

The principal terms of the convertible bonds^(Note) of RMB100 each in the aggregate principal amount of RMB6,500 million which were issued by the Company pursuant to an offering prospectus dated August 18, 2004 issued by the Company are summarized as follows:

Issuer	the Company
Face value	RMB100
Issue volume	65,000,000
Issue price	Issued at par
Method of issue	The convertible bonds shall be placed to the existing shareholders initially. The remaining portion and the portion that has not been subscribed for by the existing shareholders shall be further placed to the shareholders of tradeable shares of the Company. The remaining portion after the preferential placing referred to above shall be placed to the public.
Sponsors (lead underwriter)	China International Capital Corporation Limited
Guarantor	Industrial and Commercial Bank of China
Governing law	PRC laws
Total principal amount of the convertible bonds	RMB6,500 million
Term	The convertible bonds shall be for a term of 5 years commencing from November 10, 2004 until November 10, 2009.
Interest rate	The interest payable on the face value of the convertible bonds shall be 1.0% for the first year, 1.375% for the second year, 1.75% for the third year, 2.125% for the fourth year and 2.5% for the fifth year.
Interest payment date	Interest shall commence to calculate from November 10, 2004 onwards and payable on an annual basis. The interest payment date shall be the date of a complete year commencing from the issue date of the convertible bonds until the conclusion of the subsistence period; the ex-right registration date shall be the preceding trading day before the interest payment date.
Interest attribution and payment	Holders of the Company's convertible bonds whose names are recorded on the register after closing of the SHSE on the ex-right registration date (based on the register provided by the share registration company) shall be entitled to the interest of the

Note: For purpose of this appendix, the shares convertible from the convertible bonds shall refer to the A shares of our company.

convertible bonds of the Company of the then current year. We shall pay interest for the then current year within 5 trading days after the ex-right registration date.

Conversion period	Commencing from 6 months after the issue date of the convertible bonds until maturity of the convertible bonds, that is from May 10, 2005 to November 10, 2009 (subject to postponement in case of non-trading day).
Conversion price	The initial conversion price shall be RMB9.34 / share.
Adjustment method and calculation formulae of the conversion price	<p>After the issue of the convertible bonds, if there is any change in shares or shareholders' interests as a result of the bonus issue, conversion into additional share capital, additional issue of new shares or share placing by the Company (excluding the increase in share capital as a result of the conversion under the convertible bonds), the conversion price shall be adjusted according to the following formulae:</p> <p>bonus issue or conversion: $P1 = P0/(1+n)$; into additional share capital</p> <p>additional issue of new shares: $P1 = (P0+Ak)/(1+k)$; or share placing</p> <p>the above two are carried out: $P1 = (P0+Ak)/(1+n+k)$; at the same time</p> <p>of which: P0 shall be the initial conversion price, n shall be the rate of bonus issue or conversion into additional share capital, k shall be the rate of additional issue of new shares or share placing, A shall be the price for the additional issue of new shares or share placing, P1 shall be the adjusted share conversion price.</p> <p>If there is any change in the share capital of the Company for reasons other than as set out above, the adjustment method of the conversion price shall be determined by the shareholders' general meetings.</p>
Terms relating to the adjustment of the conversion price	The conversion price shall not be amended within the first three years after the issue of the convertible bonds. During the fourth and fifth years, if the closing prices of the A shares of the Company for at least 20 trading days in any 30 consecutive trading days are below 80% of the conversion price of the then current period, the Board of Directors of the Company shall have the right to adjust the conversion price downwards within a range of not more than 20%. If the adjustment range is more than 20%, the adjustment shall be proposed by the Board of

Directors and implemented after obtaining the approval at the shareholders' general meetings. The conversion price after the adjustment shall not be lower than the mathematically calculated average closing prices of the A shares of the Company during the preceding 20 trading days prior to the adjustment. The Board of Directors shall exercise such right not more than once within 12 months.

Application procedure for conversion

Holders of the convertible bonds of the Company may apply for conversion according to the then current conversion price at any time during the conversion application period pursuant to the conditions of the offering prospectus.

Application for conversion by the holders shall be conducted in accordance with the offering method through the trading system of SHSE. During the conversion period, the SHSE will specially assign a trading code for the application of conversion by holders of convertible bonds of the Company. The holders may apply for conversion of all or part of the convertible bonds in their own accounts into A shares of the Company. When submitting an application for conversion, the holder must report the number of shares to be converted into the Company's shares to the designated securities brokers on the basis of the then current conversion price according to the face value of the convertible bonds held. The total face value of the convertible bonds under the application must be at integral multiples of RMB1,000. The application for conversion shall be irrevocable once confirmed. If the number of shares to be applied for conversion by a bond-holder is greater than the number of shares which may actually be converted under the convertible bonds, SHSE shall confirm to convert the largest convertible portion and the excess shall be treated as cancelled.

Application time for the conversion

Holders must submit their conversion applications within the conversion application time during the share conversion period.

The conversion application time means the normal trading hours of the trading days of SHSE during the conversion period except the following:

- (1) the trade suspension period of the convertible bonds before the cessation of trading of these convertible bonds;
- (2) the trade suspension period of the shares of the Company; and
- (3) the period during which the Company must apply for suspension of conversion according to the relevant provisions.

Share registration and entitlements of the shares following conversion	<p>The registration authorities shall register the changes in the holdings of the shares and convertible bonds in the holders' accounts according to the valid reporting of the custodian.</p> <p>Any application for conversion shall be processed and confirmed on the second trading day. Upon closing, the shares converted from such convertible bonds shall become tradeable. On the next day following conversion, the holder shall become shareholder of our Company having the same rights which would otherwise be entitled to by other shareholders of our Company on that date.</p> <p>The ordinary shares of the Company allotted as a result of the conversion shall rank <i>pari passu</i> with the issued ordinary shares of the Company.</p>
Conditions, time and price of redemption	<p>During the period commencing from 6 months after the date of issue of the convertible bonds until the maturity of the convertible bonds, if the closing prices of the A shares of the Company are higher than 125% of the then current conversion price for 20 consecutive trading days, the Company shall have the right to redeem the unconverted convertible bonds.</p> <p>If there is any adjustment in the conversion price during these 20 trading days, then the conversion price shall be calculated, if the adjustment takes place before the dealing day, at the conversion price prior to adjustment and the closing price; and if the adjustment takes place after the dealing day, at the conversion price after the adjustment and the closing price.</p> <p>When the redemption conditions are satisfied for the first time, the Company shall have the right to redeem all or part of the convertible bonds which have not yet been converted before the redemption date (to be notified in the redemption announcement) at a price equal to 103% of the face value (including the interest of that year). If redemption is not exercised, the redemption right for that year shall lapse.</p> <p>The exercise of the redemption right shall be subject to the approval by the CBRC for purposes of satisfying the requirement of converting the convertible bonds into the ancillary capital.</p>
Redemption procedures	<p>If the redemption conditions are satisfied and the Company decides to exercise its redemption right, the Company shall publish a redemption announcement at least 3 times in the national newspapers and periodicals and the internet websites designated by the CSRC within 5 trading days after satisfaction of the redemption conditions in order to notify the holders of</p>

various matters relating to the redemption, including the procedures, price, payment method and time of the redemption. The interval between the redemption date and the date of publication of the first redemption announcement shall not be less than 30 days but not more than 60 days.

Conditions, time and pricing of resale

During the year before the maturity of the convertible bonds of the Company, if the closing prices of our shares (A shares) are lower than 75% of the share conversion price of the then current period for 20 consecutive trading days, holders of the convertible bonds shall have the right to resell all or part of the convertible bonds to the Company at a price equal to 108.5% of the face value (including interest of the current period). If there is any adjustment in the conversion price during these 20 trading days, then the conversion price shall be calculated if the adjustment takes place before the dealing day, at the conversion price prior to adjustment and the closing price; and if the adjustment takes place after the dealing day, at the conversion price after the adjustment and the closing price. Holders may conduct the resale after the resale conditions have firstly been satisfied. If the resale is not executed, the resale right for that year shall lapse.

Procedures of the resale

When the resale conditions are satisfied for the first time, the Company shall publish a resale announcement at least 3 times consecutively in the national newspapers and periodicals and internet websites designated by the CSRC within 5 trading days and initially publish the resale announcement in the national newspapers and periodicals designated by CSRC within 2 trading days.

When a holder of the convertible bonds exercises the resale right, he shall make the resale reporting through the trading system of SHSE within 5 trading days after publication of the resale announcement. The Company shall repurchase the convertible bonds which are requested to be resold at a price equal to 108.5% of the face value (including interest of that period) within 5 trading days after conclusion of the resale reporting period. The SHSE shall record the reduction and cancel the relevant amount of the Company's convertible bonds held by such holder according to the payment instructions of the Company and record the increase in the amount of transaction deposits of such holder accordingly.

Additional resale conditions and price

During the subsistence period of the convertible bonds, if the use of funds raised deviates in any material respects from those undertakings of the Company set out in the offering prospectus, the above may be deemed to be a change in the use of funds

raised according to the relevant provisions of the CSRC or considered by the CSRC to be a change in the use of funds. A holder shall have the right to additionally resell part or all of the convertible bonds to the Company at a price equal to 102% of the face value (excluding the interest of the then current period). If a holder has not made the additional resale reporting during this additional resale reporting period, he shall not exercise this additional resale right again.

Procedures of the additional resale

The Company shall publish an announcement on the additional resale at least 3 times consecutively in the newspapers and periodicals and the internet websites designated by the CSRC within 5 working days after publication of the announcement of the shareholders' general meeting in relation to the change in the use of funds raised. Holders exercising the additional resale right shall make the additional resale reporting through the trading system of SHSE within 5 trading days after expiration of the additional resale announcement. The Company shall repurchase the convertible bonds requesting additional resale at the price stipulated in the preceding clause within 5 trading days after conclusion of the additional resale reporting period. The SHSE shall record the reduction and cancel the relevant amount of convertible bonds held by such holder according to the payment instructions of the Company and record the increase in the amount of transaction deposits of such holder accordingly.

Special clause relating to ancillary capital

In order to satisfy the requirements of the CBRC in relation to the inclusion of the convertible bonds for calculating the ancillary capital, issue of the convertible bonds have set out the following terms:

- (1) the exercise of the redemption right shall be subject to the grant of approval by the CBRC; and
- (2) On the liquidation of the Company, the convertible bonds shall rank after other non-subordinated bonds of the Company in terms of repayment sequence.

Disposal of the balance of the convertible bonds

When the face value of the convertible bonds falls below RMB30,000,000, the SHSE shall publish an announcement and suspend trading of the convertible bonds after three trading days. During the period commencing from the suspension of trading of the convertible bonds when the tradeable face value falls below the above stipulated amount until the maturity of the convertible bonds, the Company shall have the right to repay all the unconverted convertible bonds in advance according to the face value plus accrued interest. If the Company decides to repay all the unconverted convertible bonds in advance, the Board of

Directors of the Company shall publish an announcement on the payment of principal and interest in advance at least 3 times consecutively in the national newspapers and periodicals and the internet websites designated by the SHSE within 5 trading days from the date of reaching the above decision by the Company. The announcement shall contain information regarding the procedures of repayment of principal and interest in advance, price, payment method and time. The SHSE shall directly record the increase in the amount of transaction deposits of such holder and cancel all the convertible bonds according to the payment instructions of the Company.