227         | 11,210,557        | 6,562,067         | 2,501,910         | 4,060,157         |
| <b>Total</b>     | <b>117,050,744</b> | <b>49,022,220</b> | <b>68,028,524</b> | <b>71,708,361</b> | <b>36,888,286</b> | <b>34,820,075</b> |

As of 31 December 2004, there were no outstanding medium and long-term loans associated with shareholders with 5% or above of capital stock of the Bank (2003:nil).

## 16 Overdue loans

|                  | 31 December 2004 | 31 December 2003 |
|------------------|------------------|------------------|
| Credit loans     | -                | 5,509            |
| Guaranteed loans | 320,376          | 53,536           |
| Collateral loans | 114,991          | 54,297           |
| Pledged loans    | 12,144           | 87,890           |
| <b>Total</b>     | <b>447,511</b>   | <b>201,232</b>   |

As of 31 December 2003, there were no outstanding overdue loans associated with shareholders with 5% or above of capital stock of the Bank (2003: nil).

## 17 Idle Loans

|                  | Overdue as of 31 December 2004 |                |                |                |                |                |
|------------------|--------------------------------|----------------|----------------|----------------|----------------|----------------|
|                  | Total                          | 3-6 months     | 6-12 months    | 1-2 years      | 2-3 years      | Over 3 years   |
| Credit loans     | 33,745                         | 19,863         | 2,691          | -              | 9,120          | 2,071          |
| Guaranteed loans | 1,732,278                      | 344,032        | 340,386        | 233,202        | 236,298        | 578,360        |
| Collateral loans | 1,062,093                      | 49,015         | 113,981        | 322,748        | 381,590        | 194,759        |
| Pledged loans    | 114,567                        | 45,747         | 7,190          | 36,269         | -              | 25,361         |
| <b>Total</b>     | <b>2,942,683</b>               | <b>458,657</b> | <b>464,248</b> | <b>592,219</b> | <b>627,008</b> | <b>800,551</b> |

|                  | Overdue as of 31 December 2003 |                |                |                |                |                |
|------------------|--------------------------------|----------------|----------------|----------------|----------------|----------------|
|                  | Total                          | 3-6 months     | 6-12 months    | 1-2 years      | 2-3 years      | Over 3 years   |
| Credit loans     | 13,031                         | -              | -              | 9,661          | 3,370          | -              |
| Guaranteed loans | 1,234,120                      | 103,163        | 148,763        | 274,523        | 299,865        | 407,806        |
| Collateral loans | 1,117,278                      | 363,196        | 43,012         | 515,208        | 97,268         | 98,594         |
| Pledged loans    | 69,175                         | 25,549         | 13,923         | 4,342          | 25,361         | -              |
| <b>Total</b>     | <b>2,433,604</b>               | <b>491,908</b> | <b>205,698</b> | <b>803,734</b> | <b>425,864</b> | <b>506,400</b> |

|                                    | 31 December 2004 | 31 December 2003 |
|------------------------------------|------------------|------------------|
| Balance at beginning of year       | 2,433,604        | 2,277,578        |
| Increase within the year           | 1,630,624        | 204,958          |
| Write-off/disposal within the year | (1,121,545)      | (48,932)         |
| <b>Balance at end of year</b>      | <b>2,942,683</b> | <b>2,433,604</b> |

As of 31 December 2004, there were no outstanding idle loans associated with shareholders with 5% or above of capital stock of the Bank (2003: nil).

## 18 Bad loans

|                                    | 2004         | 2003         |
|------------------------------------|--------------|--------------|
| Balance at beginning of year       | 6,877        | 73,058       |
| Increase within the year           | -            | 5,694        |
| Write-off/recovery within the year | (387)        | (71,875)     |
| <b>Balance at end of year</b>      | <b>6,490</b> | <b>6,877</b> |

## 19 Provision for loan losses

|                                    | 31 December 2004 | 31 December 2003 |
|------------------------------------|------------------|------------------|
| Balance at beginning of year       | 3,226,216        | 2,332,093        |
| Accrued within the year            | 1,360,249        | 1,014,930        |
| Write-off/disposal within the year | (338,765)        | (120,807)        |
| <b>Balance at end of year</b>      | <b>4,247,700</b> | <b>3,226,216</b> |

The above provision for loan losses include an amount of RMB 2,489,882,000 (2003: RMB 1,910,085,000) to cover unidentified losses with objective evidence that a possible loss has incurred to the loan portfolio at the balance sheet date. We estimate these losses based upon our historical experience of losses similar to those loans in the portfolio, classification of the loans and the economic environment in which our borrowers operate. The provisions for possible unidentified loan losses are comparable to the general provisions under the Guideline for Provisioning on Loan Losses for Commercial Banks (Yin Fa [2002] No. 98 ) issued by the PBOC. Other than general provisions, the provisions are comparable to the special provisions under the same Guideline. So far, the Bank has not made any special provisions under the Guideline.

## 20 Interest accrual loans and non-interest accrual loans

|                            | 31 December 2004   | 31 December 2003   |
|----------------------------|--------------------|--------------------|
| Interest accrual loans     | 282,387,484        | 198,946,369        |
| Non-interest accrual loans | 5,974,659          | 2,826,540          |
| <b>Total</b>               | <b>288,362,143</b> | <b>201,772,909</b> |

The above loans include short-term loans, medium and long-term loans, overdue loans, idle loans and dead loans, inward and outward documentary bills and discounted bills, without deduction of the loan losses provisions.

The Bank classifies its loans into normal, special mention, substandard, doubtful and loss in compliance with the Loan Classification Guidelines (Yin Fa [2001] No. 416) issued by the PBOC. Normal refers to loans where the borrower has been performing its obligations and there are no signs that the borrower will default on principal and interest. Special mention refers to loans where the borrower is currently able to make principal and interest payment, but is experiencing factors that may be prejudicial to repayment. Substandard refers to loans where the borrower is clearly experiencing factors impacting its ability to meet payment obligations from its normal business operations. These loans will recognize a loss even after the enforcement of collateral. Doubtful refers to loans where the borrower is unable to meet its payment obligations. These loans will recognize a material loss even after the enforcement of collateral. Loss refers to loans where no, or only a minimal amount or, principal and interest are collectible after exhausting all collection efforts and all available legal proceedings.

According to the guidelines, a loan classified as normal or special mention is qualified while a loan classified as substandard, doubtful or loss is considered non-performing. As of 31 December 2004, the total non-performing loans was RMB 3,774,924,000 (2003: RMB 2,600,037,000) and non-performing loans (NPL) ratio was 1.31% (2003: 1.29%). As of 31 December 2004, there were no outstanding NPL loans associated with shareholders with 5% or above of capital stock of the Bank (2003: nil).



## 21 Long-term bond investment

| 31 December 2004             |               |                          |                   |                   |                      |                     |   |
|------------------------------|---------------|--------------------------|-------------------|-------------------|----------------------|---------------------|---|
| Bond types                   | Maturity year | Annual interest rate (%) | Balance           | Including:        |                      |                     |   |
|                              |               |                          |                   | Face value        | Premium/<br>Discount | Accrued<br>interest | Provisions for<br>long-term<br>investment<br>impairment |
| Government bonds             | 2006-2032     | 1.5-11.83                | 24,630,634        | 24,417,095        | 180,714              | 32,825              | -   |
| Financial institution bonds* | 2006-2049     | 0.89-11.0                | 37,500,840        | 37,391,310        | 120,428              | -                   | (10,898)  |
| Other bonds                  | 2007-2012     | 2.53-6.38                | 231,584           | 222,752           | 8,832                | -                   | -   |
| <b>Total</b>                 |               |                          | <b>62,363,058</b> | <b>62,031,157</b> | <b>309,974</b>       | <b>32,825</b>       | <b>(10,898)</b>   |

| 31 December 2003             |               |                          |                   |                   |                      |                     |   |
|------------------------------|---------------|--------------------------|-------------------|-------------------|----------------------|---------------------|---|
| Bond types                   | Maturity year | Annual interest rate (%) | Balance           | Including:        |                      |                     |   |
|                              |               |                          |                   | Face value        | Premium/<br>Discount | Accrued<br>interest | Provisions for<br>long-term<br>investment<br>impairment |
| Government bonds             | 2005-2032     | 1.90-11.83               | 20,499,271        | 20,248,091        | 190,677              | 60,503              | -   |
| Financial institution bonds* | 2005-2049     | 1.05-11.5                | 39,236,961        | 39,033,491        | 203,470              | -                   | -   |
| Other bonds                  | 2005-2033     | 2.28-7.88                | 1,069,361         | 1,070,429         | (1,068)              | -                   | -   |
| <b>Total</b>                 |               |                          | <b>60,805,593</b> | <b>60,352,011</b> | <b>393,079</b>       | <b>60,503</b>       | <b>-</b>  |

Long-term bond investment includes structured bond investment. For details, please see Note XIV, "Financial derivatives instrument"

## 22 Long-term equity investment

Upon the approval of the PBOC in its Yin Fa [2001] No. 234 document entitled Reply of People's Bank of China on the Establishment of China UnionPay Co. Ltd., the Bank invested RMB 50,000,000 in China UnionPay Co., Ltd. (the "UnionPay") (2002: RMB 50,000,000), accounting for 3.029% of the registered capital of UnionPay.

## 23 Fixed assets

|  | Premises & buildings | Operating equipments | Motor vehicles  | Total            |
|--|----------------------|----------------------|-----------------|------------------|
| Original cost-1 January, 2004                      | 973,673              | 1,016,373            | 92,883          | 2,082,929        |
| Transfer from construction in progress of the year | 828,829              | 297                  | -               | 829,126          |
| Other addition of the year                         | 156,426              | 334,358              | 19,236          | 510,020          |
| Decrease of the year                               | -                    | (10,056)             | (8,214)         | (18,270)         |
| <b>31 December 2004</b>                            | <b>1,958,928</b>     | <b>1,340,972</b>     | <b>103,905</b>  | <b>3,403,805</b> |
| Accumulated depreciation:                          |                      |                      |                 |                  |
| As of 1 January, 2004                              | (101,195)            | (317,913)            | (41,667)        | (460,775)        |
| Charged for the year                               | (48,340)             | (186,892)            | (16,312)        | (251,544)        |
| Decrease of the year                               | -                    | 9,643                | 5,875           | 15,518           |
| <b>31 December 2004</b>                            | <b>(149,535)</b>     | <b>(495,162)</b>     | <b>(52,104)</b> | <b>(696,801)</b> |
| Impairment provisions:                             |                      |                      |                 |                  |
| As of 1 January, 2004                              | (25,523)             | -                    | -               | (25,523)         |
| Addition of the year                               | -                    | -                    | -               | -                |
| Reduction of the year                              | 16,553               | -                    | -               | 16,553           |
| <b>31 December 2004</b>                            | <b>(8,970)</b>       | <b>-</b>             | <b>-</b>        | <b>(8,970)</b>   |
| Net value:   |                      |                      |                 |                  |
| <b>31 December 2004</b>                            | <b>1,800,423</b>     | <b>845,810</b>       | <b>51,801</b>   | <b>2,698,034</b> |
| <b>31 December 2003</b>                            | <b>846,955</b>       | <b>698,460</b>       | <b>51,216</b>   | <b>1,596,631</b> |

As of 31 December 2004, there are no fixed assets which are actually purchased by means of operating lease or financing lease.

## 24 Construction in progress

|                               | 31 December 2004 | 31 December 2003 |
|-------------------------------|------------------|------------------|
| Balance at beginning of year  | 1,306,036        | 775,965          |
| Addition during the year      | 1,114,515        | 738,014          |
| Transfer to fixed assets      | (829,126)        | (54,079)         |
| Disposal during the year      | (2,189)          | (153,864)        |
| <b>Balance at end of year</b> | <b>1,589,236</b> | <b>1,306,036</b> |

The construction in progress is funded by the Bank itself and the balance of construction in progress does not include capitalized interest expenses (2003:nil)

## 25 Long-term prepaid expenses

|                         | Original incurred amount | Accumulated amortization | Jan. 1st, 2004 | Addition of the year | Amortization of the year | Transferred of the year | Dec 31, 2004   | Remaining amortization year                                     |
|-------------------------|--------------------------|--------------------------|----------------|----------------------|--------------------------|-------------------------|----------------|---|
| Improvements            | 534,783                  | (249,475)                | 299,411        | 99,334               | (87,487)                 | (25,950)                | 285,308        | 1-12  |
| Long-term prepaid rents | 40,147                   | (8,231)                  | 28,132         | 8,098                | (4,314)                  | -                       | 31,916         | 2-11  |
| Pre-operating expenses  | 75,170                   | (57,634)                 | 20,806         | 28,669               | (31,939)                 | -                       | 17,536         | Fully charges as operating expenses once commercially operating |
| Others                  | 55,155                   | (17,264)                 | 16,232         | 29,880               | (8,221)                  | -                       | 37,891         | 1-10  |
| <b>Total</b>            | <b>705,255</b>           | <b>(332,604)</b>         | <b>364,581</b> | <b>165,981</b>       | <b>(131,961)</b>         | <b>(25,950)</b>         | <b>372,651</b> |   |

## 26 Foreclosed assets

|   | 31 December 2004 | 31 December 2003 |
|---|------------------|------------------|
| Foreclosed assets                                   | 923,296          | 322,564          |
| Less: provision for impairment of foreclosed assets | (146,724)        | (40,720)         |
| <b>Foreclosed assets, net</b>                       | <b>776,572</b>   | <b>281,844</b>   |

## 27 Deferred income tax assets

|                             | 31 December 2004 | 31 December 2003 |
|-----------------------------|------------------|------------------|
| Deferred income tax assets: |                  |                  |
| Provision for loan losses   | 323,168          | 210,132          |
| Others, net                 | 59,982           | 18,743           |
| <b>Total</b>                | <b>383,150</b>   | <b>228,875</b>   |

The deferred income tax assets mainly result from loan losses provision. Loan losses can not be recognized as expenses before tax without responsible taxation authorities' approval. Provisions for loan losses before the approval is then recognized as deferred income tax assets. For details, please see Note V-47, "Income tax".

## 28 Short-term corporate deposits

|                                       | 31 December 2004   | 31 December 2003   |
|---------------------------------------|--------------------|--------------------|
| Demand corporate deposits             | 138,589,974        | 108,200,019        |
| Time corporate deposits within 1 year | 90,519,523         | 69,425,652         |
| <b>Total</b>                          | <b>229,109,497</b> | <b>177,625,671</b> |

## 29 Short-term individual deposits

|  | 31 December 2004  | 31 December 2003  |
|--|-------------------|-------------------|
| Demand deposits from individuals             | 16,101,062        | 11,589,944        |
| Time deposits within 1 year from individuals | 19,909,075        | 11,902,611        |
| Demand-time deposits from individuals        | 84,635            | 87,964            |
| <b>Total</b>                                 | <b>36,094,772</b> | <b>23,580,519</b> |

## 30 Deposits from banks

|                                     | 31 December 2004  | 31 December 2003  |
|-------------------------------------|-------------------|-------------------|
| Demand deposits from domestic banks | 27,578,215        | 35,942,176        |
| Time deposits from domestic banks   | 6,236,051         | 8,065,105         |
| Deposits from overseas banks        | 100               | -                 |
| <b>Total</b>                        | <b>33,814,366</b> | <b>44,007,281</b> |

## 31 Borrowings from other banks

|                                | 31 December 2004 | 31 December 2003 |
|--------------------------------|------------------|------------------|
| Borrowings from domestic banks | 1,219,919        | 3,104,877        |
| Borrowings from overseas banks | -                | 34,763           |
| <b>Total</b>                   | <b>1,219,919</b> | <b>3,139,640</b> |

## 32 Securities sold under repurchase agreements

|   | 31 December 2004 | 31 December 2003  |
|---|------------------|-------------------|
| Rediscounted bills to the PBOC and rediscounted bills | 3,011,700        | 17,173,870        |
| Loans sold under repurchase agreements                | 1,354,215        | 385,320           |
| Bonds sold under repurchase agreements                |                  |                   |
| -Government bonds                                     | 2,600,000        | 2,261,158         |
| -Other bonds  | -                | 3,960,000         |
| <b>Total</b>  | <b>6,965,915</b> | <b>23,780,348</b> |

## 33 Interests payable

|   | 31 December 2004 | 31 December 2003 |
|---|------------------|------------------|
| Interests payable-deposits  | 1,581,545        | 1,058,185        |
| Interests payable-borrowings from banks and securities sold under repurchase agreements | 10,374           | 10,102           |
| Interests payable-deposits from banks   | 40,266           | 34,471           |
| <b>Total</b>  | <b>1,632,185</b> | <b>1,102,758</b> |

## 34 Taxes payable

|                      | 31 December 2004 | 31 December 2003 |
|----------------------|------------------|------------------|
| Business tax payable | 221,428          | 142,991          |
| Income tax payable   | 357,412          | 199,455          |
| Others               | 39,293           | 54,225           |
| <b>Total</b>         | <b>618,133</b>   | <b>396,671</b>   |

## 35 Other payables

|                                   | 31 December 2004 | 31 December 2003 |
|-----------------------------------|------------------|------------------|
| Promissory notes                  | 407,781          | 222,681          |
| Labor insurance payable           | 73,802           | 140,026          |
| Payables for bonds purchased      | 98,668           | 98,780           |
| Payables on inter-bank settlement | 167,671          | 96,323           |
| Payables to securities agent      | 20,386           | 31,479           |
| Payables for equipments purchased | 83,303           | 29,779           |
| Payables for operating premises   | 14,313           | 29,747           |
| Payables for improvements         | 4,988            | 13,037           |
| Deposit for rent of safe boxes    | 14,462           | 12,388           |
| Others                            | 92,790           | 72,680           |
| <b>Total</b>                      | <b>978,164</b>   | <b>746,920</b>   |

As of 31 December 2004, there were no outstanding payables associated with shareholders with 5% or above of capital stock in the Bank (2003:nil).

## 36 Long-term corporate deposits

|                   | 31 December 2004  | 31 December 2003  |
|-------------------|-------------------|-------------------|
| Less than 3 years | 131,664           | 647,343           |
| 3 years or above  | 66,213,476        | 45,538,554        |
| <b>Total</b>      | <b>66,345,140</b> | <b>46,185,897</b> |

## 37 Long-term individual deposits

|                                | 31 December 2004 | 31 December 2003 |
|--------------------------------|------------------|------------------|
| Less than 3 years              | 3,110,919        | 864,113          |
| 3 years (inclusive) to 5 years | 3,792,183        | 799,936          |
| 5 years or above               | 518,074          | 254,599          |
| <b>Total</b>                   | <b>7,421,176</b> | <b>1,918,648</b> |

## 38 Short-term and long-term margin deposits

|   | 31 December 2004  | 31 December 2003  |
|---|-------------------|-------------------|
| Deposits for accepted bills                   | 27,427,914        | 15,907,086        |
| Deposits for issuance of LC                   | 1,096,550         | 1,178,441         |
| Deposits for comprehensive credit commitments | 2,399,420         | 925,254           |
| Deposits for letter of guarantee              | 1,709,340         | 642,789           |
| Others  | 3,020,112         | 1,718,939         |
| <b>Total</b>                                  | <b>35,653,336</b> | <b>20,372,509</b> |

## 39 Convertible bonds

|  | 31 December 2004 | 31 December 2003 |
|--|------------------|------------------|
| Par value of convertible bonds at issuance             | 4,000,000        | 4,000,000        |
| Plus: interest payable                                 | 42,612           | 46,306           |
| Less: accumulated bonds transferred into capital stock | (3,729,843)      | (2,050,809)      |
| <b>Balance of convertible bonds payable</b>            | <b>312,769</b>   | <b>1,995,497</b> |

With the approval of CSRC Issuance [2003] No. 13, the Bank issued convertible 5-year convertible corporate bonds of total RMB 4bn at an annual interest rate of 1.5 percent from 21 to 27 February 2003. Each bond has a par value of RMB 100. The interest will be paid annually and 27 February 2004 is the first interest payment date. According to agreement, these bonds can be converted into stocks at any time between 27 August 2003 and 27 February 2008. Bond holders can apply for conversion in the above period. Industrial and Commercial Bank of China ("ICBC") provided full guarantee on repayment of the convertible bonds and the Bank pledged some government bonds and financial institutions bonds to ICBC accordingly. Once a year, ICBC will reduce the amount of pledged government bonds and financial institutions bonds the Bank needs to pledge with ICBC according to the remaining balance of convertible bonds.

The conversion price originally set at issuance was RMB 10.11 for each share. After the stock dividends for year 2002 were paid out on 18 April 2003, the conversion price was adjusted to RMB 7.73 per share accordingly. On 19 April 2004 when the Bank paid out its stock dividends for year 2003, the conversion price was further changed to RMB 5.64 per share.

The Bank has an early redemption option, which commences one year after the bonds' issuance date, and will expire on the maturity date. If the market price of the Bank's listed "A" shares is 30% higher than the conversion price for 20 consecutive trading days, the Bank has the option to redeem all or a portion of the outstanding bonds at 102% of face value plus accrued interest.

During the final year before the maturity date of the convertible bonds, if the market price of the Bank's listed "A" shares falls below 70% of the conversion price for 20 consecutive trading days, investors have the option to resell to the Bank all or a portion of the outstanding bonds at 106% of face value plus accrued interest.

## 40 Subordinated bonds

| Minsheng subordinated bonds:  | 31 December 2004 |                 |           |                  |           |
|-------------------------------|------------------|-----------------|-----------|------------------|-----------|
|                               | Term             | Annual rate (%) | Par value | Interest payable | Total     |
| - with fixed interest rate    | 10 years         | 5.10%           | 4,315,000 | 36,175           | 4,351,175 |
| - with floating interest rate | 10 years         | 4.65%           | 1,485,000 | 11,351           | 1,496,351 |
|                               |                  |                 | 5,800,000 | 47,526           | 5,847,526 |

With the approvals from the PBOC on China Minsheng Bank Issuing Subordinated Bonds (Yin Fu [2004] No.59) and from CBRC on its Approval on China Minsheng Bank Issuing Subordinated Bonds (Yin Jian Fu [2004] No.159), the Bank completed the issue of its subordinated bonds in the principal amount of RMB 5.8 billion on 2 November 2004.

The Bank has an early redemption option to repay all subordinated bonds as the par value at the fifth interest payment date, i.e. 1 November 2009 at face value.

The fixed rate subordinated bonds carry interest at the rate 5.1% per annum (i.e. the original interest rate) from the first year to the fifth year. If the Bank does not exercise the redemption right, the interest rate will increase by 3% from the sixth year onwards. The floating-rate subordinated bonds' interest rate per annum is the then applicable PBOC one-year time deposit benchmark rate plus an interest spread of 2.4% for the first five years. If the Bank does not exercise the redemption right, the interest rate spread from the sixth interest payable year to the maturity date will increase by 0.5% to 2.9% per annum. The subordinated bonds' interest rate is calculated with simple interest instead of compound interest. No penalty is payable for default in payment.

According to Regulation Governing Capital Adequacy of Commercial Banks promulgated by the CBRC on its Order [2004] No.2 and Approval on China Minsheng Bank Issuing Subordinated Bonds (Yin Jian Fu [2004] No.159) from the CBRC, all proceeds from the issue of the subordinated bonds can be included as part of the supplementary capital of the Bank, since the original term of the subordinated bonds issued by the Bank is at least 5 years.

## 41 Capital stock

|   | Jan. 1st,<br>2004 | Shares from<br>stock dividend* | Shares transferred<br>from capital surplus * | Shares from<br>converted bonds** | Dec. 31,<br>2004 |
|---|-------------------|--------------------------------|--|----------------------------------|------------------|
| Non-listed shares                       |                   |                                |  |                                  |                  |
| Promoters' shares ***                   | 2,682,512         | 536,502                        | 402,377                                      | -                                | 3,621,391        |
| Listed shares                           |                   |                                |  |                                  |                  |
| Common shares listed on domestic market | 942,747           | 230,429                        | 172,821                                      | 217,059                          | 1,563,056        |
| <b>Total shares</b>                     | <b>3,625,259</b>  | <b>766,931</b>                 | <b>575,198</b>                               | <b>217,059</b>                   | <b>5,184,447</b> |

\* According to the Resolution of the Annual General Meeting of shareholders on 29 March 2004 on the financial year of 2003 profit distribution plan, a stock dividend at 20% and share issue at 15% transferred from capital surplus reserve were allocated to all the 3,834,654,638 shares outstanding as of 16 April 2004. This resulted in an increase of capital stock from stock dividend by RMB 766,931,000 and an increase of capital stock by RMB 575,198,000 due to the share issue transferred from capital surplus reserve. The above results have been validated by PricewaterhouseCoopers Zhong Tian CPAs Limited Company on 28 July 2004 in its (2004) No.149 Capital Verification Report on the Stock Dividend and Shares Issue Transferred from Capital Surplus Reserve.

\*\* Please see Note V-39, "Subordinated bonds". In the financial year of 2004, an amount of RMB 217,059,000 was added to the Bank's capital stock from conversion of the convertible bonds issued by the Bank. This has been validated by PricewaterhouseCoopers Zhong Tian CPAs Limited Company on 28 July 2004 in its (2004) No.149 Capital Verification Report on the Stock Dividend and Shares Issue Transferred from Capital Surplus Reserve, and on 28 January 2005 in its (2005) No.15 Capital Verification Report on the New Shares Converted from Convertible Bonds.

\*\*\* All promoters' shares are those held by domestic legal persons.

## 42 Interest income and expenses

|                            | 2004              | 2003             |
|----------------------------|-------------------|------------------|
| Interest income            |                   |                  |
| Short-term loans           | 6,004,430         | 4,189,068        |
| Medium and long-term loans | 5,049,181         | 2,666,129        |
| Discounted bills           | 1,663,324         | 900,339          |
| Others                     | 224,325           | 137,046          |
| <b>Total</b>               | <b>12,941,260</b> | <b>7,892,582</b> |

■ All amounts in Rmb '000 unless otherwise specified

|                                 |                  |                  |
|---------------------------------|------------------|------------------|
| Interest expenses               |                  |                  |
| Time corporate deposits         | 4,043,509        | 2,610,486        |
| Demand corporate deposits       | 1,110,483        | 758,198          |
| Time deposits from individual   | 273,529          | 161,868          |
| Demand deposits from individual | 86,136           | 45,084           |
| Bonds                           | 54,088           | 46,306           |
| Others                          | 680              | 1,771            |
| <b>Total</b>                    | <b>5,568,425</b> | <b>3,623,713</b> |

## 43 Income from and expenses to financial institutions

|   |                  |                  |
|---|------------------|------------------|
|   | 2004             | 2003             |
| Income from financial institutions                |                  |                  |
| Deposits with the PBOC                            | 569,159          | 412,814          |
| Due from banks                                    | 189,321          | 306,239          |
| Loans to bank and non-bank financial institutions | 162,717          | 211,064          |
| Rediscounted bills                                | 845,332          | 523,880          |
| Loans purchased under resale agreements           | 365,447          | 181,541          |
| Bonds purchased under resale agreements           | 61,176           | 155,886          |
| <b>Total</b>                                      | <b>2,193,152</b> | <b>1,791,424</b> |
| Expenses to financial institutions                |                  |                  |
| Deposits from banks                               | 651,283          | 744,568          |
| Borrowings from other banks                       | 83,285           | 96,287           |
| Borrowings from the PBOC                          | 1,726            | 5,746            |
| Rediscounted bills                                | 1,667,758        | 661,284          |
| Bonds sold on repurchase agreements               | 182,105          | 326,124          |
| Loans sold on repurchase agreements               | 207,066          | 13,364           |
| <b>Total</b>                                      | <b>2,793,223</b> | <b>1,847,373</b> |

## 44 Investment income

|                             |                  |                  |
|-----------------------------|------------------|------------------|
|                             | 2004             | 2003             |
| Long-term bonds investment  | 2,081,616        | 1,965,133        |
| Short-term bonds investment | 128,638          | 77,647           |
| <b>Total</b>                | <b>2,210,254</b> | <b>2,042,780</b> |



## 45 Provision for assets impairment

|   | 2004             | 2003             |
|---|------------------|------------------|
| Provision for loan impairment                                 | 1,360,249        | 1,014,930        |
| Provision for impairment on lending to financial institutions | 36,795           | 530              |
| Provision for impairment on foreclosed assets                 | 106,004          | 40,720           |
| <b>Total</b>  | <b>1,503,048</b> | <b>1,056,180</b> |

## 46 Business tax and surcharges

|  | 2004           | 2003           |
|--|----------------|----------------|
| Business tax                           | 683,495        | 409,203        |
| Urban maintenance and construction tax | 43,892         | 25,974         |
| Education surcharges                   | 21,596         | 12,784         |
| Others                                 | 11,087         | 3,592          |
| <b>Total</b>                           | <b>760,070</b> | <b>451,553</b> |

## 47 Income tax expenses

|                     | 2004           | 2003           |
|---------------------|----------------|----------------|
| Income tax          | 981,320        | 574,764        |
| Deferred income tax | (154,275)      | (24,902)       |
| <b>Total</b>        | <b>827,045</b> | <b>549,862</b> |

The actual income tax expense differs from the statutory income tax. Major adjustments are made on the following items:

|   | 2004           | 2003           |
|---|----------------|----------------|
| Pretax profit   | 2,865,446      | 1,941,114      |
| Provision for income tax calculated at statutory rate of 33%                            | 945,597        | 640,568        |
| Exempted interest income on government bonds  | (337,512)      | (281,983)      |
| Non-deductible salary, entertainment and other expenses                                 | 352,610        | 191,277        |
| Reinstatement of deferred income tax assets not fully recognized in the previous years* | (133,650)      | -              |
| <b>Total</b>  | <b>827,045</b> | <b>549,862</b> |

\* Based on forecast on realized amount of deferred income tax assets in the future, management decided to record the unrecognized amount of RMB 133,650,000 in the previous years as deferred income on 31 December 2004.

## Note VI Assets and liabilities dominated in foreign currencies

| 31 December 2004  | RMB                | US\$<br>Equivalent in RMB | HK\$<br>Equivalent in RMB | JPY<br>Equivalent in RMB | Other currencies<br>Equivalent in RMB | Total              |
|---|--------------------|---------------------------|---------------------------|--------------------------|---------------------------------------|--------------------|
| <b>Assets:</b>  |                    |                           |                           |                          |                                       |                    |
| Cash in hand and at bank                                  | 1,137,695          | 152,978                   | 71,425                    | 46,857                   | 62,990                                | 1,471,945          |
| Deposits with the PBOC and due from banks                 | 47,620,812         | 3,456,081                 | 627,055                   | 183,077                  | 843,389                               | 52,730,414         |
| Loans, net  | 272,141,724        | 10,399,047                | 750,910                   | 416,644                  | 406,118                               | 284,114,443        |
| Lending to other banks<br>and financial institutions, net | 5,769,489          | 4,645,671                 | 106,300                   | 557,207                  | 163,701                               | 11,242,368         |
| Investment, net   | 64,709,090         | 10,584,255                | 1,120,874                 | -                        | 22,368                                | 76,436,587         |
| Other assets, net   | 19,247,489         | 135,095                   | 17,550                    | 2,046                    | 745                                   | 19,402,925         |
| <b>Total assets</b>                                       | <b>410,626,299</b> | <b>29,373,127</b>         | <b>2,694,114</b>          | <b>1,205,831</b>         | <b>1,499,311</b>                      | <b>445,398,682</b> |
| <b>Liabilities:</b>                                       |                    |                           |                           |                          |                                       |                    |
| Deposits  | 355,964,610        | 21,870,187                | 1,531,672                 | 143,759                  | 571,236                               | 380,081,464        |
| Deposits from banks                                       | 26,743,561         | 4,808,045                 | 1,114,111                 | 1,114,471                | 34,178                                | 33,814,366         |
| Convertible bonds   | 312,769            | -                         | -                         | -                        | -                                     | 312,769            |
| Subordinated bonds  | 5,847,526          | -                         | -                         | -                        | -                                     | 5,847,526          |
| Other liabilities   | 11,951,160         | 274,807                   | 65,994                    | 132                      | 143,306                               | 12,435,399         |
| <b>Total liabilities</b>                                  | <b>400,819,626</b> | <b>26,953,039</b>         | <b>2,711,777</b>          | <b>1,258,362</b>         | <b>748,720</b>                        | <b>432,491,524</b> |
| <b>Net position of assets and liabilities</b>             | <b>9,806,673</b>   | <b>2,420,088</b>          | <b>(17,663)</b>           | <b>(52,531)</b>          | <b>750,591</b>                        | <b>12,907,158</b>  |
| <b>31 December 2003</b>                                   |                    |                           |                           |                          |                                       |                    |
| Net position of assets and liabilities                    | 6,627,213          | 2,417,426                 | 267,958                   | 60,155                   | 277,452                               | 9,650,204          |

## VII Maturity analysis of assets and liabilities

| 31 December 2004   | On demand         | 1-3 months        | 3-12 months        | 1-5 years         | Over 5 years       | Total              |
|--|-------------------|-------------------|--------------------|-------------------|--------------------|--------------------|
| <b>Assets:</b>   |                   |                   |                    |                   |                    |                    |
| Cash in hand and at bank                                   | 1,471,945         | -                 | -                  | -                 | -                  | 1,471,945          |
| Deposits with the PBOC and due from banks                  | 49,264,836        | 1,696,972         | 1,726,097          | 42,509            | -                  | 52,730,414         |
| Loans, net   | 12,216,865        | 35,150,069        | 134,186,854        | 38,618,515        | 63,942,140         | 284,114,443        |
| Lendings to other banks<br>and financial institutions, net | 8,386,701         | 234,999           | 2,448,406          | 172,262           | -                  | 11,242,368         |
| Investment, net  | 82,275            | 2,111,425         | 11,772,872         | 23,620,114        | 38,849,901         | 76,436,587         |
| Other assets, net  | 2,237,319         | 4,113,124         | 6,414,095          | 1,119,006         | 5,519,381          | 19,402,925         |
| <b>Total assets</b>  | <b>73,659,941</b> | <b>43,306,589</b> | <b>156,548,324</b> | <b>63,572,406</b> | <b>108,311,422</b> | <b>445,398,682</b> |

| 31 December 2004         | On demand            | 1-3 months        | 3-12 months       | 1-5 years           | Over 5 years       | Total              |
|--------------------------|----------------------|-------------------|-------------------|---------------------|--------------------|--------------------|
| <b>Liabilities:</b>      |                      |                   |                   |                     |                    |                    |
| Deposits                 | 216,997,640          | 30,931,631        | 61,572,205        | 68,657,968          | 1,922,020          | 380,081,464        |
| Deposits from banks      | 27,578,314           | 3,212,417         | 1,259,858         | 1,080,028           | 683,749            | 33,814,366         |
| Convertible bonds        | -                    | 1,544             | -                 | 311,225             | -                  | 312,769            |
| Subordinated bonds       | -                    | -                 | 47,526            | 5,800,000           | -                  | 5,847,526          |
| Other liabilities        | 5,881,622            | 3,851,315         | 2,470,082         | 33,225              | 199,155            | 12,435,399         |
| <b>Total liabilities</b> | <b>250,457,576</b>   | <b>37,996,907</b> | <b>65,349,671</b> | <b>75,882,446</b>   | <b>2,804,924</b>   | <b>432,491,524</b> |
| <b>Net liquidity gap</b> | <b>(176,797,635)</b> | <b>5,309,682</b>  | <b>91,198,653</b> | <b>(12,310,040)</b> | <b>105,506,498</b> | <b>12,907,158</b>  |
| 31 December 2003         |                      |                   |                   |                     |                    |                    |
| Net liquidity gap        | (98,084,261)         | (9,103,062)       | 36,148,335        | 3,623,749           | 77,065,443         | 9,650,204          |

## Note VIII Earning per share and return on equity

In accordance with the Regulation on the Information Disclosure and Compiling for Publicly Listed Companies (No. 9)- Calculation of Earning per Share and Return on Equity promulgated by the CSRC (Zheng Jian Fa [2001] No. 11, the EPS and ROE calculated by the Bank are set out in the following tables.

(a) EPS is calculated by dividing the net profit by the number of paid-in shares at year end as well as the weighted average number of paid-in shares during the year.

|   | 2004      | 2003      |
|---|-----------|-----------|
| Net profit (in RMB '000)                                | 2,038,401 | 1,391,252 |
| Number of paid-in shares at end of year (in thousand)   | 5,184,447 | 3,625,259 |
| Basic EPS (in RMB)                                      | 0.39      | 0.38      |
| Weighted average number of paid-in shares (in thousand) | 5,150,061 | 3,372,037 |
| Weighted average EPS (in RMB)                           | 0.40      | 0.41      |

(b) ROE is calculated by dividing the net profit by the shareholders' equity at end of year as well as the weighted average shareholders' equity during the year.

|   | 2004       | 2003       |
|---|------------|------------|
| Net profit (in RMB '000)                              | 2,038,401  | 1,391,252  |
| Shareholders' equity at the year of end (in RMB '000) | 12,907,158 | 9,650,204  |
| Basic ROE   | 15.79%     | 14.42%     |
| Weighted average share holders' equity (in RMB '000)  | 11,767,653 | 10,314,246 |
| Weighted average ROE                                  | 17.32%     | 13.49%     |

## Note IX Related party relationships and transactions

### 1 Related party relationships

The Bank has no related parties that control the Bank. Related parties that have significant influence to the Bank include: members of the Board of Directors and the Board of Supervisors, senior management, companies with their direct subsidiaries controlled or effected with significant influence by the above members, and important shareholders with the power to influence the the operating or financial policy decision of the Bank.

## 2 Transactions with related parties

|   | Relationship with the Bank  | 31 December 2004 | 31 December 2003 |
|---|---|------------------|------------------|
| <b>(1) Outstanding loans to related parties:</b>                                    |   |                  |                  |
| Beijing Guangcai Property Management Co. Ltd.                                       | Controlled by supervisor of the Bank                                      | 219,000          | 341,000          |
| Changxin Capital Investment and Management Co. Ltd.                                 | Controlled by supervisor of the Bank                                      | 250,000          | 350,000          |
| Beijing Shanhaitian Commodity and Trading Co. Ltd                                   | Controlled by supervisor of the Bank                                      | 100,000          | 100,000          |
| Oriental Home Co., Ltd.   | Controlled by Board director of the Bank                                  | 150,000          | 150,000          |
| Beijing Vantone Real Estate Co. Ltd. (Previously Beijing Vantone Industry Co. Ltd.) | Controlled by Board director of the Bank                                  | -                | 25,000           |
| Beijing Vantone World Real Estate Co. Ltd.  | Controlled by Board director of the Bank                                  | 428,300          | -                |
| Shanghai Jiante Biotechnology Co. Ltd.  | Main shareholder of the Bank  | -                | 90,000           |
| Xiamen Xindi Industry Co. Ltd.  | Controlled by Board director of the Bank                                  | 132,000          | 132,000          |
| China Shipowners Association for Mutual Protection                                  | Controlled by Board director of the Bank/<br>main shareholder of the Bank | 27,000           | 69,000           |
| China Small and Medium Enterprise Investment & Development Co.,Ltd.                 | Controlled by Board director of the Bank/<br>main shareholder of the Bank | 17,000           | 20,000           |
| China Coal Import & Export Company  | Significantly influenced by Board director of the Bank                    | 50,000           | 260,000          |
| <b>Total</b>  |   | <b>1,373,300</b> | <b>1,537,000</b> |
| <b>(2) Deposits from connected parties</b>  |   | <b>44,511</b>    | <b>85,225</b>    |
| <b>(3) Loan interest income from connected parties</b>                              |   | <b>81,615</b>    | <b>88,109</b>    |
| <b>(4) Interest expenses on deposits from connected parties</b>                     |   | <b>350</b>       | <b>644</b>       |

The above related transactions have been conducted on normal commercial terms no more favorable than those offered to other independent third party customers.

## Note X Segmental information

The following represents geographic analysis of the Bank's loans, including short-term, medium and long-term loans, overdue, idle and dead loans, inward and outward documentary bills, discounted bills without deduction of provision for loan impairment:

| Locations       | 31 December 2004   | 31 December 2003   |
|-----------------|--------------------|--------------------|
| Beijing         | 87,726,547         | 63,362,286         |
| Guangdong       | 48,014,273         | 37,627,519         |
| Shanghai        | 43,217,946         | 32,495,472         |
| Zhejiang        | 23,055,413         | 13,425,820         |
| Hubei           | 14,507,548         | 9,173,550          |
| Shanxi          | 13,045,699         | 9,425,081          |
| Jiangsu         | 13,027,312         | 8,590,324          |
| Chongqing       | 9,679,524          | 6,334,426          |
| Hebei           | 5,566,835          | 4,048,798          |
| Other locations | 30,521,046         | 17,289,633         |
| <b>Total</b>    | <b>288,362,143</b> | <b>201,772,909</b> |

Loans (described as above) are based on the following industry classification:

| Industries                                     | 31 December 2004   | 31 December 2003   |
|--|--------------------|--------------------|
| Loans to corporations                          |                    |                    |
| Industry                                       | 79,762,624         | 50,254,703         |
| Trading  | 16,769,973         | 18,724,306         |
| Commercial real estate                         | 31,407,345         | 23,597,750         |
| Transportation                                 | 21,878,509         | 14,492,985         |
| Telecommunications                             | 7,833,627          | 8,957,318          |
| Constructions                                  | 10,143,624         | 6,826,001          |
| Conglomerates                                  | 11,298,290         | 6,733,191          |
| Public utilities                               | 9,929,396          | 5,509,593          |
| Education and community services               | 8,214,785          | 7,778,484          |
| Leasing and commercial services                | 7,180,421          | 4,569,248          |
| Public administration and social organizations | 4,627,828          | 3,466,406          |
| Others   | 6,392,293          | 5,388,445          |
|  | 215,438,715        | 156,298,430        |
| Discounted bills                               |                    |                    |
| Accepted by other financial institutions bills | 24,641,122         | 20,034,129         |
| Accepted by corporate customers                | 5,299,045          | 1,587,835          |
| Sub-total                                      | 29,940,167         | 21,621,964         |
| Loans to individuals                           | 42,983,261         | 23,852,515         |
| <b>Total</b>                                   | <b>288,362,143</b> | <b>201,772,909</b> |

The following represents geographical analysis of the Bank's deposits, including short-term and long-term deposits, short-term and long-term savings, fiscal deposits, inward remittance and temporary deposits, short-term and long-term margin deposits:

| Locations       | 31 December 2004   | 31 December 2003   |
|-----------------|--------------------|--------------------|
| Beijing         | 100,193,439        | 76,475,530         |
| Guangdong       | 67,868,620         | 54,177,737         |
| Shanghai        | 60,635,058         | 50,799,275         |
| Zhejiang        | 26,200,339         | 15,578,671         |
| Hubei           | 19,451,212         | 14,359,148         |
| Shanxi          | 20,647,291         | 12,927,743         |
| Jiangsu         | 17,383,824         | 10,810,684         |
| Chongqing       | 12,276,697         | 8,721,240          |
| Hebei           | 10,277,784         | 7,356,611          |
| Other locations | 45,147,200         | 23,609,677         |
| <b>Total</b>    | <b>380,081,464</b> | <b>274,816,316</b> |

## Note XI Contingency

As of 31 December 2004, there were a number of legal proceedings outstanding against the Bank in the normal course of business. After considering professional advice, the Bank's management believes such commitment are unlikely to significantly affect the Bank's financial condition.

## Note XII Capital commitment

The Bank's capital commitment was mainly related to construction in progress of office building and purchase of fixed assets as illustrated below:

|                               | 31 December 2004 | 31 December 2003 |
|-------------------------------|------------------|------------------|
| Contracted but not recognized | 189,610          | 367,384          |
| Approved but not contracted   | 985,826          | 1,591,654        |
|                               | <u>1,175,436</u> | <u>1,959,038</u> |

## Note XIII Off-balance sheet items, lease commitment and pledged assets

The balances of major off-balance sheet items are as follows:

|                                 | 31 December 2004 | 31 December 2003 |
|---------------------------------|------------------|------------------|
| Commitment to extend credit     | 108,988,697      | 106,634,318      |
| Bankers Acceptances             | 52,617,188       | 28,763,337       |
| Letter of guarantee issued      | 6,532,418        | 2,713,942        |
| Sight Letter of Credit issued   | 4,293,388        | 4,059,323        |
| Forward Letter of Credit issued | 1,850,376        | 1,772,147        |
| Entrusted loans                 | 12,984,681       | 6,181,578        |

The following are irrevocable lease commitment the Bank had as of December 31:

|                   |                | 31 December 2004  |                |                  |  |
|-------------------|----------------|-------------------|----------------|------------------|--|
| Less than 1 year  | 1-5 years      | More than 5 years | Total          |                  |  |
| Business premises | 307,265        | 793,587           | 122,678        | 1,223,530        |  |
| Equipments        | 5,998          | 10,665            | -              | 16,663           |  |
| <b>Total</b>      | <b>313,263</b> | <b>804,252</b>    | <b>122,678</b> | <b>1,240,193</b> |  |
|                   |                | 31 December 2003  |                |                  |  |
| Less than 1 year  | 1-5 years      | More than 5 years | Total          |                  |  |
| Business premises | 258,587        | 772,231           | 368,823        | 1,399,641        |  |
| Equipments        | 2,603          | 10,112            | 1,285          | 14,000           |  |
| <b>Total</b>      | <b>261,190</b> | <b>782,343</b>    | <b>370,108</b> | <b>1,413,641</b> |  |

As of 31 December 2004, the Bank pledged assets of RMB 8,425,766,000 (2003: RMB 28,335,956,000) to third parties under repurchase agreements, issuance of convertible bonds and interest rate swap contracts.

## Note XIV Derivative financial instruments

The outstanding contract amounts of the derivative financial instruments held by the Bank are set out in the following table.

|                        | Contract/notional amounts | Fair values   |                  |
|------------------------|---------------------------|---------------|------------------|
|                        |                           | Assets        | Liabilities      |
| As of 31 December 2004 |                           |               |                  |
| Interest swaps         | 8,094,554                 | 7,372         | (140,661)        |
| Currency swaps         | 57,230                    | -             | (110)            |
| Bond options           | 364,166                   | -             | (823)            |
| Credit default swaps   | 165,530                   | 745           | -                |
| Currency options       | 54,981                    | -             | (30)             |
|                        |                           | <b>8,117</b>  | <b>(141,624)</b> |
| As of 31 December 2003 |                           |               |                  |
| Interest swaps         | 3,712,115                 | 18,558        | (31,488)         |
| Currency swaps         | 646,096                   | 73            | (3,869)          |
| Bond options           | 231,756                   | -             | (1,672)          |
|                        |                           | <b>18,631</b> | <b>(37,029)</b>  |

Financial bonds in long-term investment included structured bonds investment of RMB 3,651,551,000 (2003: RMB 3,534,810,000 ) at 31 December 2004, which are bond instruments embedded with financial derivatives such as interest options or options which can be cancelled prior to the maturity date.

Short-term deposits, deposits from banks and long-term deposits included structured deposits embedded with derivatives financial instruments such as interest options or options which can be cancelled prior to the maturity date. The amounts of structured deposits contracts are set out in the following table.

|  | 31 December 2004  | 31 December 2003 |
|--|-------------------|------------------|
| Deposits from corporations with maturity no more than 1 year | 1,641,866         | 138,143          |
| Time deposits from domestic banks                            | 762,134           | 2,122,405        |
| Long-term deposits   | 8,015,183         | 2,779,833        |
|  | <b>10,419,183</b> | <b>5,040,381</b> |

The contract amounts of derivative financial instruments do not necessarily indicate the current fair values of the instruments, and therefore, do not indicate the Bank's exposure to credit or market risk.

## Note XV Post balance sheet events

Pursuant to resolutions of Board of Directors' Meeting on 21 February 2005, (i) a cash dividend for the year 2004 of RMB 0.07 per ordinary share and a 20% stock dividend were declared; 2) certain terms of the Bank's long-term incentive plan (the "plan") which was passed by the 2003 Annual General Meeting were approved to be amended, and the implementation rules of the plan were also approved. This plan will provide incentive in the form of stock appreciation rights issued to certain of the Bank's senior management and key employees. These resolutions are subject to the shareholders' approval at the 2004 Annual General Meeting.

## Note XVI Net profit after extraordinary items

|   | 2004             | 2003             |
|---|------------------|------------------|
| Net Profit  | 2,038,401        | 1,391,252        |
| Plus(Less):Extraordinary profit/loss                    |                  |                  |
| -Reversal of impaired provision on fixed assets*        | (16,553)         | -                |
| -Other items**  | (4,343)          | 1,034            |
| -Effects of the extraordinary profit/loss on income tax | 6,896            | 673              |
| <b>Net Profit after the extraordinary items</b>         | <b>2,024,401</b> | <b>1,392,959</b> |

\* Based upon the independent view of property valuer, the Bank believed that there was objective evidence that the changes of factors, upon which the impairment provision on fixed assets is made, already resulted in an exceeding of recoverable amount over carrying book value as of 31 December 2004. Therefore, the Bank reversed impaired provision on fixed assets.

\*\* Other items mainly refer to net gain or loss on disposal of fixed assets, intangible assets and other long-term assets.

## Note XVII Comparative figures

Certain comparative figures have been reclassified to conform to the current year presentation.



## Independent Auditors' Report on Supplementary Information to the Financial Statements

PWC ZT Special (2005) No. 41

To the Shareholders of China Minsheng Banking Corp., Ltd.

In accordance with the Chinese Independent Auditing Standards (CIAS) for Certified Public Accountants, we have audited the 2004 annual financial statements of China Minsheng Banking Corp., Ltd. (the "Bank") in appendix I and issued our PWC ZT (2005) No. 653 unqualified report of independent auditors on 21 February 2005. In accordance with the related requirements on disclosure of supplementary financial information in the Section IV of Regulations on the Information Disclosure and Compiling for Publicly Listed Companies (No.15)-General Provisions on the Financial Statements promulgated by the China Securities Regulatory Commission, the management of the Bank prepared the following supplementary financial information to the financial statements. We have taken the supplementary financial information into consideration when we conducted our audit on the 2004 annual financial statements of the Bank.

In our opinion, the following supplementary financial information is consistent with the corresponding content in the audited 2004 annual financial statements of the Bank in all material respects.

PricewaterhouseCoopers Zhong Tian CPAs Limited Company

21 February 2005



Certified Public Accountant

Wu Weijun Tu Yi



In accordance with the related requirements on disclosure of supplementary financial information in the Section IV of Regulations on the Information Disclosure and Compiling for Publicly Listed Companies (No.15)-General Provisions on the Financial Statements promulgated by the China Securities Regulatory Commission, the Bank prepared the following supplementary financial information to the 2004 annual financial statements.

## I. Reconciliations between PRC GAAP Audited Financials and IFRS Audited Financials

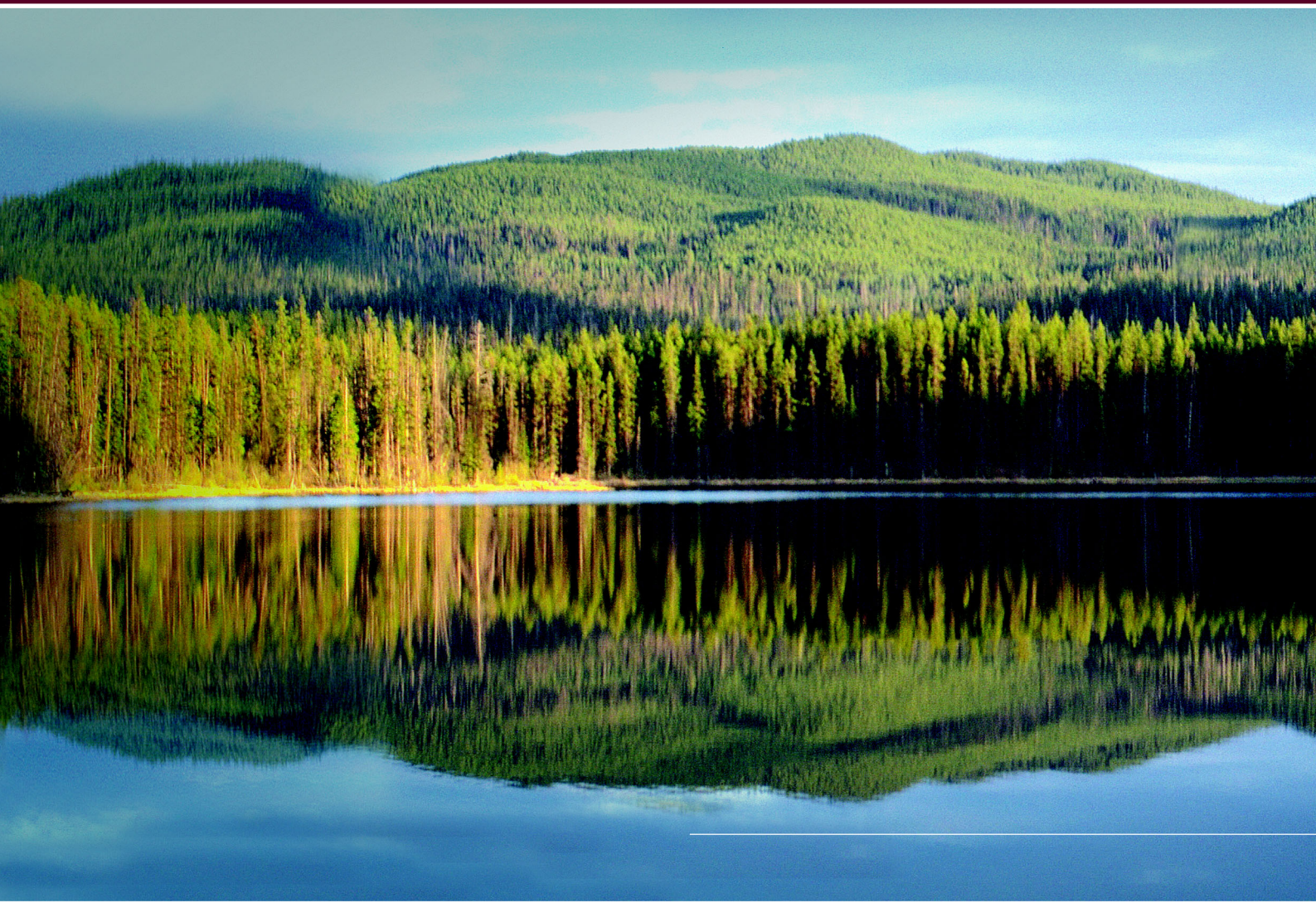
| Net Profit for the year ended   | 31 December 2004                         |
|---|--|
| Reported amount under the Accounting System for Financial Institutions by PRC government      | 2,038,401                                |
| Adjustment made under IFRS:   |  |
| Reversal of impairment provision of long-term investment                                      | 10,898                                   |
| Derivatives and trading assets carried at fair value  | (115,109)                                |
| Expenses of pre-operating period before commercial operation of any branches and sub-branches | 3,270                                    |
| Capitalization of stock issuance expenses under IFRS  | 11,360                                   |
| Adjustment in relation to convertible bonds   | 17,429                                   |
| Capitalization of subordinated bonds issuance expenses  | 11,824                                   |
| Deferred income tax effect resulted from above adjustments                                    | 29,323                                   |
| <b>Net profit after IFRS adjustment</b>   | <b>2,007,396</b>                         |
|   | <b>Net Assets as of 31 December 2004</b> |
| Reported amount under the Accounting System for Financial Institutions by PRC government      | 12,907,158                               |
| Adjustment made under IFRS:   |  |
| Reversal of impairment provision of long-term investment                                      | 10,898                                   |
| Derivatives and trading assets carried at fair value  | (133,507)                                |
| Expenses of pre-operating period before commercial operation of any branches and sub-branches | (17,536)                                 |
| Capitalization of stock issuance expenses under IFRS  | (13,140)                                 |
| Adjustment in relation to convertible bonds   | 26,466                                   |
| Capitalization of subordinated bonds issuance expenses  | 11,824                                   |
| Unrealized loss of available-for-sale securities carried at fair value, net of tax            | (135,588)                                |
| Deferred income tax effect resulted from above adjustments                                    | 60,278                                   |
| <b>Net Assets after IFRS adjustment</b>   | <b>12,716,853</b>                        |

## II. Provisions for Impairment of Assets

| Item  | Balance at beginning<br>of year | Accrued<br>within the year | Reversal<br>within the year | Write-off<br>within the year | Balance at end<br>of year |
|---|---------------------------------|----------------------------|-----------------------------|------------------------------|---------------------------|
| 1. Total provisions for loan losses   | 3,226,216                       | 1,360,249                  | -                           | (338,765)                    | 4,247,700                 |
| Including: Loan (excluding discounted bills)                                  | 3,210,338                       | 1,323,137                  | -                           | (338,765)                    | 4,194,710                 |
| Discounted bills accepted by corporates                                       | 15,878                          | 37,112                     | -                           | -                            | 52,990                    |
| 2. Provision for impairment of foreclosed assets                              | 40,720                          | 106,004                    | -                           | -                            | 146,724                   |
| 3. Total provisions for bad debts   | 146,809                         | 47,198                     | -                           | (64,925)                     | 129,082                   |
| Including: Overdue lending to other banks and non-bank financial institutions | 123,630                         | 36,795                     | -                           | (64,925)                     | 95,500                    |
| Other receivables   | 23,179                          | 10,403                     | -                           | -                            | 33,582                    |
| 4. Provisions for long-term securities investment impairment                  | -                               | 10,898                     | -                           | -                            | 10,898                    |
| Including: Long-term financial bonds  | -                               | 10,898                     | -                           | -                            | 10,898                    |
| 5. Total provisions for fixed assets impairment                               | 25,523                          | -                          | (16,553)                    | -                            | 8,970                     |
| Including: Buildings and constructions  | 25,523                          | -                          | (16,553)                    | -                            | 8,970                     |

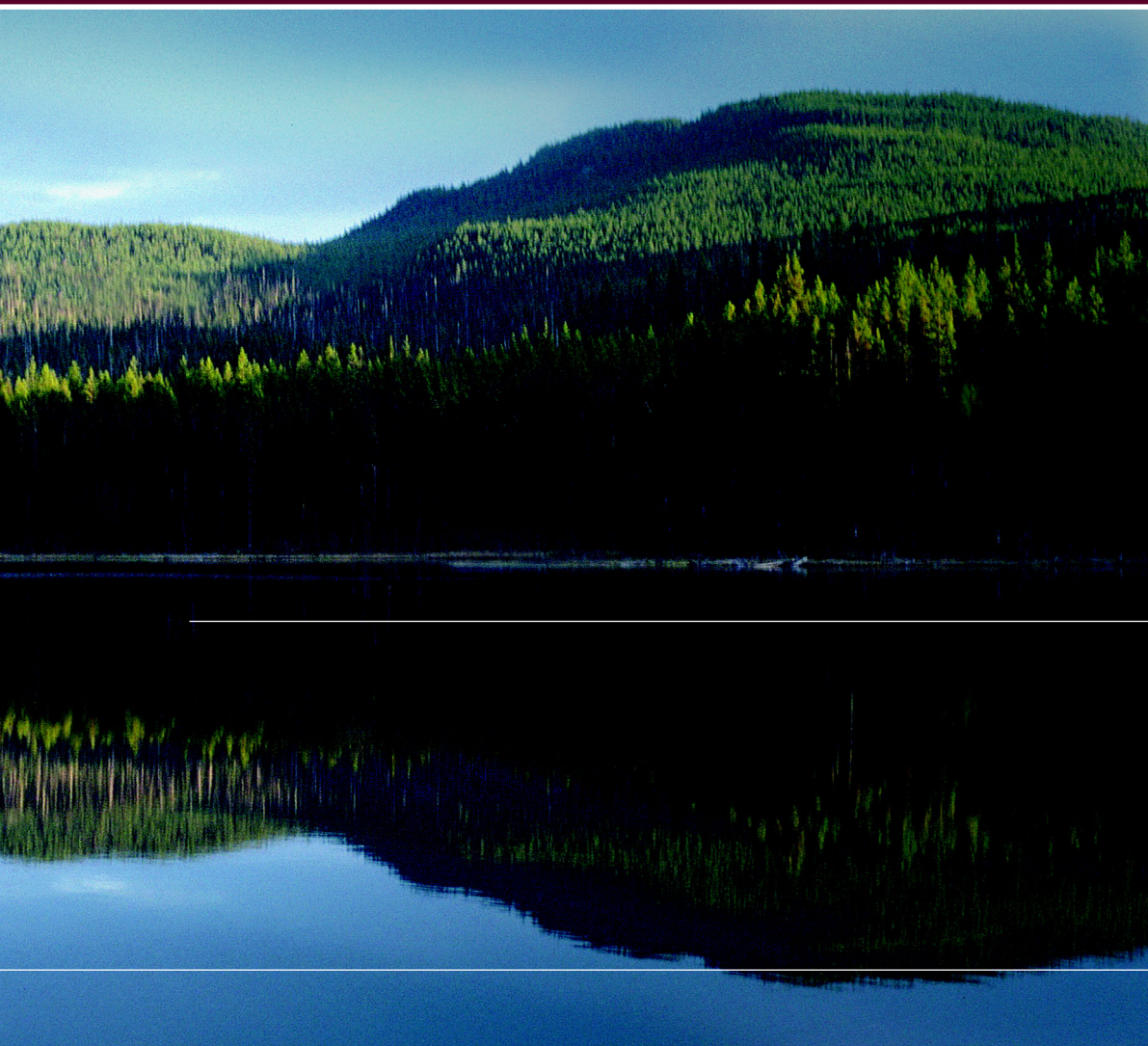
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Appendix II  
Supplementary Financial  
Statements



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## Appendix II

### Supplementary

# Financial Statements

CHINA MINSHENG BANKING CORP., LTD.  
Annual Financial Statements and Report of the Auditors

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PricewaterhouseCoopers China Limited  
Clarendon House,  
2 Church Street,  
Hamilton, Bermuda

## Report of the auditors

To the Shareholders of China Minsheng Banking Corp., Ltd.

We have audited the accompanying balance sheet of China Minsheng Banking Corp., Ltd. (the "Bank") as of 31 December 2004 and the related income and cash flow statements for the year then ended. These financial statements are 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 International Standards on Auditing. Those Standards require that we 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 principles used and significant 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 present fairly in all material respects the financial position of the Bank as of 31 December 2004 and the results of its operations and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

A large, stylized handwritten signature of 'PricewaterhouseCoopers' in black ink.

PricewaterhouseCoopers  
21 February 2005

*Business is undertaken in the registered name of PricewaterhouseCoopers China Limited incorporated in Bermuda with Limited Liability  
Registered address is Clarendon House, 2 Church Street, Hamilton, Bermuda.*

CHINA MINSHENG BANKING CORP., LTD.

INCOME STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2004

■ All amounts expressed in Rmb'000 unless otherwise specified

|   |      | For the years ended December 31 |                  |
|---|------|---------------------------------|------------------|
|   | Note | 2004                            | 2003             |
| Interest income   | 5    | 17,457,770                      | 11,655,192       |
| Interest expense  | 5    | (8,344,576)                     | (5,506,637)      |
| Net interest income   |      | 9,113,194                       | 6,148,555        |
| Fee and commission income                                       | 6    | 248,880                         | 137,394          |
| Fee and commission expense                                      |      | (91,697)                        | (37,969)         |
| Net fee and commission income                                   |      | 157,183                         | 99,425           |
| Net gain/(loss) on disposal<br>of available-for-sale securities |      | (101,226)                       | 41,531           |
| Other operating income  | 7    | 263,772                         | 193,828          |
| Operating income  |      | 9,432,923                       | 6,483,339        |
| Operating expense   | 8    | (5,230,760)                     | (3,561,834)      |
| Provision for impaired loans                                    | 15   | (1,397,045)                     | (1,015,460)      |
| Profit before income tax  |      | 2,805,118                       | 1,906,045        |
| Income tax expense  | 9    | (797,722)                       | (538,288)        |
| <b>Net profit for the year</b>                                  |      | <b>2,007,396</b>                | <b>1,367,757</b> |
| Earnings per share<br>(expressed in Rmb per share)              |      |                                 |                  |
| Basic earnings per share  | 10   | Rmb0.390                        | Rmb0.299         |
| Diluted earnings per share                                      | 10   | Rmb0.381                        | Rmb0.279         |

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

# 2004 CMBC

CHINA MINSHENG BANKING CORP., LTD.

**BALANCE SHEET**

AS AT 31 DECEMBER 2004

■ All amounts expressed in Rmb'000 unless otherwise specified)

|  | Notes | As at December 31  |                    |
|--|-------|--------------------|--------------------|
|  |       | 2004               | 2003               |
| <b>ASSETS</b>  |       |                    |                    |
| Cash and due from banks  | 11    | 13,549,122         | 29,462,365         |
| Deposits with the PBOC   | 12    | 40,653,237         | 35,584,008         |
| Derivative financial instruments   | 30    | 8,117              | 18,631             |
| Trading securities   | 14    | -                  | 79,793             |
| Securities purchased<br>under resale agreements                                    |       | 11,518,877         | 18,535,339         |
| Loans, net   | 15    | 295,356,812        | 206,967,829        |
| Investment securities  |       |                    |                    |
| - available-for-sale   | 16    | 43,483,723         | 43,188,933         |
| - held-to-maturity   | 16    | 32,663,245         | 21,643,653         |
| Property, plant and equipment, net   | 17    | 4,572,579          | 3,202,078          |
| Deferred income tax assets   | 18    | 490,873            | 291,368            |
| Other assets   | 19    | 3,000,433          | 2,008,010          |
| <b>TOTAL ASSETS</b>  |       | <b>445,297,018</b> | <b>360,982,007</b> |
| <b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>  |       |                    |                    |
| <b>Liabilities</b>   |       |                    |                    |
| Customer deposits  | 20    | 380,081,464        | 274,816,316        |
| Deposits from banks  |       | 33,814,366         | 44,007,281         |
| Borrowings from the PBOC<br>and other banks  | 21    | 1,414,785          | 3,526,086          |
| Derivative financial instruments   | 30    | 141,624            | 37,029             |
| Securities sold<br>under repurchase agreements                                     |       | 6,965,915          | 23,780,348         |
| Subordinated bonds   | 22    | 5,835,702          | -                  |
| Convertible bonds  | 23    | 286,303            | 1,777,831          |
| Deferred income tax liabilities  | 18    | 4,804              | 8,581              |
| Other liabilities  | 24    | 4,035,202          | 3,264,537          |
| <b>Total Liabilities</b>   |       | <b>432,580,165</b> | <b>351,218,009</b> |
| <b>Shareholders' Equity</b>  |       |                    |                    |
| Capital stock  | 25    | 5,184,447          | 3,625,259          |
| Capital surplus  |       | 4,920,894          | 4,267,261          |
| Surplus reserve  |       |                    |                    |
| Statutory surplus reserve  | 26    | 496,756            | 292,916            |
| Statutory welfare reserve  | 26    | 280,697            | 178,777            |
| Retained earnings  |       | 1,972,475          | 1,497,929          |
| Unrealised (loss)/gain on available-for-<br>sale investment securities, net of tax |       | (135,588)          | (95,622)           |
| Other capital reserve  |       | (2,828)            | (2,522)            |
| <b>Total Shareholders' Equity</b>  |       | <b>12,716,853</b>  | <b>9,763,998</b>   |
| <b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>                                  |       | <b>445,297,018</b> | <b>360,982,007</b> |

On 21 February 2005, the Bank's Board of Directors authorized these accounts for issue.



CHINA MINSHENG BANKING CORP., LTD.

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY  
FOR THE YEAR ENDED 31 DECEMBER 2004

■ All amounts expressed in Rmb'000 unless otherwise specified

|  | Notes | Capital stock    | Capital surplus  | Statutory surplus reserve | Statutory welfare reserve | Retained earnings | Unrealised gain/(Loss) on available-for-sale investments, net of tax | Other capital reserve | Total             |
|--|-------|------------------|------------------|---------------------------|---------------------------|-------------------|--|-----------------------|-------------------|
| <b>Balance at January 1, 2003</b>  |       | 2,586,721        | 2,532,123        | 153,791                   | 109,214                   | 1,011,407         | 598,287  | (2,890)               | 6,988,653         |
| Arising in the year  |       |                  |                  |                           |                           |                   |  |                       |                   |
| Issue of shares - transfer from capital surplus  | 25    | 258,672          | (258,672)        | -                         | -                         | -                 | -  | -                     | -                 |
| Net change in available-for-sale investments, net of tax   |       | -                | -                | -                         | -                         | -                 | (693,909)  | -                     | (693,909)         |
| Net profit   |       | -                | -                | -                         | -                         | 1,367,757         | -  | -                     | 1,367,757         |
| Distribution of cash dividends   | 27    | -                | -                | -                         | -                         | (155,203)         | -  | -                     | (155,203)         |
| Stock dividends  | 25&27 | 517,344          | -                | -                         | -                         | (517,344)         | -  | -                     | -                 |
| Appropriation to surplus reserve   | 26    | -                | -                | 139,125                   | -                         | (139,125)         | -  | -                     | -                 |
| Appropriation to welfare reserve   | 26    | -                | -                | -                         | 69,563                    | (69,563)          | -  | -                     | -                 |
| Fair value of equity component of convertible bonds at the date of issue, net of direct issuance costs | 23    | -                | 460,830          | -                         | -                         | -                 | -  | -                     | 460,830           |
| Conversion of bonds into capital stock   | 25    | 262,522          | 1,532,980        | -                         | -                         | -                 | -  | -                     | 1,795,502         |
| Other  |       | -                | -                | -                         | -                         | -                 | -  | 368                   | 368               |
| <b>Balance at December 31, 2003/January 1, 2004</b>  |       | <b>3,625,259</b> | <b>4,267,261</b> | <b>292,916</b>            | <b>178,777</b>            | <b>1,497,929</b>  | <b>(95,622)</b>  | <b>(2,522)</b>        | <b>9,763,998</b>  |
| Arising in the year  |       |                  |                  |                           |                           |                   |  |                       |                   |
| Issue of shares - transfer from capital surplus  | 25    | 575,198          | (575,198)        | -                         | -                         | -                 | -  | -                     | -                 |
| Net change in available-for-sale investments, net of tax   |       | -                | -                | -                         | -                         | -                 | (39,966)   | -                     | (39,966)          |
| Net profit   |       | -                | -                | -                         | -                         | 2,007,396         | -  | -                     | 2,007,396         |
| Distribution of cash dividends   | 27    | -                | -                | -                         | -                         | (460,159)         | -  | -                     | (460,159)         |
| Stock dividends  | 25&27 | 766,931          | -                | -                         | -                         | (766,931)         | -  | -                     | -                 |
| Incremental costs attributable to the issue of new shares  |       | -                | (24,499)         | -                         | -                         | -                 | -  | -                     | (24,499)          |
| Appropriation to surplus reserve   | 26    | -                | -                | 203,840                   | -                         | (203,840)         | -  | -                     | -                 |
| Appropriation to welfare reserve   | 26    | -                | -                | -                         | 101,920                   | (101,920)         | -  | -                     | -                 |
| Conversion of bonds into capital stock   | 25    | 217,059          | 1,253,330        | -                         | -                         | -                 | -  | -                     | 1,470,389         |
| Other  |       | -                | -                | -                         | -                         | -                 | -  | (306)                 | (306)             |
| <b>Balance at December 31, 2004</b>  |       | <b>5,184,447</b> | <b>4,920,894</b> | <b>496,756</b>            | <b>280,697</b>            | <b>1,972,475</b>  | <b>(135,588)</b>   | <b>(2,828)</b>        | <b>12,716,853</b> |

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

CHINA MINSHENG BANKING CORP., LTD.

## STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2004

■ All amounts expressed in Rmb'000 unless otherwise specified

|   | For the years ended December 31 |                     |                     |
|---|---------------------------------|---------------------|---------------------|
|   | Notes                           | 2004                | 2003                |
| <b>Cash flows from operating activities</b>   |                                 |                     |                     |
| Profit before tax   |                                 | 2,805,118           | 1,906,045           |
| Adjustments:  |                                 |                     |                     |
| Provision for impaired loans  | 15                              | 1,397,045           | 1,015,460           |
| Provision for/(reversal of) impairment on property, plant and Equipment   | 17                              | (16,553)            | 25,523              |
| Provision for bad debt on other receivables   |                                 | 10,403              | 5,078               |
| Loss/(gain) on disposal of available-for-sale securities  |                                 | 101,226             | (41,531)            |
| Depreciation and amortization   |                                 | 391,997             | 308,475             |
| Loss on disposal of property, plant and equipment   |                                 | 198                 | 574                 |
| Net changes in operating assets and liabilities:  |                                 |                     |                     |
| Due from banks over 3 months  |                                 | 3,478,322           | (1,293,502)         |
| Restricted deposits with the PBOC   |                                 | (6,991,483)         | (7,471,212)         |
| Derivative financial instruments  |                                 | 115,109             | 20,418              |
| Trading securities  |                                 | 79,793              | (79,793)            |
| Securities purchased from non-bank financial institutions under resale agreements and securities purchased from banks under resale agreements over 3 months |                                 | (1,097,289)         | (5,361,279)         |
| Loans (excluding lending to banks within 3 months)  |                                 | (88,364,630)        | (71,585,932)        |
| Other assets  |                                 | (826,060)           | (751,394)           |
| Customer deposits   |                                 | 105,265,148         | 88,009,349          |
| Deposits from banks   |                                 | (10,192,915)        | 7,695,157           |
| Borrowings from the PBOC and other banks  |                                 | (2,111,301)         | 2,256,218           |
| Securities sold under repurchase agreements   |                                 | (16,814,433)        | 14,797,220          |
| Other liabilities   |                                 | 751,050             | (632,933)           |
| Payment of income tax   |                                 | (823,363)           | (520,082)           |
| <b>Net cash provided from/(used in) operating activities</b>  |                                 | <b>(12,842,618)</b> | <b>28,301,859</b>   |
| <b>Cash flows from investing activities:</b>  |                                 |                     |                     |
| Cash received from sale and maturity of investment securities   |                                 | 23,281,985          | 26,854,110          |
| Cash received from disposal of property, plant and equipment  |                                 | 34,138              | 225,465             |
| Purchases of investment securities  |                                 | (34,657,717)        | (57,639,825)        |
| Purchases of property, plant and equipment and other assets   |                                 | (2,107,159)         | (1,467,778)         |
| <b>Net cash used in investing activities</b>  |                                 | <b>(13,448,753)</b> | <b>(32,028,028)</b> |
| <b>Cash flows from financing activities:</b>  |                                 |                     |                     |
| Net proceeds from issuance of subordinated bonds  |                                 | 5,788,176           | -                   |
| Net proceeds from issuance of convertible bonds   |                                 | -                   | 3,938,950           |
| Cash paid for interest of convertible bonds   |                                 | (10,256)            | -                   |
| Cash dividends paid   |                                 | (436,356)           | (154,691)           |
| <b>Net cash(used in)/provided from financing activities</b>   |                                 | <b>5,341,564</b>    | <b>3,784,259</b>    |
| Effect of changes on currency translation variances   |                                 | (306)               | 368                 |

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

## STATEMENT OF CASH FLOWS (CONT'D)

FOR THE YEAR ENDED 31 DECEMBER 2004

■ All amounts expressed in Rmb'000 unless otherwise specified

|  | For the years ended December 31 |              |             |
|--|---------------------------------|--------------|-------------|
|  | Notes                           | 2004         | 2003        |
| Net increase/(decrease) in cash and cash equivalents |                                 | (20,950,113) | 58,458      |
| Cash and cash equivalents at beginning of year       | 13                              | 55,907,640   | 55,849,182  |
| Cash and cash equivalents at end of year             | 13                              | 34,957,527   | 55,907,640  |
| Supplemental disclosures of cash flow information    |                                 |              |             |
| Interest received                                    |                                 | 14,939,522   | 9,556,622   |
| Interest paid  |                                 | (7,778,150)  | (5,031,560) |

## Significant non-cash transactions

Convertible bonds with aggregate face value of Rmb 2,029,301 and Rmb 1,661,855 thousand were converted into 262,522 and 217,059 thousand shares of the Bank's common stock during the years ended December 31, 2003 and 2004, respectively.

CHINA MINSHENG BANKING CORP., LTD.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2004

■ All amounts expressed in Rmb'000 unless otherwise specified

## 1 GENERAL INFORMATION AND PRINCIPAL ACTIVITIES

China Minsheng Banking Corp., Ltd. (the "Bank") was established in the People's Republic of China ("PRC") on February 7, 1996 as a joint-stock national commercial bank with capital participation primarily from non-state-owned enterprises. Its establishment was approved by the State Council of the PRC and by the People's Bank of China (the "PBOC"). The Bank's common stock is listed on the PRC domestic A-share market.

The Bank manages its business on a domestic geographic basis, determined based on customer domicile and the locations of branches in which the transactions and assets are recorded. The Bank has no subsidiaries or investments in associates.

The Bank had approximately 6,380 employees at December 31, 2004 (2003: 5,270).

## 2 PRINCIPAL ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these accounts are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

### A Basis of preparation

These accounts have been prepared in accordance with International Financial Reporting Standards ("IFRS"). The accounts have been prepared under the historical cost convention, as modified by the revaluation of available-for-sale investment securities, financial assets and financial liabilities held for trading, and all derivatives contracts.

The preparation of accounts in conformity with IFRS requires the use of certain critical accounting estimates, and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the dates of the accounts and the reported amounts of revenues and expenses during the reporting period. It also requires management to exercise its judgement in the process of applying the Bank's accounting policies. The areas involving a

higher degree of judgement or complexity, or areas where assumptions and estimates are significant to these accounts, including the provision for impaired loans and the determination of fair value of financial instruments, are disclosed in Note 4.

Recently issued accounting standards and early adoption of standards

The International Accounting Standard Board ("IASB") has issued a number of new International Financial Reporting Standards ("IFRS") and revised International Accounting Standards ("IAS") which are effective for accounting periods beginning on or after 1 January 2005. The Bank has early adopted the revised IAS 32 - Financial Instruments: Disclosure and Presentation ("IAS 32") and the revised IAS 39 - Financial Instruments: Recognition and Measurement ("IAS 39") in 2003. The financial effects of adopting these standards were retrospectively applied in 2002. Other than these two revised IAS standards, the Bank has not early adopted other revised IASs or new IFRSs during the Relevant Periods. The Bank has already commenced an assessment of the impact of these revised IASs and new IFRSs but is not yet in a position to state whether these standards would have a significant impact on its results of operations and financial position.

The Bank's fiscal year is from January 1 to December 31. The Relevant Period refers to the year ended December 31, 2004.

### B Foreign currency translation

The Bank's reporting currency is Renminbi ("Rmb"), which represents the lawful currency of the PRC.

Foreign currency transactions are translated into Rmb using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the profit and loss accounts.

## 2 PRINCIPAL ACCOUNTING POLICIES (CONT'D)

Translation differences on non-monetary items, such as equities held at fair value through profit or loss, are reported as part of the fair value gain or loss. Translation differences on non-monetary items, such as equities classified as available-for-sale financial assets, are included in the fair value reserve in equity.

### C Derivative financial instruments

Derivatives are initially recognized at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at their fair values. Fair values are obtained from quoted market prices, including counterparty quotes and recent market transaction, and valuation technique, including discounted cash flow models, as appropriate. All derivatives are carried as assets when fair value is positive and as liabilities when fair value is negative.

Certain derivatives embedded in other financial instruments, such as the conversion option for the holder of a convertible bond, are treated as separate derivatives when their risks and characteristics are not closely related to those of the host contract and the host contract is not carried at fair value with unrealized gains and losses reported in income.

Changes in the fair values of derivatives are included in trading income.

While certain derivative transactions are intended to provide effective economic hedges under the Bank's risk management positions, they do not qualify for hedge accounting under the specific rules in the revised IAS 39 and are therefore treated as derivatives held for trading with changes in fair value reported as other operating income. The Bank has no derivative positions that are accounted for as hedges.

The fair values of derivative instruments are disclosed in Note 30.

### D Offsetting financial instruments

Financial assets and liabilities are offset against each other and the net amount is reported in the balance sheet when there is a legally enforceable right to set off

the recognized amounts and there is an intention to settle on a net basis, or realize the asset and settle the liability simultaneously.

During the Relevant Period, the Bank has not offset any major financial assets and liabilities.

### E Interest income and expense

Interest income and expenses are recognized in the profit and loss accounts for all instruments measured at amortized cost using the effective interest method.

Once a financial asset or a group of similar financial assets has been written down as a result of an impairment loss, interest income is recognized using the interest rate used to discount the future cash flows for the purpose of measuring the impairment loss.

### F Fee and commission income

Fees and commissions are recognized on an accrual basis when the related service has been provided.

### G Sale and repurchase agreements and lending securities

Securities sold subject to linked repurchase agreements ("repos") are retained in the accounts as investment securities and the related liability is recorded as securities sold under repurchase agreements. Securities purchased under agreements to resell ("reverse repos") are recognized in the balance sheet as an advance to the counter-party. The difference between sale and repurchase price is treated as interest and accrued over the life of the agreement using the effective yield method. Securities lent to counter-parties are also retained in the financial statements.

The Bank accepts collateral, consisting principally of loans, bonds and bills, related to reverse repos transactions. Generally, this collateral may be sold or repledged by the Bank but it remains obligated to return the collateral as required under the terms of the related reverse repos or securities borrowing transactions. The obligation to return borrowed

CHINA MINSHENG BANKING CORP., LTD.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2004

■ All amounts expressed in Rmb'000 unless otherwise specified

## 2 PRINCIPAL ACCOUNTING POLICIES (CONT'D)

securities is recorded at fair value as a trading liability.

### H Trading securities

Trading securities are either acquired for generating a profit from short-term fluctuations in price or dealer's margin, or are securities included in a portfolio in which a pattern of short-term profit taking exists. Trading securities are initially recognized at fair value and subsequently re-measured based on quoted bid prices. All related realized and unrealised gains or losses are included in net trading income. Interest earned whilst holding trading securities is reported as interest income. All regular way purchases and sales of trading securities are recognized at trade date, which is the date on which the Bank commits to purchase or sell the assets. Other transactions in trading securities are treated as derivatives until settlement occurs. Transaction costs are recognized as other expense when incurred.

Management may irrevocably choose to classify any financial asset as being carried at fair value through the profit and loss accounts. During the Relevant Period, management has not elected to irrevocably classify any financial assets other than trading securities and derivatives at fair value through the profit and loss accounts.

### I Investment securities

The Bank classifies its investment securities into the following two categories: held-to-maturity and available-for-sale securities. Investment securities with fixed maturity where management has both the intent and the ability to hold to maturity are classified as held-to-maturity. Investment securities intended to be held for an indefinite period of time, which may be sold in response to needs for liquidity or changes in interest rates, exchange rates or equity prices are classified as available-for-sale. Management determines the appropriate classification of its investments at the time of the purchase.

Investment securities are initially recorded at fair value, plus the related transaction costs directly attributable to their acquisition, on settlement date. Available-for-sale

investments are subsequently re-measured at each balance sheet date based on quoted bid prices or amounts derived from cash flow models. Fair values for unlisted equity securities are estimated using applicable price/earnings or price/cash flow ratios refined to reflect the specific circumstances of the issuer. Unrealized gains and losses arising from changes in the fair values of investments classified as available-for-sale are recognized in equity net of income tax effect. Equity securities for which fair values cannot be measured reliably are recognized at cost less impairment. When the securities are disposed of or impaired, the related accumulated fair value adjustments are included in the profit and loss accounts as gains and losses from investment securities.

Held-to-maturity securities are carried at amortized cost using the effective yield method, less any provision for impairment.

The Bank assesses at each balance sheet date whether there is any objective evidence that an investment security is impaired. Objective evidence may include significant financial difficulty of the issuer, a breach of contract such as default or delinquency, disappearance of an active market because of financial difficulties and for equity securities a significant or prolonged decline in the fair value of the equity below its cost. If there is objective evidence that the impairment loss on held-to-maturity investments carried at amortized cost has been incurred, the amount of the loss is measured as the difference between the financial asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rates. If there is objective evidence that an available-for-sale investment is impaired, the cumulative loss that has been recognized directly in equity shall be removed from equity and recognized in the profit and loss accounts.

Interest earned whilst holding investment securities is reported as interest income. Dividends receivable are included separately in dividend income when a dividend is declared.

All regular way purchases and sales of investment

## 2 PRINCIPAL ACCOUNTING POLICIES (CONT'D)

securities are recognized at trade date, which is the date on which the Bank commits to purchase or sell the assets. All other purchases and sales are recognized as derivative forward transactions until settlement.

### J Loans and provision for impaired loans

Loans to customers, banks and other financial institutions and discounted bills are reported on the balance sheet at amortized cost, net of provision for impairment. All loans and advances are recognized when cash is advanced to borrowers.

The Bank assesses at each balance sheet date whether there is any objective evidence that a loan is impaired. Objective evidence may include significant financial difficulty of the issuer, a breach of contract such as default or delinquency, and granting concessions to a borrower. If there is objective evidence that impairment loss on a loan carried at amortized cost has been incurred, a provision for impairment is established for each impaired loan. The amount of the provision is the difference between the carrying amount and the recoverable amount, being the present value of expected cash flows, including amounts recoverable from guarantees and collateral, discounted at the original effective interest rate of the impaired loan.

Upon impairment, the accrual of interest income based on the original terms of the loan is discontinued, and the accrual of interest on the recoverable amount of the loan is thereafter recognized based on the rate of interest that was used to discount the future cash flows for the purpose of measuring the recoverable amount.

When a loan is uncollectible, it is written off against the related provision for impaired loans; subsequent recoveries are credited to the provision for impaired loans in the profit and loss accounts.

If the amount of the impairment subsequently decreases due to an event occurring after the write-down, the release of the provision is credited to provision for impaired loans.

The provision for impaired loans also covers unidentified losses where there is objective evidence that a loss

has been incurred in the loan portfolio at the balance sheet date. These losses have been estimated based upon the Bank's historical experience of losses, and reflect the current economic climate in which the borrowers operate.

### K Property, plant and equipment

All property, plant and equipment are stated at historical cost less accumulated depreciation and impairment. Historical costs include expenditures that are directly attributable to the acquisition of the property, plant and equipment items.

Depreciation is calculated using the straight-line method to write down the cost of property, plant and equipment to their residual values over their anticipated useful lives as follows:

|                          |               |
|--------------------------|---------------|
| - Buildings              | 20 - 30 years |
| - Leasehold improvements | 5 - 10 years  |
| - Office equipment       | 5 - 10 years  |
| - Motor vehicles         | 5 years       |

No depreciation is provided against construction in progress.

Property, plant and equipment are periodically reviewed for impairment. Where the carrying amount of an asset is greater than its estimated recoverable amount, it is written down immediately to its recoverable amount. Gains and losses on disposal of property, plant and equipment are determined by referring to their carrying amounts and are taken into account in determining operating profit. Repairs and renewals are charged to the profit and loss accounts when the expenditure is incurred.

### L Operating leases

The Bank entered into various operating lease agreements to rent its branches' offices and facilities. The total payments made under operating leases are charged to the profit and loss accounts on a straight-line basis over the period of the leases.

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## 2 PRINCIPAL ACCOUNTING POLICIES (CONT'D)

When an operating lease is terminated before the lease period has expired, any payment required to be made to the lessor by way of penalty is recognized as an expense in the period in which termination takes place.

All leasing activities conducted by the Bank to date have involved solely operating leases. The Bank has not conducted any leasing activities as lessor.

### M Cash and cash equivalents

For the purposes of the cash flow statement, cash and cash equivalents comprise balances with less than 3 months' maturity from the date of acquisition including: cash and non-restricted balances with the PBOC, treasury bills and other eligible bills, amounts due from other banks, loans and advances to banks, securities purchased from banks under resale agreements and short-term government securities.

### N Employee benefits

The Bank participates in a number of defined contribution plans regulated by local governments throughout the country or those managed by insurance companies. A defined contribution plan is a pension plan under which the Bank pays fixed contributions into a separate entity. Once the related contributions have been made, the Bank has no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all retired employees the benefits relating to employee service in the current and prior period. The pension plans are generally funded by payments from employees and by the Bank.

The Bank's contributions to these pension plans are charged to the profit and loss accounts in the period to which they are due.

### O Deferred income taxes

Deferred income tax is provided in full on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the accounts. The current enacted tax rate of 33% at balance sheet date is used in the determination of

deferred income tax.

The principal temporary differences arise from provisions for impaired loans and fair value re-measurement of available-for-sale investment securities. Deferred tax assets are recognized to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized. Deferred tax related to fair value re-measurement of available-for-sale investments is charged or credited directly to equity, and is subsequently recognized in the profit and loss accounts together with the deferred gain or loss when the related investments are sold.

Income tax payable on profits, based on the applicable tax law in each jurisdiction, is recognized as an expense in the period in which profits arise. The tax effects of income tax losses available for carry forward are recognized as an asset when it is probable that future taxable profits will be available which these losses can be utilized against.

### P Borrowings

Borrowings are recognised initially at fair value, being their issue proceeds (fair value of consideration received) net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between proceeds net of transaction costs and the redemption value is recognised in the profit and loss accounts over the period of the borrowings using the effective interest method.

The fair value of the liability portion of a convertible bond is determined using a market interest rate for an equivalent non-convertible bond. This amount is recorded as a liability on an amortised cost basis until extinguished on conversion or maturity of the bonds. The remainder of the proceeds is allocated to the conversion option. This is recognised and included in shareholders' equity, net of income tax effects.

### Q Financial guarantee contracts

The Bank has the following types of financial guarantee contracts: letters of credit and letters of guarantee



## 2 PRINCIPAL ACCOUNTING POLICIES (CONT'D)

issued. These contracts provide for specified payments to be made to reimburse the holders for losses incurred when the guaranteed parties default under the original or modified terms of the specified debt instruments.

The Bank initially recognizes all financial guarantee contracts at fair value, which is amortized ratably over the guarantee period. Subsequently, they are carried at the higher of amortized carrying value and any provision related to the Bank's guarantee obligation. The changes in carrying value are recorded in the profit and loss accounts as other operating income.

The contractual amounts of financial guarantee contracts are disclosed as contingent liabilities and commitments in Note 29.

### R Acceptances

Acceptances comprise undertakings by the Bank to pay bills of exchange drawn on customers. The Bank expects most acceptances to be settled simultaneously with the reimbursement from the customers. Acceptances are accounted for as off-balance sheet transactions and are disclosed as contingent liabilities and commitments in Note 29.

### S Share capital

#### (1) Share issue costs

External costs directly attributable to the issue of new shares are deducted from capital surplus.

#### (2) Dividends on ordinary shares

Dividends on ordinary shares are recognized in equity in the period in which they are declared.

Dividends for the year which are declared after the balance sheet date are dealt with in the subsequent events note.

### T Capital Surplus

Capital surplus is the excess of share issue proceeds over the par value of common stock.

### U Fiduciary activities

Assets and income arising thereon together with related undertakings to return such assets to customers are excluded from these accounts where the Bank acts in a fiduciary capacity, such as nominee, trustee or agent.

### V Contingent liabilities and contingencies

A contingent liability is a possible obligation that arises from past events and whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Bank. It can also be a present obligation arising from past events that is not recognized because it is not probable that an outflow of economic resources will be required or the amount of obligation cannot be measured reliably.

A contingent liability is not recognized but is disclosed in the notes to the accounts. When a change in the probability of an outflow occurs that the outflow becomes probable, it will then be recognized as a provision.

### W Segment reporting

Geographical segments provide products or services within a particular environment that is subject to risks and returns that are different from those of components operating in other economic environments.

### X Comparatives

Where necessary, comparative figures have been adjusted to conform with changes in presentation in the current year.

### Y Change in accounting estimate

The Bank changed the estimated useful lives of certain classes of fixed assets in 2003. Useful lives of non-business-use buildings changed from 35 years to 30 years, while useful lives of certain computer equipment changed from 3 years to 5 years. Such changes in

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### 3 FINANCIAL RISK MANAGEMENT

estimated useful lives do not have a significant impact on net income for the years ended 31 December 2003 and 2004.

#### A Strategy in using financial instruments

By its nature the Bank is engaged in the extensive use of financial instruments. The Bank accepts deposits from customers at both fixed and floating rates for various periods, and seeks to earn above-average interest margins by investing these funds in high quality assets. The Bank seeks to increase these margins by consolidating short-term funds and lending for longer periods at higher rates whilst maintaining sufficient liquidity to meet all claims that might fall due. The Bank operates its business in Mainland China under an interest rate scheme regulated by the PBOC.

The Bank also seeks to raise its interest margins by obtaining above-average margins, net of provisions, through lending to commercial and retail borrowers with a range of credit standing. Such exposures involve not only on-balance sheet loans and advances, but also other commitments, such as letters of credit, guarantees, and acceptances.

#### B Credit risk

The Bank takes on exposure to credit risk, which is the risk that a counter-party will be unable to pay amounts in full when due. Credit risk is increased when counter-parties are concentrated in the same industries or geographical regions. The Bank's operation is located within China, and different areas in China have their own unique characteristics in economic development. Therefore, each area in China could present different credit risks.

The Bank structures the levels of credit risk it undertakes by placing limits on the amount of risk accepted in relation to individual borrowers. Such risks are monitored on a regular basis and subject to an annual review.

Exposure to credit risk is managed through regular analysis of the ability of borrowers and potential borrowers to meet interest and principal repayment obligations and by changing lending limits where

appropriate. Exposure to credit risk is also managed in part by obtaining collateral and corporate and personal guarantees.

#### Credit related commitments

The primary purpose of these instruments is to ensure that funds are available to a customer as required. Guarantees and standby letters of credit, which represent irrevocable assurances that the Bank will make payments in event that a customer cannot meet its obligations to third parties, carry the same credit risk as loans. Guarantee deposits are received by the Bank to lessen the credit risks related to certain of these commitments provided by the Bank. The guarantee deposit which is at certain percentage of the notional amount of the guarantee, standby letters of credit or other credit related commitments, is determined by the creditworthiness of the customer.

Geographic sector risk concentration for loans and advances to customers:

|  | As at December 31  |            |                    |            |
|--|--------------------|------------|--------------------|------------|
|  | 2004<br>Amount     | %          | 2003<br>Amount     | %          |
| Loans and discounted bills*                    |                    |            |                    |            |
| Beijing  | 87,726,547         | 30         | 63,362,286         | 31         |
| Guangdong                                      | 48,014,273         | 16         | 37,627,519         | 19         |
| Shanghai                                       | 43,217,946         | 14         | 32,495,472         | 15         |
| Hubei  | 14,507,548         | 5          | 9,173,550          | 4          |
| Zhejiang                                       | 23,055,413         | 8          | 13,425,820         | 6          |
| Shanxi   | 13,045,699         | 4          | 9,425,081          | 4          |
| Jiangsu  | 13,027,312         | 4          | 8,590,324          | 4          |
| Chongqing                                      | 9,679,524          | 3          | 6,334,426          | 3          |
| Hebei  | 5,566,835          | 2          | 4,048,798          | 2          |
| Other areas                                    | 30,521,047         | 10         | 17,289,633         | 8          |
| Lending to banks<br>and financial institutions | 11,337,868         | 4          | 8,544,766          | 4          |
| <b>Total, gross</b>                            | <b>299,700,012</b> | <b>100</b> | <b>210,317,675</b> | <b>100</b> |

### 3 FINANCIAL RISK MANAGEMENT(CONT'D)

Economic sector risk concentration for loans and advances to customers based on the Bank's industry classification

|  | As at December 31  |            |                    |            |
|--|--------------------|------------|--------------------|------------|
|  | 2004<br>Amount     | %          | 2003<br>Amount     | %          |
| Loans to corporations*                         |                    |            |                    |            |
| Industrial                                     | 79,762,624         | 27         | 50,254,703         | 24         |
| Trading  | 16,769,973         | 6          | 18,724,306         | 9          |
| Commercial real estate                         | 31,407,345         | 10         | 23,597,750         | 11         |
| Transportation                                 | 21,878,509         | 7          | 14,492,985         | 7          |
| Telecommunication                              | 7,833,627          | 3          | 8,957,318          | 4          |
| Construction                                   | 10,143,624         | 3          | 6,826,001          | 3          |
| Conglomerates                                  | 11,298,290         | 4          | 6,733,191          | 3          |
| Public utilities                               | 9,929,396          | 3          | 5,509,593          | 3          |
| Education and community services               | 8,214,785          | 3          | 7,778,484          | 4          |
| Leasing and commercial services                | 7,180,421          | 2          | 4,569,248          | 2          |
| Public administration and social organizations | 4,627,828          | 2          | 3,466,406          | 1          |
| Others   | 6,392,294          | 2          | 5,388,445          | 3          |
| Loans to individuals                           | 42,983,261         | 14         | 23,852,515         | 11         |
| Lending to banks and financial institutions    | 11,337,868         | 4          | 8,544,766          | 4          |
| Discounted bills*                              |                    |            |                    |            |
| Accepted by other financial institutions       | 24,641,122         | 8          | 20,034,129         | 10         |
| Accepted by corporate customers                | 5,299,045          | 2          | 1,587,835          | 1          |
| <b>Total, gross</b>                            | <b>299,700,012</b> | <b>100</b> | <b>210,317,675</b> | <b>100</b> |

Loans and advances to customers by customer type

|  | As at December 31  |            |                    |            |
|--|--------------------|------------|--------------------|------------|
|  | 2004<br>Amount     | %          | 2003<br>Amount     | %          |
| Loans to corporations*                       |                    |            |                    |            |
| Wholly state-owned enterprise                | 91,445,305         | 31         | 71,462,500         | 34         |
| Partly non-state-owned and other enterprises | 111,934,070        | 37         | 77,070,270         | 36         |
| Foreign investment enterprises               | 12,059,341         | 4          | 7,765,660          | 4          |
| Loans to individuals                         | 42,983,261         | 14         | 23,852,515         | 11         |
| Lending to banks and financial institutions  | 11,337,868         | 4          | 8,544,766          | 4          |
| Discounted bills*                            |                    |            |                    |            |
| Accepted by other financial institutions     | 24,641,122         | 8          | 20,034,129         | 10         |
| Accepted by corporate customers              | 5,299,045          | 2          | 1,587,835          | 1          |
| <b>Total, gross</b>                          | <b>299,700,012</b> | <b>100</b> | <b>210,317,675</b> | <b>100</b> |

\* Certain loans to corporations and discounted bills are pledged as collateral under repurchase agreements with other banks (Note 29).

#### C Market risk

The Bank takes on exposure in market risk. Market risks arise from open positions in interest rate products, currency products and derivative financial instrument transactions, which are exposed to general and specific market movements.

#### D Currency risk

The Bank conducts the majority of its business in Rmb, with certain foreign transactions in United States dollars ("USD"), Hong Kong dollars ("HKD") and, to a much lesser extent, other currencies. The exchange rates between Rmb to USD and HKD respectively are set by the PBOC, which had minimum movements during the Relevant Period. The Bank is exposed to effects of fluctuations in the prevailing foreign currency

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### 3 FINANCIAL RISK MANAGEMENT(CONT'D)

exchange rates on its financial position and cash flows. The management sets limits on the level of exposure by currency. These limits are monitored regularly.

The table below summarizes the Bank's exposure to foreign currency exchange rate risk at the end of each reporting period in the Relevant Period.

Included in the table are the Bank's assets and liabilities at carrying amounts in Rmb, categorized by the original currency.

| As at December 31, 2004                      | RMB                  | USD                 | HKD                | JPY                | Other currencies | Total                |
|--|----------------------|---------------------|--------------------|--------------------|------------------|----------------------|
| <b>Assets:</b>                               |                      |                     |                    |                    |                  |                      |
| Cash and due from banks                      | 8,612,606            | 3,144,126           | 656,075            | 229,935            | 906,380          | 13,549,122           |
| Deposits with the PBOC                       | 40,145,897           | 464,935             | 42,405             | -                  | -                | 40,653,237           |
| Derivative financial instruments             | -                    | 7,430               | 528                | -                  | 159              | 8,117                |
| Securities purchased under resale agreements | 11,518,877           | -                   | -                  | -                  | -                | 11,518,877           |
| Loans, net*                                  | 277,911,213          | 15,044,718          | 857,210            | 973,851            | 569,820          | 295,356,812          |
| Investments**                                | 64,374,400           | 10,623,278          | 1,126,166          | -                  | 23,124           | 76,146,968           |
| Other assets                                 | 7,945,893            | 110,342             | 6,905              | -                  | 745              | 8,063,885            |
| <b>Total assets</b>                          | <b>410,508,886</b>   | <b>29,394,829</b>   | <b>2,689,289</b>   | <b>1,203,786</b>   | <b>1,500,228</b> | <b>445,297,018</b>   |
| <b>Liabilities:</b>                          |                      |                     |                    |                    |                  |                      |
| Customer deposits                            | (355,964,610)        | (21,870,187)        | (1,531,672)        | (143,759)          | (571,236)        | (380,081,464)        |
| Deposits from banks                          | (26,743,561)         | (4,808,045)         | (1,114,111)        | (1,114,471)        | (34,178)         | (33,814,366)         |
| Borrowings from the PBOC and other banks     | (1,082,000)          | (132,351)           | (58,465)           | -                  | (141,969)        | (1,414,785)          |
| Derivative financial instruments             | -                    | (141,450)           | (174)              | -                  | -                | (141,624)            |
| Securities sold under repurchase agreements  | (6,965,915)          | -                   | -                  | -                  | -                | (6,965,915)          |
| Subordinated bonds issued                    | (5,835,702)          | -                   | -                  | -                  | -                | (5,835,702)          |
| Convertible bonds issued                     | (286,303)            | -                   | -                  | -                  | -                | (286,303)            |
| Other liabilities                            | (3,883,909)          | (142,457)           | (12,171)           | (132)              | (1,337)          | (4,040,006)          |
| <b>Total liabilities</b>                     | <b>(400,762,000)</b> | <b>(27,094,490)</b> | <b>(2,716,593)</b> | <b>(1,258,362)</b> | <b>(748,720)</b> | <b>(432,580,165)</b> |
| <b>Net on balance sheet position</b>         | <b>9,746,886</b>     | <b>2,300,339</b>    | <b>(27,304)</b>    | <b>(54,576)</b>    | <b>751,508</b>   | <b>12,716,853</b>    |
| <b>As at December 31, 2003</b>               |                      |                     |                    |                    |                  |                      |
| <b>Total assets</b>                          | <b>330,113,688</b>   | <b>23,726,977</b>   | <b>4,836,450</b>   | <b>1,680,580</b>   | <b>624,312</b>   | <b>360,982,007</b>   |
| <b>Total liabilities</b>                     | <b>(323,430,253)</b> | <b>(21,249,052)</b> | <b>(4,572,528)</b> | <b>(1,620,437)</b> | <b>(345,739)</b> | <b>(351,218,009)</b> |
| <b>Net on balance sheet position</b>         | <b>6,683,435</b>     | <b>2,477,925</b>    | <b>263,922</b>     | <b>60,143</b>      | <b>278,573</b>   | <b>9,763,998</b>     |

\* Certain loans to corporations and discounted bills are pledged as collateral under repurchase agreements with other banks (Note 29).

\*\* Certain government bonds and financial institution bonds are pledged as collateral under repurchase agreements with other banks, interest rate swaps contracts, and convertible bonds issued (Note 29).

#### E Interest rate risk

The Bank takes on exposure to the effects of fluctuations in the prevailing levels of market interest rates on

its financial position and cash flows. Interest margins may increase as a result of such changes, but may reduce or create losses in the event that unexpected movements arise. The Bank operates its business

### 3 FINANCIAL RISK MANAGEMENT(CONT'D)

predominantly in mainland China under the interest rate scheme regulated by the PBOC. As the PBOC has historically adjusted its benchmark interest rates for loans and deposits in the same direction and at the same time (though not necessarily by the same increment), the Bank has primarily managed its exposure to interest rate risk through the management of the maturity profile of its loans and deposits. However, there is no guarantee that the PBOC will continue this practice in the future.

Until October 29, 2004, according to the PBOC regulations, loan interest rates could be set at up to 70% above the corresponding PBOC benchmark interest rates and up to 10% below the corresponding PBOC benchmark interest rates. Since then, the PBOC has removed the upper limit on lending rates on all Renminbi loans to corporations while retaining the lower limit on such rates.

Interest rates for discounted bills are market driven. However, such interest rates cannot be set below the PBOC interest rate for re-discounted bills.

#### F Liquidity risk

The Bank is exposed to daily calls on its available cash

resources from overnight deposits, current accounts, maturing deposits, loan draw downs, guarantees and from margin and other calls on cash settled derivatives. The Bank does not maintain cash resources to meet all of these needs, as experience shows that a minimum level of reinvestment of maturing funds can be predicted with a high level of certainty. The management sets limits on the minimum proportion of maturing funds available to meet such calls and on the minimum level of interbank and other borrowing facilities that should be in place to cover withdrawals at unexpected levels of demand.

In addition, the Bank limits its loan to deposit ratio at below 75% as required by the PBOC. At the end of December 31, 2004, the Bank was required to maintain 7.5% of the total Rmb denominated deposits and 2% of the total foreign currency denominated deposits with the PBOC.

The table below analyses the assets and liabilities of the Bank by relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date.

| As at December 31, 2004                      | Up to 1 month     | 1-3 months        | 3-12 months        | 1-5 years         | Over 5 years       | Total              |
|--|-------------------|-------------------|--------------------|-------------------|--------------------|--------------------|
| <b>Assets:</b>                               |                   |                   |                    |                   |                    |                    |
| Cash and due from banks                      | 10,083,544        | 1,696,972         | 1,726,097          | 42,509            | -                  | 13,549,122         |
| Deposits with the PBOC                       | 40,653,237        | -                 | -                  | -                 | -                  | 40,653,237         |
| Derivative financial instruments             | -                 | 7                 | -                  | 4,669             | 3,441              | 8,117              |
| Securities purchased under resale agreements | 1,957,901         | 3,359,709         | 5,501,267          | 700,000           | -                  | 11,518,877         |
| Loans, net*                                  | 20,603,566        | 35,385,068        | 136,635,259        | 38,790,777        | 63,942,142         | 295,356,812        |
| Investments**                                | 82,224            | 2,110,440         | 11,721,321         | 23,707,738        | 38,525,245         | 76,146,968         |
| Other assets                                 | 219,309           | 806,286           | 909,868            | 534,012           | 5,594,410          | 8,063,885          |
| <b>Total assets</b>                          | <b>73,599,781</b> | <b>43,358,482</b> | <b>156,493,812</b> | <b>63,779,705</b> | <b>108,065,238</b> | <b>445,297,018</b> |
| <b>Liabilities:</b>                          |                   |                   |                    |                   |                    |                    |
| Customer deposits                            | (216,997,640)     | (30,931,631)      | (61,572,205)       | (68,657,968)      | (1,922,020)        | (380,081,464)      |
| Deposits from banks                          | (27,578,314)      | (3,212,417)       | (1,259,858)        | (1,080,028)       | (683,749)          | (33,814,366)       |
| Borrowings from the PBOC and other banks     | (777,919)         | (442,000)         | -                  | -                 | (194,866)          | (1,414,785)        |
| Derivative financial instruments             | (140)             | (153)             | (1,632)            | (76,077)          | (63,622)           | (141,624)          |
| Securities sold under repurchase agreements  | (3,975,277)       | (2,119,840)       | (870,798)          | -                 | -                  | (6,965,915)        |

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## 3 FINANCIAL RISK MANAGEMENT(CONT'D)

| As at December 31, 2004        | Up to 1 month        | 1-3 months          | 3-12 months         | 1-5 years           | Over 5 years       | Total                |
|--------------------------------|----------------------|---------------------|---------------------|---------------------|--------------------|----------------------|
| Subordinated bonds             | -                    | -                   | (47,526)            | (5,788,176)         | -                  | (5,835,702)          |
| Convertible bonds              | -                    | (3,925)             | -                   | (282,378)           | -                  | (286,303)            |
| Other liabilities              | (1,137,872)          | (1,265,337)         | (1,599,283)         | (33,225)            | (4,289)            | (4,040,006)          |
| <b>Total liabilities</b>       | <b>(250,467,162)</b> | <b>(37,975,303)</b> | <b>(65,351,302)</b> | <b>(75,917,852)</b> | <b>(2,868,546)</b> | <b>(432,580,165)</b> |
| <b>Net liquidity gap</b>       | <b>(176,867,381)</b> | <b>5,383,179</b>    | <b>91,142,510</b>   | <b>(12,138,147)</b> | <b>105,196,692</b> | <b>12,716,853</b>    |
| <b>As at December 31, 2003</b> |                      |                     |                     |                     |                    |                      |
| Total assets                   | 83,302,253           | 39,844,513          | 107,351,396         | 47,849,740          | 82,634,105         | 360,982,007          |
| Total liabilities              | (181,374,552)        | (48,864,689)        | (71,166,070)        | (44,982,023)        | (4,830,675)        | (351,218,009)        |
| <b>Net liquidity gap</b>       | <b>(98,072,299)</b>  | <b>(9,020,176)</b>  | <b>36,185,326</b>   | <b>2,867,717</b>    | <b>77,803,430</b>  | <b>9,763,998</b>     |

\* Certain loans to corporations and discounted bills are pledged as collateral under repurchase agreements with other banks (Note 29).

\*\* Certain government bonds and financial institution bonds are pledged as collateral under repurchase agreements with other banks, interest rate swaps contracts, and convertible bonds issued (Note 29).

The matching and controlled mismatching of the maturities of assets and liabilities is fundamental to the management of the Bank. It is unusual for banks ever to be completely matched since business transactions are often of uncertain terms and of different types. An unmatched position potentially enhances profitability, but also increases the risk of losses.

Liquidity requirements to support calls under guarantees and standby letters of credit are considerably less than the amounts under other credit commitments, because the Bank does not generally expect the third party to draw funds under those agreements. The total outstanding contractual amount of commitments to extend credit does not necessarily represent future cash requirements, since many of these commitments will expire or terminate without being funded.

## G Fair value of financial assets and liabilities

Fair value estimates are made at a specific point in time based on relevant market information and information about the various financial instruments. The following methods and assumptions were used to estimate the fair value of each class of financial instruments for which it is practicable to estimate that value.

(1) Cash and due from banks, Treasury bills, Discounted bills, Deposit with PBOC, Accrued interest receivable, Accrued interest payable, and Other liabilities

Given that maturities of these financial assets and liabilities are short-term in nature, the carrying amount approximates the fair value.

## (2) Investment securities

The fair value of securities is based on quoted market price, if available. If a quoted market price is not available, fair value is estimated using market prices for similar securities.

## (3) Loans and advances to customers

The carrying amount of loans and advances to customers is a reasonable estimate of fair value because interest rates are tied to the PBOC rate and are adjusted when the PBOC announces interest rate changes.

## (4) Deposits

The fair value of checking, savings and money market accounts is the amount payable on demand at the reporting date. The fair value of fixed maturity certificates of deposit is estimated using a discounted cash flow analysis utilizing the rates currently offered for deposits of similar remaining maturities.

## (5) Resale and repurchase agreements

The underlyings of resale and repurchase agreements comprise investment securities and loans and advances to customers. The fair value of those short-term financing arrangements approximate their carrying value.

### 3 FINANCIAL RISK MANAGEMENT(CONT'D)

#### (6) Convertible bonds and subordinated bonds

The aggregate fair values are calculated using a discounted cash flow model based on a current yield curve appropriate for the remaining term to maturity of the bonds.

As at December 31, 2004, the estimated fair values of the Bank's financial assets and liabilities, of which the respective carrying values are different, are summarized as follows:

|                              | Carrying Value |             | Fair Value  |             |
|------------------------------|----------------|-------------|-------------|-------------|
|                              | 2004           | 2003        | 2004        | 2003        |
| <b>Financial assets</b>      |                |             |             |             |
| Investment securities        |                |             |             |             |
| -held-to-maturity            | 32,663,245     | 21,643,653  | 32,335,345  | 21,663,811  |
| <b>Financial liabilities</b> |                |             |             |             |
| Customer deposits            | 380,081,464    | 274,816,316 | 379,697,159 | 274,632,521 |
| Subordinated bonds           | 5,835,702      | -           | 5,895,882   | -           |
| Convertible bonds            | 286,303        | 1,777,831   | 319,190     | 2,414,106   |

#### H Fiduciary activities

The Bank provides custody and trustee services to third parties. Those assets that are held in a fiduciary capacity are not included in these accounts. The Bank had assets under custody accounts amounting to approximately Rmb 12,985 million as at December 31, 2004 (2003: Rmb 6,182 million).

### 4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS IN APPLYING ACCOUNTING POLICIES

The Bank makes estimates and assumptions that affect the reported amounts of assets and liabilities within the next financial year. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

#### A Provision for impaired loans

The Bank reviews its loan portfolios to assess impairment at least on a quarterly basis. In determining

whether a provision for impaired loans should be recorded in the profit and loss accounts, the Bank makes judgements as to whether there is any observable data indicating that there is a measurable decrease in the estimated future cash flows from a portfolio of loans before the decrease can be identified with an individual loan in that portfolio. This evidence may include observable data indicating that there has been an adverse change in the payment status of borrowers in a group, or national or local economic conditions that correlate with defaults on assets in the group. Management uses estimates based on historical loss experience for assets with credit risk characteristics and objective evidence of impairment similar to those in the portfolio when scheduling its future cash flows. The methodology and assumptions used for estimating both the amount and timing of future cash flows are reviewed regularly to reduce any differences between loss estimates and actual loss experience.

#### B Fair value of financial instruments

The fair value of financial instruments that are not quoted in active markets are determined by using valuation techniques. Where valuation techniques (for example, cash flow models) are used to determine fair values, they are validated and periodically reviewed by qualified personnel independent of the area that created them. To the extent practical, cash flow models use only observable data; however, areas such as credit risk (both own and counterparty), volatilities and correlations require management to make estimates. Changes in assumptions about these factors could affect reported fair value of financial instruments.

#### C Held-to-maturity investments

The Bank follows the guidance of IAS 39 on classifying non-derivative financial assets with fixed or determinable payments and fixed maturity as held-to-maturity. This classification requires significant judgement. In making this judgement, the Bank evaluates its intention and ability to hold such investments to maturity. If the Bank fails to keep these investments to maturity other

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## 4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS IN APPLYING ACCOUNTING POLICIES (CONT'D)

than, for the specific circumstances, for example, selling an insignificant amount close to maturity, it will be required to reclassify the entire class as available-for-

sale. The investments would therefore be measured at fair value instead of amortised cost.

## 5 NET INTEREST INCOME

|  | For the years ended December 31 |                    |
|--|---------------------------------|--------------------|
|  | 2004                            | 2003               |
| <b>Interest income:</b>                              |                                 |                    |
| Loans  |                                 |                    |
| - Loans to customers and discounted bills            | 13,562,268                      | 8,279,402          |
| - Loans to banks and non-bank financial institutions | 162,717                         | 211,064            |
| Investment securities                                | 2,323,358                       | 1,984,550          |
| Deposits with the PBOC                               | 569,159                         | 412,814            |
| Due from banks                                       | 189,321                         | 306,239            |
| Securities purchased under resale agreements         | 426,623                         | 324,078            |
| Others   | 224,324                         | 137,045            |
|  | <u>17,457,770</u>               | <u>11,655,192</u>  |
| <b>Interest expense:</b>                             |                                 |                    |
| Customer deposits                                    | 5,513,657                       | (3,575,636)        |
| Deposits from banks                                  | (651,283)                       | (744,568)          |
| Borrowings from the PBOC                             | (1,726)                         | (5,746)            |
| Borrowings from other banks                          | (83,285)                        | (96,287)           |
| Securities sold under repurchase agreements          | (388,964)                       | (326,124)          |
| Discounted bills                                     | (1,667,758)                     | (661,284)          |
| Subordinated bonds                                   | (47,882)                        | -                  |
| Convertible bonds                                    | 10,875                          | (95,221)           |
| Others   | (896)                           | (1,771)            |
|  | <u>(8,344,576)</u>              | <u>(5,506,637)</u> |
| <b>Net interest income</b>                           | <u>9,113,194</u>                | <u>6,148,555</u>   |

## 6 FEE AND COMMISSION INCOME

|  | For the years ended December 31 |                |
|--|---------------------------------|----------------|
|  | 2004                            | 2003           |
| Commission income on bond agency business              | 3,162                           | 8,351          |
| Commission income on remittance services for customers | 191,860                         | 100,623        |
| Others   | 53,858                          | 28,420         |
|  | <u>248,880</u>                  | <u>137,394</u> |

## 7 OTHER OPERATING INCOME

|  | For the years ended December 31 |                |
|--|---------------------------------|----------------|
|  | 2004                            | 2003           |
| Net gain on derivatives and trading securities | 115,014                         | 17,510         |
| Net foreign exchange gain                      | 109,321                         | 134,862        |
| Other income                                   | 39,437                          | 41,456         |
|  | <u>263,772</u>                  | <u>193,828</u> |



## 8 OPERATING EXPENSES

|  | For the years ended December 31 |                  |
|--|---------------------------------|------------------|
|  | 2004                            | 2003             |
| Staff costs, including directors' emoluments |                                 |                  |
| - Salary, including bonus                    | 1,141,306                       | 789,736          |
| - Other benefits                             | 678,035                         | 532,122          |
| Lease expense, primarily for office space    | 369,161                         | 303,468          |
| Depreciation                                 | 339,032                         | 229,043          |
| Office expenses                              | 329,530                         | 199,931          |
| Business development expenses                | 321,431                         | 215,810          |
| Automobile expense                           | 179,821                         | 94,468           |
| Conference expense                           | 103,647                         | 73,727           |
| Traveling expense                            | 89,822                          | 82,113           |
| Electronic equipment operating expense       | 145,371                         | 81,547           |
| Mailing and telegraph expense                | 133,719                         | 82,433           |
| CBRC supervisory charge                      | 72,520                          | -                |
| Business tax                                 | 760,070                         | 451,553          |
| Auditor's remuneration                       | 3,000                           | 2,800            |
| Other expenses                               | 564,295                         | 423,083          |
|  | <u>5,230,760</u>                | <u>3,561,834</u> |

## 9 INCOME TAX EXPENSE

The Bank is incorporated and operates in the PRC, and is only subject to PRC profits tax. The Bank does not have any overseas profits tax expense.

PRC profits tax has been provided at the rate of 33% on the estimated assessable profit.

Taxation in the profit and loss accounts represents:

|              | For the years ended December 31 |                |
|--------------|---------------------------------|----------------|
|              | 2004                            | 2003           |
| Current tax  | 981,320                         | 574,764        |
| Deferred tax | (183,598)                       | (36,476)       |
|              | <u>797,722</u>                  | <u>538,288</u> |

The actual income tax expense differs from the statutory income tax as follows:

|  | For the years ended December 31 |                |
|--|---------------------------------|----------------|
|  | 2004                            | 2003           |
| Pretax profit  | 2,805,118                       | 1,906,045      |
| Provision for income tax calculated at statutory rate of 33%                                     | 925,690                         | 628,994        |
| Exempted interest income on government bonds   | (337,512)                       | (281,983)      |
| Non-deductible salary, entertainment and other expenses  | 343,194                         | 191,277        |
| Reinstatement of deferred income tax assets not fully recognized in the previous years (Note 18) | (133,650)                       | -              |
|  | <u>797,722</u>                  | <u>538,288</u> |

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## 10 EARNINGS PER SHARE

On March 29, 2004, the Bank effected a stock dividend and an issuance of shares by way of transfer from capital surplus for the year 2003 through which 3.5 shares were issued for every 10 shares of the Bank's common stock outstanding. All share and per share amounts have been restated to reflect the effect of this share distribution.

### a. Basic earnings per share

Basic earnings per share is calculated by dividing the net profit available to shareholders by the weighted average number of shares outstanding during the respective years.

|   | For the years ended December 31 |           |
|---|---------------------------------|-----------|
|   | 2004                            | 2003      |
| Net profit attributable to shareholders<br>(in Rmb thousands)   | 2,007,396                       | 1,367,757 |
| Weighted average number of shares outstanding<br>(in thousands) | 5,153,428                       | 4,577,406 |
| Basic earnings per share (in Rmb)                               | 0.390                           | 0.299     |

### b. Diluted earnings per share

In computing the diluted earnings per share, the weighted average number of ordinary shares in issue is adjusted to assume conversion of all dilutive potential ordinary shares. The Bank's only dilutive potential ordinary share is convertible bonds. The net profit is adjusted to eliminate the applicable interest expense.

|  | For the years ended December 31 |           |
|--|---------------------------------|-----------|
|  | 2004                            | 2003      |
| Net profit attributable to shareholders<br>(in Rmb thousands)                              | 2,007,396                       | 1,367,757 |
| Elimination of interest<br>on convertible bond<br>(net of tax effect)                      | (7,286)                         | 63,798    |
| Net profit used to determined diluted<br>earnings per share (in Rmb thousands)             | 2,000,110                       | 1,431,555 |
| Weighted average number of ordinary shares<br>for diluted earnings per share(in thousands) | 5,243,515                       | 5,136,218 |
| Diluted earnings per share (in Rmb)  | 0.381                           | 0.279     |

## 11 CASH AND DUE FROM BANKS

|                | As at December 31 |            |
|----------------|-------------------|------------|
|                | 2004              | 2003       |
| Cash           | 1,471,945         | 1,066,223  |
| Due from banks | 12,077,177        | 28,396,142 |
|                | 13,549,122        | 29,462,365 |

## 12 DEPOSITS WITH THE PBOC

As at December 31, 2004, the Bank was required to maintain with the PBOC a restricted general reserve deposit equal to 7.5% (2003: 7%) of customer local currency deposits and 2% (2003: 2%) of customer foreign currency deposits. Unrestricted deposits are maintained with the PBOC for liquidity purposes. As a result, deposits with the PBOC include:

|                       | As at December 31 |            |
|-----------------------|-------------------|------------|
|                       | 2004              | 2003       |
| Restricted deposits   | 24,311,347        | 17,319,864 |
| Unrestricted deposits | 16,341,890        | 18,264,144 |
|                       | 40,653,237        | 35,584,008 |

Restricted deposits with the PBOC are not available for use in the Bank's day-to-day operations.

## 13 CASH AND CASH EQUIVALENTS

Cash and cash equivalents in the Statement of Cash Flows consists of the following:

|  | As at December 31 |            |
|--|-------------------|------------|
|  | 2004              | 2003       |
| Cash   | 1,471,945         | 1,066,223  |
| Unrestricted deposits with the PBOC  | 16,341,890        | 18,264,144 |
| Due from banks within 3 months   | 8,984,042         | 21,824,685 |
| Loans and advances to banks within 3 months                                | 5,512,265         | 4,090,867  |
| Securities purchased from banks under<br>resale agreements within 3 months | 2,547,970         | 10,661,721 |
| Short-term government securities<br>within 3 months                        | 99,415            | -          |
|  | 34,957,527        | 55,907,640 |

## 14 TRADING SECURITIES

|                          | As at December 31 |        |
|--------------------------|-------------------|--------|
|                          | 2004              | 2003   |
| Corporate bonds          |                   |        |
| - unlisted at fair value | -                 | 79,793 |

## 15 LOANS AND PROVISION FOR IMPAIRED LOANS

The composition of loans is as follows:

|  | As at December 31  |                    |
|--|--------------------|--------------------|
|  | 2004               | 2003               |
| Loans to customers*                      | 258,421,977        | 180,150,945        |
| Loans to banks                           | 8,919,586          | 5,137,022          |
| Loans to non-bank financial institutions | 2,418,282          | 3,407,744          |
| Discounted bills*                        | 29,940,167         | 21,621,964         |
|  | 299,700,012        | 210,317,675        |
| Provision for impaired loans             | (4,343,200)        | (3,349,846)        |
| <b>Loans, net</b>                        | <b>295,356,812</b> | <b>206,967,829</b> |

Movement of provision for impaired loans:

|                               | For the years ended December 31 |                  |
|-------------------------------|---------------------------------|------------------|
|                               | 2004                            | 2003             |
| Balance at January 1          | 3,349,846                       | 2,455,193        |
| Provision charged             | 1,397,045                       | 1,015,460        |
| Written-off **                | (403,691)                       | (120,807)        |
| <b>Balance at December 31</b> | <b>4,343,200</b>                | <b>3,349,846</b> |

\* Certain loans to corporations and discounted bills are pledged as collateral under repurchase agreements with other banks (Note 29).

\*\* The balance included certain loans sold to third parties during 2004.

## 16 INVESTMENT SECURITIES

Available-for-sale investment securities

|   | As at December 31 |            |
|---|-------------------|------------|
|   | 2004              | 2003       |
| Debt securities at fair value:          |                   |            |
| Government bonds*                       |                   |            |
| - Listed                                | 2,449,321         | 3,079,314  |
| - Unlisted                              | 14,936,592        | 13,529,093 |
|   | 17,385,913        | 16,608,407 |
| Financial institution bonds* - unlisted | 24,790,760        | 24,702,325 |
| Corporate bonds - unlisted              | 397,399           | 1,373,541  |
| Structured bonds - unlisted**           | 859,651           | 454,660    |
| Other                                   | 50,000            | 50,000     |
|   | 43,483,723        | 43,188,933 |

Held-to-maturity investment securities

|   | As at December 31 |            |
|---|-------------------|------------|
|   | 2004              | 2003       |
| Debt securities at amortized cost:      |                   |            |
| Government bonds - unlisted*            | 9,819,043         | 8,332,234  |
| Financial institution bonds* - unlisted | 19,886,614        | 10,231,844 |
| Structured bonds - unlisted**           | 2,957,588         | 3,079,575  |
|   | 32,663,245        | 21,643,653 |

\* Certain government bonds and financial institution bonds are pledged as collateral under repurchase agreements with other banks, interest rate swaps contracts, and convertible bonds issued (Note 29).

\*\* Structured bonds represent debt instruments issued by other financial institutions with embedded derivatives, comprising mainly bond options (Note 30).

During the Relevant Period, the Bank did not recognize impairment losses related to any investment security.

The movements in investment securities are summarized as follows:

|                                 | Available-for-sale | Held-to-maturity  | Total             |
|---------------------------------|--------------------|-------------------|-------------------|
| At January 1, 2004              | 43,188,933         | 21,643,653        | 64,832,586        |
| Exchange differences            | (2,155)            | 1,548             | (607)             |
| Additions                       | 19,938,675         | 14,719,663        | 34,658,338        |
| Disposals (sale and redemption) | (19,582,079)       | (3,701,619)       | (23,283,698)      |
| Loss from changes in fair value | (59,651)           | -                 | (59,651)          |
| <b>At December 31, 2004</b>     | <b>43,483,723</b>  | <b>32,663,245</b> | <b>76,146,968</b> |

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## 17 PROPERTY, PLANT AND EQUIPMENT

|  | As at December 31 |           |
|--|-------------------|-----------|
|  | 2004              | 2003      |
| Cost   | 3,971,394         | 2,577,509 |
| Accumulated depreciation                               | (979,081)         | (655,944) |
|  | 2,992,313         | 1,921,565 |
| Less:  |                   |           |
| Provision for property, plant and equipment impairment | (8,970)           | (25,523)  |
| Net book value   | 2,983,343         | 1,896,042 |
| Construction in progress                               | 1,589,236         | 1,306,036 |
|  | 4,572,579         | 3,202,078 |

The net book values of property, plant and equipment comprise of the following:

|                                 | Buildings | Leasehold improvements | Office equipment | Motor vehicles | Total     |
|---------------------------------|-----------|------------------------|------------------|----------------|-----------|
| <b>Cost</b>                     |           |                        |                  |                |           |
| At January 1, 2004              | 973,673   | 494,580                | 1,016,373        | 92,883         | 2,577,509 |
| Add: Additions                  | 985,256   | 99,335                 | 334,655          | 19,235         | 1,438,481 |
| Less: Disposals                 | -         | (26,326)               | (10,056)         | (8,214)        | (44,596)  |
| At December 31, 2004            | 1,958,929 | 567,589                | 1,340,972        | 103,904        | 3,971,394 |
| <b>Accumulated depreciation</b> |           |                        |                  |                |           |
| At January 1, 2004              | 101,195   | 195,169                | 317,913          | 41,667         | 655,944   |
| Add: Charge for the year        | 48,340    | 87,487                 | 186,893          | 16,312         | 339,032   |
| Less: Written off on disposals  | -         | (377)                  | (9,643)          | (5,875)        | (15,895)  |
| At December 31, 2004            | 149,535   | 282,279                | 495,163          | 52,104         | 979,081   |
| Less: Provision for impairment  | (8,970)   | -                      | -                | -              | (8,970)   |
| <b>Net book value</b>           |           |                        |                  |                |           |
| At December 31, 2004            | 1,800,424 | 285,310                | 845,809          | 51,800         | 2,983,343 |
| At December 31, 2003            | 846,955   | 299,411                | 698,460          | 51,216         | 1,896,042 |

The movement in construction in progress is summarized as follows:

|   | 2004      | 2003      |
|---|-----------|-----------|
| Balance at January 1                      | 1,306,036 | 775,965   |
| Additions                                 | 1,114,515 | 734,557   |
| Transfer to property, plant and equipment | (829,126) | (54,079)  |
| Disposal                                  | (2,189)   | (150,407) |
| Balance at December 31                    | 1,589,236 | 1,306,036 |

## 18 DEFERRED INCOME TAXES

Deferred income taxes are calculated on all temporary differences under the liability method using an effective tax rate of 33% in 2004 (2003: 33%).

The movement on the deferred income tax account is as follows:

|                               | For the years ended December 31 |                |
|-------------------------------|---------------------------------|----------------|
|                               | 2004                            | 2003           |
| Balance at January 1          | 282,787                         | (95,466)       |
| Profit and loss charge        | 183,598                         | 36,476         |
| Available-for-sale securities |                                 |                |
| - fair value re-measurement   | 38,532                          | 356,053        |
| - transfer to net profit      | (19,559)                        | (13,705)       |
| Exchange differences          | 711                             | (571)          |
| <b>Balance at December 31</b> | <b>486,069</b>                  | <b>282,787</b> |

Deferred income tax assets and liabilities consist of the following items:

|   | As at December 31 |                |
|---|-------------------|----------------|
|   | 2004              | 2003           |
| <b>Deferred income tax assets:</b>  |                   |                |
| Provision for impaired loans  | 323,168           | 210,132        |
| Unrealized loss on available-for-sale investment securities               | 66,782            | 47,097         |
| Mark-to-market of derivative financial instruments and trading securities | 44,057            | 6,071          |
| Others  | 56,866            | 28,068         |
|   | <b>490,873</b>    | <b>291,368</b> |
| <b>Deferred income tax liabilities:</b>                                   |                   |                |
| Issuing costs of subordinated bonds                                       | (3,902)           | -              |
| Issuing costs of convertible bonds  | (902)             | (8,581)        |
|   | <b>(4,804)</b>    | <b>(8,581)</b> |

Based on projections of the period in which the temporary differences become deductible, management did not recognize deferred tax assets of Rmb 134 million as at December 31, 2003, mainly relating to provision for impaired loans due to uncertainty related to the ultimate realization of these deductible differences. During 2004, the unrecognized amount of Rmb 134

million was recorded as deferred tax assets, as management considers that it is probable that future taxable profit will be available against which the temporary difference will be utilized.

## 19 OTHER ASSETS

|  | As at December 31 |                  |
|--|-------------------|------------------|
|  | 2004              | 2003             |
| Accrued interest and other receivables | 2,084,510         | 1,647,048        |
| Other assets                           | 846,117           | 316,598          |
| Deferred assets                        | 69,806            | 44,364           |
|  | <b>3,000,433</b>  | <b>2,008,010</b> |

Other assets mainly consist of foreclosed assets at net realisable value of Rmb 777 million as at December 31, 2004(2003: Rmb 282 million).

Deferred assets mainly consist of prepaid office rentals.

## 20 CUSTOMER DEPOSITS

|  | As at December 31  |                    |
|--|--------------------|--------------------|
|  | 2004               | 2003               |
| <b>Corporate deposits</b>                |                    |                    |
| Demand                                   | 151,482,786        | 117,486,389        |
| Time                                     | 184,705,652        | 131,119,623        |
| Deposits from individuals                | 43,515,949         | 25,499,167         |
| Inward remittance and temporary deposits | 377,077            | 711,137            |
|  | <b>380,081,464</b> | <b>274,816,316</b> |

## 21 BORROWINGS FROM THE PBOC AND OTHER BANKS

|                             | As at December 31 |                  |
|-----------------------------|-------------------|------------------|
|                             | 2004              | 2003             |
| Borrowings from the PBOC    | -                 | 300,000          |
| Borrowings from other banks | 1,414,785         | 3,226,086        |
|                             | <b>1,414,785</b>  | <b>3,526,086</b> |

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The above balances have the following maturity breakdown:

|                                     | As at December 31 |                  |
|-------------------------------------|-------------------|------------------|
|                                     | 2004              | 2003             |
| Current                             | 777,920           | -                |
| Over 1 month but less than 3 months | 442,000           | 3,104,100        |
| Over 3 months but less than 1 year  | -                 | 335,540          |
| Over 5 years                        | 194,865           | 86,446           |
|                                     | <u>1,414,785</u>  | <u>3,526,086</u> |

The above borrowings are all unsecured and bear interest rates ranging from 1.05% to 4.80% as at December 31, 2004 (2003: 2.52% - 4.89%).

## 22 SUBORDINATED BONDS

|  | Interest rate per annum  | As at December 31 |          |
|--|--|-------------------|----------|
|  |  | 2004              | 2003     |
| Rmb 4,315 million fixed rate debts due 2014    | 5.1% for the first 5 years and 8.1% for the remaining years                            | 4,342,378         | -        |
| Rmb 1,485 million floating rate debts due 2014 | PBOC time deposit rate + 2.4% for the first 5 years and + 2.9% for the remaining years | 1,493,324         | -        |
|  |  | <u>5,835,702</u>  | <u>-</u> |

|                                | As at December 31 |          |
|--------------------------------|-------------------|----------|
|                                | 2004              | 2003     |
| Repayable within one year      | 47,526            | -        |
| Repayable after the fifth year | 5,788,176         | -        |
|                                | <u>5,835,702</u>  | <u>-</u> |

The Bank has an early redemption option to repay the subordinated bonds in 2009 at face value. None of the subordinated bonds are secured.

The Bank has not had any defaults of principal and interest or other breaches with respect to its liabilities during the Relevant Period.

## 23 CONVERTIBLE BONDS

On February 27, 2003, the Bank issued Rmb 4 billion 1.5% convertible bonds at a nominal value of Rmb 100 per bond. The bonds mature 5 years from the issue date, and it can be converted into the Bank's ordinary shares at the holder's option at Rmb 7.73 per ordinary share during the period between August 27, 2003 and February 27, 2008. On April 19, 2004, subsequent to the dividend distribution for 2003, the conversion price of the Bank's convertible bonds has been changed to Rmb 5.64 per ordinary share to reflect the increased number of ordinary shares.

The Bank has an early redemption option, which commences one year after the bonds' issuance date, and will expire on the maturity date. If the market price of the Bank's listed "A" shares is 30% higher than the conversion price for 20 consecutive trading days, the Bank has the option to redeem all or a portion of the outstanding bonds at 102% of face value plus accrued interest.

During the final year before the maturity date of the convertible bonds, if the market price of the Bank's listed "A" shares falls below 70% of the conversion price for 20 consecutive trading days, investors have the option to resell to the Bank all or a portion of the outstanding bonds at 106% of face value plus accrued interest.

Details of the convertible bond are as follows:

|  | 2004             | 2003             |
|--|------------------|------------------|
| Initial recognition:   |                  |                  |
| - Face value   | -                | 4,000,000        |
| - Issuing cost, net of deferred tax liability                  | -                | (40,903)         |
| - Equity conversion component, net of direct issuance costs    | -                | (460,830)        |
| - Deferred tax liability                                       | -                | (20,147)         |
| Liability component at issue date/ beginning of period         | <u>1,777,831</u> | <u>3,478,120</u> |
| Decrease in liability component due to subsequent conversion   | (1,470,397)      | (1,795,510)      |
| Interest expense accrued less amount forfeited upon conversion | (10,875)         | 95,221           |
| Interest paid  | <u>(10,256)</u>  | <u>-</u>         |
| Liability component at period end                              | <u>286,303</u>   | <u>1,777,831</u> |

The carrying amount of the liability component of the convertible bonds approximates its fair value at the date of issuance.

Interest expense on the bonds is calculated on the effective yield basis by applying the effective interest rate for an equivalent non-convertible bond to the liability component of the convertible bonds.

## 24 OTHER LIABILITIES

|                          | As at December 31 |                  |
|--------------------------|-------------------|------------------|
|                          | 2004              | 2003             |
| Promissory notes         | 407,781           | 222,681          |
| Outward remittance       | 367,674           | 782,664          |
| Accrued interest payable | 1,632,185         | 1,102,758        |
| Tax payable              | 593,995           | 372,533          |
| Accrued payroll          | 339,505           | 199,160          |
| Other                    | 694,062           | 584,741          |
|                          | <u>4,035,202</u>  | <u>3,264,537</u> |

## 25 CAPITAL STOCK

|   | Number of ordinary shares<br>at Rmb1 par value each |                  |
|---|---|------------------|
|   | 2004  | 2003             |
| At January 1                                    | 3,625,259   | 2,586,721        |
| Issue of shares - stock dividends               | 766,931   | 517,344          |
| Issue of shares - converted from bonds          | 217,059   | 262,522          |
| Issue of shares - transfer from capital surplus | 575,198   | 258,672          |
| At December 31                                  | <u>5,184,447</u>                                    | <u>3,625,259</u> |

## 26 STATUTORY SURPLUS AND WELFARE RESERVES

In accordance with the relevant regulations, the Bank is required to allocate 10% of its profit after tax to a surplus reserve and between 5% and 10% to a welfare reserve, in each case based on its statutory accounts. The Bank's Board of Directors authorized the transfer of certain percentages of after tax profit to surplus and welfare reserves. The percentages were set at 10% for surplus reserve and 5% for welfare reserve for each of

the years ended December 31, 2003 and 2004, respectively. Upon approval by the Board of Directors, the surplus reserve can be used to make up previous losses or transferred to registered capital; whereas the welfare reserve can be used for expenditures on employee welfare.

Pursuant to a resolution of Annual General Meeting on 29 March 2004, a 20% stock dividend a cash dividend for the year 2003 of Rmb 0.12 per ordinary share totaling Rmb460,159 thousand was declared.

Pursuant to resolutions of Board of Directors' Meeting on 21 February 2005, (i) a cash dividend for the year 2004 of Rmb 0.07 per ordinary share and a 20% stock dividend were declared; these dividends are subject to the shareholders' approval at the 2004 Annual General Meeting.

## 28 RETIREMENT BENEFIT OBLIGATIONS

The Bank participates in various defined contribution retirement benefit plans organized by municipal and provincial governments, and an insurance company under which the Bank is required to make monthly contributions at specified rates of the employees' basic salary or other applicable calculating basis under each retirement plan for the Relevant Period. The Bank's contributions to these retirement plans are charged to the profit and loss accounts in the year to which they relate. Expenses incurred by the Bank in connection with these retirement plans amounted to and Rmb 109 million for the years ended December 31, 2004 (2003: Rmb 87 million).

No forfeited contribution was recognized by the Bank during the Relevant Period.

CHINA MINSHENG BANKING CORP., LTD.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2004

■ All amounts expressed in Rmb'000 unless otherwise specified

## 29 CONTINGENT LIABILITIES AND COMMITMENTS

|  | As at December 31 |             |
|--|-------------------|-------------|
|  | 2004              | 2003        |
| Off-balance sheet financial instruments: |                   |             |
| Letters of credit issued                 | 6,143,764         | 5,831,480   |
| Letters of guarantee issued              | 6,532,418         | 2,713,942   |
| Bankers Acceptances                      | 52,617,188        | 28,763,337  |
| Commitment to extend credit              | 108,988,697       | 106,634,318 |

Operating lease commitments:

Future minimum lease payments on operating leases are summarized as follows:

|                                | No later than 1 year | Later than 1 year and not later than 5 years | Later than 5 years | Total            |
|--------------------------------|----------------------|--|--------------------|------------------|
| <b>As at December 31, 2004</b> |                      |  |                    |                  |
| Land and buildings             | 307,265              | 793,587                                      | 122,678            | 1,223,530        |
| Other equipment                | 5,998                | 10,665                                       | -                  | 16,663           |
|                                | <u>313,263</u>       | <u>804,252</u>                               | <u>122,678</u>     | <u>1,240,193</u> |
| <b>As at December 31, 2003</b> |                      |  |                    |                  |
| Land and buildings             | 258,587              | 772,231                                      | 368,823            | 1,399,641        |
| Other equipment                | 2,603                | 10,112                                       | 1,285              | 14,000           |
|                                | <u>261,190</u>       | <u>782,343</u>                               | <u>370,108</u>     | <u>1,413,641</u> |

Assets pledged:

|  | As at December 31 |                   |
|--|-------------------|-------------------|
|  | 2004              | 2003              |
| For Repos:                                       |                   |                   |
| Government bonds and financial institution bonds | 2,634,990         | 6,917,757         |
| Discounted bills                                 | 3,011,700         | 17,173,870        |
| Loans  | 1,354,214         | 385,320           |
|  | <u>7,000,904</u>  | <u>24,476,947</u> |
| For the interest rate swaps:                     |                   |                   |
| Government bonds and financial institution bonds | 424,369           | 356,897           |
| For the convertible bonds issued:                |                   |                   |
| Government bonds and financial institution bonds | 987,164           | 3,502,112         |



Assets are pledged as collateral under repurchase agreements with other banks, interest rate swaps contracts, and convertible bonds issued. Discounted bills are pledged under the repurchase agreements by which the transferees have the right to sell or repledge the pledged bills. In the case of pledged government bonds, financial institution bonds and loans, the transferees have no such rights during the years ended December 31, 2003 and 2004.

Mandatory reserve deposits are also held with the PBOC in accordance with statutory requirements (Note 12). These deposits are not available to finance the Bank's day-to-day operations.

#### Capital commitment

At December 31, 2004, the Bank had capital commitments of Rmb 1,175 million (2003: Rmb 1,959 million) in respect of buildings and equipment purchases. The Bank's management is confident that future net revenues and funding will be sufficient to cover these commitments.

#### Legal proceedings

There were a number of legal proceedings outstanding against the Bank at December 31, 2004. After considering professional advice, the Bank's management believe that no significant losses will arise.

### 30 DERIVATIVE FINANCIAL INSTRUMENTS

The following derivative instruments are utilized by the Bank for trading purposes:

Currency forwards represent commitments to purchase/sell foreign exchanges including undelivered spot transactions.

Interest rate and currency swaps are commitments to exchange one set of cash flows for another. Swaps result in an economic exchange of currencies or interest rates (e.g. fixed rate for floating rate). The Bank's credit risk represents the potential cost to replace the swap contracts if counter-parties fail to perform their obligation. This risk is monitored on an ongoing basis with reference to the current fair value, the notional amount of the contracts and the liquidity of the market. To control the level of credit risk taken, the Bank

assesses counter-parties using the same techniques as for its lending activities.

The credit default swaps are contractual agreements that the Bank entered into whereby the counter-party pays a fixed periodic payment for the specified life of the agreement. The Bank makes no payments unless a specified credit event occurs. Credit events were typically defined to include a material default, bankruptcy or debt restructuring for a specified reference asset, bonds or loans, usually. If such a credit event occurs, the Bank will make a payment to the counter-party, and the swap then terminates. The size of the payment of those credit default swaps is usually linked to a predetermined amount or its equivalent in the relevant obligation currency as of the occurrence of the relevant credit event. Therefore, the Bank takes the exposure of the credit risk on the specified reference asset. The Bank controls the credit risk with the same techniques as for its lending or investing activities, according to the types of the underlyings.

Bond options are contractual agreements under which the seller (writer) grants the purchaser (holder) the right, but not the obligation, either to buy (a call option) or sell (a put option) at or by a set date or during a set period, a specific amount of a debenture instrument at a predetermined price. In consideration for the assumption of interest rate risk, the seller receives a premium from the purchaser. Options are all negotiated between the Bank and a counter-party on an over-the-counter basis. The Bank is exposed to credit risk on purchased options only, and only to the extent of their carrying amount, which is their fair value.

As at December 31, 2004, the Bank had a total of 144 interest rate swap contracts, currency swap contracts, credit default swap contracts, bond option contracts and currency option contracts outstanding. These contracts will become due at various dates through June 2015.

The notional amounts of certain types of financial instruments provide a basis for comparison with instruments recognized on the balance sheet, but do not necessarily indicate the amounts of future cash flows involved or the current fair value of the instru-

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ments and, therefore, do not indicate the Bank's exposure to credit or price risks. The derivative instruments become favourable (assets) or unfavourable (liabilities) as a result of fluctuations in market interest rates or foreign exchange rates relative to their terms. The aggregate contractual or notional amount of derivative financial instruments on hand, the extent to which instruments are favourable or unfavourable and, thus, the aggregate fair values of derivative financial assets and liabilities can fluctuate significantly from time to time.

The fair values of derivative instruments held are set out in the following table.

|                                | Contract/notional<br>Amount | Fair values   |                  |
|--------------------------------|-----------------------------|---------------|------------------|
|                                |                             | Assets        | Liabilities      |
| <b>As at December 31, 2004</b> |                             |               |                  |
| Interest rate swaps            | 8,094,554                   | 7,372         | (140,661)        |
| Credit default swaps           | 165,530                     | 745           | -                |
| Currency swaps                 | 57,230                      | -             | (110)            |
| Bond options                   | 364,166                     | -             | (823)            |
| Currency options               | 54,981                      | -             | (30)             |
|                                |                             | <b>8,117</b>  | <b>(141,624)</b> |
| <b>As at December 31, 2003</b> |                             |               |                  |
| Interest rate swaps            | 3,712,115                   | 18,558        | (31,488)         |
| Currency swaps                 | 646,095                     | 73            | (3,869)          |
| Bond options                   | 231,756                     | -             | (1,672)          |
|                                |                             | <b>18,631</b> | <b>(37,029)</b>  |

A majority of these derivative instruments were contracted to provide effective economic hedges to structured deposit liabilities as described in the following paragraph.

Included in customer deposits and deposits from banks are structured deposit contracts with embedded derivatives comprising mainly interest rate swaps, bond options and currency options. These structured deposits amounted to Rmb 10,419 million as at December 31, 2004 (2003: Rmb 5,040 million). The economics of these embedded derivatives are closely related to the host deposit contracts' economics and are not separated from the host contracts for accounting purposes.

Included in held-to-maturity investment securities are structured bonds of Rmb 2,958 million as at December 31, 2004 (2003: Rmb 3,080 million), which are debt instruments with embedded derivatives (see Note 16). The economics of these embedded derivatives are closely related to the host contracts' economics and are not separated from the host contracts for accounting purposes. A portion of these structured bonds, amounting to approximately Rmb 575 million as at December 31, 2004 (2003: Rmb 1,052 million), was acquired to provide effective economic hedges against similar structured deposit liabilities taken from the Bank's customers and other financial institutions.

Included in available-for-sale securities are structured bonds of Rmb 860 million as at December 31, 2004 (2003: Rmb 455 million), which are debt instruments with embedded derivatives (see Note 16). The economics of these embedded derivatives are closely related to the host contracts' economics and are not separated from the host contracts for accounting purposes.

### 31 RELATED PARTY TRANSACTIONS

|   | As at and for the years ended December 31 |           |
|---|---|-----------|
|   | 2004                                      | 2003      |
| Loans to related parties                                | 1,373,300                                 | 1,537,000 |
| Deposits taken from related parties                     | 44,511                                    | 85,225    |
| Interest income on loans to related parties             | 81,615                                    | 88,109    |
| Interest expense on deposits taken from related parties | 350                                       | 644       |

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial or operational decisions. Parties are also considered to be related if they are under common control or significant influence by another party.

The terms of loans and deposits with related parties and directors and senior management follow commercial terms arranged in the ordinary course of the Bank's business.

## 32 SEGMENTAL INFORMATION

The following represents geographical analysis of the Bank's interest income, segment results, total assets and capital expenditure. The Bank's businesses operate in four main geographical areas within the PRC:

- (i) Northern China - Including the Headquarters in Beijing as well as the following branches: Beijing, Taiyuan, Shijiazhuang and Tianjin.
- (ii) Eastern China - Including the following branches: Shanghai, Hangzhou, Ningbo, Nanjing and Jinan.
- (iii) Southern China - Including the following branches: Fuzhou, Guangzhou, Shenzhen, and Shantou.
- (iv) Other locations - Including the following branches: Xi'an, Dalian, Chongqing, Chengdu, and Wuhan.

As at and for the year ended December 31, 2004

|                           | Interest income external | Interest income Inter-segment | Total interest income | Segment results  | Total assets       | Total liabilities  | Capital expenditures |
|---------------------------|--------------------------|-------------------------------|-----------------------|------------------|--------------------|--------------------|----------------------|
| Northern China            | 7,531,055                | 5,179,086                     | 12,710,141            | 881,431          | 257,466,631        | 249,168,389        | 1,588,833            |
| Eastern China             | 4,943,580                | 3,605,673                     | 8,549,253             | 665,047          | 133,678,155        | 131,667,444        | 162,371              |
| Southern China            | 2,929,150                | 2,138,411                     | 5,067,561             | 354,367          | 89,301,030         | 87,906,655         | 132,646              |
| Other locations           | 2,053,985                | 1,912,639                     | 3,966,624             | 229,261          | 62,497,819         | 61,484,294         | 223,309              |
| Inter-segment elimination | -                        | (12,835,809)                  | (12,835,809)          | -                | (97,646,617)       | (97,646,617)       | -                    |
| <b>Sub-total</b>          | <b>17,457,770</b>        | <b>-</b>                      | <b>17,457,770</b>     | <b>2,130,106</b> | <b>445,297,018</b> | <b>432,580,165</b> | <b>2,107,159</b>     |
| Unallocated costs         |                          |                               |                       | (122,710)        |                    |                    |                      |
| <b>Net profit</b>         |                          |                               |                       | <b>2,007,396</b> |                    |                    |                      |

As at and for the year ended December 31, 2003

|                           | Interest income external | Interest income Inter-segment | Total interest income | Segment results  | Total assets       | Total liabilities  | Capital expenditures |
|---------------------------|--------------------------|-------------------------------|-----------------------|------------------|--------------------|--------------------|----------------------|
| Northern China            | 4,775,741                | 4,206,601                     | 8,982,342             | 614,958          | 209,377,890        | 202,752,515        | 908,323              |
| Eastern China             | 3,153,640                | 1,876,167                     | 5,029,807             | 474,113          | 104,465,428        | 103,114,098        | 193,044              |
| Southern China            | 2,490,523                | 927,920                       | 3,418,443             | 233,379          | 72,639,931         | 71,649,195         | 210,626              |
| Other locations           | 1,235,288                | 629,031                       | 1,864,319             | 147,732          | 42,046,153         | 41,249,596         | 155,785              |
| Inter-segment elimination | -                        | (7,639,719)                   | (7,639,719)           | -                | (67,547,395)       | (67,547,395)       | -                    |
| <b>Sub-total</b>          | <b>11,655,192</b>        | <b>-</b>                      | <b>11,655,192</b>     | <b>1,470,182</b> | <b>360,982,007</b> | <b>351,218,009</b> | <b>1,467,778</b>     |
| Unallocated costs         |                          |                               |                       | (102,425)        |                    |                    |                      |
| <b>Net profit</b>         |                          |                               |                       | <b>1,367,757</b> |                    |                    |                      |

CHINA MINSHENG BANKING CORP., LTD.

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### 33 POST BALANCE SHEET EVENTS

Pursuant to resolutions of Board of Directors' Meeting on 21 February 2005, (i) a cash dividend for the year 2004 of Rmb 0.07 per ordinary share and a 20% stock dividend were declared; 2) certain terms of the Bank's long-term incentive plan (the "plan") which was passed by the 2003 Annual General Meeting were approved to be amended, and the implementation rules of the plan were also approved. This plan will provide incentive in the form of stock appreciation rights issued to certain of the Bank's senior management and key employees. These resolutions are subject to the shareholders' approval at the 2004 Annual General Meeting.

### 34 SUBSEQUENT ACCOUNTS

No audited accounts have been prepared for the Bank in respect of any period subsequent to December 31, 2004.



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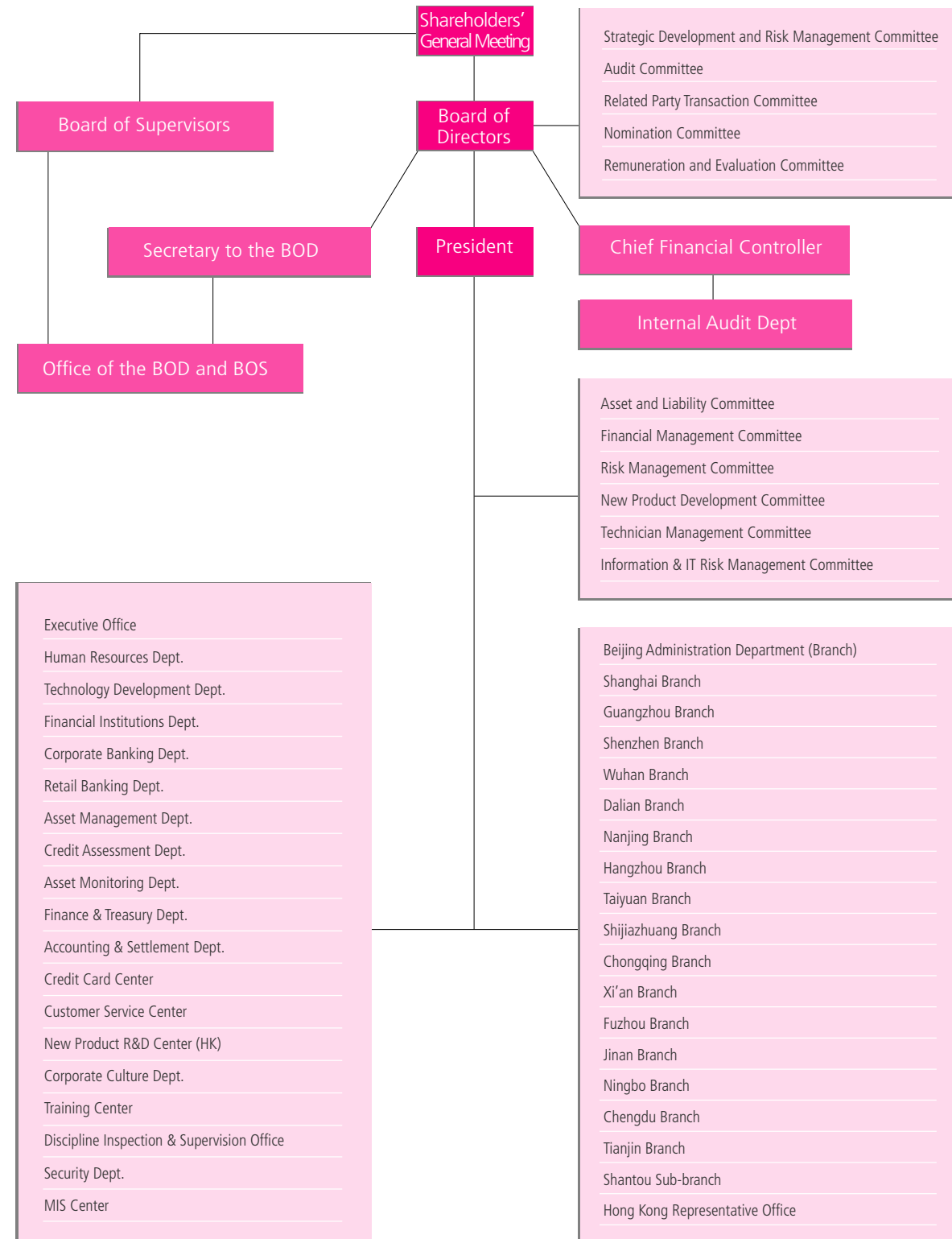
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144 Organizational Chart

145 Directory of  
Banking Outlets

158 List of Correspondent  
Banks

## Organizational Chart



## DIRECTORY OF BANKING OUTLETS

- BEIJING** **BEIJING ADMINISTRATION DEPARTMENT (BRANCH)**  
 ADD: No.2 FUXINGMENNEI AVE.  
 XICHENG DISTRICT, BEIJING  
 TEL: (010) 58560088  
 FAX: (010) 58560001  
 ZIP CODE: 100031
- MUXIDI BUSINESS DEPARTMENT**  
 ADD: NO. 3 FUXINGLU,  
 HAIDIAN DISTRICT, BEIJING  
 TEL: (010) 68579345  
 FAX: (010) 68579343
- FUCHENGMEN SUB-BRANCH**  
 ADD: LEVEL 1, BUILDING B, VANTONE NEW WORLD  
 PLAZA, NO.2 FUCHENGMENWAIDAJIE, BEIJING  
 TEL: (010) 68588458  
 FAX: (010) 68588449
- JIANGUOMEN SUB-BRANCH**  
 ADD: LEVEL 1, INTERNATIONAL CLUB,  
 NO. 21 JIANGUOMENWAIDAJIE, BEIJING  
 TEL: (010) 65325937  
 FAX: (010) 65326597
- ZHONGGUANCUN SUB-BRANCH**  
 ADD: YINWANG CENTER, NO. 113 ZHICHUNLU,  
 HAIDIAN DISTRICT, BEIJING  
 TEL: (010) 62619096  
 FAX: (010) 62619902
- XIBAHE SUB-BRANCH**  
 ADD: NO. A 118 XIBAHEXILI,  
 CHAOYANG DISTRICT, BEIJING  
 TEL: (010) 64295659  
 FAX: (010) 64296224
- GONGTIBEILU SUB-BRANCH**  
 ADD: NO. 9 GONGTIBEILU,  
 CHAOYANG DISTRICT, BEIJING  
 TEL: (010) 64155280  
 FAX: (010) 64155250
- ANDINGMEN SUB-BRANCH**  
 ADD: NO. 8 ANWAIDAJIE,  
 DONGCHENG DISTRICT, BEIJING  
 TEL: (010) 84280562  
 FAX: (010) 84280461
- WANSHOULU SUB-BRANCH**  
 ADD: NO. A 65-A FUXINGLU,  
 HAIDIAN DISTRICT, BEIJING  
 TEL: (010) 68169096  
 FAX: (010) 68169095
- BEIJING** **XIKEZHAN SUB-BRANCH**  
 ADD: LEVEL 1, ZHONGSE BUILDING, SOUTH SQUARE,  
 WEST RAILWAY STATION, BEIJING  
 TEL: (010) 63485530  
 FAX: (010) 63485845
- ZHENGYILU SUB-BRANCH**  
 ADD: NO. 4 ZHENGYILU,  
 DONGCHENG DISTRICT, BEIJING  
 TEL: (010) 65284467  
 FAX: (010) 65262327
- SHANGDI SUB-BRANCH**  
 ADD: LEVEL 1, BUILDING #4, BLOCK 1,  
 SHANGDIDONGLI, HAIDIAN DISTRICT, BEIJING  
 TEL: (010) 62971288  
 FAX: (010) 62971229
- GUOMAO SUB-BRANCH**  
 ADD: NO. 2 DONGHUANNANLU,  
 JIANGUOMENWAI DAJIE, BEIJING  
 TEL: (010) 65674738  
 FAX: (010) 65614739
- SHOUTI SUB-BRANCH**  
 ADD: LEVEL 1, KAIXUAN BUILDING,  
 BAISHIQIAOLU, BEIJING  
 TEL: (010) 68310386  
 FAX: (010) 88364699
- JINRONGJIE SUB-BRANCH**  
 ADD: LEVEL 1, BUILDING B, TONGTAI PLAZA  
 NO. 33 JINRONGDAJIE,  
 XICHENG DISTRICT, BEIJING  
 TEL: (010) 88087334  
 FAX: (010) 88087333
- PING'ANLI SUB-BRANCH**  
 ADD: NO. 141 DI'ANMENXIDAJIE,  
 XICHENG DISTRICT, BEIJING  
 TEL: (010) 66519577  
 FAX: (010) 66171082
- BEITAIPIGZHUANG SUB-BRANCH**  
 ADD: NO. 2 XINJIEKOUWAIDAJIE,  
 XICHENG DISTRICT, BEIJING  
 TEL: (010) 62382766  
 FAX: (010) 62382765
- GUANG'ANMEN SUB-BRANCH**  
 ADD: NO. 338 GUANGNEIDAJIE,  
 XUANWU DISTRICT, BEIJING  
 TEL: (010) 63574207  
 FAX: (010) 63574207

## BEIJING

## FANGZHUANG SUB-BRANCH

ADD: LEVEL 1, TONGRUN HUIGUAN,  
FANGGUYUAN, FENGTAI DISTRICT, BEIJING  
TEL: (010) 67670406  
FAX: (010) 67670392

## CHAOYANGMEN SUB-BRANCH-

ADD: NO. 22 CHAOWAIDAJIE,  
CHAOYANG DISTRICT, BEIJING  
TEL: (010) 65884529  
FAX: (010) 65884506

## ZIZHU SUB-BRANCH

ADD: NO. 31, ZIZHUYUANLU,  
HAIDIAN DISTRICT, BEIJING  
TEL: (010) 88510826  
FAX: (010) 88510827

## WEIGONGCUN SUB-BRANCH

ADD: NO. 27 ZHONGGUANCUNNANDAJIE,  
HAIDIAN DISTRICT, BEIJING  
TEL: (010) 68937489  
FAX: (010) 68937455

## DONGDAN SUB-BRANCH

ADD: NO. A 2 GANYUHUTONG,  
DONGDANDAJIE, DONGCHENG DISTRICT,  
BEIJING  
TEL: (010) 85110682  
FAX: (010) 85110681

## YAYUNCUN SUB-BRANCH

ADD: NO. 3 HUIXINXIJIE, CHAOYANG DISTRICT,  
BEIJING  
TEL: (010) 64916092  
FAX: (010) 64914228

## SUZHOUJIE SUB-BRANCH

ADD: NO. 33 SUZHOUJIE, HAIDIAN DISTRICT,  
BEIJING  
TEL: (010) 62529236  
FAX: (010) 62520401

## XIZHIMEN SUB-BRANCH

ADD: NO. 43 XIZHIMENDAJIE,  
HAIDIAN DISTRICT, BEIJING  
TEL: (010) 62266015  
FAX: (010) 62216186

## HEPINGLI SUB-BRANCH

ADD: NO. 12 HEPINGLIDONGJIE,  
DONGCHENG DISTRICT, BEIJING  
TEL: (010) 64212490  
FAX: (010) 64212230

## CHONGWENMEN SUB-BRANCH

ADD: NO. 9 CHONGWAIDAJIE,  
CHONGWEN DISTRICT, BEIJING  
TEL: (010) 67089851  
FAX: (010) 67089852

## BEIJING

## AOYUNCUN SUB-BRANCH

ADD: NO. 66 ANLILU,  
CHAOYANG DISTRICT, BEIJING  
TEL: (010) 64906563  
FAX: (010) 64906511

## SANYUAN SUB-BRANCH

ADD: NO. A 2 DONGSANHUANBEILU,  
CHAOYANG DISTRICT, BEIJING  
TEL: (010) 84489519  
FAX: (010) 84489520

## XIDAN SUB-BRANCH

ADD: NO. 107 XIDANBEIDAJIE,  
XICHENG DISTRICT, BEIJING  
TEL: (010) 58533911  
FAX: (010) 58503912

## JINSONG SUB-BRANCH

ADD: NO. A 302 JINSONGSANQU,  
CHAOYANG DISTRICT, BEIJING  
TEL: (010) 87730408  
FAX: (010) 87730400

## CHENGFULU SUB-BRANCH

ADD: NO. 298 CHENGFULU,  
HAIDIAN DISTRICT, BEIJING  
TEL: (010) 82529409  
FAX: (010) 82529408

## DESHENGMEN SUB-BRANCH

ADD: NO. 2 XINFENGJIE, DEWAIDAJIE,  
XICHENG DISTRICT, BEIJING  
TEL: (010) 82271439  
FAX: (010) 82271440

## DIANZICHENG SUB-BRANCH

ADD: NO. 14 JIUXIANQIAOLU,  
CHAOYANG DISTRICT, BEIJING  
TEL: (010) 58671027  
FAX: (010) 58671024

## CAPITAL AIRPORT SUB-BRANCH

ADD: HANG' AN ROAD, OFFICE AREA,  
CAPITAL AIRPORT, BEIJING  
TEL: (010) 64595916  
FAX: (010) 64590007

## XIERHUAN SUB-BRANCH

ADD: NO. 6, FUCHENGMEN NORTH ROAD,  
XICHENG DISTRICT, BEIJING  
TEL: (010) 66579958  
FAX: (010) 66579937

## XICHANGANJIE SUB-BRANCH

ADD: NO.2, FUXINGMENNEI AVE.  
XICHENG DISTRICT, BEIJING  
TEL: (010) 58560383  
FAX: (010) 58560088-6433

## BEIJING

## NANERHUAN SUB-BRANCH

ADD: NO.101, YONGWAI STREET,  
CHONGWEN DISTRICT, BEIJING  
TEL: (010) 87804382  
FAX: (010) 87804377

## KONGGANG SUB-BRANCH

ADD: F2, TERMINAL 2, CAPITAL AIRPORT  
SHUNYI DISTRICT, BEIJING  
TEL: (010) 64592006  
FAX: (010) 64590007

## JIANGUOMENWAI SUB-BRANCH

ADD: A12, JIANGUOMENWAI STREET,  
CHAOYANG DISTRICT, BEIJING  
TEL: (010) 65693075  
FAX: (010) 65693073

## GUANGZHOU

## GUANGZHOU BRANCH

ADD: NO.189 TIANHEBEILU, GUANGZHOU  
TEL: (020) 87556766  
FAX: (020) 87552777  
ZIP CODE: 510620

## BUSINESS DEPARTMENT OF GUANGZHOU BRANCH

ADD: NO.189 TIANHEBEILU, GUANGZHOU  
TEL: (020) 87554423  
FAX: (020) 87552731

## DONGCHENG SUB-BRANCH

ADD: NO. 474, HUANSHIDONGLU, GUANGZHOU  
TEL: (020) 87607490  
FAX: (020) 87621076

## HUANSHI SUB-BRANCH

ADD: NO. 348 , HUANSHIDONGLU, GUANGZHOU  
TEL: (020) 83876609  
FAX: (020) 83882894

## DONGFENG SUB-BRANCH

ADD: NO. 148 , DONGFENGXILU, GUANGZHOU  
TEL: (020) 81365608  
FAX: (020) 81364878

## DONGSHAN SUB-BRANCH

ADD: NO. 35 ZHONGSHANERLU, GUANGZHOU  
TEL: (020) 37631780  
FAX: (020) 37631221

## YUEHUA SUB-BRANCH

ADD: NO. 185 , YUEHUALU, GUANGZHOU  
TEL: (020) 83647415  
FAX: (020) 83647030

## GUANGZHOU

## BAIYUN SUB-BRANCH

ADD: NO. 284 , SICHANGLU, GUANGZHOU  
TEL: (020) 861222085  
FAX: (020) 86122079

## YUEXIU SUB-BRANCH

ADD: NO. 5 , DONGYUANHENGLU, GUANGZHOU  
TEL: (020) 83873671  
FAX: (020) 83382235

## TIANHE SUB-BRANCH

ADD: NO. 351 , TIANHELU, GUANGZHOU  
TEL: (020) 33275279  
FAX: (020) 38816465

## XINCHENG SUB-BRANCH

ADD: NO. 25 TIANHEDONGLU, GUANGZHOU  
TEL: (020) 87516560  
FAX: (020) 85264687

## PANYU SUB-BRANCH

ADD: NO. 91 YUSHAN DADAO,  
PANYU DISTRICT, GUANGZHOU  
TEL: (020) 84812342  
FAX: (020) 84839980

## TIYUXI SUB-BRANCH

ADD: LEVEL 1, NO. 1-3 TIYUXILU, GUANGZHOU  
TEL: (020) 85239259  
FAX: (020) 85239153

ECONOMIC AND TECHNOLOGICAL  
DEVELOPMENT ZONE SUB-BRANCH

ADD: NO. 728 XIANGANGLU, GUANGZHOU  
TEL: (020) 82001426  
FAX: (020) 82001532

## YANGCHENG SUB-BRANCH

ADD: NO. 57 ZHONGSHANYILU, GUANGZHOU  
TEL: (020) 61280576  
FAX: (020) 37584256

## HUACHENG SUB-BRANCH

ADD: NO. 92 XIANLIEZHONGLU, GUANGZHOU  
TEL: (020) 37618351  
FAX: (020) 37618452

## HAIZHU SUB-BRANCH

ADD: 111-117, JIANNANXILU,  
HAIZHU DISTRICT, GUANGZHOU  
TEL: (020) 84233750  
FAX: (020) 84233852

## KEJIYUAN SUB-BRANCH

ADD: NO. 259, HUANGPUDADAO, GUANGZHOU  
TEL: (020) 85699992  
FAX: (020) 85522699



## SHANGHAI

**SHANGHAI BRANCH**

ADD: NO. 48 WEIHAILU, SHANGHAI  
TEL: (021) 53857700  
FAX: (021) 53857880  
ZIP CODE: 200003

**BUSINESS DEPARTMENT OF SHANGHAI BRANCH**

ADD: NO. 48 WEIHAILU, SHANGHAI  
TEL: (021) 53857819  
FAX: (021) 53857385

**WAITAN SUB-BRANCH**

ADD: NO. 93 GUANGDONGLU, SHANGHAI  
TEL: (021) 63298200  
FAX: (021) 63296683

**PUDONG SUB-BRANCH**

ADD: NO. 836 DONGFANGLU, SHANGHAI  
TEL: (021) 68867943  
FAX: (021) 68867907

**SHIXI SUB-BRANCH**

ADD: NO. 1118 CHANGSHOULU, SHANGHAI  
TEL: (021) 62116331  
FAX: (021) 62116340

**SHIBEI SUB-BRANCH**

ADD: NO. 549, HUTAILU  
TEL: (021) 66580860  
FAX: (021) 66580870

**SHIDONG SUB-BRANCH**

ADD: NO. 529 SIPINGLU, SHANGHAI  
TEL: (021) 65755758  
FAX: (021) 65755718

**XUHUI SUB-BRANCH**

ADD: NO. 1033 ZHAOJIABANGLU, SHANGHAI  
TEL: (021) 54253761  
FAX: (021) 64271273

**HUANGPU SUB-BRANCH**

ADD: NO. 399 JIUJIANG, SHANGHAI  
TEL: (021) 63601060  
FAX: (021) 63608919

**HONGQIAO SUB-BRANCH**

ADD: NO. 88 XIANXIALU, SHANGHAI  
TEL: (021) 62700510  
FAX: (021) 62700479

**SHINAN SUB-BRANCH**

ADD: NO. 550 XUJIAHUILU, SHANGHAI  
TEL: (021) 54658899  
FAX: (021) 64454656

**JING'AN SUB-BRANCH**

ADD: NO. 88 CHANGSHULU, SHANGHAI  
TEL: (021) 62484383  
FAX: (021) 62482061

## SHANGHAI

**JIADING SUB-BRANCH**

ADD: NO. 453 TACHENGLU, SHANGHAI  
TEL: (021) 69919185  
FAX: (021) 69919085

**MINHANG SUB-BRANCH**

ADD: NO. 405 SHENSONGLU, SHANGHAI  
TEL: (021) 64986498  
FAX: (021) 64950220

**PUJIANG SUB-BRANCH**

ADD: NO. 1 NINGBOLU, SHANGHAI  
TEL: (021) 63372198  
FAX: (021) 63372746

**CHANGNING SUB-BRANCH**

ADD: NO. 1115 DINGXILU, SHANGHAI  
TEL: (021) 62519806  
FAX: (021) 32200621

**LUJIAZUI SUB-BRANCH**

ADD: NO. 166 LUJIAZUIDONGLU, SHANGHAI  
TEL: (021) 68419171  
FAX: (021) 68419170

**WAIGAOQIAO SUB-BRANCH**

ADD: NO.8 HUAJINGLU, SHANGHAI  
TEL: (021) 50461895  
FAX: (021) 50643471

**HONGKOU SUB-BRANCH**

ADD: NO. 53 HUANGPULU, SHANGHAI  
TEL: (021) 53931111  
FAX: (021) 53930304

**SHIZHONG SUB-BRANCH**

ADD: NO. 261 JIANGNINGLU, SHANGHAI  
TEL: (021) 62719143  
FAX: (021) 62719384

**ANTING SUB-BRANCH**

ADD: NO. 29 MOYUWU, SHANGHAI  
TEL: (021) 59569109  
FAX: (021) 59569125

**LUWAN SUB-BRANCH**

ADD: NO. 218 XIZANGNANLU, SHANGHAI  
TEL: (021) 63343028  
FAX: (021) 63343025

**FUSHAN SUB-BRANCH**

ADD: NO. 729 PUDONGDADAO, SHANGHAI  
TEL: (021) 50816636  
FAX: (021) 50815238

**HUASHAN SUB-BRANCH**

ADD: NO. 55 HUAIHAXILU, SHANGHAI  
TEL: (021) 52989810  
FAX: (021) 52989851

## SHANGHAI

**XI'NAN SUB-BRANCH**

ADD: NO. 333 ZHAOJIABANGLU, SHANGHAI  
TEL: (021) 64033377  
FAX: (021) 64164014

**DONGMEN SUB-BRANCH**

ADD: NO. 179 ZHONGHUALU, SHANGHAI  
TEL: (021) 63304240  
FAX: (021) 63304436

**LIYUAN SUB-BRANCH**

ADD: NO. 188, ZHIZHAOJULU, SHANGHAI  
TEL: (021) 53015053  
FAX: (021) 53075036

**SONGJIANG SUB-BRANCH**

ADD: NO. 277, GUYANGBEIU, SHANGHAI  
TEL: (021) 57825353  
FAX: (021) 57827900

**SHIJONGYUAN SUB-BRANCH**

ADD: NO. 1286, MINSHENGLU, SHANGHAI  
TEL: (021) 61002900  
FAX: (021) 61001992

## SHENZHEN

**SHENZHEN BRANCH**

ADD: BLOCK B, JIAHEHUAQIANG BUILDING,  
SHENNANZHONGLU, SHENZHEN  
TEL: (0755) 83269283  
FAX: (0755) 83261838  
ZIP CODE: 518031

**BUSINESS DEPARTMENT OF SHENZHEN BRANCH**

ADD: BLOCK B, JIAHEHUAQIANG BUILDING,  
SHENNANZHONGLU, SHENZHEN  
TEL: (0755) 83269182  
FAX: (0755) 83269182

**SHANGBU SUB-BRANCH**

ADD: GONGHUI BUILDING,  
SHANGBUZHONGLU, SHENZHEN  
TEL: (0755) 83288873  
FAX: (0755) 83288789

**FUTIAN SUB-BRANCH**

ADD: OLYMPIC BUILDING, SHANGBAOLU,  
SHENZHEN  
TEL: (0755) 83521001  
FAX: (0755) 83521001

**LUOHU SUB-BRANCH**

ADD: NO. 36 DONGMENNANLU, SHENZHEN  
TEL: (0755) 82186122  
FAX: (0755) 82186122

## SHENZHEN

**ZHENYE SUB-BRANCH**

ADD: ZHENYE BUILDING, BAOANNANLU,  
SHENZHEN  
TEL: (0755) 25863228  
FAX: (0755) 25862811

**HONGLING SUB-BRANCH**

ADD: WANTONG BUILDING, SUNGANGDONGLU,  
SHENZHEN  
TEL: (0755) 25867502  
FAX: (0755) 25867502

**BAOAN SUB-BRANCH**

ADD: NO. 35 JIAN'ANYILU, BAOCHENG BLOCK 40,  
BAOAN DISTRICT, SHENZHEN  
TEL: (0755) 27755552  
FAX: (0755) 27758010

**BINHAI SUB-BRANCH**

ADD: NO. 38 SHAZUILU,  
FUTIAN DISTRICT, SHENZHEN  
TEL: (0755) 83878131  
FAX: (0755) 83878129

**NANSHAN SUB-BRANCH**

ADD: ANHUI BUILDING,  
SHENNANZHONGLU, SHENZHEN  
TEL: (0755) 26058903  
FAX: (0755) 26410901

**SHENNAN SUB-BRANCH**

ADD: YUEHUAYUAN BUILDING,  
NANSHANDADAO, SHENZHEN  
TEL: (0755) 83867930  
FAX: (0755) 83860037

**LONGGANG SUB-BRANCH**

ADD: NO. 1 JIANSHELU,  
LONGGANG DISTRICT, SHENZHEN  
TEL: (0755) 28922039  
FAX: (0755) 28922041

**SHEKOU SUB-BRANCH**

ADD: TOWER A, HAIYANGSHIYOU BUILDING,  
SHEKOU GONGYEERLU, SHENZHEN  
TEL: (0755) 26679228  
FAX: (0755) 26682316

**CAITIAN SUB-BRANCH**

ADD: NO.1 LIANHUAZHILU,  
FUTIAN DISTRICT, SHENZHEN  
TEL: (0755) 83642099  
FAX: (0755) 83642099

**HONGHU SUB-BRANCH**

ADD: NO.1002, SUNGANGDONGLU,  
LUOHU DISTRICT, SHENZHEN  
TEL: (0755) 25161812  
FAX: (0755) 25161813

## SHENZHEN

## CENTRAL AREA SUB-BRANCH

ADD: NO. 69 XINWENLU,  
FUTIAN DISTRICT, SHENZHEN  
TEL: (0755) 83139100  
FAX: (0755) 83139325

## DONGMEN SUB-BRANCH

ADD: NO. 2070 DONGMENBEILU, SHENZHEN  
TEL: (0755) 25659008  
FAX: (0755) 25659118

## HUALIAN SUB-BRANCH

ADD: NO. 208 SHENNANZHONGLU, SHENZHEN  
TEL: (0755) 83668896  
FAX: (0755) 83668869

## YANTIAN SUB-BRANCH

ADD: LANTIAN TERMINAL 1, SHENYAN ROAD,  
SHATOUJIAO, YANTIAN DISTRICT, SHENZHEN  
TEL: (0755) 25271933  
FAX: (0755) 25271922

## XIANGMI SUB-BRANCH

ADD: TOWER A, HAOMING CAIFU SQUARE,  
XIANGMIHU, SHENNAN DADAO, SHENZHEN  
TEL: (0755) 83022201  
FAX: (0755) 83022128

## GAOXINGQU SUB-BRANCH

ADD: SOUTH AREA HIGH TECHNOLOGY DEVELOPMENT ZONE  
NANSHAN DISTRICT, SHENZHEN  
TEL: (0755) 26727805  
FAX: (0755) 26727498

## FUMING SUB-BRANCH

ADD: FUMINGLU, FUTIAN DISTRICT, SHENZHEN  
TEL: (0755) 82981336  
FAX: (0755) 82981313

## FUHUA SUB-BRANCH

ADD: JINGTIANLU, FUTIAN DISTRICT, SHENZHEN  
TEL: (0755) 82833189  
FAX: (0755) 82833696

## WUHAN

## BUSINESS DEPARTMENT OF WUHAN BRANCH

ADD: NO. 20 JIANGHANLU, JIANG'AN  
DISTRICT, WUHAN  
TEL: (027) 82789817  
FAX: (027) 82783758

## DONGHU SUB-BRANCH

ADD: NO. 288-1 WULUOLU,  
WUCHANG DISTRICT, WUHAN  
TEL: (027) 87276986  
FAX: (027) 87121331

## XINHUA SUB-BRANCH

ADD: NO. 139 XINHUALU, HANKOU, WUHAN  
TEL: (027) 85499025  
FAX: (027) 85499027

## SANYANG SUB-BRANCH

ADD: NO. 128 SANYANGLU, HANKOU, WUHAN  
TEL: (027) 82701432  
FAX: (027) 82701194

## ZHONGNAN SUB-BRANCH

ADD: NO.1 ZHONGNANLU,  
WUCHANG, WUHAN  
TEL: (027) 87893103  
FAX: (027) 87892832

## QIAOKOU SUB-BRANCH

ADD: NO. 1079 JIEFANGDADAO, QIAOKOU, WUHAN  
TEL: (027) 83661280  
FAX: (027) 83661567

## QINGSHAN SUB-BRANCH

ADD: NO. 2 YAN'GANGLU, HONGGANGCHENG,  
QINGSHAN DISTRICT, WUHAN  
TEL: (027) 86303127  
FAX: (027) 86850315

## HUAQIAO SUB-BRANCH

ADD: NO. 47 HUANGXIAOHELU, HANKOU,  
WUHAN  
TEL: (027) 82632311  
FAX: (027) 82601130

## HONGSHAN SUB-BRANCH

ADD: NO. 424 LUOYULU, WUCHANG,  
WUHAN  
TEL: (027) 87526510  
FAX: (027) 82783327

## JINGHAN SUB-BRANCH

ADD: NO. 894 JINGHANDADAO,  
JIANG'AN DISTRICT, WUHAN  
TEL: (027) 82777986  
FAX: (027) 82791583

## WUHAN

## SHUIGUOHU SUB-BRANCH

ADD: NO. 28 HONGSHANLU,  
WUCHANG DISTRICT, WUHAN  
TEL: (027) 87120020  
FAX: (027) 87270210

## GUANGGU SUB-BRANCH

ADD: NO. 18 HUAGUANGDADAO,  
HONGSHAN DISTRICT, WUHAN  
TEL: (027) 87617378  
FAX: (027) 87617375

## XUDONG SUB-BRANCH

ADD: NO. 31 XUDONGDAJIE, WUHAN  
TEL: (027) 86727662  
FAX: (027) 86724223

## DUNKOU SUB-BRANCH

ADD: NO. 2 CHUANGYEDADAO,  
ECONOMIC DEVELOPMENT ZONE, WUHAN  
TEL: (027) 84210223  
FAX: (027) 84213982

## WUCHANG SUB-BRANCH

ADD: NO. 312, ZHONGSHANLU,  
WUCHANG DISTRICT, WUHAN  
TEL: (027) 88917199  
FAX: (027) 88914199

## DALIAN

## DALIAN BRANCH

ADD: NO. 28 YAN'ANLU,  
ZHONGSHAN DISTRICT, DALIAN  
TEL: (0411) 82802661  
FAX: (0411) 82819108  
ZIP CODE: 116001

## BUSINESS DEPARTMENT OF DALIAN BRANCH

ADD: NO. 28 YAN'ANLU,  
ZHONGSHAN DISTRICT, DALIAN  
TEL: (0411) 82812115  
FAX: (0411) 82659230

## ZHONGSHAN SUB-BRANCH

ADD: NO. 37, RENMINLU  
ZHONGSHAN DISTRICT, DALIAN  
TEL: (0411) 82803195  
FAX: (0411) 82812308

## GAOXINYUANQU SUB-BRANCH

ADD: NO. 663 HUANGHELU,  
SHAHEKOU DISTRICT, DALIAN  
TEL: (0411) 84627222  
FAX: (0411) 84601400

## DALIAN

## DEVELOPMENT ZONE SUB-BRANCH

ADD: NO. 99 LIAOHEXILU, ECONOMIC AND  
TECHNOLOGICAL DEVELOPMENT ZONE,  
DALIAN  
TEL: (0411) 87618716  
FAX: (0411) 87618710

## XIGANG SUB-BRANCH

ADD: NO. 51-7 TANGSHANJIE,  
XIGANG DISTRICT, DALIAN  
TEL: (0411) 83703713  
FAX: (0411) 83604088

## SANBA GUANGCHANG SUB-BRANCH

ADD: NO. 42 CHAOYANGJIE,  
ZHONGSHAN DISTRICT, DALIAN  
TEL: (0411) 82109010  
FAX: (0411) 82109029

## SHENGLIQIAO SUB-BRANCH

ADD: NO. 39 XINSHENGJIE,  
ZHONGSHAN DISTRICT, DALIAN  
TEL: (0411) 82145211  
FAX: (0411) 82145286

## XINHAI SUB-BRANCH

ADD: NO. 674-1, ZHONGSHANLU,  
SHAHEKOU DISTRICT, DALIAN  
TEL: (0411) 84581730  
FAX: (0411) 84581750

## YUEXIU SUB-BRANCH

ADD: NO. 171, HUANGHELU,  
SHAHEKOU DISTRICT, DALIAN  
TEL: (0411) 88810990  
FAX: (0411) 88810966

## WUHAN

## WUHAN BRANCH

ADD: NO. 20 JIANGHANLU,  
JIANG'AN DISTRICT, WUHAN  
TEL: (027) 82789811  
FAX: (027) 82789807  
ZIP CODE: 430014

## NANJING

## NANJING BRANCH

ADD: NO. 26 ZHONGSHANBEILU, NAJING  
TEL: (025) 83279000  
FAX: (025) 83279002  
ZIP CODE: 210008

## BUSINESS DEPARTMENT OFFICE OF NANJING BRANCH

ADD: NO. 26 ZHONGSHANBEILU, NAJING  
TEL: (025) 83279023  
FAX: (025) 83279006

## BEIJINGXILU SUB-BRANCH

ADD: NO. 65 BEIJINGXILU, NAJING  
TEL: (025) 83780088  
FAX: (025) 83781038

## NANJING

**SHANGHAILU SUB-BRANCH**

ADD: NO. 21 SHANGHAILU, NANJING  
TEL: (025) 83697153  
FAX: (025) 83697260

**XINJIEKOU SUB-BRANCH**

ADD: NO. 129 HONGWULU, NANJING  
TEL: (025) 84511020  
FAX: (025) 84522448

**CHENG DONG SUB-BRANCH**

ADD: NO. 20 JIEFANGLU, NANJING  
TEL: (025) 84632000  
FAX: (025) 84632021

**ZHONGYANGMEN SUB-BRANCH**

ADD: NO. 23 HEYANLU, NANJING  
TEL: (025) 85531600  
FAX: (025) 85531605

**CHENG NAN SUB-BRANCH**

ADD: NO. 538 TAIPINGNANLU, NANJING  
TEL: (025) 52852760  
FAX: (025) 52852778

**HANZHONGLU SUB-BRANCH**

ADD: NO. 159-16 HANZHONGLU, NANJING  
TEL: (025) 86587508  
FAX: (025) 86587510

**CHENG BEI SUB-BRANCH**

ADD: NO. 212-2 ZHONGSHANBEILU NANJING  
TEL: (025) 83538274  
FAX: (025) 83538278

**CHANJIANGLU SUB-BRANCH**

ADD: NO. 190, CHANGJIANGLU, NANJING  
TEL: (025) 84555355  
FAX: (025) 84555360

**HEXI SUB-BRANCH**

ADD: NO. 298, JIANDONGBEILU, NANJING  
TEL: (025) 86262181  
FAX: (025) 86262166

## HANGZHOU

**HANGZHOU BRANCH**

**ADD: NO.25 QINGCHUNLU, HANGZHOU**  
**TEL: (0571) 87232682**  
**FAX: (0571) 87239789**  
**ZIP CODE: 310006**

**BUSINESS DEPARTMENT OF HANGZHOU BRANCH**

ADD: NO. 25 QINGCHUNLU, HANGZHOU  
TEL: (0571) 87232710  
FAX: (0571) 87239710

## HANGZHOU

**FENGQI SUB-BRANCH**

ADD: NO. 76 FENGQILU, HANGZHOU  
TEL: (0571) 85271349  
FAX: (0571) 85271401

**WULIN SUB-BRANCH**

ADD: NO. 479 TIYUCHANGLU, HANGZHOU  
TEL: (0571) 87215380  
FAX: (0571) 85215360

**QIANTANG SUB-BRANCH**

ADD: NO. 170 JIANGUONANLU, HANGZHOU  
TEL: (0571) 87832937  
FAX: (0571) 87832948

**XIHU SUB-BRANCH**

ADD: NO. 50 HUANGGUSHANLU, HANGZHOU  
TEL: (0571) 88994691  
FAX: (0571) 88994214

**YUHANG SUB-BRANCH**

ADD: NO. 108 OUHUAZHOUDAJIE,  
YUHANG DISTRICT, HANGZHOU  
TEL: (0571) 86160561  
FAX: (0571) 86160565

**XIAOSHAN SUB-BRANCH**

ADD: NO. 129 SHIXINNANLU,  
XIAOSHAN DISTRICT HANGZHOU  
TEL: (0571) 82376229  
FAX: (0571) 82376227

**YAN'AN SUB-BRANCH**

ADD: NO. 404 YAN'ANLU, HANGZHOU  
TEL: (0571) 87061844  
FAX: (0571) 87037899

**HUSHU SUB-BRANCH**

ADD: NO. 410 HUSHUNANLU, HANGZHOU  
TEL: (0571) 88397365  
FAX: (0571) 88397366

**CHENG DONG SUB-BRANCH**

ADD: NO. 60 FENGQIDONGLU, HANGZHOU  
TEL: (0571) 86991297  
FAX: (0571) 86991297

**YONGJING SUB-BRANCH**

ADD: NO. 255, XIHUDADAO, HANGZHOU  
TEL: (0571) 87701025  
FAX: (0571) 87701027

**MOGANSHAN SUB-BRANCH**

ADD: NO. 28, MOGANSHANGLU, HANGZHOU  
TEL: (0571) 88001710  
FAX: (0571) 88001700

## CHONGQING

**CHONGQING BRANCH**

**ADD: NO. 18 MINZULU,  
YUZHONG DISTRICT, CHONGQING**  
**TEL: (023) 89038388**  
**FAX: (023) 89098389**  
**ZIP CODE: 400010**

**BUSINESS DEPARTMENT OF CHONGQING BRANCH**

ADD: NO. 18 MINZULU,  
YUZHONG DISTRICT, CHONGQING  
TEL: (023) 89098388  
FAX: (023) 89098318

**NANPING SUB-BRANCH**

ADD: NO. 1 NANPINGNANLU, CHONGQING  
TEL: (023) 89020299  
FAX: (023) 89020287

**GAOXIN SUB-BRANCH**

ADD: NO. 39 KEYUANSANJIE,  
JIULONGPO DISTRICT, CHONGQING  
TEL: (023) 89089877  
FAX: (023) 89089866

**JIANGBEI SUB-BRANCH**

ADD: NO. 60 JIANXINBEILU,  
JIANGBEI DISTRICT, CHONGQING  
TEL: (023) 89072731  
FAX: (023) 89072732

**YUZHONG SUB-BRANCH**

ADD: NO. 100, ZHOURONGLU  
YUZHONG DISTRICT, CHONGQING  
TEL: (023) 89887885  
FAX: (023) 89887130

**YANGJIAPING SUB-BRANCH**

ADD: NO. 27 YANGJIAPINGXIJIAOLU 24XIANG,  
JIULONGPO DISTRICT, CHONGQING  
TEL: (023) 89085985  
FAX: (023) 89085983

**SHAPINGBA SUB-BRANCH**

ADD: NO. 2 TIANCHENLU,  
SHAPINGBA DISTRICT, CHONGQING  
TEL: (023) 89059588  
FAX: (023) 89059585

**JIAZHOU SUB-BRANCH**

ADD: BUILDING 5, JIAZHOU CITY GARDEN,  
YUBEI DISTRICT, CHONGQING  
TEL: (023) 89078918  
FAX: (023) 89078922

## XI'AN

**XI'AN BRANCH**

**ADD: NO. 78 ERHUANNANLUXIDUAN, XI'AN**  
**TEL: (029) 88266088**  
**FAX: (029) 88266090**  
**ZIP CODE: 710065**

**BUSINESS DEPARTMENT OF XI'AN BRANCH**

ADD: NO. 78 ERHUANNANLUXIDUAN, XI'AN  
TEL: (029) 88266000  
FAX: (029) 88266000

**NANDAJIE SUB-BRANCH**

ADD: NO. 8 NANDAJIE, XI'AN  
TEL: (029) 87261412  
FAX: (029) 87257956

**HI-TECH INDUSTRIAL PARK SUB-BRANCH**

ADD: NO. 39 KEJILU,  
HI-TECH INDUSTRIAL PARK, XI'AN  
TEL: (029) 88323539  
FAX: (029) 88322732

**HEPINGLU SUB-BRANCH**

ADD: NO. 99 HEPINGLU, XI'AN  
TEL: (029) 87206010  
FAX: (029) 87206015

**TUMEN SUB-BRANCH**

ADD: ZHISHENG SQUARE,  
TUMEN, XI'AN  
TEL: (029) 84254030  
FAX: (029) 84233215

**CHANG'ANLU SUB-BRANCH**

ADD: NO. 100 CHANG'ANZHONGLU, XI'AN  
TEL: (029) 85258840  
FAX: (029) 85236540

**CHANGLELU SUB-BRANCH**

ADD: NO.15, CHANGLEXILU, XI'AN  
TEL: (029) 82547935  
FAX: (029) 82547978

**FUZHOU FUZHOU BRANCH**  
**ADD: NO. 173 HUDONGLU, FUZHOU**  
**TEL: (0591) 87619126**  
**FAX: (0591) 87617310**  
**ZIP CODE: 350001**

**BUSINESS DEPARTMENT OF FUZHOU BRANCH**  
 ADD: NO. 173, HUDONGLU, FUZHOU  
 TEL: (0591) 87674902  
 FAX: (0591) 87619137

**HUALIN SUB-BRANCH**  
 ADD: NO. 169 HUALINLU, FUZHOU  
 TEL: (0591) 87875005  
 FAX: (0591) 87875021

**DONGJIE SUB-BRANCH**  
 ADD: NO. 34 DONGJIE, FUZHOU  
 TEL: (0591) 87674568  
 FAX: (0591) 87675837

**MINDU SUB-BRANCH**  
 ADD: NO. 60 GUTIANLU, FUZHOU  
 TEL: (0591) 87114772  
 FAX: (0591) 87114771

**MINJIANG SUB-BRANCH**  
 ADD: NO. 558 LIUYIBEILU, FUZHOU  
 TEL: (0591) 87626712  
 FAX: (0591) 87626711

**GUANGDA SUB-BRANCH**  
 ADD: NO. 106 GUANGDALU, FUZHOU  
 TEL: (0591) 83367613  
 FAX: (0591) 87119561

**GULOU SUB-BRANCH**  
 ADD: NO. 69 HUALINLU, FUZHOU  
 TEL: (0591) 87879685  
 FAX: (0591) 87851737

**PINGSHAN SUB-BRANCH**  
 ADD: NO. 246, HUALINLU, FUZHOU  
 TEL: (0591) 87987779  
 FAX: (0591) 87987877

**JI'NAN JI'NAN BRANCH**  
**ADD: NO. 229 LUOYUANDAJIE, JI'NAN**  
**TEL: (0531) 6121680**  
**FAX: (0531) 6121690**  
**ZIP CODE: 250012**

**BUSINESS DEPARTMENT OF JI'NAN BRANCH**  
 ADD: NO. 229 LUOYUANDAJIE, JI'NAN  
 TEL: (0531) 6121671  
 FAX: (0531) 6121661

**JIQILU SUB-BRANCH**  
 ADD: NO. 556 JIQILU, JI'NAN  
 TEL: (0531) 7066737  
 FAX: (0531) 7066737

**QUANCHENGLU SUB-BRANCH**  
 ADD: NO. 322 QUANCHENGLU, JI'NAN  
 TEL: (0531) 6150400  
 FAX: (0531) 6151535

**JIEFANGLU SUB-BRANCH**  
 ADD: NO. 16 JIEFANGLU, JI'NAN  
 TEL: (0531) 8517118  
 FAX: (0531) 8517118

**JINGSHILU SUB-BRANCH**  
 ADD: NO. 1 JINGSHILU, JI'NAN  
 TEL: (0531) 2620198  
 FAX: (0531) 2620538

**LISHANGLU SUB-BRANCH**  
 ADD: NO. 49 LISHANGLU, JI'NAN  
 TEL: (0531) 6977606  
 FAX: (0531) 6975208

**GAOXIN SUB-BRANCH**  
 ADD: BLOCK F, NO.1, SUNHUALU, JI'NAN  
 TEL: (0531) 6515556  
 FAX: (0531) 6515558

**TAIYUAN TAIYUAN BRANCH**  
**ADD: NO. 112 WUYILU, TAIYUAN**  
**TEL: (0351) 4137483**  
**FAX: (0351) 4137733**  
**ZIP CODE: 030001**

**BUSINESS DEPARTMENT OF TAIYUAN BRANCH**  
 ADD: NO. 112 WUYILU, TAIYUAN  
 TEL: (0351) 4137347  
 FAX: (0351) 4137602

**TAIYUAN SHUANGTADONGJIE SUB-BRANCH**  
 ADD: NO. 162, BINGZHOU DONGJIE, TAIYUAN  
 TEL: (0351) 4187258  
 FAX: (0351) 4168776

**YINGZEJIE SUB-BRANCH**  
 ADD: NO. 312 YINGZEJIE, TAIYUAN  
 TEL: (0351) 4155261  
 FAX: (0351) 4155261

**JIEFANGLU SUB-BRANCH**  
 ADD: NO. 86, BEIDAJIE, TAIYUAN  
 TEL: (0351) 3088221  
 FAX: (0351) 3089277

**DAYINGPAN SUB-BRANCH**  
 ADD: NO. 47 BINGZHOUNANLU, TAIYUAN  
 TEL: (0351) 7083539  
 FAX: (0351) 7062541

**QINXIANBEJIE SUB-BRANCH**  
 ADD: NO. 189 QINXIANBEJIE, TAIYUAN  
 TEL: (0351) 7332730  
 FAX: (0351) 7332730

**PINGYANGLU SUB-BRANCH**  
 ADD: NO. 39 PINGYANGLU, TAIYUAN  
 TEL: (0351) 7233407  
 FAX: (0351) 7237042

**SANQIANGLU SUB-BRANCH**  
 ADD: NO. 10 YUDEDONGLI, SANQIANGLU, TAIYUAN  
 TEL: (0351) 3238038  
 FAX: (0351) 3238372

**WUCHENGLU SUB-BRANCH**  
 ADD: NO. 19 WUCHENGLU, TAIYUAN  
 TEL: (0351) 7630682  
 FAX: (0351) 7630706

**YIFEN SUB-BRANCH**  
 ADD: NO. 42 YIFENJIE, TAIYUAN  
 TEL: (0351) 6168938  
 FAX: (0351) 6168662

**XUEFUJIE SUB-BRANCH**  
 ADD: NO. 374, PINGYANGLU, TAIYUAN  
 TEL: (0351) 7022524  
 FAX: (0351) 7021042

**TAOYUANNANLU SUB-BRANCH**  
 ADD: NO. 27, TAOYUANNANLU, TAIYUAN  
 TEL: (0351) 2025732  
 FAX: (0351) 4047479

**CHENGDU CHENGDU BRANCH**  
**ADD: NO. 22 RENMINZHONGLU ERDUAN, CHENGDU**  
**TEL: (028) 86266333**  
**FAX: (028) 86268797**  
**ZIP CODE: 610031**

**BUSINESS DEPARTMENT OF CHENGDU BRANCH**  
 ADD: NO. 22 RENMINZHONGLU ERDUAN, CHENGDU  
 TEL: (028) 86268064  
 FAX: (028) 86268061

**JINXING SUB-BRANCH**  
 ADD: NO. 2 JINXINGLU, CHENGDU  
 TEL: (028) 86675670  
 FAX: (028) 86675607

**YONGFENG SUB-BRANCH**  
 ADD: NO. 20, YONGFENGLU, CHENGDU  
 TEL: (028) 85185853  
 FAX: (028) 85139152

**KEHUA SUB-BRANCH**  
 ADD: NO. 145, KEHUABEILU, CHENGDU  
 TEL: (028) 85258392  
 FAX: (028) 85258392

**QINGJIANG SUB-BRANCH**  
 ADD: NO. 198, QINGJIANGDONGLU, CHENGDU  
 TEL: (028) 87369023  
 FAX: (028) 87369205

**DONGFENG SUB-BRANCH**  
 ADD: NO. 11, BEIYIXIANG, DONGFENGLU, CHENGDU  
 TEL: (028) 84466550  
 FAX: (028) 84462588

**NINGBO NINGBO BRANCH**  
**ADD: NO. 166-168 ZHONGSHANXILU, NINGBO**  
**TEL: (0574) 87260600**  
**FAX: (0574) 87270075**  
**ZIP CODE: 315010**

**BUSINESS DEPARTMENT OF NINGBO BRANCH**  
 ADD: NO. 166-168 ZHONGSHANXILU, NINGBO  
 TEL: (0574) 87260506  
 FAX: (0574) 87260506

**JIANGDONG SUB-BRANCH**  
 ADD: NO. 713, 715, 717, BAIZHANGDONGLU,  
 JIANGDONG DISTRICT, NINGBO  
 TEL: (0574) 87733277  
 FAX: (0574) 87733277

FUZHOU

JI'NAN

TAIYUAN

CHENGDU

TAIYUAN

NINGBO

**NINGBO** **YINZHOU SUB-BRANCH**  
 ADD: NO. 937, TIAN TONG BEILU,  
 YINZHOU DISTRICT, NINGBO  
 TEL: (0574) 88211770  
 FAX: (0574) 88211778

**BEILUN SUB-BRANCH**  
 ADD: NO. 279, MINGZHOU LU,  
 BEILUN DISTRICT, NINGBO  
 TEL: (0574) 86809620  
 FAX: (0574) 86809623

**SHIJIAZHUANG** **HUAINANLU SUB-BRANCH**  
 ADD: NO. 285 YUCAI JIE, SHIJIAZHUANG  
 TEL: (0311) 5894318  
 FAX: (0311) 5880299

**XINHUAXILU SUB-BRANCH**  
 ADD: NO. 313 XINHUAXILU, SHIJIAZHUANG  
 TEL: (0311) 5205656  
 FAX: (0311) 5205665

**YUHUADONGLU SUB-BRANCH**  
 ADD: NO. 461, YUHUADONGLU, SHIJIAZHUANG  
 TEL: (0311) 5680030  
 FAX: (0311) 5680930

**ZAIYUNNANDAJIE SUB-BRANCH**  
 ADD: NO. 313, ZAIYUNNANDAJIE, SHIJIAZHUANG  
 TEL: (0311) 5825536  
 FAX: (0311) 5826065

**HONGKONG** **HONG KONG REPRESENTATIVE OFFICE**  
 ADD: NO. 3207-08, BANK OF AMERICA  
 TOWER,  
 12 HARCOURT ROAD,  
 CENTRAL, HONG KONG  
 TEL: (00852) 2899 2525  
 FAX: (00852) 2899 2617

**SHIJIAZHUANG** **SHIJIAZHUANG BRANCH**  
 ADD: NO. 10 XIDAJIE, SHIJIAZHUANG  
 TEL: (0311) 6678533  
 FAX: (0311) 6678522  
 ZIP CODE: 050011

**BUSINESS DEPARTMENT OF SHIJIAZHUANG BRANCH**  
 ADD: NO. 10 XIDAJIE, SHIJIAZHUANG  
 TEL: (0311) 6679435  
 FAX: (0311) 6679433

**ZHONGSHANDONGLU SUB-BRANCH**  
 ADD: NO. 128 ZHONGSHANDONGLU, SHIJIAZHUANG  
 TEL: (0311) 6080443  
 FAX: (0311) 6993264

**YUHUAXILU SUB-BRANCH**  
 ADD: NO. 386 YUHUAXILU, SHIJIAZHUANG  
 TEL: (0311) 7010263  
 FAX: (0311) 7016887

**HEPINGXILU SUB-BRANCH**  
 ADD: NO. 157 HEPINGXILU, SHIJIAZHUANG  
 TEL: (0311) 7046518  
 FAX: (0311) 7045518

**HONGQIDAJIE SUB-BRANCH**  
 ADD: NO. 92 HONGQIDAJIE, SHIJIAZHUANG  
 TEL: (0311) 3030169  
 FAX: (0311) 3030123

**ZHONGHUANANDAJIE SUB-BRANCH**  
 ADD: NO. 139 ZHONGHUANANDAJIE, SHIJIAZHUANG  
 TEL: (0311) 7890665  
 FAX: (0311) 7890669

**TIANJIN** **TIANJIN BRANCH**  
 ADD: NO. 125, WEITIDAO,  
 HEXI DISTRICT, TIANJIN  
 TEL: (022) 28408833  
 FAX: (022) 28408832  
 ZIP CODE: 300074

**SHANTOU** **SHANTOU SUB-BRANCH**  
 ADD: BINHAI BUILDING, HUASHANNANLU,  
 SHANTOU, GUANGDONG  
 TEL: (0754) 8363056  
 FAX: (0754) 8363055  
 ZIP CODE: 515041

**HENGSHAN BUSINESS OUTLET**  
 ADD: YIXING BUILDING, HENGSHANLU,  
 SHANTOU  
 TEL: (0754) 8867751  
 FAX: (0754) 8867750

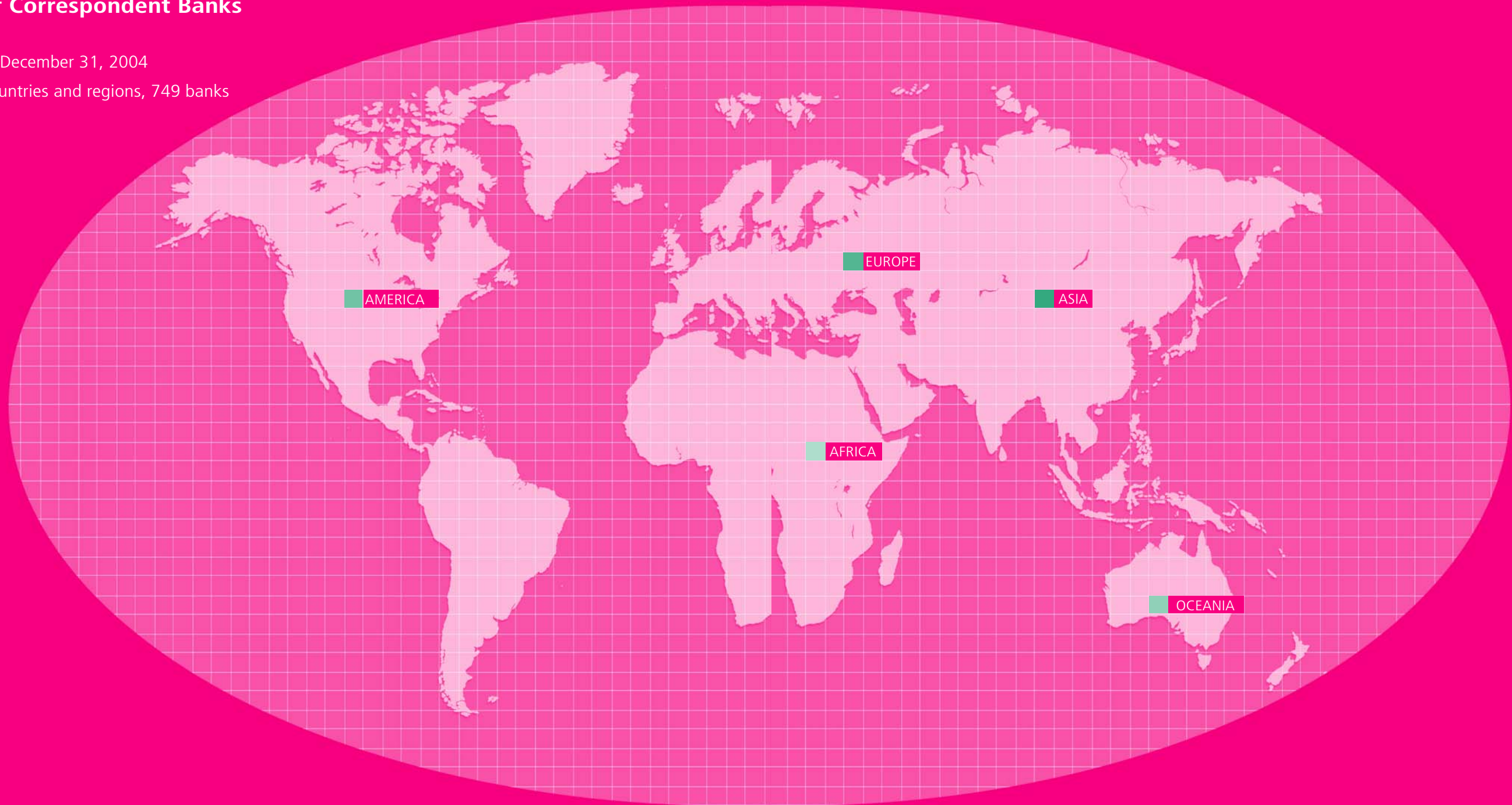
**RENMINGUANGCHANG BUSINESS OUTLET**  
 ADD: HAIBIN BUILDING, YUEJINLU, SHANTOU  
 TEL: (0754) 8986725  
 FAX: (0754) 8986723

**SHANZHANG BUSINESS OUTLET**  
 ADD: HUAWULU, SHANZHANGLU, SHANTOU  
 TEL: (0754) 8116795  
 FAX: (0754) 8225804

## List of Correspondent Banks

■ As of December 31, 2004

■ 78 countries and regions, 749 banks



### ■ ASIA (28 COUNTRIES AND REGIONS, 388 BANKS)

|           |    |                      |    |              |   |
|-----------|----|----------------------|----|--------------|---|
| CHINA     | 73 | INDONESIA            | 11 | SAUDI ARABIA | 2 |
| HONG KONG | 74 | PHILIPPINES          | 8  | KUWAIT       | 2 |
| MACAU     | 4  | INDIA                | 13 | VIETNAM      | 5 |
| TAIWAN    | 37 | PAKISTAN             | 1  | LAOS         | 1 |
| JAPAN     | 28 | ISRAEL               | 5  | CAMBODIA     | 1 |
| SINGAPORE | 40 | LEBANON              | 3  | SRI LANKA    | 3 |
| KOREA     | 28 | TURKEY               | 15 | CYPRUS       | 1 |
| THAILAND  | 13 | IRAN                 | 1  | BANGLADESH   | 3 |
| MALAYSIA  | 10 | UNITED ARAB EMIRATES | 4  | MONGOLIA     | 1 |

### ■ EUROPE (26 COUNTRIES AND REGIONS, 223 BANKS)

|             |    |           |    |
|-------------|----|-----------|----|
| GERMANY     | 36 | SWEDEN    | 6  |
| ENGLAND     | 22 | DENMARK   | 3  |
| IRELAND     | 3  | NORWAY    | 5  |
| POLAND      | 4  | GREECE    | 3  |
| SWITZERLAND | 12 | FINLAND   | 3  |
| NETHERLAND  | 9  | AUSTRIA   | 16 |
| FRANCE      | 13 | HUNGARY   | 4  |
| SPAIN       | 17 | BELGIUM   | 10 |
| ITALY       | 28 | LUXEMBURG | 3  |

### ■ AMERICA (16 COUNTRIES, 112 BANKS)

|                 |   |            |    |           |   |
|-----------------|---|------------|----|-----------|---|
| PORTUGAL        | 4 | U.S.A      | 65 | DOMINICAR | 1 |
| MONACO          | 3 | CANADA     | 7  | BELIZE    | 1 |
| ROMANIA         | 3 | PERU       | 4  | URUGUAY   | 4 |
| CZECH           | 5 | CHILE      | 6  | MEXICO    | 3 |
| SLOVAK REPUBLIC | 3 | BAHAMAS    | 2  | CUBA      | 1 |
| CROATIA         | 1 | COLOMBIA   | 2  | PANAMA    | 2 |
| RUSSIA          | 6 | PUERTORICO | 2  | PARAGUAY  | 1 |
| YUGOSLAVIA      | 1 | ARGENTINA  | 4  |           |   |
|                 |   | BRAZIL     | 5  |           |   |

### ■ OCEANIA (2 COUNTRIES, 13 BANKS)

|             |    |
|-------------|----|
| NEW ZEALAND | 3  |
| AUSTRALIA   | 10 |

### ■ AFRICA (6 COUNTRIES, 13 BANKS)

|              |   |
|--------------|---|
| EGYPT        | 4 |
| TUNISIE      | 1 |
| MAURITIUS    | 1 |
| SOUTH AFRICA | 3 |
| KENYA        | 3 |
| NIGERIA      | 1 |