## OUR HISTORY

Our history dates back to 1954, when the People's Construction Bank of China was founded as a wholly state-owned bank under the direction of the MOF to administer and disburse government funds for construction and infrastructure related projects under the state economic plan. In 1979, the People's Construction Bank of China became a financial institution under the direction of the State Council and gradually assumed more commercial banking functions.

The People's Construction Bank of China gradually became a full service commercial bank following the establishment of China Development Bank in 1994 to assume its policy lending functions. In 1996, the People's Construction Bank of China changed its name to China Construction Bank.

Since the late 1990s, the government has taken a number of initiatives to strengthen the capital base and improve the asset quality of domestic banks. In 1998, China Construction Bank received RMB 49.2 billion in equity contribution from the PRC government as part of a RMB 270.0 billion recapitalization program to improve the capital base of the big four commercial banks. In 1999, four specialized asset management companies were established by the government to acquire and manage non-performing assets of the big four commercial banks. One of these asset management companies, Cinda, acquired from China Construction Bank in 1999, on a non-recourse basis, non-performing assets with an aggregate principal amount of RMB 250.0 billion. China Construction Bank received, as consideration, a bond with a face value of RMB 247.0 billion issued by Cinda and RMB 3.0 billion in cash. For certain risks relating to the Cinda bond, see "Risk Factors — Risks Relating to Our Business — We are subject to certain risks relating to the bond issued by Cinda."

## OUR RESTRUCTURING

Beginning in 2003, our predecessor, China Construction Bank, undertook a number of financial restructuring initiatives as a part of the government's pilot reform program to enhance the competitiveness of the state-owned commercial banks. The key financial restructuring initiatives we undertook included (i) a recapitalization; (ii) a disposal and a write-off of non-performing loans; and (iii) an issuance of subordinated bonds.

### Recapitalization

On December 30, 2003, China Construction Bank received US$22.5 billion in cash as contribution to equity from Huijin. China Construction Bank eliminated all its brought forward capital and reserves outstanding as of December 31, 2003, including all its net profit for the year ended December 31, 2003, but excluding the contribution to equity from Huijin, against its accumulated losses as of December 31, 2003. The PRC government also agreed to replenish China Construction Bank's remaining accumulated losses of RMB 65.5 billion, and, as of December 31, 2003, we recognized a government receivable for the same amount. For more details on the financial impact of these transactions as part of our financial restructuring, see "Financial Information — Financial Impact of our Restructuring."

### Disposal and Write-off of Non-performing Loans

With the special approval of the PRC government, China Construction Bank, our predecessor, disposed of non-performing loans with an aggregate principal amount of RMB 128.9 billion as of December 31, 2003 on a non-recourse basis at 50% of the principal amount, and recorded a receivable in the amount of RMB 64.5 billion. Cinda settled the receivable in full on June 30, 2004. On the same day, China

Construction Bank used RMB 63.4 billion of the proceeds to purchase a bill with a face value of the same amount issued by the PBOC. In addition, with the special approval of the PRC government, we wrote off RMB 56.9 billion in non-performing loans as of December 31, 2003. Such restructuring-related disposal and write-off contributed to a decline in our non-performing loan ratio from 16.97% as of December 31, 2002 to 4.27% as of December 31, 2003. See "Risk Factors — Risks Relating to Our Loan Portfolio — Our historical financial and asset quality data reflect certain significant non-recurring events relating to our non-performing loans."

As of the date of this prospectus, we do not have any plans to make further disposals of non-performing loans to Cinda or any other asset management company other than in the ordinary course of our loan management activities.

### Issuance of Subordinated Bonds

In accordance with approvals of the CBRC and the PBOC, we issued a series of subordinated bonds with an aggregate face value of RMB 40.0 billion in the second half of 2004 which qualified as supplementary capital. The issuance of subordinated bonds contributed to a further increase in our capital adequacy ratio, which was 11.29% as of December 31, 2004.

## SEPARATION OF CHINA CONSTRUCTION BANK

We were formed in September 2004 as a result of a separation procedure undertaken by our predecessor, China Construction Bank, under the PRC Company Law. According to the PRC Company Law, a company can be separated into two or more companies through an agreement providing for the separation of assets and liabilities. Following the CBRC's approval on September 14, 2004, we, Jianyin and Huijin entered into a separation agreement, dated September 15, 2004, pursuant to which China Construction Bank was separated into our bank and Jianyin.

Under the terms of the separation, we succeeded to the commercial banking business and related assets and liabilities of China Construction Bank as of December 31, 2003, including the entrusted lending business conducted on behalf of government agencies and corporate entities from October 20, 2000 onwards, and the entrusted provident housing fund mortgage business. Jianyin succeeded to the remaining business, assets and liabilities of China Construction Bank as of the same date, including the non-commercial banking business and related assets and liabilities, as well as assets with defective title which could not be rectified shortly after the separation. See "Relationship with Our Promoters and Connected Transactions — Relationship With Jianyin" for further information about the separation agreement. We obtained our financial services license from the CBRC on September 15, 2004.

The commercial banking business and related assets and liabilities of China Construction Bank to which we succeeded under the separation agreement included all deposits, loans, bank cards, settlement and other types of commercial banking business, and the related rights, ownership, and interests in intellectual properties originally held by China Construction Bank. We also assumed from China Construction Bank equity interests in a number of commercial banks and certain other equity investments, including interests in its subsidiaries, Jian Sing Bank Limited and Sino-German Bausparkasse Corporation Limited; and minority interests in CITIC International Financial Holdings Limited, China Unionpay Co., Ltd., and certain other companies, as permitted under the PRC Commercial Banking Law or approved by the State Council.

The business, assets and liabilities of China Construction Bank to which Jianyin succeeded under the separation agreement included the entrusted lending business conducted on behalf of government agencies and corporate entities prior to October 20, 2000, which was primarily policy-oriented, certain property and equipment without proper title, as well as certain equity investments, including China Construction Bank's interest in China International Capital Corporation Limited, assets and liabilities which do not relate to our banking business, and the role of receiver in respect of the liquidation of the former China Agricultural Development and Trust Investment Corporation. None of the business, assets and liabilities to which Jianyin succeeded were material or necessary to our commercial banking operations. The aggregate net book value as of December 31, 2003 of the assets to which Jianyin succeeded amounted to RMB 7,187 million, representing approximately 0.2% of the total assets of China Construction Bank as of that date. Jianyin manages all of its business, assets and liabilities, with the exception of certain assets in respect of which we provide asset management services. See "Relationship with our Promoters and Connected Transactions — Connected Transactions — Exempt Continuing Connected Transactions — Continuing Connected Transactions between Us and Jianyin — Asset Management Services Provided by Us to Jianyin." To our knowledge, Huijin has no intention to inject into our bank in the future any part of the business to which Jianyin succeeded.

In the separation agreement, Jianyin undertook not to engage in any commercial banking business in competition with us as long as it holds our shares, or is regarded as a controlling shareholder or an affiliate of a controlling shareholder under the rules of any stock exchange on which our shares are listed. Furthermore, a commercial banking business is not within Jianyin's approved scope of business and Jianyin has not obtained any commercial banking approval or license from the PRC banking regulatory authorities. Consequently, Jianyin does not compete with us in the commercial banking business.

We have been advised by our PRC legal counsel, Commerce & Finance Law Offices, that we have obtained all the approvals and permits required for the separation, namely:

- the approval dated June 8, 2004 by the CBRC of the restructuring and separation plan of China Construction Bank;
- the approval dated August 6, 2004 by the Ministry of Land and Resources of the right to dispose of land assets of China Construction Bank in connection with the separation and the methods for doing so;
- the approvals dated September 14, 2004 by the MOF of the asset appraisal in connection with our restructuring and separation and the administration of the state-owned shares of our bank;
- the approval dated September 14, 2004 by the CBRC of the restructuring and separation of China Construction Bank and the establishment of our bank as a joint stock limited company;
- the issuance of a financial services license dated September 15, 2004 by the CBRC; and
- the issuance of a business license dated September 17, 2004 by the State Administration for Industry and Commerce.

In addition, in accordance with applicable laws, we have completed the publication of a statutory announcement for a period of 90 days prior to the separation for the benefit of creditors. We did not receive any valid claims or requests for guarantees relating to the separation during this period, and consequently, no such claims or requests may be made against us any longer.

Since our separation, we have been occupying, managing and using all the assets to which we succeeded in accordance with the separation agreement, and have assumed all interests and liabilities in connection with such assets. We are in the process of re-registering, and rectifying defects in, the title to the assets to which we succeeded. Due to the large number of assets involved and the processing time by the relevant authorities, we have not yet completed the re-registration and rectification of title to certain assets. We expect that the re-registration and rectification process will be completed by the end of 2005. Our PRC legal counsel, Commerce & Finance Law Offices, have advised us that the procedures for completing the re-registration and rectification of title are procedural matters and that there should be no legal impediment to obtaining substantially all the relevant title certificates.

Our overseas branch offices in Hong Kong, Frankfurt, Johannesburg, Singapore and Seoul have obtained the necessary approvals from their respective bank regulatory authorities in relation to the separation. As a result of our separation, our Tokyo branch has temporarily suspended operations while maintaining its previous assets and staff, in accordance with the relevant Japanese law. We have applied for a new banking license for our Tokyo branch. Our representative offices in London and New York have also obtained all necessary approvals to operate as representative offices.

We have been advised by our PRC legal counsel, Commerce & Finance Law Offices, that (i) the separation was legally and validly completed; (ii) following the separation, we will not have any continuing joint and several obligations to creditors of Jianyin, if their claims arise from the business, assets or liabilities that were succeeded to by Jianyin; and (iii) the separation agreement is legally binding on and enforceable against the parties to the agreement. For certain risks relating to the separation, see "Risk Factors — Risks Relating to Our Restructuring and Separation — Claims may be asserted against us relating to the separation."

## ESTABLISHMENT OF OUR BANK AS A JOINT-STOCK LIMITED COMPANY

We were established on September 17, 2004 as a joint-stock commercial bank with five promoters. Two of our promoters, Huijin and Jianyin, held approximately 85.228% and 10.653% of our share capital upon our establishment, respectively, pursuant to the separation agreement. The remaining three promoters, State Grid Corporation of China, or State Grid, Shanghai Baosteel Group Corporation, or Shanghai Baosteel, and China Yangtze Power Co., Limited, or Yangtze Power, became our promoters by way of cash contributions in the amount of RMB 3.0 billion, RMB 3.0 billion and RMB 2.0 billion, respectively, and held approximately 1.545%, 1.545% and 1.030% of share capital, respectively, upon our establishment.

## STRATEGIC INVESTORS

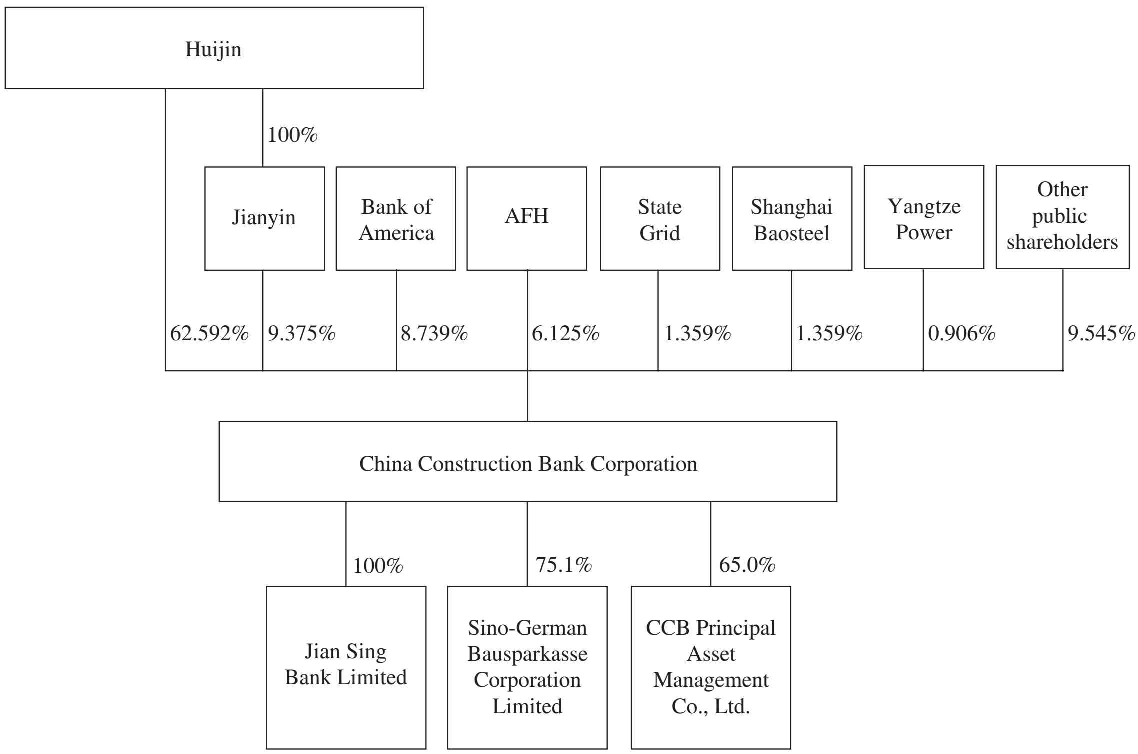
On June 17, 2005, we, Huijin and Bank of America entered into a series of agreements, pursuant to which Bank of America agreed to make a significant investment in us and to develop a strategic relationship with us. On August 29, 2005, Bank of America purchased approximately 17,482 million of our shares from Huijin. In addition, Bank of America also agreed to purchase US$500 million of our H shares in the Global Offering.

On July 1, 2005, we, Huijin and a wholly-owned subsidiary of Temasek, AFH, entered into a series of agreements, pursuant to which AFH agreed to make a significant investment in us and to develop a strategic relationship with us. On August 29, 2005, AFH purchased approximately 9,906 million of our shares from Huijin. In addition, AFH also agreed to purchase US$1.0 billion of our H shares in the Global Offering.

See "Our Strategic Investors."

## OUR SHAREHOLDING STRUCTURE

The following chart sets forth our shareholders and material subsidiaries upon completion of the Global Offering, assuming the over-allotment option is not exercised and assuming an offer price of HK$2.15, which is the mid-point of our indicative offer price range.




## OUR OPERATIONAL REFORM

In connection with our restructuring, we have undertaken a number of operational reform initiatives since 2003 in an effort to become a more competitive and market-oriented company. These initiatives are primarily aimed at improving our corporate governance and organizational structure.

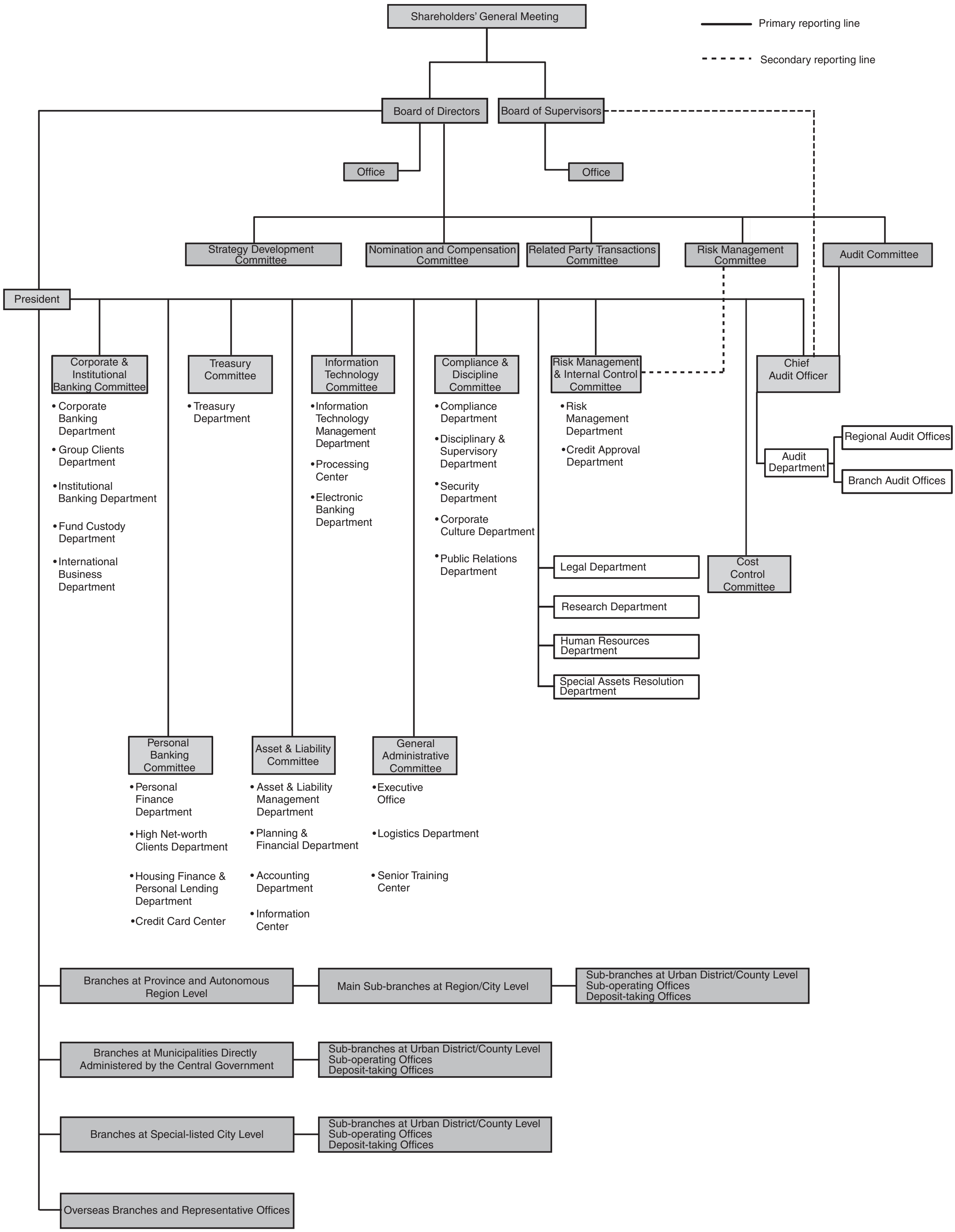
### Corporate Governance

We have adopted a corporate governance structure with a view to creating shareholder value. Our board of directors, which includes four independent directors, is responsible for setting strategic, management and financial objectives and ensuring that the interests of our shareholders, including those of minority shareholders, are protected. Our board of supervisors is responsible for monitoring financial matters and monitoring the actions of the board of directors and the management. Our board of directors delegates certain responsibilities to board committees, consisting of a strategy development committee, an audit committee, a risk management committee, a nomination and compensation committee and a related party transactions committee. See "Management — Board Committees."

### Organizational Structure Reform

Historically, we organized and managed our operations primarily on geographical lines. In recent years, we have begun to reorganize our management structure with a view to managing our business primarily through three principal business segments: corporate banking, personal banking and treasury operations. We believe this business segment-based management structure will further improve our efficiency and transparency by streamlining our operations and allow us to better serve our customers.

The following chart illustrates our current organizational structure.



## OUR RESTRUCTURING AND OPERATIONAL REFORM

In 2005, we have further strengthened our efforts in reforming our organizational structure in accordance with the practices of leading international commercial banks, and have undertaken the following initiatives:

- further separating our front, middle and back office functions, and enhancing the independence of our risk management, credit approval and internal audit functions through strict vertical reporting lines;
- continuing our transition toward a business segment-based organizational structure, and strengthening product development and marketing capabilities within each business segment;
- establishing specialized business departments serving our target customers through more coordinated marketing and client relationship management; and
- flattening our management structure to improve operational efficiency and centralize our decision-making process.

For the new management and organizational structure to operate effectively, we have also implemented a number of operational improvement initiatives in recent years in the following areas:

*Risk Management.* We have improved our risk management by standardizing risk management procedures and criteria and centralizing risk management through further reducing branch-level credit authorization limits. Furthermore, in order to promote the independence of our risk management personnel from other operations of the bank, we established a specialized risk management department, separated the credit approval function, and put in place a full-time credit approval officer system.

*Internal Controls.* We recognize the importance of internal controls in our operations and have taken a number of initiatives to enhance our internal controls. We are in the process of implementing the "Risk Management Platform" project which aims to unify our various risk management policies and procedures across all business activities and branches. Furthermore, we have established a vertical reporting line so that our internal audit department reports primarily to the audit committee of our board of directors and to our president, and secondarily to our board of supervisors. In addition, in order to further improve compliance with our policies and procedures, we have, among other things, delineated responsibilities among our operating departments and segregated positions of potential conflict, implemented a centralized appointment and rotation system for key positions, and devised and implemented training programs for our employees on our policies and procedures, especially those recently adopted.

*Cost Reduction.* As part of our branch outlet rationalization program, we have reduced our operating costs through streamlining and rationalizing our workforce and branch network. Furthermore, we have expanded our self-service banking network and increased the use of electronic banking services. In addition, we have applied strict centralized procurement procedures. As a result, our total cost-to-income ratio has been decreasing.

*Information Technology.* We have upgraded significantly our information technology systems which provide critical support to many aspects of our business, including transaction processing, financial management and risk management. We have also completed the implementation of a new transaction processing system, known as the unified core banking system, by September 2005, which consolidated the processing of the majority of our customer transactions and allows our head office real-time access to all customer transaction data. We are also in the process of upgrading and improving a variety of our information technology systems, including the credit management information system and the general ledger system, to improve system capacity and reliability and enhance data integrity. In addition, we have begun operating, on a pilot basis, the credit risk rating and early warning, or CRREW, system, which determines preliminary credit risk ratings for our corporate customers and alerts us to risk buildups in particular industries, products or regions. We believe our updated information technology systems have improved the efficiency of our operations and enhanced our risk management capabilities.