

This Appendix contains a summary on PRC taxation, foreign exchange and regulation, including a description of material differences in the provisions of company law between China and Hong Kong, but it neither covers all issues in PRC and Hong Kong and other laws or regulations that may impact the Bank and its Shareholders, nor considers your circumstances. For any details about PRC taxation and laws or any other jurisdiction, please seek independent professional opinions.

PRC LEGAL SYSTEM

The PRC legal system is based on the PRC Constitution (中華人民共和國憲法) and is made up of written laws, regulations, rules, local regulations, laws of Special Administrative Regions and laws resulting from international treaties entered into by the PRC government. Court case verdicts do not constitute legally binding precedents. However, they are used for the purposes of judicial reference and guidance.

The National People's Congress of the PRC ("NPC") and the Standing Committee of the NPC are empowered by the PRC Constitution to exercise the legislative power of the State. The NPC has the power to amend the PRC Constitution and enact and amend basic laws governing State agencies and civil and criminal matters. The Standing Committee of the NPC is empowered to enact and amend laws other than those required to be enacted by the NPC, and during the adjournment of the NPC, to partly supplement and amend laws enacted by the NPC, provided that such supplementation and amendment should not contradict the basic principles of such laws. The State Council is the highest-level authority within the State administration and has the power to enact administrative rules in accordance with the PRC Constitution and laws. The ministries and commissions directly under the State Council are also vested with the power to issue orders, directives and rules within the jurisdiction of their respective departments. All administrative rules, regulations, directives and orders promulgated by the State Council and its ministries and commissions must be consistent with the PRC Constitution and the national laws enacted by the NPC and the Standing Committee of the NPC. In the event of conflict, the Standing Committee of the NPC has the power to annul administrative regulations, rules, directives and orders.

At the regional level, the provincial and municipal congresses and their respective standing committees may enact local regulations and the people's governments may promulgate administrative rules and directives applicable to their own administrative areas, provided that such regulations, administrative rules and directives shall not contradict the PRC Constitution, laws and administrative regulations.

The State Council, provincial and municipal governments may also enact or issue rules, provisions or directives in new areas of the law for experimental purposes. After gaining sufficient experience with experimental measures, the State Council may submit legislative proposals to be considered by the NPC or the Standing Committee of the NPC for enactment at the national level.

The PRC Constitution vests the power to interpret laws in the Standing Committee of the NPC. According to the Decision of the Standing Committee of the NPC Regarding the Strengthening of Interpretation of Laws passed on June 10, 1981, the Supreme People's Court, in addition to its power to give general interpretation on the application of laws in judicial proceedings, also has the power to interpret specific cases. The State Council and its ministries and commissions are also vested with the power to interpret regulations and rules that they have promulgated. At the regional level, the power to interpret regional regulations is vested in the regional legislative and administrative bodies which promulgated such laws.

PRC JUDICIAL SYSTEM

Under the PRC Constitution and the Law of Organization of the People's Courts of the PRC (中華人民共和國人民法院組織法), the judicial system is made up of the Supreme People's Court, the local people's courts at all levels, military courts and other special people's courts. The local people's courts are comprised of the basic people's courts, the intermediate people's courts and the higher people's courts. The basic people's courts may set up civil, criminal, economic divisions and other such divisions. The intermediate people's courts are organized into divisions similar to those of the basic people's courts, and are further organized into other special divisions, such as the intellectual property division. The higher people's courts supervise the basic and intermediate people's courts. The people's procuratorates also have the right to exercise legal supervision over the civil proceedings of people's courts of the same level and lower levels. The Supreme People's Court is the highest judicial body in the PRC, supervising the judicial activities carried out by all of the people's courts.

The people's courts employ a two-tier trial system. A party may appeal against a judgment or decision of a local people's court to the people's court at the next higher level. Second judgments or decisions given at the next higher level are final. First judgments or decisions of the Supreme People's Court are also final. If, however, the chief justice of a people's court finds an error in an effective judgment or decision which has been given in the court, the case shall be handed to the judicial committee of the court to make further decision; if the Supreme People's Court or a people's court at a higher level finds an error in an effective judgment or decision which has been given in any people's court at a lower level, it shall have the power to hear the case by itself or appoint a people's court at a lower level to rehear the case; if the effective judgments or decisions of the people's courts at any level are found by the Supreme People's Procuratorate, or of the people's court at a lower level are found by the people's procuratorate at a higher level, to be erroneous, such procuratorate may file counterappeal according to the trial supervision procedures.

The Civil Procedure Law of the PRC (中華人民共和國民事訴訟法), which was adopted in 1991 and amended in 2007 and 2012, sets forth the criteria for instituting a civil action, the jurisdiction of the people's courts, the procedures to be followed for conducting a civil action and the procedures for enforcement of a civil judgment or decision. All parties to a civil action conducted within the PRC must comply with the Civil Procedure Law. A civil case against a citizen is under the jurisdiction of a local court of the municipality or province in which the defendant resides. The parties to a contract may, by written agreement, select a jurisdiction where civil actions may be brought, provided that the jurisdiction is either the plaintiff's or the defendant's place of residence, the place of execution or implementation of the contract or the place of location of the objects under the contract. However, such selection cannot violate the stipulations of grade jurisdiction and exclusive jurisdiction in any case.

A foreign national or enterprise generally has the same litigation rights and obligations as a citizen or legal person of the PRC. If a foreign country's judicial system limits the litigation rights of PRC citizens and enterprises, the PRC courts may apply the same level limitations to the citizens and enterprises of that foreign country within the PRC. If any party to a civil action refuses to comply with a judgment or decision made by a people's court or an award granted by an arbitration authority in the PRC, the other party may apply to the people's court to request enforcement of the judgment, decision or award. The rights to apply for such enforcement shall lapse after two years. If a party fails to fulfil its obligations under a judgment, decision or award made by the court within the stipulated time, the court will, upon application by the other party, mandatorily enforce such judgment, decision or award.

A party seeking to enforce a judgment or decision of a people's court against a party who is not located within the PRC and does not own any property in the PRC, may apply to a foreign court with proper jurisdiction for recognition and enforcement of the judgment or decision. A foreign judgment or decision may also be recognized and enforced by the people's court according to PRC enforcement procedures if the PRC has entered into, or acceded to, an international treaty with the relevant foreign country, which provides for such recognition and enforcement, or if the judgment or decision satisfies the court's review according to the principle of reciprocity, unless the people's court finds that the recognition or enforcement of such judgment or decision will result in a violation of the basic legal principles of the PRC, its sovereignty or security, or for reasons of social and public interest.

PRC company law

As a joint stock limited liability company incorporated in the PRC, and seeking a listing on the Hong Kong Stock Exchange, we are primarily subject to the following PRC laws and regulations:

- the PRC Company Law (中華人民共和國公司法), which was promulgated by the Standing Committee of the NPC on December 29, 1993, took effect on July 1, 1994 and was amended as of December 25, 1999, August 28, 2004 and October 27, 2005;
- the Special Regulations on Overseas Offering and Listing of Shares by Joint Stock Limited Companies, which were promulgated by the State Council on August 4, 1994 (the "Special Regulations") (國務院關於股份有限公司境外募集股份及上市的特別規定); and
- the Mandatory Provisions for the Articles of Association of Companies Listed Overseas (到境外上市公司章程必備條款) (the "Mandatory Provisions"), which were jointly promulgated by the Securities Committee of the State Council and the State Restructuring Commission (now the NDRC) on August 27, 1994, and which prescribe the provisions which we, as a joint stock limited liability company seeking an overseas listing, must incorporate into our Articles of Association.

Incorporation

A company limited by shares shall be incorporated by a minimum of two promoters while its maximum thereof is 200, and at least half or more of the promoters must have residences within the PRC. We are incorporated under the PRC Company Law as a joint stock limited liability company. This means that we are a legal entity and that our registered capital is divided into Shares of equal nominal value. The liability of our Shareholders is limited to the amount of Shares subscribed by them and we are liable for our debts for an amount equal to our assets. Our registered capital equals the paid-in capital we registered with SAIC.

The promoters shall convene an inaugural meeting within 30 days from the date the amount equal to issued shares have been fully paid up, and shall give notice to all subscribers or make an announcement of the date of the inaugural meeting 15 days before the meeting. The inaugural meeting may be convened only if the subscribers representing more than half of the total shares issued by the company are present. At the inaugural meeting, matters including the adoption of draft articles of association proposed by the promoter(s) and the election of the board of directors and the board of supervisors of the company will be dealt with. All resolutions of the inaugural meeting require the approval of subscribers with more than half of the voting rights present at the meeting.

Within 30 days after the conclusion of the inaugural meeting, the board of directors shall apply to the registration authority for registration of the establishment of the company. A company is formally established, and has the status of a legal person, after the business license has been issued by the relevant administration for industry and commerce. Companies established by the public subscription method shall file an approval on the offer of shares issued by the securities administration department of the State Council with the company registration authority for record.

A company's promoters shall be liable for: (i) the payment of debts and liabilities incurred in the incorporation process jointly and severally if the company cannot be incorporated; (ii) the repayment of subscription monies to the subscribers, together with interest, at bank rates for a deposit of the same term jointly and severally if the company cannot be incorporated; and (iii) damages suffered by the company as a result of the default of the promoters in the course of incorporation of the company.

Allotment and Issue of Shares

All of our Share issues are based on the principles of equality and fairness. The same class of shares must carry equal rights. For each Share issue, the terms of issue for individual Shares, including the subscription price, must be identical to other Shares of the same class. We may issue Shares at nominal value or at a premium, but we may not issue Shares below the nominal value.

We must obtain the approval of the CSRC to offer our Shares outside of PRC. Under the Special Regulations, upon approval of the CSRC, we may agree, in the underwriting agreement with respect to an issue of overseas listed foreign invested shares, to retain not more than 15% of the aggregate number of overseas listed foreign invested shares proposed to be issued after accounting for the number of underwritten shares.

Contribution Forms and Shares

The promoters may make capital contributions in cash or by way of tangible properties, intellectual property rights, land use rights or other transferable non-cash property that can be evaluated by money, except for the assets prohibited to be contributed as capital by the laws or administrative regulations. The amount of investment made in cash by all the shareholders may not be less than 30% of the registered capital of the company. Shares that we issue to foreign investors and Shares that are listed overseas must be in registered form, denominated in Renminbi and subscribed for in a foreign currency. Shares that are purchased by foreign investors and investors from the territories of Hong Kong, Macau and Taiwan and listed in Hong Kong are known as "overseas listed foreign invested shares." Within the PRC, all Shares that we issue to a promoter or legal person must be in registered form. Shares that we issue to the public in China, however, may be in either registered or bearer form.

We are required to maintain a register of Shareholders for all Shares issued in registered form. Information such as our Shareholders' particulars, number of Shares held by each Shareholder and the dates on which the Shareholders became holders of the relevant Shares are required to be entered into the register.

We are also required to record the amount of bearer shares issued, the number designated to each bearer share and the date of issue of each bearer share.

Increase of Share Capital

We may increase our Share capital by issuing new Shares according to our general shareholders meeting's approval in terms of the following items:

- the classes and amount of new Shares to be issued;
- the offering price;
- the date of commencement and close of the issuance of new Shares; and
- the class and amount of new Shares to be issued to existing Shareholders.

If we issue Shares by way of public offering, we must obtain the approval of the relevant securities administration authority, must print the prospectus and financial statement, and must make subscription books. After we complete a subscription of new Shares, we must register the increase in registered capital with the SAIC and issue a public notice.

Reduction of Share Capital

Subject to minimum registered capital requirements, we may reduce our registered capital in accordance with the following procedures:

- we must prepare a current balance sheet and a list of properties;
- our Shareholders must approve the reduction of registered capital in a general meeting;
- once the resolution approving the reduction has been passed, we must inform our creditors of the reduction in capital within ten days and publish the announcements of the reduction in newspapers at least for three times within thirty days;
- our creditors may, within the statutory prescribed time limit, require us to pay our debts or provide guarantees covering such debts;
- we must register the reduction in registered capital with the SAIC; and
- we must obtain necessary approvals from all relevant supervisory authorities.

Repurchase of Shares

We may only repurchase our Shares (i) to reduce our registered capital; (ii) to merge with another company that holds our Shares; (iii) to grant our Shares to employees as a reward; (iv) Shareholders require us to do so, if vote against a resolution approving our merger or division; or (v) in other circumstances as permitted by laws, regulations, rules or normative documents. The Mandatory Provisions stipulate that we must act in accordance with our Articles of Association and that we must obtain necessary approvals from any relevant supervisory authorities. We may repurchase our Shares by making a general offer to our Shareholders, by purchasing our Shares on a stock exchange or by purchasing our Shares through an off-market contract.

If the repurchase of our Shares is carried out as a result of (i) above, we are required to cancel the portion of our Shares that have been repurchased within ten days; if the repurchase is caused by reason of (ii) or (iv) above, we are required to transfer or cancel the portion of our Shares within six months. When we repurchase our Shares for the reason of (iii) above, the Shares bought back by us shall not exceed 5% of our total issued Shares and shall be transferred to employees within one year. The funds for repurchase shall be paid from our after-tax profits.

Transfer of Shares

Our Shares may be transferred in accordance with any applicable laws and regulations, such as the PRC Company Law (中華人民共和國公司法), the PRC Securities Law (中華人民共和國證券法) and the Special Regulations.

Our Directors, Supervisors and senior officers must declare to us the Shares held by them and the changes thereof. During the term of office, the Shares transferred by any of them each year shall not exceed 25% of total Shares of the Bank they respectively hold. Any Shares that are held by the aforesaid persons shall not be transferred within one year from the day when the Shares are listed and traded on a stock exchange. Within half year after any of the aforesaid persons is removed from his or her post, he or she shall not transfer the Shares of the Bank that he or she holds.

Transfers of Shares may not be entered in the register of Shareholders within 30 days before the date of a Shareholders' meeting or within five days before the record date set for the purpose of distribution of dividends.

Our Shares may be transferred in accordance with any applicable laws and regulations, such as the PRC Company Law (中華人民共和國公司法), the PRC Securities Law (中華人民共和國證券法) and the Special Regulations.

Finance and Accounting

We are required to establish our financial and accounting system in accordance with relevant laws and administrative regulations as well as provisions of PRC GAAP formulated by the MOF.

We are also required to prepare annual financial reports at the end of each financial year, which shall be reviewed and verified according to laws. These financial statements include our statements of financial position, statements of comprehensive income, cash flow statements and statement of changes in owner's equity together with explanatory notes. We are required to make our financial reports available for inspection by our Shareholders 20 days prior to our annual general meeting. Every Shareholder has the right to be provided with the financial reports mentioned herein. We must also publish our financial statements by way of public announcement.

We are required by PRC laws to make the following transfers from our after-tax profit after we make up any loss from the previous year but before we distribute any profits to our Shareholders:

- 10% of our after-tax profit must be transferred to our statutory common reserve fund; and no transfer is required if our accumulated statutory common reserve fund reaches or exceeds 50% of our registered capital;
- general reserves shall be transferred; and
- subject to our Shareholders' approval in a general meeting and after transfer of the requisite amount to the statutory common reserve fund and general reserves, a discretionary amount from our after-tax profit may be transferred to the discretionary common reserve.

Any after-tax profit after making-up losses and transfers to the statutory common reserve, general reserves and discretionary common reserves may be distributed to our Shareholders in proportion to their respective shareholdings.

If the amount in our statutory common reserve fund is insufficient to make up for losses from previous years, our profits in the current year must be applied to make up for such losses before we make allocations to the statutory common reserve fund.

Our common reserve consists of the statutory surplus reserve, discretionary surplus reserve and the capital reserve. Our capital reserve includes the premium over the nominal value of our Shares issued and other amounts required by MOF to be treated as the capital reserve.

Our common reserve must be applied for the following purposes:

- to make up for any losses;
- to expand our business operations; and
- to pay up our registered share capital by new Share issues to Shareholders in proportion to their existing shareholdings, or by increasing the nominal value of the Shares currently held by the Shareholders, provided that the statutory common reserve is converted into registered capital, the statutory common reserve retained may not be less than 25% of our registered capital immediately preceding such conversion. Our capital common reserve may not be used to make up for any losses.

Appointment and Retirement of Auditors

The Special Regulations require us to employ an independent PRC firm of accountants consistent with state provisions to audit our annual reports and verify other financial reports.

The auditors are to be appointed for a term commencing from the close of an annual general meeting to the close of the next annual general meeting.

If we remove or fail to renew the appointment of our existing auditors, we are required by the Special Regulations to give prior notice to the auditors and the auditors are entitled to make representations before our Shareholders in a general meeting. If our auditors resign, they are obligated to make a statement to the Shareholders stating whether or not we have undertaken any inappropriate practices. The appointment, removal or nonrenewal of appointment of auditors is decided by our Shareholders' meeting and must be recorded with the CSRC.

Distribution of Profits

The Special Regulations provide that dividends and other distributions payable to holders of our H Shares must be declared and calculated in Renminbi and paid in a foreign currency. Under the Mandatory Provisions, we shall appoint a receiving agent for holders of our H Shares. The receiving agent shall receive the dividends and other distributions on behalf of these Shareholders.

Amendments to Articles of Association

Our Articles of Association may only be amended by an affirmative vote of more than two-thirds of the voting right represented by the Shareholders presented at a general meeting. An amendment to our Articles of Association will only take effect after we have obtained any necessary approvals from relevant regulatory and administrative agencies. If an amendment to our Articles of Association affects the information recorded in our business license, we must apply to the related government department to change the relevant details in the license.

Merger and Division

Any mergers and divisions must be approved by our Shareholders. We may also need to seek government approval for a merger or division. In China, a merger may be effected either by way of absorption followed by the dissolution of the company being absorbed or by the establishment of a new entity followed by the dissolution of the original entities.

If our Shareholders approve a proposed merger, parties concerned are required to sign a merger agreement and to prepare a balance sheet and an inventory of properties. We must notify our creditors of the merger within 10 days and publicly announce the merger in the newspapers at least three times within 30 days after the resolution approving the merger has been passed. Our creditors are allowed, within 30 days after receiving the notice, or within 45 days after the date of first announcement in case no notice has been received, to request us to repay any outstanding indebtedness or provide guarantees covering such indebtedness. If we are unable to repay our debts or provide such guarantees, we may be prohibited from proceeding with the merger.

In the case of a division, our assets shall be divided correspondingly. Parties concerned shall sign a division agreement and prepare statements of financial position and a list of properties. We must notify our creditors of the division within 10 days and publicly announce the division in the newspapers at least three times within 30 days after the resolution approving the division has been passed. Our debts before division shall be assumed by the companies after the division jointly and severally, except as otherwise agreed between our creditors and us on debt payment in writing before the division. Our inability to do so may prevent the consummation of the division.

Dissolution and Liquidation

Under the PRC Company Law and Mandatory Provisions as well as our Articles of Association, we will be dissolved and liquidated if any of the following events occur:

- (i) resolution of the general meeting of shareholders;
- (ii) a merger or division that requires our dissolution;
- (iii) the declaration of our insolvency as a result of our inability to pay our debts when they become due;
- (iv) our business license is revoked or we are ordered to close down or cancelled; or
- (v) the Bank suffers significant hardship in its operation or management such that the interests of the shareholders would be subject to significant loss if the Bank continued to exist, which situation cannot be remedied by any other means, and the Shareholders holding more than ten percent of the voting rights of the Bank petition the people's court to dissolve the Bank.

If we are dissolved in the circumstances referred to in (i) and (v) above, within 15 days upon approval of the CBRC, a liquidation committee shall be established, whose members shall be appointed in a general meeting of Shareholders. In the circumstance referred to in (ii) above, an application shall be filed with the CBRC, which shall be accompanied with a statement of causes for dissolution and the debt payment plans including payment of deposits and interests. After approval by the CBRC, we may dissolve. In the circumstance referred to in (iii) above, a liquidation committee shall be established by the people's court pursuant to the relevant laws, and the committee may comprise members from the CBRC, Shareholders, related agencies and professionals. In the circumstances referred to in (iv) above, a liquidation committee shall be established by the CBRC, and the committee may comprise members from the Shareholders, related agencies and professionals. If the liquidation committee is not established within the specified time, our creditors may apply to the people's court to appoint the members of the liquidation committee. The people's court will then organize a liquidation committee to conduct the liquidation.

A liquidation committee is required to notify our creditors of our dissolution within 10 days from the date of its establishment and issue a public announcement of our dissolution on a newspaper at least three times within 60 days after its establishment. A creditor is required to lodge its claim with the liquidation committee within the statutory time limit.

The liquidation committee shall exercise the following powers during the liquidation period:

- sort out the Bank's properties and to prepare a balance sheet and a list of the properties separately;
- notify or make an announcement to creditors;
- dispose of and liquidate any unfinished businesses of the Bank;
- pay all outstanding taxes and taxes incurred during liquidation;
- settle the Bank's financial claims and liabilities;
- deal with the surplus properties of the Bank after its debts have been paid off; and
- represent the Bank in civil lawsuits.

In the event of dissolution, our assets will be applied to pay all expenses incurred in connection with the liquidation, employees' wages, social insurance and statutory compensation, principals and interests of retail deposits, tax overdue and our general indebtedness. Any surplus assets will be distributed to our Shareholders in proportion to their respective shareholdings. If our assets are insufficient to repay or discharge our indebtedness, the liquidation committee will apply to the people's court for a declaration of insolvency and will transfer the liquidation proceedings to the people's court. If we are involved in liquidation proceedings, we will not be allowed to engage in any business operations irrelevant to liquidation.

Upon completion of the liquidation process, the liquidation committee is required to prepare a liquidation report and the statements of comprehensive income and financial books within the liquidation period for confirmation by our Shareholders' general meeting or the competent authority after being audited by Chinese certified public accountants. The liquidation committee shall, within 30 days after confirmation by the competent authority, submit the foregoing materials to the company registration administration for the cancellation of our registration and to make a public announcement of our dissolution following such cancellation.

Members of the liquidation committee are required to discharge their duties honestly and in compliance with the laws. A member of the liquidation committee is liable to us and our creditors in respect of any loss arising from his/her willful or material default.

Overseas Listing

We must obtain the approval of the CSRC to list our Shares overseas. An overseas listing of our Shares must comply with the Special Regulations.

Our plan to issue H Shares and A Shares which has been approved by the CSRC may be implemented by the board of directors of the Bank by way of separate issues, within 15 months from the date when the approval is obtained from the CSRC, according to the Special Regulations.

Loss of Share Certificates

If a share certificate in registered form of our A Shares is stolen, missing or lost, the respective Shareholder may apply, in accordance with the relevant provisions set out in the PRC Civil Procedure Law, to a people's court for a declaration that such certificate will no longer be valid. After obtaining the declaration, the Shareholder may apply to us for a replacement certificate.

A separate procedure regarding the reissue of H Share certificates which are stolen, missing or lost is provided for in the Mandatory Provisions, which has been incorporated into our Articles of Association, a summary of which is set out in Appendix VI to this prospectus.

Suspension and Termination of Listing

We may have our listing on the Shanghai Stock Exchange suspended by the Shanghai Stock Exchange if any of the following events occur:

- our total share capital or the shareholding distribution no longer complies with the relevant listing requirements;
- we have failed to disclose our financial position in accordance with the relevant laws and regulations or our financial report contains false information which is likely to mislead investors;
- we have committed a material breach of the law;
- we have incurred losses for three consecutive years; or
- any other circumstances as required by the listing rules of the Shanghai Stock Exchange.

We may have our listing on the Shanghai Stock Exchange terminated by the Shanghai Stock Exchange if any of the following events occur:

- where the Company fails to meet the listing requirements as a result of any change in its total issued share capital or shareholding distribution, and where the Company fails to meet the listing requirements within the period as prescribed by the stock exchange;
- where the Company fails to make public its financial position according to the relevant provisions or has any false record in its financial and accounting reports, and refuses to make any correction;
- where the Company has incurred losses for the last three consecutive years and fails to make profits in the subsequent year;
- where the Company is dissolved or is declared bankrupt; or
- under any other circumstances as stipulated in the stock exchange's listing rules.

PRC securities law and regulations

The PRC Securities Law (中華人民共和國證券法) took effect on July 1, 1999 and was amended as of August 28, 2004 and October 27, 2005, respectively. The PRC Securities Law comprehensively regulates the PRC securities market, and contains provisions governing, among other matters, the issue and trading of securities, takeovers by listed companies, securities exchanges, securities companies and the duties and responsibilities of the CSRC. The PRC Securities Law (中華人民共和國證券法) provides that we must obtain the approval of the CSRC to issue or list our Shares overseas.

The CSRC is the supervisory and regulatory institution for securities in China. It is responsible for the formulation of policies relating to securities, the drafting of securities laws and regulations, the supervision of the securities markets, market intermediaries and participants, the supervision and regulation of the domestic and overseas public offerings of securities by PRC companies, as well as the supervision and regulation of securities transactions.

Currently, the issue and trading of overseas issued foreign invested shares (including H shares) are mainly governed by a series of regulations and rules promulgated by the State Council and the CSRC. An overseas listing of our shares must comply with the Special Regulations.

PRC Taxation***Enterprise Income Tax***

Corporate income tax in the PRC is governed by the PRC Enterprise Income Tax Law and regulations for implementation thereof. Enterprises and other organizations generating income within the PRC are subject to enterprise income tax at the rate of 25%.

In accordance with the PRC Enterprise Income Tax Law and regulations for implementation thereof, non-PRC resident enterprises (i.e. enterprises established under foreign laws with their actual management organs outside the PRC while having organs or premises established in the PRC or, if not, generating income within the PRC) are subject to enterprise income tax at a rate of 10% for their income generated within the PRC.

Business Tax

Business tax in the PRC is governed by the PRC Provisional Regulations on Business Tax and rules for implementation thereof. Enterprises and individuals that provide taxable labor services, transfer intangible assets or sell real estate within the PRC are subject to business tax at a rate of 3% or 5% of the amount of the taxable labor services or other transaction, except for the entertainment sector, the turnover of which is subject to the business tax at a rate of 5% to 20%.

Value-added Tax

Value-added tax, or VAT, in the PRC is governed by the PRC Provisional Regulations on Value-added Tax and the rules for implementation thereof. VAT is payable in the PRC on the sale of goods and the provision of processing and repair services as well as importation of products. VAT is generally levied at the rate of 17%; however, a rate of 13% is applicable to the sale or import of certain categories of essential goods. Exported goods are exempt from VAT.

Taxation of Dividends

According to the PRC Individual Income Tax Law and the PRC Provisional Regulations Concerning Questions of Taxation of Enterprises Experimenting with the Share System, dividends paid by PRC companies are generally subject to PRC withholding tax levied at a flat rate of 20%.

According to the Circular on Questions Concerning the Collection of Individual Income Tax following the Repeal of Guo Shui Fa [1993]045 dated June 28, 2011 issued by SAT, dividends paid by PRC companies to a non-PRC resident individual holder of H shares are subject to PRC individual income tax at the rates determined in accordance with applicable tax treaties or arrangements between the PRC and the specific jurisdiction in which the shareholder resides. Such tax rates range from 5% to 20% as the case may be. Any shareholder residing in a jurisdiction where the applicable tax rate for such dividends, as stipulated in the relevant tax treaties or arrangements, is lower than 10% shall be entitled to a refund of the excess tax withheld by the Company at the tax rate exceeding such applicable tax rate; however, such refund shall be subject to the approval of the competent tax authority. For a shareholder residing in a jurisdiction where the applicable tax rate for such dividends, as stipulated in the relevant tax treaties or arrangements, is more than 10% but less than 20%, H share issuers will withhold the individual income tax at the actual tax rate, as stipulated in the relevant tax treaties or arrangements, without seeking prior consent from competent tax authorities. For a shareholder residing in a jurisdiction where the applicable tax rate for such dividends, as stipulated in the relevant tax treaties or arrangements, is 20% or where there is no relevant tax treaty or arrangement with the PRC, H share companies shall withhold the individual income tax at the rate of 20%. Such arrangements have also been addressed in a letter dated June 28, 2011 issued by the SAT to the Hong Kong Inland Revenue Department. The letter explicitly provides that Hong Kong resident individuals shall be subject to a tax rate of 10% on the dividend income they receive from H share issuers. In view of this, we will withhold 10% of any dividend to be distributed to non-PRC resident individual holders of H Shares as individual income tax unless otherwise specified by the relevant requirements and procedures of PRC tax authorities.

According to the PRC Enterprise Income Tax Law and the rules for implementation thereof, non-resident enterprises that do not have a permanent establishment within the PRC or have such permanent establishment within the PRC but the income they earned is not actually relevant to the aforesaid establishment are subject to enterprise income tax at a rate of 10% on any income generated within the PRC. Furthermore, pursuant to the Notice of Withholding and Payment of Enterprise Income Tax for PRC Resident Enterprises Paying Dividends to Overseas Non-Resident Enterprise Shareholders of H shares issued by SAT on November 6, 2008, PRC resident enterprises are required to withhold enterprise income tax at a flat rate of 10% on distributions of dividends to overseas non-resident enterprise shareholders of H shares for the year 2008 and thereafter.

Despite the abovementioned arrangements, there are significant uncertainties as to the interpretation and application of applicable PRC tax laws and rules due to several factors, including the relatively short history of such laws and rules, and whether the relevant preferential tax treatment will be revoked in the future such that all non-PRC resident individual holders of H shares will be subject to PRC individual income tax at a flat rate of 20%.

Investors residing in countries which have entered into treaties for the avoidance of double taxation with the PRC are entitled to a reduction of such withholding tax in accordance with the terms of the relevant treaty. Under the Notice referred to above, upon receipt of dividends, a non-resident enterprise shareholder may apply to the PRC taxation authorities for a refund of the difference between the amount of tax withheld and the amount payable under the relevant treaty.

Taxation of Capital Gains

The PRC Individual Income Tax Law and the rules for implementation thereof stipulate that gains realized by individuals on the sale of equity shares are subject to income tax at a rate of 20%, and authorize the MOF to draft and, after approval of the State Council, to implement detailed tax rules on the mechanism for collecting such tax. However, we understand that, to date, no such implementing measures have been promulgated by the MOF, and no individual income tax on gains realized on the sale of shares has been levied in practice. However, if any implementing measure is made by competent authorities in the future, foreign individuals who hold our H Shares may be subject to individual income tax on gains from assignment of such shares at the rate of 20%, unless there is an applicable taxation treaty on reduction of such tax.

Under the PRC Enterprise Income Tax Law and its implementing rules, a non-resident enterprise is generally subject to enterprise income tax at the rate of 10% with respect to the income generated within the PRC, including gains derived from the disposition of equity interests in a PRC enterprise unless such tax is reduced or eliminated by an applicable double taxation treaty. According to the Interim Measures for Source-based Withholding of Enterprise Income Tax for Non-resident Enterprises (非居民企業所得稅源泉扣繳管理暫行辦法) issued by the SAT, non-resident enterprises are required to pay enterprise income tax on income derived from the transfer of property within the PRC. For transfers of equity outside of the PRC between non-resident enterprises, PRC enterprises whose equity interests are transferred are required to assist tax authorities in collecting the associated taxes from such non-resident enterprises.

PRC Foreign Exchange Regulation

Renminbi, or RMB, the lawful currency of the PRC, is currently subject to foreign exchange controls and is not freely convertible into foreign exchange. The SAFE and the PBOC are responsible for administering all matters relating to foreign exchange.

The RMB is subject to a regulated and managed floating exchange rate system in which the exchange rate is determined based on supply and demand and with reference to a basket of currencies. The PBOC publishes the closing price of Renminbi against foreign currencies such as the U.S. dollar in the inter-bank foreign exchange market after the closing of the market on each business day, and fixes the central parity for Renminbi transactions on the following business day. Transactions may then be undertaken within a limited trading band around this central parity price.

Save for foreign investment enterprises and other exempted enterprises under relevant laws and regulations, all entities in the PRC (except certain foreign trading companies and production enterprises with the import and export right, which may retain some foreign exchange incomes from transactions under their existing current account for payment of transactions under current account or capital account as approved) must sell all of their foreign exchange income to designated foreign exchange banks. Foreign exchange income from loans granted by overseas entities or from the issuance of shares and bonds (including foreign exchange we obtain from the sale of our H shares overseas) is not required to be sold, and may be deposited in foreign exchange accounts at designated foreign exchange banks.

The PRC foreign exchange control regulations classify all international payments and transfers into current account items and capital account items.

Current account items are not subject to any restrictions, and international current account payments and transfers may be made without any SAFE or other government approvals. PRC enterprises which require foreign exchange for transactions relating to current account items may effect payment from their foreign exchange accounts or at the designated foreign exchange banks, on the strength of valid receipts and proof of the relevant transactions.

Conversion of foreign exchange under capital account items, such as direct investments and capital contributions, remains subject to restrictions, and prior approval of the SAFE must be obtained for the purchase of foreign exchange for such transactions.

Dividends to holders of our H Shares are declared in Renminbi but must be paid in Hong Kong dollars.

In accordance with the relevant laws and regulations, PRC enterprises which are required to pay dividends to their shareholders in foreign exchange (such as our Bank) may, on the strength of board resolutions for the distribution of profits, effect payment from their foreign exchange accounts or convert and pay dividends at the designated foreign exchange banks.

Arbitration and Enforcement of Arbitral Awards

The Arbitration Law of the People's Republic of China (the "Arbitration Law") was passed by the Standing Committee of the NPC on August 31, 1994 and became effective on September 1, 1995. It is applicable to, among other matters, trade disputes involving foreign parties where the parties have entered into a written agreement to refer the matter to arbitration before an arbitration committee constituted in accordance with the Arbitration Law. Under the Arbitration Law, an arbitration committee may, before the promulgation by the PRC Arbitration Association of arbitration regulations, formulate interim arbitration rules in accordance with the Arbitration Law and the PRC Civil Procedure Law. Where the parties have by agreement provided arbitration as the method for dispute resolution, the people's court will refuse to handle the case except when the arbitration agreement is declared invalid.

The Listing Rules and the Mandatory Provisions require an arbitration clause to be included in our Articles of Association and, in the case of the Listing Rules, any disputes or claims arise between holders of our H Shares and us; holders of our H Shares and our Directors, Supervisors, or senior officers; or holders of our H Shares and holders of our other Shares, in relation to our affairs or as a result of any rights or obligations arising under our Articles of Association, the PRC Company Law or other relevant laws and administrative regulations, shall be referred to arbitration by parties concerned. Where a foregoing dispute or claim of rights is referred to arbitration, the entire claim or dispute must be referred to arbitration, and all persons who have a cause of action based on the same facts giving rise to the dispute or claim or whose participation is necessary for the resolution of such dispute or claim, if he/she is our Shareholder, Director, Supervisor, President or other senior officers, shall comply with the arbitration. Disputes in respect of the definition of shareholders and disputes in relation to our register of shareholders need not be resolved by arbitration.

A claimant may elect for arbitration to be carried out at either the China International Economic and Trade Arbitration Commission in accordance with its Rules or the Hong Kong International Arbitration Center in accordance with its Securities Arbitration Rules. Once a claimant refers a dispute or claim to arbitration, the other party must submit to the arbitral body elected by the claimant. If the claimant elects for arbitration to be carried out at the Hong Kong International Arbitration Center, any party to the dispute or claim may apply for a hearing to take place in Shenzhen in accordance with the Securities Arbitration Rules of the Hong Kong International Arbitration Center.

Under the Arbitration Law and PRC Civil Procedure Law, an arbitral award is final and binding on the parties. If a party fails to comply with an award, the other party to the award may apply to the people's court for enforcement. A people's court may refuse to enforce an arbitral award made by an arbitration commission if there is any procedural or membership irregularity specified by law or the award exceeds the scope of the arbitration agreement or is outside the jurisdiction of the arbitration commission.

A party seeking to enforce an arbitral award of PRC arbitration panel against a party who, or whose property, is not within the PRC, may apply to a foreign court with jurisdiction over the case for enforcement. Similarly, an arbitral award made by a foreign arbitration body may be recognized and enforced by the PRC courts in accordance with the principles of reciprocity or any international treaty concluded or acceded to by the PRC. The PRC acceded to the Convention on the Recognition and Enforcement of Foreign Arbitral Awards (the "New York Convention") adopted on June 10, 1958 pursuant to a resolution of the Standing Committee of the NPC passed on December 2, 1986. The New York Convention provides that all arbitral awards made in a state which is a party to the New York Convention shall be recognized and enforced by other parties to the New York Convention, subject to their right to refuse enforcement under certain circumstances, including where the enforcement of the arbitral award is against the public policy of the state to which the application for enforcement is made. It was declared by the Standing Committee of the NPC simultaneously with the accession of the PRC that (i) the PRC will only recognize and enforce foreign arbitral awards on the principle of reciprocity and (ii) the PRC will only apply the New York Convention in disputes considered under PRC laws to arise from contractual and non-contractual mercantile legal relations. On June 18, 1999, an arrangement was made between Hong Kong Legislative Council and the Supreme People's Court of the PRC for the mutual enforcement of arbitral awards. This new arrangement was approved by the Supreme People's Court of the PRC and the Hong Kong Legislative Council, and became effective on February 1, 2000. The arrangement is made in accordance with the spirit of the New York Convention. Under the arrangement, awards made by PRC arbitral authorities recognized under the Arbitration Ordinance of Hong Kong can be enforced in Hong Kong. Hong Kong arbitration awards are also enforceable in China.

Material differences between certain company law matters in the PRC and Hong Kong

Hong Kong company law is primarily set out in the Hong Kong Companies Ordinance and supplemented by common law and rules of equity that apply to Hong Kong. There are material differences between Hong Kong company law and the PRC law applicable to a joint stock limited company incorporated under the PRC Company Law, to which the Bank is and will be subject. Material differences between certain company law matters in the PRC and Hong Kong are summarized below.

Corporate Existence

Under Hong Kong company law, a company having share capital is incorporated and will acquire an independent corporate existence after the company registrar of Hong Kong issues a certificate of incorporation. A company may be incorporated as a public company or a private company. Pursuant to the Hong Kong Companies Ordinance, the articles of association of a private company incorporated in Hong Kong shall contain certain preemptive provisions. A public company's articles of association does not contain such preemptive provisions.

Under the PRC Company Law, a joint stock limited company may be incorporated by promotion or public subscription. A joint stock limited company must have a minimum registered capital of RMB5 million, or a higher amount as may otherwise be required by laws and regulations. Under the PRC Company Law, the monetary contributions by all the shareholders must not be less than 30% of the registered capital.

Hong Kong law does not prescribe any minimum capital requirement for a Hong Kong company. There is no minimum monetary contribution restriction on a Hong Kong company under Hong Kong law.

Share Capital

Under Hong Kong law, the authorized share capital of a Hong Kong company is the amount of share capital that the company is authorized to issue. A company is not bound to issue the entire amount of its authorized share capital. The authorized share capital of a Hong Kong company may be larger than the issued share capital. Hence, the directors of a Hong Kong company may, with the prior approval of the shareholders if required, cause the company to issue new shares. The PRC Company Law does not provide for authorized share capital. Our registered capital is the amount of our issued share capital. Any increase in our registered capital must be approved by our Shareholders' general meeting and the relevant PRC governmental and regulatory authorities.

Under the PRC law, a company which is approved by the relevant securities administration authority to list its shares on a stock exchange must have a total share capital of no less than RMB30 million. Hong Kong law does not prescribe any minimum capital requirements for companies incorporated in Hong Kong. Under the PRC Company Law, the monetary contribution of all shareholders shall not be less than 30% of a joint stock limited company's registered capital. There is no such restriction on a Hong Kong company under Hong Kong law.

Restrictions on Shareholding and Transfer of Shares

Under PRC law, our A Shares, which are denominated and subscribed for in Renminbi, may only be subscribed for or traded by the government authorities, PRC legal persons, natural persons, qualified foreign institutional investors, or eligible foreign strategic investors. Our overseas listed H Shares, which are denominated in Renminbi and subscribed for in a currency other than Renminbi, may only be subscribed for, and traded by, investors from Hong Kong, Macau and Taiwan or any country and territory outside the PRC, or QDIIs.

Under the PRC Company Law, our Promoters are not allowed to transfer the Shares they hold for a period of one year from the date of the establishment of our Bank or for a period of one year after the date when the Shares are listed and traded on a stock exchange. Similarly, our Directors, Supervisors and the senior management cannot transfer their Shares within one year from the day when the Shares are listed and traded on a stock exchange. There are no such restrictions on shareholdings and transfer of shares in respect of such persons under Hong Kong law.

Financial Assistance for Acquisition of Shares

Although the PRC Company Law does not prohibit or restrict us or our subsidiaries from providing financial assistance for the purpose of an acquisition of our Shares, the Mandatory Provisions contain restrictions on a company and its subsidiaries from providing such financial assistance similar to those under the Hong Kong company law.

Shareholders' Meetings – Notice

Under the PRC Company Law, notice of a shareholders' general meeting must be given 20 days prior to the date of the meeting, while notice of an extraordinary meeting must be given 15 days before the date of the meeting or, in the case of a company with bearer shares, a public announcement of a shareholders' general meeting must be made 30 days prior to it being held. Under the Special Regulations and the Mandatory Provisions, 45 days' written notice must be given to all shareholders and those shareholders who wish to attend the meeting must reply in writing 20 days before the date of the meeting. For a company incorporated in Hong Kong, the minimum notice periods of a shareholders' meeting convened for passing an ordinary resolution or a special resolution are 14 days and 21 days, respectively; and the notice period for an annual general meeting is 21 days.

Shareholders' Meetings – Quorum

Under Hong Kong law, the quorum for a shareholders' general meeting is provided for in the articles of association of a company, but must be at least two members. For one member companies, one member will be a quorum. The PRC Company Law does not specify any quorum requirement for a shareholders' general meeting, but the Special Regulations and the Mandatory Provisions provide that we shall receive written reply slip 20 days before the proposed date of the Shareholders' general meeting and calculate the number of the voting rights held by Shareholders to be attend. The general meeting may only be convened when the Shares held by Shareholders to be attend reach the number of Shares representing 50% of the voting rights, or if that 50% level is not achieved, we must within five days notify our Shareholders about the venue, date and time by way of a public announcement and we may hold the Shareholders' general meeting thereafter.

Shareholders' Meetings – Voting

Under Hong Kong law, an ordinary resolution is passed by a simple majority of affirmative votes cast by members present in person or by proxy at a general meeting and a special resolution is passed by a majority of not less than three quarters of votes cast by members present in person or by proxy at a general meeting. Under the PRC Company Law, the passing of any resolution requires more than one-half of the affirmative votes held by our Shareholders present in person or by proxy at a Shareholders' general meeting except in cases such as proposed amendments to our articles of association, merger, division, dissolution or transformation, which require more than two-thirds of the affirmative votes cast by Shareholders present in person or by proxy at a Shareholders' general meeting.

Variation of class rights

The PRC Company Law makes no specific provision relating to variation of class rights. However, the PRC Company Law states that the State Council can promulgate regulations relating to other kinds of shares. The Mandatory Provisions contain detailed provisions relating to the circumstances which are deemed to be variations of class rights and the approval procedures required to be followed in respect thereof. These provisions have been incorporated in the Articles of Association, which are summarized in Appendix VI.

Under the Hong Kong Companies Ordinance, no rights attached to any class of shares can be varied except (i) with the approval of a special resolution of the holders of the relevant class at a separate meeting, (ii) with the consent in writing of the holders of three-fourths in nominal value of the issued shares of the class in question, (iii) by agreement of all the members of the company or (iv) if there are provisions in the articles of association relating to the variation of those rights, then in accordance with those provisions.

As required by the Listing Rules and the Mandatory Provisions, we have adopted in the Articles of Association provisions protecting class rights in a similar manner to those found in Hong Kong law. Holders of overseas listed shares and domestic listed shares are defined in the Articles of Association as different classes, and our right to change or cancel the class rights of shareholders shall be exercised upon approval by special resolution in the Shareholders' general meeting and decision by Shareholders' meetings held for the class of Shareholders affected in accordance with our Articles of Association. The special procedures for voting by specific class of Shareholders are not applicable if: (i) upon approval by special resolution in the Shareholders' general meeting, we issue, either separately or concurrently in any 12-month period, not more than 20% of each of the existing issued overseas listed shares and the domestic listed shares; (ii) the plan for the issue of domestic listed shares and overseas listed shares upon its establishment is implemented within 15 months following the date of approval by the securities regulation agency of the State Council; and (iii) the conversion of our domestic shares to overseas listed shares by the holders of our domestic shares and trading of such shares in foreign securities exchanges upon approval by the securities regulation agency of the State Council.

Derivative action by minority shareholders

Hong Kong law permits minority shareholders to start a derivative action on behalf of all shareholders against directors who have committed a breach of their fiduciary duties to the company if the directors control a majority of votes at a general meeting, thereby effectively preventing a company from suing the directors in breach of their duties in its own name.

Although the PRC Company Law permits our Shareholders to initiate proceedings in the people's court to restrain the implementation of any resolution passed by our shareholders in a general meeting, or by the board, that violates any law, administrative rules or Articles of Association or if the directors or management personnel violate laws, administrative rules or articles of association when performing their duties and cause losses to the company, there is no form of proceedings equal to a derivative action under the Hong Kong law. The Mandatory Provisions, however, provide us with certain remedies against the directors, supervisors and officers who breach their duties to us. In addition, as a condition to the listing of our H Shares on the Hong Kong Stock Exchange and in accordance with our Articles of Association, each of our directors and supervisors is required to give an undertaking in favor of us acting as agent for each of our shareholders. This allows minority shareholders to act against our directors and supervisors in default.

Minority shareholder protection

Under Hong Kong law, a shareholder who complains that the affairs of a company incorporated in Hong Kong are conducted in a manner unfairly prejudicial to his or her interests may petition to the court to either wind up the company or make an appropriate order regulating the affairs of the company. In addition, on the application of a specified number of members, the financial secretary of Hong Kong government may appoint inspectors who are given extensive statutory powers to investigate the affairs of a company incorporated in Hong Kong.

There is no specific provision in the PRC Company Law to guard against oppression by the majority shareholders of minority shareholders, however the Bank, as required by the Mandatory Provisions, has adopted in its Articles of Association minority protection provisions similar to (though not as comprehensive as) those available under the Hong Kong law. These provisions state that a controlling Shareholder may not exercise its voting rights in a manner prejudicial to the interests of other Shareholders, may not relieve a Director or Supervisor of his/her duty to act honestly in our best interests or may not approve the expropriation by a Director or Supervisor of our assets or the individual rights of other Shareholders.

Directors

The PRC Company Law, unlike Hong Kong company law, does not contain any requirements relating to the declaration of directors' interests in material contracts, restrictions on directors' authority in making major dispositions, restrictions on companies providing certain benefits to directors and guarantees in respect of directors' liability and prohibitions against compensation for loss of office without shareholders' approval. The Mandatory Provisions, however, contain certain restrictions on major dispositions and specify the circumstances under which a director may receive compensation for loss of office, all of which provisions have been incorporated in the Articles of Association, a summary of which is set out in Appendix VI.

Board of Supervisors

Under the PRC Company Law, a company's directors and senior officers are subject to the supervision of a board of supervisors. There is no mandatory requirement for the establishment of a board of supervisors for a company incorporated in Hong Kong. The Mandatory Provisions provide that each supervisor owes a duty, in the exercise of his or her powers, to act in good faith and honestly in what he or she considers to be our best interests and to exercise the care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances.

Receiving Agent

Under the PRC Company Law and Hong Kong law, dividends once declared are debts payable to shareholders. The limitation period for debt recovery action under Hong Kong law is six years, while under the PRC law this limitation period is two years. The Mandatory Provisions require us to appoint a trust company registered under the Hong Kong Trustee Ordinance (Chapter 29 of the Laws of Hong Kong) as a receiving agent to receive on behalf of holders of H Shares dividends declared and all other monies owed by us in respect of our H Shares.

Corporate Reorganization

Corporate reorganizations involving a company incorporated in Hong Kong may be effected in a number of ways, such as a transfer of the whole or part of the business or property of the company in the course of being wound up voluntarily to another company pursuant to Section 237 of the Hong Kong Companies Ordinance or a compromise or arrangement between the company and its creditors or between the company and its members pursuant to Section 166 of the Hong Kong Companies Ordinance, which requires the sanction of the court. For PRC companies, such reorganizations are supervised administratively and implemented pursuant to the PRC Company Law.

Dispute Resolution

In Hong Kong, disputes between shareholders and a company incorporated in Hong Kong or its directors may be resolved through legal proceedings in the courts. The Mandatory Provisions provide that such disputes should be submitted to arbitration at either the Hong Kong International Arbitration Centre (“HKIAC”) or the China International Economic and Trade Arbitration Commission (“CIETAC”), at the claimant’s choice.

Mandatory Deductions

Under the PRC Company Law, after tax profits of a company are subject to deductions of contributions to the statutory surplus reserve of a company before they can be distributed to shareholders. There are prescribed limits under the PRC Company Law for such deductions. There are no corresponding provisions under the Hong Kong Companies Ordinance.

Remedies of the Company

Under the PRC Company Law, if a director, supervisor or senior officer in carrying out his or her duties infringes any law, administrative regulation or the articles of association of a company, which results in damage to the company, that director, supervisor or senior officer should be responsible to the company for such damages. In addition, in compliance with the Listing Rules, remedies of the Bank similar to those available under the Hong Kong law (including rescission of the relevant contract and recovery of profits made by a Director, Supervisor or officer) have been set out in the Articles of Association.

Dividends

The Articles of Association empower the Bank to withhold, and pay to the relevant tax authorities, any tax payable under PRC law on any dividends or other distributions payable to a shareholder. Under Hong Kong law, the limitation period for an action to recover a debt (including the recovery of dividends) is six years, whereas under PRC laws, the relevant limitation period is two years. The Bank shall not exercise its powers to forfeit any unclaimed dividend in respect of H Shares until after the expiry of the applicable limitation period.

Fiduciary Duties

In Hong Kong, there is the common law concept of the fiduciary duty of directors. Under the PRC law and the Special Regulations, directors, supervisors and senior officers owe a fiduciary duty towards their company and are not permitted to engage in any activities which compete with or damage the interests of their company.

Closure of Register of Shareholders

The Hong Kong Companies Ordinance requires that the register of shareholders of a company must not generally be closed for the registration of transfers of shares for more than 30 days (extendable to 60 days in certain circumstances) in a year, whereas, as required by the Mandatory Provisions, share transfers may not be registered within 30 days before the date of a shareholders' meeting or within five days before the record date set for the purpose of distribution of dividends.