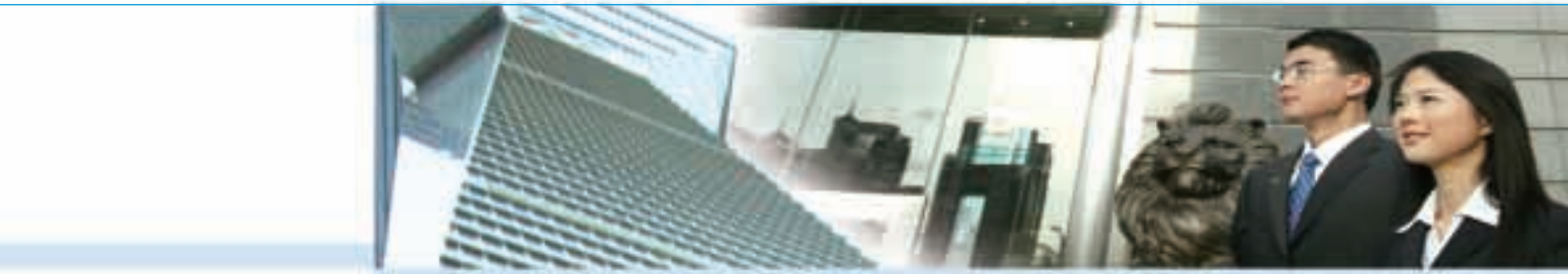




# TEAM DEVELOPMENT



With reference to the advanced human resources management and incentive scheme in the PRC and overseas, China Merchants Bank developed a multi-level and multi-dimensional staff incentive scheme with a combination of material and non-material incentive; short-term and mid to long-term incentive; positive and negative incentive. The Bank emphasizes on career planning, welfare and training of staff, protects their interests, and offers development opportunities and competitive remuneration packages.

China Merchants Bank believes the satisfaction of customers is dependent upon staff performance. While the Bank is dedicated to attracting high-calibre talent, it actively promotes the people-oriented concept of "respect, care, share". The Bank emphasizes on the communication with staff through multi-channels, and listens to reasonable suggestions, with an aim to increase recognition and sense of belonging from the staff, and cultivate the people-oriented culture. In recent years, Chinese Merchants Bank has been awarded "*The Enterprise With Greatest Growth Value For Employees in China*", "*CCTV 2006 China's Best Employee*" and "*Top Ten Units For Corporate Culture Development in China*".

# REPORT OF THE BOARD OF DIRECTORS

## 1. PRINCIPAL BUSINESS ACTIVITIES

The Company is engaged in banking and related financial services.

## 2. RESULTS AND PROFIT APPROPRIATIONS

### Profit and profit appropriations

The profit appropriations scheme of the Company for the year 2005 was passed at the general meeting of shareholders held on 16 May 2006. In this case, with the total shares as the base for appropriations, RMB0.8 (tax included) was distributed for every 10 shares. The resolution announcement of the general meeting of shareholders was published on *China Securities Journal*, *Shanghai Securities News* and *Securities Times* on 17 May 2006. The equity registration date was 15 June 2006, the ex-dividend date was 16 June 2006 and cash dividend issue date was 21 June 2006. The profit appropriations scheme of the Company for the year 2005 was published on *China Securities Journal*, *Shanghai Securities News* and *Securities Times* on 12 June 2006. The said appropriations scheme was implemented during the reported period.

*Proposal for Special Appropriations of Reserved Profit before Initial Public Offering of H Shares* of the Company was passed at the third extraordinary general meeting of the year held on 19 August 2006. In this case, based on the total share capital, the cash dividend for every 10 shares was RMB1.80 (including tax). The resolutions of the general meeting were announced on *China Securities*, *Shanghai Securities News* and *Securities Times* on 22 August 2006. The equity registration date was

20 September 2006, the ex-dividend date was 21 September 2006 and cash dividend issue date was 27 September 2006. The profit appropriations scheme of the Company was announced on *China Securities Journal*, *Shanghai Securities News* and *Securities Times* on 12 June 2006. The said appropriations scheme was implemented during the reported period.

### Profit appropriations plan for the year 2006

The audited profit after tax of the Company for year 2006 as stated in the financial statements (overseas edition) prepared in accordance with IFRSs was RMB6.794 billion, while the audited profit after tax stated in the financial statements (domestic edition) prepared in accordance with the PRC GAAP was RMB7.107 billion. 10% of the profit after tax in the financial statements prepared in accordance with the PRC GAAP, which amounted to RMB0.711 billion, was transferred to statutory surplus reserve. Regulatory general reserve was RMB3.5 billion. The profit distributable to shareholders for the current year was RMB3.489 billion. The profit distributable to shareholders for the current year in the financial statements prepared in accordance with the IFRSs was RMB3.138 billion. According to *Zheng Jian Kuai Ji Zi* [2001] No. 58 of the CSRC, the benchmark of dividend to be distributed should be the lower of the distributed profits audited by domestic and overseas auditors. That means the cash dividends should be distributed under the audited distributable profit shown in the financial statements prepared in accordance with the IFRSs.

Based on the total share capital of A shares and H shares, the Company proposed to declare a cash dividend (including tax) of RMB1.20 (dominated in RMB) for every 10 shares, payable in RMB for A share-shareholders and in HKD for H share-shareholders. The actual profit appropriations amount in HKD will be calculated based on the average benchmark rate for RMB to HKD announced by People's Bank of China on the previous week (including the day for the general meeting) before the date of general meeting.

Whereas the convertible bonds (CMB convertible bonds 110036) issued by the Company have not been fully converted into share capital or capital reserve of the Company and it is impossible to determine the total share capital as at the equity registration date, the total cash dividend cannot be determined. Therefore, the Company will implement the above profit appropriations on the basis of the total capital at the closing of the equity registration date of A share dividend payout.

The above profit appropriations plan will be submitted for approval at the annual general meeting to be held on 15 June 2007. If approved, the above dividend will be paid before 15 August 2007 to shareholders whose names appear on the Register of Members of the Company.

### **3. RESERVES**

The details of the movements of reserves of the Company are set out in "Management Discussion and Analysis - Loan quality analysis - Changes in the allowance for impairment losses on loans and advance payments" of this annual report.

### **4. FINANCIAL HIGHLIGHTS**

Highlights of operating results, assets and liabilities of the Company for the 5 years ended 31 December 2006 are set out in "Five-year Financial Summary" of this annual report.

### **5. DONATIONS**

The total amount of the charitable donations and other donations contributed by the Company for the year ended 31 December 2006 was RMB9.7048 million.

# REPORT OF THE BOARD OF DIRECTORS

## 6. SHARE CAPITAL STRUCTURE AND SHAREHOLDERS BASIS

Based on the publicly available information of the Company and within the knowledge of its directors, the Company had met the public float requirement of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") up to 31 December 2006 sets out in this report.

The change in shares of the Company during the reported period is as follows: (unit: share)

	As at 31 December 2005		Increase/decrease in the reported period						As at 31 December 2006		
	Quantity	Percentage (%)	Equity transfer or change in nature	Conversion from convertible bonds	Conversion from public reserves	Share splits	Reduction in state-owned shareholding for H Shares listing	Issue of H shares	Subtotal	Quantity	Percentage (%)
<b>I. Shares which are subject to trading moratorium</b>	<b>7,572,272,454</b>	<b>72.99</b>	<b>0</b>	<b>0</b>	<b>650,382,481</b>	<b>-649,025,356</b>	<b>-242,000,000</b>	<b>0</b>	<b>-240,642,875</b>	<b>7,331,629,579</b>	<b>49.86</b>
1. State-owned shares	388,649,475	3.75	-180,000,000		17,920,903	-17,883,508	-7,129,850	-	-187,092,455	201,557,020	1.37
2. Shares held by state-owned legal persons	6,285,670,371	60.59	587,618,627	-	590,346,792	-589,114,941	-234,870,150	-	353,980,328	6,639,650,699	45.16
3. Other domestic shareholdings	341,183,222	3.29	143,471,173	-	41,626,966	-41,540,105	-	-	143,558,034	484,741,256	3.29
Of which: shares held by domestic legal persons	341,183,222	3.29	143,471,173	-	41,626,966	-41,540,105	-	-	143,558,034	484,741,256	3.29
Shares held by domestic natural persons											
4. Overseas shareholdings	556,769,386	5.36	-551,089,800	-	487,820	-486,802	-	-	-551,088,782	5,680,604	0.04
Of which: shares held by overseas legal persons	556,769,386	5.36	-551,089,800	-	487,820	-486,802	-	-	-551,088,782	5,680,604	0.04
Shares held by overseas natural persons											
<b>II. Shares which are not subject to trading moratorium</b>	<b>2,802,071,360</b>	<b>27.01</b>	<b>0</b>	<b>937,685,633</b>	<b>320,847,346</b>	<b>649,025,356</b>	<b>242,000,000</b>	<b>2,420,000,000</b>	<b>4,569,558,335</b>	<b>7,371,629,695</b>	<b>50.14</b>
1. Common shares in RMB (A Shares)	2,802,071,360	27.01	-	937,685,633	320,847,346	649,025,356	-	-	1,907,558,335	4,709,629,695	32.03
2. Foreign shares listed domestically	2,802,071,360	27.01	-	937,685,633	320,847,346	649,025,356	-	-	1,907,558,335	4,709,629,695	32.03
3. Foreign shares listed overseas (H Shares)	-	-	-	-	-	-	242,000,000	2,420,000,000	2,662,000,000	2,662,000,000	18.11
4. Others	-	-	-	-	-	-	-	-	-	-	-
<b>III. Total shares</b>	<b>10,374,343,814</b>	<b>100.00</b>	<b>0</b>	<b>937,685,633</b>	<b>971,229,827</b>	<b>0</b>	<b>0</b>	<b>2,420,000,000</b>	<b>4,328,915,460</b>	<b>14,703,259,274</b>	<b>100.00</b>

Note: Change in equity nature of shares which were subject to trading moratorium was in compliance with Guo Zi Chan Quan [2006] Doc. 555 issued by State Asset Administration Commission of the State Council.

As at the end of the reported period, the Company had a total of 197,275 shareholders, including 70,247 holders of H Shares and 127,028 holders of A Shares (including 90 holders of A Shares whose shares were subject to trading moratorium). In addition, the Company had 1,064 holders of convertible bonds.



## Top ten shareholders

As at 31 December 2006				
Serial No.	Name of Shareholder	Total no. of shares held	Percentage of total shares in issue (%)	Class of shares
1	HKSCC Nominees Limited <sup>(1)</sup>	2,615,034,000	17.79	H Shares
2	China Merchants Steam Navigation Company Limited <sup>(2)</sup>	1,779,162,511	12.10	A Shares subject to trading moratorium
3	China Ocean Shipping (Group) Company	947,548,668	6.44	A Shares subject to trading moratorium
4	Guangzhou Maritime Transport (Group) Company Limited <sup>(2)</sup>	565,359,590	3.85	A Shares subject to trading moratorium
5	Shenzhen Yan Qing Investment and Development Company Limited <sup>(2)</sup>	433,484,335	2.95	A Shares subject to trading moratorium
6	Shenzhen Chu Yuan Investment and Development Company Limited <sup>(2)</sup>	378,715,868	2.58	A Shares subject to trading moratorium
7	China Communications Construction Group (Limited)	261,024,805	1.78	A Shares subject to trading moratorium
8	Shanghai Automotive Industry Corporation	250,564,996	1.70	A Shares subject to trading moratorium
9	CNOOC Investment Co., Ltd.	205,305,070	1.40	A Shares subject to trading moratorium
10	China Shipping (Group) Company <sup>(2)</sup>	175,950,157	1.20	A Shares subject to trading moratorium
10	Shandong State-owned Assets Investment Holdings Company Limited	175,950,157	1.20	A Shares subject to trading moratorium
10	Guangdong Provincial Highways Administration Bureau	175,950,157	1.20	A Shares subject to trading moratorium
10	Qinhuangdao Port Group Company Limited	175,950,157	1.20	A Shares subject to trading moratorium

(1) Shares held by HKSCC Nominees Limited are the total shares in the accounts of holders of CMB H Shares trading on the transaction platform of HKSCC Nominees Limited.

(2) Of the aforesaid top 10 shareholders, China Merchants Steam Navigation Company Limited, Shenzhen Yan Qing Investment and Development Company Limited and Shenzhen Chu Yuan Investment and Development Company Limited are subsidiaries of China Merchants (Group) Co., Ltd.; Guangzhou Maritime Transport (Group) Company Limited is the wholly owned subsidiary of China Shipping (Group) Company. The Company is not aware of any co-relationship of other shareholders.

# REPORT OF THE BOARD OF DIRECTORS

## Top ten shareholders whose shares are subject to trading moratorium

Serial No.	Name of shareholder	No. of shares which are subject to trading moratorium as at 31 December 2006	Percentage of total shares in issue share held (%)	Trading date	No. of new tradable shares	Undertakings
1	China Merchants Steam Navigation Company Limited	1,779,162,511	12.10	/	/	When the share price of the Company reaches RMB8.48 or above (to be weighted depending on circumstances) in the 12 months after expiry of the 36-month period starting from acquisition of right of circulation/after expiry of 48 months after acquisition of right of circulation
2	China Ocean Shipping (Group) Company	947,548,668	6.44	27 February 2009	/	After expiry of 36 months after acquisition of right of circulation
3	Guangzhou Maritime Transport (Group) Company Limited	565,359,590	3.85			
4	Shenzhen Yan Qing Investment and Development Company Limited	433,484,335	2.95	/	/	When the share price of the Company reaches RMB8.48 or above (to be weighted depending on circumstances) in the 12 months after expiry of the 36-month period starting from acquisition of right of circulation/after expiry of 48 months after acquisition of right of circulation
5	Shenzhen Chu Yuan Investment and Development Company Limited	378,715,868	2.58			
6	China Communications Construction Group (Limited)	261,024,805	1.78	27 February 2009	/	After expiry of 36 months after acquisition of right of circulation
7	Shanghai Automotive Industry Corporation	250,564,996	1.70	27 February 2008	/	After expiry of 24 months after acquisition of right of circulation
8	CNOOC Investment Co., Ltd.	205,305,070	1.40			
9	Shandong State-owned Assets Investment Holdings Company Limited	175,950,157	1.20			
9	China Shipping (Group) Company	175,950,157	1.20	27 February 2009	/	After expiry of 36 months after acquisition of right of circulation
9	Qinhuangdao Port Group Company Limited	175,950,157	1.20	27 February 2008	/	After expiry of 24 months after acquisition of right of circulation
9	Guangdong Provincial Highways Administration Bureau	175,950,157	1.20			
10	Huaneng Capital Services Corporation Ltd.	173,881,403	1.18	27 February 2008	/	After expiry of 24 months after acquisition of right of circulation

## Top ten shareholders whose shares are not subject to trading moratorium

Serial No.	Name of Shareholder	Class of shares	At the end of reported period (in RMB)	Percentage of total shares in issue (%)
1	HKSCC Nominees Limited <sup>(1)</sup>	H Shares	2,615,034,000	17.79
2	Jiashi Strategic Growth Hybrid Securities Investment Fund	A Shares not subject to trading moratorium	103,052,980	0.70
3	China Life Insurance Co., Ltd. – dividend – Personal dividend	A Shares not subject to trading moratorium	100,261,047	0.68
4	Southern Sustaining Growth Stock-type Securities Investment Fund <sup>(2)</sup>	A Shares not subject to trading moratorium	83,369,249	0.57
5	Southern High-Growth Stock-type Open-end Securities Investment Fund <sup>(2)</sup>	A Shares not subject to trading moratorium	74,000,000	0.50
6	Morgan Stanley International Limited	A Shares not subject to trading moratorium	60,564,083	0.41
7	The Hong Kong and Shanghai Banking Corporation Limited	A Shares not subject to trading moratorium	59,535,762	0.40
8	China Ping An Life Insurance Co. Ltd. – traditional – common insurance products	A Shares not subject to trading moratorium	55,338,811	0.38
9	UBS AG	A Shares not subject to trading moratorium	53,142,951	0.36
10	Jingshun Changcheng Internal Growth No.2 Stock Securities Investment Fund	A Shares not subject to trading moratorium	48,802,336	0.33

<sup>(1)</sup> Shares held by HKSCC Nominees Limited are the total shares in the accounts of holders of CMB H Shares trading on the transaction platform of HKSCC Nominees Limited.

<sup>(2)</sup> Of the aforesaid top ten shareholders whose shares are not subject to trading moratorium, Southern Sustaining Growth Stock-type Securities Investment Fund and Southern High-Growth Stock-type Open-ended Securities Investment Fund both belong to Southern Fund Management Co., Ltd. The Company is not aware of any co-relationship of other shareholders whose shares are not subject to trading moratorium.



# REPORT OF THE BOARD OF DIRECTORS

## Top ten convertible bonds holders

Serial No.	Name of convertible bonds holder	Type of securities	Amount of convertible bonds held as at the end of reported period (in RMB)	Percentage to total convertible bonds in issue (%)
1	Xingye Convertible Bond Hybrid Securities Investment Fund	Convertible bond	15,453,000	0.2377
2	Shenzhen Longgang Investment Management Co., Ltd.	Convertible bond	3,240,000	0.0498
3	Zhang Yulin	Convertible bond	385,000	0.0059
4	Zhang Zibin	Convertible bond	374,000	0.0058
5	Zhang Wen	Convertible bond	282,000	0.0043
6	Shenzhen Yuelongda Industrial Development Co., Ltd.	Convertible bond	124,000	0.0019
7	Li Guandong	Convertible bond	103,000	0.0016
8	Ding Cuiyu	Convertible bond	78,000	0.0012
9	Chu Qingnian	Convertible bond	78,000	0.0012
10	Zhao Yanqing	Convertible bond	69,000	0.0011
10	Fan Tian	Convertible bond	69,000	0.0011

The Company is not aware of any co-relationship of the top ten convertible bonds holders.

## Substantial shareholders' and other persons' interests and short positions in shares and underlying shares

As at 31 December 2006, the following persons (other than the Directors and Supervisors of the Company) had interests in the shares of the Company as recorded in the register required to be kept by the Company pursuant to Section 336 of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) ("SFO"):

Name of Substantial Shareholder	Class of shares	Long/short position	Capacity	No. of shares held	Note	Percentage of relevant class of shares in issue (%)	Percentage of total shares in issue (%)
China Merchants Group Limited	A	Long	Interest of controlled corporations	2,599,932,810	1	21.59	17.68
China Merchants Steam Navigation Co. Ltd.	A	Long	Beneficial owner	1,785,120,730*	1	14.83	12.14
China Merchants Finance Investment Holdings Co. Ltd.	A	Long	Interest of controlled corporations	814,812,080	1	6.77	5.54
Shenzhen Yan Qing Investment Development Co. Ltd.	A	Long	Beneficial owner	434,878,336*	1		
		Long	Interest of controlled corporations	379,933,744*	1		
				814,812,080		6.77	5.54
China Ocean Shipping (Group) Company	A	Long	Beneficial owner	950,595,801*		7.89	6.47
China Shipping (Group) Company	A	Long	Beneficial owner	176,515,978*			
		Long	Interest of controlled corporations	618,366,092*	2		
				794,882,070		6.60	5.41
JPMorgan Chase & Co.	H	Long	Beneficial owner	53,555,900			
		Long	Investment manager	35,801,500			
		Long	Custodian	123,475,581			
				212,832,981	3	7.99	1.45

\* The above numbers of shares were recorded in the disclosure forms completed by the relevant substantial shareholders before 31 December 2006. During the period from the date on which the respective substantial shareholders submitted the said forms up to 31 December 2006, there were some updates to the aforesaid numbers of shares, but the levels of the changes did not result in a disclosure obligation in accordance with the SFO.

## REPORT OF THE BOARD OF DIRECTORS

### Notes:

- (1) China Merchants Group Limited held interest in a total of 2,599,932,810 A shares in the Company by virtue of its control over the following corporations, which held direct interests in the Company:
  - (1.1) China Merchants Steam Navigation Co. Ltd. held 1,785,120,730 A shares in the Company. China Merchants Steam Navigation Co. Ltd. was a wholly-owned subsidiary of China Merchants Group Limited.
  - (1.2) Shenzhen Yan Qing Investment Development Co. Ltd. held 434,878,336 A shares in the Company. Shenzhen Yan Qing Investment Development Co. Ltd. was owned as to 51% and 49% by China Merchants Finance Investment Holdings Co. Ltd. and China Merchants Group Limited respectively. China Merchants Finance Investment Holdings Co. Ltd. was owned as to 90% and 10% by China Merchants Group Limited and China Merchants Steam Navigation Co. Ltd., referred to in (1.1) above, respectively.
  - (1.3) Shenzhen Chu Yuan Investment Development Co. Ltd. held 379,933,744 A shares in the Company. Shenzhen Chu Yuan Investment Development Co. Ltd. was owned as to 50% by each of Shenzhen Yan Qing Investment Development Co. Ltd., referred to in (1.2) above, and China Merchants Finance Investment Holdings Co. Ltd., referred to in (1.2) above, respectively.
- (2) The interest of China Shipping (Group) Company in 618,366,092 A shares of the Company was held through Guangzhou Maritime Transport (Group) Company Limited (held 567,177,677 A shares of the Company) and Shanghai Shipping (Group) Company (held 51,188,415 A shares of the Company), which were the wholly-owned subsidiaries of China Shipping (Group) Company.
- (3) JPMorgan Chase & Co. held interest in a total of 212,832,981 H shares of the Company by virtue of its control over the following corporations, which held direct interests in the Company:
  - (3.1) JPMorgan Chase Bank, N.A. held 123,475,581 H shares in the Company. JPMorgan Chase Bank, N.A. was a wholly-owned subsidiary of JPMorgan Chase & Co.
  - (3.2) J.P. Morgan Whitefriars Inc. held 40,525,900 H shares in the Company. J.P. Morgan Whitefriars Inc. was a wholly-owned subsidiary of J.P. Morgan Overseas Capital Corporation, which in turn was a wholly-owned subsidiary of J.P. Morgan International Finance Limited. J.P. Morgan International Finance Limited was wholly-owned by Bank One International Holdings Corporation, which in turn was a wholly-owned subsidiary of J.P. Morgan International Inc. JPMorgan Chase Bank, N.A., referred to in (3.1) above, owned 100% interest in J.P. Morgan International Inc..
  - (3.3) J.P. Morgan Securities Ltd. held 13,030,000 H shares in the Company. J.P. Morgan Securities Ltd. was owned as to 98.95% by J.P. Morgan Chase International Holdings Limited, which in turn was a wholly-owned subsidiary of J.P. Morgan Chase (UK) Holdings Limited. J.P. Morgan Chase (UK) Holdings Limited was wholly-owned by J.P. Morgan Capital Holdings Limited, which in turn was wholly-owned by J.P. Morgan International Finance Limited, referred to in (3.2) above.
  - (3.4) JF International Management Inc. and JF Asset Management Limited held 247,000 and 35,554,500 H shares in the Company respectively. Both of them were wholly-owned subsidiaries of JPMorgan Asset Management (Asia) Inc., which in turn was a wholly-owned subsidiary of JPMorgan Asset Management Holdings Inc. JPMorgan Asset Management Holdings Inc. was a wholly-owned subsidiary of JPMorgan Chase & Co..

The entire interest of JPMorgan Chase & Co. in the Company included a lending pool of 123,475,581 H shares.

Save as disclosed above, the Company is not aware of any other person (other than the Directors and Supervisors of the Company) having any interests or short positions in the shares and underlying shares of the Company as at 31 December 2006 as recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO.

### **Undertakings associated with the share reform of non-tradable shares**

The Company implemented the share reform of Non-tradable Shares (a “Conversion Scheme”) in February 2006. The Conversion Scheme stated the undertakings of the shareholders whose shares were subject to trading moratorium were as follows: shareholders without put obligation undertook not to trade or transfer their shares within 24 months after obtaining the right to trade their shares; shareholders with put obligation undertake not to trade or transfer their shares within 36 months after obtaining the right to trade their shares. In particular, China Merchants Steam Navigation Co., Ltd., Shenzhen Yan Qing Investment and Development Co., Ltd. and Shenzhen Chu Yuan Investment and Development Co., Ltd. undertook not to trade or transfer their shares before the share price of the Company first reaches RMB8.48 or above (to be weighted depending on circumstances) in the 12 months after expiry of the aforesaid 36-month lock-up period.

Shareholders with put obligation undertook that, after completion of the Conversion Scheme, they would advise the board of directors to formulate a long-term incentive plan including share option incentive plan, which should be implemented by the board of directors or first submitted to the general meeting of the Company for approval and then implemented by the board of directors according to the relevant regulations. The long-term incentive plan is currently under examination and pending approval by the relevant government authorities.

# REPORT OF THE BOARD OF DIRECTORS

## Trading date of shares which are subject to trading moratorium

Unit: share

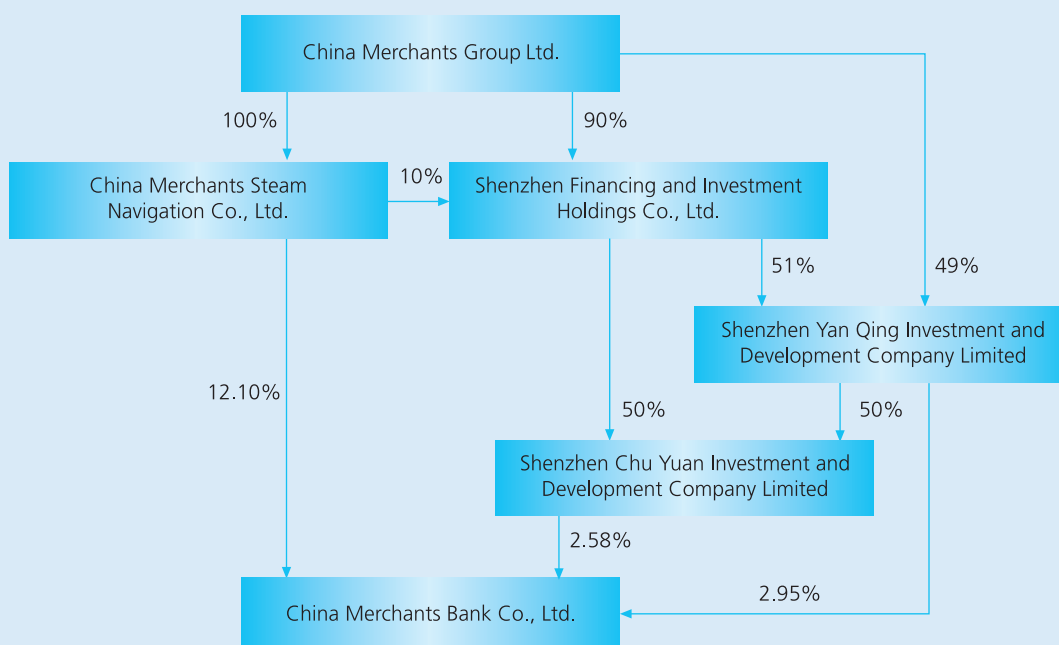
Timeframe	No. of new tradable shares after expiry of lock-up period (in shares)	No. of balance of shares which are subject to trading moratorium (in shares)	No. of balance of shares which are not subject to trading moratorium <sup>(1)</sup>	Remarks
Within 24 months after acquisition of right of circulation	0	7,331,629,579	/	/
After expiry of 24 months after acquisition of right of circulation	2,534,911,447	4,796,718,132	/	Original non-circulated shares held by original non-circulated shareholders without put option.
After expiry of 36 months after acquisition of right of circulation	2,205,355,418	2,591,362,714	/	Original non-circulated shares held by original non-circulated shareholders with put option other than China Merchants Steam Navigation Company Limited, Shenzhen Yan Qing Investment and Development Company Limited and Shenzhen Chu Yuan Investment and Development Company Limited.
When the share price of the Company first reaches or above RMB8.48 (to be weighted depending on circumstances) in the 12 months after expiry of the 36-month period starting from acquisition of right of circulation/after expiry of 48 months after acquisition of right of circulation	2,591,362,714	0	/	Original non-circulated shares held by China Merchants Steam Navigation Company Limited, Shenzhen Yan Qing Investment and Development Company Limited and Shenzhen Chu Yuan Investment and Development Company Limited.
<b>Total</b>	<b>7,331,629,579</b>	<b>/</b>	<b>/</b>	<b>/</b>

<sup>(1)</sup> The convertible bonds issued by the Company have not yet been fully converted, therefore it is impossible to estimate the balance of shares which are not subject to trading moratorium.

## Information about the Company's largest shareholder and its parent company

- (1) China Merchants Steam Navigation Company Limited was founded on 11 October 1948 and its legal representative is Mr. Qin Xiao. It is a wholly owned subsidiary of China Merchants Group Limited. The Company is mainly engaged in passenger and cargo shipping business; dockyard, warehouse and vehicle transportation; sale, purchase and supply of various transportation equipment, spare parts and materials; ship and passenger/goods shipping agency, international maritime cargo; as well as finance, insurance and trust business related to transportation.
- (2) China Merchants Group Limited directly holds 100% equity interest in China Merchants Steam Navigation Company Limited and is the parent company of the Company's largest shareholder. Its legal representative is Mr. Qin Xiao. China Merchants Group Limited, formerly known as 招商局, is a state-owned backbone enterprise under direct control of State Asset Administration Commission of the State Council. It was incorporated in 1872 and was one of the enterprises which played significant roles in promoting the modernization of China's national industrial & commercial era at that time. Nowadays, it has developed into a conglomerate, specialising in transportation infrastructure, industry zone development, port, finance, property and logistics businesses, etc.

The Company has no controlling shareholder or actual controlling party. The equity relationship between the Company and its largest shareholder is illustrated as follows:



Note: In February 2006, China Merchants Shekou Industrial Zone Co., Ltd. transferred its 68,284,415 shares of the Company to Shenzhen Yan Qing Investment and Development Co., Ltd. Yiulian Dockyards Limited and Hoi Tung Marine Machinery Suppliers Limited transferred their 182,068,000 and 35,733,250 shares of the Company to Shenzhen Chu Yuan Investment and Development Co., Ltd. respectively.



## REPORT OF THE BOARD OF DIRECTORS

### Issuance of convertible bonds and their listing

Approved by CSRC document *Zheng Jian Fa Xing Zi* [2004] No. 155, the Company issued 65 million convertible bonds on 10 November 2004 at RMB100 each, totaling RMB6.5 billion. Upon approval by Shanghai Stock Exchange's document *Shang Zheng Shang Zi* [2004] No. 165, the 65 million convertible bonds were listed and traded on 29 November 2004 under the name of "CMB Convertible Bonds" (bond code 110036) on Shanghai Stock Exchange. The validity period for the convertible bonds that were listed was from 29 November 2004 to 10 November 2009. The prospectus and listing announcement of convertible bonds were published on *China Securities*, *Securities Times* and *Shanghai Securities News* on 29 October 2004 and 23 November 2004 respectively.

The unconverted convertible bonds of the Company were less than RMB30 million as at 25 September 2006, and pursuant to relevant regulations, trading of "CMB Convertible Bonds" was suspended since 29 September 2006. The announcement of suspension of trading of "CMB Convertible Bonds" was published on *China Securities*, *Securities Times* and *Shanghai Securities News* from 26 September 2006 to 28 September 2006.

### Issuance of subordinated debts

In accordance with *Yin Jian Fu* [2004] No. 36 Document, "Approval of Issuing Subordinated Debts by China Merchants Bank" issued by CBRC, the Company issued RMB3.5 billion subordinated debts, of which, China Pacific Insurance (Group) Co., Ltd. subscribed RMB2.5 billion subordinated debts in March 2004 at the fixed annual rate of 4.59 % for a term of 5 years and 1 month, with the interest to be payable once a year. China Ping An Life Insurance Co., Ltd. and Tai Kang Life Insurance Co., Ltd. subscribed RMB0.7 billion and RMB0.3 billion subordinated debts in June 2004 respectively at the fixed annual rate of 5.10 % for a term of 5 years and 1 month, with the interest to be payable once a year.

## 7. INFORMATION DISCLOSURE AND INVESTOR RELATIONS

The Company disclosed significant information in a responsive, accurate, truthful and complete manner pursuant to relevant provisions on information disclosure, so that all the shareholders of the Company have equal chance of access to the relevant information. In the reported period, the Company published 60 announcements in total.

The Company made continuing efforts to improve the investor relations management and advance the capital marketing. In the reported period, the Company received 76 visits from domestic and overseas investors, attended 8 investment promotion conferences sponsored by well-established investment banks worldwide, and staged road shows in Europe, USA and Southeast Asia. Through the above promotional activities, the management made sincere communication with institutional investors. The Company consulted with small and medium shareholders by email, telephone, etc. on a daily basis, and answered their questions dutifully, patiently and responsively.

Through extensive careful and effective work, the investor relations management of the Company has won widespread recognition. In the reported period, the Company won such honors as third prize for "China 2005 Top 50 Listed A-Share Companies with Best Investor Relations", "Best Large Companies" award, "Best Communication" award, "Best Share Reform" award, "Best Executor of Investor Relations" award, etc. jointly organized by *Securities Market Weekly* and Nanjing University; "China 2006 Best Public Image on Securities Market" at the second annual

meeting of the securities market sponsored by *Securities Daily*; fifth prize for "China 2005 Top 100 Listed Companies" at "China Top 100 Listed Companies Summit" jointly sponsored by China Enterprise Reform & Development Society and Warton Economic Institute; at the summit, chairman Qin Xiao won the award for "Outstanding Contributions of Distinguished Entrepreneurs of Chinese Listed Companies", president Ma Weihua won the honor of "Top 10 Leaders of Chinese Listed Companies", and secretary of the board of directors Lan Qi won the honor of "10 Best Secretaries of Boards of Directors of Chinese Listed Companies". In addition, Lan Qi secretary of the Board of Directors of the Company, also won second prize for "New Fortune 2006 Gold Medal Secretaries of Boards of Directors", the honor of "Secretaries of Boards of Directors Most Favored by Analysts", and the honor of "China 2006 Best Secretary of Boards of Directors of Chinese Listed Companies" elected by *Shanghai Securities News*.

## 8. FIXED ASSETS

Changes in fixed assets as at 31 December 2006 are set out in note 19 to the financial statements.

# REPORT OF THE BOARD OF DIRECTORS

## 9. MAJOR HOLDING COMPANIES AND JOINT-STOCK COMPANIES

(In RMB'000)

Name of holding or joint-stock company	Investment period at the end of reported period	Shareholding percentage of the Company (%)	Investment at the end of reported period
CMB International Finance Co., Ltd.	None	100%	115,097
China UnionPay Co., Ltd.	None	4.8%	38,016
EPS (Hong Kong) Limited	None	0.7%	8,177

Notes:

- (1) CMB International Finance Co., Ltd., formerly Jiangnan Finance Co., Ltd., is the Company's wholly owned subsidiary approved by PBOC through its *Yin Fu* [1998] No. 405 Document, and was renamed as CMB International Finance Co., Ltd. on 22 February 2002 upon approval of PBOC through its *Yin Fu* [2002] No. 30 Document. Since the year 2006, the Company consolidated the financial statements of CMB International Finance Co., Ltd with that of the Company.
- (2) Upon approval of PBOC through its *Yin Fu* [2001] No. 234 Document concerning the Establishment of China UnionPay Co., Ltd., the Company contributed RMB80 million to establish China UnionPay Co., Ltd. The above contribution included the assessed net value RMB41.984 million of the bank card network service centers in various cities and RMB38.016 million as additional cash investment. China UnionPay Co., Ltd. was incorporated on 26 March 2002 and the Company recorded the RMB38.016 million contributed in 2002 as long-term equity investment.
- (3) EPS (Hong Kong) Limited was incorporated in 1984 by several licensed banks in Hong Kong and provides e-pay services for customers in Hong Kong, Macao and Shenzhen.

## 10. PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

For the year ended 31 December 2006, neither the Company, nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities.

## 11. ARRANGEMENT OF PRE-EMPTIVE RIGHTS

The Articles of Association of the Company does not have any provision on pre-emptive rights, and the shareholders of the Company do not have any pre-emptive right. The Company does not have any share option plan at present.

## 12. RETIREMENT AND WELFARE

Details about retirement welfares provided by the Company to its employees are set out in note 27 to the financial statements in this annual report.

### **13. PRINCIPAL CUSTOMERS**

As at 31 December 2006, the operating incomes of the top 5 customers of the Company did not exceed 30% of the total operating income of the Company. The directors and related persons or shareholders of the Company did not have any material interests in the aforesaid 5 customers.

### **14. USE OF FUND RAISED**

The Company issued 2,200,000,000 H Shares at face value of RMB1 per share at the price of HK\$8.55 per share on The Stock Exchange of Hong Kong Limited ("HKSE" or "SEHK") on 22 September 2006, and through the exercise of the over-allotment option, issued 220,000,000 H Shares at face value of RMB1 per share at the price of HK\$8.55 per share on SEHK on 27 September, raising RMB20.505 billion net fund, which was all in place on 5 October 2006. According to the commitments stated in the Prospectus, the fund raised would be used as additional capital to enhance capital adequacy and risk resistance.

# REPORT OF THE BOARD OF DIRECTORS

## 15. DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Name	Gender	Birth (Y/M)	Title	Term of office
Qin Xiao	Male	1947.4	Chairman	2004.6 - 2007.6
Wei Jianfu	Male	1949.12	Vice chairman	2004.6 - 2007.6
Fu Yuning	Male	1957.3	Non-executive director	2004.6 - 2007.6
Li Yinquan	Male	1955.4	Non-executive director	2004.6 - 2007.6
Huang Dazhan	Male	1958.7	Non-executive director	2004.6 - 2007.6
Tan Yueheng	Male	1962.11	Non-executive director	2004.6 - 2007.6
Sun Yueying	Female	1958.6	Non-executive director	2004.6 - 2007.6
Wang Daxiong	Male	1960.12	Non-executive director	2004.6 - 2007.6
Fu Junyuan	Male	1961.5	Non-executive director	2004.6 - 2007.6
Ma Weihua	Male	1948.6	Director & president	2004.6 - 2007.6
Chen Wei	Female	1959.11	Director & executive vice president	2004.6 - 2007.6
Wu Jiesi	Male	1951.10	Independent non-executive director	2005.9 - 2007.6
Lin Chuxue	Male	1959.3	Independent non-executive director	2004.6 - 2007.6
Austin Hu Chang Tau	Male	1948.6	Independent non-executive director	2004.6 - 2007.6
Chow Kwong Fai, Edward	Male	1952.8	Independent non-executive director	2006.5 - 2007.6
Liu Hongxia	Female	1963.9	Independent non-executive director	2006.5 - 2007.6
Liu Yongzhang	Male	1956.12	Independent non-executive director	2006.5 - 2007.6
Shi Jiliang	Male	1945.2	Chairman of Board of Supervisors and external supervisor	2006.5 - 2007.6
Zhu Genlin	Male	1955.9	Supervisor	2004.6 - 2007.6
Chen Haoming	Male	1966.3	Supervisor	2004.6 - 2007.6
Li Yi	Male	1944.1	Supervisor	2004.6 - 2007.6
Lu Yuhuan	Female	1971.12	Supervisor	2005.5 - 2007.6
Shao Ruiqing	Male	1957.9	External supervisor	2006.5 - 2007.6
Lin Rongguang	Male	1961.11	Employee supervisor	2004.6 - 2007.6
Xiang Youzhi	Male	1964.2	Employee supervisor	2004.6 - 2007.6
Zhou Wenqiong	Female	1963.5	Employee supervisor	2004.6 - 2007.6
Li Hao	Male	1959.3	Executive vice president	2004.6 - 2007.6
Tang Zhihong	Male	1960.3	Executive vice president	2006.6 - 2007.6
Yin Fenglan	Female	1953.7	Executive vice president	2006.6 - 2007.6
Ding Wei	Male	1957.5	Executive vice president	2006.5 to now
Xu Lianfeng	Male	1953.2	Chief technology officer	2001.11 to now
Lan Qi	Male	1956.6	Secretary of Board of Directors	2004.6 - 2007.6

Note: Madame Chen Wei resigned the Executive director, Executive vice president, Chief financial officer and Authorised representative of the Company on 23 March 2007.

## 16. APPOINTMENT OF DIRECTORS AND SUPERVISORS IN SHAREHOLDERS' COMPANIES

Name	Name of Company	Title	Term of office
Qin Xiao	China Merchants Group Limited	Chairman	From January 2001 up to now
Wei Jiafu	China Ocean Shipping (Group) Company	President	From June 2000 up to now
Fu Yuning	China Merchants Group Limited	President	From April 2000 up to now
Li Yinquan	China Merchants Group Limited	Vice president & chief financial officer	From July 2002 up to now
Huang Dazhan	China Merchants Finance Holdings Co., Ltd.	General manager	From June 1999 up to now
Tan Yueheng	China Merchants Finance Holdings Co., Ltd.	Deputy general manager	From July 2002 up to January 2007
Sun Yueying	China Ocean Shipping (Group) Company	Chief accountant	From December 2000 up to now
Wang Daxiong	China Shipping (Group) Company	Vice president & chief accountant	From March 2001 up to now
Fu Junyuan	China Communications Construction Group (Limited)	Chief accountant	From October 1998 up to now
Zhu Genlin	Shanghai Automotive Industry Corporation (Group)	Chief financial officer	From February 2002 up to now
Chen Haoming	Zhonghai Trust & Investment Co., Ltd.	Deputy general manager	From November 2000 up to now
Li Yi	Shandong State-owned Assets Investment Holdings Company Limited	Former general manager of Shandong Communication Development and Investment Co.	From May 1998 to December 2005
Lu Yuhuan	Guangdong Provincial Highways Administration Bureau	Accountant	From February 2002 up to now



## REPORT OF THE BOARD OF DIRECTORS

### 17. REMUNERATION OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

In 2006, the Board of Directors established the "Competitiveness indicators System" to evaluate the competitiveness of the Company in profitability, asset quality and development potentials, which will be used as a reference for the Board of Directors to evaluate the management; the Board of Directors formulated *Quantified Authorization Standards* for the management in order to bring the decision making of the management within the quantified framework authorized by the Board of Directors; the Board of Directors formulated *Regulations on Remunerations of Senior Executives*, specifying the evaluation indexes and method; formulated H Share appreciation rights plan for senior executives, which plan is pending examination and approval by the regulatory authorities; the Board of Directors also formulated *Regulations on Total Staff Salary and Other Labour Costs* to further strengthen cost control.

Details of the remuneration of the directors, supervisors and senior management are set out in notes 8 and 9 to the financial statements in this annual report.

### 18. LONG AND SHORT POSITIONS OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

As at 31 December 2006, none of the directors, supervisors and senior management of the Company held or was deemed to hold interest or short position in the shares, underlying shares or debentures of the Company or any of its associated corporation, (within the meaning of Part XV of the SFO), or as being recorded pursuant to section 352 of the SFO or as otherwise notified by the directors or

supervisors to the Company and SEHK in accordance with *Model Code for Securities Transactions by Directors of Listed Issuers* as set out in the Listing Rules; neither were the directors, supervisors and senior management of the Company authorized to buy any share or debenture of the Company or any of its related companies.

### 19. EQUITY HELD BY DIRECTORS IN BUSINESSES COMPETING WITH THOSE OF THE COMPANY

No director of the Company held any equity in any business constituting or likely to constitute direct or indirect competition with that of the Company.

### 20. FINANCIAL, BUSINESS AND KINSHIP RELATIONS BETWEEN DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Directors, supervisors and senior management of the Company did not have any relations between each other, including financial, business, kinship or other material or connected relations.

### 21. CONTRACTUAL RIGHTS AND SERVICE CONTRACTS OF DIRECTORS AND SUPERVISORS

The directors and supervisors of the Company did not have direct or indirect material interest in any contract of significance to the Group (excluding service contracts) to which the Company or any of its subsidiaries was a party during the year. The directors and supervisors of the Company did not enter into any service contract with the Company which is not determinable by the Company within one year without payment of compensation (excluding statutory compensations).

## 22. OVERVIEW OF CONNECTED TRANSACTIONS

In accordance with Chapter 14A of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited ("Listing Rules"), the transactions between the Company and China Merchants Group Limited ("CM Group"), China Ocean Shipping (Group) Company Limited ("COSCO"), and Shandong State-owned Asset Investment Holding Co., Limited ("Shandong Investment Group") and their members constitute the continuing connected transactions referred to in the Listing Rules. The following are the exempt and non-exempt continuing connected transactions of the Company determined in accordance with the Listing Rules.

### Exempt continuing connected transactions

The continuing connected transactions between the Company and members of China Merchants Group Limited include providing China Merchants Group Limited with e-Tax - online tax payment service, providing custody service for China Merchants Group Limited, providing management service for corporate pension account of China Merchants Group Limited, providing settlement service for China Merchants Group Limited, providing e-Bond - online bond trading service for China Merchants Group Limited, property management service provided by China Merchants Group Limited and renting property from China Merchants Group Limited. The above connected transactions were disclosed in the H Share Prospectus 2006 of the Company. The above connected transactions follow the normal commercial terms and conditions and are charged according to the

normal commercial charging standards and government designated charging standards. As at the end of 2006, the total service charge for each category of transactions between the Company and China Merchants Group Limited amounted to less than 0.1% of the relevant percentage ratios set out in Chapter 14 of the Listing Rules. In accordance with rule 14A.33 (3) of the Listing Rules, the above transactions are exempt continuing connected transactions and are exempt from compliance with the reporting, announcement and approval by independent shareholders obligations under the Listing Rules.

The continuing connected transactions between the Company and COSCO members include settlement services and e-Bond services. As at the end of 2006, the total service charge for each category of transactions between the Company and China Merchants Group Limited amounted to less than 0.1% of the relevant percentage ratios set out in Chapter 14 of the Listing Rules. In accordance with rule 14A.33 (3) of the Listing Rules, the above transactions are exempt continuing connected transactions and are exempt from compliance with the reporting, announcement and approval by independent shareholders obligations under the Listing Rules.

The continuing connected transactions between the Company and members of Shandong Investment Group include settlement services and consigned loan arrangements. As at the end of 2006, the total service charge for each category of transactions between the Company and Shandong Investment Group amounted to less than 0.1% of the relevant percentage ratios set out in Chapter 14 of the Listing Rules. In accordance with rule 14A.33(3) of the Listing

## REPORT OF THE BOARD OF DIRECTORS

Rules, the above transactions are exempt continuing connected transactions and are exempt from compliance with the reporting, announcement and approval by independent shareholders obligations under the Listing Rules.

### Non-exempt continuing connected transactions

The non-exempt continuing connected transaction is Bank-Securities Express - securities agency service provided by the Company for China Merchants Securities Co., Ltd., a member of China Merchants Group Limited.

Bank-Securities Express is a service provided by the Company for retail customers through the e-Securities system, which service links customer deposit accounts to securities trading accounts. The Company and China Merchants Securities Co., Ltd., a member of China Merchants Group Limited, conclude a service cooperation agreement, which contains relevant terms and conditions governing provision of securities agency services by the Company to China Merchants Securities Co., Ltd. through the e-Securities system. The service cooperation agreement was concluded in accordance with normal commercial terms and conditions, and the agency service fees paid to the Company by China Merchants Securities Co., Ltd. in accordance with the service cooperation agreement was determined through arm's length negotiation with reference to the charging standards of the Company for securities agency services provided by the Company to independent third party securities companies.

At the time of H Share listing in 2006, the Company applied to SEHK for the annual cap of total agency service charge to be collected from China Merchants Securities Co., Ltd. in 2006, which cap was higher than 0.1% of the relevant percentage ratios under Chapter 14 of the Listing Rules but less than 2.5%. Therefore, securities service cooperation between the Company and members of China Merchants Group Limited did not require approval of independent shareholders but shall comply with provisions on reporting and announcement in rules 14A.45 – 14A.47 of the Listing Rules. The above continuing connected transactions were disclosed in the H Share Prospectus 2006 of the Company.

As at the end of 2006, the total agency service charge collected by the Company from China Merchants Securities was RMB173,031,100, which exceeded the aforesaid cap approved by SEHK. The relevant particulars were set out in *Announcement of Continuing Related party Transactions (e-Securities)* of the Company on 23 March 2007.

The independent non-executive directors of the Company have reviewed the relevant non-exempt continuing connected transactions - Bank-Securities Express, and confirmed that

- (1) The transactions were conducted in the ordinary and usual course of business of the Company;
- (2) The terms and conditions of transactions are fair and reasonable and in the interests of the Company as a whole;

- (3) The transactions were conducted on normal commercial terms and conditions and on terms and conditions that are no less favorable than those for independent third parties;
- (4) The transactions were conducted in accordance with the relevant agreements.

The auditors of the Company have reviewed the said transactions and submitted to the directors of the Company a letter setting out the following:

- (1) The transactions were approved by the directors of the Company;
- (2) The transactions were conducted in accordance with relevant agreements concluded by the Company.
- (3) The transactions exceeded the aforesaid upper limit approved by SEHK.

### **Exemption as connected persons**

In accordance with rules 1.01, 14A.11 and 19A.04 of the Listing Rules, after H Shares listing of the Company with SEHK, the promoters of the Company and their coordinators constitute connected persons of the Company. Accordingly, the continuing connected transactions between the Company and the said promoters and coordinators will be specified as continuing connected transactions and shall therefore comply with the provisions of rules 14A.45 and 14A.48 of the Listing Rules on reporting, announcement and approval of independent shareholders, unless otherwise waived.

Accordingly, the Company has applied to the SEHK for a waiver in accordance with rule 14A.42 of the Listing Rules, and Qinhuangdao Port Group, a promoter of the Company, and other promoters of the Company no longer holding any equity of the Company, including Shenzhen Hui He Investment and Development Co., Ltd. and CNOOC East of South China Sea Corp. and their coordinators shall be deemed as connected parties under the Listing Rules, and accordingly all the connected transactions between the Company and them are exempt from compliance with the provisions on connected transactions in Chapter 14A of the Listing Rules. The relevant details are set out in the section on connected transactions in the H Share Prospectus of the Company.

## **23. MATERIAL LITIGATION AND ARBITRATIONS**

As at 31 December 2006, the number of pending litigation and arbitration cases involving the Company totaled at 856, involving a total principal sum of RMB1,295,215,700, US\$6,000,100, HK\$10 million and INR8,766,900; the interest totaled at RMB222,348,100 and US\$10,900. In particular, the total number of pending litigation and arbitration cases against the Company totaled at 32, involving a total principal of RMB102,400,000, US\$152,000, HK\$10 million and INR8,766,900; the interest totaled at RMB4,154,400 and US\$9,900.

## **24. MATERIAL CONTRACTS**

The material contracts of the Company did not cover custody or contracting of other companies' assets or vice versa which are outside the ordinary course of business. The

## REPORT OF THE BOARD OF DIRECTORS

relevant guarantee contracts all fell within the guarantee businesses within the business scope of the Company, and the Company is not aware of any significant guarantee, no guarantee for its holding subsidiaries, and no illegal guarantee.

### 25. COMPLIANCE WITH GUIDELINE ON FINANCIAL DISCLOSURE BY LOCALLY INCORPORATED AUTHORISED INSTITUTIONS

The Company prepared the financial statements for the year 2006 in strict accordance with *Guideline on Financial Disclosure by Locally Incorporated Authorised Institutions* issued by Hong Kong Monetary Authority.

### 26. CLOSURE OF REGISTER OF MEMBERS

In order to determine the shareholders list of H shares who will be entitled to attend the annual general meeting of the Company and/or receive the final dividend for the year ended 31 December 2006, the Company will close its share register and suspend registration of transfer of shares from 16 May 2007 (Wednesday) to 15 June 2007 (Friday) (both days inclusive). To be qualified to attend the meeting and/or receive the final dividend, holders of H Shares of the Company whose transfer have not been registered should deposit the transfer documents accompanied by the relevant share certificates at the Company's H Share Registrar, Computershare Hong Kong Investor Services Limited at Rooms

1712-1716, 17/F, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong by no later than 4:30 p.m. on 15 May 2007 (Tuesday). Regarding the registration date and arrangement for the shareholders of A Shares who will be entitled to attend the annual general meeting of the Company and/or receive the final dividend for the year ended 31 December 2006, the Company will make further announcement in the PRC.

### 27. PUBLICATION OF ANNUAL REPORT

This annual report is printed in both English and Chinese versions. In the event of any discrepancies in interpretations between the English version and Chinese version, the Chinese version shall prevail. Both Chinese and English versions of the annual report are available on the website of the Company ([www.cmbchina.com](http://www.cmbchina.com)) and The Stock Exchange of Hong Kong Limited ([www.hkex.com.hk](http://www.hkex.com.hk)).

The Company also prepared the annual report in Chinese in accordance with the PRC Generally Accepted Accounting Standards, which is available on the websites of the Company ([www.cmbchina.com](http://www.cmbchina.com)) and Shanghai Stock Exchange ([www.sse.com.cn](http://www.sse.com.cn)).

By Order of the Board

**Qin Xiao**  
*Chairman of Board of Directors*  
16 April 2007