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## DEFINITIONS AND CONVENTIONS

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In this prospectus, unless the context otherwise requires, the following terms shall have the meanings set out below.

“A shares”	ordinary shares denominated in Renminbi of companies listed on a stock exchange in China and traded in Renminbi
“A Shares”	A shares of the Company, with a nominal value of RMB1.00 each, which are listed on the SHSE in China
“ALM system”	the assets and liabilities management system, a computer system for the management of assets and liabilities
“ATM”	automated teller machine
“Banking Ordinance”	the Banking Ordinance (Chapter 155 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“Basel Committee”	the Basel Committee on Banking Supervision
“Basel I”	1998 Basel Capital Accord
“Basel II”	The Revised Basel Capital Framework promulgated in June 2004
“Big Four”	Agricultural Bank of China, Bank of China, China Construction Bank and Industrial and Commercial Bank of China, collectively
“Bohai Rim”	for purposes of this prospectus, Beijing Municipality, Tianjin Municipality, Hebei Province and Shandong Province
“CBRC”	China Banking Regulatory Commission (中國銀行業監督管理委員會)
“CCASS”	the Central Clearing and Settlement System established and operated by HKSCC
“CCASS Broker Participant”	a person admitted to participate in CCASS as a broker participant
“CCASS Custodian Participant”	a person admitted to participate in CCASS as a custodian participant
“CCASS Investor Participant”	a person admitted to participate in CCASS as an investor participant, who may be an individual or joint individuals or a corporation

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“CCASS Participant”	a CCASS Broker Participant, a CCASS Custodian Participant or a CCASS Investor Participant
“CDM”	cash deposit machine
“China” and “PRC”	The People’s Republic of China, excluding, for purposes of this prospectus, the Hong Kong Special Administrative Region of the PRC, the Macau Special Administrative Region of the PRC and Taiwan
“China Merchants Group”	China Merchants Group Limited (招商局集團有限公司)
“China Merchants Securities Company”	China Merchants Securities Co., Ltd (招商證券股份有限公司)
“China Merchants Steam Navigation”	China Merchants Steam Navigation Company Limited (招商局輪船股份有限公司)
“China Shipping”	China Shipping (Group) Company (中國海運(集團)總公司)
“CICC”	China International Capital Corporation Limited
“CICC Hong Kong”	China International Capital Corporation (Hong Kong) Limited
“COSCO”	China Ocean Shipping (Group) Company (中國遠洋運輸(集團)總公司)
“COSCO Group”	COSCO and its subsidiaries and associates
“CIETAC”	China International Economic and Trade Arbitration Commission (中國國際經濟貿易仲裁委員會)
“CIRC”	China Insurance Regulatory Commission (中國保險監督管理委員會)
“CMBI”	CMB International Capital Corporation Limited
“CMG Group”	China Merchants Group and its subsidiaries and associates
“Companies Ordinance”	the Companies Ordinance (Chapter 32 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“Core Indicators (Provisional)”	the Core Indicators for Risk Supervision of Commercial Banks (Provisional) (商業銀行風險監管核心(指標(試行))), as promulgated by the CBRC on December 31, 2005 and effective on January 1, 2006

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“Corporate Governance Guidelines”	the Corporate Governance Guidelines for Joint Stock Commercial Banks (股份制商業銀行公司治理指引), as promulgated by the PBOC on May 23, 2002 and effective on the same date
“CSRC”	China Securities Regulatory Commission (中國證券監督管理委員會)
“FTP”	funds transfer pricing
“GDP”	gross domestic product (all references to GDP growth rates are real as opposed to nominal rates of GDP growth)
“Global Offering”	the Hong Kong Public Offering and the International Offering
“Group Loans Guidelines”	the Group Loans Guidelines for Commercial Banks (商業銀行集團客戶授信管理指引), as promulgated by the CBRC on October 13, 2003 and effective on the same date
“Guangdong Highways Administration Bureau”	Guangdong Provincial Highways Administration Bureau (廣東省公路管理局)
“Guangzhou Maritime Transport”	Guangzhou Maritime Transport (Group) Company Limited (廣州海運(集團)有限公司)
“Guidelines for Independent Directors and External Supervisors”	the Guidelines for Independent Directors and External Supervisors of Joint Stock Commercial Banks (股份制商業銀行獨立董事和外部監事制度指引), as promulgated by the PBOC on May 23, 2002 and effective on the same date
“Guidelines on Loan Loss Provisions”	the Guidelines Regarding the Loan Loss Provisions of Banks (銀行貸款損失準備計提指引), as promulgated by the PBOC on April 2, 2002 and effective on January 1, 2002
“H Shares”	Ordinary shares of the Company, with a nominal value of RMB1.00 each, which are to be listed on the Hong Kong Stock Exchange and traded in Hong Kong dollars
“HK\$” or “Hong Kong dollars” or “HK dollars”	Hong Kong dollars, the lawful currency of Hong Kong
“HKIAC”	Hong Kong International Arbitration Center

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“HKSCC”	Hong Kong Securities Clearing Company Limited
“HKSCC Nominees”	HKSCC Nominees Limited
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Hong Kong Listing Rules”	The Rules Governing the Listing of Securities on the Hong Kong Stock Exchange
“HKMA”	The Hong Kong Monetary Authority (香港金融管理局)
“Hong Kong Offer Shares”	the 110,000,000 Offer Shares initially being offered for subscription in the Hong Kong Public Offering (subject to adjustment as described in the section headed “Structure of the Global Offering”)
“Hong Kong Public Offering”	the offer for subscription of Offer Shares in Hong Kong (subject to adjustment as described in the section headed “Structure of the Global Offering”) at the Offer Price (plus brokerage, SFC transaction levy and Hong Kong Stock Exchange trading fee) and on and subject to the terms and conditions described in this prospectus and the Application Forms, as further described in the section “Structure of the Global Offering — The Hong Kong Public Offering”
“Hong Kong Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Hong Kong Underwriters”	the underwriters listed in the section headed “Underwriting — Underwriters for the Hong Kong Public Offering”
“Hong Kong Underwriting Agreement”	the underwriting agreement dated September 7, 2006 relating to the Hong Kong Public Offering entered into among us, the Joint Lead Managers of the Hong Kong Public Offering and the Hong Kong Underwriters
“IAS 39”	International Accounting Standard 39 “Financial Instruments: Recognition and Measurement” and its interpretations by the IASB
“IASB”	the International Accounting Standards Board
“IFRIC”	the International Financial Reporting Interpretations Committee

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“IFRS”	International Financial Reporting Standards promulgated by the IASB, which includes International Accounting Standards and their interpretations
“International Offering”	the offer of certain Offer Shares outside the United States (including to institutional and professional investors in Hong Kong (other than to retail investors in Hong Kong) and a public offering without listing to investors, including retail investors, in Japan), and in the United States to QIBs as defined in Rule 144A, as further described in the section headed “Structure of the Global Offering — The International Offering”
“International Purchase Agreement”	the international purchase agreement relating to the International Offering, expected to be entered into between us and the Joint Bookrunners as the representatives of the International Purchasers on or around September 15, 2006
“International Purchasers”	the group of initial purchasers led by CICC, JPMorgan and UBS AG that is expected to enter into the International Purchase Agreement to underwrite the International Offering
“Joint Bookrunners”	CICC, JPMorgan and UBS AG
“Joint Global Coordinators”	CICC and UBS AG
“Joint Lead Managers of the Hong Kong Public Offering”	CICC Hong Kong, JPMorgan Asia Pacific and UBS AG
“Joint Sponsors”	CICC Hong Kong and UBS AG
“JPMorgan”	J.P. Morgan Securities Ltd.
“JPMorgan Asia Pacific”	J.P. Morgan Securities (Asia Pacific) Limited
“Latest Practicable Date”	September 1, 2006
“LIBOR”	London Inter-Bank Offer Rate
“Loan Classification Principles”	the Guiding Principles on the Classification of Loan Risk Management (貸款風險分類指導原則), as promulgated by the PBOC on December 24, 2001 and effective on January 1, 2002
“Macau”	the Macau Special Administrative Region of the PRC

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“Mandatory Provisions”	the Mandatory Provisions for Articles of Association of Companies to be Listed Overseas (到境外上市公司章程必備條款), for inclusion in the articles of association of companies incorporated in the PRC to be listed overseas, which were promulgated by the PRC Securities Commission and the former State Restructuring Commission on August 27, 1994, as amended and supplemented from time to time
“Measures on Reserves for Risk-bearing Assets”	the Administrative Measures on Reserves for Risk-bearing Assets of Financial Institutions (金融企業呆帳準備提取管理辦法), as promulgated by MOF on May 17, 2005 and effective on July 1, 2005
“Minority Promoter”	Qinhuangdao Port Group, a promoter of our Company which holds less than 3% of our shares and in respect of which we have applied for and been granted a waiver from being treated as a connected person for the purposes of the Hong Kong Listing Rules
“MOF”	the Ministry of Finance of the PRC (中華人民共和國財政部)
“NAO”	National Audit Office of the PRC (中華人民共和國審計署)
“National Bureau of Statistics”	the National Bureau of Statistics of the PRC (中華人民共和國國家統計局)
“National People’s Congress”	the PRC National People’s Congress (中華人民共和國全國人民代表大會)
“NDRC”	National Development and Reform Commission of the PRC (中華人民共和國國家發展和改革委員會)
“New Capital Adequacy Regulations”	the Administrative Measures on the Capital Adequacy Ratio of Commercial Banks (商業銀行資本充足率管理辦法), as promulgated by the CBRC on February 23, 2004 and effective on March 1, 2004
“Non-Shareholding Promoters”	the promoters of our Company who are no longer holding our shares, including Shenzhen Huihe Investment Develop Company Limited (深圳市匯合投資發展有限公司) and China National Offshore Oil Nanhai East Corporation (中國海洋石油南海東部公司)

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“Offer Price”	the final Hong Kong dollar price per Hong Kong Offer Share (exclusive of brokerage, SFC transaction levy and Hong Kong Stock Exchange trading fee) at which Hong Kong Offer Shares are to be subscribed, to be determined in the manner described in the section headed “Structure of the Global Offering”
“Offer Shares”	the H Shares offered in the Global Offering, including any H Shares sold pursuant to the exercise of the Over-allotment Option
“Other National Commercial Banks”	for the purpose of this prospectus, China’s national commercial banks excluding the Big Four, namely Bank of Communications, China Everbright Bank, China Bohai Bank, China CITIC Bank, China Minsheng Bank, China Zheshang Bank, Evergrowing Bank, Guangdong Development Bank, Huaxia Bank, Industrial Bank, Shanghai Pudong Development Bank, Shenzhen Development Bank and our Bank
“Over-allotment Option”	the option to be granted by us to the International Purchasers, exercisable by the Joint Bookrunners on behalf of the International Purchasers at any time from the date of signing of the International Purchase Agreement until 30 days after the last day for the lodging of applications in the Hong Kong Public Offering, to require us to issue and sell up to an aggregate of 220,000,000 additional H Shares as described in the section headed “Structure of the Global Offering”
“PBOC”	the People’s Bank of China (中國人民銀行), the central bank of the PRC
“PDA”	personal digital assistant
“Pearl River Delta”	for purpose of this prospectus, Guangdong Province and Fujian Province
“POS”	point of sale, a checkout counter in a shop or various other locations where a transaction occurs
“PRC Banking Regulation and Supervision Law”	the Law of the PRC on Banking Regulation and Supervision (中華人民共和國銀行業監督管理法), as enacted by the Standing Committee of the Tenth National People’s Congress on December 27, 2003 and effective on February 1, 2004, as amended, supplemented or otherwise modified from time to time

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“PRC Commercial Banking Law”	the Commercial Banking Law of the PRC (中華人民共和國商業銀行法), as enacted by the Standing Committee of the Eighth National People’s Congress on May 10, 1995 and effective on July 1, 1995, as amended, supplemented or otherwise modified from time to time
“PRC Company Law”	the Company Law of the PRC (中華人民共和國公司法), as enacted by the Standing Committee of the Eighth National People’s Congress on December 29, 1993 and effective on July 1, 1994, as amended, supplemented or otherwise modified from time to time
“PRC GAAP”	the accounting rules and regulations in the PRC, currently consisting of the Accounting Standards for Business Enterprises and the Accounting Regulations for Financial Enterprises (2001)
“PRC PBOC Law”	the Law of the People’s Bank of China of the PRC (中華人民共和國中國人民銀行法), as enacted by the Eighth National People’s Congress on March 18, 1995 and effective on the same date, as amended, supplemented or otherwise modified from time to time
“PRC Securities Law”	the Securities Law of the PRC (中華人民共和國證券法), as enacted by the Standing Committee of the Ninth National People’s Congress on December 29, 1998 and effective on July 1, 1999, as amended, supplemented or otherwise modified from time to time
“PRC Supreme Court”	the Supreme Court of the PRC
“Price Determination Date”	September 15, 2006
“QIBs”	qualified institutional buyers as defined in Rule 144A under the U.S. Securities Act
“Qinhuangdao Port Group”	Qinhuangdao Port Group Company Limited (秦皇島港務集團有限公司)
“Real Estate Loan Guidelines”	the Risk Management Guidelines for the Real Estate Loans of Commercial Banks (商業銀行房地產貸款風險管理指引), as promulgated by the CBRC on September 2, 2004 and effective on the same date
“Regulation S”	Regulation S under the U.S. Securities Act

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“Related Party Transactions Measures”	the Administrative Measures on Transactions with Insiders and Shareholders of Commercial Banks (商業銀行與內部人和股東關聯交易管理辦法), as promulgated by the CBRC on April 2, 2004 and effective on May 1, 2004
“RMB” or “Renminbi”	Renminbi, the lawful currency of the PRC
“Rule 144A”	Rule 144A under the U.S. Securities Act
“Rules on Write-offs”	the Rules on Writing Off Bad Loans by Financial Institutions (金融企業呆帳核銷管理辦法), as promulgated by the MOF on May 17, 2005 and effective on July 1, 2005
“SAFE”	the PRC State Administration of Foreign Exchange (中華人民共和國國家外匯管理局)
“SAS 700”	Statement of Auditing Standards 700 “Engagements to Review Interim Financial Reports” issued by the Hong Kong Institute of Certified Public Accountants.
“SASAC”	the State-owned Assets Supervision and Administration Commission of the State Council (國務院國有資產監督管理委員會)
“Securities Commission”	the former Securities Commission of the State Council
“SFC”	the Securities and Futures Commission of Hong Kong
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“Shandong Investment Group”	Shandong Investment Holdings, its subsidiaries and associates
“Shandong Investment Holdings”	Shandong State-owned Assets Investment Holdings Company Limited (山東省國有資產投資控股有限公司)
“Shanghai Listing Rules”	the Stock Listing Rules of the SHSE (上海證券交易所股票上市規則)
“SHSE”	the Shanghai Stock Exchange (上海證券交易所)
“SMEs”	small- to medium-sized enterprises

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“Special Regulations”	the Special Regulations on the Overseas Offering and Listing of Shares by Joint Stock Limited Companies (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) issued by the State Council on August 4, 1994, as amended, supplemented or otherwise modified from time to time
“SSF”	National Council for Social Security Fund (全國社會保障基金理事會)
“Stabilizing Manager”	UBS AG
“State Council”	the PRC State Council (中華人民共和國國務院)
“Trial Measures on the Evaluation of Internal Control”	the Trial Measures on the Evaluation of Internal Control of Commercial Banks (商業銀行內部控制評價試行辦法), as promulgated by the CBRC on December 25, 2004 and effective on February 1, 2005
“UBS AG”	UBS AG acting through its business group, UBS Investment Bank
“Underwriters”	the Hong Kong Underwriters and International Purchasers
“U.S.” or “United States”	the United States of America
“U.S. Exchange Act”	the United States Securities Exchange Act of 1934, as amended
“U.S. GAAP”	generally accepted accounting principles in the United States
“U.S. Securities Act”	the United States Securities Act of 1933, as amended
“US\$” or “U.S. dollars”	United States dollars, the lawful currency of the United States
“WTO”	World Trade Organization
“Yangtze River Delta”	for purpose of this prospectus, Shanghai Municipality, Jiangsu Province and Zhejiang Province

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In this prospectus, for purposes of presenting certain results of operations and financial condition according to our management reporting, we define geographic regions of China based on the locations of our tier-1 branches as follows.

<b><u>Geographic Region</u></b>	<b><u>Tier-1 Branches<sup>(1)</sup> at June 30, 2006</u></b>	
Eastern China	<ul style="list-style-type: none"> <li>● Shanghai Municipality</li> <li>● Zhejiang Province</li> <li>● Fujian Province</li> <li>● City of Qingdao</li> <li>● City of Suzhou</li> </ul>	<ul style="list-style-type: none"> <li>● Jiangsu Province</li> <li>● Shandong Province</li> <li>● Anhui Province</li> <li>● City of Ningbo</li> <li>● City of Xiamen</li> </ul>
Southern and Central China	<ul style="list-style-type: none"> <li>● Guangdong Province</li> <li>● Jiangxi Province</li> <li>● Henan Province</li> <li>● City of Dongguan</li> </ul>	<ul style="list-style-type: none"> <li>● Hunan Province</li> <li>● Hubei Province</li> <li>● City of Shenzhen</li> <li>● City of Foshan</li> </ul>
Northern China	<ul style="list-style-type: none"> <li>● Beijing Municipality</li> <li>● Liaoning Province</li> <li>● City of Dalian</li> </ul>	<ul style="list-style-type: none"> <li>● Tianjin Municipality</li> <li>● Heilongjiang Province</li> </ul>
Western China	<ul style="list-style-type: none"> <li>● Sichuan Province</li> <li>● Yunnan Province</li> <li>● Gansu Province</li> </ul>	<ul style="list-style-type: none"> <li>● Chongqing Municipality</li> <li>● Shaanxi Province</li> <li>● Xinjiang Autonomous Region</li> </ul>

(1) Tier-1 branches refer to branches that directly report to the head office. In addition to tier-1 branches, we have six tier-2 branches in the following cities: Shaoxing, Wenzhou, Wuxi, Changzhou, Quanzhou and Yantai. All six tier-2 branches are in the Eastern China region.

In this prospectus, “our company,” the “Company,” “our bank,” “we,” “us” and “our” refer to China Merchants Bank Co., Ltd. (招商銀行股份有限公司) and, except where the context otherwise requires, its subsidiary CMBI.

We from time to time foreclose on our security interests by taking ownership of shares in companies which have been charged to us. We may also establish shell holding companies through which we take our foreclosure actions. Certain of these companies may constitute our subsidiaries within the meaning of the Hong Kong Listing Rules. As these companies were either acquired or established in connection with foreclosure actions taken by us, we do not consider them to be subsidiaries which contribute to our results of operations or form part of our business and operations. Therefore, in this prospectus (save for in paragraph 2A of Appendix XI), references to “subsidiaries” are to our operating subsidiaries and not these companies acquired or established as a result of foreclosure actions.

In this prospectus, we use the terms “loans” and “loans to customers” to refer to the “loans and advances to customers” as described in Note 17 to the Accountants’ Report in Appendix I to this prospectus.

In this prospectus, unless otherwise indicated, references to corporate loans do not include discounted bills, and references to the amount of loans do not include accrued interest.

In this prospectus, the classification of companies into large corporations, medium-sized enterprises and small-sized enterprises is based on the Standards for the Classification of Companies

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by Size for Statistical Analysis (Provisional) (統計上大中小型企業劃分辦法 (暫行)) promulgated by the former State Economic and Trade Commission (which is now the NDRC) and several other PRC government agencies in 2003. Under the standards, companies are classified into large companies, medium-sized enterprises and small-sized enterprises based on the number of employees, annual revenues, and in certain industries, total assets. These criteria vary among different industries.

In this prospectus, the terms “non-performing loans” and “impaired loans” are used synonymously to refer to the loans identified as “impaired loans and advances” in Note 17(d) to the Accountants’ Report in Appendix I to this prospectus. Under the five-category loan classification system we have adopted pursuant to the PRC regulatory guidelines, our non-performing loans are classified as substandard, doubtful or loss, as applicable. See “Assets and Liabilities — Assets — Asset Quality of Our Loan Portfolio — Distribution of Loans by Loan Classification.”

Solely for your convenience, this prospectus contains translations of certain Renminbi amounts into Hong Kong dollars, Renminbi amounts into U.S. dollars, and Hong Kong dollars into U.S. dollars at specific rates. You should not construe these translations as representations that the Renminbi amounts could actually be converted into any Hong Kong dollar or U.S. dollar amounts (as the case may be) at the rates indicated or at all. Unless we indicate otherwise, the translations of Renminbi into Hong Kong dollars, of Renminbi into U.S. dollars and of Hong Kong dollars into U.S. dollars have been made at the rates of RMB1.0294 to HK\$1.00, the exchange rate set by the PBOC for foreign exchange transactions prevailing at June 30, 2006, and RMB7.9943 to US\$1.00 and HK\$7.7666 to US\$1.00, the noon buying rates in New York City for cable transfers as certified for customs purposes by the Federal Reserve Bank of New York at June 30, 2006 12:00 p.m., respectively. Further information on exchange rates is set forth in “Appendix VIII — Taxation and Foreign Exchange.”

Any discrepancies between the total amount shown and the sum of the amounts listed in any table are due to rounding.