

## SHARE CAPITAL

At August 15, 2006, our share capital, which comprised 12,280,903,307 A Shares, is categorized as follows.

	Number of Shares	Approximate Percentage of Share Capital
A Shares which are subject to trading restriction . . . . .	7,573,629,579	61.67%
A Shares which are not subject to trading restriction . . . . .	4,707,273,728	38.33
<b>Total</b> . . . . .	12,280,903,307	100.0%

Our shareholders approved at an extraordinary general meeting in January 2006 a share reform plan and conversion of capital reserve fund into share capital. Pursuant to our Conversion Scheme (as defined in the section headed “Our History and Corporate Structure — Our History — Reform of Non-tradable Shares”), we issued to each shareholder 0.8589 new shares for every 10 shares held by the shareholder out of our capital reserve fund, most of the new shares issued to the holders of non-tradeable shares were then transferred to the holders of tradeable shares, on the basis of 1.6 new shares for every 10 shares held by the holders of tradeable shares prior to the conversion. The Conversion Scheme was approved by SASAC and CBRC and implemented in February 2006.

Immediately following completion of the Global Offering, but assuming no exercise of the Over-allotment Option and no further conversion of convertible bonds subsequent to August 15, 2006, the share capital of our company would be as follows.

	Number of Shares	Approximate Percentage of Share Capital
A Shares . . . . .	12,060,903,307	83.29%
H Shares . . . . .	2,420,000,000	16.71
<b>Total</b> . . . . .	14,480,903,307	100.0%

If the Over-allotment Option is exercised in full but assuming no further conversion of convertible bonds subsequent to August 15, 2006, the share capital of our company would be as follows.

	Number of Shares	Approximate Percentage of Share Capital
A Shares . . . . .	12,038,903,307	81.89%
H Shares . . . . .	2,662,000,000	18.11
<b>Total</b> . . . . .	14,700,903,307	100.0%

### TRANSFER OF OUR DOMESTIC SHARES FOR LISTING AND TRADING ON THE OVERSEAS STOCK EXCHANGE

According to the stipulations by the State Council securities regulatory authority and our articles of association, our domestic shares may be transferred to overseas investors, and such transferred shares may be listed or traded on an overseas stock exchange provided that the transfer and trading of such transferred shares shall have duly completed any requisite internal approval process and obtained the approval from the relevant PRC regulatory authorities, including the CSRC. In

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addition, such transfer and trading shall in all respect comply with the regulations prescribed by the State Council securities regulatory authority and the regulations, requirements and procedures prescribed by the relevant overseas stock exchange.

If any of our domestic shares are to be transferred to overseas investors and to be traded as H Shares on the Hong Kong Stock Exchange, such transfer and conversion will need to obtain the approval of the relevant PRC regulatory authorities, including the CSRC. The listing of such converted shares on the Hong Kong Stock Exchange will also need to obtain the approval of the Hong Kong Stock Exchange. We have been advised by the Hong Kong Stock Exchange that based on the methodology and procedures for the transfer and conversion of our A Shares into H Shares as disclosed in this section “Transfer of Our Domestic Shares for Listing and Trading on the Overseas Stock Exchange,” we can apply for the listing of all or any portion of our A Shares on the Hong Kong Stock Exchange as H Shares in advance of any proposed transfer to ensure that the transfer process can be completed promptly upon notice to the Hong Kong Stock Exchange and delivery of shares for entry on the H Share register. As any listing of additional shares after our initial listing on the Hong Kong Stock Exchange is ordinarily considered by the Hong Kong Stock Exchange to be a purely administrative matter, the Hong Kong Stock Exchange has advised us that it does not require such prior application for listing at the time of our initial listing in Hong Kong.

No class shareholder voting is required for the listing and trading of the transferred shares on an overseas stock exchange. Any application for listing of the converted shares on the Hong Kong Stock Exchange after our initial listing is subject to prior notification by way of announcement to inform shareholders and the public of any proposed transfer.

After all the requisite approvals have been obtained, the following procedures will need to be completed: the relevant A Shares will be withdrawn from the China Securities Depository and Clearing Corporation Limited and we will re-register such shares on our H Share register maintained in Hong Kong and instruct the Hong Kong share registrar to issue H Share certificates. Registration on our H Share register will be on the conditions that (a) our Hong Kong share registrar lodges with the Hong Kong Stock Exchange a letter confirming the proper entry of the relevant H Shares on the H Share register and the due dispatch of H Share certificates and (b) the admission of the H Shares to trade on the Hong Kong Stock Exchange will comply with the Hong Kong Listing Rules and the General Rules of CCASS and the CCASS Operational Procedures in force from time to time. Until the transferred shares are re-registered on our H Share register, such shares would not be listed as H Shares.

So far as our directors are aware, none of our substantial shareholders propose to convert any of their A Shares into H Shares, except for A Shares to be converted and transferred to the SSF in connection with this Global Offering, as further described under “— Transfer of State-owned Shares” below.

### **RANKING**

A Shares and H Shares are ordinary shares in the share capital of our company. However, unless otherwise approved by relevant authorities, H Shares cannot be subscribed for by or traded between legal or natural persons of China. A shares, on the other hand, can only be subscribed for by, and traded between, legal or natural persons of China or qualified foreign institutional investors or eligible foreign strategic investors, and must be traded in Renminbi. All dividends or distributions declared, paid or made in respect of the A Shares and H Shares after the date of this prospectus will

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rank *pari passu* with each other. All dividends in respect of the H Shares are to be paid by us in Hong Kong dollars whereas all dividends in respect of A shares are to be paid by us in Renminbi.

Our A Shares have been listed on the SHSE since April 9, 2002.

For companies such as us, which will be dual listed on the A share and H share markets upon the listing of our H Shares on Hong Kong Stock Exchange, class meetings and voting may be required for some corporate decisions, which could have an impact on our shareholding structure. Additionally, the market prices of our A Shares and H Shares may be different. See “Risk Factors — Risks Relating to the Global Offering — Characteristics of the A Share and H Share markets may differ.”

Except as described above and in relation to the dispatch of notices and financial reports to shareholders, dispute resolution, registration of shares on different registers of shareholders, the method of share transfer and the appointment of dividend receiving agents, are all provided for in our articles of association and summarized in Appendix X to this prospectus.

### TRANSFER OF STATE-OWNED SHARES

According to relevant PRC government requirements, state-owned shareholders are generally required to sell their shares in an aggregate amount of 10% of the entire offering in any overseas public offering and to remit the sale proceeds to the SSF.

Pursuant to an approval issued by SASAC dated May 17, 2006 entitled “Feedback on Issues Relating to Transfer of State-owned Shares of China Merchants Bank Co., Ltd.,” an approval issued by the SSF dated May 23, 2006 entitled “Letter on Issues Relating to Listing of China Merchant Bank Co., Ltd on the Hong Kong Stock Exchange”, (關於招商銀行股份有限公司到香港上市有關問題的函) and other written documents issued by certain state-owned shareholders, our 71 state-owned shareholders are required to transfer to the SSF, on the date of listing of our H Shares on the Hong Kong Stock Exchange, in proportion to their respective shareholdings out of the total state-owned shareholdings, such number of A Shares as shall be in the aggregate equivalent to 10% of the number of Offer Shares, save that we adopted a transfer method under which China Merchants Steam Navigation, our substantial shareholder, will transfer to the SSF upon the listing of our H Shares an aggregate number of 2,286,476 A shares on behalf of three of our 71 state-owned shareholders, following which China Merchants Steam Navigation shall, pursuant to applicable PRC laws and regulations, obtain from the three state-owned shareholders the equivalent amount of, or the total monetary value of, the abovementioned A Shares transferred (such amount to be agreed between China Merchants Steam Navigation and the relevant state-owned shareholders) in order to compensate it for the value of its A Shares transferred on behalf of the other state-owned shareholders. We have been advised by Jun He Law Offices, our PRC legal counsel, that such arrangement is legal and valid under PRC law. The A Shares transferred to the SSF from the state-owned shareholders will be converted into H Shares on a one-for-one basis upon the listing of our H Shares and will be held by the SSF immediately thereafter. The conversion of these A Shares into H Shares has been approved by the CSRC on August 10, 2006. The SSF will hold a total of 220,000,000 H Shares assuming the Over-allotment Option is not exercised and an additional 22,000,000 H Shares upon the exercise in full of the Over-allotment Option. These H Shares will not constitute any part of the Offer Shares. Neither the state-owned shareholders nor our company will receive any proceeds from the transfer of the shares to the SSF or from any subsequent disposal of such H Shares by the SSF. The transfer of such shares will be at a nil consideration as the transfer is pursuant to relevant PRC government requirements.

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The H Shares to be held by the SSF upon completion of the Global Offering will not be subject to any lock-up arrangements.

### CONVERTIBLE BONDS

Pursuant to the notification issued by the CSRC on September 28, 2004, we were given permission to issue the convertible bonds in a principal amount of RMB6,500 million. The convertible bonds were for a term of five years at an annual interest rate for the 1<sup>st</sup> year at 1.0%, the 2<sup>nd</sup> year at 1.375%, the 3<sup>rd</sup> year at 1.75%, the 4<sup>th</sup> year at 2.125% and the 5<sup>th</sup> year at 2.5%. They are convertible into A Shares of our company during the period from May 10, 2005 to November 10, 2009. The initial conversion price was RMB9.34 per share, subject to adjustment. At the Latest Practicable Date, the conversion price was RMB5.74.

For details regarding the convertible bonds of our company, please refer to Appendix VII headed “Convertible Bonds” to this prospectus.

At August 15, 2006, the aggregate outstanding principal amount of our convertible bonds was approximately RMB37.89 million, and, based on a conversion price of RMB5.74 per share, these bonds are convertible into a total of approximately 6.6 million A Shares.

Immediately following completion of the Global Offering, but assuming no exercise of the Over-allotment Option and full conversion of the outstanding convertible bonds at August 15, 2006 (based on a conversion price of RMB5.74 per share), the share capital of our company would be as follows.

	<u>Number of Shares</u>	<u>Approximate Percentage of Share Capital</u>
A Shares .....	12,067,503,655	83.30%
H Shares .....	<u>2,420,000,000</u>	<u>16.70</u>
<b>Total</b> .....	<u><u>14,487,503,655</u></u>	<u><u>100.0%</u></u>

If the Over-allotment Option is exercised in full and assuming full conversion (based on a conversion price of RMB5.74 per share) of the outstanding convertible bonds at August 15, 2006, the share capital of our company would be as follows.

	<u>Number of Shares</u>	<u>Approximate Percentage of Share Capital</u>
A Shares .....	12,045,503,655	81.90%
H Shares .....	<u>2,662,000,000</u>	<u>18.10</u>
<b>Total</b> .....	<u><u>14,707,503,655</u></u>	<u><u>100.0%</u></u>