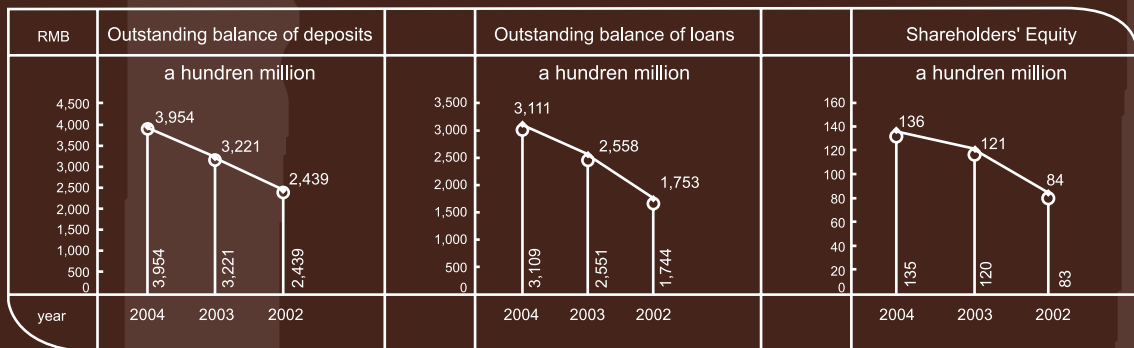
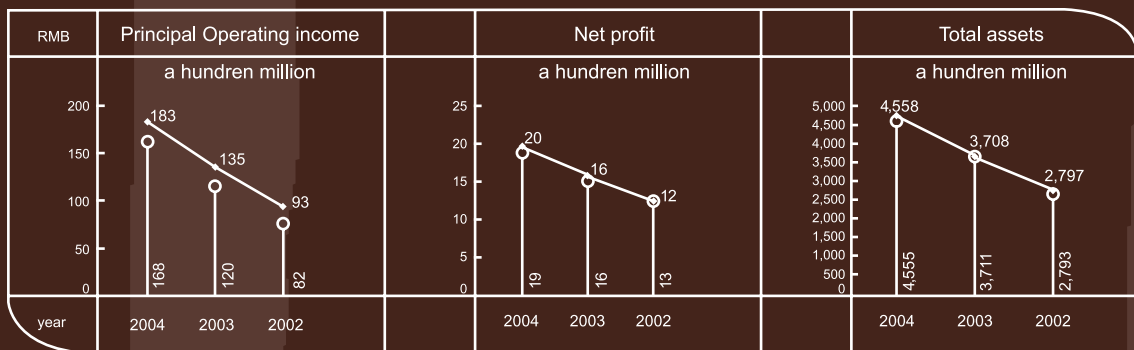


Brief Introduction to the Company

1. Registered Company Name in English: SHANGHAI PUDONG DEVELOPMENT BANK CO., LTD.
(Abbreviation: SPDB)
2. Legal Representative: Mr. ZHANG Guangsheng
3. Corporate Secretary: Mr. SHEN Si
Representatives for Securities Affairs of the Board: Mr. YANG Guoping, Mr. WANG Jingbin
Address: General Office to the Board, Shanghai Pudong Development Bank Co., Ltd., No. 12, Zhongshan Dong Yi Road, Shanghai, China 200002
Tel: 021-63611226 021-63296188 -General Office to the Board Fax: 021-63230807
E-mail address: shens2@spdb.com.cn yanggp@spdb.com.cn wangjb@spdb.com.cn
4. Registered Address and Business Address
Registered Address: No. 500 Pudong Nan Road, Pudong New Area, Shanghai, China
Office Address: No 12, Zhongshan Dong Yi Road, Shanghai, China
Post Code: 200002
Website : <http://www.spdb.com.cn>
E-mail Address: bdo@spdb.com.cn
5. Designated newspaper for information disclosure: "China Securities Daily", "Shanghai Securities News", "Securities Times"
Internet website designated by China Securities Regulatory Commission for the publication of the Company's annual report: <http://www.sse.com.cn>
Copies of the Annual Report are available at: General Office to the Board, SPDB
6. Place of Stock Listing: Shanghai Stock Exchange
Stock Abbreviation: Pu Fa Bank
Stock Code: 600000
7. Other Relevant Information
Date of Initial Registration: October 19th, 1992
Date of Registration Change:
Registered Number of Business License of the Corporate Legal Entity: 3100001001236
Registered Number for Taxation: Guo Shui Hu Zi: 31004413221158X
Di Shui Hu Zi: 31004413221158X
Name of the Trustee for the non-marketable Stock: China Securities Depository and Clearing Co., Ltd.
Shanghai Branch
Name of the Domestic Accounting Firm appointed: Da Hua Certified Public Accountants Co., Ltd.
Office Address: 23th Floor, No. 989, Changle Road, Shanghai, China
Name of the International Accounting Firm appointed: Ernst & Young Accounting Firm
Office Address: 15th Floor, Hutchison House, 10 Harcourt Road, Central, Hong Kong
8. The report is prepared in both Chinese and English. Should there exist any inconsistency between the two versions, the Chinese version shall prevail.

Domestic International



Summary of Key Financial and Performance Indicators

1. Key Profit Indicators for the Year

Unit: RMB '000 yuan

	Domestic Audit (PRC GAAP)	Int'l Audit (IAS)
Total profit	3,048,818	3,102,808
Net profit	1,930,031	1,966,203
Net profit excl. extraordinary items	1,894,331	1,966,203
Principal operating profit	6,964,721	3,102,808
Other profit	-	-
Operating profit	6,980,069	3,102,808
Investment income	15,348	15,348
Subsidy income	-	-
Net income from non-operating activities	24,524	-
Net cash flow from operating activities	4,914,930	22,125,103
Net increase in cash and cash equivalents	26,271,408	26,271,408

Note: According to "Q&A for Information Disclosure Regulation for Companies Issuing Securities Publicly No.1: Extraordinary Profit and Loss" (revised version 2004), the extraordinary profit and loss deducted is the net income of non-operating activities, which amounts to RMB 35,700,000 yuan.

2. Key Financial Indicators and Variances between the Financial Statements Audited by Domestic and International Auditors

Unit: RMB '000 yuan

	Net profit	Net assets	Total assets	Total Liabilities	Shareholder's Equity
Based on PRC GAAP	1,930,031	13,510,304	455,532,286	442,021,983	13,510,304
Add: income from transactions of securities on market value basis	56,902	195,565	209,975	14,410	195,565
Add: net income from derivative transactions	-2,913	-2,111	72,413	74,523	-2,111
Add: deferred taxes resulted from above adjustments	-17,817	-63,840	-63,840	-	-63,840
Add: reversal of proposed dividends attributable	-	-	-	-	-
Other re-classification adjustments	-	-	-	-	-
Total variance	36,173	129,614	218,548	88,933	129,614
IAS supplemental financial statement	1,966,203	13,639,918	455,750,834	442,110,916	13,639,918

The variances are mainly due to the facts:

1. that PRC GAAP is based on the lower of the cost and market price, while IAS is on market price basis;
2. that PRC GAAP is on cash basis, while IAS is on fair value basis;
3. and that the above-mentioned accounting adjustments result in income tax adjustments.

Summary of Key Financial and Performance Indicators

3. 3-year Key Financial and Performance Indicator Comparison

Unit: RMB '000 Yuan

Item	2004	2004	2003		Change from last year (%)	2002	
	Domestic Audit (PRC GAAP)	Int'l Audit (IAS)	Domestic Audit (PRC GAAP) post- adjustments	pre- adjustments		Domestic Audit (PRC GAAP) post- adjustments	pre- adjustments
Principal operating income	16,760,989	18,299,203	12,027,237	12,027,237	39.36	8,156,459	8,156,459
Total profit	3,048,818	3,102,808	2,343,774	2,343,774	30.08	1,866,753	1,866,753
Net profit	1,930,031	1,966,203	1,566,088	1,566,088	23.24	1,285,309	1,285,309
Net profit excl. extraordinary items	1,894,330	1,966,203	1,535,690	1,535,690	23.35	1,245,841	1,280,261
Item	2004	2004	2003		Change from last year (%)	2002	
	Year End Domestic Audit (PRC GAAP)	Year End Int'l Audit (IAS)	Year End Domestic Audit (PRC GAAP) post- adjustments	pre- adjustments		Year End Domestic Audit (PRC GAAP) post- adjustments	pre- adjustments
Total assets	455,532,286	455,750,834	371,056,698	371,056,698	22.77	279,300,719	279,300,719
Outstanding balance of deposits	395,381,770	395,381,770	322,114,094	322,114,094	22.75	243,913,237	243,913,237
Outstanding balance of loans	310,905,140	311,122,117	255,111,339	255,111,339	21.87	174,377,477	174,377,477
Shareholders' Equity	13,510,304	13,639,918	12,010,923	12,010,923	12.48	8,351,976	7,960,476
Net cash flow from operating activities	4,914,930	22,125,103	4,000,780	4,000,780	22.85	3,102,510	3,102,510

Summary of Key Financial and Performance Indicators

	2004 Domestic Audit (PRC GAAP)	2004 Int'l Audit (IAS)	2003 Domestic Audit (PRC GAAP)		Change from last year (%)	2002 Domestic Audit (PRC GAAP)	
			post- adjustments	pre- adjustments		post- adjustments	pre- adjustments
EPS (yuan) (fully diluted)	0.493	0.502	0.400	0.400	23.25	0.356	0.356
ROE (fully diluted) (%)	14.29	14.42	13.04	13.04	9.59	15.39	16.15
ROE excl. extraordinary items (fully diluted) (%)	14.02	14.42	12.79	12.79	9.62	14.92	16.08
Net cash flow per share from operating activities (yuan)	1.255	5.651	1.022	1.022	22.80	0.858	0.858
	2004 Year End Domestic Audit (PRC GAAP)	2004 Year End Int'l Audit (IAS)	2003 Year End Domestic Audit (PRC GAAP)		Change from last year (%)	2002 Year End Domestic Audit (PRC GAAP)	
			post- adjustments	pre- adjustments		post- adjustments	pre- adjustments
Net assets per share	3.45	3.48	3.07	3.07	12.38	2.31	2.202
Net assets per share (adjusted)	3.45	3.48	3.07	3.07	12.38	2.31	2.199

Summary of Key Financial and Performance Indicators

4. Supplemental Income Statement

(1) Domestic Audit (PRC GAAP)

Item	Profit in the Reporting Period (RMB '000 yuan)	ROE (%)		EPS (%)	
		Fully Diluted	Weighted Average	Fully Diluted	Weighted Average
Principal operating profit	6,964,721	51.55	54.73	1.78	1.78
Operating profit	6,980,069	51.66	54.85	1.78	1.78
Net profit	1,930,031	14.29	15.17	0.49	0.49
Net profit excluding extraordinary items	1,894,330	14.02	14.89	0.48	0.48

(2) Int'l Audit (IAS)

Item	Profit in the reporting period (RMB '000 Yuan)	ROE (%)		EPS (%)	
		Fully diluted	Weighted average	Fully diluted	Weighted average
Principal operating profit	3,102,808	22.75	24.17	0.79	0.79
Operating profit	3,102,808	22.75	24.17	0.79	0.79
Net profit	1,966,203	14.42	15.32	0.50	0.50
Net profit excluding extraordinary items	1,966,203	14.42	15.32	0.50	0.50

5. Loan Provisions in Financial Statements Audited by Domestic and International Auditors

Unit: RMB '000 yuan

	Domestic Audit (PRC GAAP)	Int'l Audit (IAS)
At 1 st January, 2004	6,268,205	6,279,482
Provisions brought forward	6,237	6,237
Provisions charged during the reporting period	3,084,525	3,131,894
Amounts recovered	69,599	69,599
Amounts written off	509,067	513,469
At 31 st December, 2004	8,919,499	8,973,743

Note: The difference of NPL provision between international and domestic audited figures was due to the different classification of NPL between international audit and domestic audit method. International auditor includes some dead loan provision in its audit of NPL. According to domestic regulations on loan classification, provision for loan of both international audit and domestic audit remained same, RMB8.919 billion.

Summary of Key Financial and Performance Indicators

6. 3-year Supplemental Financial Data

Unit: RMB '000 yuan

Item	2004 Domestic Audit (PRC GAAP)	2004 Int'l Audit (IAS)	2003 Domestic Audit (PRC GAAP)	2002 Domestic Audit (PRC GAAP)
Total liabilities	442,021,983	442,110,916	359,045,775	270,948,743
Total deposits	395,381,770	395,381,770	322,114,094	243,913,237
Incl. Long-term deposits	150,176,533	150,176,533	116,562,950	85,065,572
Inter-bank borrowing	2,006,516	2,006,516	3,055,379	4,870,264
Total loans	310,905,140	311,122,117	255,111,339	174,377,477
Incl. Short-term loan	189,429,551	189,529,551	164,873,841	107,986,036
Import & export advances and negotiation	1,769,992	1,769,992	1,887,661	756,392
Bills discounted	24,702,278	24,366,821	27,835,302	31,715,814
Mid and long-term loans	88,120,146	88,120,146	55,568,354	27,860,111
Overdue loans	2,648,919	2,648,919	713,451	638,096
Bad loans	4,164,697	4,164,697	4,216,955	5,120,518
Loan losses	69,557	69,557	15,775	260,510

Note: Calculation method for relevant financial indicators:

1. Total deposits include short-term deposits, short-term saving deposits, remittance payable as well as temporary deposits, long-term deposits, long-term saving deposits, long-term guarantee deposits and entrusted funds;
2. Long-term deposits and inter-bank borrowing include long-term deposits, long-term savings deposits, long-term guarantee deposits and inter-bank borrowing;
3. Total loans include short-term loans, import & export advances and negotiation, bills discounted, mid and long-term loans, overdue loans, bad loans and loan losses, overdrafts, advances and factoring;



Summary of Key Financial and Performance Indicators

7. 3-year Supplemental Financial Indicators

Item	Standard	2004		2003		2002		
		Year end	Average	Year end	Average	Year end	Average	
Capital adequacy ratio (%)	≥ 8	8.03	8.33	8.64	8.90	8.54	9.20	
Liquidity ratio (%)								
	RMB	≥ 25	44.12	40.42	34.39	44.07	39.34	41.42
	FX	≥ 60	83.45	72.92	62.78	66.34	90.24	91.65
Loans to deposits (%)								
	RMB	≤ 75	72.60	73.51	71.42	65.24	58.95	65.41
	FX	≤ 85	71.72	64.54	59.65	64.07	51.67	43.49
Inter-bank lending and borrowing ratio (%)								
	Interbank borrowing ratio	≤ 4	0.37	0.51	1.36	0.65	0.00	0.51
	Interbank lending ratio	≤ 8	0.30	0.84	2.44	2.03	1.65	1.47
International commercial loans to total loans (%)	≤ 100	18.22	24.56	0.00	0.92	0.00	0.00	
Non-performing loan ratio (%)	-	2.45	2.43	1.92	2.70	3.38	5.53	
Interests collected to total interests accrued (%)	-	98.79	98.50	101.65	99.07	96.96	95.33	
Single largest customer lending to total loans (%)	≤ 10	3.77	4.50	5.26	6.00	7.36	8.19	
Top 10 customers' loans to total loans (%)	≤ 50	26.58	31.91	36.69	39.91	43.25	53.68	

Note: NPL ratio of 2003 and 2004 was calculated according to overdue loan, bad loan, dead loan classification, the NPL ratio of 2003 stood at 2.53% according to 5 tier classification.

Summary of Key Financial and Performance Indicators

8. Changes in Shareholders' Equity in the Reporting Period

(1) Domestic Audit (PRC GAAP)

Unit: RMB '000 yuan

Item	Share Capital	Contributed Capital Surplus	Retained Earnings	Statutory welfare reserve	General reserve	Undistributed profit	Total shareholders' equity
At 1 st January,2004	3,915,000	4,869,396	1,592,601	473,598	1,150,000	483,926	12,010,923
Increase	-	-	579,009	193,003	850,000	1,930,031	3,359,040
Decrease	-	-	-	-	-	1,859,659	1,859,659
At 31 st December,2004	3,915,000	4,869,396	2,171,610	666,601	2,000,000	554,298	13,510,304

Reasons for changes :

The changes are mainly due to increase in profits and withdrawal of retained earnings and distribution of profits.

(2) Int'l Audit (IAS)

Unit: RMB '000 yuan

Item	Share Capital	Contributed Capital Surplus	Reserve	Including: Statutory welfare reserve	Undistributed profit	Total shareholders' equity
At 1 st January,2004	3,915,000	4,869,396	2,384,208	441,047	935,761	12,104,365
Increase	0	0	1,392,615	193,003	1,966,203	3,358,818
Decrease	-	-	-	-	1,823,265	1,823,265
At 31 st December, 2004	3,915,000	4,869,396	3,776,823	634,050	1,078,699	13,639,918

Note: The changes in shareholders' equity are generally due to the same reasons mentioned above.



Share Capital Changes and Share



Share Capital Changes and Shareholders' Status

1. Share Capital Changes

(1) Changes in share capital

Unit: '000 shares

	Before- Change	Changes in shares (+/-)					After the change
		Allotted Shares	Dividend Stock	Dividend Stock from Contributed Capital Surplus	New Shares Issued	Other	
a. Non-marketable Shares							
(a) Founders' shares	1,111,200						1,061,200
Including:							
State-owned shares							
Shares held by domestic legal entity	1,111,200				-50,000	-50,000	1,061,200
Shares held by foreign legal entity							
Others							
(b) Shares placed by legal entity	1,903,800						1,953,800
Including:							
State-owned shares	279,660				+97,500	+97,500	377,160
Shares held by domestic legal entities	1,443,390				-47,500	-47,500	1,395,890
Shares held by foreign legal entities	180,750						180,750
(c) Employee shares							
(d) Preferred stock and others							
Including: Shares placed for funds							
Non-marketable shares subtotal	3,015,000						3,015,000
a. Listed marketable shares							
(a) Common stock (RMB denominated)	900,000						900,000

Share Capital Changes and Shareholders' Status

Unit: '000 shares

	Before- Change	Changes in shares (+/-)					After the change
		Allotted Shares	Dividend Stock	Dividend Stock from Contributed Capital Surplus	New Shares Issued	Other	
(b) Domestically-listed shares held by foreign investors							
(c) Overseas-listed shares held by foreign investors							
(d) Others							
Listed marketable shares	900,000						900,000
subtotal							
c. Total outstanding shares	3,915,000						3,915,000

(2) Stock Issuance and Public Listing

A.Share issuance during the past 3 years

With the approval from the People's Bank of China and China Securities Regulatory Commission, the Company launched its Initial Public Offering of 400 million shares at an offer price of 10 yuan each on September 23rd, 1,999. 320 million shares of the IPO were listed at the Shanghai Stock Exchange on November 10th, 1999. The remaining 80 million shares placed with mutual funds were approved for listing on January 12th, 2000.

Pursuant to the Notice for "Approving Shanghai Pudong Development Bank Co., Ltd. To Issue New Shares" given by the China Securities Regulatory Commission encoded as CSRC Zheng Jian Fa Xing Zi [2002] No. 135, the company is allowed to issue no more than 300 million new A-shares. On January 3, 2003, the subscription for the new issuance was completed and the issue price was set at RMB 8.45 yuan per share. On January 20, 2003, the new shares were listed in Shanghai Stock Exchange.

B.Change in total shares and structure

During the reporting period, there is no change in total shares or share structure due to dividend shares or share allotment.

Share Capital Changes and Shareholders' Status

C.Existing employee shares

During the reporting period, there are no employee shares.

2. Shareholders' Information

(1) At the end of the reporting period, the total number of shareholders was 261,945, including 200 domestic legal-entity shareholders of non-marketable shares.

(2) Shareholding situation of major shareholders as at the end of the reporting period is illustrated as follows:

Unit: '000 shares

Full name	Change in the reporting period	Shares held at year-end	Percentage (%)	Share type (marketable, nonmarketable)	Pledged or frozen	Shareholder nature (state-owned or foreign shareholder)
Shanghai International Trust & Investment Co., Ltd.	+22,500	274,500	7.01	Nonmarketable	None	State-owned
Shanghai Industrial Investment (Holdings) Co., Ltd.	-	190,500	4.87	Nonmarketable	None	State-owned
Shanghai State-owned Assets Operation Co.	-	190,050	4.85	Nonmarketable	None	State-owned
Shanghai International Group	+144,000	185,350	4.73	Nonmarketable	None	State-owned
Citibank Overseas Investment Co.	-	180,750	4.62	Nonmarketable	None	Foreign
Shanghai Jiushi Corp.	-	157,200	4.02	Nonmarketable	None	State-owned
Shenergy Co., Ltd.	-	75,000	1.92	Nonmarketable	None	
Oriental International Trade (Group) Co., Ltd.	-	75,000	1.92	Nonmarketable	None	State-owned
SIIC Development Co., Ltd.	-	61,500	1.57	Nonmarketable	None	
Shanghai Guoxin Investment Development Co.	+48,500	60,500	1.55	Nonmarketable	None	State-owned

Share Capital Changes and Shareholders' Status

The affiliation among the top ten shareholders is that Shanghai International Group is the holding shareholder of Shanghai International Trust and Investment Co., Ltd; Shanghai Industrial Investment (Holdings) Co., Ltd. is the holding shareholder of SIIC International Trade (Group) Co., Ltd and Shanghai Industry Development Co., Ltd; Shanghai State-owned Assets Operations Co., Ltd. is the holding shareholder of Shanghai Guixin Investment Development CO.

(3) Information on the controlling shareholder and actual controller

A. Change in controlling shareholder and actual controller

The company doesn't have any controlling shareholder or actual controller. During the reporting period, there is no change in the No. 1 shareholder of the company.

B. A brief introduction to the company's No. 1 shareholder

Shanghai International Trust & Investment Co., Ltd.

Established in 1981, Shanghai International Trust & Investment Co., Ltd. holds is a wholly state-owned enterprise with a registered capital of RMB 2.5 billion yuan. Shanghai International Trust & Investment Co., Ltd. is a regional financial institution running financial trust & investment, real-estate investment, international consultation, tendering and import & export. Its financial businesses include local currency loans and deposits, foreign currency loans and deposits, international settlement, security brokerage, investment banking and fund management.

(4) The company doesn't have legal entity shareholder who holds a stake of 10% or above in the company.

Share Capital Changes and Shareholders' Status

5. An overview of Top 10 holders of marketable shares

Unit: shares

Shareholder's name	Marketable shares held at year-end	Type (A-share, B-share, H-share or else)
CMB-CITIC Classic Portfolio Securities Investment Fund	18,662,887	A-share
BOC-Harvest Value-add Industry Securities Investment Fund	11,953,127	A-share
BOC-Hai Fortis Returns Growth Securities Investment Fund	11,674,259	A-share
ICBC-ETF Securities Investment Fund	10,194,400	A-share
Bank of Communications -Hua'an Innovation Securities Investment Fund	7,700,000	A-share
Dong Hai Securities Co., Ltd.	7,228,111	A-share
International Financial-Standard Chartered - CITI GROUP GLOBAL MARKETS LIMITED	6,749,724	A-share
CITIC Securities- ICBC-CREDIT SUISSE FIRST BOSTON (HONG KONG) LIMITED	6,683,795	A-share
China Construction Bank-Boshi Property Securities Investment Fund	6,049,432	A-share
BOC-Tongsheng Securities Investment Fund	5,812,596	A-share





Overview of the Directors, Supervisors and Management



Overview of the Company's Directors, Supervisors and Senior Management

1. Information about the Company's Directors, Supervisors and Senior Management

(1) General Information

Title	Name	Sex	Date of Birth	Tenure	Shares held
Chairman of the Board	ZHANG Guangsheng	Male	1943.02	2002.6.28-2005.6.27	-
Vice Chairman & President	JIN Yun	Male	1946.11	2002.6.28-2005.6.27	-
Vice Chairman of the Board	ZHU Shiyin	Male	1950.10	2002.6.28-2005.6.27	-
Director	Stephen Long	Male	1943.02	2002.6.28-2005.6.27	-
Director	ZHANG Jianwei	Male	1954.09	2002.6.28-2005.6.27	-
Director	CHEN Weishu	Male	1946.04	2002.6.28-2005.6.27	-
Director	WANG Yyi	Male	1945.08	2002.6.28-2005.6.27	-
Director	YANG Xianghai	Male	1952.02	2002.6.28-2005.6.27	-
Director	ZHOU Youdao	Male	1938.11	2002.6.28-2005.6.27	-
Director	XU Jianxin	Male	1955.11	2002.6.28-2005.6.27	-
Director, Deputy President & Financial Controller	HUANG Jianping	Male	1955.02	2002.6.28-2005.6.27	-
Director & Executive Vice President	SHANG Hongbo	Male	1959.03	2004.3.30-2005.6.27	-
Independent Director	MA Jinming	Male	1943.07	2002.6.28-2005.6.27	-
Independent Director	QIAO Xianzhi	Male	1940.12	2003.4.29-2005.6.27	-
Independent Director	SUN Zheng	Male	1957.12	2004.4.26-2005.6.27	-
Independent Director	Fred HU	Male	1963.06	2003.4.29-2005.6.27	-
Independent Director	JIANG Boke	Male	1954.12	2002.6.28-2005.6.27	-
Independent Director	XIA Dawei	Male	1953.02	2002.6.28-2005.6.27	-
Independent Director	PAN Hongxuan	Male	1935.06	2003.4.29-2005.6.27	-
Chairman of the Supervisory Board	LI Guanliang	Male	1944.05	2002.6.28-2005.6.27	-
Supervisor	SHI Xianjun	Male	1967.12	2002.6.28-2005.6.27	-
Supervisor	ZHU Guozhen	Male	1946.01	2002.6.28-2005.6.27	-
Supervisor	Lu Yong	Male	1957.06	2002.6.28-2005.6.27	-
Supervisor	DU Qifa	Male	1953.09	2002.6.28-2005.6.27	-
Supervisor	WU Shunbao	Male	1947.08	2002.6.28-2005.6.27	-
Supervisor	WAN Xiaofeng	Male	1949.01	2002.6.28-2005.6.27	-
Supervisor	WANG Anhai	Male	1945.11	2002.6.28-2005.6.27	-
Supervisor	YANG Shaohong	Male	1950.09	2002.6.28-2005.6.27	-
Executive Vice President	ZHANG Yaolin	Male	1958.03	2002.6.28-2005.6.27	-
Executive Vice President	MA Li	Female	1958.01	2004.7.13-2005.6.27	-
Corporate Secretary	SHEN Si	Male	1953.06	2002.6.28-2005.6.27	-

Overview of the Company's Directors, Supervisors and Senior Management

(2) Post held by the Company's Directors and Supervisors

Name	Shareholder Entity	Post
ZHU Shiyin	Shanghai State-owned Assets Operation Co., Ltd. Operations Co., Ltd	President, Secretary of Party Committee
Stephen Long	Citigroup	CEO of Citigroup International
ZHANG Jianwei	Shanghai Jiushi Corp.	Deputy General Manager
WANG Yiji	China Tobacco Co., Ltd. Jiangsu Branch	General Manager, Secretary of Party Committee
CHEN Weishu	Shanghai Industrial Investment (Holdings) Co., Ltd.	Chairman of the Board
YANG Xianghai	Shenergy Co., Ltd.	Chairman of the Board
ZHOU Youdao	Shanghai International Trust & Investment Co., Ltd.	Chairman of the Board, Secretary of Party Committee
XU Jianxin	Oriental International Trade (Group) Co., Ltd.	Financial Controller
SHI Xianjun	Shanghai Waigaoqiao Free Trade Zone Development Co., Ltd.	Director, General Manager
ZHU Guozhen	Eastern China Electric Group Co., Ltd.	General Manager, Secretary of Party Committee
Lu Yong	Shanghai First Department Store Group Co., Ltd.	Chief Financial Officer
DU Qifa	Shanghai Urban Construction Investment & Development Co., Ltd.	Deputy General Manager
WU Shunbao	Shanghai Sugar, Tobacco and Alcohol Group Co., Ltd.	Chairman of the Board, Secretary of Party Committee

(3) Summary of the working experiences of active directors, supervisors and senior management:

A. Directors:

ZHANG Guangsheng, male, born in 1943, university graduate with a researcher's title.

Once worked as the Deputy Director of Shanghai No. 1 Commerce Bureau, Deputy Director of Shanghai Finance and Trade Office, Director, Deputy Party Committee Secretary and Director of Shanghai Commerce Commission, Deputy Party Committee Secretary. Currently, Mr. Zhang is the Chairman of the Board of Directors of SPDB.

JIN Yun, male, born in 1946, college graduate.

Once worked as Deputy President, ICBC Shanghai Branch, Acting Deputy President of SPDB, Vice Chairman and Deputy Party Committee Secretary. At present, Mr. Jin is the vice chairman, President and Party Committee Secretary of SPDB.

ZHU Shiyin, male, born in 1950, university graduate with an economist's title.

Once worked as the Deputy Governor of Shanghai Jing'an District, Party Committee Member of Shanghai Zhabei District Government and deputy Governor of Shanghai Zhabei District Government. At present, Mr. Zhu is the Director and Party Committee Secretary of Shanghai State-owned Assets Operations Co., Ltd.

Overview of the Company's Directors, Supervisors and Senior Management

Stephen Long, male, born in 1943, American with a master's degree.

Mr. Long joined Citibank in 1968. Once worked as the CEO of Citigroup Corporate and Investment Banking, Asia Pacific. At present, he is CEO of Citigroup International.

ZHANG Jianwei, male, born in 1954, master's degree with a title of senior economist.

Once worked as the Deputy Director of Shanghai Xinhua Glassware Plant, Deputy General Manager of Shanghai Telecommunications Equipment Company, the General Manager, Industry Management Department, Shanghai Jiushi Co., the General Manager of Asset Management No. 1 Department, Development and Planning Department, Assets Operations Department, Assistant to General Manager and so on. At present, Mr. Zhang is the Deputy General Manager of Shanghai Jiushi Corp.

Mr. Chen Weishu, born in 1946, master's degree, professor.

Posts once held include Dean of Department of International Finance and World Economy in Fudan University and deputy president of the Company. Mr. Chen is Vice Chairman of the board in Shanghai Industrial Group, chairman of the board in Shanghai Industrial Investment (holdings) Co., Ltd. and in Shanghai Industrial Financial (holdings) Co., Ltd., as well as the Company's director.

Mr. Wang Yiyi, born in 1945, Bachelor's degree, senior economist.

Posts once held are as follows: deputy director, vice general manager and deputy secretary of Party committee first in Guizhou then in Jiangsu Tobacco Bureau (Corporation). Currently Mr. Wang is General Manager and Secretary of Party Committee of China Tobacco Corporation Jiangsu Branch and the Company's director as well.

Mr. Yang Xianghai, born in 1952, master's degree, senior economist.

Posts once held are as follows: manager, assistant director and vice director in Shanghai Planning Committee, head of Shanghai Security Affairs Bureau, General Manager of Shanghai Stock Exchange. Mr. Yang is currently the Vice Chairman of the Board, General Manager and Deputy Secretary in Shenergy (Group) Co., Ltd., chairman of the Board in Shenergy Joint-stock Corporation, director of SPDB as well.

Mr. Zhou Youdao, born in 1938, bachelor's degree, senior economist and accountant.

Posts once held are as follows: deputy director, director and secretary of Party Committee in Shanghai Fiscal and Financial Bureau. He's currently Chairman of the Board, Secretary of Party Committee both in Shanghai International (Group) Co., Ltd., and in Shanghai International Trust & Investment Co., Ltd., as well as director in SPDB.

Mr. Xu Jianxin, born in 1955, doctor's degree, associate professor.

Post once held is vice general manager of Shanghai New Century Investment Consulting Company. Mr. Xu is currently Chief Financial Officer in Oriental International Trade (Group) Co., Ltd., and director in SPDB.

Mr. Huang Jianping, born in 1950, master's degree, senior economist.

Posts once held are as follows: office manager of Industrial and Commercial Bank of China Shanghai Branch Hongkou Sub branch, general manager of planning and finance department in SPDB, general manager of Dazhong Insurance Company, assistant president in SPDB. Currently Mr. Huang is director, Deputy President, CFO of SPDB.

Overview of the Company's Directors, Supervisors and Senior Management

Mr. Shang Hongbo, born in 1959, master's degree, economist.

Posts once held include: deputy director of administrative office, executive deputy director of treasury department and deputy president in People's Bank of China Ningbo Branch, president of Shanghai Pudong Development Bank Ningbo Branch. He's currently director and Executive Vice President of the Company, as well as General Manager and secretary of SPDB Shanghai Branch.

Mr. Ma Jinming, born in 1943, bachelor's degree, senior economist.

Posts once held are as follows: deputy director of Shanghai Municipal Government Nanshi District, vice secretary of Party Committee and vice general manager of New Development Company in Shanghai Waigaoqiao Bonded Zone. He's currently General Manager and Vice Chairman of the Board of Shanghai Jinqiao Export Processing Zone Corporation, the Company's independent director as well.

Mr. Sun Zheng, born in 1957, Professor in Accounting, Doctor's degree in economics, PhD supervisor.

Posts once held are vice-dean, dean and assistant president of Shanghai Finance and Economics University. His current positions are as follows: vice-president and administrative commissioner of Shanghai Finance and Economics University, chairman of China Accounting Academy, committeeman of China Accounting Rule Committee under Ministry of Finance, experts of China Post-doctor Management Committee, vice-president of Shanghai Accounting Academy, deputy director of Shanghai General Accountant Association, member of committee of experts for listing company in Shanghai Stock Exchange, subject pioneer nominated by Ministry of Finance, excellent teacher acknowledged by Ministry of Education, CPA Australia, (FCPA), the Company's independent director.

Mr. Qiao Xianzhi, born in 1940, college's degree, supreme senior judge.

Posts once held are deputy director of Shanghai Middle People's Court, director of Shanghai Xuhui District Court, deputy director of Shanghai High People's Court, director of Shanghai Middle People's Court and executive deputy director of Shanghai High People's Court. Currently he's Head of Shanghai Arbitrage Committee and the Company's independent director.

Mr. Fred Hu, born in 1963, doctor's degree.

Posts once held are official in IMF, chief economist and manager of Research Department in Genevor-Davost World Economy Forum. He's currently General Manager, Director and Chief Economist in Sachs&Goldsmann (Asia) Co., Ltd., Head of Chinese Economy Research Center in Tsinghua University and the Company's independent director.

Mr. Jiang Boke, born in 1954, professor, PhD supervisor.

Posts once held are as follows: post-doctor in Department of International Finance, School of Economics, deputy director of Department of International Finance and deputy dean of School of Economics in Fudan University. His current positions or titles are as follows: Head of International Finance Research in Fudan University, executive director of China Finance Institute, commissary of economics in Ministry of Education, executive subdecanal of Finance Institute in Fudan University, commissary of Fudan University Degree Committee and chairman of Degree Committee in School of Economics, master of post-doctoral working station for applied economics in Fudan University, model teacher nation widely, representative of Shanghai Political Negotiation Committee, the Company's independent director.

Overview of the Company's Directors, Supervisors and Senior Management

Mr. Xia Dawei, born in 1953, professor, PhD supervisor.

Posts once held are section chief, assistant president and executive vice-president in Shanghai Finance and Economics University. His current positions are as follows: president of Shanghai National Accounting Institute, commissary of expert committee for listing company in Shanghai Stock Exchange, Chairman of Chinese Industry Research and Development Promotion Committee, director of industrial expert committee in Shanghai Economics Institute, the Company's independent director.

Mr. Pan Hongxuan, born in 1935, bachelor's degree, professor.

Posts once held are as follows: Head of Party Committee office in Tongji University, Secretary of Shanghai Education Sanitation Office, Deputy Director of Shanghai Planning Committee, Secretary of Party Committee in Shanghai Finance and Economics University. Currently he's both professor and tutor for doctoral degree of International Business and Administration Management School in Shanghai Finance and Economics University, as well as the Company's independent director.

B. Supervisors

Mr. Li Guanliang, born in 1944, senior economist.

Posts once held include: section vice-chief of Shanghai Foreign Investment Committee, section chief of Shanghai Planning Committee, deputy director of municipal bureau for Shanghai Government, vice-secretary of Shanghai People's Government and Head of Research Department in Shanghai People's Government. His current positions are chairman of the board of Shenergy (Group) Co., Ltd. and the Chairman of the Supervisory Board for the Company.

Mr. Shi Xianjun, born in 1967. MBA, business scholar.

Posts once held are section vice-chief of Shanghai Pudong New Area Economic and Trade Bureau, vice general manager of Shanghai Waigaoqiao Free Trade Zone Sanlian Development Co., Ltd. He's currently both Director and General Manager of Shanghai Waigaoqiao Free Trade Zone Development Co., Ltd., as well as the Company's supervisor.

Mr. Zhu Guozhen, born in 1946, Bachelor's degree, senior engineer.

Posts once held are secretary of Party of Committee in Hebei Electric Power Construction Corporation and director general of Hebei Electric Industrial Bureau. Currently he's General Manager and a member of the Party Committee in North China Electric Power (Group) Corporation, the Company's supervisor as well.

Mr. Lu Yong, Chinese, born in 1957, MBA, senior accountant.

He once served in Shanghai Auditing Bureau. He is currently the Chief Financial Officer of Shanghai First (Group) Co., Ltd. and the Company's supervisor.

Mr. Du Qifa, born in 1953, MBA, economist, senior commissar.

Posts once held are as follows: staff in Air Force Department of Political Security and Air Force Politics Academy Department of Security, and secretary of the Party Committee Agency, deputy director and director of Shanghai Construction Committee. At present, he is the vice general manager of Shanghai Municipal Construction Investment Development Corporation and the Company's supervisor.

Overview of the Company's Directors, Supervisors and Senior Management

Mr. Wu Shunbao, born in 1947, MBA, senior economist.

Posts once held are deputy director of Shanghai No.2 Commerce Bureau and general manager of Shanghai Sugar-Tabacco&Alcohol (Group) Co., Ltd. His current positions are chairman of the Board and Secretary of Party Committee in Shanghai Sugar-Tabacco&Alcohol (Group) Co., Ltd. and the Company's supervisor as well.

Mr. Wan Xiaofeng, born in 1949, master's degree.

Posts once held are as follows: section vice-chief, section chief of Chinese Communist Party Shanghai Committee Agency, deputy director of Shanghai Municipal Agency. He is currently the Company's supervisor, provisional speaker of the supervisory board, vice-Secretary of Party Committee, Secretary of Discipline Committee and the director of Trade Union.

Mr. Wang Anhai, born in 1945, high school graduate, accountant.

Post once held is auditor of Industrial and Commercial Bank of China Shanghai Branch. He's currently the Company's Supervisor and the General Manager of Auditing Department of the Company.

Mr. Yang Shaohong, born in 1950, master's graduate, senior economist.

Posts once held are as follows: section chief of People's Bank of China Zhejiang Branch, team leader of Department of Discipline Inspection in Zhejiang Financial Community, supervisor of Supervisory Agency, vice-president of People's Bank of China Zhejiang Branch. He's currently the Company's supervisor, General Manager of SPDB Hangzhou Branch and Secretary of Party Committee of Hangzhou Branch.

C. Other senior management

Mr. Zhang Yaolin, born in 1958, doctor's degree, senior economist.

Posts once held are as follows: vice-general manager of International Department in China Construction Bank Hubei Branch, vice-general manager, general manager of International Department and section chief of Credit Management Department in China Construction Bank Shenzhen Branch, vice-president of SPDB Guangzhou Branch. He's currently the Company's Executive Vice-President and a member of Party Committee.

Ms. Ma Li, born in 1958, MBA and senior economist.

Posts once held are as follows: Assistant General Manager, International Business Department, ICBC Shanghai Branch, Deputy General Manager, Shanghai BNP Paribas International Bank, General Manager of International Business Department, SPDB, General Manager of Financial Institutions, SPDB, Assistant President. Currently, she is the Executive Vice President of SPDB.

Mr. Shen Si, born in 1953, master's degree, senior economist.

Posts once held are as follows: deputy director general and section chief of Investigation and Statistics Bureau in People's Bank of China Zhejiang Branch, deputy manager of Investigation and Statistics Bureau in People's Bank of China Head Office, deputy president and commissary of Party Committee in the Company. He's currently Secretary of the Board, director of the Board Office and the General Manager of Research and Development Department in the Company.

Overview of the Company's Directors, Supervisors and Senior Management

2. Annual Compensation of Directors, Supervisors and Senior Management

(1) An overview of directors, supervisors and top management on the payroll:

Total annual compensation	5.32 million yuan
Total annual compensation of the three highest-paid directors	2.06 million yuan
Total annual compensation of the three highest-paid senior managers	1.48 million yuan
Allowance for independent directors	60,000 yuan
Other benefits for independent directors	None
Number of people receiving an annual compensation ranging from 200,000 to 410,000 yuan	1
Number of people receiving an annual compensation ranging from 410,000 to 600,000 yuan	7
Number of people receiving an annual compensation over 610,000 yuan	2

(2) An overview of directors and supervisors not on the payroll:

Zhu Shiyin, Stephen Long, Zhang Jianwei, Chen Weishu, Wang Yiyi, Yang Xianghai, Zhou Youdao, Xu Jianxin, Li Guanliang, Shi Xianjun, Zhu Guozhen, Lu Yong, Du Qifa, Wu Shunbao.

3. Changes in the Company's Directors, Supervisors and Senior Management during the Reporting Period

- (1) Mr. Chen Xin, Director and Executive Vice President of the bank applied to resign from the post as director and executive vice president of the bank due to job transfer. As recommended by the Nomination Committee of the board, the board agreed to appoint Mr. Shang Hongbo as director of the company with a tenor being the same as the second board. Such change was passed by the Annual Shareholders' Meeting 2004 held on March 30, 2004.
- (2) Since the independent directors account for less than one third of the total board, it is required to readjust the board structure and have one more independent director in the board. Mr. Cheng Xiyuan, resigned from the post as the director. As nominated by the Nomination Committee and approved by the board meeting, Mr. Sun Zheng was appointed as an independent director of the company with a tenor the same as the second board. Such change was approved by the 1st Provisionary Shareholders' Meeting 2004 held on May 31, 2004.
- (3) On July 13, 2004, as nominated by President Jin Yun and approved by the 14th Session of the Second Board, Ms. MA Li was appointed as the Executive Vice President of the bank with a tenor ending on June 27, 2005.

4. An Overview of the Staff: Total Number, Classification by Professional Occupation and Academic Background

By December 31st, 2004, the Company had 8,828 registered staff, including 941 managerial staff, accounting for 10.66% of the total; 6,311 bank clerks, or, 71.49% of the total; 313 technical staff, or, 3.55% of the total; 49 internal accounting and finance staff, or, 0.56% of the total; and 1214 administrative staff, or, 13.75% of the total. 6.74% of staff members held a doctor's or master's degree. 44.49% of the staff were college graduates with a bachelor's degree. Technical secondary school graduates and below accounted for 44.91% of the total.



CORPORATE GOVERNANCE STRUCTURE

1. Corporate Governance

During the reporting period, pursuant to the stipulations of the Company Law, *the Securities Law, the Code of Corporate Governance for Listed Companies as well as the Guidelines for Corporate Governance of Joint-stock Commercial Banks and Guidelines for Independent Director and External Supervisor System for Joint-stock Commercial Banks* issued by the People's Bank of China, SPDB formulated the Regulations on Transactions with Related Parties, Rules on Directors and Supervisors Making Tour Inspections, Explanations on the Duties of the Audit Committee of the Supervisory Board etc. to strengthen and detailize the corporate governance.

- (1) Shareholders and General Meeting of Shareholders: The company formulated the Rules for the General Meeting of Shareholders to Discuss Issues. It was able to strictly follow the stipulations of Norms for General Meetings of Shareholders and convene shareholders' meetings accordingly so as to ensure all shareholders, especially medium and small shareholders, were given equal and fair treatment and that all shareholders may fully exert their rights. The company has established and improved effective channels to communicate with shareholders and listened to shareholders' opinions and suggestion and ensure shareholders' right of awareness, right of participation and right of voting on any major event of the company.
- (2) Relationship between shareholders and the listed company: as shares of SPDB are dispersed so widely that there are no controlling shareholders, and the top 5 shareholders haven't bypassed the General Meeting of Shareholders and intervened in the company's decision-making and business activities directly or indirectly. The corporation was listed as a whole and is completely independent of the top 5 shareholders in terms of personnel, assets, finance, organization and business operation. The board of directors, the supervisory board and the various internal institutions have operated independently.
- (3) Directors and Board of Directors: SPDB elected directors by strictly complying with the stipulations on procedures of director election in Articles of Association. The board of directors is made up of 19 members, 7 of whom are independent directors. As required, the board of directors has four committees, the Strategy Committee, the Risk Management and Related Transaction Control Committee, the Nomination Committee and the Compensation & Performance Appraisal Committee. Except for that the Strategy Committee is chaired by the Chairman of the Board, the other three committees are chaired by independent directors. Moreover, two thirds of the members of the three committees are independent directors. At present, there are 9 members in the Strategy Committee. The Risk Management and Related Transaction Control Committee, the Nomination Committee and the Compensation & Performance Appraisal Committee are all composed of 7 members.
- (4) Supervisors and the Supervisory Board: The board of supervisors is made up of 9 members, among whom 3 are staff representatives. The make-up of the members conforms to the relevant stipulations and laws. The board of supervisors has the Nomination Committee and the Audit Committee. Being responsible for shareholders, the supervisors fulfilled their duties staidly and supervised on the compliance and performance of the company's financial accounting practice and the directors, the president and other senior management.
- (5) Information Disclosure and Transparency: The company established complete information disclosure rules, and authorized the General Office to the Board to disclose information, receiving visits and providing consultation. The company has been able to strictly comply with the relevant stipulations of laws, regulations, Articles of Association, and the information disclosure regulations and the company has disclosed the relevant information truthfully, accurately, completely and in a timely manager, and has ensured equal access to information for all shareholders.

Corporate Governance Structure

2. Independent Directors and their Performance

The board of directors established rules of independent director and relevant bylaws as required by *Guidelines for Introducing Independent Directors into Listed Companies* issued by China Securities Regulatory Commission and *Guidelines for Independent Director and External Supervisor in Joint-stock Commercial Banks* issued by the People's Bank of China, etc. Up to now, there are 7 independent directors in the board (accounting for one third of the total), each having a different professional background, such as accounting, finance, legal science and so on. Consequently, the structure of the board has been further rationalized, thus setting a solid foundation for the board to make decisions in a scientific and rational way. During the reporting period, independent directors have fulfilled their duties earnestly, have attended meetings of board of directors diligently and have played a positive role in safeguarding the overall interests of the company and the legal interests and rights of medium and small shareholders as well as in ensuring the board making decisions in a scientific and objective way

(1) Attendance of board meetings by independent directors

Name of independent directors	Total number of board meetings during the reporting period	Attendance in person(times)	Attendance by authorized deputy (times)	Absence (times)
MA Jinming	6	5	1	0
QIAO Xianzhi	6	4	2	0
SUN Zheng	3	2	1	0
Fred HU	6	2	4	0
JIANG Boke	6	5	1	0
XIA Dawei	6	6	0	0
PAN Hongxuan	6	6	0	0

(2) ID's objection to motions submitted by the company

During the reporting period, the independent directors haven't submitted any objection to any motion submitted by the board meeting or non-board meeting.

3. Five-separations from the Holding Shareholder

As shares of SPDB are dispersed so widely that there are no controlling shareholders, and the top 5 shareholders haven't bypassed the General Meeting of Shareholders and intervened in the company's decision-making and business activities directly or indirectly. The corporation was listed as a whole and is completely independent of the top 5 shareholders in terms of personnel, assets, finance, organization and business operation. The board of directors, the supervisory board and the various internal institutions have operated independently.

4. The Performance Appraisal and Incentive & Disciplinary System for Senior Management

In accordance with *Articles of Association*, the board of directors established a *Long-term Incentive System for Mangers and Backbone Staff* as well standards for appraising senior managers' performance. Based on a scientific performance indicator system and precise evaluation methods, all appraisals put emphases on performance appraisal, in combination with evaluations on comprehensive abilities so as to connect the compensations of directors and senior managers closely with their managerial abilities and business performances.

GENERAL MEETING OF SHAREHOLDERS



General Meeting of Shareholders

1. Annual General Meeting of Shareholders

On February 27th and March 17th, 2004, in *China Securities Journal*, *Shanghai Securities News* and *Securities Times*, the company published the announcement of the General Meeting of Shareholders, including such details as the venue, time, agenda and so on. On March 30, 2004, the company held the 2003 Annual General Meeting of Shareholders. 113 shareholders and shareholder representatives attended the meeting and voted, representing 2,070,537,484 shares, 52.89% of the total. Chairman Zhang Guangsheng chaired the meeting. The meeting reviewed, voted on and passed the following motions by way of nominal ballots:

- (1) Report of the board for 2003;
- (2) Report of the supervisory board for 2003;
- (3) Profit Distribution Proposal for 2003;
- (4) Final Accounting Report 2003 and Budget for 2004;
- (5) Motion on Continuing to Appoint Ernst & Young Accounting as the International Auditor and Da Hua Certified Public Accountants Co. as the Domestic Auditor of the Company in 2004;
- (6) Motion on Changing Some Directors;
- (7) Motion on the Usage of Funds Previously Raised;
- (8) Motion on Issuing Subordinated Debts;
- (9) Motion on Issuing Subordinated Debts and Special Authorization within the Given Limits;
- (10) Feasibility Analyses on the Issuance of Subordinated Debts.

The resolutions were published in *China Securities Journal*, *Shanghai Securities News* and *Securities Times* on March 31st, 2004.

2. Provisionary General Meeting of Shareholders

On April 28th and May 15th, 2004, the company respectively published the announcement of the first provisional general meeting of shareholders in *China Securities Journal*, *Shanghai Securities News* and *Securities Times*, including details on the time, venue and agenda as well as resolutions of the board meeting. On May 31st, 2004, the company held the first provisional general meeting of shareholders for 2004. 118 shareholders, who represent 2,376,732,090 shares and over 50% of total registered shares, attended the meeting. This is in accordance with the relevant stipulations of Company Law of the People's Republic of China and Articles of Association of the company.

Chairman of the board Mr. Zhang Guangsheng chaired the meeting. The meeting reviewed, voted on and passed the following motions by way of nominal ballots:

- (1) the Motion on Changing Directors and Adding an Independent Director;
- (2) the Motion on Changing the Re-capitalization Plan from Issuing Convertible Bonds to New Issuance;
- (3) the Motion on the Company Being Compliant to the Conditions for New Issuance;
- (4) the Motion on Issuing No More than 700 Million RMB Common Shares;
- (5) the Motion on Shareholders' Authorization to the Board with Full Rights to Deal with Issues Related with New Issuance;
- (6) the Motion on the Feasibility Analyses of New Issuance;
- (7) the Motion on the Usage of Previously Raised Funds;
- (8) the Motion on New and Old Shareholders Sharing the Retained Earnings Brought Forward.

The resolutions were published on June 1st, 2004 in *China Securities Journal*, *Shanghai Securities News* and *Securities Times*.



REPORT BY THE BOARD OF DIRECTORS



Report by the Board of Directors

1. Discussion and analyses of overall business operation during the reporting period

(1) Increase in principal operating income, principal operating profit, net profit, cash and cash equivalent:

Unit: RMB '000 yuan

Item	As at Dec. 31, 2004	As at Dec. 31, 2003	Up or down(%)
Principal operating income	16,760,989	12,027,237	39.36
Principal operating profit	6,964,721	5,183,725	34.36
Net profit	1,930,031	1,566,088	23.24
Increase in cash and cash equivalent	26,271,408	2,769,768	848.51

Main causes for the change:

- (1) The increase in principal operating income is mainly due to the increase in overall lending volume.
- (2) The increase in principal operating profits is mainly due to the huge growth in principal operating income.
- (3) The increase in net profit is mainly due to the growth in principal operating profit.
- (4) The increase in cash and cash equivalent is mainly due to the increase in cash flow resulting from operating activities.

(2) Comparison of total assets and shareholders' equity as at Jan 1, 2004 and as at Dec. 31, 2004

Unit: RMB '000 yuan

Item	At at Dec. 31, 2004	As at Jan. 1, 2004	Increases or decrease(%)
Total assets	455,532,286	371,056,698	22.77
Shareholders' equity	13,510,304	12,010,923	12.48

Causes for the change:

- (1) The increase in total assets is mainly due to the increase of total lending.
- (2) The increase in shareholders' equity is mainly due to the increase in net profits.

2. An overview of the company's business operation

(1) Scope of principal operating activities

The Company's principal operating activities, as approved by the People's Bank of China, include: absorbing deposits from the public in RMB and foreign exchange; extending short, mid and long-term loans in RMB and foreign exchange; handling domestic and international settlements; discounting bills and notes in RMB and foreign exchange; issuing financial bonds; acting as agent for the issuing, encashment, underwriting and trading of state bonds; conducting interbank lending and borrowing in RMB and foreign exchange; providing L/C services and guarantee services; providing collection and agent payment services; working as an agent for insurance products; providing safe box services; proprietary trading in foreign exchange, and

acting as an agent for deals in foreign exchange; proprietary trading and acting as an agent for deals in foreign exchange securities except stocks; credit standing investigation and verification services, offshore banking businesses and other businesses approved by the People's Bank of China.

(2) An overview of the company's business operation

By Dec. 31, 2004, the company's business operation may be summarized as following:

Key performance indicators: the Company's total assets rose to RMB 455.53 billion, up RMB 84.48 billion or 22.77 % on a year-on-year basis. By the year-end, the bank's total outstanding balance of RMB and foreign currency loans stood at RMB 310.91 billion, an increase of RMB 55.79 billion or 21.87% on a year-on-year basis. The total outstanding deposits at year-end was RMB 395.38 billion, a net increase of RMB 73.27 billion or 22.75% from the beginning of the year. Operating income totaled RMB 16.76 billion, and before-tax profits stood at RMB 3.05 billion, an increase of RMB 705 million or 30.08% on the adjusted before-tax net profits for 2003. The company's after-tax profits reached RMB 1.93 billion, up RMB 364 million, or 23.24% from the adjusted after-tax profit of the year 2003. Shareholders' equity reached RMB 13.51 billion. Earnings per share (EPS) was RMB 0.493 yuan, The company's net assets per share was RMB 3.45 yuan and the return on equity (ROE) stood at 14.29%.

Risk management and mitigation: the Company made active efforts to establish an effective risk management mechanism. By taking effective precautions, enhancing supervision and taking measures to adjust stock assets, the proportion of non-performing loans (according to the 5-category classification of loans) decreased significantly from 2.53% at the beginning of the year to 2.45% by the end of the year. Through the establishment of such systems as "authorization and credit management", "risk pre-warning", "credit assessment by professionals" and "post-loan review", a complete system of whole- process risk control and management has taken shape. The company has adopted multiple measures to mitigate interest rate risks and liquidity risks, such as aggregate control, supervision according to proportions, matching of tenors, readjustment in interest rates and window guidance etc. By the end of 2004, the company has charged a total amount of RMB 8.921 billion as provisions for loan losses, making the loan loss reserve coverage ratio up to 117.1%.

Network expansion: during the reporting period, SPDB opened 3 new branches. So far, the company has set up 22 braches and 2 sub-branches directly under the head-office in 39 cities, with the overall branches/sub-branches/banking-offices totaling 328.

Bank card and fee-based services: during the reporting period, the company co-launched a credit card business with Citigroup and issued 20,000 cards in the year. The accumulated volume of Orient Card amounted to 7.66 million, among which 2.08 million are new accounts, 37.3% up. The company worked as the sales agent for 17 open-end funds and sold a total amount of RMB 1,698,027,900 yuan funds. The funds assets under the company's management totaled RMB 2.165 billion yuan. All the year round, the company realized a total income of RMB 386 million yuan from fee-based services.

Report by the Board of Directors

IT construction: the company has completed several major IT projects during the reporting period, such as the bank-insurance company direct link project, the bank-corporation direct link project, the modern settlement system, the province-wide bill collection system and so on, which has greatly enhanced the company's high-tech content and helped to satisfy the diversified needs of customers. The company conducted in-depth development of SAP financial system and HR system, which serve to enhance the efficiency and effectiveness of internal management. The company has also launched full-round upgrading of SWIFT system and implemented the SWIFTNet system, which provides strong support to the further development of the FX businesses. In addition, the new Information Center has been completed and the banking production systems have been successfully moved to the new site, thus providing a good technical support environment for the efficient operation of the various banking businesses.

Further enhancement of the Company's status: the Company was cited as the "Top 100 Listed Chinese Companies" (No. 7) of 2004 by the magazine "Asiaweeks". The company was cited by Fortune Magazine as No. 941st among the Top 2000 companies worldwide. It was also cited by Asiaweeks as the 49th of the Top 300 Asian Banks. In addition, the company was ranked the 261st among the Top 1,000 World Banks by the British magazine "Bankers".

(3) Principal operating revenues by line of product and by region during the reporting period

Unit: RMB '000 yuan

Line of product	Principal operating revenues	Change on a year-on-year basis (%)	Principal operating expenses	Change on a year-on-year basis (%)
Loans	14,172,220	38.49	5,286,063	35.70
Interbank lending and borrowing	1,905,767	57.15	1,416,036	45.14
Other businesses	683,003	17.47	103,271	71.30
Total	16,760,989	39.36	6,805,371	38.01

Unit: RMB '000 yuan

Region	Revenues from principal operations	Percentage of total Revenues from principal operations (%)	Profits from principal operations	Percentage of total Profits from principal operations (%)
Shanghai Region	4,641,837	27.69	1,767,267	25.37
Beijing Region	1,248,698	7.45	567,974	8.16
Jiangsu Region	1,668,499	9.95	758,753	10.89
Zhejiang Region	2,754,070	16.43	1,292,031	18.55
Guangdong Region	1,550,392	9.25	543,795	7.81
Other Domestic Regions	4,864,529	29.02	2,066,681	29.67
Offshore	32,964	0.20	-31,781	-0.46
Total	16,760,989		6,964,721	

Report by the Board of Directors

(4) Five industries the company supported most with lending and their percentages

Unit: RMB '000 yuan

Industry	Outstanding balance of loans	Percentage(%)
Manufacturing	94,041,934	30.25
Consumer loans	49,101,258	15.79
Property development loans	37,148,210	11.95
Wholesale and retailing	36,527,307	11.75
Transportation, warehouse and postal services	17,757,438	5.71

(5) Outstanding balance of major off-balance sheet items and risk management

Unit: RMB '000 yuan

Item	Outstanding balance as at Dec.31, 2004	Outstanding balance as at Dec.31, 2003
Interests receivable	1,578,456	1,405,157
Letter of Guarantee issued	12,417,571	8,760,573
Letter of Credit items	13,453,255	10,183,112
Bank Acceptance Notes	95,134,461	94,949,445

(6) Major shareholding activities and equity investment

Following is an overview of the companies in which SPDB has made an equity investment as at December 31st, 2004.

Unit: RMB '000 yuan

Company name	Investment tenor	Percentage of stake held by held by SPDB (%)	Investment as at Dec. 31 st , 2004 (RMB '000 yuan)
First Sino Bank	20 years	10	84,317
Shen Lian International Investment Company	None	16.5	288,303
China UnionPay Company	None	4.85	80,000
Total			452,620

3. A summary of the financial data

(1) An overview of the network and staff

The Company operates as a one-layer legal person entity, with the structure of a head-office and branches. According to the principles of economic returns and economic region demarcation, and based on the development strategy of "being based in Shanghai and serving the whole nation", the Company set up branches in the coastal areas and in some key cities. By the end of the reporting period, the Company had established 24 directly-subordinate branches and sub-branches, bringing the total number of branches and sub-branches to 328. Details are listed below:

Report by the Board of Directors

No.	Unit	Address	Staff Number	Assets (RMB '000 yuan)	Subordinate units
1	Head-office	No. 12, Zhongshan Dong Yi Road, Shanghai	560	18,340,443	327
2	Shanghai Branch	No. 588, Pudong Nan Road, Shanghai	2,004	122,626,248	112
3	Hangzhou Branch	No. 129, Yan'an Road, Hangzhou	549	33,548,781	21
4	Ningbo Branch	No. 21, Jiangxia Street, Ningbo	448	25,235,909	18
5	Nanjing Branch	No. 90, Zhongshan Dong Road, Nanjing	692	37,337,453	29
6	Beijing Branch	No.68, Dong Si Shi Tiao, Dong Cheng District, Beijing	747	41,670,071	20
7	Wenzhou Sub-branch	Pufa Building, Renmin Dong Road, Wenzhou	245	7,457,277	10
8	Suzhou Branch	No. 1478, Renmin Road, Suzhou	184	8,882,612	7
9	Chongqing Branch	No.199, Zourong Road, Yuzhong District, Chongqing	334	8,658,190	12
10	Guangzhou Branch	No. 424, Huanshi Dong Road, Guangzhou	503	22,171,051	14
11	Shenzhen Branch	No. 1012, Shennan Zhong Road, Shenzhen	418	14,333,081	8
12	Kunming Branch	No. 145-1, Dongfeng Xi Road, Kunming	179	4,525,986	7
13	Wuhu Sub-branch	No. 203, Renmin Road, Wuhu	47	1,680,953	2
14	Tianjin Branch	Suite D, 9 Binshui Avenue, Hexi District, Tianjin	268	18,311,888	8
15	Zhengzhou Branch	No. 30, Jing San Road, Zhengzhou	290	20,669,713	10
16	Dalian Branch	No. 3 Zhongshan Square, Zhongshan District, Dalian	208	14,138,541	6
17	Jinan Branch	No. 165, Jiefang Road, Ji'nan	212	13,756,084	6
18	Chengdu Branch	No.98-1, Shuanglin Road, Chengdu	125	9,250,357	3
19	Xi'an Branch	No. 3, Beida Road, Xi'an	151	8,496,304	3
20	Shenyang Branch	No.158 Qingnian Road, Shenhu district, Shenyang	196	10,486,584	4
21	Wuhan Branch	No.1, Hongshan Road, Wuchang, Wuhan	155	4,979,609	3
22	Qingdao Branch	No. 53, Hong Kong Xi Road, Qingdao	92	3,455,649	1
23	Taiyuan Branch	No. 333, Yingze Street, Taiyuan	73	5,304,831	0
24	Changsha Branch	No. 559, Wuyi Street, Changsha	74	3,045,563	0
25	Harbin Branch	No. 200, Hanshui Road, Harbin	74	2,806,729	0
Adjustment				-5,637,621	
Total			8,828	455,532,286	328

Report by the Board of Directors

Serial number	Unit	Address	Subordinate units
One	Head Office	No. 12, Zhongshan Dong Yi Road, Shanghai	327
Two	Shanghai Branch	No. 588, Pudong Nan Road, Shanghai	112
1	No. 1 Business Office	No. 12, Zhongshan Dong Yi Road	0
2	Huangpu Sub-branch	No. 50, Ningbo Road	4
3	Waigaoqiao Sub-branch	No. 18, Jiafeng Road	4
4	Lujiazui Sub-branch	No. 710, Dongfang Road	6
5	Jinqiao Sub-branch	No. 509, Jin Gang Road, Pudong New Area	2
6	Konggang Sub-branch	No. 100, Qihang Road, Pudong New Area	2
7	Yangpu Sub-branch	No. 1296, Xuchang Road	4
8	Putuo Sub-branch	No. 746, Changshou Road	4
9	Jingan Sub-branch	No. 669, Beijing Xi Road	3
10	Nanshi Sub-branch	No. 1011, Lujiabang Road	4
11	Xuhui Sub-branch	No. 589, Jianguo Xi Road	5
12	Minhang Sub-branch	No. 159, Xinsong Road, Minhang District	4
13	Hongkou Sub-branch	No. 731, Quyang Road	4
14	Jiading Sub-branch	No. 199, Bole Road, Jiading	3
15	Zhabei Sub-branch	No. 123, Tianmu Xi Road	3
16	Baoshan Sub-branch	No. 1283, Mudanjiang Road, Baoshan District	5
17	Changning Sub-branch	No. 855, Changning Road	5
18	New Hongqiao Sub-branch	No. 8, Xingyi Road	3
19	Songjiang Sub-branch	No. 388, Ledu Road, Songjiang District	4
20	Nanhui Sub-branch	No. 3388, Renmin Dong Road	3
21	Jinshan Sub-branch	No. 158, Xiangzhou Road, Shihua District	2
22	Qingpu Sub-branch	No. 699, Chengzhong Dong Road, Qingpu District	2
23	Fengxian Sub-branch	No. 352, Jiefang Zhong Road	1
24	Dongfang Sub-branch	No. 588, Pudong nan Road	0
25	Caohejing Sub-branch	No. 461, Hongcao Road	0
26	Securities Building Sub-branch	No.528, Pudong Nan Road	0
27	Zhangjiang Sub-branch	No. 151, Keyuan Road	0
28	Yichuan Sub-branch	No. 328, Yichuan Road	0
29	Guomai Building Sub-branch	No. 1207, Jiangning Road	0
30	Laoximen Sub-branch	No1131, Fuxing Dong Road	0
31	Luwan Sub-branch	No. 218, Xizang Nan Road	0
32	Future Exchange Sub-branch	No. 300, Songlin Road	0
33	Zhaojiabang Sub-branch	No. 1065, Zhaojiabang Road	0
34	Xiangyang Sub-branch	No. 500, Xiangyang Nan Road	0
35	Xizang Bei Road Sub-branch	No. 51-53, Xizang Bei Road	0
	Total		112

Report by the Board of Directors

Serial number	Unit	Address	Subordinate units	
Three	1	Hangzhou Branch	No. 129, Yan'an Road, Hangzhou	21
	2	Baoshu Sub-branch	No. 90, Huancheng Xi Road, Hangzhou City	0
	3	Xihu Sub-branch	No. 429, Yan'an Road, Hangzhou City	0
	4	Qingtai Sub-branch	No. 438, Qingtai Street, Hangzhou	0
	5	Xiaoshan Sub-branch	No. 55, Tiyu Road, Chengxiang County, Xiaoshan City	2
	6	Lin'an Sub-branch	No. 417, Qianwang Street, Jincheng County, Linan City	0
	7	Yuhang Sub-branch	No. 150, Bei Da Jie, Linping, Yuhang	0
	8	Zhongshan Sub-branch	No. 165, Qing Chun Road, Hangzhou City	0
	9	Qianjiang Sub-branch	No. 88, Qiutao Bei Road, Hangzhou City	0
	10	Gaoxin Sub-branch	No. 328, Wener Road, Hangzhou	0
	11	Jiaxing Sub-branch	No. 148, Zhongshan Road, Jiaxing City	2
	12	Shaoxing Sub-branch	No. 236, Renmin Xi Road, Shaoxing City	2
	13	Wenhui Sub-branch	No. 112, Wenshan Road, Hangzhou City	0
	14	Wulin Sub-branch	No. 15, Wulin Squire, Downtown District, Hangzhou City	0
	15	Desheng Sub-branch	No. 187, Shaoxing Road, Hangzhou	0
	16	Qiushi Sub-branch	No. 127, Xixi Road, Hangzhou	0
	Sub-total		22	
Four	1	Ningbo Branch	No. 21, Jiangxia Road, Ningbo City	18
	2	Yindong Sub-branch	No. 428, Zhongshan Dong Road, Ningbo City	0
	3	Wanghu Sub-branch	No. 40, Changchun Road, Ningbo City	0
	4	Ximen Sub-branch	No. 198, Zhongshan Xi Road, Ningbo City	0
	5	Beilun Sub-branch	No. 560, Donghe Road, Beilun District, Ningbo City	0
	6	Yuyao Sub-branch	No. 38, Yangming Dong Road, Yuyao City	0
	7	Jiangbei Sub-branch	No. 332-6, Renmin Road, Jiangbei District, Ningbo	0
	8	Zhenghai Sub-branch	No. 185, Miaopu Road, Ningbo City	0
	9	Development District Sub-branch	Room 101,A, XianggangBuilding, Xiao Gang, Ningbo	0
	10	Cixi Sub-branch	No. 1, Children's Palace Road, Xushan County, Cixi City	0
	11	Technical Park Sub-branch	No. 599, Jiangnan Road, Ningbo City	0
	12	Taizhou Sub-branch	No. 299, Jiefang Nan Road, Jiaojiang District	2
	13	Xingning Sub-branch	No. 39, Xingning Road, Ningbo City	0
	14	Jiefang Road Sub-branch	No. 216, Jiefang Nan Road, Ningbo City	0
	15	Wenling Sub-branch	No. 114, Wanshou Road, Taiping County, Wenling City	0
	16	Zhongxing Sub-branch	No.651,Zhongxing Road, Ningbo	0
	17	Yinzhou Sub-branch	No. 288, Tiantong Bei Road, Yinzhou District, Ningbo	0
	Sub-total		19	

Report by the Board of Directors

Serial number	Unit	Address	Subordinate units	
Five	1	Nanjing Branch	No. 90, Zhongshan Dong Road, Nanjing City	29
	2	Nantong Sub-branch	No. 28, Renmin Zhong Road, Nantong City	5
	3	Wuxi Sub-branch	No. 191, Jiefang Xi Road, Wuxi	4
	4	Gulou Sub-branch	No. 49, Zhongshan Bei Road, Nanjing City	0
	5	Xinjie Kou Sub-branch	No. 89, Zhongshan Nan Road, Nanjing City	0
	6	Chengzhong Sub-branch	No. 41, Taiping Bei Road, Nanjing City	0
	7	Beijing Xi Lu Sub-branch	No. 48, Beijing Xi Road, Nanjing City	0
	8	Dachang Sub-branch	No. 258, Xinhua Road, Dachang District, Nanjing City	0
	9	Chengdong Sub-branch	No.416, Zhongshan dong Road Nanjing	0
	10	Chengxi Sub-branch	No.282, Hanzhong Road, Nanjing City	0
	11	Chengbei Sub-branch	No.92, Xinmofan Road Nanjing	0
	12	Hunan Lu Sub-branch	No. 99, Hunan Road, Nanjing City	0
	13	Jiangyin Sub-branch	No. 99, Hongqiao Nan Road, Jiangyin City	6
	14	Chengnan Sub-branch	No.333, Taiping Nan Road	0
	15	Jiangning Sub-branch	No. 32, Dajie Dong Road, Dongshan District, Jiangning, Nanjing	0
	Sub-total		30	
Six	1	Beijing Branch	No. 3, Chegongzhuang Street, Xicheng District	20
	2	Finance Street Branch	No. 35, Finance Street, Xicheng District	0
	3	Xuanwu Sub-branch	No. 316, Guanganmen Nei Street, Xuanwu District	0
	4	Huangsi Sub-branch	No. 21, Andeli Bei Street, Dongcheng District	0
	5	Zhongguancun Sub-branch	No. 15, Haidian Nan Road, Haidian District	0
	6	Cuiwei Road Sub-branch	B19 Xisanhuan Zhong Road, Haidian District	0
	7	Caoyang Sub-branch	No. 19, Caowai Street, Caoyang District	0
	8	Anwai Sub-branch	A88 Anwai Street, Dongcheng District	0
	9	Jianguo Road Sub-branch	No. 99, Jianguomen Wai Street, Chaoyang District	0
	10	Fucheng Sub-branch	No. 3, Nanlishi Road, Xicheng District	0
	11	Yabao Road Sub-branch	Huarun Building, No. 8 Jianguo Lu Bei Street	0
	12	Haidian Yuan Sub-branch	Hailong Building, No. 79 Haidian Road, Haidian District	0
	13	Shouti Sub-branch	Fangyuan Building, A54 Baishiqiao Road	0
	14	Dongsanhuan Sub-branch	Pengrun Building, No. 26 Xiaoyun Road, Chaoyang District	0
	15	Yayuncun Sub-branch	Section B Yuanda Center, No. 5, Huizhong Road, Yayuncun	0
	16	Zhicun Road Sub-branch	No. 9, Zhicun Road, Haidian District	0
	17	Anhuaqiao Sub-branch	No. 15, District 3, Anzhenxili, Chaoyang District	0
	18	Dengshikou Sub-branch	No. 143, Sinan Road Dongchen District	0
	19	Electronic City Sub-branch	Hengtong Building, No. 10, Jiuxian Qiao Road, Chaoyang District	0
	20	Economic Zone Sub-branch	No. 19 Building, No. 2 District, Tianhua Garden	0
	21	Yongding Road Sub-branch	No. 51, A, Yongding Road, Haidian District, Beijing	0
	Sub-total		21	

Report by the Board of Directors

Serial number	Unit	Address	Subordinate units	
Seven	1	Wenzhou Branch	Pufa Building, Renmin Dong Road, Wenzhou City	10
	2	Lucheng Sub-branch	1 st Floor, Yongtai Building, Feixia Nan Road	0
	3	Dongcheng Sub-branch	No. 8, Minhang Road	0
	4	Xicheng Sub-branch	1, Building 9, Lane 67, Xueshan Road	0
	5	Shizhong Sub-branch	Rm. 101, 2A, New World Garden, Ma'anchi Xi Road	0
	6	Nancheng Sub-branch	No. 112, Kangdijin Garden, Wendi Road	0
	7	Rui'an Sub-branch	Local Tax Building, Gongruishan Road, Anyang, Rui'an City	2
	8	Leqing Sub-branch	No. 49, Qingyun road, Lecheng County, Leqing	0
	9	Longwan Sub-branch	No. 265, Luodong Street, Longwan District, Wenzhou	0
	Sub-total		11	
Eight	1	Suzhou Branch	No. 1478, Renmin Road, Suzhou City	7
	2	Hi-tech Development District Sub-branch	No.8, Sishan Road, Suzhou New Area	0
	3	Suzhou Industrial Park Sub-branch	Xinghai Road ,Industrial Park	0
	4	Canglang Sub-branch	301-1 Zuhui Road, Suzhou City	0
	5	Sanxiang Sub-branch	No. 120, Sanxiang Road, Suzhou	0
	6	Kunshan Sub-branch	No. 180, Qianjing Road, Kunshan City	0
	7	Wuzhong Sub-branch	No.103, DongWubei Road Industrial Office	0
	8	Changshu Sub-branch	No. 21, Haiyu bei Road Changshu	0
	Sub-total		8	
Nine	1	Chongqing Branch	No. 119, Zourong Road, Yuzhong District, Chongqing	12
	2	Jiangbei Sub-branch	No.10, Jianxin Dong Road, Jiangbei District	0
	3	Yuzhong Sub-branch	No. 12, Minzu Road, Chongqing	0
	4	Gaoxin District Sub-branch	No. 199, Keyuansi Road, Gaoxin District, Chongqing	0
	5	Shapingba Sub-branch	No. 16, Hanyu Road, Shapingba, Chongqing	0
	6	Fuling Sub-branch	No. 15, Xinghua Zhong Road, Peiling	0
	7	Jiulongpo Sub-branch	No. 68, Xingsheng Road, Jiulongpo, Chongqing	0
	8	Nanping Sub-branch	No. 1, Nanping Nan Road, Nanan District	0
	9	Yubei Sub-branch	No. 89, Shuanglong Avenue, Yubei District	0
	10	North New Distric Sub-branch	No.6-2,Xingpaifang, Longxi County, Yubei district	0
	11	Daping Sub-branch	No. 110, Daping Road Yuzhong District	0
	12	Hechuan Sub-branch	No. 1, Jiaotong Street, Hechuan City	0
	13	Shangqingsi Sub-branch	No. 9, Shangqingsi Road, Yuzhong District, Chongqing	0
	Sub-total		13	

Report by the Board of Directors

Serial number	Unit	Address	Subordinate units	
Ten	1	Guangzhou Branch	No. 424, Huanshi Dong Road	14
	2	Daduhui Sub-branch	5/F 183 Tianhe Bei Road	0
	3	Dongshan Sub-branch	Xinxing Building No. 53, Zhongshan Er Road	0
	4	Jichang Sub-branch	1A Zhongyi Garden, Jichang Road	0
	5	Yuexiu Sub-branch	No. 28, Jixiang Road, Guangzhou City	0
	6	Tianhe Sub-branch	Tianhui Building, No. 18, Tianhe Dong Road, Guangzhou City	0
	7	Wuyang Sub-branch	No. 77-79, Siyouxin Street, Guangzhou City	0
	8	Jincheng Sub-branch	Jincheng Garden, No. 858, Dongfeng Dong Road, Guangzhou City	0
	9	Dongfeng Sub-branch	Jiaye Building, No.318, Dongfeng Zhong Road	0
	10	Donghu Sub-branch	Longhu Building, No.128, Donghu Road	0
	11	Dayu Sub-branch	No.156, Linghe Zhong Road, Tianhe District	0
	12	Zhujiang New City Sub-branch	No. 9, Xinghui Garden, No. 50, Jinsui Road, Tianhe District	0
	13	Liuhoa Sub-branch	No. 859, Jiefang Bei Road, Yuexiu District	0
	14	Haizhu Sub-branch	South Flat, Lijingwan, No. 899, Binhedong Road	0
	15	Jiefang Road Sub-branch	No. 668, Jiefang Bei Road	0
		Sub-total	15	
Eleven	1	Shenzhen Branch	No. 1012, Shennan Zhong Road	8
	2	Zhenhua Sub-branch	Languang Building, No. 56, Zhenhua Road, Futian District	0
	3	Luohu Sub-branch	No. 101, 1st Floor, No. 830 Warehouse, Baoan Bei Road, Luohu, Shenzhen	0
	4	Jingtian Sub-branch	Floor 1,2 Woman & Child Center, Jingdian Road	0
	5	Baoan Sub-branch	FI 1,Huibao Building,Qianjing Road, Baoan District	0
	6	LongGang Sub-branch	FI 1,Ziteng Garden,LongGang district	0
	7	Zhongxin District Sub-branch	Flat B, International Trade Building, Fuhua Yi Road, Futian District	0
	8	Nanshan Sub-branch	Attachment, Modern Dream Garden, Nanyou Street, Nanshan District	0
	9	Tairan Sub-branch	Floors 1 & 2, Benyuan Building, Chegong Temple, Futian District	0
		Sub-total	9	
Twelve	1	Kunming Branch	No. 145-1, Dongfeng Xi Road	7
	2	Bailong Lu Sub-branch	No. 196, Bailong Road, Kunming City	0
	3	Wujin Sub-branch	No. 67, Wujin Road, Kunming City	0
	4	Ankang Sub-branch	No. 195, Ankang Road, Kunming City	0
	5	Renming Xi Road Sub-branch	No. 320, Renming Xi Road	0
	6	Beijing Road Sub-branch	No.920, Beijing Road	0
	7	Tuodong Road Sub-branch	No. 270, Tuodong Road	0
	8	Luosiwan Sub-branch	No. 628, Chengnan Road	0
		Sub-total	8	

Report by the Board of Directors

Serial number	Unit	Address	Subordinate units	
Thirteen	1	Wuhu Branch	No. 203, Renmin Road, Wuhu City	2
	2	Development District Sub-branch	1/F Chuangye Building, Development District, Wuhu City	0
	3	Erjie Sub-branch	No.86, Zhong Er Road	0
		Sub-total		3
Fourteen	1	Tianjin Branch	No. 9, Binshui Avenue, Hexi District, Tianjin City	8
	2	Pucheng Sub-branch	Jinchen Garden, 188 Jinwei Road, Hebei District	0
	3	Puxin Sub-branch	No. 542, Xingang Road, Tanggu District	0
	4	Puhui Sub-branch Development District	No. 114, Cuiheng Square, 39 San Street, Economic	0
	5	Puan Sub-branch	No. 3, Yunan road, heping district	0
	6	Putai Sub-branch	Fl 1, No.2, Hangyu Apartment, 256, Baiti Road	0
	7	Puxin Sub-branch	No. 18, Guomao Road, Bonded Zone	0
	8	Pude Sub-branch	National Tax Building, Cross Section between Jingjin Road and Beiyi Road, Beichen District	0
	9	Puyue Sub-branch	No. 40-1, Jintang Road, Hedong District	0
		Sub-total		9
	Fifteen	1	Zhengzhou Branch	No. 30,0 Jingsan Road, Zhengzhou City
2		Daxue Lu Sub-branch	No. 54, Daxue Road	0
3		Jiankang Lu Sub-branch	No. 159, Jiankang Road	0
4		Huanghe Lu Sub-branch	Shengda Building, 9 Huanghe Road, Jinshui District	0
5		Zijinshan Lu Sub-branch	No. 72, Zijinshan Road	0
6		Dongming Sub-branch	Jiangshan building, 126, Huanghe Road	0
7		Jinshui Sub-branch	No. 111, Jinshui Road	0
8		WeNhua Road Sub-branch	No. 91, Wenhua Road	0
9		Jianxi Sub-branch	No. 219, Jianse Road	0
10		Huayuan Road Sub-branch	No. 21, Huayuan Road	0
11		Chengdong Sub-branch	No. 18, Chengdong Road	0
		Sub-total		11
Sixteen	1	Dalian Branch	No. 3, Zhongshan Square, Zhongshan District	6
	2	High-tech Zone Sub-branch	No.649, Huanghe Road, Shahekuo District	0
	3	Development Zone Sub-branch	No. 135, Jinma road, development Zone	0
	4	Zhanqian Sub-branch	Building A, Shengli Square, Zhongshan District	0
	5	Zhongshan Sub-branch	No. 7, Gangwan Street, Zhongshan District, Dalian	0
	6	Xigang Sub-branch	No. 7, Xinkai Raod, Zhongshan District, Dalian	0
	7	Xueyuan Square Sub-branch	No. 5, Shuma Road, Shahekou	0
		Sub-total		7

Report by the Board of Directors

Serial number	Unit	Address	Subordinate units	
Seventeen	1	Jinan Branch	No. 165, Jiefang Road, Ji'nan	6
	2	Shanda Sub-branch	No.242-2, Shanda Road	0
	3	Shizhong Sub-branch	No. 84, Wei-er Road	0
	4	Shinan Sub-branch	No. 40, Jing Shiyi Road	0
	5	Quanchen Road Sub-branch	No. 366, Quanchen Road	0
	6	Shungeng Sub-branch	No. 51, Jitai Road	0
	7	Heping Sub-branch	No. 55, Heping Road	0
		Sub-total	7	
Eighteen	1	Chengdu Branch	No.98-1, Shuangling Road, Chengdu	3
	2	Kehua Sub-branch	No. 153, Kehua Bei Road, Chengdu	0
	3	Shishi Sub-branch	No. 126, Wenweng Road, Chengdu	0
	4	Shuncheng Sub-branch	No.229-1, Shuncheng Street, Chengdu	0
		Sub-total	4	
Nineteen	1	Xi'an Branch	No.3, Beida Road, Xi'an	3
	2	Hanguang Sub-branch	No. 56, Tianshuijing Road, Xi'an	0
	3	Hi-tech Development Zone Sub-branch	1/F, Buchang Mansion, Gaoxin Road, Xi'an	0
	4	Weiyang Sub-branch	No. 30, Weiyang Road	0
		Sub-total	4	
Twenty	1	Shenyang Branch	No.158, Qingnian Road, Shenhu District, Shenyang	4
	2	Taishan Sub-branch	No. 93, Huanghe Nan Street, Huanggu District, Shenyang	0
	3	Fangyuan Sub-branch	No.1, Yuebing Road, Shenhe District	0
	4	Wulihe Sub-branch	No. 55, Sanhao Street, Heping District	0
	5	Dadong Sub-branch	No. 71, Da Bei Guan Street, Dadong Street	0
		Sub-total	5	
Twenty-one	1	Wuhan Branch	T8, Xinhua Xia Road, Wuhan	3
	2	Jiangnan Sub-branch	No. 8, Xiate Road, Xinhua	0
	3	Guanggu Sub-branch	No. 716, Keyu Road, Hongshan District	0
	4	Yanjiang Sub-branch	Guangyuan Building, No.133, Riverside Street, Jiangnan District	0
		Sub-total	4	
Twenty-two	1	Qingdao Branch	No. 53, Xianggang Xi Road	1
	2	Chengyang Sub-branch	No. 307, Zhengyang Road,	0
		Sub-total	2	
Twenty-three		Taiyuan Branch	No. 333, Yingze Street, Taiyuan	0
Twenty-four		Changsha Branch	No. 559, Wuyi Street, Changsha	0
Twenty-five		Harbin Branch	No. 200, Hanshui Road, Harbin	0
		Total	328	

Report by the Board of Directors

(2) An overview of SPDB's loans in terms of 5-category classification and provisions for NPLs

Unit: RMB '000 yuan

5-category classification	Amount	Percentage (%)	Provisions (%)
Normal	287,576,206	92.50	1
Especially Mentioned	15,710,765	5.05	4
Sub-standard	3,275,656	1.05	35
Doubtful	4,256,123	1.37	70
Loss	86,390	0.03	100
Total	310,905,140	100.00	

(3) Loans by Top 10 borrowers

Unit: RMB '0000 yuan/USD '0000

Top 10 borrowers	RMB loans	Foreign currency	RMB and foreign currency loan total	Percentage of total (%)
Grace Semi-conductor Manufacturing Co., Ltd.	25,754	10,757	114,783	0.37
Shanghai Urban Construction & Investment Corporation	100,000		100,000	0.32
China Petro Natural Gas Co., Ltd.	80,000		80,000	0.26
Guangzhou Construction Investment & Development Co.	80,000		80,000	0.26
Fushan Publicity Bureau	80,000		80,000	0.26
Shanghai Semi-conductor Manufacturing Co., Ltd.	4,670	8,788	77,406	0.25
Shanghai Tongsheng Bridge Construction Co.	75,000		75,000	0.24
Shanghai Zhong Huan Investment & Development(Group) Co.	72,000		72,000	0.23
Shanghai Port Container Co., Ltd.	65,000		65,000	0.21
Harbin Investment Group	65,000		65,000	0.21
Total	647,424	19,545	809,189	2.60

(4) Subsidized loans that account for more than (and including) 20% of total loans at year-end: such situation never occurred during the reporting period

(5) Balance of restructured loans at year-end and overdue status

Outstanding restructured loans at year-end	In particular, outstanding overdue loans at year-end
RMB 762,951,000	RMB 102,898,000

Report by the Board of Directors



(6) Annual average outstanding balance of major loans by product category calculated on a monthly basis and average interest rates per annum for loans

Category	Monthly average balance (RMB '000 yuan)	Average interest rate per annum (%)
Short-term loans	176,154,770	5.31
Mid & long- term loans	71,877,397	4.59

(7) Major treasury bonds held at the end of the reporting period

Unit: RMB '000 yuan

Type of bond	Annualized interest rate(%)	Par value	Date of maturity
Booked treasury bonds 1998	5.01	550,000	12 Dec.2005
Booked treasury bonds 1999	2.58-4.88	1,890,000	2 Feb.2006-Apr.2009
Booked treasury bonds 2000	2.45-3.50	2,720,000	Jun.2005-Sep.2010
Booked treasury bonds 2001	2.55-4.69	6,115,000	July.2006-Oct.2021
Booked treasury bonds 2002	1.9-2.93	4,680,000	Jun.2005-July.2012
Booked treasury bonds 2003	2.32-2.80	3,500,000	1 Nov.2005-Apr.2013
Booked treasury bonds 2004	2.98-4.86	4,610,000	Feb.2005-Nov.2011
1998 Specific-purpose bonds	6.8	2,503,040	May.2005
Overseas Bonds issued by the Ministry of Finance	1.72-9.0	588,716	July.2005-Jan.2096
Total		27,156,756	

(8) Loss reserves for interests receivable and other receivables

Unit: RMB '000 yuan

Item	Amount	Loss reserves	Method to charge the reserves
Interests receivable	783,727	-	
Other receivables	2,739,667	103,930	Case by case verification

(9) Annual average balance and deposit interest rates for major types of deposits calculated on a monthly basis during the reporting period

Categories	Monthly average outstanding balance (RMB '000 yuan)	Annualized average deposit interest rate (%)
Corporate Current Deposits	146,211,909	0.89
Corporate Fixed Deposits	109,915,437	2.57
Current Savings Deposits	13,419,598	1.01
Fixed Savings Deposits	25,172,609	1.43

Report by the Board of Directors

(10) NPL profile at year-end and the relevant measures taken

According to the principle of 5-class classification of loans, by the end of the reporting period, the company's NPL ratio stood at 2.45%, down by 0.08% from the end of 2003. The company has adopted the following measures to control and mitigate NPLs: ① actively promoting the establishment of bank-wide credit inspection mechanism; risk review organizations/personnel were set up at all branches/directly-subordinate sub-branches and their job duties are clearly defined; ② actively enhancing the classification of loans, the stricter criteria were emphasized when classifying the loans according to the prudence principle so as to reflect the reality of loans; ③ implementing the responsibility system for NPLs, in case of any new NPL, the responsible people shall account for the causes and be dealt with accordingly; ④ further improving the loan protection mechanism, adopted multiple measures including restructuring, law suit, disposal of pledge etc. to liquidate bad loans; ⑤ improving the loan loss reserve provisioning mechanism in accordance with the actual profitability and development strategy and writing-off the bad loans on a timely basis.

(11) Debts overdue. This situation did not occur during the reporting period.

(12) Major off-balance sheet items

From the Company's overall business situation, major factors that may exert a serious impact on the bank's financial situation or business performance came from off-balance sheet liabilities. The Company's off-balance sheet liabilities as at the end of the reporting period were as follows:

Unit: RMB '000 yuan

Item	Dec. 31, 2004	Dec. 31, 2003
Banker's acceptance bills	95,134,461	94,949,445
Accepted bills payable	4,345,235	2,404,371
Letter of Guarantee for financing	2,072,132	2,459,288
Letter of Guarantee not for financing purposes	10,345,439	6,301,286
Letters of Credit issued	9,108,020	7,778,741

(13) Various risks faced by the Company and countermeasures

- a. Risks faced by the Company: As a special company dealing with money, SPDB mainly faced the following risks: credit risk, market risks (including interest rate risk, foreign exchange rate risk etc.), operational risks (including transfer risk, technical risk, systematic risk etc.), liquidity risk, policy risk, legal risk, commercial accountability risk and so on.
- b. On the basis of speeding up the construction of a framework of risk management and internal control that conforms to the international banking regulatory standards, the company makes active efforts to set up a full-round risk management mechanism and structure, covering credit risk, market risk, liquidity risk and operational risk. The company has recruited international talents to be senior risk executives and introduce the internationally advanced risk management expertise and technology.

In order to prevent and solve the major risk that banks are faced with — credit risks, the company has adopted several measures. In terms of credit management, in accordance with the macroeconomic environment in 2004, the company issued guidelines on credit management, formulated the relevant risk management rules and guidelines on the industries and regions to which credit shall be granted. In terms of authorization limits, the company tried to quantitize the authorities given to the relevant risk /credit officers according to the exposure, size of credit, credit quality, management standards, integrity of the region etc. Meanwhile, the company may flexibly adjust the authorities granted according to the changing situation. In terms of credit review, the company makes it a rule that credit review shall be done by qualified people. And the authority for credit review shall be granted to those people who have the due experices and skills. In terms of portfolio management, the company focuses on the control of concentration of credit and risks of related transactions. The company formulated internal control measures to strictly control/manage the credit businesses offered to group clients and related enterprises. In terms of assets work-outs, greater efforts have been made to liquididate NPLs and charge sufficient provisions. Meanwhile, the company has made great efforts to identify the hidden risks in all businesses, including assets businesses, liability businesses, fee-based services and so on. The management mechanism of before-event prevention, in the event monitoring and after-event remedy has been put in place so as to strengthen the unified management and internal control of the company.

- c. In comparison with the previous reporting period, no major changes had occurred in terms of the policy and procedures for writing-off non-performing loans.

(14) The Company's internal control

The company focuses much on full-round risk management and adopts effective measures to strengthen credit risk, operational risk and liquidity risk. Firstly, to strengthen the formulation of risk management policies and guidance; secondly, to standardize risk management via the reform of the credit mechanism and risk review mechanism; thirdly, to further improve the asset preservation mechanism and effectively mitigate risk losses; forthly, to strictly control the business operation processes and avoid operational risks; last but not least, to watch closely the market trends and effectively solve and mitigate interest rate risk and liquidity risk.

With the continuously development of new products and new services, the company strengthend the formulation of management regulations and the revision of existing rules and regulations. In 2004, the company sorted out all the existing internal control regulations, formulated 48 new regulations and rules and improved and revised 17 existing regulations and rules. In order to strengthen internal control and internl audit, the company established the vertical business line management of internal audit. After the set-up of the new internal audit structure, the company formulated and revised a complete set of rules and working systems for internal auditors on the basis of the relevant state regulations and requirements.

Report by the Board of Directors

4. Investments made by the Company

a. Investment made with the capital raised

The Company issued 400 million common shares to the public on September 23rd, 1999 at an offered price of RMB 10 per share. With the issuance expenditures deducted, a total of RMB 3.955 billion yuan was raised from the IPO. On January 8, 2003, the company launched a secondary offering of 300 million new shares at an offer price of RMB 8.45 yuan per share. With the issuance expenditure deducted, a total of RMB 2.494 billion was raised. The above-mentioned proceeds were all used (with official ratification from PBOC) to enrich the capital, and had substantially boosted the Company's capital adequacy ratio. Consequently, shareholders equity had been remarkable increased and the Company's capacity to tide over risks had been enhanced. This laid a solid foundation for the speedy growth of the Company. The Company used the funds raised strictly in compliance with the commitments it made in the prospectuses and gained good returns.

b. The outstanding balance of the Company's equity investment stood at RMB 448.06 million as at the end of the reporting period.

5. Financial statements

a. Change in major financial indicators and the causes for the change

Unit: RMB '000 yuan

Item	As at Dec. 31, 2004	As at Dec. 31, 2003	Increase or decrease (%)	Major causes
Total assets	455,532,286	371,056,698	22.77	Increases in business volume
Long-term equity investment	448,061	448,063	0.00	exchange rate change
Long-term bond investment	30,151,078	30,590,618	-1.44	Long-term bond investment matures
Fixed assets	4,633,914	4,152,612	11.59	Increase in fixed assets investment
Total liabilities	442,021,983	359,045,775	23.11	Increase in deposits
Long-term liabilities	156,931,361	117,221,000	33.88	Increase in long-term deposits
Shareholder's equity	13,510,304	12,010,923	12.48	Increase in net profit

Unit: RMB '000 yuan

Item	As at Dec. 31, 2004	As at Dec. 31, 2003	Increase or decrease (%)	Major causes
Principal operating profit	6,964,721	5,183,725	34.36	Business growth
Investment returns	1,455,927	1,471,319	-1.05	Slight decrease in investment
Net profit	1,930,031	1,566,088	23.24	Increase in businesses

Report by the Board of Directors

b. Items with a variance over 30% on a year-on-year basis in the financial statement and causes:

Unit: RMB '000 yuan

Item	As at Dec. 31, 2004	As at Dec. 31, 2003	Increase or decrease (%)	Major causes
Cash	1,466,556	1,081,830	35.56	Increase in cash reserves
Due from the central bank	70,125,106	37,861,661	85.21	Increase in legal reserves and strength ened cash position
Interests to be amortized	235,718	157,712	49.46	Increase in tran-discounting/ re-discounting interests to be amortized
Mid-term loans	37,665,918	26,346,187	42.97	Increase in loan volumes
Long-term loans	50,454,227	29,222,168	72.66	Increase in loan volumes
Overdue loans	1,924,287	532,302	261.50	Increase in newly arised overdue loans
Loan loss reserves	8,919,499	6,268,205	42.30	Increaes in loan volumes and more prudent provisioning
Long-term expenses to be amortized	6,514	12,245	-46.80	Amortized in the current reporting period
Other long-term assets	57	588,815	-99.99	Concentrated syndication, decrease in long-term interests receivables
Short-term savings	16,099,176	11,688,116	37.74	Increase in deposits
Interbank borrowing	2,006,516	3,055,379	-34.33	Decrease in interbank borrowing
Interests payable	1,610,273	1,072,103	50.20	Increase in total liabilities
Outbound remittance	1,687,144	1,122,671	50.28	Increase in remittance businesses
Entrusted funds	23,389	113,807	-79.49	Decrease in entrusted funds
Salaries payable	87,420	64,149	36.28	Increase in salaries payable
Staff benefits payable	143,399	87,858	63.22	Increase in benefits payable
Taxes payable	1,740,113	1,326,802	31.15	Increase in profits, increase in taxes payable
Other payables	6,306,904	3,480,836	81.68	Increase in amounts payable
Deferred income	479,944	364,488	31.68	Increase in discounting interests to be amortized
Other current liabilities	54,010	132,983	-59.39	Decrease in social security funds payable
Long-term savings	30,504,934	21,047,631	44.93	Increase in deposits
Long-term guarantee depositis taken in	2,200,861	1,007,903	118.36	Increase in guarantee deposits taken in for LC, LG businesses
Long-term payables	6,000,000	0	-	Subordinated debts are issued to enhance Tier 2 capital
Welfare reserve	666,601	473,598	40.75	Distribution of after-tax profits
Retained earnings	2,000,000	1,150,000	73.91	Increase in net profits, to be adjusted after the accounting period
Major revenues in the profit statement	-	-	>30	Increase in deposit and loan businesses

Report by the Board of Directors

6. Information on major losses incurred by the company due to joint-guarantee responsibilities taken on by the company

None

7. Major changes in operation environment and macro-economic policies and their impacts

The year 2004 witnessed major changes in the external environments for banks. The central government continues to implement macro-economic control measures. The market competitions are increasingly fierce. The financial sector is more and more opened up. Under such a context, the company timely readjusted its business structure and growth mode, continued to promote the bank-wide organizational structure reform so as to build up a flat organization with a matrix structure and actively controlled and mitigated risks.

1. In March 2004, PBOC promulgated "Notice of implementation of different deposit reserve system", and decided the system be carried out from April 25, 2004. And it did not have any impact on the company.
2. On April 12, 2004, with the approval from the State Council, PBOC decided to carry out the 7.5% of deposit reserve ratio(a rise of 0.5%) of commercial bank, and this change did not bring any material impact on the company.
3. In June 2004, PBOC and CBRC promulgated "Regulations of issuance of subordinated bonds by commercial banks", and permitted commercial banks to issue subordinated bonds to enhance subordinated capital. Pursuant to this regulation and with the approval from shareholders meeting, the company issued RMB6 billion subordinated bonds.
4. In September 2004, CBRC promulgated "Notice of collecting regulatory fee from financial institutions", and according to this regulation, the company paid RMB77,343,400 for its regulatory fee during the reporting period.
5. On Oct. 29, 2004, PBOC promulgated "Notice of adjustment of deposit and loan interest rate of financial institutions", and decided to raise the benchmark interest rate of RMB deposit and loan, broadened the floating rate margin of interest rate of RMB loan and allowed the lowering of interest rate of RMB deposit. Since there was only an 0.27% rise of benchmark interest rate of deposit and loan on one year term, it did not have much impact on the company.

8. Business development plans for the new financial year

(1) Guidelines for development

Being oriented to sustainable growth and in line with the macroeconomic environment and the trends in the banking industry, the Company shall stick to the concept of scientific development, focus on organizational structure reform and speed up the reform and transformation of the whole bank in terms of ideology, system, management, operation and so on. The company will make even greater efforts to improve the business structural transformation, encourage innovation, optimize processes, prevent risks and build up the brand. Determined to provide diversified, differentiated and competitive products and services to customers, the company will try its best to promote the comprehensive, co-ordinated and sustainable development so as to bring itself in line with the best practice in the banking sector worldwide.

(2) Operating objectives for the new financial year

Strive to increase total assets to over RMB 537.5 billion yuan, up 18% on a year-on-year basis;

Strive to increase total outstanding deposits to RMB 474.5 billion yuan, up 20% on a year-on-year basis;

Strive to increase total outstanding loans to RMB 373.1 billion yuan, up 20% on the previous year;

Strive to increase the after-tax profit by 20%

Strive to control the NPL ratio below 1.86% (according to the 5-category classification of loans)

(3) Major measures for the new financial year

In terms of corporate banking: on the basis of exploring market segmentation, the company will try to provide differentiated services and management of different types of customers. The company will aim at promoting the management efficiency, optimizing the processes, setting up a complete/common information platform and promoting the establishment of the management information system and product development system.

In terms of consumer banking: the company intends to make enhanced efforts to develop new products and market those products, integrate the delivery channels and service platforms and improve service standards and build up a positive market image via branding efforts.

In terms of treasury and new businesses: the company will focus on marketing and serving low-risk assets products, further promote asset securitization and actively promote assets management and annuity services.

Report by the Board of Directors

In terms of risk management: the company aims at establishing a full-round risk management structure covering credit risk, market risk and operational risk and manage the risks from multiple levels including decision making, implementation, risk monitoring and so on.

In terms of business operation and management: the company shall strengthen budgeting, management and performance appraisal, strengthen the follow-up analyses of the implementation of budgets, gradually complete the contents of performance appraisal, combine short-term performance with long-term performance goals and explore a performance appraisal system based on balanced scorecards. Meanwhile, the company will gradually enhance the efficiency and effectiveness of funds usage, optimize the balance sheet of the company and control the costs of funds in a scientific way.

In terms of IT construction: the company will continue the construction of business support systems and management support systems so as to develop a solid technical platform for the growth of fee-based businesses and new products/services. In 2005, the company intends to bring the risk-management information system online bank-wide so as to further promote the goal of building the bank on the IT-network.

In terms of talent cultivation: the company will continue to optimize the education and allocation of talents, set up a talent cost budget and control mechanism and strive to build up and maintain a team of high-quality staff.

9. Day-to-day work of the Board of Directors

(1) On February 25, 2004, the company held the 11th Session of the 2nd Board in Shanghai. 19 board members should attend the meeting and 19 directors with voting rights did attend. The meeting was chaired by Chairman Zhang Guangshen. Supervisors and some top management of the company attended the meeting as non-voting representatives. After discussions among the directors, the board meeting reviewed and passed the following resolutions:

- a. The 2003 Board Report
- b. The 2003 Report by the Management
- c. The 2003 Annual Report and the Summary
- d. The 2003 Profit Distribution Plan
- e. The 2003 Final Accounting Report and the 2004 Budget
- f. The Resolution on Continuing to Appoint Da Hua Certified Public Accountants Co., Ltd. as the Domestic Auditor and Ernst & Young Accounting Firm as the International Auditor for 2004
- g. The Resolution on Changing Some Directors and Senior Executives

Report by the Board of Directors

- h. The Resolution on Launching a Bank-wide Organizational Restructure and Business Transformation
 - i. The Resolution on Setting up a Business Presence in HK
 - j. The Resolution on the Use of Proceeds Raised from Previous Recapitalization
 - k. The Resolution on the Guarantee Issues Regarding Issuing Convertible Bonds
 - l. The Resolution on Issuing Subordinated Debts (no more than RMB 6 billion yuan)
 - m. The Resolution on Special Authorization to the Company Regarding the Subordinated Debts
 - n. The Resolution on the Feasibility Report of Issuing Subordinated Debts
 - o. The Internal Rules on Directors and Supervisors Conducting Tour Inspections
 - p. The Resolution on Summoning the 2003 Annual General Shareholders' Meeting
 - r. The Resolution on Compulsory Annual Leave System for Staff
 - s. The Resolution on Writing-off NPLs
 - t. The Resolution on Some Shareholders Transferring Some Shares of the Company.
- (2) The Company held the 12th Session of the 2nd Board on April 26, 2004 in Shanghai. 19 board members should attend the meeting and 19 board members with voting rights did attend. Chairman Zhang Guangsheng chaired the meeting and supervisors and some senior executives of the company attended the meeting as non-voting representatives. After serious discussions, the meeting reviewed and passed the following resolutions:
- a. The 1st Quarterly Report, 2004
 - b. The Resolution on Changing Some Directors and Adding one More Independent Director
 - c. The Resolution on Changing the Recapitalization Plan from Convertible Bonds Issuance to Secondary Offering
 - d. The Resolution on the Company Being Qualified for Secondary Offering
 - e. The Resolution on Issuing No More than 700 Million New Shares
 - f. The Resolution on Special Authorization to the Board with Full Rights to Deal with Issues Related with the Secondary Offering
 - g. The Resolution on the Feasibility Analyses of the Secondary Offering
 - h. The Resolution on the Use of Proceeds Previously Raised
 - i. The Resolution on New and Old Shareholders Sharing the Retained Earnings
 - j. The Resolution on the Appointment of Underwriters for Secondary Offering
 - k. The Resolution on Summoning the 1st Provisionary Shareholders' Meeting

Report by the Board of Directors

- (3) The Company held the 13th Session of the 2nd Board on May 24, 2004 in Shanghai. 19 board members should attend the meeting and 19 board members did attend with voting rights. Chairman Zhang Guangsheng chaired the meeting and supervisors and some senior executives of the company attended the meeting as non-voting representatives. After serious discussions, the meeting reviewed and passed the Resolution on Changing Some Terms for the Issuance of Subordinated Debts and Special Authorization.
- (4) The Company held the 14th Session of the 2nd Board on July 13, 2004 in Shanghai. 19 board members should attend the meeting and 19 board members did attend with voting rights. Chairman Zhang Guangsheng chaired the meeting and supervisors and some senior executives of the company attended the meeting as non-voting representatives. After serious discussions, the meeting reviewed and passed the Resolution on Appointing Ms Ma Li as Executive Vice President of the company.
- (5) The Company held the 15th Session of the 2nd Board on August 12, 2004 in Shanghai. 19 board members should attend the meeting and 19 board members with voting rights did attend. Chairman Zhang Guangsheng chaired the meeting and supervisors and some senior executives of the company attended the meeting as non-voting representatives. After serious discussions, the meeting reviewed and passed the Mid-term Report and Summary and Regulations on Related Transactions.
- (6) The Company held the 16th Session of the 2nd Board on October 28, 2004 in Shanghai. 19 board members should attend the meeting and 19 board members with voting rights did attend. Chairman Zhang Guangsheng chaired the meeting and supervisors and some senior executives of the company attended the meeting as non-voting representatives. After serious discussions, the meeting reviewed and passed the 3rd Quarterly Report 2004, the Resolution on Writing-off NPLs and the Resolution on Some Shareholders Transferring Some Shares of the Company.

10. Implementation of resolutions passed by general shareholders' meeting by the board

- (1) On March 30, 2004, the General Shareholders' Meeting passed the resolution on "Issuing No More than RMB 6 Billion Subordinated Debts". The board of directors earnestly implemented the resolution and implemented the relevant application procedures. The debts were successfully issued. According to the CBRC Reply on Approving SPDB to Issue Subordinated Debts encoded as CBRC Reply [2004] No. 51, the company signed contracts with 8 institutions including China Life Insurance (Group) Co., China Life Insurance Co, Ltd. and so on, involving a total amount of RMB 6 billion subordinated debts. The subordinated debts issued have a tenor of 5 years and 1 month with floating interests. The initial interest rate is 4.60%. The interests are payable once a year. By June 9, 2004, all the proceeds raised (namely, RMB 6 billion) have been transferred into the bank's account, representing the successful issuance of the debts. According to the relevant regulations, all the debts will be counted as Tier II capital of the company.

- (2) On May 31, 2004, the first Provisionary Shareholders' Meeting reviewed and passed the Motion on Changing the Company's Recapitalization Plan from Issuing Convertible Bonds to New Share Issuance and the Motion on Issuing No More than 700 Million RMB Common Shares and so on. By the end of the reporting period, the company is still in the process of applying to CSRC for the new share issuance.

11. The Company's profit distribution proposal or the plan for converting capital reserves to bonus shares

According to the Auditor's report with no reserved opinions issued by Ernst & Yong Accounting Firm, in the financial year 2004, the company realized a net profit of RMB 1.93 billion yuan and the non-distributed profits by the end of 2004 totaled RMB 53.28 million. As such, the company put forward the following proposal for profit distribution:

- (1) 10% of the after-tax profits shall be charged as legal capital surplus, totaling RMB 193 million yuan;
- (2) 10% of the after-tax profits shall be charged as legal welfare reserve, totaling RMB 193 million yuan;
- (3) 10% of the after-tax profits shall be charged as discretionary reserve, totaling RMB 193 million yuan;
- (4) RMB 850 million yuan shall be charged as general reserve;
- (5) A dividend of RMB 1.2 yuan (tax-included) shall be distributed to each 10 common stocks, with the dividends payable totaling RMB 469.8 million yuan;
- (6) For the financial year 2004, no bonus share shall be distributed nor no bonus share shall be converted from capital surplus.

After the above profit distribution plan is implemented, the company's undistributed profits will total RMB 84.48 million yuan.



REPORT BY THE SUPERVISORY BOARD

Report by the Supervisory Board

1. Meetings of the Supervisory Board

Throughout the 2004 financial year, the Supervisory Board convened 4 meetings. Details are as follows:

- (1) On February 25th, 2004, the Company held the 9th session of the Second Supervisory Board. Nine supervisors should attend the meeting and nine supervisors did attend with voting rights. The meeting was chaired by Li Guanliang, director of the supervisory board. The following resolutions were discussed and passed: "Resolution on the Report by the Supervisory Board for 2003", "Resolution on the Annual Report 2003 and Report Summary", "Resolution on the Profit Distribution Proposal 2003", "Resolution on the 2003 Final Accounting Report and the 2004 Budget", "Resolution for Passing the Report on Directors' and Senior Management Performing Their Duties According to Law", "Resolution on Payment of Auditor's Fees to the Accounting Firms For 2003" and the "Regulation on Directors Supervisors Conducting Tour Inspections".
- (2) On April 26th, 2004, the Company held the 10th session of the Second Supervisory Board. Nine supervisors should attend the meeting and nine supervisors did attend with voting rights. The meeting was chaired by Li Guanliang, director of the supervisory board. The meeting discussed and passed the 1st Quarterly Report 2004.
- (3) On August 12th, 2004, the Company held the 11th session of the Second Supervisory Board. Nine supervisors should attend the meeting and nine supervisors did attend with voting rights. The meeting was chaired by Li Guanliang, director of the supervisory board. The meeting discussed and passed the Mid-term Report 2004 and the Regulations on Related Transactions.
- (4) On October 28th, 2004, the Company held the 12th session of the Second Supervisory Board. Nine supervisors should attend the meeting and nine supervisors did attend with voting rights. The meeting was chaired by Li Guanliang, director of the supervisory board. The meeting discussed and passed the 3rd Quarterly Report 2004 and the Resolution on Writing-off NPLs.

2. Independent opinions from the Supervisory Board

(1) An overview of the company's operation according to law

During the reporting period, the Company operated according to law, standardized its management and reported its performance objectively and true to the fact. It has developed and upgraded its internal control intensively and extensively. The decision-making procedures were all legal. The Directors and Senior Management were prudent, conscientious and diligent, and did not breach any law or regulation in the process of business operations and management, nor any of them was discovered to conduct any behavior that caused any damage to shareholders' interests.



Report by the Supervisory Board

(2) Authenticity of the financial statement

After careful review of the Company's financial reports and the audited financial reports issued by accounting firms for 2004, the Supervisory Board believes that the Company's financial report accurately reflects the Company's financial status and performance during the reporting period. The auditors, Da Hua Certified Public Accountant Co., Ltd. and Ernst & Young Accounting Firm both issued an auditor's report without any reserved opinions. Neither did they refuse to express an opinion. The audited reports reflect the company's financial status authentically, objectively and accurately.

(3) The Company's utilization of the funds raised from IPO and Secondary Offering

When the Company launched its IPO in 1999, it raised a total of RMB3.955 billion yuan. Through its second offering of 300 million new shares, it raised another RMB 2.495 billion yuan. As approved by the People's Bank of China, all these funds have been used to reinforce the Company's capital and enlarge the company (the bank)'s asset scale. The actual projects invested with these funds and the uses of the funds are consistent with the promises made in the share prospectus. The Company strictly implemented the plan for using the funds as stated in the stock-recruiting prospectus and utilized the capital raise in a reasonable manner.

(4) Acquisition and sales of assets

During the reporting period, the company neither sold any assets nor acquired or merged any assets.

(5) Transactions with related parties

Within the reporting period, the Company's associated transactions were fair and reasonable, and such related transactions haven't been discovered to cause any damage to shareholders' interests or the Company's interests.

(6) Internal control

The Company had established a comprehensive, rational and effective internal control system.

(7) Auditing report

Both Da Hua Certified Public Accounting Co., Ltd. (the domestic auditor of the company) and Ernst & Young Accounting Firm (the international auditor of the company) issued an auditor's report without any reserved opinions.

(8) Execution of resolutions made at the General Meeting of Shareholders

The members of the Company's Supervisory Board attended the Company's Board of Directors meetings and Shareholders Meetings as non-voting delegates, and the Supervisory Board had no objections to the contents of the reports and proposals submitted by the Company's Board of Directors to the General Meeting of Shareholders for examination and approval. The Company's Supervisory Board supervised on the execution of resolutions made at the Shareholders Meetings and believes the Board of Directors is able to earnestly implement the relevant resolutions made at the Shareholders Meeting.

IMPORTANT ISSUES



Important Issues

1. Major lawsuit and arbitration issues

By the end of the reporting period, the Company as the plaintiff had brought 213 lawsuits to court that had not been verdict, involving a total amount of RMB 1,249.21 million yuan. There was 4 major lawsuits (in which the Company was the defendant) that had not been verdict involving a total amount of RMB 1.282 million yuan.

2. Within the reporting period, the company hasn't conducted any major acquisition, sale or disposal of assets nor any major case of M&A.

3. Important Transactions with Related Parties

The company has no related party that holds a controlling stake of the company.

During the reporting period, the transactions conducted by the company with related parties are mainly loans to shareholders and related parties. All such loans are granted according to the relevant regulatory requirements and terms and conditions of loans. The principal and interest on all loans and call loans to the related parties were returned or paid normally and exerted no negative impact on the company's businesses or profit. Pursuant to the stipulations of CBRC on Commercial Banks and Insiders Transactions and Related Transactions with Shareholders, the company formulated the new Regulations on Related Transactions. According to the new regulations, the company doesn't have any related party who has a controlling relationship with the company.

The company's related parties mainly refer to legal entity shareholders who directly, indirectly, or jointly hold or control 5% stake/voting rights or over in the company. To be more specific, they are Shanghai International Group, Shanghai International Trust and Investment Corp., Shanghai Industry Group, SIIC Development Co., Ltd, SIIC International Trade Group Co., Ltd, Shanghai State-owned Assets Operation Corp., and Shanghai Guoxin Investment Development Co.

The following is an overview of the company's related parties and transactions with related parties:

Unit: RMB '000 yuan

Name	Outstanding balance of loans/call loans by the end of December, 2004	Interest income by the end of Dec. 2004
Shanghai International Trust and Investment Co.	0	0
Shanghai Industrial (Holdings) Co., Ltd.	100,000	479.65
Shanghai International Group	300,000	6,931.8
SIIC Development Co., Ltd	0	156.49
SIIC International Trade Co., Ltd.	0	626.05
Shanghai State-owned Assets Operations Co.	600,000	23,868.50
Shanghai Guixin Investment Co.	0	289.80

4. Major contracts and their execution

- (1) Major custody, outsourcing and rent & lease contracts: during the reporting period, no such case of major custody, outsourcing and/or rent & lease has taken place in the company.
- (2) Major case of guarantee: apart from the financial guarantee services as allowed by PBOC, the company hasn't conducted any case of major guarantee that require disclosure.
- (3) Entrusted wealth management: during the reporting period, the company hasn't entrusted any party for wealth management.

5. Appointment of Accounting Firms

During the reporting period, the Company appointed Da Hua Certified Public Accountant Co., Ltd. and Ernst & Young Certified Public Accounting Co., Ltd. as the Company's auditors for its statutory financial statements and supplemental financial reports.

During the reporting period, the company paid to Da Hua RMB 1.3 million yuan as auditing fees (the Company did not cover travel expenses). Da Hua has been the company's auditor for 7 consecutive years.

Fees paid to Ernst & Young by the Company during the reporting period amounted to RMB 1.3 million yuan (the Company did not cover travel expenses). Ernst & Young had been an auditor for the Company for 5 consecutive years.

6. None of the Company's directors, supervisors or senior management was penalized by the supervisory authorities during the reporting period

7. Other major events taken place during the reporting period

According to the "Provisions on Bad Loan Reserves and Writing-off for Financial Institutions" issued by the Ministry of Finance in May 2001 (encoded as Cai Jin [2001] No. 127), the Company's board meetings approved to write off bad loans totaling RMB 509 million.

8. The Company has not changed its name or its abbreviation in the stock market.

9. The Company or any shareholder with more than 5% stake made no disclosure of commitment in the designated newspapers or websites.

10. Explanation on the controlling shareholder and/or its subsidiary using the company's proceeds by the certified public accountants:

As entrusted by the company, we audited Shanghai Pudong Development Bank Co., Ltd. (referred to as the Company hereafter)'s Balance Sheet as at December 31, 2004, the Profit and Profit Distribution Statement for 2004 financial year and the Cash Flow Statement for 2004. And we issued the auditor's report without any reserved opinions. We have conducted the auditing according to the Rules for Independent Auditing by



Important Issues

Chinese Certified Public Accountants promulgated by Ministry of Finance of PRC.

We hereby explain the company's transactions with related parties and guarantees provided by the company for the 2004 financial year, based on the company's 2004 financial reports. It's the company management's responsibility to reveal such information and be responsible for the truthfulness, validity and completeness of the information. The following data are all from the financial reports of the company. Apart from the audit procedures we have conducted for the purpose of the above auditor's report, we haven't conducted any extra audit procedure for the company.

(1) Explanation on the proceedings/funding between the company and its related parties

By the end of the reporting period, the proceedings/funding between the company and its related parties includes loans and discounting services. Details are as following:

Unit: RMB '000 yuan

Party who used the funds	Accounting item	Outstanding balance at the end of the Reporting Period	Outstanding balance at the beginning of the Reporting Period	Form of the funds	Reason for the funds use
Shanghai Industrial Investment(Group) Co., Ltd	Short-term loans	100,000	24,830	loans	To supplement working capital
Shanghai International Group Co., Ltd	Short-term loans	300,000	100,000	loans	To supplement working capital
SIIC Development Co., Ltd.	Short-term loans	-	18,000	loans	To supplement working capital
SIIC International Trade (Group) Co., Ltd.	Short-term loans/ bill discounting	-	13,240	Loans/bill discounting	To supplement working capital
Shanghai State-owned Assets Operation Corp.	Short-term loans	600,000	330,000	loans	To supplement working capital
Shanghai Guoxin Investment Development Co., Ltd.	Short-term loans	-	20,000	loans	To supplement working capital
Total		1,000,000	506,070		

(2) Explanation on guarantees provided by the company

All the guarantees provided by the company are normal off-the-balance-sheet items. Details of the company's liabilities off the balance sheet are as following:

Unit: RMB '000 yuan

Item	Outstanding balance as at the end of the reporting period	Outstanding balance as at the beginning of the reporting period
Banker's acceptance bill	95,134,461	94,949,445
Acceptance bill payable	4,345,235	2,404,371
Financing L/G	2,072,132	2,459,288
Non-financing L/G	10,345,439	6,301,286
L/C issued	9,108,020	7,778,741
Re-discounting	10,398	3,296,629
Trans-discounting	28,351,671	14,403,989

The company hasn't provided any special guarantee for any related party.

Chinese certified accountants: XU Yan, CHEN Lu, Da Hua Certified Public Accountants' Firm

11. Special explanation on independent directors' opinions on the accumulated guarantee provided by the company and guarantee provided during the reporting period, illegal guarantee and the execution of the CSRC Document encoded [2003] No. 56

Pursuant to the stipulations of CSRC Document encoded [2003] No. 56 and in the principle of fairness, equality and objectiveness, a review has been conducted regarding the guarantee provided by the company to other entities. We believe that by December 31, 2004, all the guarantee services provided by the company have been approved by the People's Bank of China and China Banking Regulatory Commission. As a matter of fact, guarantee services are normal businesses provided by the company. In the Articles of Association, the company has made clear limitations on authorization and it has formulated detailed management rules for guarantee services in line with its risk features, as well as detailed operation procedures and check and approval processes, thus effectively controlling the risks of guarantee services. During the reporting period, the company has been able to earnestly carry out the relevant stipulations of CSRC Document encoded [2003] No. 56 and there is no illegal guarantee provided by the company.

12. Statement on Assets Impairment Reserves

This statement is prepared according to the Accounting Principles for Enterprises but it doesn't constitute a component of the audited financial reports for the financial year ended on December 31, 2004.

Important Issues

Unit: RMB '000 yuan

Item	Outstanding balance as at beginning of the reporting period	Change during the period	Exchange rate change	Collected during the reporting period	Brought-forward During the reporting period	Brought-out during the reporting period	Written-off during the reporting period	Outstanding balance at the end of the reporting period
Bad loan reserve	192,050	50,629	-1	-	-	6,237	33,767	202,674
Long-term investment impairment reserve	4,559	-		-	-	-	-	4,559
Loan loss reserve	6,268,205	3,084,525		69,599	6,237		509,067	8,919,499
Value impairment reserve for pledged items to be disposed	230,495	2,566		2,912		-	-	235,973
Total	6,695,309	3,137,720	-1	72,511	9,453	9,453	542,834	9,362,705

Legal Representative: Zhang Guangsheng

President: Jin Yun

Financial controller: Huang Jianping

Maker: Fu Neng

REFERENTIAL DOCUMENTS



Referential Documents

1. Financial statements endorsed with the signatures and seals of the Company's legal representative and finance controller.
2. The original auditor's report endorsed with the stamp of the accounting firm and the signatures and stamps of the certified accountants.
3. The original Annual Report endorsed with the signature of the Company's Chairman of the Board.
4. The texts and original copies of all documents and announcements released in "China Securities Journal", "Shanghai Securities News" and "Securities Times" by the Company within the reporting period.
5. "Articles of Association of the Shanghai Pudong Development Bank Co., Ltd."

Signature of Chairman of the Board: ZHANG Guangsheng

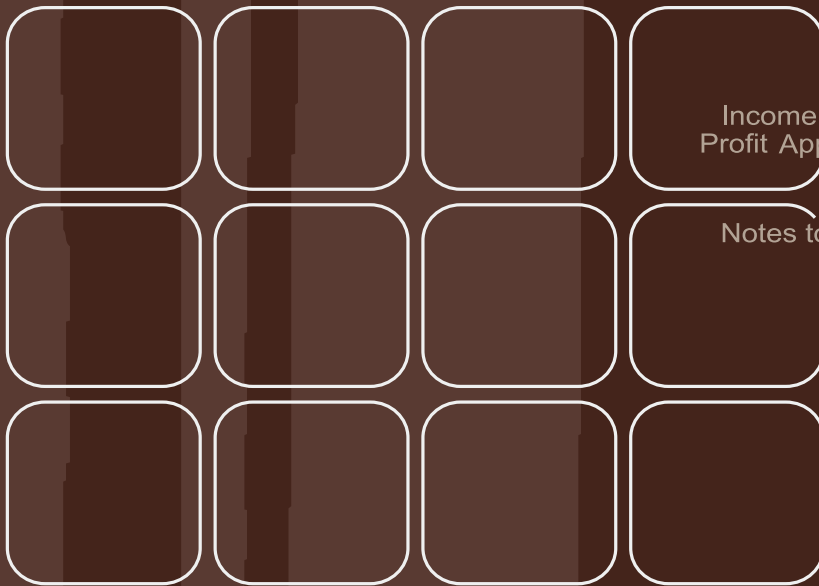


Board of Directors

Shanghai Pudong Development Bank Co., Ltd.

May 24th, 2005

CONTENTS



Auditor's Report **80**

Balance Sheet **81**

Income Statement & Statement of
Profit Appropriation and Distribution **84**

Cash Flow Statement **85**

Notes to the Financial Statements **89**

The Financial Statements (Domestic)

For the Year ended December 31, 2004

Auditor's Report

EYDH(2005) No.0158

To the Shareholders of Shanghai Pudong Development Bank Co., Ltd

We, Ernst & Young Da Hua Certified Public Accountants, have audited the accompanying balance sheet of Shanghai Pudong Development Bank Co., Ltd. ("the Company") as of December 31, 2004, and the related statements of income and profit appropriation and distribution and cash flows for the year then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with *Independent Auditing Standards of the Peoples' Republic of China*. 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 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 aforesaid financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2004 and the results of its operations and the cash flows for the year then ended in accordance with the *Accounting Standard for Chinese Enterprises and the Accounting Regulation for Financial Institutions*. The adoption of accounting policy conforms to the convention of consistency.

Ernst & Young Da Hua Certified Public Accountants



Shanghai China

C.P.A.

Handwritten signature in black ink, appearing to be "徐艳".



Handwritten signature in black ink, appearing to be "陈露".



February 24, 2005

The Financial Statements (Domestic)

For the Year ended December 31, 2004

Balance Sheet

Prepared by Shanghai Pudong Development Bank Co., Ltd

Currency unit: RMB Yuan

Assets	Notes	Line No	Dec. 31, 2004	Dec. 31, 2003
Current Assets:				
Cash on hand and in bank	1	1	1,466,556,104.81	1,081,830,488.70
Scarce metals		2	-	-
Due from the central bank	2	3	70,125,105,916.88	37,861,661,172.89
Due from banks	3	4	4,640,353,970.93	5,627,937,839.92
Inter-bank placements	4	5	8,648,585,067.52	7,863,320,229.79
Discounted bills	5	6	24,702,278,277.92	27,835,302,431.37
Interests receivable	6	7	783,727,052.82	648,025,768.08
Dividends receivable		8		
Other receivables	7	9	2,635,736,962.43	2,174,303,828.04
Reverse repurchase agreements	8	10	10,760,444,300.00	14,061,143,799.13
Short-term investments	9	11	8,170,907,800.00	7,922,966,196.55
Short-term loans	10	12	189,429,550,449.52	164,873,840,965.27
Import & Export advance and negotiation	11	13	1,769,991,939.58	1,887,661,186.66
Interest to be amortized	12	14	235,717,961.15	157,711,704.08
Long-term investments in bonds maturing within one year	13	15	7,876,245,578.04	6,553,433,967.02
Other long-term investments maturing within one year		16		
Other current assets		17	533.91	
Total Current Assets		18	331,245,201,915.51	278,549,139,577.50
Long-term Assets				
Medium-term loans	14	19	37,665,918,473.29	26,346,186,594.11
Long-term loans	15	20	50,454,227,358.50	29,222,167,845.83
Overdue loan	16	21	1,924,286,751.49	532,301,838.04
Non-performing loans	17	22	4,958,886,921.96	4,413,877,814.87
Less: Provision for credit losses	18	23	8,919,498,968.98	6,268,205,020.93
Long-term investments in bonds	19	24	30,151,078,223.51	30,590,617,583.91
Long-term equity investments	20	25	448,060,972.67	448,062,972.67
Fixed assets-cost	21	26	6,653,375,471.05	5,758,352,354.65
Less: accumulated depreciation	21	27	2,019,461,735.45	1,605,740,455.01
Fixed assets-written down value	21	28	4,633,913,735.60	4,152,611,899.64
Less: provision for impairment of fixed assets		29		



The Financial Statements (Domestic)

For the Year ended December 31, 2004

Assets	Notes	Line No	Dec. 31, 2004	Dec. 31, 2003
Fixed assets-net book value		30	4,633,913,735.60	4,152,611,899.64
Constructions in progress	22	31	307,175,574.90	265,996,525.47
Disposal of fixed assets		32	6,799.50	833.82
Total Long-term Assets		33	121,624,055,842.44	89,703,618,887.43
Intangible, Deferred and Other Assets				
Intangible assets	23	34	210,966,512.40	203,044,986.56
Long-term deferred debits	24	35	6,514,167.57	12,245,301.64
Assets received from insolvent debtors to be disposed of	25	36	458,293,359.72	486,134,942.63
Less: Provision for impairment of assets received from insolvent debtors to be disposed of	25	37	235,973,346.87	230,494,653.17
Written-down value	25	38	222,320,012.85	255,640,289.46
Other long-term assets	26	39	56,640.01	588,814,780.80
Total Intangible, Deferred and Other Assets		40	439,857,332.83	1,059,745,358.46
Deferred tax				
Deferred tax debits	27	41	2,223,171,264.04	1,744,194,237.02
Total Assets		50	455,532,286,354.82	371,056,698,060.41
Liabilities and Shareholders' Equity	Notes	Line No	December 31, 2004	December 31, 2003
Current liabilities				
Short-term deposit		51	167,135,728,057.69	136,937,039,996.54
Short-term savings deposit		52	16,099,176,115.86	11,688,115,963.68
Due to the central bank		53	-	-
Bill financing		54	-	-
Due to banks	28	55	17,456,979,109.13	16,280,254,563.17
Inter-bank borrowings	29	56	2,006,516,440.00	3,055,379,000.00
Interests payable		57	1,610,272,819.77	1,072,102,913.41
Short-term guarantee deposit	30	58	60,734,588,937.24	55,763,550,121.31
Repurchase agreements	31	59	8,297,847,964.95	9,271,121,618.21
Outward remittances		60	1,687,144,395.13	1,122,671,429.12
Inward remittances & Temporary deposit		61	1,212,355,357.82	1,048,631,423.72
Designated deposit	32	62	23,388,954.23	113,806,577.02
Payroll payable		63	87,419,758.52	64,148,967.33
Staff welfare payable		64	143,398,798.26	87,857,878.36
Taxes payable	33	65	1,740,113,355.48	1,326,802,254.48
Dividends payable	34	66	14,833,536.84	14,985,028.96
Other payables	35	67	6,306,904,063.05	3,480,836,031.38

The Financial Statements (Domestic)

For the Year ended December 31, 2004

Liabilities and Shareholders' Equity	Notes	Line No	December 31, 2004	December 31, 2003
Accrued expenses		68	-	-
Deferred income	36	69	479,944,132.84	364,487,979.16
Short-term bills and bonds issued		70		
Long-term liabilities due within one year		71		
Other current liabilities	37	72	54,010,353.56	132,983,351.39
Total Current Liabilities		73	285,090,622,150.37	241,824,775,097.24
Long-term liabilities				
Long-term deposit		74	117,470,737,967.97	94,507,416,294.01
Long-term savings deposit		75	30,504,933,855.69	21,047,631,069.32
Long-term guarantee deposit	38	76	2,200,860,896.95	1,007,902,527.39
Funds covering indirect lendings		77		
Long-term bonds issued		78		
Long-term payables	39	79	6,000,000,000.00	
Other long-term liabilities	40	80	754,827,829.69	658,050,169.19
Total Long-term Liabilities		81	156,931,360,550.30	117,221,000,059.91
Deferred tax				
Deferred tax credits		82		
Total Liabilities		83	442,021,982,700.67	359,045,775,157.15
Shareholder' Equity				
Paid-in capital	41	90	3,915,000,000.00	3,915,000,000.00
Capital surplus	42	91	4,869,395,544.72	4,869,395,544.72
Revenue Reserves	43	92	2,171,610,480.47	1,592,601,255.20
Including: Reserve for welfare of employees	43	92-1	666,601,452.97	473,598,377.88
General provision	44	93	2,000,000,000.00	1,150,000,000.00
Undistributed profit	45	94	554,297,628.96	483,926,103.34
Total Shareholder' Equity		95	13,510,303,654.15	12,010,922,903.26
Total Liabilities and Shareholders' Equity		100	455,532,286,354.82	371,056,698,060.41

Legal Representative: Zhang Guangsheng

President: Jin Yun

Financial controller: Huang Jianping

Maker: Fu Neng



The Financial Statements (Domestic)

For the Year ended December 31, 2004

Income Statement & Statement of Profit Appropriation and Distribution

Prepared by Shanghai Pudong Development Bank Co., Ltd

Currency unit: RMB Yuan

Item	Notes	Line No	2004	2003
Operating Revenue	46	1	16,760,989,099.21	12,027,237,008.50
Interest income		2	14,172,219,593.98	10,233,142,474.66
Interest income from financial institutions		3	1,905,766,902.81	1,212,684,813.52
Commissions income		4	385,835,341.90	287,141,526.74
Exchange gains		5	218,256,888.93	160,753,934.77
Other operating income		6	78,910,371.59	133,514,258.81
Operating Expenses		7	6,805,370,941.23	4,931,192,888.01
Interest expenses		8	5,286,063,443.27	3,895,295,073.27
Interest expenses with financial institutions		9	1,416,036,321.31	975,612,586.90
Service charge		10	100,589,123.20	59,662,240.69
Exchange losses		11	2,682,053.45	622,987.15
General & administrative expenses		12	4,431,476,225.10	3,368,265,290.59
Business and administrative expenses		13	3,922,083,493.19	2,918,166,613.28
Depreciation expenses		14	509,392,731.91	450,098,677.31
Other operating expenses		15		
Income from investment	47	16	1,455,926,842.87	1,471,318,626.56
Operating profit		17	6,980,068,775.75	5,199,097,456.46
Less: Business tax and surcharges	48	18	818,053,604.32	595,775,961.94
Add: Non-operating income	49	19	46,547,573.85	14,879,607.18
Less: Non-operating expenses		20	22,023,575.86	23,709,411.79
Profit before assets depreciation provision		21	6,186,539,169.42	4,594,491,689.91
Less: assets depreciation provision	50	22	3,137,720,990.12	2,250,717,934.27
Profit after assets depreciation provision		23	3,048,818,179.30	2,343,773,755.64
Less: Income tax		24	1,118,787,428.41	777,685,564.20
Profit after tax		25	1,930,030,750.89	1,566,088,191.44
Add: Undistributed profit brought forward	45	26	483,926,103.34	429,164,369.38
Transferred-in from reserves		27		
Profit available for distribution		28	2,413,956,854.23	1,995,252,560.82
Less: Appropriations to statutory revenue reserves	45	29	193,003,075.09	156,608,819.16
Appropriations to statutory revenue reserve for welfare of staff	45	30	193,003,075.09	156,608,819.16
Appropriations to general provision	45	31	850,000,000.00	650,000,000.00
Profit available for distribution to shareholders		32	1,177,950,704.05	1,032,034,922.50
Less: Dividends declared on preferred stock		33		
Appropriations to discretionary reserves	45	34	193,003,075.09	156,608,819.16
Dividends declared on common stock	45	35	430,650,000.00	391,500,000.00
Capitalization of undistributed profit		36		
Undistributed profit carried forward	45	37	554,297,628.96	483,926,103.34

Legal Representative: Zhang Guangsheng

President: Jin Yun

Financial controller: Huang Jianping

Maker: Fu Neng



The Financial Statements (Domestic)

For the Year ended December 31, 2004

Cash Flow Statement

Name of Enterprise: Shanghai Pudong Development Bank Co., Ltd.

Currency unit: RMB Yuan

Items	Notes	Line No	2004	2003
Cash flow from operating activities				
Cash flows from operating activities reflected in P/L				
Cash received from interest on loans		1		
Cash received from interest on loans		2	14,075,883,856.17	10,435,247,505.23
Cash received from interest income from financial institutions		3	2,017,731,718.87	1,212,684,813.52
Cash received from commissions income		4	462,203,479.73	362,271,754.91
Cash received from income on investments in bonds of operating nature		5	242,436,760.28	447,009,877.56
Cash received from exchange gains, net		6	215,574,835.48	160,130,947.62
Cash received from non-operating income, net		7	13,735,863.10	-3,532,467.91
Sub-total of cash inflows		8	17,027,566,513.63	12,613,812,430.93
Cash paid for interest on deposit		9	4,785,813,536.91	3,983,085,370.19
Cash paid for interests to financial institutions		10	1,494,042,578.38	975,612,586.90
Cash paid for service charges		11	100,589,123.20	59,662,240.69
Cash paid to and for staff		12	1,268,208,281.55	1,064,453,652.34
Cash paid for other general and administrative expenses		13	2,374,217,880.08	1,343,532,377.76
Cash paid for business tax and surcharges		14	854,877,368.98	586,042,877.64
Income tax paid		15	1,234,888,013.13	600,643,765.56
Sub-total of cash outflows		16	12,112,636,782.23	8,613,032,871.08
Net cash flows from operating activities reflected in P/L		17	4,914,929,731.40	4,000,779,559.85
Decrease (increase) of assets of operating nature				
Reserve made with Central Bank		18		
Reserve made with Central Bank		19	-5,541,043,933.00	-6,596,753,019.44
Due from banks and non-bank financial institutions		20	-280,573,350.00	-
Inter-bank and financial institution placements		21	139,331,841.77	9,713,972,050.98
Loans		22	-59,483,381,289.19	-85,491,149,924.28
Discounted bills		23	3,133,024,153.45	3,880,511,686.17
Recovery of overdue loans and interest receivables written off		24	69,598,402.33	57,666,530.13
Investments in bonds of operating nature		25	9,890,006.62	-23,262,285.20
Reverse repurchase agreements		26	3,300,699,499.13	-5,733,601,067.00
Long-term deferred charges		27	-10,600,530.17	-14,313,179.80
Other assets		28	93,243,257.95	-480,800,737.95
Other receivables and temporary payments		29	-279,093,078.41	-790,294,814.53
Sub-total of decrease (increase) of assets of operating nature		30	-58,848,905,019.52	-85,478,024,760.92



The Financial Statements (Domestic)

For the Year ended December 31, 2004



86

Shanghai Pudong Development Bank Co., Ltd. 2004 Annual Report

Items	Notes	Line No	2004	2003
Increase (decrease) of liabilities of operating nature		31		
Due to Central Bank		32	-	-
Due to banks and non-bank financial institutions		33	1,176,724,545.96	1,038,845,488.65
Inter-bank borrowings and borrowings from non-bank financial institutions		34	-1,048,862,560.00	-1,814,885,072.04
Repurchase agreements		35	-973,273,653.26	9,171,121,618.21
Deposits		36	67,063,171,290.59	55,733,119,390.38
Guarantee deposit		37	6,163,997,185.49	22,428,913,870.64
Designated deposit		38	-90,417,622.79	38,823,483.69
Other liabilities		39	1,160,515,946.04	-146,763,241.98
Other payables and temporary receipts		40	2,769,866,275.70	28,079,863.48
Sub-total of increase(decrease) of liabilities of operating nature		41	76,221,721,407.73	86,477,255,401.03
Net cash flows from working capital movements		42	17,372,816,388.21	999,230,640.11
Net cash flows from operating activities		43	22,287,746,119.61	5,000,010,199.96
Cash flows from investing activities				
Cash received from return of investments		44	-	63,557,388.75
Cash received from income on investments in bonds of investing nature		45	1,150,818,838.51	1,049,544,911.49
Cash received from decrease of investments in bonds of investing nature		46	6,569,464,594.70	3,942,143,511.43
Cash received from distribution of dividends or profits		47	15,348,270.32	15,372,786.02
Net cash received from disposal of fixed assets, intangible assets and other long-term assets		48	36,007,604.96	54,289,406.53
Sub-total of cash inflows		49	7,771,639,308.49	5,124,908,004.22
Cash paid for increase of investments in bonds of investing nature		50	8,251,102,957.18	8,750,785,715.68
Cash paid to acquire fixed assets, intangible assets and other long-term assets		51	1,106,074,356.78	696,443,025.58
Cash paid to acquire equity investments		52	-	-
Sub-total of cash outflows		53	9,357,177,313.96	9,447,228,741.26
Net cash flows from investing activities		54	-1,585,538,005.47	-4,322,320,737.04
Cash flows from financing activities				
Cash flows from shares issued		55	-	2,484,358,248.41
Cash flows from bonds issued		56	6,000,000,000.00	-
Sub-total of cash inflows		57	6,000,000,000.00	2,484,358,248.41
Cash paid for repayment of bonds issued		58	-	-

The Financial Statements (Domestic)

For the Year ended December 31, 2004

Items	Notes	Line No	2004	2003
Cash payments of interest expenses for issued bonds		59	-	-
Cash payments for distribution of dividends or profits		60	430,801,492.12	392,285,000.00
Sub-total of cash outflows		61	430,801,492.12	392,285,000.00
Net cash flows from financing activities		62	5,569,198,507.88	2,092,073,248.41
Effect of foreign exchange rate changes on cash		63	1,466.09	5,000.00
Net increase in cash and cash equivalents		64	26,271,408,088.11	2,769,767,711.33
Supplemental Information	Notes	Line No	2004	2003
1. Investing and financing activities that do not involve cash receipts and payments				
Repayment of debts by transfer of fixed assets		65		
Repayment of debts by transfer of investments		66		
Investments made with fixed assets		67		
Investing and financing activities that do not involve cash receipts and payments		68		
2. Reconciliation of profit before tax to cash flows from operating activities				
Profit after tax		69	1,930,030,750.89	1,566,088,191.44
Add: Provision made for bad debts		70	50,629,052.80	78,912,279.82
Provision made for credit losses		71	3,084,525,372.08	2,086,999,565.48
Provision for impairment of long-term investments		72	-	-
Provision for impairment of assets from insolvent debtors		73	2,566,564.24	84,806,088.97
Depreciation of fixed assets		74	509,392,731.91	450,098,676.92
Amortization of intangible assets and other assets		75	57,385,442.13	31,860,723.17
Losses on disposal of fixed assets, intangible assets and other long-term assets(or deduct: gains)		76	-10,788,134.89	8,450,707.52
Losses arising from investments (or deduct: gains)		77	-1,216,032,316.35	-1,082,692,779.64
Exchange gains or losses on investing and financing activities		78	-	-
Deferred tax credit(or deduct:debit)		79	-478,977,027.02	-479,509,248.62
Increase in payables of operating nature (or deduct: decrease)		80	1,201,950,628.30	1,575,860,007.46
Decrease in receivables of operating nature (or deduct: increase)		81	-215,753,332.69	-320,094,652.67
Others		82	-	-

The Financial Statements (Domestic)

For the Year ended December 31, 2004

Supplemental Information	Notes	Line No	2004	2003
Net cash flows from operating activities		83	4,914,929,731.40	4,000,779,559.85
3.Net Increase in cash and cash equivalents				
Balance of cash and cash equivalents as at December 31, 2004	54	84	59,990,437,624.55	33,719,029,536.44
Less: Balance of cash and cash equivalents as at January 1, 2004	54	85	33,719,029,536.44	30,949,261,825.11
Net increase in cash and cash equivalents		86	26,271,408,088.11	2,769,767,711.33

Legal Representative: Zhang Guangsheng

President: Jin Yun

Financial controller: Huang Jianping

Maker: Fu Neng



Notes to the Financial Statements (Domestic)

For the Year ended December 31, 2004

I. Brief Introduction

1. Background

Shanghai Pudong Development Bank Co., Ltd. ("the Company") is a joint-stock commercial bank approved by the People's Bank of China, who issued document YF [1992] No.350 on August 28, 1992, and its business license was issued on October 19, 1992 by the Shanghai Municipal Administration of Industry and Commerce ("SMAIC"). The Company started business on January 9, 1993. On September 23, 1999, the Company issued 400,000,000 ordinary shares (Share A) to general public in China with issue price RMB ¥ 10.00 for each. And on November 10, 1999, these shares issued by the Company started trading on Shanghai Securities Exchange. In the year 2002, as authorized by the shareholders' annual meeting for the year 2001, the Company capitalized part of its capital surplus, the capitalization amount being 50% of the balance of its share capital before such change. On December 23, 2002, upon the approval of China Securities Regulatory Commission ("CSRC"), who issued document ZJGSZ (2002) 135, the Company issued additional A share 300 million shares with issue price RMB ¥ 8.45 for each. The additional share issue was completed on January 13, 2003, which has been verified by Ernst & Yong Da Hua Certified Public Accountants, who issued verification report EYDH (2003) No.016.

The current amount of registered capital of the Company is RMB ¥ 3.915 billion, The registration number of the Company is 3100001001236, and its license for conducting financial transactions, which was numbered YJGZB1151290001, was re-issued on June 19, 2002 by the People Bank of China ("PBOC"). The legal representative of the Company is Zhang Guang Sheng.

2. The industry in which the Company operates and the scope of its business

The industry in which the Company operates: financing.

Scope of business: performing commercial banking services as approved by the PBOC.

3. Principal activities and services performed

Accepting public deposits; granting loans of short-term, mid-term and long-term nature; performing settlements; discounting bills and notes; issuing financial debentures; issuing, underwriting and cashing securities on behalf of governmental authorities; trading of governmental bonds and debentures; inter-bank loans and deposits; services relating to letters of credit and letters of guarantee; factoring and assignment of receivables and payables; safe deposit services; accepting deposit in foreign currencies; granting loans in foreign currencies; remittance of foreign currencies; exchange of foreign currencies; international settlements; inter-bank placements and deposits in foreign currencies; accepting and discounting of bills and notes expressed in foreign currencies; lending in foreign currencies; guarantees in foreign currencies; purchase and sale of foreign currencies; purchase and sale of marketable securities expressed in foreign currencies (excluding stocks), either for itself or on behalf of clients; purchase and sale of foreign currencies, either for itself or on behalf of clients; credit investigation, consultancy and testimonial services; offshore banking; trustee of securities investing funds; trustee of National Social Contribution Fund and other services as approved by PBOC.

Notes to the Financial Statements (Domestic)

For the Year ended December 31, 2004

II. Significant accounting policies and accounting estimates adopted by the Company

1. The accounting standards and the accounting regulations applicable to the Company

Applicable accounting standards: the Accounting Standards for Chinese Enterprises and other related specific standards

Applicable accounting regulations: the Accounting Regulations for Financial Institutions (Revised 2002).

2. The financial year of the Company

The financial year of the Company runs from January 1 to December 31 of each calendar year.

3. Reporting currency

Renminbi is adopted by the Company as reporting currency. Separate books and accounting records are kept for foreign currency transactions. Foreign currency transactions are entered into these books and accounting records at their original foreign currency amount.

4. The Company's books and ledgers are kept on accrual basis. The Company's assets and liabilities are valued at their historical cost.

5. Accounting for foreign currency transactions

Since separate books and accounting records are prepared for foreign currency transactions, and foreign currency transactions are entered into these books and accounting records at their original foreign currency amount, no problems in the area of foreign currency translation were encountered.

6. Translation of financial statements in foreign currencies

Daily translation of financial statements in foreign currencies (including balance sheet and profit and loss account) is made using exchange rates ruling at the end of last year. At the end of each year, balance sheet and profit and loss account expressed in foreign currencies are translated into RMB amount using exchange rates ruling at that date. Effects of changes in exchange rates are treated separately in each financial statement items, and the net exchange difference is charged/credited to profit and loss account as exchange gains or losses.

7. Recognition of cash equivalents when preparing the cash flow statement

Cash equivalents of the Company include cash, due from the central bank (excluding statutory deposit reserve), inter-bank balances and inter-bank placements maturing within 3 months.

8. Types and scope of loans

(1) Distinguishing between short-term loans and mid- and long-term loans

Distinguishing between short-term loans and mid- and long-term loans is made by the duration of the loans. Loans with duration of one year or less are classified as short-term loans; loans with duration of more than one year but less than five years are classified as mid-term loans; loans with duration of more than five years are classified as long-term loans.

Notes to the Financial Statements (Domestic)

For the Year ended December 31, 2004

(2) Recognition of overdue loans

Those loans, overdraft and advances of which the principal repayments are in arrears for less than 90 days are classified as overdue loans.

(3) Recognition of non-performing loans

Those loans, overdraft and advances of which the principal repayments are in arrears for 90 days or more, or interest payments are in arrears for more than 90 days are classified as non-performing loans. No accrual of interest income is made for non-performing loans.

(4) Distinguishing between self-supporting loans and designated loans

Self-supporting loans are those loans granted by the Company on its own. The risk of these loans rests with the Company, and the Company is entitled to recover the principal of such loans and collect interests accrued thereon. Designated loans are those loans granted on behalf of the clients. The terms and conditions of such loans, such as borrower(s), use of funds, amount, term of borrowing, interest rates etc., are specified by the clients, rather than by the Company. The use of designated loans by the borrower(s) should be overseen by the Company, and the Company should assist the clients in the recovery and collection of such loans. For designated loans granted, the Company is only entitled to commissions from clients, and shall not make any advances therefor. Self-Csupporting loans, as part of the credit assets of the Company, are presented on the face of the balance sheet. Designated loans are presented off balance sheet.

9. Accounting for credit losses

(1) Criteria of recognition for bad loans

When one of the following situations come into existence, after all possible measures have been resorted to and all necessary procedures have been performed, the loans and investments that yet cannot be recovered as scheduled by the Company are identified as bad loans:

- A. Both the borrower and guarantor have gone bankrupt, shut down or dissolved, and they have ceased to exist as legal persons, and the loan cannot be recovered after the legal liquidation proceedings have been performed against the borrower and guarantor;
- B. The borrower has died or has been declared dead or disappeared by the court in accordance with *the General Principles of Civil Laws of the PRC*, and the loan cannot be recovered after repayment of his debt out of his properties or heritage and exercise of recourse against the guarantor;
- C. The borrower has suffered huge loss from material natural calamity or accident that is not covered by insurance, which made it fail to repay all or part of its debt to the Company, or it cannot repay the loans out of the insurance indemnity, and the loan cannot be recovered in full after the exercise of recourse against the guarantor;
- D. The borrower and/or guarantor, though not formally declared bankrupt, shut down or dissolved, has terminated its business activities and has been de-registered by the administration authorities of industry and commerce at county level or above, and it has ceased to exist as a legal person. And, the loan still

Notes to the Financial Statements (Domestic)

For the Year ended December 31, 2004

cannot be recovered after claiming repayment out of the properties of the borrower and exercise of recourse against the guarantor;

- E. The borrower has committed a crime and has been subject to criminal sanction, and the loan cannot be recovered in full by the Company out of its properties, and there is nobody else to assume this liability, thus the loan cannot be recovered after exercise of recourse;
- F. The Company has sued the borrower and/or the guarantor for their inability to repay the borrowings when falling due, and the court, at the request of the Company, made a forcible execution on the borrower and/or guarantor, but it was determined that no property is available for the settlement of the debt. And after the court has decided upon the termination of the forcible execution, all or part of the loan still cannot be recovered by the Company;
- G. For advances made by the Company in the case of credit card overdraft, establishment of L/C and L/G, acceptance of bank drafts etc., the applicant and the guarantor failed to reimburse that advance due to reason(s) stated in A to F above, and after exercise of recourse by the Company, the advance still cannot be recovered;
- H. In case of equity investments that the Company is entitled to legitimately make in accordance with relevant laws and regulations, the Company, after liquidation and exercise of recourse, still cannot recover its equity interests in investee enterprises that have gone bankrupt, shut down or dissolved and ceased to exist as legal persons;
- I. Loans written off as approved specifically by the State Council.

If the fact that the bad loans can not be recovered is proved to be true by strong evidence, the bad loans can be written off after approved by the board of the directors/shareholders' meeting.

(2) Accounting policy adopted for credit losses: Allowance method.

Provision for credit losses is made on the following credit assets: loans, whose risks and losses are undertaken by the Company, including pledged loans, collateral loans, secured loans and credit loans; credit card overdrafts; discounted bills; credit advances (such as advances under acceptance of bank drafts, advances under guarantees, advances under letters of credit); import & export advances and negotiations and factoring of accounts receivable etc.

The policy adopted in making provisions for credit losses: The loans granted by the Company are grouped into five categories by their risk levels and the actual situation such as the ability to repay, financial position, sufficiency of the assets pledged as a security and guarantee etc., based on which a serious study is made of the amount of probable losses that may arise therefrom, then the balances of credit losses provision for each category are determined. At the end of each financial year, the balance of general provision for credit losses is adjusted to 1% of outstanding balances of loans in total as at that date. The excess of total provisions that should be made over the general provisions should be made in the form of special provisions for credit losses.

Notes to the Financial Statements (Domestic)

For the Year ended December 31, 2004

The credit losses provision is also made for the loans which have been financed by foreign borrowings and the responsibility of repayment of such borrowings still rests with the Company.

The credit losses provision should not be made for the designated loans, as the risks of such loans are not retained by the Company.

Credit losses provision made in current year is reflected in the related income statement accounts. It will be written off when the loss of bad loans is actually incurred. And if the bad loans written off are recovered later, the related credit losses provision written off will be restored accordingly.

10. Accounting for bad debts

(1) Criteria for identification of bad debts

When one of the following situations comes into existence, the related other receivables or other current assets that cannot be recovered as scheduled by the Company are identified as bad debts:

- A. The borrower has gone bankrupt or has died, and the receivables cannot be recovered after repayment of his debt out of his bankrupt properties or heritage;
- B. The borrower does not repay the debt in time and there is strong evidence as to the inability on the part of the borrower to repay such debt;
- C. Other receivables that have been on account for more than 3 years.

If the fact that the receivables mentioned above can not be recovered is proved to be true by strong evidence, the bad debts can be written off after approved by the board of the directors/shareholders' meeting.

(2) Accounting for bad debts

Allowance method is adopted for accounting for bad debts.

A. Interests receivable

Interests receivable outstanding for 90 days or more is transferred to off-balance sheet items, so the aging of interests receivable is all less than 90 days, thus no bad debt provision is made for interests receivable; the accrual of interest income for loan, placement and investment was made according to the agreement. Interests receivable outstanding for 90 days or more is transferred to off-balance sheet items, so the aging of interests receivable is all less than 90 days, thus no bad debt provision is made for interests receivable.

B. Other receivables

The bad debts provision for other receivables is made using specific identification method.

C. Other current assets (including placements)

The bad debts provision for other current assets is made using specific identification method.

In determining the rate(s) of provision for bad debts, the following factors are taken into account by the

Notes to the Financial Statements (Domestic)

For the Year ended December 31, 2004

Company in order to ensure reasonableness of the estimates: the past experience; the financial position and cash flow status of the debtors; the other related information.

Bad debts provision made in current year is reflected in the related income statement accounts. It will be written off when the loss of bad debts is actually incurred. And if the bad debts written off are recovered later, the related bad debts provision written off will be restored accordingly.

11. Accounting for reverse repurchase agreement and repurchase

The purchase of reverse repurchase loans and securities /resell of repurchase loans and securities are initially stated at the actual costs and the interest income or expenditures are recognized evenly over the corresponding useful lives. The purchase of reverse repurchase notes /resell of repurchase notes are initially stated at their par value. The difference between the actual amounts paid / received and the par value of bonds should be amortized over the useful lives in which the relevant interest is recognized.

12. Accounting for current investments

Current investments are entered into the Company's books at their actual cost. Investment income is recognized only when they are sold or cashed on maturity. At the end of reporting period, current investments are valued at their cost or market value, whichever is lower.

13. Accounting for long-term investments

(1) Accounting for long-term debt investments

Long-term debt investments are entered into the Company's books at their actual cost, namely actual purchase price paid on acquisition, excluding incidental expenses (such as taxes and commissions), less interest accrued over the period from the date of their issue to the purchase date included therein. Interest income is recognized on accrual basis, and after the adjustment of premium and discount on investment in bonds/debentures, it should be reflected in the related income statement accounts.

(2) Amortization of the premium and discount on investment in bonds:

Premium or discount on investment in bonds is amortized over the period between the acquisition date and the maturity date in which the relevant bond interest is recognized. The amortization method used is the straight-line method.

(3) Accounting for long-term equity investments

The valuation of long-term equity investments and recognition of income thereon

Long-term investment in shares and other long-term investment are collectively called long-term equity investment. The long-term equity investments are recorded at its initial cost on acquisition, i.e., the total price paid on acquisition.

Cost method is used to account for long-term equity investments when the Company does not have control, joint control or significant influence over the investee enterprise. The equity method is used to account for

Notes to the Financial Statements (Domestic)

For the Year ended December 31, 2004

long-term equity investments when the Company can control, jointly control or has significant influence over the investee enterprise.

(4) Provision for impairment of long-term investments - criteria for recognition and determination of amount to be provided for

Provision for impairment of long-term investments is made on an individual item basis. If the recoverable amount of any investment is lower than the carrying amount of that investment as a result of a continuing decline in market value or changes in operating conditions of the investee enterprise, and it is considered impossible for the impaired value to recover, the difference by which the recoverable amount is lower than the carrying amount of the investment should be provided for, and reflected in the profit and loss account for the reporting period.

14. Accounting for fixed assets

(1) Recognition criteria of fixed assets

Fixed assets are defined as tangible assets that (a) are held for use in the production or supply of goods or services, for rental to others, or for administrative purposes; (b) have useful life of more than one year; and (c) have relatively high unit price. Specifically, the following items are recognized as fixed assets: (a) buildings and constructions, machinery, transportation facilities and other equipment and appliances used in the operation of the Company, of which the useful lives are over 1 year; and (b) those items whose useful lives are over 2 years and the unit price exceed RMB ¥2000, which do not fall within the scope of key operation facilities.

(2) Fixed assets of the Company are classified into the following categories:

Buildings and constructions, transportation facilities, mainframe computers, minicomputers and microcomputers, electronic equipment, office equipment and improvements of fixed assets.

(3) Accounting for fixed assets and provisions for impairment thereof

The initial measurement of fixed assets upon acquisition is made at their actual cost or amount determined otherwise. At the end of each year and interim reporting period, recoverable amount of fixed assets is examined on an individual item basis. The difference by which the recoverable amount is lower than the carrying amount of the fixed assets should be provided for. The impairment loss should be recognized in the income statement for the current period. The provision for impairment of fixed assets is made on an individual item basis.

(4) Accounting for accumulated depreciation

The fixed assets are depreciated on straight-line basis over their estimated useful lives based on the original cost and estimated useful lives. The depreciable amount of a fixed asset equals its original cost less estimated residual value. The residual value is estimated at 3% of the original cost (excluding the cost of fixed assets improvements). The depreciation rates for each category of fixed assets are as follows:

Notes to the Financial Statements (Domestic)

For the Year ended December 31, 2004

Category of fixed assets	Useful lives	Depreciation rates/year
Buildings and constructions	30 years	3.23%
Transportation facilities	5 years	19.4%
Mainframe computers	5 years	19.4%
Minicomputers and microcomputers	3 years	32.33%
Electronic equipment	5 years	19.4%
Office equipment	5 years	19.4%
Fixed assets improvement disbursement	Useful lives	10-33.33%

When a provision for impairment has been made for a fixed asset, the depreciation rate and depreciation charge for the fixed asset should be recalculated based on the asset's carrying amount and its remaining useful life. If the value of a fixed asset for which impairment provision has previously been made is recovered, the depreciation rate and depreciation charge for the fixed asset should be recalculated based on the asset's revised carrying amount and its remaining useful life.

15. Accounting for constructions in progress

The actual construction expenditures incurred are charged to the construction in progress account. When the fixed asset being acquired or constructed has reached its expected usable condition, the total construction cost in that account is capitalized as fixed assets. At the end of each fiscal year, the recoverable amount of all the constructions in progress is reviewed for impairment purposes and, if there is such evidence on occurrence of impairment losses of construction in progress, provision should be made and recognized in the income statement for the current period. The provision for impairment of construction in progress is made on an individual item basis.

16. Valuation, amortization and provision for impairment in value of intangible assets

(1) Initial measurement of intangible assets

Intangible assets should be recorded at the actual purchase price paid.

(2) Amortization of intangible assets

The cost of an intangible asset should be amortized on straight line basis. The details are as follows:

- A. Use rights of buildings and constructions are amortized over their actual useful lives starting in the month in which they were acquired. But their amortization period should not exceed 30 years.
- B. Land use rights are amortized over their legal lives starting in the month in which they were acquired.
- C. Franchises are amortized over 5 years starting in the month in which acquisition is complete.
- D. Computer software is amortized over 3 years starting in the month in which they were acquired.

(3) Provision for impairment of intangible assets-criteria for recognition and determination of amount to be provided for

Notes to the Financial Statements (Domestic)

For the Year ended December 31, 2004

The Company reviews the carrying amount of its intangible assets at the end of each year and interim reporting period for the future economic benefits associated therewith that will flow to the enterprise. The difference by which the recoverable amount is lower than the carrying amount of the intangible assets should be provided for and recognized in the income statement for the current period. The provision for impairment of intangible assets is made on an individual item basis.

17. Amortization of long-term deferred charges

- (1) Organization expenses of branches and sub-branches are entered into the Company's books at their actual cost incurred and written off immediately when the branch or sub-branch starts operation.
- (2) Rental is amortized on straight-line basis over actual duration of lease.

18. Accounting for assets received from insolvent debtors to be disposed of

(1) Measurement of assets received from insolvent debtors to be disposed of

Assets received from insolvent debtors to be disposed of should be recorded at an amount equal to the aggregate of principal and interest of restructured loans as presented on the face of balance sheet, plus any related tax payments and boot paid (or less boot received and plus gains recognized). Meanwhile the provision for bad loans related thereto is transferred to provision for impairment of assets received from insolvent debtors.

(2) Provision for impairment of assets received from insolvent debtors to be disposed of—criteria for recognition and determination of amount to be provided for

The Company reviews the carrying amount of the assets received from insolvent debtors to be disposed of at the end of each year and interim reporting period on an individual item basis. The difference by which the recoverable amount is lower than the carrying amount of the assets should be provided for and recognized in the income statement for the current period.

19. Accounting for long-term payables

Subordinated debts are the debts issued by the Company with a fixed tenor of more than 5 years. It can't be used to make up the daily operating loss of the Company (this would not be the case when the Company went bankrupt or went into liquidation), and the claim for deposit and other liabilities is prior to the claim for the debt. Subordinated debts can be recorded as the supplementary capital of the Company provided the amount of which do not exceed 50% of the core capital. Subordinated debts should be credited to long-term payables at the actual amount received, and be written off when it was repaid upon maturity.

20. Measurement of the non-cash assets received in debt restructuring transactions

When a receivable is satisfied by a transfer of non-cash assets, the Company (as the creditor) records the non-cash assets received at an amount equal to the carrying amount of the receivable to be restructured. If several non-cash assets are involved in the above restructuring, each non-cash asset received should be recorded at an amount determined by applying the proportion of the fair value of each non-cash asset received to the total fair value of the non-cash assets received to the carrying amount of the receivable to be restructured

Notes to the Financial Statements (Domestic)

For the Year ended December 31, 2004

21. Measurement of the assets received in non-monetary transactions

In a non-monetary transaction, the Company records the asset received at an amount equal to the aggregate of the carrying amount of the asset surrendered and the boot paid (or less the boot received and add the amount of gain recognized), plus any related tax payments. If several assets are received at the same time in a non-monetary transaction, each asset received should be recorded at an amount determined by applying the proportion of the fair value of each asset received to the total fair value of the assets received to the aggregate of the carrying amounts of the assets surrendered and any related tax payments.

22. The principle of revenue recognition

(1) Interest revenue

Interest revenue on loans granted or arising from transactions with other financial institutions should be measured based on the length of time for which the Company's cash is used by others and the applicable interest rate(s). In addition, as prescribed in the Accounting Regulation for Financial Institutions issued by the Ministry of Finance that became effective on January 1, 2002, interest receivable on loans shall be computed periodically, and recognized as an item of profit and loss. When principals of such loans are overdue for more than 90 days (not inclusive), the recognition of interest on such loans should be terminated, and interests already accrued thereon should be written off and transferred to off balance sheet account. But when interest receivables accrued are overdue for more than 90 days (not inclusive), the recognition of interest on such loans, regardless of the maturity status of the principal thereof, should be terminated, and the recorded interests receivable thereon should be written off against the profit and loss for the current period and transferred to off-balance sheet account. In addition, the related loans should be transferred to non-performing loans account. And from then on, the interests should be recognized in the related off-balance account and not reflected in the profit and loss account. The interest revenue thereon is recognized when it is actually received.

(2) Revenue from commissions income

Revenue from commissions income comprises of revenue from handling and providing guarantee, which are recognized when the transactions have been completed and the amounts have been received in cash.

(3) Exchange gains

Exchange gains are recognized when the related transactions are completed and the amount is actually received.

(4) Other operating revenue

Other operating revenue (including income on purchase and sale of debentures, and revenue from other non-commissions income) is recognized when it is actually received by the Company.

23. Recognition of interest expenses

Accrual basis is adopted. For current deposits and inter-bank balances, the interests are settled quarterly; for current savings, the interests are accrued quarterly; for time deposits the interests are accrued quarterly

Notes to the Financial Statements (Domestic)

For the Year ended December 31, 2004

at the interest rate prevailing on the deposit day; for time savings and negotiation deposits, the interests are accrued quarterly at the interest rates set on the deposit receipt and the deposit contracts respectively; the interests on interest-bearing-liabilities such as the amounts received for sell of repurchase assets are accrued quarterly at the contract interest rates.

24. Accounting for income taxes: The liability method (under the tax effect accounting method) was adopted for accounting for income taxes

25. Accounting for derivative financial instruments and recognition of gains/losses resulting therefrom

(1) Measurement of derivative financial instruments

The Company uses derivatives primarily for hedging purposes (with the exception of those purchased/sold on behalf of clients). In order to lessen the market risks resulting from transactions with the clients, the Company has entered into back-to-back agreements with third parties, which effectively passed the risks to which the Company is exposed. Derivatives are carried in the books of the Company at their actual value for receipt/payment, and their nominal value and market value is disclosed off-balance-sheet.

(2) Gains and losses resulting therefrom are recognized on the settlement date.

(3) Criteria for recognition of hedge: The Company uses hedging as part of its asset/liability management activities when there is a mismatch in terms of exchange rate, interest rate, time etc.

26. Consolidation of financial statements

As stipulated in *the Law on Commercial Banks of the People's Republic of China* ("the Law"), which has been in force from May 10, 1995, the Company cannot invest in non-bank financial institutions and enterprises in PRC. Thus in the reporting year, the Company has no subsidiaries over which it can exercise control, and there is no need to prepare consolidated financial statements.

III. Taxation

The taxes and surcharges applicable to the Company and the respective rates are as follows:

Taxes/Surcharges	Basis of Tax and Surcharge	Tax and Surcharge rate
Business Tax	Operating revenue (excluding interest income from financial institutions)	5%
City Maintenance and Construction Tax	Municipal business tax (5%)	7%
Educational Surcharge	Municipal business tax (5%)	3%
Corporate income tax	Taxable Income	33%

Notes to the Financial Statements (Domestic)

For the Year ended December 31, 2004

IV. Notes to the financial statements (Unit of currency: RMB ¥ '000)

1. Cash

Currency	December 31, 2004	December 31, 2003
RMB	1,104,727	821,446
FX equivalent of RMB	361,829	260,384
Total	1,466,556	1,081,830

2. Due from the central bank

Item	December 31, 2004	December 31, 2003
Statutory deposits ⁽¹⁾	23,103,478	17,578,900
General deposits	46,975,685	20,253,284
Financial deposit	45,943	29,477
Total	70,125,106	37,861,661

Note1: Statutory deposits: As stipulated by PBOC, the balance of statutory deposits expressed in Renminbi should not be less than 7.5% on customers' deposits denominated in RMB (According to "The Notice on Increasing the statutory reserve rate" issued by PBOC in April, 2004. SPDB adopted the rate of 7.5% commencing on April 25th). 2% was adopted on customers' deposits denominated in foreign currencies placed with the central bank

3. Due from banks

Item	December 31, 2004	December 31, 2003
Domestic banks	3,232,945	2,817,870
Foreign banks ⁽¹⁾	1,407,409	2,810,068
Total	4,640,354	5,627,938

Note1: Of the balance as of December 31, 2004, RMB¥669,569 thousand represents structured deposit. Structured deposit is defined as general deposit combined with derivative financial instruments such as interest rate options and prepayment options etc.

4. Inter-bank placements

Item	December 31, 2004	December 31, 2003
Domestic banks	2,068,975	1,634,150
Foreign banks	6,372,378	5,459,327
Domestic non-bank financial institution ⁽¹⁾	305,976	825,619
Total	8,747,329	7,919,096
Less: Provision for bad debts	98,744	55,776
Written-down value	8,648,585	7,863,320

Note1: Within the aforesaid balance of placements to non-bank financial institutions (as at December 31, 2004) there is RMB ¥305,976 thousand which has been overdue and the provision for it has been made.

Notes to the Financial Statements (Domestic)

For the Year ended December 31, 2004

5. Discounted bills

Currency	December 31,2004	December 31,2003
Banker's acceptance draft	20,616,102	22,014,553
Trade acceptance	3,586,438	4,980,794
Notes expressed in foreign currencies	164,282	26,022
Accounts receivables factoring	335,456	813,933
Total	24,702,278	27,835,302

6. Interests receivable

(1) On balance sheet

Item	December 31,2004	December 31,2003
Interests receivable on loans	260,728	164,392
Interests receivable on placements	4,838	1,902
Interests receivable on reverse repurchase agreements	2,398	1,843
Interests receivable on bond investment	515,763	479,889
Total	783,727	648,026

Notes: Of the balance, the interests on loans RMB¥ 11,210 thousand has been overdue, the aging of which is all within 90 days. The remaining balance represents the interests accrued on such assets as loans and placements etc., no provision for bad loans has been made.

(2) Off balance sheet

	December 31,2004	December 31,2003
Amount	1,578,456	1,405,157

7. Other receivables

Item	December 31,2004					Total	Percent (%)	Bad debt	Net
	1 year or less	1-2 years	2-3 years	3 years and more					
Working fund	875	-	33	-	908	0	-	908	
Funds pending settlement	420,361	295	45	-	420,701	15	-	420,701	
Housing fund for Staff	407,988	1,070,312	84,837	6,253	1,569,390	57	15,647	1,553,743	
Refund for cooperative construction of Pufa Mansion	-	-	181,228	-	181,228	7	-	181,228	
Prepayment for Purchasing House	278,822	-	-	-	278,822	10	-	278,822	
Amounts paid on behalf of others besides mentioned above	196,370	52,557	22,806	16,885	288,618	11	88,283	200,335	
Total	1,304,416	1,123,164	288,949	23,138	2,739,667	100	103,930	2,635,737	

Notes to the Financial Statements (Domestic)

For the Year ended December 31, 2004



Item	December 31, 2003							
	1 year or less	1-2 years	2-3 years	3 years and more	Total	Percent (%)	Bad debt	Net
Working fund	10,470	33	209	-	10,712	0	-	10,712
Funds pending settlement	487,128	522	65	-	487,715	21	-	487,715
Housing fund for Staff	1,070,312	84,837	6,253	-	1,161,402	50	11,611	1,149,791
Refund for cooperative construction of Pufa Mansion	-	181,228	-	-	181,228	8	-	181,228
Prepayment for Purchasing House	196,426	-	-	-	196,426	9	-	196,426
Amounts paid on behalf of others besides mentioned above	229,302	22,806	16,885	-	268,993	12	120,561	148,432
Total	1,993,638	289,426	23,412	-	2,306,476	100	132,172	2,174,304

8. Reverse repurchase agreements

Trading counterpart	December 31, 2004	December 31, 2003
Commercial banks other than the Company	459,960	6,542,595
Credit unions	384	1,460,049
Financial companies	169,000	120,000
Sub-total	629,344	8,122,644
Securities		
PBOC	2,000,000	
Commercial banks other than the Company	6,332,600	2,400,000
Sub-total	8,332,600	2,400,000
Trading counterpart		
Commercial banks other than the Company	600,000	1,900,000
Financial companies	1,000,000	1,200,000
Trust investment companies	198,500	438,500
Sub-total	1,798,500	3,538,500
Total	10,760,444	14,061,144

9. Current investments

Item	December 31, 2004 Cost	December 31, 2003 Cost
Treasury bills (expressed in RMB)	1,588,571	1,918,838
Other bonds in RMB	189,718	502,274
Short-term central bank bills	6,392,619	4,376,646
Foreign currency bonds	-	1,125,208
Total	8,170,908	7,922,966

- Notes: 1. The treasury bills and other bonds in RMB can only be traded among banks in organized financial market (inter-bank bond and bill market). Since trading in such a market is not active, there are no quotations for market price that can be used as a reference. We take into account such factor as the interest accrued to arrive at the market value for reference. There is no impairment of these investments
2. Within the aforesaid balance as at December 31, 2004, there is treasury bill amounting to RMB¥ 150 million has been put in pledge for repurchase agreements

Notes to the Financial Statements (Domestic)

For the Year ended December 31, 2004

10. Short-term loans

Type	December 31, 2004	December 31, 2003
Credit loan	34,432,122	30,340,532
Guarantee loan	98,317,692	97,962,223
Collateral loan	37,349,920	25,598,000
Pledged loan	19,329,816	10,973,086
Total	189,429,550	164,873,841

11. Import & export advances and negotiations

Item	December 31, 2004	December 31, 2003
Import deposit exchange	772,951	1,348,046
Export deposit exchange	997,041	539,615
Total	1,769,992	1,887,661

12. Interest to be amortized

Item	December 31, 2004	December 31, 2003
Interest on amounts received for resell of repurchase notes	40,353	47,840
Interests on trans-discount /rediscount	195,365	109,872
Total	235,718	157,712

13. Long-term investment of bond to be expired within 1 year

Item	Due Date	Book Value	Cost	Interest Rate P.A.	Interest Accrued in Current Year	Accumulated Interest Accrued	Total
Treasury Notes (in documentary form)	2005-02/2005-11	288,581	288,581	2.12-3.14	15,379	25,712	314,293
Treasury Notes (in account form)	2005-06/2005-12	3,295,000	3,293,514	1.9-5.01	65,781	-	3,293,514
Bonds issued by the, National Development Bank	2005-08/2005-10	660,000	647,046	3.26	1,304	-	647,046
Bonds issued by Import and Export Bank	2005-04	130,000	129,776	1.99	2,587	-	129,776
98 Special National Bond	2005-05	2,503,040	2,503,040	6.80	170,207	-	2,503,040
FRN Bond	2005-03/2005-12	441,675	441,077	1.36-3.21	10,418	-	441,077
Other bonds expressed in Foreign Currency	2005-06/2005-12	547,673	547,500	1.51-6.50	24,908	-	547,500
Total		7,865,969	7,850,534		290,584	25,712	7,876,246

Notes: Within the aforesaid balance as at December 31, 2004, there is treasury bill amounting to RMB ¥ 385 million has been put in pledge for repurchase agreements.

Notes to the Financial Statements (Domestic)

For the Year ended December 31, 2004

14. Medium-term loans

Item	December 31, 2004	December 31, 2003
Credit loan	8,919,373	6,665,063
Guarantee loan	11,922,128	9,525,327
Collateral loan	15,064,577	8,788,945
Pledged loan	1,759,840	1,366,852
Total	37,665,918	26,346,187

15. Long-term loans

Item	December 31, 2004	December 31, 2003
Credit loan	2,030,756	2,000,797
Guarantee loan	8,390,720	2,887,495
Collateral loan	38,294,943	22,741,476
Pledged loan	1,737,808	1,592,400
Total	50,454,227	29,222,168

16. Overdue Loans

Item	December 31, 2004	December 31, 2003
Credit loan	234,375	112,339
Guarantee loan	630,480	218,236
Collateral loan	391,582	108,678
Pledged loan	667,850	93,049
Total	1,924,287	532,302

Notes: The loans, overdraft and advance included in the aforesaid balances are all overdue for less than 90 days.

17. Non-performing loans

Item	December 31, 2004					
	Total	90-180 days	0.5-1 year	1-2 years	2-3 years	More than 3 years
Credit loan	270,862	48,382	4,457	38,419	22,733	156,871
Guarantee loan	2,659,455	629,608	466,280	253,288	183,575	1,126,704
Collateral loan	1,890,979	84,070	256,135	185,565	57,771	1,307,438
Pledged loan	137,591	88,152	1,160	47,242	237	800
Total	4,958,887	850,212	728,032	524,514	264,316	2,591,813
Proportion to total amount (%)	100.00	17.14	14.68	10.58	5.33	52.27

Notes to the Financial Statements (Domestic)

For the Year ended December 31, 2004

Item	December 31, 2003					
	Total	90-180 days	0.5-1 year	1-2 years	2-3 years	More than 3 years
Credit loan	146,501	353	21,136	3,837	87	121,088
Guarantee loan	2,233,016	42,968	189,122	595,211	517,201	888,514
Collateral loan	2,000,040	139,677	30,920	252,768	492,322	1,084,353
Pledged loan	34,321	7,480	25,742	299	-	800
Total	4,413,878	190,478	266,920	852,115	1,009,610	2,094,755
Proportion to total amount (%)	100.00	4.32	6.05	19.30	22.87	47.46

18. Provision for credit losses

Item	General Provision	Specific Provision	Total
As at December 31, 2003	2,551,113	3,717,092	6,268,205
Transferred in in the reporting year	62	6,175	6,237
Provision made in the reporting year	562,271	2,522,254	3,084,525
Recovery in the reporting year	696	68,903	69,599
Writing-offs in the reporting year	5,091	503,976	509,067
As at December 31, 2004	3,109,051	5,810,448	8,919,499

19. Long-term investments in bonds

Item	Due Date	Par Value	Cost	Interest Rate	Interest Accrued in Current Year	Cumulative Interest Accrued	Total
Treasury Note '2001 (in documentary form)	2006-03/2006-09	41,354	41,355	3.14	1,340	4,062	45,417
Treasury Note '2002 (in documentary form)	2007-03/2007-11	171,964	171,964	2.29-2.74	3,827	8,621	180,585
Treasury Note '2003 (in documentary form)	2006-02/2008-09	373,746	373,746	2.32-2.63	8,681	10,963	384,709
Treasury Note '2004 (in documentary form)	2007-03/2009-09	405,038	405,039	2.52-3.00	4,482	4,152	409,191
Treasury Bond 696	2006-06	200,000	224,460	11.83	23,222	-	224,460
Treasury Note '99 (in account form)	2006-02/2009-04	1,890,000	1,892,445	2.58-4.88	71,429	-	1,892,445
Treasury Note '2000 (in account form)	2007-08/2010-09	2,367,000	2,367,000	2.45-3.50	62,569	-	2,367,000
Treasury Note '2001 (in account form)	2006-07/2021-10	6,115,000	6,099,753	2.50-4.69	152,935	-	6,099,753

Notes to the Financial Statements (Domestic)

For the Year ended December 31, 2004

Item	Due Date	Par Value	Cost	Interest Rate	Interest Accrued in Current Year	Cumulative Interest Accrued	Total
Treasury Note '2002 (in account form)	2007-04/2012-07	2,020,000	2,014,310	2.00-2.93	47,041	-	2,014,310
Treasury Note '2003 (in account form)	2006-06/2013-04	3,220,000	3,220,714	2.32-2.80	82,908	-	3,220,714
Treasury Note '2004 (in account form)	2006-12/2014-08	4,160,000	4,020,009	2.98-4.86	13,634	-	4,020,009
Bonds issued by the National Development Bank	2006-12/2022-05	6,780,000	6,778,376	2.41-4.36	183,583	-	6,778,376
Bonds issued by the Import & Export Bank	2006-06/2012-11	860,000	859,557	2.73-4.22	22,838	-	859,557
Bonds issued by Construction Bank	2014-09	20,000	20,000	4.95	303	-	20,000
Bonds issued by Bank of China	2014-07/2014-11	20,000	20,000	4.87-4.94	282	-	20,000
Bonds issued by Mingsheng Bank	2014-11	10,000	10,000	2.00	76	-	10,000
Bonds expressed in foreign currency	2006-03/2096-01	420,111	455,353	1.72-9.00	30,488	-	455,353
FRN bonds	2006-07/2012-03	289,678	289,562	1.46-2.56	7,074	-	289,562
Structured bonds expressed in foreign currency	2003-12/2014-04	108,257	108,257	Floating rate	-	-	108,257
Other bonds expressed in foreign currency	2004-01/2052-12	750,633	750,994	1.31-13.00	37,499	386	751,380
Total		30,222,781	30,122,894		754,211	28,184	30,151,078

Notes 1: Within the aforesaid balance as at December 31, 2004, there is treasury bill amounting to RMB ¥1.712 billion has been put in pledge for repurchase agreements.

Notes 2: Structured bond is defined as bond combined with derivative financial instruments issued by the other financial institutions.

20. Long-term equity investment

(1) Details are as follows

Item	December 31, 2004			December 31, 2003		
	Cost	Provision for Impairment	Net book Value	Cost	Provision for Impairment	Net book Value
No significant Influence						
Over investee	452,620	4,559	448,061	452,622	4,559	448,063

Notes to the Financial Statements (Domestic)

For the Year ended December 31, 2004

(2) Equity investments meeting one of the following criteria can be detailed as follows

(A) The Company holds less than 20% of the voting shares or equity capital of the investee; or (B) although the Company holds 20% or more, but can not exert significant influence over the investee

Name of Investee	Term of Investment (in years)	Proportions of shares hold by the Company to total shares outstanding	December 31,2004	December 31,2003
First Sino Bank	30	10%	84,317	84,319
Shenlian Investment Co., Ltd.	None	16.5%	288,303	288,303
China Joint-bank Co., Ltd.	None	4.85%	80,000	80,000
Total			452,620	452,622

(3) Provision for impairment of long-term investments

The ending balance of provision for impairment of long-term investments is adjusted to 1% of the original investment cost of long-term equity investments.

	December 31,2004	December 31,2003
Balance	4,559	4,559

21. Fixed assets - cost and accumulated depreciation

Item	Fixed Assets - cost			December 31,2004
	December 31,2003	Increase	Decrease	
Buildings and constructions	3,598,887	525,341	5,158	4,119,070
Transportation facilities	209,526	19,991	24,148	205,369
Computers	976,519	265,024	49,559	1,191,984
Electronic equipment	90,627	19,227	8,562	101,292
Office equipment	101,218	27,642	8,152	120,708
Improvement of fixed assets	781,575	156,000	22,623	914,952
Total	5,758,352	1,013,225	118,202	6,653,375

Notes to the Financial Statements (Domestic)

For the Year ended December 31, 2004

Item	Fixed Assets - accumulated depreciation			December 31,2004
	December 31,2003	Increase	Decrease	
Buildings and constructions	401,636	117,997	668	518,965
Transportation facilities	139,951	25,155	21,141	143,965
Computers	569,910	203,720	47,273	726,357
Electronic equipment	56,503	12,225	8,261	60,467
Office equipment	48,639	17,399	7,721	58,317
Improvement of fixed assets	389,101	132,897	10,607	511,391
Total	1,605,740	509,393	95,671	2,019,462

Item	Fixed Assets - net book value	
	December 31,2002	December 31,2003
Buildings and constructions	3,197,251	3,600,105
Transportation facilities	69,575	61,404
Computers	406,609	465,627
Electronic equipment	34,124	40,825
Office equipment	52,579	62,391
Improvement of fixed assets	392,474	403,561
Total	4,152,612	4,633,913

Notes: 1. In current period, the value of constructions in progress transferred to fixed assets is RMB¥ 125,269 thousand

Notes: 2. As at December 31, 2004, fixed assets were not impaired, thus no provision is made for such impairment

Notes: 3. Reconciliation of the carrying amount of fixed assets at the beginning and end of the fiscal year 2004

i. Original cost of fixed assets

Balance as at January 1, 2004	5,758,352
Add:	
Purchases	887,956
Transfer from construction in progress account	125,269
Subtotal of increase	1,013,225
Less: Retirement and disposal	118,202
Balance as at December 31, 2004	6,653,375

ii. Accumulated depreciation

Balance as at January 1, 2004	1,605,740
Add: Depreciation provided	509,393
Less: Retirement and disposal	95,671
Balance as at December 31, 2004	2,019,462

Notes to the Financial Statements (Domestic)

For the Year ended December 31, 2004

22. Constructions in progress

Project name	Budgeted cost	Percentage of completion	Source of funds	December 31, 2003	Increase	Decrease	December 31, 2004
Building of Chong Qing branch	55,000	100%	Self-raised Fund	55,085	484	55,569	-
Building of Shaoxing sub-branch, Hangzhou	30,000	100%	Self-raised Fund	-	30,840	30,840	-
Information center Project 628	170,000	100%	Self-raised Fund	140,300	141,352	-	281,652
Others	134,120	66%	Self-raised Fund	49,645	39,244	68,949	19,940
	26,877	-	Self-raised Fund	20,967	5,486	20,869	5,584
Total	415,997			265,997	217,406	176,227	307,176

Notes1: No interest was capitalized on construction projects

Notes2: As at December 31, 2004, constructions in progress were not impaired, thus no provision is made for such impairments

Notes3: The assets transferred to fixed assets in the reporting year amounted to RMB ¥ 125,269 thousand

23. Intangible assets

Item	Method of Acquisition	Original Cost	December 31, 2003	Increase	Amortization	Accumulated Amortization	December 31, 2004	Remaining amortization period (in years)
Occupancy right of office buildings	Purchase	165,339	132,145	-	8,197	41,391	123,948	20-25.5
Franchise	Purchase	38,411	23,413	-	7,679	22,677	15,734	2.5
Land use right	Purchase	36,100	32,707	-	787	4,180	31,920	43-44
Computer software	Purchase	74,904	13,970	50,957	26,866	36,843	38,061	1-3
Others	Purchase	1,763	810	713	219	459	1,304	3-4
Total		316,517	203,045	51,670	43,748	105,550	210,967	

Notes: At the end of the year 2004, intangible assets were not impaired

24. Long-term deferred charges

Item	Original Cost	December 31, 2003	Increase	Decrease	Amortization	Accumulated Amortization	December 31, 2004	Remaining amortization period (in years)
Leasing fee	25,192	3,495	5,076	-	2,974	19,595	5,597	0.5-9
Others	16,703	8,750	5,525	2,695	10,663	15,786	917	0.5-5
Total	41,895	12,245	10,601	2,695	13,637	35,381	6,514	

Notes to the Financial Statements (Domestic)

For the Year ended December 31, 2004

25. Assets received from insolvent debtors to be disposed of

Description	December 31, 2004			December 31, 2003		
	Original Cost	Provision for impairment	Net book value	Original Cost	Provision for impairment	Net book value
Real estate	450,508	231,922	218,586	469,545	224,327	245,218
Shares owned by domestic legal person	876	482	394	4,900	530	4,370
Others	6,909	3,569	3,340	11,690	5,638	6,052
Total	458,293	235,973	222,320	486,135	230,495	255,640

26. Other long-term assets

Item	December 31, 2004	December 31, 2003
Centralized syndicate loans	-	447,313
Long-term interests receivable	-	141,444
Others	57	58
Total	57	588,815

27. Deferred tax-debit

Item	December 31, 2003	Increase	Write-offs	December 31, 2004
Provision for credit losses	1,594,395	853,627	385,347	2,062,675
Bad debts provision	61,869	36,560	26,298	72,131
Assets received from insolvent debtors provision	76,064	1,807	-	77,871
Start-up expenses amortization	7,580	2,321	4,307	5,594
Depreciation of fixed assets	-	876	51	825
Long-term assets amortization	4,286	930	1,141	4,075
Total	1,744,194	896,121	417,144	2,223,171

Notes: Deferred tax is resulted from the timing difference between income tax expense as determined based on accounting profit and actual income tax payable as determined in accordance with tax laws and regulations. In determining accounting profit, provision for credit losses is based on grouping of loans into five categories by risk levels, bad debts provision and provisions for impairment of assets received from insolvent debtors are determined using specific identification method, provision for impairment of assets received from insolvent debtors and organization expenses of branches and sub-branches are written off immediately when the branch or sub-branch starts operation, whereas such provisions and write-offs cannot be deducted in full from taxable income while determining taxable income

Notes to the Financial Statements (Domestic)

For the Year ended December 31, 2004

28. Due to banks

Description	December 31,2004	December 31,2003
Banks	4,051,707	2,969,376
Security companies	7,621,023	8,111,020
Non-bank financial institutions	5,784,249	5,199,859
Total	17,456,979	16,280,255

29. Inter-bank borrowings

Item	December 31,2004	December 31,2003
Domestic banks	1,592,691	2,600,000
Foreign banks	413,825	455,379
Total	2,006,516	3,055,379

30. Short-term guarantee deposit

Item	December 31,2004	December 31,2003
Deposits for accepted drafts	52,529,308	49,400,498
Deposits made by applicants of letters of credit (L/Cs)	2,680,317	2,178,786
Deposits made by applicants of letters of guarantee (L/Gs)	1,676,378	1,634,805
Deposits in foreign currencies for pledged loans in Renminbi	1,662,889	859,243
Others	2,185,697	1,690,218
Total	60,734,589	55,763,550

31. Repurchase agreements

Trading counterpart	December 31,2004	December 31,2003
Central bank	-	546,969
Commercial banks other than the Company	6,070,298	4,337,753
Financial companies	60,000	-
Credit unions	-	807,900
Trust investment companies	-	150,000
Sub-total	6,130,298	5,842,622
Treasury bills-other commercial banks	2,135,200	3,428,500
Treasury loans- Trust Investment	32,350	-
Total	8,297,848	9,271,122

Notes to the Financial Statements (Domestic)

For the Year ended December 31, 2004

32. Designated deposit/loan

(1) Designated deposit

	December 31, 2004	December 31, 2003
Designated deposit	17,453,897	11,029,889
Less: designated loan	17,430,508	10,916,082
Net value of designated deposit	23,389	113,807

(2) Security investment funds under the Company's custody

As of December 31, 2004, the security investment funds under the Company's custody are Guo Tai Jin Long series security investment funds managed by Guo Tai Fund Management Co. Ltd, Tian Zhi Fortune Increase Security Investment Fund managed by Tian Zhi Fund Management Co. Ltd, and Pu An Cost-kept Security Investment Fund managed by Jia Shi Fund Management Co. Ltd.

33. Taxes payable

Item	December 31, 2004	December 31, 2003
Business tax	231,505	184,630
City maintenance and construction tax	15,155	12,286
Corporate income tax (Notes)	1,483,858	1,120,982
Educational Surcharge	8,196	6,670
Others	1,399	2,234
Total	1,740,113	1,326,802

Notes: The branches outside Shanghai are all independent local taxpayers. They make tax prepayments at 60% of total taxes payable separately to local taxation authorities. At the end of each year, the headquarters of the Company will calculate and settle the taxes payable as a whole. The statutory rate of corporate income tax applicable to the Company is 33%. Besides, the income tax rate applicable to Shenzheng Branch is 15%, the Company will pay the rest 18% at the settlement

34. Dividends payable

Item	December 31, 2004	December 31, 2003
Dividend declared out of net profits for previous years not yet paid	14,834	14,985

35. Other payables

Item	December 31, 2004	December 31, 2003
Promissory notes	2,607,859	1,389,164
Settlement funds	1,616,086	592,394
Temporary credits received	202,751	328,675
Others	1,880,208	1,170,603
Total	6,306,904	3,480,836

Notes: Within the aforesaid balance, there is no amount due to shareholders which hold 5% or more of the Company's shares

Notes to the Financial Statements (Domestic)

For the Year ended December 31, 2004

36. Deferred income

Item	December 31,2004	December 31,2003
Discounting interest	461,982	316,047
Reverse repo	4,068	44,164
Factoring	13,007	4,277
Others	887	-
Total	479,944	364,488

37. Other current liabilities

Item	December 31,2004	December 31,2003
Amounts arising from acting as an agent for transactions related to investment funds	2,027	1,734
Social security fund	-	130,925
Amounts arising from acting as an agent for transactions related to scarce metal	28	154
Others	51,955	170
Total	54,010	132,983

38. Long-term guarantee deposit

Item	December 31,2003	December 31,2002
Deposits made by applicants of letters of credit (L/Cs)	971,511	176,928
Deposits made by applicants of letters of guarantee (L/Gs)	392,915	76,539
Others	836,435	754,436
Total	2,200,861	1,007,903

39. long-term payable

Item	December 31,2004	December 31,2003
Sub-grade time liabilities	6,000,000	-

Notes: As approved by the China Banking Regulatory Commission ("CBRC"), the Company entered into agreements with eight investors for the issuance of RMB ¥6 billion subordinated debts with floating rate. The tenor of the debts is five years and one month and the initial annual interest rate was set at 4.60%. On 9 June 2004, the issuance was completed and the Company received a total consideration of RMB ¥6 billion. In accordance with the related regulations, the subordinated debt shall form part of the Company's supplementary capital for regulatory purpose

40. Other long-term liabilities

Item	December 31,2004	December 31,2003
Collective financing	480,197	-
Funds covering centralized syndicate loans	-	447,313
Funds covering other agency businesses	274,631	210,737
Total	754,828	658,050

Notes: The balance represent structured products combined with derivative financial instruments purchased by the investors

Notes to the Financial Statements (Domestic)

For the Year ended December 31, 2004

41. Share capital

	December 31, 2003	Percentage (%)	Increase (decrease) in current year	December 31, 2004	Percentage (%)
I. Non-marketable portion					
1. Shares owned by sponsors	1,111,200	28.38	-50,000	1,061,200	27.11
Including:					
(1) Shares owned by the State	-	-	-	-	-
(2) Shares owned by domestic legal person	1,111,200	28.38	-50,000	1,061,200	27.11
(3) Shares owned by foreign legal person	-	-	-	-	-
(4) Others	-	-	-	-	-
2. Shares owned by legal person other than sponsors	1,903,800	48.63	50,000	1,953,800	49.90
(1) Shares owned by the State	279,660	7.14	97,500	377,160	9.63
(2) Shares owned by domestic legal person	1,443,390	36.87	-47,500	1,395,890	35.65
(3) Shares owned by foreign legal person	180,750	4.62	-	180,750	4.62
3. Shares owned by staff	-	-	-	-	-
4. Preferred shares and other non-marketable shares	-	-	-	-	-
Total non-marketable portion	3,015,000	77.01		3,015,000	77.01
II. Marketable portion					
1. Common shares quoted in Renminbi in PRC stock markets (Share A)	900,000	22.99	-	900,000	22.99
2. Common shares quoted in foreign currencies in PRC stock markets (Share B)	-	-	-	-	-
3. Common shares quoted in foreign currency and listed in stock markets outside PRC	-	-	-	-	-
4. others	-	-	-	-	-
Total marketable portion	900,000	22.99		900,000	22.99
III. Total	3,915,000	100.00		3,915,000	100.00

Notes: Transfers made by shareholders holding more than 5% of the Company in the reporting period: Shanghai International Group Co., Ltd, Shanghai International Trust Investment Co. Ltd and Shanghai Guoxin Investment and Development Co., Ltd entered into agreements of share transfer with related parties for receiving 144 million, 22.5 million and 48.5 million shares of the Company, respectively. After these share transfers, totaling 215 million shares or 5.49% of the Company's total shares had been changed. After the share transfers, the 105 million shares owned by Shanghai International Group Co., Ltd have changed from state legal person shares to state-held shares, while 7.5 million shares also owned by Shanghai International Group Co., Ltd. have changed from state-held shares to state legal person shares. Others remained unchanged

Notes to the Financial Statements (Domestic)

For the Year ended December 31, 2004

42. Capital surplus

Item	Excess of contributed capital over par value	Transferred in from other capital reserve items	Translation difference of capital of investees in foreign currencies	Total
Balance as at Jan.1, 2004	4,847,825	21,726	-155	4,869,396
Increase (Decrease) in current reporting period	-	-	-	-
Balance as at December 31, 2004	4,847,825	21,726	-155	4,869,396

43. Revenue reserves

Item	Statutory revenue reserve	Reserve for welfare of employees	Discretionary revenue reserve	Total
Balance as at January 1, 2004	591,566	473,598	527,437	1,592,601
Appropriations out of net profit for current year	193,003	193,003	193,003	579,009
Balance as at December 31, 2004	784,569	666,601	720,440	2,171,610

44. General provisions

Item	December 31, 2003	Increase	December 31, 2004
General provision	1,150,000	850,000	2,000,000

45. Undistributed profits

Item	Amount
Balance of undistributed profits as at December 31, 2003 (as disclosed in the 2003 annual report)	483,926
Add: Net profit for the year 2004	1,930,031
Less: Appropriations to statutory revenue reserve	193,003
Appropriations to reserve for public welfare fund	193,003
Appropriations to general provisions	850,000
Appropriations to discretionary revenue reserve	193,003
Dividends declared on ordinary shares for the year 2003	430,650
Balance of undistributed profits as at December 31, 2004	554,298

Notes: The appropriation and distribution of profits in the year 2004 are detailed as follows

In accordance with the Companies Law of PRC, as passed at the seventeenth meeting of the second session of the board of directors an informal scheme for appropriation and distribution of profits for the year 2004 by adopting a resolution, which is detailed as follows:

- (1) to appropriate 10% of profits after tax for the year 2004 to statutory revenue reserve, 10% to reserves for welfare of employees, 10% to discretionary revenue reserve;
 - (2) to appropriate RMB ¥ 0.85 billion out of the year 2004 profit to general provision;
 - (3) to declare a cash dividend of RMB ¥ 0.12 per share on the share capital, the total number of shares after issuing additional shares being 3.915 billion.
- This informal scheme for appropriation and distribution is pending approval by shareholders' meeting for the year 2004, therefore the amount is still accounted for in the undistributed profits account.

Notes to the Financial Statements (Domestic)

For the Year ended December 31, 2004

46. Operating revenue grouped by geographic areas

Geographic area	For the year ended December 31, 2004		For the year ended December 31, 2003	
	Amount	Percentage (%)	Amount	Percentage (%)
Shanghai	4,641,837	27.70	3,750,519	31.18
Zhejiang province	2,754,070	16.43	1,863,842	15.50
Beijing	1,248,698	7.45	893,831	7.43
Jiangsu province	1,668,499	9.95	1,121,702	9.33
Guangdong province	1,550,392	9.25	1,221,861	10.16
Other districts of PRC	4,864,529	29.02	3,160,544	26.28
Off-shore banking	32,964	0.20	14,938	0.12
Total	16,760,989	100.00	12,027,237	100.00

47. Income on investments

Item	Income from	Income from	Total
	investments in bonds	investments in shares	
Income from current investments	235,408	-	235,408
Income from long-term investments	1,205,171	15,348	1,220,519
Total for the year ended December 31, 2004	1,440,579	15,348	1,455,927
Income from current investments	388,626	-	388,626
Income from long-term investments	1,067,320	15,373	1,082,693
Total for the year ended December 31, 2003	1,455,946	15,373	1,471,319

48. Business taxes and surcharges

Item	For the year ended December 31, 2004	For the year ended December 31, 2003
Business tax	741,367	540,299
City maintenance and construction tax	49,686	36,069
Educational surcharge	27,001	19,408
Total	818,054	595,776

Note: The taxes and surcharges applicable to the Company and rates thereof have been disclosed in Note III

49. Non-operating income

Item	For the year ended December 31, 2004	For the year ended December 31, 2003
Income from disposal of assets received from insolvent debtors	-	98
Income from settlement penalty	1,207	494
Surplus of fixed assets, and net income from disposal income	15,569	2,794
Others	29,772	11,494
Total	46,548	14,880

Notes to the Financial Statements (Domestic)

For the Year ended December 31, 2004

50. Provisions for impairment of assets made

Item	For the year ended December 31,2004	For the year ended December 31,2003
Provision for credit losses	3,084,525	2,087,000
Bad Debts Provision	50,629	78,912
Provisions for impairment of assets received from insolvent debtors	2,567	84,806
Total	3,137,721	2,250,718

51. Off balance sheet items

Item	December 31,2004	December 31,2003
Banker's acceptance draft	95,134,461	94,949,445
Acceptance drafts payable	4,345,235	2,404,371
Letters of guarantee for financing purposes	2,072,132	2,459,288
Letters of guarantee for non-financing purposes	10,345,439	6,301,286
L/Cs established	9,108,020	7,778,741
Re-discounted Bills	10,398	3,296,629
Trans-discount	28,351,671	14,403,989

Notes: As of December 31, 2004, the Company is the fund trustee and guarantor of Harvest Pu An Capital Guaranteed Hybrid Fund, an open ended fund

52. Derivative financial instruments

Item	December 31,2004	December 31,2003
Nominal value	2,349,745	2,006,697
Market value	68,476	109,574
Including: Financial assets	72,412	92,268
Financial liabilities	140,888	201,842

53. Risk position of the financial instruments

(1) Credit risk

Credit risk is the risk of loss from the default by an obligor or counterparty. Credit risk is greater when counterparties are concentrated in a single industry or geographic location, because a group of otherwise unrelated counterparties could be adversely affected in their ability to repay their obligations due to economic developments affecting their common industry or location.

Concentration of credit risk exists if a number of clients are engaged in similar activities, or are located in the same geographic location or have comparable economic characteristics such that their ability to meet contractual obligations would be similarly affected by changes in economic or other conditions. Concentrations of credit risk indicate the relative sensitivity of the Company's performance to developments affecting a particular industry or geographic location.

The Company solely operates in the PRC, however, due to the geographic diversification and the unique economic development of each location, this results in a different risk profile to the Company.

Notes to the Financial Statements (Domestic)

For the Year ended December 31, 2004

A. On balance sheet assets

a. Loans grouped by industry in which the borrowers operate

Industry	December 31,2004	(%)	December 31,2003	(%)
Agriculture, forestry, stockbreeding, fishery	2,717,711	0.87	4,129,282	1.62
Mining Industry	2,617,220	0.84	2,022,450	0.79
Manufacturing	94,041,934	30.25	76,948,141	30.17
Electric power, gas and water	12,958,882	4.17	9,710,820	3.81
Constructions	11,127,127	3.58	9,031,258	3.54
Geological prospecting, irrigation	9,621,220	3.10	9,491,750	3.72
Transportation, warehousing and communications	17,757,438	5.71	14,399,520	5.64
Wholesales, retails and entertainment	37,614,256	12.10	35,346,714	13.86
Financial institutions and insurance	2,780,000	0.89	2,813,809	1.10
Real properties	37,148,210	11.95	29,472,825	11.55
Social services	17,702,776	5.69	16,308,094	6.39
Healthcare, physical culture and social welfare	503,840	0.16	1,085,191	0.43
Education, culture and broadcasting	5,344,811	1.72	4,745,034	1.86
Scientific research and technologies	1,188,950	0.38	1,413,121	0.55
Others, including entities engaged in various business activities and government-related organs	57,780,765	18.59	38,193,330	14.97
Total	310,905,140	100.00	255,111,339	100.00
Less: Provision for credit losses	8,919,499		6,268,205	
Net	301,985,641		248,843,134	

b. Loans grouped by geographical area in which borrowers are located

Area	December 31,2004		December 31,2003	
	Amount	Percentage (%)	Amount	Percentage (%)
Shanghai	74,252,302	23.88	67,920,534	26.62
Beijing	23,683,573	7.62	20,737,650	8.13
Jiangsu province	31,882,930	10.26	26,756,471	10.49
Zhejiang province	50,644,301	16.29	41,065,954	16.10
Guangdong province	28,578,005	9.19	22,400,560	8.78
Other districts of PRC	100,859,021	32.44	75,447,214	29.57
Off-shore banking	1,005,008	0.32	782,956	0.31
Total	310,905,140	100.00	255,111,339	100.00
Less: bad loans provision	8,919,499		6,268,205	
Net	301,985,641		248,843,134	

Notes to the Financial Statements (Domestic)

For the Year ended December 31, 2004

B. Derivative financial instrument

All the derivative contracts were transacted by the Company's head office in Shanghai. Credit risk represents the inability of the counterparty to deliver payment in accordance with the terms of the derivative contracts. The fair value is the amount for which an asset could be exchanged, or a liability to settle.

To mitigate the credit risk associated with derivative instruments, the Company enters into master netting agreements with certain counterparties. The Company subjects its derivative-related credit risks to the same credit approval and monitoring standards that it uses for managing other transactions that exposure to credit risk.

(2) Currency risk

The Company is incorporated and operates in the PRC, with RMB as its reporting currency. The other major foreign currency in which the Company transacts is USD. The exchange rate between USD and RMB is subject to the PBOC Management and hence fluctuates within a narrow range, as it has throughout the year. The Company's loans and advances were mainly denominated in RMB with the remainder mainly in USD. However, some of the Company's deposits and investments are in currencies other than the reporting currency and USD. In order to manage such currency risks, the Company entered into foreign currency hedging transactions between such currencies and USD.

Item	RMB	USD Into RMB	HKD Into RMB	Others Into RMB	Total
<i>Assets:</i>					
Cash on hand	1,104,727	153,137	66,381	142,311	1,466,556
Due from the central bank and other banks	72,097,859	1,917,899	353,122	396,580	74,765,460
Loans	287,940,129	11,605,428	237,029	2,203,055	301,985,641
Placements and reverse repurchases	11,795,177	5,199,297	1,963,335	451,220	19,409,029
Investments	43,970,784	2,314,471	79,822	281,216	46,646,293
Other assets	10,252,648	867,094	125,927	13,638	11,259,307
Total assets	427,161,324	22,057,326	2,825,616	3,488,020	455,532,286
<i>Liabilities:</i>					
Deposits	376,930,647	14,787,400	2,096,461	1,567,262	395,381,770
Inter-bank Borrowings	9,697,848	413,825	-	192,691	10,304,364
Due to banks and reverse repurchase	15,341,753	1,876,092	128,737	110,397	17,456,979
Other liabilities	12,486,671	4,174,110	600,418	1,617,670	18,878,869
Total liabilities	414,456,919	21,251,427	2,825,616	3,488,020	442,021,982
Net exposure	12,704,405	805,899	-	-	13,510,304

Notes to the Financial Statements (Domestic)

For the Year ended December 31, 2004

(3) Interest rate risk

Most of the financial assets and liabilities of the Company are expressed in RMB. As of December 31, 2004, the details are as follows:

	December 31, 2004			December 31, 2003		
	RMB ('000)	Total equivalent of RMB ('000)	Proportion of RMB to total (%)	RMB ('000)	Total equivalent of RMB ('000)	Proportion of RMB to total (%)
Assets:						
Cash on hand and in bank	1,104,727	1,466,556	75.33	821,446	1,081,830	75.93
Due from the central bank and other banks	72,097,859	74,765,460	96.43	39,656,367	43,489,599	91.19
Loans	287,940,129	301,985,641	95.35	236,479,466	248,843,134	95.03
Placements and reverse repurchase agreement	11,795,177	19,409,029	60.77	16,004,637	21,924,464	73.00
Total assets	372,937,892	397,626,686	93.79	292,961,916	315,339,027	92.90
Liabilities						
Deposits	376,930,647	395,381,770	95.33	301,281,891	322,114,093	93.53
Inter-bank Borrowings	9,697,848	10,304,364	94.11	11,705,271	12,326,501	94.96
Due to banks	15,341,753	17,456,979	87.88	14,245,916	16,280,255	87.50
Total Liabilities	401,970,248	423,143,113	95.00	327,233,078	350,720,849	93.30

The Company is required to apply the interest rates set by the PBOC for its loans and advances and deposit activities. The PBOC last adjusted the market rates on 29 October 2004. The benchmark rates for the relevant periods for the following types of loans, advances and deposits were as follows:

	Adopted from October 29, 2004 on (%)	Adopted from February 21, 2002 on (%)
Short-term loans and advances	5.22 to 5.58	5.04 to 5.31
Mid-term and long-term loans	5.76 to 6.12	5.49 to 5.76
Non-performing loans	Original interest rates plus premium of 30% to 50%	0.021 per day
current deposits and current savings	0.72	0.72
Time savings(1 to 5 years)	1.71 to 3.60	1.71 to 2.79
Corporate call deposits (1 to 7 days)	1.08 to 1.62	1.08 to 1.62
Corporate time deposits	1.44 to 2.25	1.44 to 1.98
Balances with central bank		
Deposits	1.62	1.89
Rediscount	3.24	2.97

Notes to the Financial Statements (Domestic)

For the Year ended December 31, 2004

Effective from 29 October 2004, PBOC raised the central bank benchmark rates for deposit and lending, broaden the floating range of lending rate and allow financial institutions to lower RMB deposit rates. The benchmark rate for one-year deposit is raised by 0.27 percentage points from 1.98 percent to 2.25 percent. The one-year benchmark lending rate is also raised by 0.27 percentage points from 5.31 percent to 5.58 percent. Rates of deposit and lending at other different tranches, other than the corporate call deposits and certain short term deposits, are adjusted accordingly with the rates of medium and long term maturities gaining a larger increase over the short-term ones.

Meanwhile, further leeway is given to the floating range of the lending rates charged by financial institutions (excluding rural and urban credit units). In principle, no upper limits will be set for lending while the lower limit remain unchanged, being at 90 percent of the benchmark rate. A spread above the interest rate charged by the PBOC on re-discounted bills is allowed to be charged to the Company's customer discounted bills. However, the spread is subject to a ceiling of the applicable interest rates charged on corporate loans with the same tenor (including the floating rates).

The rates of inter-bank placements and borrowings can be derived through negotiation between the borrowers and lenders, and generally the rates are adjusted downward by 18% to 20% based on the corporate loan and deposit rates. There is generally no interest spread between the money market placements and borrowings.

Allowing the financial institutions to move deposit rate below the benchmark means that all deposit-taking institutions have the discretion to adjust their local currency deposit rates below (but not above) the announced benchmark rates.

(4) Liquidity risk

	Overdue	Repaid on time	Within 3 months	3 months to 1 year	1 year to 5 years	Over 5 years	Total
Assets							
Cash on hand and in bank	-	1,466,556	-	-	-	-	1,466,556
Due from the central bank and other banks	-	74,095,891	24,830	82,765	454,380	107,594	74,765,460
Placements and reverse repurchase agreement	207,232	-	18,630,563	571,234	-	-	19,409,029
Investment	-	8,274,606	237,081	7,618,869	18,628,793	11,886,944	46,646,293
Loans	4,455,917	-	56,775,900	169,623,412	41,178,056	29,952,356	301,985,641
Others	233,530	1,779,058	1,573,233	788,055	141,576	6,743,855	11,259,307
Total assets	4,896,679	85,616,111	77,241,607	178,684,335	60,402,805	48,690,749	455,532,286

Notes to the Financial Statements (Domestic)

For the Year ended December 31, 2004

	Overdue	Repaid on time	Within 3 months	3 months to 1 year	1 year to 5 years	Over 5 years	Total
Liabilities							
Deposits	-	203,845,304	30,456,099	132,038,418	25,685,185	3,356,764	395,381,770
Inter-bank	-	-	9,004,339	1,300,025	-	-	10,304,364
Borrowings							
Due to banks	-	12,611,709	2,314,651	2,510,028	20,591	-	17,456,979
Others	-	8,624,179	1,618,852	2,224,694	6,389,298	21,846	18,878,869
Total liabilities	-	225,081,192	43,393,941	138,073,165	32,095,074	3,378,610	442,021,982
Net	4,896,679	-139,465,081	33,847,666	40,611,170	28,307,731	45,312,139	13,510,304

54. Opening and closing balances of cash and cash equivalents

Items	As at December 31, 2004	As at December 31, 2003
Cash on hand and in bank	1,466,556	1,081,830
Due from central bank	46,975,685	20,253,284
Due from banks	3,805,255	5,627,938
Inter-bank placements maturing within 3 months	7,742,942	6,755,977
Total	59,990,438	33,719,029

V. Related parties

Related parties without effective control

(1) Related parties without effective control

Name	Relationship with the Company
Shanghai International Trust Investment Company	Shareholder of the Company
Shanghai SIIC (Group) Co., Ltd.	Shareholder of the Company
Shanghai International Group Co., Ltd.	Shareholder of the Company
Shanghai Industry Development Co., Ltd.	Shareholder of the Company
SIIC Shanghai International (Group) Co., Ltd.	Shareholder of the Company
Shanghai State-owned Assets Management Co., Ltd.	Shareholder of the Company
Shanghai Guoxin Investment Development Co., Ltd.	Shareholder of the Company

Notes to the Financial Statements (Domestic)

For the Year ended December 31, 2004

(2) Transactions with related parties without effective control

Name	For the year ended December 31,2004 Interest income	For the year ended December 31,2003 Interest income
Shanghai SIIC (Group) Co., Ltd.	480	854
Shanghai International Group Co., Ltd.	6,932	38
Shanghai Industry Development Co., Ltd.	157	211
SIIC Shanghai International (Group) Co., Ltd.	626	2,941
Shanghai State-owned Assets Management Co., Ltd.	23,869	13,884
Shanghai Guoxin Investment Development Co., Ltd.	290	617

Notes: The loans and placements mentioned above were made at the interest rates as specified by PBOC and the general business terms

(3) Balance of loans and placements with to related parties without effective control

Name	December 31,2004 Amount	December 31,2003 Amount
Shanghai SIIC (Group) Co., Ltd.	100,000	24,830
Shanghai International Group Co., Ltd.	300,000	100,000
Shanghai Industry Development Co., Ltd.	-	18,000
SIIC Shanghai International (Group) Co., Ltd.	-	13,239
Shanghai State-owned Assets Management Co., Ltd.	600,000	330,000
Shanghai Guoxin Investment Development Co., Ltd.	-	20,000

VI. Contingencies

As of the date on which the financial statements were approved, there is no material pending litigation in which the Company acts as a defendant.

VII. Commitments

1. As at December 31, 2004, operating lease commitments for premises and equipment are detailed as follows:

Maturity date for rentals	December 31,2004	December 31,2003
Within 1 year	196,520	159,463
2 - 5 years	519,925	427,734
Over 5 years	240,974	176,775
Total	957,419	763,972

Notes to the Financial Statements (Domestic)

For the Year ended December 31, 2004

2. As of December 31, 2004, the major capital commitment of the Company which had been approved yet not honored is RMB ¥ 74,096 thousand.

VIII. Non-adjusting post balance sheet date events

As at the date of the balance sheet, there exists no significant non-adjusting post balance sheet date event that needs disclosure.

IX. Debt restructuring

As at the date of the balance sheet, there exists no significant debt restructuring that needs disclosure.

X. Non-monetary transactions

As at the date of the balance sheet, there exists no significant non-monetary transaction that needs disclosure.

XI. Other matters and events that need disclosure

1. A share

On May 31, 2004, as approved by the first ad hoc shareholders' meeting held in 2004, the Company is to issue additional A share instead of convertible bonds valuing not exceeding RMB ¥ 700 million. The related application is still in process.

2. Impact of non-recurring profits and losses on the net profits

Item	2004	2003
Recovery of amounts not yet approved by the relevant authority	19,269	36,314
Non-operating income	31,187	9,969
Less: non-operating expenditure	14,756	15,885
Total	35,700	30,398

XII. Approval of Financial Statements

The financial statements and notes related thereto were approved for issue by the Board of Directors on February 24, 2005.

CONTENTS

			Report of the International Auditors 126
			Income Statement 127
			Balance Sheet 128
			Statement of Changes in Equity 129
			Statement of Cash Flows 130
			Notes to the Financial Statements 131

The Financial Statements (International)

For the Year ended December 31, 2004

REPORT OF THE INTERNATIONAL AUDITORS

To the members

Shanghai Pudong Development Bank Co., Ltd

We have audited the accompanying balance sheet of Shanghai Pudong Development Bank Co., Ltd (the "Company") as of 31 December 2004, together with the related statements of income and cash flows for the year then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit. This report is made solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

We conducted our audit in accordance with International Standards on Auditing. These standards require that we plan and perform the audit to obtain reasonable assurance as to whether the financial statements are free from material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of financial statements. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements give a true and fair view of the Company's financial position as of 31 December 2004 and of its results and cash flows for the year then ended in accordance with International Financial Reporting Standards.



Hong Kong

24 February 2005

The Financial Statements (International)

For the Year ended December 31, 2004

Income Statement

	Notes	2004 RMB '000	2003 RMB '000
OPERATING REVENUE			
Interest income	4	17,227,562	12,698,580
Interest expense	4	(6,702,100)	(4,864,681)
Net interest income	4	10,525,462	7,833,899
Business tax and surcharges		(818,054)	(595,776)
Credit loss expense	13(c)	(3,131,894)	(2,098,281)
Net interest income after business tax and surcharges and credit loss expense		6,575,514	5,139,842
Net fee and commission income	5	284,022	225,575
Net trading income	6	366,761	237,350
Other income	7	320,269	302,033
TOTAL OPERATING INCOME		7,546,566	5,904,800
OPERATING EXPENSES			
Personnel	8	(2,091,575)	(1,543,989)
General and administrative	8	(1,799,041)	(1,525,290)
Depreciation and amortization	8	(553,142)	(472,340)
	8	(4,443,758)	(3,541,619)
OPERATING PROFIT BEFORE TAX		3,102,808	2,363,181
Income tax expense	9	(1,136,605)	(784,090)
NET PROFIT		1,966,203	1,579,091
EARNINGS PER SHARE			
Basic earnings per share (RMB)	10	0.50	0.40
Diluted earnings per share (RMB)	10	0.50	0.40



The Financial Statements (International)

For the Year ended December 31, 2004

Balance Sheet

	Notes	2004-12-31 RMB '000	2003-12-31 RMB '000
ASSETS			
Cash on hand		1,466,556	1,081,830
Due from the central bank	11	70,125,106	37,861,661
Inter-bank placements	12	8,441,353	7,093,477
Due from banks	13	4,684,854	6,226,977
Reverse repurchase agreements	14	10,760,444	14,061,144
Trading securities	15	8,293,884	6,929,145
Loans, net of allowance for credit losses	13	302,148,374	249,568,476
Financial investments	15	38,508,486	38,113,667
Construction in progress	16	307,176	265,997
Property, plant and equipment	17	4,671,976	4,166,583
Intangible assets	18	172,905	189,074
Other assets	19	6,169,720	5,275,458
TOTAL ASSETS		455,750,834	370,833,489
LIABILITIES			
Inter-bank borrowings	12	2,006,516	3,055,379
Due to banks	20	17,456,979	16,280,255
Repurchase agreements	14	8,297,848	9,271,122
Due to customers	20	394,169,415	321,065,463
Inward and outward remittances		2,899,500	2,171,303
Dividends payable	21	14,834	14,985
Debt issued	22	6,000,000	-
Other liabilities	23	11,265,824	6,870,617
TOTAL LIABILITIES		442,110,916	358,729,124
SHAREHOLDERS' EQUITY			
Share capital	24	3,915,000	3,915,000
Share premium		4,869,396	4,869,396
Reserves	25	3,776,823	2,384,208
Retained earnings	26	1,078,699	935,761
TOTAL SHAREHOLDERS' EQUITY		13,639,918	12,104,365
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		455,750,834	370,833,489

The Financial Statements (International)

For the Year ended December 31, 2004

Statement Of Changes In Equity

	Notes	2004 RMB'000	2003 RMB'000
SHARE CAPITAL			
Balance at beginning of year	24	3,915,000	3,615,000
Additions	24	-	300,000
Balance at end of year	24	3,915,000	3,915,000
SHARE PREMIUM			
Balance at beginning of year		4,869,396	2,685,037
Issuance of share capital		-	2,184,359
Balance at end of year		4,869,396	4,869,396
RESERVES			
Balance at beginning of year	25	2,384,208	1,292,459
Transfer from retained earnings	25	1,392,615	1,091,749
Balance at end of year	25	3,776,823	2,384,208
RETAINED EARNINGS			
Balance at beginning of year		935,761	839,919
Net profit for the year		1,966,203	1,579,091
Transfer to reserves	25	(1,392,615)	(1,091,749)
Dividends	26a	(430,650)	(391,500)
Balance at end of year		1,078,699	935,761
TOTAL SHAREHOLDERS' EQUITY		13,639,918	12,104,365



The Financial Statements (International)

For the Year ended December 31, 2004

Statement Of Cash Flows

	Notes	2004 RMB'000	2003 RMB'000
NET CASH FLOWS FROM OPERATING ACTIVITIES	27	22,125,103	5,355,808
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment		(887,955)	(453,279)
Purchase of intangible assets		(715)	(28,509)
Purchase of financial investments		(8,247,926)	(8,699,698)
Proceeds from redemption/disposal of financial investments		7,879,746	4,584,807
Proceeds from disposal of equity investments		-	63,561
Dividend income received		15,348	15,373
Proceeds from disposal of property, plant and equipment		36,014	36,664
Proceeds from disposal of intangible assets		-	17,625
Payments for construction in progress		(217,406)	(214,657)
Net cash flows generated from investing activities		(1,422,894)	(4,678,113)
CASH FLOWS FROM FINANCING ACTIVITIES			
Issuance of additional public shares		-	2,484,358
Issuance of subordinated debt		6,000,000	-
Dividends paid		(430,801)	(392,285)
Net cash flows generated from financing activities		5,569,199	2,092,073
NET INCREASE IN CASH AND CASH EQUIVALENTS		26,271,408	2,769,768
Cash and cash equivalents, beginning of year		33,719,030	30,949,262
Cash and cash equivalents, end of year		59,990,438	33,719,030
ANALYSIS OF CASH AND CASH EQUIVALENTS			
Cash on hand		1,466,556	1,081,830
General deposits with the central bank		46,975,685	20,253,284
Due from banks with original maturity of less than three months		3,805,254	5,627,938
Bank placements with original maturity of less than three months		7,742,943	6,755,978
		59,990,438	33,719,030

Notes to the Financial Statements (International)

For the Year ended December 31, 2004

1. CORPORATE INFORMATION

Shanghai Pudong Development Bank Co., Ltd (the "Company") is a joint-stock commercial bank approved by the People's Bank of China ("PBOC"), who issued the document "Yin Fu [1992] No.350" on 28 August 1992. The Company's business license was issued on 19 October 1992 by the Shanghai Municipal Administration of Industry and Commerce. The Company commenced its business on 9 January 1993 and was listed on the Shanghai Stock Exchange on 10 November 1999.

During the year, the Company was principally engaged in commercial banking activities.

The Company's principal place of business is located at No. 12, Zhong Shan Dong Yi Road, Shanghai, the People's Republic of China (the "PRC"). The Company operates in the PRC and employed 8,824 employees as at 31 December 2004 (31 December 2003: 7,337).

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of preparation

These financial statements have been prepared based on the accounting policies set out in Note 2 which are in accordance with the International Financial Reporting Standards ("IFRS"), which comprise standards and interpretations approved by the International Accounting Standards Board, and International Accounting Standards and Standing Interpretations Committee's interpretations approved by the International Accounting Standards Committee that remain in effect. Disclosures have been made, in all material respects, in accordance with IFRS and in a format appropriate to the business environment of the Company and the PRC.

The financial statements have been prepared on a historical cost basis except for the remeasurement at fair value of derivatives, trading and available-for-sale investment securities.

The Company maintains its books and prepares its statutory financial statements in accordance with the relevant financial regulations and accounting principles applicable to joint-stock limited companies and financial institutions established by the Ministry of Finance of the PRC. The accounting policies and bases adopted in the preparation of the statutory financial statements differ in certain material respects from IFRS. The material accounting measurement adjustments arising from restating the results and net assets of the Company to comply with IFRS have been made in the preparation of these financial statements, but will not be taken up in the accounting records of the Company. The adjustments include, primarily, adjustments for the accrual of interest receivable/payable and the fair value of derivative contracts, trading securities and available-for-sale investments. Further details with respect to the net impact of these IFRS adjustments are included in Note 35.

Loans and allowance for credit losses

Loans originated by the Company are recognized when cash is advanced to the borrowers. They are initially recorded at cost and are subsequently measured at amortized cost using the effective interest rate method.



Notes to the Financial Statements (International)

For the Year ended December 31, 2004

The allowance for credit losses provides for risks of losses inherent in the credit extension process, including loans and lending-related commitments. Such commitments include letters of credit, bankers' acceptances, guarantees and commitments to extend credit.

Impairments in loans are recognized when it becomes probable that the Company will not be able to collect all amounts due according to the contractual terms of the loans. The estimated recoverable amount is the present value of the expected future cash flows. Impairment is measured and allowance for credit losses is established for the difference between the carrying amount and the estimated recoverable amount. Additions to the allowance for credit losses are made through credit loss expense. Loans are stated at their principal amount net of any allowance for credit losses.

If there are indications of significant probable losses in the portfolio that have not been specifically identified, allowance for credit losses would also be provided for on a portfolio basis.

As stipulated in the Ministry of Finance regulatory guidelines, the accrual of interest income is discontinued when the principal repayments of underlying loans and advances are in arrears for 90 days or more, or when the payments of interest receivable are in arrears for more than 90 days. Any interest income previously recognized and accrued is reversed against interest income.

All impaired loans are reviewed periodically. Any subsequent changes to the amounts and timing of the expected future cash flows compared to the prior estimates will result in a change in the allowance for credit losses and be charged or credited to the credit loss expense.

An allowance for impairment is reversed only when the credit quality has improved such that there is reasonable assurance of timely collection of principal and interest in accordance with the original contractual terms of the loan agreement.

A write-off is made when all or part of a loan is deemed uncollectible or forgiven. Write-offs are charged against previously established allowances for credit losses or directly to credit loss expense and reduce the loan principal. Recoveries in part or in full of amounts previously written off are credited to credit loss expense.

Revenue recognition

Revenue is recognized when it is probable that the economic benefits will flow to the Company and the revenue can be measured reliably. Fee and commission income is recognized when the proceeds can be reasonably estimated. Dividend is recognized when the shareholders' right to receive the payment is established.

Derivative instruments

Derivative instruments including forward contracts, currency swaps, interest rate swaps and options are carried at fair value. The fair values of derivative instruments are obtained from quoted market prices and 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. Realized and unrealized gains and losses are recognized in net trading income.

Notes to the Financial Statements (International)

For the Year ended December 31, 2004

On the date a derivative contract is entered into, the Company designates certain derivative as either a fair value hedge (a hedge of the fair value of a recognized asset or liability) or cash flow hedge (a hedge of a future cash flow attributable to a recognized asset or liability, a forecasted transaction or a firm commitment).

Changes in the fair value of derivatives, that are designated and qualified as fair value hedges and that prove to be highly effective in relation to the specific hedged risk, are recorded in the income statement, along with the corresponding change in fair value of the hedged asset or liability that is attributable to the specific hedged risk.

Changes in the fair value of derivatives, that are designated and qualified as cash flow hedges and that prove to be highly effective in relation to the specific hedged risk, are recognized directly in equity. The ineffective portion is recognized in the income statement.

Where the hedged firm commitment results in the recognition of an asset or a liability, then, at the time the asset or liability is recognized, the associated gains or losses that had previously been recognized in equity are included in the initial measurement of the acquisition cost or other carrying amount of the asset or liability. For all other cash flow hedges, the gains or losses that are recognized in equity are transferred to the income statement in the same period in which the hedged firm commitment affects the net profit and loss.

Hedge accounting is discontinued when the hedging instrument expires or is sold, terminated or exercised, or no longer qualifies for special hedge accounting. At that point in time, any cumulative gain or loss on the hedging instrument recognized in equity is kept in equity until the forecasted transaction occurs. If a hedged transaction is no longer expected to occur, the net cumulative gain or loss recognized in equity is transferred to the income statement for the period.

Certain derivative transactions, while providing effective economic hedges under the Company's risk management positions, do not qualify for hedge accounting under the specific rules in IAS 39 and are therefore treated as derivatives held for trading with fair value gains or losses reported in net trading income.

Offsetting

Assets and liabilities are offset only when the Company has a legal right to offset amounts with the same counterparty and transactions are expected to be settled on a net basis.

Reverse repurchase and repurchase transactions

The Company enters into purchases of financial products including bonds, discounted bills and loans under agreements to resell and sales of the respective financial products under agreements to repurchase. Financial products purchased subject to commitments to resell at a future date are treated as financing transactions collateralized by the financial products and are included in reverse repurchase agreements. Financial products which have been sold subject to repurchase agreements continue to be recognized in the balance sheet and the financial products are measured in accordance with their respective accounting policies.

Interest earned on reverse repurchase agreements and interest incurred on repurchase agreements is recognized as interest income and interest expense, respectively, over the tenor of each agreement.

Notes to the Financial Statements (International)

For the Year ended December 31, 2004

Trading securities

Trading securities are securities acquired for generating a profit from short-term fluctuations in price. Trading securities are initially recognized at cost and subsequently re-measured at fair value. For investments actively traded in organized financial markets, fair value is generally determined by reference to Stock Exchange quoted market prices at the close of business on the balance sheet date, adjusted for transaction costs necessary to realize the asset. For securities where there is no quoted market price, a reasonable estimate of the fair value is determined by reference to the current market value of another investment which is substantially the same, the prices of the most recent reported sales or purchases of the securities net of relevant market factors, or is the present value of the expected future cash flows of the underlying net asset base of the securities.

Investment securities

The Company classifies its investment securities into held-to-maturity and available-for-sale investments. Investment securities with fixed maturity where management has both the intention and the ability to hold to maturity are classified as held-to-maturity investments. 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 investment. Management determines the appropriate classification of its investments at the time of the purchase.

Investment assets which are intended to be held to maturity are measured at amortized cost using the effective interest rate method, less any provision for impairment. A financial asset is impaired if its carrying amount is greater than its estimated recoverable amount. The amount of the impairment loss for assets carried at amortized cost is calculated as the difference between the assets' carrying amount and the present value of expected future cash flows discounted at the financial instrument's original effective interest rate. By comparison, the recoverable amount of an instrument measured at fair value is the present value of expected future cash flows discounted at the current market rate of interest for a similar financial asset.

Available-for-sale financial assets are initially recognized at cost and subsequently re-measured at fair value. For investments actively traded in organized financial markets, fair value is generally determined by reference to Stock Exchange quoted market prices at the close of business on the balance sheet date, adjusted for transaction costs necessary to realize the asset. For investments where there is no quoted market price, a reasonable estimate of the fair value is determined by reference to the current market value of another investment which is substantially the same, the prices of the most recent reported sales or purchases of the securities net of relevant market factors, or is calculated based on the expected cash flows of the underlying net asset base of the investments. Unrealized gains and losses arising from changes in the fair value of securities classified as available-for-sale are recognized in equity. When the securities are disposed of or impaired, the related accumulated fair value adjustments are included in the income statement as gains and losses from investment securities.

All regular way purchases and sales of investment securities are recognized at settlement date.

Notes to the Financial Statements (International)

For the Year ended December 31, 2004

Debt issued

Debt issued is initially measured at cost, which is the fair value of the consideration received. Subsequent measurement is at amortized cost, using the effective interest rate method to amortize cost at inception to the redemption value over the tenor of the debt.

Application of estimation

In accordance with the disclosure requirement of IFRS, the management may need to make certain estimations and assumptions in the amounts affecting the financial statements and disclosure notes. Up to a certain extent, the actual results may vary when compared to such estimations.

Earnings per share

Basic earnings per share is calculated by dividing the net profit for the year attributable to common shareholders by the weighted average number of common shares outstanding during the year.

Diluted earnings per share are computed using the same method as for basis earnings per share, but the determinations are adjusted to reflect the potential dilution that could occur if options, warrants, convertible debt securities or other contracts to issue ordinary shares were converted or exercised into common shares.

Operating leases

Leases where substantially all the rewards and risks of ownership of assets remain with the lessor are accounted for as operating leases. Rentals applicable to such operating leases are charged to the income statement on a straight-line basis over the lease terms.

Construction in progress

Construction in progress represents costs incurred in the construction of office premises including furniture and fixtures. Cost comprises direct costs incurred during the period of construction. Interest charged on related borrowings for the construction is capitalized and such interest capitalization ceases when the assets under construction are completed and are ready for their intended use. No capitalization of interest is made if the cost incurred during the construction is from the Company's own fund.

The costs are transferred to property, plant and equipment when the assets are ready for its intended use and to be depreciated in accordance with the depreciation policy on land and buildings. No provision for depreciation is made on constructions in progress until such time as the relevant assets are completed and put into use.

Intangible assets

Intangible assets comprise premise occupancy rights and land use rights. They are stated at cost less accumulated amortization. Intangible assets are amortized, using the straight-line basis, over the effective useful lives of the rights, which are estimated at longer than 20 years. The carrying amounts of intangible assets are reviewed at each balance sheet by the management of the Company whether they are recorded



Notes to the Financial Statements (International)

For the Year ended December 31, 2004

in excess of their recoverable amount and if carrying values exceed their recoverable amounts, assets are written down. Reductions in recoverable amounts are charged to the income statement.

Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment loss. The cost of an asset comprises its purchase price and any directly attributable costs of bringing the asset to its present working condition and location for its intended use. Expenditure incurred after the asset has been put into operation, such as repairs and maintenance, is normally charged to the income statement in the period in which it is incurred. In situations where it can be clearly demonstrated that the expenditure has resulted in an increase in the future economic benefits expected to be obtained from the use of the asset, the expenditure is capitalized as an additional cost of the asset.

The carrying amounts of property, plant and equipment are reviewed at each balance sheet date by the management of the Company or an independent valuer to assess whether they are recorded in excess of their recoverable amount, and if carrying values exceed those recoverable amounts, assets are written down.

Depreciation is provided to write off the costs of property, plant and equipment less residual value at 3% of costs, over their estimated useful lives, using the straight-line method, at the following rates per annum:

Land and buildings	3.33%
Transportation facilities	20%
Computers and software	20% and 33.33%
Electronic appliances & office equipment	20%
Leasehold improvements	Over the lease terms

Foreign currency transactions

The Company maintains separate financial records for assets and liabilities and transactions denominated in foreign currencies. The financial statements are stated in RMB.

At the balance sheet date, the balance sheet and income statement denominated in foreign currencies are translated into RMB at the year end rate and average exchange rate of the year, respectively. Exchange differences are dealt with in the income statement.

Acceptances

Acceptances comprise undertakings by the Company to pay bills of exchange and domestic trade drafts drawn on customers. The Company 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 commitment and contingent liabilities.

Fiduciary activities

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

Notes to the Financial Statements (International)

For the Year ended December 31, 2004

Related parties

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party, or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control or common significant influence. Related parties may be individuals or corporate entities.

Tax

PRC tax is provided at rates applicable to enterprises in the PRC on the income for statutory financial reporting purposes, adjusted for income and expense items which are not assessable or deductible for income tax purposes based on the existing PRC income tax legislation, practices and interpretations thereof.

Deferred tax liabilities are recognized for temporary differences between the carrying amounts of assets and liabilities for tax purposes, which will result in taxable amounts in future periods. Deferred tax assets are recognized for temporary differences which will result in deductible amounts in future periods, but only to the extent it is probable that sufficient taxable profits will be available against which these differences can be utilized. Enacted tax rates are used to determine the deferred tax.

Retirement benefit scheme

According to the statutory retirements in the PRC, the Company is required to provide certain staff retirement benefits and pensions. The Company is obliged to contribute a fixed percentage of staff salaries to the employee benefits, retirement welfare scheme, governed by the Labor Department of the Municipal People's government. All the contributions are recognized as expense.

Cash and cash equivalents

Cash and cash equivalents represent cash, general deposits with the central bank, due from banks with original maturity of less than three months, inter-bank placements with original maturity of less than 3 months and short term and highly liquid investments which are readily convertible to known amounts of cash, subject to an insignificant risk of conversion in value and with original maturity of less than 3 months.

3. SEGMENT REPORTING

The Company's principal business activities are in commercial lending and accepting public deposits. The Company's main source of funding is from customers' deposits to finance its consumer and corporate lending business. The consumer lending is an integral part of the Company's activities and as at 31 December 2004, the percentage of consumer lending against the total lending amounted to 15.78% (31 December 2003: 11.58%). Accordingly, business segment report is not presented.

Since the commencement of the Company's business in January 1993, it has opened branches and sub-branches in various locations in the PRC to expand its operations and customer base. The Company has established a strong presence in certain key locations in the PRC. To enable a more meaningful analysis, a geographical segment report is presented, which has been prepared based on the segments adopted in the management reporting.

Notes to the Financial Statements (International)

For the Year ended December 31, 2004

	Total operating income 2004		Total operating income 2003		Total assets 2004.12.31		Total assets 2003.12.31		Total capital investment 2004.12.31		Total capital investment 2003.12.31	
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%
	Shanghai	1,679,222	22	1,774,238	30	188,593,191	42	149,227,493	40	3,247,424	63	2,749,968
Beijing	752,512	10	475,125	8	28,876,412	6	25,471,355	7	286,823	5	299,719	6
Zhejiang	1,550,006	21	1,062,674	18	57,828,144	13	46,820,670	13	517,850	10	506,844	11
Jiangsu	887,343	12	619,878	10	38,399,948	8	33,213,209	9	387,567	8	365,551	8
Guangzhou	197,828	3	400,206	7	18,895,520	4	17,999,572	5	29,491	1	32,096	1
Others	2,479,655	32	1,572,679	27	123,157,619	27	98,101,190	26	682,902	13	667,476	14
Total	7,546,566	100	5,904,800	100	455,750,834	100	370,833,489	100	5,152,057	100	4,621,654	100

4. NET INTEREST INCOME

	2004 RMB'000	2003 RMB'000
Interest income:		
Interest earned on loans and advances to customers	14,172,220	10,317,570
Interest earned on amount due from bank and placements	1,905,767	1,255,306
Interest income from financial investments	1,149,575	1,125,704
	17,227,562	12,698,580
Interest expense:		
Interest on customers' deposits	5,126,239	3,877,691
Interest on amounts due to banks and borrowings	1,416,036	986,990
Interest on debts issued	159,825	-
	6,702,100	4,864,681
	10,525,462	7,833,899

5. NET FEE AND COMMISSION INCOME

	2004 RMB'000	2003 RMB'000
Service fee and commission income	384,611	285,237
Service fee and commission expense	(100,589)	(59,662)
	284,022	225,575

6. NET TRADING INCOME

	2004 RMB'000	2003 RMB'000
Net gain on trading securities	369,674	231,623
Net (loss)/ gain on derivative instruments	(2,913)	5,727
	366,761	237,350

Notes to the Financial Statements (International)

For the Year ended December 31, 2004

7. OTHER INCOME

	2004	2003
	RMB'000	RMB'000
Net foreign exchange gains	196,350	197,540
Dividend income from financial investments	15,348	15,373
Surcharges	1,207	494
Other income	107,364	88,626
	320,269	302,033

8. OPERATING EXPENSES

	2004	2003
	RMB'000	RMB'000
Personnel expenses:		
Salaries and bonuses	737,849	514,611
Insurance and social contributions	242,210	251,841
Other personnel expenses	1,111,516	777,537
	2,091,575	1,543,989
General and administrative expenses:		
Occupancy	300,439	246,319
Properties and equipment maintenance	56,979	40,974
Computer system maintenance	95,338	64,033
Telecommunications and postage	98,330	75,728
Administration	647,170	484,832
Entertainment	235,663	160,639
Traveling	139,828	105,368
Professional fees	52,153	48,860
Net (gain)/loss on disposal of property, plant and equipment	(13,483)	935
Donations	4,127	8,719
Other expenses	182,497	288,883
	1,799,041	1,525,290
Depreciation and amortization:		
Depreciation of property, plant and equipment Note 17	536,258	455,741
Amortization of intangible assets Note 18	16,884	16,599
	553,142	472,340
Total operating expenses	4,443,758	3,541,619

Notes to the Financial Statements (International)

For the Year ended December 31, 2004

9. INCOME TAX EXPENSE

	2004	2003
	RMB'000	RMB'000
Income tax expense:		
Charge for the year	1,595,407	1,255,879
Under-provision in respect of prior years	2,358	1,315
Deferred tax	(461,160)	(473,104)
	1,136,605	784,090

The differences between income tax expense reflected in the financial statements and the amounts calculated at the statutory tax rate of 33% were as follows:

Operating profit before tax	3,102,808	2,363,181
Income tax at statutory tax rate of 33%	1,023,927	779,849
Increase/(decrease) resulting from:		
Applicable tax rates of certain investments differing from the statutory rate	2,532	3,120
Under-provision in respect of prior years	2,358	1,315
Non-deductible expenses	442,272	337,221
Non-assessable income	(334,484)	(337,415)
	1,136,605	784,090

Significant components of the Company's deferred income tax asset/(liability) were as follows:

	2004	2003
	RMB'000	RMB'000
	(Note 19)	(Note 19)
Allowance for credit losses	2,212,677	1,732,328
Net interest receivable	(40,582)	(20,771)
Trading securities	(6,113)	(1,763)
Others	(6,651)	(11,623)
	2,159,331	1,698,171

10. EARNINGS PER SHARE

	2004	2003
	RMB'000	RMB'000
Earnings per share calculation:		
Net profit for the year (RMB'000)	1,966,203	1,579,091
Weighted average number of common shares outstanding (Unit'000)	3,915,000	3,905,000
Basic earnings per share (RMB)	0.50	0.40
Diluted earnings per share (RMB)	0.50	0.40

Notes to the Financial Statements (International)

For the Year ended December 31, 2004

11. DUE FROM THE CENTRAL BANK

	2004-12-31	2003-12-31
	RMB'000	RMB'000
Due from the central bank:		
General deposits	46,975,685	20,253,284
Statutory deposits	23,103,478	17,578,900
Fiduciary deposits	45,943	29,477
	70,125,106	37,861,661

The statutory deposits represent statutory reserve of 7.5% (31 December 2003: 7%) on customers' deposits denominated in RMB and 2% (31 December 2003: 2%) of customers' deposits denominated in foreign currencies placed with the central bank.

Fiduciary deposits represent amounts received from the Ministry of Finance that are required to be deposited with the central bank.

12. INTER-BANK BALANCES

	2004-12-31	2003-12-31
	RMB'000	RMB'000
Inter-bank placements:		
Domestic banks	2,068,975	1,634,150
Foreign banks	6,372,378	5,459,327
	8,441,353	7,093,477
Inter-bank borrowings:		
Domestic banks	1,592,691	2,600,000
Foreign banks	413,825	455,379
	2,006,516	3,055,379

13. DUE FROM BANKS AND LOANS TO CUSTOMERS

(a) The composition of due from banks, loan portfolio and allowance for credit losses by types of exposure at the end of the year was as follows

	2004-12-31	2003-12-31
	RMB'000	RMB'000
Due from banks:		
Domestic banks	3,277,445	2,862,370
Foreign banks	1,407,409	3,364,607
	4,684,854	6,226,977
Loans and advances to customers:		
Corporate	261,803,882	225,480,307
Consumer	49,101,258	29,631,028

Notes to the Financial Statements (International)

For the Year ended December 31, 2004

	2004-12-31	2003-12-31
	RMB'000	RMB'000
Non-bank financial institutions:		
Leasing companies	-	22,802
Securities companies	216,977	709,421
Fiduciary investment companies	-	4,400
	311,122,117	255,847,958
Total due from banks and loan portfolio	315,806,971	262,074,935
Allowance for credit losses (note 13c)	(8,973,743)	(6,279,482)
	306,833,228	255,795,453

(b) The composition of loans and advances to customers by type of collateral at the balance sheet date was as follows

	2004-12-31	2003-12-31
	RMB'000	RMB'000
Loans and advances:		
Guaranteed	121,920,476	112,687,545
Secured by mortgages and other collateral	116,841,882	73,622,385
Unsecured	45,887,489	39,815,065
Trade finance:		
Import and export advances and negotiation	1,769,992	1,887,661
Factoring	335,457	813,933
Discounted bills	24,366,821	27,021,369
	311,122,117	255,847,958

(c) Allowance for credit losses

	2004-12-31	2003-12-31
	RMB'000	RMB'000
Balance at beginning of year	6,279,482	4,945,006
Write-offs	(513,469)	(679,719)
Transfer in /(out)	6,237	(141,747)
Recoveries	69,599	57,661
Increase in allowance for credit losses for the year	3,131,894	2,098,281
Balance at end of year	8,973,743	6,279,482

Notes to the Financial Statements (International)

For the Year ended December 31, 2004

14. REPURCHASE AND REVERSE REPURCHASE AGREEMENTS

	2004-12-31	2003-12-31
	RMB'000	RMB'000
Reverse repurchase agreements:		
Discounted bills under reverse repurchase agreements	629,344	8,122,644
Securities under reverse repurchase agreements	8,332,600	2,400,000
Credit assets under reverse repurchase agreements	1,798,500	3,538,500
Balance at end of year	10,760,444	14,061,144
Repurchase agreements:		
Discounted bills under repurchase agreements	6,130,298	5,842,622
Securities under repurchase agreements	2,135,200	3,428,500
Credit assets under repurchase agreements	32,350	-
Balance at end of year	8,297,848	9,271,122

The counterparties of the repurchase and reverse repurchase agreements are financial institutions in the PRC.

Reverse repurchase and repurchase agreements were secured by discounted bills, securities and loans of equivalent amounts respectively.

15. FINANCIAL INVESTMENTS AND TRADING SECURITIES

	2004-12-31	2003-12-31
	RMB'000	RMB'000
Trading securities:		
Treasury notes, government bonds and other bonds in RMB	8,293,884	6,852,225
Foreign currency bonds	-	76,920
Total trading securities	8,293,884	6,929,145
Available-for-sale securities		
Equities, unlisted (note 15a)	452,622	452,622
Held-to-maturity financial investments, at amortized cost:		
Treasury notes, government bonds and other bonds in RMB	35,380,680	34,320,171
Foreign currency bonds	2,679,743	3,345,433
	38,060,423	37,665,604
Provision for diminution in value	(4,559)	(4,559)
Financial investments	38,508,486	38,113,667
Total investments	46,802,370	45,042,812

Included in treasury notes and government bonds categorized under financial investments and trading securities are securities pledged under repurchase agreements amounted to RMB2,097 million (31 December 2003: RMB3,357 million) and RMB150 million (31 December 2003: RMB225 million) respectively. All repurchase agreements mature within twelve months from their inception dates.

Notes to the Financial Statements (International)

For the Year ended December 31, 2004

15a. Unlisted equities at the balance sheet date were as follow

Company	(%) share held	2004-12-31 RMB'000	2003-12-31 RMB'000
First Sino Bank	10	84,319	84,319
Shenlian International Investment Co., Ltd.	16.5	288,303	288,303
China Ynlian Co., Ltd.	4.85	80,000	80,000
Total		452,622	452,622

16. CONSTRUCTION IN PROGRESS

	2004-12-31 RMB'000	2003-12-31 RMB'000
At beginning of year	265,997	255,266
Additions	217,406	214,657
Transferred to property, plant and equipment	(176,227)	(203,926)
At end of year	307,176	265,997

17. PROPERTY, PLANT AND EQUIPMENT

	At beginning of year RMB'000	Additions RMB'000	Disposals RMB'000	At end of year RMB'000
Property, plant and equipment at cost:				
Land and buildings	3,598,887	525,342	5,158	4,119,071
Transportation facilities	209,525	19,991	24,148	205,368
Computers and software	1,003,826	315,982	49,559	1,270,249
Electronic appliance and office equipment	191,847	46,867	16,714	222,000
Leasehold improvements	862,026	156,000	22,623	995,403
	5,866,111	1,064,182	118,202	6,812,091
Accumulated depreciation:				
Land and buildings	401,636	117,997	668	518,965
Transportation facilities	139,952	25,155	21,141	143,966
Computers and software	583,248	230,586	47,273	766,561
Electronic appliance and office equipment	105,141	29,623	15,982	118,782
Leasehold improvements	469,551	132,897	10,607	591,841
	1,699,528	536,258	95,671	2,140,115
Net book value	4,166,583			4,671,976

Notes to the Financial Statements (International)

For the Year ended December 31, 2004

Land and buildings were stated at cost as at 31 December 2004. No valuation has been performed by an independent appraiser. In the opinion of the Company's management, there was no impairment to the value of land and buildings as at 31 December 2004.

18. INTANGIBLE ASSETS

	At beginning of year RMB'000	Additions RMB'000	Disposals RMB'000	Amortization RMB'000 Note 8	At end of year RMB'000	Remaining Amortization Period
Premise occupancy rights	132,144	-	-	8,197	123,947	19-25 years
Land use rights	32,707	-	-	787	31,920	42.5-43.5 years
Franchise	23,413	-	-	7,679	15,734	1-2 years
Others	810	715	-	221	1,304	2.5-3.5 years
	189,074	715	-	16,884	172,905	

19. OTHER ASSETS

	2004-12-31 RMB'000	2003-12-31 RMB'000
Interest receivable from financial investments	569,661	575,478
Interest receivable from loans and advances	260,728	164,392
Interest receivable from inter-bank placements	4,838	1,902
Interest receivable from reverse repurchase agreements	2,398	1,843
Working capital	908	10,712
Settlement and clearing	420,701	487,715
Advance payments for office renovation	278,822	180,572
Staff housing loans	1,553,743	1,149,791
Prepaid rental expenses	7,403	5,767
Deferred tax asset (note 9)	2,159,331	1,698,171
Repossessed assets	222,320	255,640
Receivables from derivative instruments (note 28)	72,412	92,268
Consideration receivable on share transfer	-	62,142
Refund from the Pudong Tower construction	181,228	181,228
Receivables from interest over-paid on negotiated deposits	179,364	141,444
Other receivables	255,863	266,393
	6,169,720	5,275,458

Notes to the Financial Statements (International)

For the Year ended December 31, 2004

20. DUE TO BANKS AND CUSTOMERS

	2004-12-31	2003-12-31
	RMB'000	RMB'000
Due to banks:		
Domestic banks	17,456,979	16,280,255
Due to customers:		
Current and fixed deposits	331,182,095	264,116,912
Guaranteed deposits	62,935,450	56,771,453
Entrusted deposits	23,389	113,807
Deposits from the Ministry of Finance	28,481	63,291
	394,169,415	321,065,463
Total due to banks and customers	411,626,394	337,345,718

The guaranteed deposits represent margin deposits from customers for banking facilities granted by the Company.

21. DIVIDENDS PAYABLE

	2004-12-31	2003-12-31
	RMB'000	RMB'000
Unpaid prior year dividend	14,834	14,985

22. DEBT ISSUED

	2004-12-31	2003-12-31
	RMB'000	RMB'000
Subordinated debt	6,000,000	-

As approved by the China Banking Regulatory Commission ("CBRC"), the Company entered into agreements with eight investors for the issuance of RMB6 billion subordinated debts with an annual coupon of one year fixed deposit rate set forth by the PBOC plus a spread of 2.62%. The tenor of the debts is five years and one month and the initial annual interest rate was set at 4.60%. On 9 June 2004, the issuance was completed and the Company received a total consideration of RMB6 billion. In accordance with the related regulations, the subordinated debt shall form part of the Company's supplementary capital for regulatory purpose.

23. OTHER LIABILITIES

	2004-12-31	2003-12-31
	RMB'000	RMB'000
Interest payable	1,610,273	1,072,103
Bank drafts payable	2,607,859	1,389,164
Personnel expenses and bonus payable	987,420	724,149
Staff welfare payable	143,399	87,858
Income tax payable	1,483,858	1,120,982

Notes to the Financial Statements (International)

For the Year ended December 31, 2004

	2004-12-31	2003-12-31
	RMB'000	RMB'000
Payables on derivative contracts (note 28)	140,888	201,842
Settlement and clearing	1,616,086	592,394
Others	2,676,041	1,682,125
	11,265,824	6,870,617

24. SHARE CAPITAL

	Non-listed shares					Total non-marketable portion	Listed Ordinary shares quoted in RMB (A Shares)	Total
	Sponsors portion	Non-marketable shares owned by legal persons other than sponsors			Sub-total			
	Shares owned by domestic legal persons	Shares owned by the State government	Shares owned by domestic legal persons	Shares owned by overseas legal persons	Sub-total			
2003-1-1								
Number of shares								
Unit'000	1,183,500	388,110	1,443,390	-	1,831,500	3,015,000	600,000	3,615,000
RMB'000	1,183,500	388,110	1,443,390	-	1,831,500	3,015,000	600,000	3,615,000
Addition/(Decrease) (note 24a & 24b)								
Number of shares								
Unit'000	(72,300)	(108,450)	-	180,750	72,300	-	300,000	300,000
RMB'000	(72,300)	(108,450)	-	180,750	72,300	-	300,000	300,000
2003-12-31								
Number of shares								
Unit'000	1,111,200	279,660	1,443,390	180,750	1,903,800	3,015,000	900,000	3,915,000
RMB'000	1,111,200	279,660	1,443,390	180,750	1,903,800	3,015,000	900,000	3,915,000
Addition/(Decrease) (note 24c)								
Number of shares								
Unit'000	(50,000)	97,500	(47,500)	-	50,000	-	-	-
RMB'000	(50,000)	97,500	(47,500)	-	50,000	-	-	-
2004-12-31								
Number of shares								
Unit'000	1,061,200	377,160	1,395,890	180,750	1,953,800	3,015,000	900,000	3,915,000
RMB'000	1,061,200	377,160	1,395,890	180,750	1,953,800	3,015,000	900,000	3,915,000

Notes to the Financial Statements (International)

For the Year ended December 31, 2004

24a. According to a paper Zheng Jian Gong Si Zi [2002] No. 135 issued by the China Securities Regulatory Commission (“CSRC”) on 23 December 2002, the Company was permitted to issue an additional 300 million A shares, which were priced at RMB8.45 per share. The issuance of the shares was completed on 13 January 2003 and the additional paid-up capital was verified by Ernst & Young Dahua Accounting Corporation Limited. A capital verification report of Ernst & Young Dahua Ye Zi (2003) No. 016 was issued in this respect.

24b. Shanghai National Assets Management Company Limited entered into share transfer agreements for the transfer of 108.45 million non-marketable shares held to Citibank Overseas Investment Corporation. Shanghai Jiushi Company entered into share transfer agreements for the transfer of 72.3 million non-marketable shares owned by it, being the sponsor, to Citibank Overseas Investment Corporation.

The aforesaid share transfer agreements were approved by the State Owned Assets Supervision and Administration Commission of the State Council on 18 September 2003. Citibank Overseas Investment Corporation completed the share transfer procedures on 30 September 2003 and owns 180.75 million non-marketable shares, representing 4.62% of the total share capital of the Company.

24c. Shanghai International Group Co., Ltd, Shanghai International Trust Investment Co. Ltd and Shanghai Guoxin Investment and Development Co., Ltd entered into agreements of share transfer with related parties for receiving 144 million, 22.5 million and 48.5 million shares of the Company, respectively. After these share transfers, totaling 215 million shares or 5.49% of the Company’s total shares had been changed. After the share transfers, the 105 million shares owned by Shanghai International Group Co., Ltd have changed from state legal person shares to state-held shares, while 7.5 million shares also owned by Shanghai International Group Co., Ltd. have changed from state-held shares to state legal person shares. Others remained unchanged.

25. RESERVES

	Statutory surplus reserve RMB'000	Statutory public welfare fund RMB'000	Discretionary surplus reserve RMB'000	General reserve RMB'000	Total RMB'000
Balance as at 1 January 2003	434,957	284,438	73,064	500,000	1,292,459
Appropriations from net profit for the year (note 25a)	156,609	156,609	128,531	650,000	1,091,749
Balance as at 31 December 2003 and at 1 January 2004	591,566	441,047	201,595	1,150,000	2,384,208
Appropriations from net profit for the year (note 25b)	193,003	193,003	156,609	850,000	1,392,615
Balance as at 31 December 2004	784,569	634,050	358,204	2,000,000	3,776,823

Notes to the Financial Statements (International)

For the Year ended December 31, 2004

Statutory surplus reserve

In accordance with the PRC Companies Law, the Company is required to allocate 10% of its profit after tax, as determined in accordance with the PRC accounting standards and regulations applicable to the Company, to the statutory surplus reserve until such reserve reaches 50% of the registered capital of the Company. Subject to certain restrictions set out in the PRC Companies Law and the Company's articles of association, statutory surplus reserve may be distributed to shareholders in the form of bonus issues, but the minimum retained statutory surplus reserve must not fall below 25% of the registered share capital.

Statutory public welfare fund

In accordance with the PRC Companies Law, the Company is required to transfer 5% to 10% of its profit after tax, as determined in accordance with the PRC accounting standards and regulations applicable to the Company, to a statutory public welfare fund ("PWF") which is a non-distributable reserve other than in the event of liquidation of the Company. PWF must be used for capital expenditure on staff welfare facilities and these facilities will remain the property of the Company. When the PWF is utilized, an amount equal to the lower of cost of the assets and the balance of the PWF will be transferred from the PWF to the discretionary surplus reserve. On disposal of the relevant assets, the original transfers from the PWF are reversed.

General reserve

In accordance with the Accounting Regulations for Financial Institutions issued by the Ministry of Finance on 17 November 2001, effective from 1 January 2002, general reserve made by financial institutions engaged in deposit and loan activities shall form part of the owners' equity.

25a. Appropriations from net profit for the year

As the amount to be appropriated to the discretionary surplus reserve could only be authorized at the Shareholders' Annual General Meeting, the financial statements had not incorporated the proposed 10% appropriation to the discretionary surplus reserve as at 31 December 2002 pursuant to a board resolution held on 27 March 2003. Subsequently on 28 April 2003, the appropriation of discretionary surplus reserve at 10% of net profit was approved at the Annual General Meeting of Shareholders. Accordingly, the financial statements for the year ended 31 December 2003 had incorporated the proposed 10% appropriation to the discretionary surplus reserve.

Pursuant to a board resolution passed on 25 February 2004, appropriations based on 10% of net profit for financial year 2003 were proposed and made to the statutory surplus reserve and statutory public welfare fund. In addition, an appropriation of RMB650 million was made to the general reserve for the financial year 2003.



Notes to the Financial Statements (International)

For the Year ended December 31, 2004

25b. As the amount to be appropriated to the discretionary surplus reserve could only be authorized at the Shareholder's Annual General Meeting, the financial statements had not incorporated the proposed 10% appropriation to the discretionary surplus reserve as at 31 December 2003 pursuant to a board resolution held on 25 February 2004. Subsequently on 28 March 2004, the appropriation of discretionary surplus reserve at 10% of net profit was approved at the Annual General Meeting of Shareholders. Accordingly, the financial statements for the year ended 31 December 2004 had incorporated the proposed 10% appropriation to the discretionary surplus reserve.

Pursuant to a board resolution passed on 24 February 2005, appropriations based on 10% of net profit for financial year 2004 were proposed and made to the statutory surplus reserve and statutory public welfare fund. In addition, an appropriation of RMB850 million was made to the general reserve for the financial year 2004.

26. RETAINED EARNINGS

These financial statements are prepared in accordance with the basis of preparation set out in Note 2. These financial statements are not the statutory financial statements of the Company and are prepared for readers' reference only.

Commencing from 2001, in accordance with the regulations of the Questions and Answers on Standard Disclosures by Companies with Publicly Issued Shares, No. 4 issued by the Committee of the China Securities Regulatory Commission, listed financial companies should make appropriations to the statutory surplus reserve and statutory public welfare fund based on the net profit for the year as stated in the Company's statutory financial statements. However, appropriation to the discretionary surplus reserve and payment of dividends should be made based on the lower of net profit for the year as stated in the Company's statutory financial statements and these financial statements.

26a. DIVIDENDS

Pursuant to a resolution passed by the Annual General Meeting on 28 March 2004, dividend of RMB0.11 per ordinary share was approved for the financial year of 2003. These dividends (totaling RMB430,650,000), which had not been recognized as at 31 December 2003, were recognized in the current year financial statements.

Pursuant to the board resolution on 24 February 2005, a dividend of RMB0.12 per share were proposed and approved for the financial year of 2004 on the basis of 3,915,000,000 shares. As at 31 December 2004, these dividends (totaling RMB469,800,000) were not recognized as liabilities in current year financial statements.

Notes to the Financial Statements (International)

For the Year ended December 31, 2004

27. NOTE TO THE STATEMENT OF CASH FLOWS

	2004	2003
	RMB'000	RMB'000
Profit before tax	3,102,808	2,363,181
Adjustments to reconcile to cash flow from operating activities		
Non-cash items included in profit before tax and other adjustments:		
Depreciation and amortization	553,142	472,340
Credit loss expense	3,131,894	2,098,281
(Gain)/ loss on disposal of property, plant and equipment	(13,483)	935
Gain on disposal of intangible assets	-	(95)
Dividends income	(15,348)	(15,373)
(Accretion of discount)/Amortization of premium of financial investments	(26,637)	16,052
Net (increase)/decrease in operating assets:		
Due from the central bank	(5,541,044)	(6,596,753)
Inter-bank placements	(360,912)	5,208,584
Due from banks	(280,560)	(344,829)
Reverse repurchase agreements	3,300,699	(1,481,442)
Trading securities	(1,364,739)	(38,741)
Loans to customers	(55,718,028)	(81,322,986)
Other assets	(426,867)	(1,123,023)
Net increase/(decrease) in operating liabilities:		
Inter-bank borrowings	(1,048,863)	2,509,854
Due to banks	1,176,725	1,038,846
Repurchase agreements	(973,274)	4,846,383
Due to customers	73,103,952	78,803,205
Inward and outward remittances	728,197	(1,115,071)
Other liabilities	4,032,330	637,104
Net cash flow from operating activities before taxes paid	23,359,992	5,956,452
Taxes paid	(1,234,889)	(600,644)
Net cash flow from operating activities	22,125,103	5,355,808



Notes to the Financial Statements (International)

For the Year ended December 31, 2004

28. DERIVATIVE INSTRUMENTS

The Company entered into derivative transactions for sales activities and asset/liability management activities. Sales activities include the structuring and marketing of derivative products to customers to enable them to transfer, modify or reduce current or expected risks.

To mitigate the market risk for transactions entered with the customers, the Company entered into back-to-back contracts with third parties which effectively transferred the Company's market risk exposure arising from the contracts.

The Company uses derivatives as part of its asset/liability management activities. When there is a mismatch of interest rates between the Company's assets and liabilities, i.e. when the Company purchases assets at fixed rates funded from deposits at floating rates, it subjects itself to fair value fluctuations as market interest rates change. These fluctuations in fair value are managed by entering into interest rate contracts which change the fixed rate instrument into a variable rate instrument.

The Company uses the following derivative financial instruments for trading or hedging purposes:

Swaps: Swaps are commitments to exchange one set of cash flow for another for a predetermined period.

Interest rate swap contracts generally represent the contractual exchange of fixed and floating rate payments of a single currency, based on a notional amount and a reference interest rate.

Cross currency interest rate swap contracts generally involve the exchange of payments which are based on the interest reference rates available at the inception of the contract on the principal balances of the two different currencies that are being exchanged. The principal balances are re-exchanged at an agreed upon rate at a specified future date.

Forwards: Forwards are contractual obligations to buy or sell a financial instrument on a future date at a specified price.

Options: Options are contracts that allow the holder to buy or sell a specific amount of currency, security or interest rate index at a specified foreign exchange rate or interest rate during a specified period of time. The holder has the right but not obligation to exercise the contract, while the seller is responsible for fulfilling the terms of the contract if the option is exercised.

Foreign currency option contracts give the owner the right but not obligation to buy or sell foreign currency on a future date at a specific price.

The following table provides the notional amount and the fair value of the Company's derivative instruments.

Notional amount is the amount of a derivative underlying asset or reference rate and is the basis upon which changes in the value of derivatives are measured. It provides an indication of the volume of business transacted by the Company but does not provide any measure of risk.

The fair value is the amount for which an asset could be exchanged, or a liability could be settled, between knowledgeable, willing parties in an arm's length transaction.

Notes to the Financial Statements (International)

For the Year ended December 31, 2004

	2004-12-31		
	Notional amount RMB'000	Fair value	
		Assets RMB'000 (Note 19)	Liabilities RMB'000 (Note 23)
Derivatives held for trading:			
Interest rate swaps	256,265	-	1,941
Currency swaps	472,943	68,745	68,745
Currency forwards	875,561	3,341	3,511
Currency options	58,557	326	326
Total derivative assets/liabilities held for trading		72,412	74,523
Derivatives held for hedging:			
Derivatives designated as fair value hedges			
Interest rate swaps	455,621	-	13,660
Currency swaps	230,798	-	52,705
Total derivative assets/liabilities held for hedging		-	66,365
Total derivative assets/liabilities		72,412	140,888
	2003-12-31		
	Notional amount RMB'000	Fair value	
		Assets RMB'000 (Note 19)	Liabilities RMB'000 (Note 23)
Derivatives held for trading:			
Currency swaps	472,594	87,983	87,983
Currency forwards	512,614	3,300	2,498
Total derivative assets/liabilities held for trading		91,283	90,481
Derivatives held for hedging:			
Derivatives designated as fair value hedges			
Interest rate swaps	697,726	985	43,443
Currency swaps	323,403	-	67,918
Total derivative assets/liabilities held for hedging		985	111,361
Total derivative assets/liabilities		92,268	201,842

Notes to the Financial Statements (International)

For the Year ended December 31, 2004

29. COMMITMENTS AND CONTINGENT LIABILITIES

	2004-12-31	2003-12-31
	RMB'000	RMB'000
Bank acceptances	95,134,461	94,949,445
Confirmed letters of credit	4,345,235	2,404,371
Guarantees issued	12,417,571	8,760,573
Irrevocable letters of credit issued	9,108,020	7,778,741
Re-discounted bills to the central bank	10,398	3,296,629

The Company granted credit facilities to certain customers. However, in the opinion of the management, the Company is not committed to the unutilized credit facilities and they are all revocable at the discretion of the Company.

As at 31 December 2004, the Company has material capital commitments amounting to RMB91,175,000 (31 December 2003: RMB 136,960,000).

On 28 September 2004, the Chinese Securities Regulatory Commission ("CSRC") approved the appointment of the Company as the fund trustee and guarantor of Harvest PuAn Capital Guaranteed Hybrid Fund, an open ended fund managed by Harvest Fund Management Co., Ltd.

30. FIDUCIARY TRANSACTIONS

a) Entrusted transaction

	2004-12-31	2003-12-31
	RMB'000	RMB'000
Entrusted deposits:		
PBOC	1,307,500	1,532,500
Others	16,146,397	9,497,389
Total entrusted deposits	17,453,897	11,029,889
Entrusted loans		
PBOC	1,307,500	1,532,500
Others	16,123,008	9,383,582
Total entrusted loans	17,430,508	10,916,082

Fiduciary transactions included entrusted deposits and entrusted loans. Entrusted deposits represent funds which depositors have instructed the Company to grant loans to third parties designated by them. The credit risk remains with the depositors.

The difference between the balances of entrusted deposits and entrusted loans represents the amount which the depositors have not yet designated the Company to grant loans. This amount has been included in customers' deposits.

Notes to the Financial Statements (International)

For the Year ended December 31, 2004

b) Fund trustee

As at 31 December 2004, the Company is the trustee for Guotai Jinlong series of investment securities funds, China Nature Wealth Growth Fund, and Harvest Pu An Capital Guarantee Hybrid Fund managed by Guotai Asset Management Co., Ltd., China Nature Assets Management Co., Ltd. and Harvest Fund Management Co., Ltd., respectively.

31. OPERATING LEASE COMMITMENTS

Operating lease commitments of office rentals expiring:

	2004-12-31	2003-12-31
	RMB'000	RMB'000
Within one year	196,520	159,463
Two to five years	519,925	427,734
After five years	240,974	176,775
	957,419	763,972

32. FINANCIAL INSTRUMENTS RISK POSITION

a) Credit risk

Credit risk is the risk of loss from the default by an obligor or counterparty. Credit risk is greater when counterparties are concentrated in a single industry or geographic location, because a group of otherwise unrelated counterparties could be adversely affected in their ability to repay their obligations due to economic developments affecting their common industry or location.

Concentration of credit risk exists if a number of clients are engaged in similar activities, or are located in the same geographic location or have comparable economic characteristics such that their ability to meet contractual obligations would be similarly affected by changes in economic or other conditions. Concentrations of credit risk indicate the relative sensitivity of the Company's performance to developments affecting a particular industry or geographic location.

The Company solely operates in the PRC, however, due to the geographic diversification and the unique economic development of each location, this results in a different risk profile to the Company.

On-balance sheet assets

As at 31 December 2004, outstanding loan balances made to corporate and non-bank financial institutions grouped by industries were as follows:

Notes to the Financial Statements (International)

For the Year ended December 31, 2004

Industry	2004-12-31				2003-12-31			
	RMB RMB'000	Foreign currencies RMB'000	Total RMB'000	%	RMB RMB'000	Foreign currencies RMB'000	Total RMB'000	%
Agriculture	2,714,980	2,731	2,717,711	1	4,020,030	109,252	4,129,282	2
Manufacturing	86,479,034	7,562,900	94,041,934	36	70,257,589	6,690,553	76,948,142	34
Public utilities	12,915,430	43,452	12,958,882	5	9,706,020	4,800	9,710,820	4
Constructions	11,106,270	20,857	11,127,127	4	8,928,130	103,128	9,031,258	4
Transportation and communications	16,526,060	1,231,378	17,757,438	7	13,543,340	856,180	14,399,520	6
Wholesales, retails and entertainment	35,786,060	1,828,196	37,614,256	14	32,915,020	2,431,695	35,346,715	16
Financial institutions and insurance	2,996,976	-	2,996,976	1	3,550,428	-	3,550,428	2
Real estate	36,655,510	492,700	37,148,210	14	28,526,550	946,275	29,472,825	13
Social services	16,740,550	962,226	17,702,776	7	15,956,500	351,594	16,308,094	7
Others, primarily conglomerates and government related entities	26,894,171	1,061,378	27,955,549	11	26,355,444	964,402	27,319,846	12
	248,815,041	13,205,818	262,020,859	100	213,759,051	12,457,879	226,216,930	100

The geographical concentration of loans, excluding loans to non-bank financial institutions, by location at the end of the year, was as follows:

	2004-12-31		2003-12-31	
	RMB'000	%	RMB'000	%
Shanghai	74,252,302	24	67,920,534	27
Beijing	23,683,573	8	20,737,650	8
Zhejiang province	50,644,301	16	41,065,954	16
Jiangsu province	31,882,930	10	26,756,471	10
Guangzhou	16,629,964	6	11,071,535	5
Off-shore banking	1,005,008	-	782,956	-
Others	112,807,062	36	86,776,235	34
Total	310,905,140	100	255,111,355	100

Notes to the Financial Statements (International)

For the Year ended December 31, 2004

Off-balance sheet assets

As at 31 December 2004, the Company has credit commitments amounting to RMB121 billion, of which 7.5%, 17.2%, 11.2%, 5.0% and 6.0% are related to customers domiciled in Shanghai, Zhejiang Province, Jiangsu Province, Beijing and Guangzhou respectively. The remainder related to customers located elsewhere throughout the PRC.

Derivatives

All the derivative contracts were transacted by the Company's head office in Shanghai. Credit risk represents the inability of the counterparty to deliver payment in accordance with the terms of the derivative contracts. The fair value is the amount for which an asset could be exchanged, or a liability to settle.

To mitigate the credit risk associated with derivative instruments, the Company enters into master netting agreements with certain counterparties. The Company subjects its derivative-related credit risks to the same credit approval and monitoring standards that it uses for managing other transactions that exposure to credit risk.

b) Currency risk

The Company is incorporated and operates in the PRC, with RMB as its reporting currency. The other major foreign currency in which the Company transacts is USD. The exchange rate between USD and RMB is subject to the PBOC Management and hence fluctuates within a narrow range, as it has throughout the year. The Company's loans and advances were mainly denominated in RMB with the remainder mainly in USD. However, some of the Company's deposits and investments are in currencies other than the reporting currency and USD. In order to manage such currency risks, the Company entered into foreign currency hedging transactions between such currencies and USD.

Below is a breakdown of relevant assets and liabilities by currencies:

	2004-12-31				2003-12-31			
	RMB	USD	Others	Total	RMB	USD	Others	Total
Assets								
Cash on hand	1,105	153	209	1,467	822	117	143	1,082
Due from the central bank	69,585	488	52	70,125	37,322	491	49	37,862
Inter-bank placements	827	5,199	2,415	8,441	1,340	3,763	1,990	7,093
Due from banks	2,557	1,430	698	4,685	2,378	1,900	1,949	6,227
Reverse repurchase agreements	10,760	-	-	10,760	13,895	166	-	14,061
Trading securities	8,271	23	-	8,294	6,852	77	-	6,929
Loans, net of allowance for credit losses	288,103	11,605	2,440	302,148	237,240	10,368	1,960	249,568
Financial investments	35,769	2,373	367	38,509	34,684	2,441	989	38,114
Other assets	5,091	867	212	6,170	2,965	1,541	769	5,275
Total assets	422,068	22,138	6,393	450,599	337,498	20,864	7,849	366,211
Liabilities								
Inter-bank borrowings	1,400	414	193	2,007	2,600	41	414	3,055

Notes to the Financial Statements (International)

For the Year ended December 31, 2004

	2004-12-31				2003-12-31			
	RMB	USD	Others	Total	RMB	USD	Others	Total
Due to banks	15,342	1,876	239	17,457	14,246	1,846	188	16,280
Repurchase agreements	8,298	-	-	8,298	9,105	166	-	9,271
Due to customers	376,155	14,629	3,385	394,169	300,306	14,974	5,786	321,066
Inward and outward remittances	2,457	159	284	2,900	2,093	37	41	2,171
Dividend payable	15	-	-	15	15	-	-	15
Subordinated bonds	6,000	-	-	6,000	-	-	-	-
Other liabilities	5,204	4,567	1,494	11,265	2,050	3,349	1,472	6,871
Total liabilities	414,871	21,645	5,595	442,111	330,415	20,413	7,901	358,729
Net long/(short) position	7,197	493	798	8,488	7,083	451	(52)	7,482

c) Interest rate risk

The majority of the Company's financial assets and liabilities are denominated in RMB. The nature of the Company's financial assets and liabilities in RMB at the balance sheet date was as follows:

	2004-12-31			2003-12-31		
	RMB RMB'000	Total RMB'000	RMB in total positions %	RMB RMB'000	Total RMB'000	RMB in total positions %
Financial assets						
Cash	1,104,727	1,466,556	75	821,446	1,081,830	76
Personal loans and advances	49,101,258	49,101,258	100	29,630,904	29,631,028	100
Corporate loans and advances	248,815,041	262,020,859	95	213,759,051	226,216,930	94
Deposits with the PBOC	69,585,414	70,125,106	99	37,322,377	37,861,661	99
Inter-bank placements	827,500	8,441,353	10	1,339,500	7,093,477	19
Due from banks	2,556,946	4,684,854	55	2,378,491	6,226,977	38
Reverse repurchase agreements	10,760,444	10,760,444	100	13,895,294	14,061,144	99
	382,751,330	406,600,430		299,147,063	322,173,047	
Financial liabilities						
Personal savings	14,878,791	16,099,175	92	10,768,425	11,688,116	92
Personal fixed deposits	27,861,893	30,504,934	91	17,720,251	21,047,631	84
Corporate savings and current accounts	160,664,613	167,107,248	96	132,281,160	136,873,749	97
Corporate fixed deposits	113,070,364	117,470,738	96	85,659,926	94,507,416	91
Inter-bank borrowings	1,400,000	2,006,516	70	2,600,000	3,055,379	85
Due to banks	15,341,753	17,456,979	88	14,245,916	16,280,255	88
Repurchase agreements	8,297,848	8,297,848	100	9,105,271	9,271,122	98
Subordinated debt	6,000,000	6,000,000	100	-	-	-
	347,515,262	364,943,438		272,380,949	292,723,668	

Notes to the Financial Statements (International)

For the Year ended December 31, 2004

The Company is required to apply the interest rates set by the PBOC for its loans and advances and deposit activities. The PBOC last adjusted the market rates on 29 October 2004. The benchmark rates for the relevant periods for the following types of loans, advances and deposits were as follows

	Since 29 October 2004 %	Since 21 February 2002 %
Short-term loans and advances	5.22 to 5.58	5.04 to 5.31
Medium to long-term loans	5.76 to 6.12	5.49 to 5.76
Non-performing loans	original interest rates plus premium of 30% to 50%	0.021 per day
Personal and corporate savings	0.72	0.72
Personal fixed deposits (1 to 5 years)	1.71 to 3.60	1.71 to 2.79
Corporate call deposits (1 to 7 days)	1.08 to 1.62	1.08 to 1.62
Corporate fixed deposits	1.44 to 2.25	1.44 to 1.98
Balances with the central bank:		
Deposit	1.62	1.89
Rediscounted bills	3.24	2.97

Effective from 29 October 2004, PBOC raised the central bank benchmark rates for deposit and lending, broaden the floating range of lending rate and allow financial institutions to lower RMB deposit rates. For the RMB deposit rates, the lower limits are set at zero and the upper limits are the benchmark rates for different tranches of the deposits. The benchmark rate for one-year deposit is raised by 0.27 percentage points from 1.98 percent to 2.25 percent. The one-year benchmark lending rate is also raised by 0.27 percentage points from 5.31 percent to 5.58 percent. Rates of deposit and lending at other different tranches, other than the corporate call deposits and certain short term deposits, are adjusted accordingly with the rates of medium and long term maturities gaining a larger increase over the short-term ones.

Meanwhile, further leeway is given to the floating range of the lending rates charged by financial institutions (excluding rural and urban credit units). In principle, no upper limits will be set for lending while the lower limit remain unchanged, being at 90 percent of the benchmark rate.

A spread above the interest rate charged by the PBOC on re-discounted bills is allowed to be charged to the Company's customer discounted bills. However, the spread is subject to a ceiling of the applicable interest rates charged on corporate loans with the same tenor (including the floating rates).

The rates of inter-bank placements and borrowings can be derived through negotiation between the borrowers and lenders, and generally the rates are adjusted downward by 18% to 20% based on the corporate loan and deposit rates. There is generally no interest spread between the money market placements and borrowings.

Notes to the Financial Statements (International)

For the Year ended December 31, 2004

Allowing the financial institutions to move deposit rate below the benchmark means that all deposit-taking institutions have the discretion to adjust their local currency deposit rates below (but not above) the announced benchmark rates.

d) Liquidity risk

The maturity analysis of assets and liabilities of the Company as at 31 December 2004 is as follows

	Overdue RMB'000	on demand RMB'000	Due within 3 months RMB'000	Due between 3 and 12 months RMB'000	Due between 1 and 5 years RMB'000	Due after 5 years RMB'000	Total RMB'000
Assets:							
Cash on hand	-	1,466,556	-	-	-	-	1,466,556
Due from the central bank	-	36,049,619	5,418,323	23,490,427	4,569,549	597,188	70,125,106
Inter-bank placements	-	-	8,022,619	418,734	-	-	8,441,353
Due from banks	44,500	3,970,785	24,830	82,765	454,380	107,594	4,684,854
Trading securities and financial investments	-	8,274,606	241,230	7,718,755	18,648,714	11,919,065	46,802,370
Reverse repurchase agreements	-	-	10,607,944	152,500	-	-	10,760,444
Loans, net of allowance for credit losses	4,618,648	-	56,775,900	169,623,414	41,178,056	29,952,356	302,148,374
Other assets	233,530	1,715,219	1,580,389	810,279	238,506	6,743,854	11,321,777
Total assets	4,896,678	51,476,785	82,671,235	202,296,874	65,089,205	49,320,057	455,750,834
Liabilities:							
Inter-bank borrowings	-	-	2,006,516	-	-	-	2,006,516
Due to banks	-	12,611,709	2,314,651	2,510,028	20,591	-	17,456,979
Repurchase agreements	-	-	6,997,823	1,300,025	-	-	8,297,848
Due to customers	-	202,632,950	30,456,099	132,038,418	25,685,185	3,356,763	394,169,415
Inward and outward remittances	-	2,899,500	-	-	-	-	2,899,500
Dividend payable	-	14,834	-	-	-	-	14,834
Subordinated debts	-	-	-	-	6,000,000	-	6,000,000
Other liabilities	-	6,456,424	2,035,495	2,235,748	516,312	21,845	11,265,824
Total liabilities	-	224,615,417	43,810,584	138,084,219	32,222,088	3,378,608	442,110,916
Liquidity gap	4,896,678	(173,138,632)	38,860,651	64,212,655	32,867,117	45,941,449	13,639,918

Notes to the Financial Statements (International)

For the Year ended December 31, 2004

The maturity analysis of assets and liabilities of the Company as at 31 December 2003 is as follows

	Overdue RMB'000	on demand RMB'000	Due within 3 months RMB'000	Due between 3 and 12 months RMB'000	Due between 1 and 5 years RMB'000	Due after 5 years RMB'000	Total RMB'000
Assets:							
Cash on hand	-	1,081,830	-	-	-	-	1,081,830
Due from the central bank	-	29,561,300	1,737,806	5,235,262	868,938	458,355	37,861,661
Inter-bank placements	-	-	7,016,181	39,796	37,500	-	7,093,477
Due from banks	44,500	5,627,938	-	-	446,931	107,608	6,226,977
Trading securities and financial investments	-	7,918,407	431,293	6,107,339	17,480,143	13,105,630	45,042,812
Reverse repurchase agreements	-	-	10,637,543	3,423,601	-	-	14,061,144
Loans, net of allowance for credit losses	4,886,771	-	46,911,610	148,501,988	31,895,169	17,372,938	249,568,476
Other assets	307,851	690,557	724,123	1,484,375	2,092,192	4,598,014	9,897,112
Total assets	5,239,122	44,880,032	67,458,556	164,792,361	52,820,873	35,642,545	370,833,489
Liabilities:							
Inter-bank borrowings	-	-	3,055,379	-	-	-	3,055,379
Due to banks	-	14,851,054	556,078	854,669	18,454	-	16,280,255
Repurchase agreements	-	-	7,095,888	2,175,234	-	-	9,271,122
Due to customers	-	169,719,351	31,686,599	95,458,078	15,843,939	8,357,496	321,065,463
Inward and outward remittances	-	2,171,303	-	-	-	-	2,171,303
Dividend payable	-	14,985	-	-	-	-	14,985
Other liabilities	-	4,456,387	446,223	310,497	1,407,962	249,548	6,870,617
Total liabilities	-	191,213,080	42,840,167	98,798,478	17,270,355	8,607,044	358,729,124
Liquidity gap	5,239,122	(146,333,048)	24,618,389	65,993,883	35,550,518	27,035,501	12,104,365

Maturities are tabulated based on balance sheet date to due date.

e) Fair values

Fair value is the amount for which an asset could be exchanged, or a liability could be settled, between knowledgeable, willing parties in an arm's length transaction. The management of the Company is of the opinion that the fair value of financial assets and liabilities are close to their carrying values, after taking into account any allowances for credit losses, and the marking-to-market of short term investments and derivative instruments.

Notes to the Financial Statements (International)

For the Year ended December 31, 2004

The majority of the Company's RMB loans and advances were made at fixed rates and most of the USD loans and advances were made at floating rates. Deposits are made at fixed rates or floating rates depending on their nature, with the majority denominated in RMB. Management estimates that the difference between the fair values and carrying amounts of loans and advances and deposits was not material as at 31 December 2004 because the RMB interest rates have been relatively stable. The fair value is estimated by comparing market interest rates when the loans and advances were granted with current market rates offered on similar loans and advances. The fair value of deposits is estimated based on the same concept.

33. RELATED PARTIES

The Company had the following material transactions with related parties during the year

	2004 RMB'000	2003 RMB'000
Interest income from:		
Shanghai SIIC (Group) Co., Ltd.	480	854
Shanghai International Group Co., Ltd.	6,932	38
Shanghai Industrial Development Co., Ltd.	157	211
SIIC Shanghai International Trade (Group) Co., Ltd.	626	2,941
Shanghai National Assets Management Co., Ltd.	23,869	13,884
Shanghai Guoxin Investment and Development Co., Ltd.	290	617

Balance of loans receivable from related parties at the balance sheet date are as follows

	2004-12-31 RMB'000	2003-12-31 RMB'000
Shanghai SIIC (Group) Co., Ltd.	100,000	24,830
Shanghai International Group Co., Ltd.	300,000	100,000
Shanghai Industrial Development Co., Ltd.	-	18,000
SIIC Shanghai International Trade (Group) Co., Ltd.	-	13,239
Shanghai National Assets Management Co., Ltd.	600,000	330,000
Shanghai Guoxin Investment and Development Co., Ltd.	-	20,000

Notes to the Financial Statements (International)

For the Year ended December 31, 2004

The relationship of the above related parties to the Company is as follows

Company	Relationship with the Company
Shanghai SIIC (Group) Co., Ltd.	Shareholder of the Company
Shanghai International Trust Co., Ltd.	Shareholder of the Company
Shanghai International Group Co., Ltd.	Shareholder of the Company
Shanghai Industrial Development Co., Ltd.	Shareholder of the Company
SIIC Shanghai International Trade (Group) Co., Ltd.	Shareholder of the Company
Shanghai National Assets Management Co., Ltd.	Shareholder of the Company
Shanghai Guoxin Investment and Development Co., Ltd.	Shareholder of the Company

In the opinion of the directors, loans made to the above-mentioned shareholders and affiliated companies as well as to other related companies and shareholders who held less than 5% of the share capital of the Company were transacted at normal commercial terms and the interest rates charged on loans to these related parties were based on the market rates set by the PBOC.

34. RETIREMENT BENEFITS

In accordance with the regulations of the related PRC Municipal Government where the Company operates, the Company is required to contribute employee retirement benefits to the Labour Department of the Municipal People's Government. The contributions are calculated based on 22.5% (31 December 2003: 22.5%) of the salaries of the employees.

35. IMPACT OF IFRS ADJUSTMENTS ON NET PROFIT AND NET ASSETS

	Net profit for the year ended 31 December 2004 RMB'000	Net assets as at 31 December 2004 RMB'000	Net profit for the year ended 31 December 2003 RMB'000	Net assets as at 31 December 2003 RMB'000
As reported in the audited statutory financial statements	1,930,031	13,510,304	1,566,088	12,010,923
Add/(less): IFRS adjustments, net	53,989	193,454	19,408	139,465
Tax effect	(17,817)	(63,840)	(6,405)	(46,023)
As reported in these financial statements	1,966,203	13,639,918	1,579,091	12,104,365

The principal adjustments made to the statutory financial statements of the Company to conform with IFRS include the following:

- accrual of interest receivable and payable;
- restatement of derivative contracts and trading securities to fair value; and
- recognition of deferred tax arising from the aforesaid adjustments.

Notes to the Financial Statements (International)

For the Year ended December 31, 2004

36. SIGNIFICANT EVENTS

On 31 May 2004, pursuant to a board resolution passed at the first extra-ordinary shareholders' meeting, the Company changed its decision to raise additional capital by issuing no more than 700 million ordinary shares instead of issuing convertible bonds as proposed earlier. The relevant application is in progress.

37. POST BALANCE SHEET EVENTS

As at 31 December 2004, there are no significant post-balance sheet events which require disclosure or adjustment to the financial statements.

38. COMPARATIVE AMOUNTS

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

39. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements of the Company for the year ended 31 December 2004 were approved in accordance with a resolution of the directors on 24 February 2005.





此页特意留白