

## DIRECTORS AND SUPERVISORS

As at 30 June 2006, our directors were as follows:

<u>Name</u>	<u>Position</u>
Guo Shuqing	Chairman and executive director
Chang Zhenming <sup>1</sup>	Vice chairman, executive director and president
Zhao Lin	Executive director and vice president
Luo Zhefu	Executive director and vice president
Zhu Zhenmin	Non-executive director
Jing Xuecheng	Non-executive director
Wang Shumin	Non-executive director
Wang Yonggang	Non-executive director
Liu Xianghui	Non-executive director
Zhang Xiangdong	Non-executive director
Gregory L. Curl	Non-executive director
Song Fengming	Independent non-executive director
Yashiro Masamoto	Independent non-executive director
Tse Hau Yin, Aloysius	Independent non-executive director
Elaine La Roche	Independent non-executive director
Lord Peter Levene <sup>2</sup>	Independent non-executive director

1. On 23 July 2006, the 20th meeting of the first session of our Board considered and accepted the resignation of Mr. Chang Zhenming as vice chairman, executive director and president of the Bank. On 27 July 2006, the 21st meeting of the first session of our Board appointed Mr. Zhang Jianguo as president of the Bank, subject to approval of CBRC. At the same time, it was proposed that Mr. Zhang be appointed as vice chairman of the Board and executive director of the Bank, subject to approval of the shareholders' meeting and CBRC.
2. The appointment is subject to approval of CBRC.

As at 30 June 2006, our supervisors were as follows:

<b>Name</b>	<b>Position</b>
Xie Duyang	Chairman of the board of supervisors
Liu Jin	Supervisor
Jin Panshi	Supervisor
Chen Yueming	Supervisor
Cheng Meifen	Supervisor
Cui Jianmin	External supervisor
Guo Feng	External supervisor

#### **DIRECTORS' AND SUPERVISORS' INTERESTS IN SHARES, UNDERLYING SHARES AND DEBENTURES**

As at 30 June 2006, none of the directors and supervisors of the Group had any interests or short positions in the shares, underlying shares of equity derivatives or debentures of the Bank or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance) as recorded in the register required to be kept under Section 352 of the Securities and Futures Ordinance or as otherwise notified to the Bank and the Stock Exchange of Hong Kong Limited ("Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers in Appendix 10 of the Listing Rules.

As at 30 June 2006, the Group has not granted its directors or supervisors, or their respective spouses or children below the age of 18 any rights to subscribe for the shares or debentures of the Bank or any of its associated corporations.

## SUBSTANTIAL SHAREHOLDERS' INTERESTS

As at 30 June 2006, the interests and short positions of substantial shareholders and other persons of the Bank in the shares and underlying shares of the Bank as recorded in the register required to be kept under Section 336 of the Securities and Futures Ordinance were as follows:

Name	Number of H shares held			% of total issued shares
	Held directly	Held indirectly	Total holding	
China SAFE Investments Limited ("Huijin") <sup>1</sup>	138,150,047,904	20,692,250,000	158,842,297,904	70.69%
China Jianyin Investment Limited ("Jianyin") <sup>1</sup>	20,692,250,000	—	20,692,250,000	9.21%
BAC <sup>2</sup>	19,132,974,346	—	19,132,974,346	8.52%
Temasek <sup>3</sup>	—	13,576,203,750	13,576,203,750	6.04%
AFH <sup>4</sup>	13,207,316,750	—	13,207,316,750	5.88%

- As Huijin directly controls one-third or more of the voting rights in the shareholders' meetings of Jianyin, in accordance with the Securities and Futures Ordinance, the interests directly held by Jianyin are deemed to be indirect interests of Huijin.
- BAC holds an option to acquire our H shares representing a total of 19.9% of our issued and floating share capital (less any shares already held by BAC as at that date of exercise of the option), which is in the form of a physically settled unlisted derivative.
- Temasek's interests in the Bank are held through its indirect interests in the following entities, the respective direct shareholdings of which are set out below:

Entity	Number of H shares held
AFH	13,207,316,750
Aranda Investments Pte Ltd	360,700,000
CESMA International Private Limited	62,000
Fullerton (Private) Limited	862,000
PSA Corporation Pte Ltd	291,000
PSA International Pte Ltd	583,000
Singapore Technologies Marine Ltd	606,000
The Rohatyn Group Asia Opportunity Fund, Ltd	3,887,000
Vision Tech Investment Pte Ltd	1,896,000

- As AFH is a wholly-owned subsidiary of Temasek, in accordance with the Securities and Futures Ordinance, the interests directly held by AFH are deemed to be indirect interests of Temasek.

Save as disclosed above, as at 30 June 2006, in the register required to be kept under Section 336 of the Securities and Futures Ordinance, no other persons or corporations were recorded as holding any interests or short positions in the shares or underlying shares of the Bank that would fall to be disclosed by the Bank under Division 2 and 3 of Part XV of the Securities and Futures Ordinance.

## DIVIDENDS

No interim dividend was recommended for the six months ended 30 June 2006.

In the Annual General Meeting held on 15 June 2006, the shareholders approved the final dividend with a total amount of approximately RMB 3,370 million (RMB 0.015 per share) for the year ended 31 December 2005. The above final dividend has been paid.

## PURCHASE, SALE AND REDEMPTION OF SHARES

During the period, neither the Bank nor any of its subsidiaries has purchased, sold or redeemed any shares of the Bank.

## CORPORATE GOVERNANCE PRACTICES

We believe that upholding the principles and practices of good corporate governance and adopting international standards of corporate governance is crucial for the Bank to become an internationally competitive modern commercial bank. Therefore, we abide strictly by the laws and regulations of the jurisdictions in which we operate, and observe the guidelines and rules issued by regulatory authorities such as the Hong Kong Monetary Authority, the Hong Kong Securities and Futures Commission and the Stock Exchange. We also adopt international and domestic corporate governance best practices. With the exception of the two deviations set out below, we have complied with the code provisions of the Code on Corporate Governance Practices (“Model Code”) in Appendix 14 of the Listing Rules since our listing in 2005:

- Rule A.5.4 of the Model Code requires the Board to establish written guidelines on no less exacting terms than the Model Code for Securities Transactions by Directors of Listed Issuers in Appendix 10 of the Listing Rules for relevant employees in respect of their dealings in the Bank’s securities. However, we have not yet established formal written guidelines in respect of such relevant employees. As our shares are listed in the form of H shares in Hong Kong, and most of our employees are located in Mainland China, there are strict limitations on their ability to trade in our shares.
- Rule B.1.3 (b) of the Model Code requires the Board to delegate the responsibility to determine the specific remuneration package of all executive directors and senior management, including benefits in kind, pension rights and compensation payments (including any compensation payable for loss or termination of their office or appointment) to the compensation committee. Our Board has not delegated such duties to the nomination and compensation committee for the following reasons: first, any resolution on remuneration may not be submitted to the Board for approval unless it has already been considered by the nomination and compensation committee; second, according to the rules of procedure of the nomination and compensation committee, an executive director must withdraw when his/her personal remuneration is considered and a senior executive should not participate in the discussion at the Board meeting relating to his/her personal remuneration either. We believe that these arrangements and mechanisms provide sufficient protection against any potential bias in the process of determining remuneration.

## **DIRECTORS' SECURITIES TRANSACTIONS**

The Bank has adopted the Model Code for Securities Transactions by Directors in Appendix 10 of Listed Issuers of the Listing Rules in relation to securities transactions by directors and supervisors.

Having enquired with our directors and supervisors, the Bank confirms that all directors and supervisors have, during the half year ended 30 June 2006, complied with the provisions of this code of practice in relation to securities transactions by directors and supervisors.

None of our directors, supervisors or senior management holds any securities of the Bank.

## **AUDIT COMMITTEE**

The Bank has set up an audit committee in accordance with the Model Code in Appendix 14 of the Listing Rules. The primary responsibilities of the audit committee are to monitor and assess the performance of the Bank's internal and external audit functions, to monitor the preparation of the Bank's financial statements, the compliance of its core operating units, management procedures and principal business activities. The audit committee consists only of non-executive directors, the majority of whom are independent non-executive directors. It is chaired by independent non-executive director Mr. Tse Hau Yin, Aloysius. Other members include: Ms. Wang Shumin, Mr. Wang Yonggang, Mr. Gregory L. Curl, Mr. Song Fengming, Mr. Yashiro Masamoto, and Ms. Elaine La Roche. The audit committee has reviewed the accounting policies and practices adopted by the Bank and discussed affairs of internal control and financial reporting (including reviewing our unaudited consolidated interim financial information) with the senior management.