

ANNUAL REPORT 2001

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1 FINANCIAL HIGHLIGHTS

1.1 CURRENT YEAR FINANCIAL HIGHLIGHTS

		Expressed in millions of RMB	
		2001	2000
Operating results			
	Pre-tax profit before provisions	24,118	13,918
	Profit before tax	5,191	8,483
	Profit after tax	5,167	7,540
Balance sheet			
	Total assets	2,764,960	2,531,695
	Total liabilities	2,644,805	2,416,845
	Owners' equity	120,155	114,850
Performance indicators			
	Profit before tax / Owners' equity	4.42%	7.39%
	Profit before tax / Total assets	0.20%	0.34%
	Cost to income ratio	56.07%	66.63%
	Non-performing loans ratio	19.35%	20.27%
Capital ratios			
	Tier 1 capital	6.59%	6.71%
	Total capital	6.88%	6.51%

1.2 FIVE-YEAR COMPARISON

Expressed in millions of RMB

	2001	2000	1999	1998	1997
Operating results					
Net interest income	55,325	50,115	51,176	58,846	48,410
Non-interest income	9,024	5,200	4,850	2,117	3,350
Provisions against loans and other assets	18,927	5,435	10,985	20,060	12,047
Profit before tax	5,191	8,483	7,366	1,644	1,118
Profit after tax	5,167	7,540	4,958	1,087	745
Balance sheet					
Total assets	2,764,960	2,531,695	2,201,065	1,923,646	1,681,759
Loans	1,505,906	1,386,386	1,200,945	1,257,943	1,114,782
Total liabilities	2,644,805	2,416,845	2,094,196	1,823,170	1,632,179
Customer accounts	2,265,536	2,010,284	1,764,433	1,551,956	1,326,897
Owners' equity	120,155	114,850	106,869	100,476	49,580
Paid-in capital	85,115	85,115	85,119	85,094	35,922
Reserves	20,867	20,729	16,792	13,184	12,524
Retained earnings	14,173	9,006	4,958	2,198	1,134
Performance indicators					
Profit before tax / Owners' equity	4.42%	7.39%	6.89%	2.19%	2.35%
Profit before tax / Total assets	0.20%	0.34%	0.33%	0.09%	0.07%
Loan to deposit ratio	66.47%	68.96%	68.06%	81.06%	84.01%
Liquidity ratio	23.95%	25.84%	34.05%	38.32%	29.87%
Cost to income ratio	56.07%	66.63%	60.38%	55.07%	63.64%

Note: The liquidity ratio and non-performing loans ratio only account for domestic operations in China and exclude overseas operations. The non-performing loans ratio is calculated in accordance with the five grades credit system.



2 STATEMENT OF THE PRESIDENT

In 2001 the global economy saw deteriorating business environments in many countries and international financial markets remained volatile. In contrast, China's economic growth has shown continued stability and the remarkable economic progress and potential of our country has been demonstrated by the milestone event of China's accession to the WTO, a significant step on the road to opening our country to international markets.

China's accession to the WTO will have a profound effect on the domestic banking industry. The Chinese government recognises the importance of the financial industry to the successful development of the market economy and in February 2002 announced its priorities for financial sector reform at the National Conference on Finance. These reforms are intended to create a fully modern financial sector and strengthen the competitiveness of the domestic financial industry over the period of the tenth five-year plan. In order to implement this government policy, at CCB we have set ourselves the goal of becoming an internationally competitive commercial bank capable of thriving in an open market economy.

The ability of CCB to meet this challenge is, I believe, amply demonstrated by the significant improvements we have already made, which are translating into improved financial performance. In 2001 our operating revenues, in particular our non-interest income, grew significantly while we have kept our cost base flat. The reported net profit before tax was RMB 5,191 million. However, the underlying growth in operating profit was RMB 10,653 million, if the provisions against loans and other assets and the write-offs of non recoverable interest receivable are taken into account.

This growth in profitability is crucial to our planned business development and also our ability to effectively manage the historical legacy of non-performing assets that we have. In 2001 we took the step of increasing provisions against these assets and reported a charge of RMB 18,927 million.

The increased provisions against loans and other assets do not imply any deterioration in our credit portfolio, rather the overall quality of our credit portfolio has improved with the ratio of non-performing loans decreasing to 19.35%, according to the new five grades credit system. This is attributable to restructuring of our credit portfolios, improved recovery procedures and write-offs.

In 2002 we will complete the implementation of the new five grades credit system that complies with the requirements of the PBOC. We intend to use this grading system to further improve our credit risk management processes with the intention of achieving lower levels of non-performing loans in the future.

Underpinning our progress is the dedication and work that all of our staff have put into improving service quality. Our Beijing call centre and Xinjiang branch were recently awarded ISO9001-2000 quality certification and we have also been awarded the Best Banking Service Award by the Hong Kong based *Capital* magazine. We recognise that in our industry quality of service is a key differentiator between CCB and our competitors. We have every intention of continuing these improvements to further enhance our reputation and strengthen our brand.

Improving our management processes and operations is a high priority and I am pleased to report that we have now completed our new broadband network between our major branches.

The investment involving both financial and human resources has been significant but worthwhile. This network forms part of the infrastructure that we need to build effective and centralised management information systems and controls which are crucial to our plans for reform.

Recent events around the world are providing some measure of economic recovery and I therefore expect to see continuing stable economic growth and development this year in China. The reforms being undertaken across the economy under government initiatives will accelerate as state owned enterprises gear up for competition, undergo restructuring and list on various capital markets. This will create a favourable environment in which we can take our reform initiatives forward.

In the next few years, the work required to achieve comprehensive reform and development will be arduous and subject to a challenging timetable. Within five years, we intend to strengthen our competitiveness by improving corporate governance, establishing strong management and operational processes, setting clear business targets and development strategies, and improving asset quality and profitability.

In order to achieve the objectives in our reform plans we have devised a number of strategic initiatives which are already being implemented.

Firstly, we are focusing our business on those areas where we have comparative advantages and can capitalise on our traditional strengths. In particular we intend to focus on medium to long-term lending, project finance, property lending, home mortgage lending, construction project pricing advisory services and financial advisory services, in order to strengthen our

market share. This will be supported by enhanced IT systems providing our customers with clearly differentiated services and products, thereby building our brand value and recognition in the market and consequently increasing our competitiveness.

Secondly, we will ascertain the most appropriate manner in which to transform CCB into a shareholding structure under which the controlling stake is held by the government, improve corporate governance and accelerate reform of our human resources policies and incentive arrangements. At the same time, we plan to rationalise our branch network and workforce, aiming to increase productivity and further improve our cost to income ratio.

Thirdly, we plan to continue strengthening our control environment to prevent and minimise operational risks. We intend to fully implement the five grades credit system and to use it to measure, monitor and manage credit portfolios in line with the best international practice. In the longer term we aim to reduce our non-performing loans ratio to a level appropriate for an international bank. We will strengthen our financial and operational controls and management information systems in order to ensure safeguarding of our assets and compliance with our internal procedures. In addition, we will conduct our business in strict accordance with relevant laws, regulations and our business principles. Underpinning this will be a strong and independent internal audit function whose authority and skills will be enhanced.

Fourthly, we recognise human resources as the foundation of our bank and we intend to develop a corporate culture that emphasises team spirit, innovation and contribution. This will allow our staff's sense of belonging to the bank and our corporate character to grow and develop. We are keen to create an environment where we can attract and retain talented people, train

them, make the best use of their talents and encourage them to achieve their true potential. We aim to be the employer of choice in China's financial sector.

Increased transparency is an essential part of the reform process and I am pleased to note that in these financial statements we have begun moving towards more comprehensive disclosure of our activities and financial results. Increased transparency is essential to effective market discipline and over the coming years we intend to move towards best practice disclosure. This will allow our depositors, stakeholders and the public to understand the risk taking activities and performance of our bank and enable them to make informed investment or business decisions.

Last but not least, I would like to thank all our staff, customers and international friends for their co-operation and support over the past year. We look forward to the challenges of reforming our business and I trust that we will be able to rely on your continued support and confidence as we build a stronger bank with a brighter future.



Zhang Enzhao
President and Chief Executive Officer

3

SENIOR EXECUTIVES AND CHAIRMAN OF THE SUPERVISORY BOARD



Mr. Zhang Enzhao
President and Chief Executive Officer



Mr. Ding Xianjue
Chairman of the Supervisory Board



Ms. Liu Shulan
Deputy President



Mr. Zhao Lin
Chief Auditor



Ms. Song Mi
Deputy President



Mr. Luo Zhefu
Deputy President



Mr. Zheng Zhijie
Deputy President

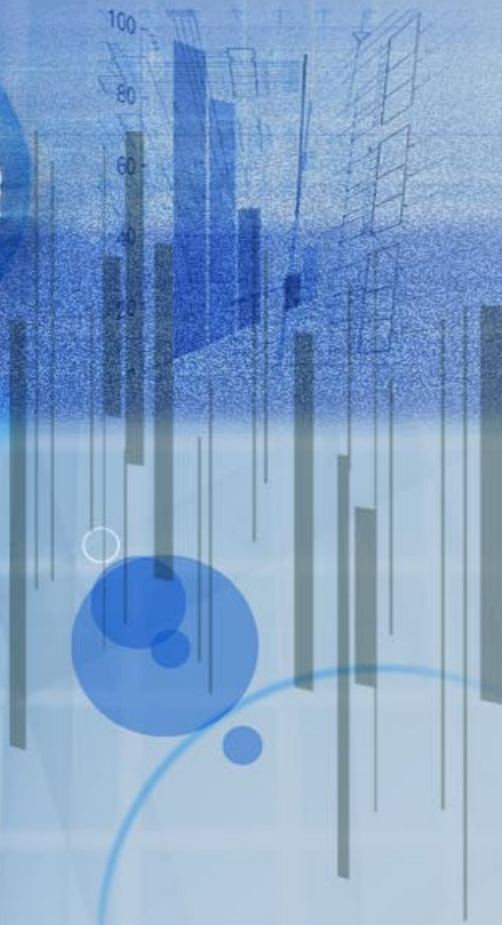


Mr. Chen Zuofu
Assistant President



Mr. Fan Yifei
Assistant President

4 OPERATING REPORT



4.1 FINANCIAL RESULTS

In 2001 CCB's reputation and focus on customer service allowed us to strengthen our market share, grow our core businesses and improve our operating profitability.

However, profit before tax for 2001 decreased to RMB 5,191 million. This is attributable to a significant increase in provisions against loans and other assets which totalled RMB18,927 million. This level of provisions not only expresses our commitment to resolve the legacy of non-performing loans but also acts to strengthen our capital base.

Net interest income increased by 10.4% to RMB 55,325 million due to a rise in interest-earning assets and an increase in the net interest margin. Non-interest income showed tremendous growth of 73.5% to RMB 9,024 million demonstrating how our strategy of growing fee based services and personal banking has been translated into results.

Despite cost pressures and significant investments in IT systems, we contained operating expenses at a similar level to 2000 and have achieved a remarkable improvement in our cost to income ratio to 56.1% from 66.6%.

Asset quality has continued to improve and this is reflected in the reduction of the non-performing loans ratio to 19.35% (measured on the basis of the PBOC's five grades credit system). Our capital adequacy ratio stood at 6.88% at the end of the year.

4.2 BUSINESS PERFORMANCE AND DEVELOPMENTS

Corporate banking

Corporate banking has always been an area of strength for us and remains the largest part of our business. Our key tasks in 2001 were to improve asset quality and profitability while driving healthy, sustainable and stable development through business growth and restructuring of the credit portfolios. We believe our efforts have succeeded. Domestic lending to corporate customers increased by RMB 48,697 million or RMB 78,088 million (7.8%) taking into account debt-for-equity swaps. Even as we grow our business, we are actively restructuring our credit portfolios to ensure that new lending is prioritised to those regions, industries and customers with lower risk and greater potential for us to develop. As a result, 73.2% of the increase in corporate lending in 2001 is attributable to loans to corporates in 60 target cities, while 66.0% of this increase is to 12 identified industries including telecommunications, electronics, urban infrastructure, transportation, power generation, petro-chemical, automobiles, education, pharmaceutical and tourism.

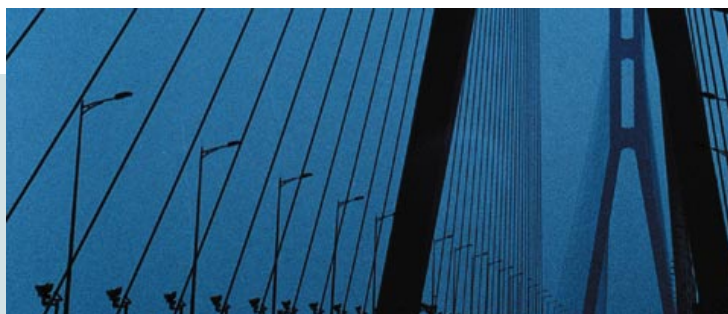
We derive a significant proportion of our corporate banking business from certain select customers whom we consider are important to our further business development. During 2001, we identified 654 "key" clients with significant potential to grow and we have allocated these clients to branches, where each client is provided with a client service team or a client service manager. Satisfaction levels at these clients have increased with this dedication and quality of service. At the same time, we recognise that providing services to multinational clients is a significant growth area for us and we are actively formulating a marketing plan to target the *Fortune 500* companies in China.

Product innovation, improved quality of service and providing added value to clients underpin our ability to sustain growth in our corporate banking business. In 2001 we introduced our electronic banking service "Key Client Service System" for corporate customers. The system is a secure direct-line PC based banking system, which uses the bank's electronic clearing network. This allows our customers to access their and their subsidiaries' bank accounts via their customer terminals to perform real time account enquiry and cash management transactions around the country in a convenient, effective and efficient manner. This service is proving to be popular with corporate customers, especially large corporate groups.

We consider that, with the implementation of the government's development plans for Western China, there

are substantial business opportunities in that region. During 2001, we strengthened our marketing efforts to gain new business from development projects. As a consequence, 30.2% of the increase in corporate lending was attributable to branches located in Western China, 16.1% more than the previous year. New lending facilities have principally been given to infrastructure projects, including Qinghai-Tibet Railroad, Guangxi Longtan Power Station, Tibet Linzhi Airport and the Yellow River Gongbo Gorge Power Station.

In recent years, small to medium sized enterprises ("SME") have also been an important component of China's domestic economic growth. We are keen to provide products and services to support the development of these SME businesses and have set up a specific department to develop new services and credit policies for them. We intend to become a partner to those companies that we consider have good products, technology and management, and the potential to succeed.



Personal banking

In recent years, our personal banking business has been developing rapidly and we are building ourselves a reputation for providing banking services to individuals. Our intention is to become a "financial supermarket" for personal banking customers while maintaining our goals of profitability and growth of our customer base.

> > Personal lending

Our efforts in growing our personal lending business during 2001 have succeeded. Personal loans (including secured loans, consumer loans, education loans, car loans and home refurbishment loans) grew to RMB 17,263 million, an increase of 29.4% over the previous year.

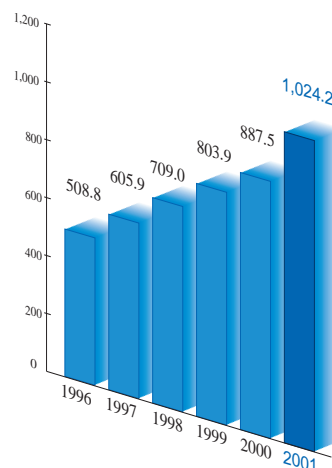
> > Retail deposits

We are making great efforts to grow our business through building good product image and providing excellent service. Our market share in RMB customer deposits increased from 20.2% to 20.5% in 2001. In total, retail deposits increased to RMB 1,074,238 million at the end of the year, an increase of RMB 148,782 million.

In 2001 the mix of these deposits has also changed given the rise in term deposits, and consequently the proportion of term deposits out of total new retail deposits has increased from 25.0% to 48.4%.

Retail RMB deposits

In billions of RMB

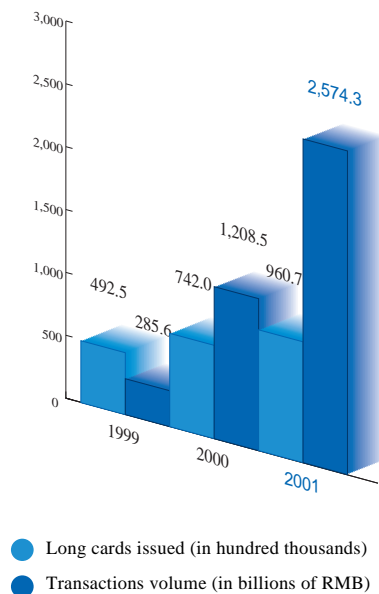


> > Card business

The Long ("dragon") card is at the heart of our personal banking product portfolio and developing it as a strong brand is a key part of our future plans. We intend to build on this brand to enhance our competitive advantage and improve the cross selling of other personal banking products.

The growth of our card business in 2001 has been impressive. We have issued over 96 million Long Visa and Master cards by the end of the year (2000: 74 million) and we are the market leader in China. The volume of Long card transactions continues to grow rapidly as acceptance of this form of payment spreads across the country. In 2001 the total monetary amount transacted was RMB 2,574,300 million, an increase of 113.0%.

Long cards issued and transactions volume



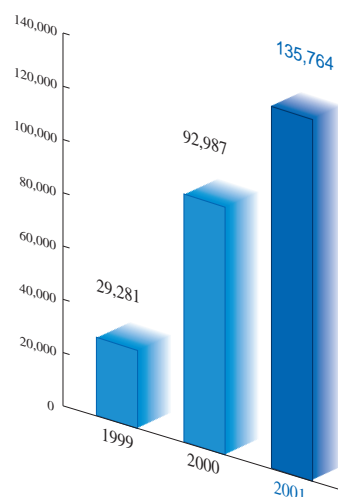
> > New products and services

At CCB we are committed to continuous innovation and improvements to our products, services and to the distribution channels through which we offer them to our customers.

In August 2001 we launched our new electronic remittance ("Swift Remit") which enables our customers to remit their funds to recipients at any of our branches in China within 24 hours, even on public holidays. The positive customer response to this service commitment is demonstrated by a significant rise in remittances transactions. In 2001, the total number of these transactions was 7.64 million and the total monetary amount of remittances was RMB 135,764 million, an increase of 128.6% and 46.1% respectively compared with the previous year.

Electronic remittances transactions volume

In millions of RMB



In order to make it easier for our customers to manage their bank accounts, during 2001 we added enhancements to our internet banking service launched in 2000. The service, which now covers 26 provinces and 150 cities

in the country, allows users to conduct account enquiries, conduct payments and fund transfers (including to securities companies) and foreign exchange transactions. We have over 100,000 regular internet bank users, including both retail and corporate customers and by the end of the year the volume of transactions reached RMB 11,775 million, a significant increase over the last year.

To improve our customers' access to their money 24 hours a day, 7 days a week, we are continually growing our ATM network and we now have 7,291 ATMs across the country. In addition we made 24 hours a day ATM access available in various branches and operating outlets. Usage of our ATMs continues to grow rapidly and for example there were cash withdrawal transactions amounting to RMB 82,508 million in 2001.

We also extended the range of services that the ATMs offer and have increased the number of our self-service banks. In 2001 we set up an additional 13 self-service banks bringing the total number in service to 66. Customers can undertake a range of banking transactions through ATMs, Cash Deposit Machines, Foreign Exchange Machines and Multi-media Information Search Machines.

> > Call centre

At CCB we recognise that it is important for our customers to be able to contact us with enquiries and complaints. The "95533" call centre (the telephone number of CCB's Customer Service Centre) has been enhanced and is now available across most of the country 24 hours a day. The customer service centre has gained a good reputation for handling customer enquiries in a timely and effective manner. In 2001 we received over 6 million calls from our customers including enquiries, complaints and suggestions. We use the information gathered from these calls to provide feedback to enable us to constantly improve our services to customers.

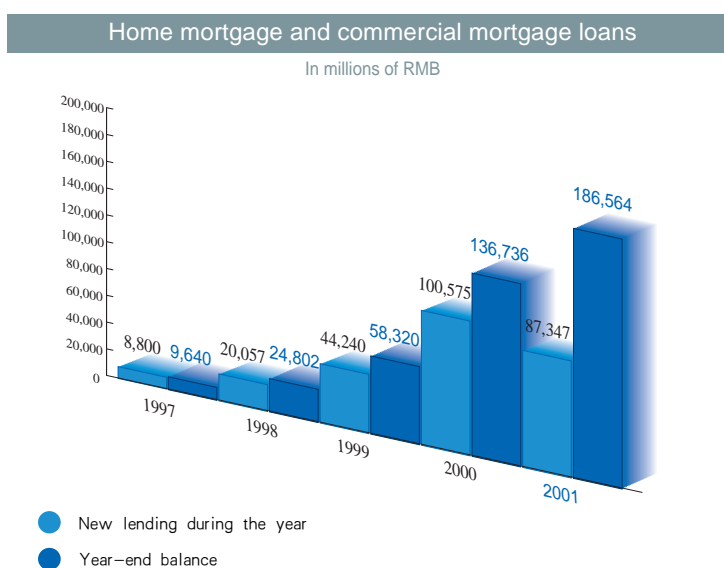


Real estate finance

CCB has always been known for its property lending business, we are the market leader in China and intend to continue our focus on these activities. Since 1985 we have provided housing loans to more than 4 million individuals and families helping each of them to achieve their dream of owning their own home. In addition, we provide commercial property loans and property development loans across the country. At the end of the year, property lending (excluding entrusted housing loans) amounted to RMB 376,717 million, following an increase of RMB 64,284 million or 20.6% during the year, and accounted for 25.0% (2000: 22.5%) of our domestic loan portfolio.

> > Home mortgage loans

Home mortgage lending is one of the most rapidly growing parts of our business, and our portfolio had grown to RMB 171,082 million by the end of the year. In 2001 we provided RMB 77,687 million new home mortgage loans while the overall increase in the portfolio (after redemptions) for the year was RMB 43,906 million or 34.5%.



We recognise that market share and rapid growth are not the only issues in this business and that keeping the level of non-performing loans to a minimum is crucial to our profitability. To achieve this, we refined our lending strategies and have given priority to branches in 11 better developed regions and 60 major cities. As a result, approximately 65.1% of new home mortgage loans made during the year was attributable to these 11 target regions, while 84.4% was attributable to the 60 target cities.

> > Commercial mortgage loans

We started making commercial mortgage loans to individuals in 2000 and have experienced rapid growth of this product. In 2001 we provided new loans of RMB 9,659 million or 11.1% of total new mortgage lending. At the end of the year, total commercial mortgage lending to individuals was RMB 15,482 million, representing 8.3% of total mortgage lending.

> > Entrusted housing fund deposits and residential property lending

In 2001, despite strong competition from other domestic banks, we were able to maintain our market leadership position in entrusted housing fund deposits and entrusted residential property lending businesses. At the end of the year, total entrusted residential property loans were RMB 105,321 million, an increase of RMB 12,154 million or 13.1% over the previous year. Correspondingly, total entrusted housing fund deposits increased by RMB 24,301 million or 11.6% to RMB 234,450 million.

The majority of these entrusted deposits and loans are related to the individual home ownership scheme which was introduced by the government of China in 1992 to encourage home ownership. Under the scheme, a portion of an individual's income is deducted at source and placed in housing funds together with their employers' contribution. The Provident Fund Centre then channels these funds through banks (acting as agents) to provide finance to individuals for home mortgages. At the end of the year total provident fund deposits amounted to RMB 64,921 million, an increase of RMB 16,418 million or 33.9% over the previous year and accounted for a 55% market share. In addition, the total amount of entrusted home mortgage loans was RMB 59,799 million, an increase of RMB 17,444 million or 41.2% over the previous year, accounting for a 74% market share.

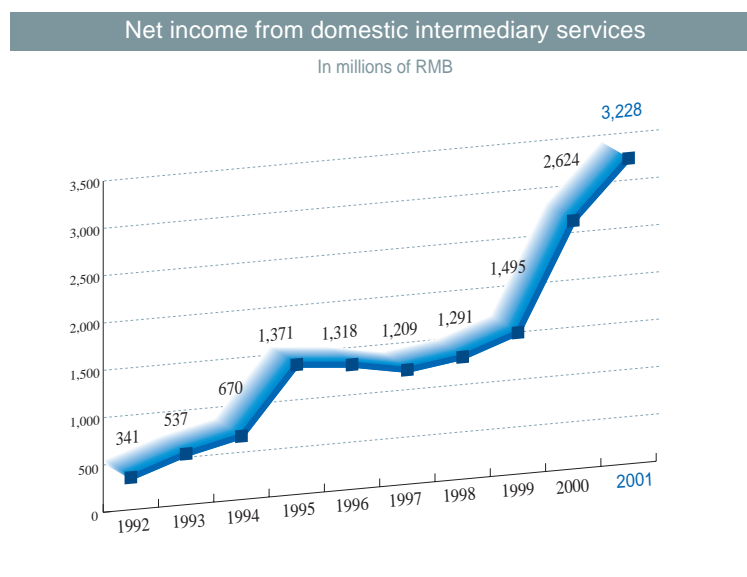
> > Lending to property developers and construction companies

China is undergoing a period of rapid growth in the property sector and the continuing growth in our commercial property loans portfolio reflects our strong market share of this business. At the end of 2001 total loans outstanding to the construction and real estate industry were RMB 190,153 million, a rise of RMB 13,027 million compared to the previous year. Growth in the portfolio has not been our only target and in addition we refined credit policies and gave priority, in granting new loans, to those customers that we consider are low credit risks and whose locations are in our target regions and cities.



Intermediary services

In addition to our more traditional lending businesses, we are also growing our fees and commissions based intermediary services. Over the past three years we have averaged an 18% growth rate per annum in revenue from intermediary services and in 2001 the bank's total net fee income and net foreign exchange gains arising from intermediary business amounted to RMB 3,314 million, 23.9% higher than the previous year.



> > Fund transfers and settlements

We continue to offer various new products and seek to improve our quality of settlement and fund clearing services to our customers through our sophisticated network and diverse fund clearing channels. As a result, the transactions volume of settlement and fund clearing in both RMB and foreign currency increased significantly, leading to a remarkable growth in fee and commission income.

We have launched a service to act as an agent to issue bank drafts on behalf of a number of small and medium sized banks. At the end of the year, CCB was the agent for 43 banks and this service is available in 341 CCB operating outlets. The total number of bank drafts issued in this manner by CCB during 2001 was 47,000 amounting to RMB 9,800 million.

During 2001 we cleared funds amounting to RMB 16,400 million for the project management division of the Ministry of Railways and we are the fund clearing agent for the Qinghai-Tibet railroad construction project. We also signed a settlement agent business agreement for China Sports Lottery with the Sports Lottery

Centre of the State General Administration of Sports to clear lottery receipts (RMB 15,090 million in 2001) collected around the country.

> > Agency business for the government and other entities

We undertake a considerable amount of fund transfer and agency business for the government and this business has been growing significantly. In 2001, we provided funds transfer and disbursement services for the Three Gorges Dam Resettlement Program (amounting to RMB 6,436 million) ensuring that proper and timely payments were made. In addition, we successfully bid for the business to act as the centralised payment agent for State Treasury funds and also to act as the payment agent for disbursements to army officers who have completed their periods of service.

We strengthened our co-operation with the State Development Bank and the Export-Import Bank of China. During 2001 we provided entrusted loans of RMB 23,051 million for these two policy banks, an increase of 15.1% over the previous year.

In 2001 new entrusted loans that we provided on behalf of the government and other entities increased by RMB 8,599 million, of which entrusted loans of RMB 3,411 million were attributable to multinational companies. Commission income from this business amounted to RMB 17.8 million, an increase of RMB 16 million over the previous year.

> > Agency business for insurance companies

We started in 1997 to offer our customers general and life insurance policies, written by insurance companies, through our branches. In 2001, we signed two additional business cooperation agreements, bringing the total to ten, with China Pacific Insurance Co., Ltd. and the People's Insurance Company of China, increasing the choice of insurance company available to our customers.

Over 10,000 CCB employees are now qualified insurance agents in over 5,000 of our offices. In 2001, premiums of over RMB 10,000 million were collected, a 71.2% increase over the previous year, which resulted in commission fees of over RMB 141 million, a 74.8% increase over the previous year.

> > Fund custody services

2001 saw significant developments in our services to investment funds. We now provide custodial and other services for ten closed-ended and one open-ended securities investment funds. In total, these funds have 17,700 million units, a 54% increase over the previous year, and accounted for 22% of the total securities investment funds in China. Income from these services rose to RMB 38.43 million in 2001. Our integrated custody service system has been enhanced during the year to allow more efficient automated processing.

During 2001 CCB was the first bank to gain a business license to provide custodial and other services to investment funds and venture capital funds. We recently started providing these services to investment funds whose assets amount to RMB 6,000 million.

> > Services to securities companies

The capital markets in China continue to develop fast and we are positioning ourselves to ensure that we are a leading provider of services to the securities industry as well as providing products and services to investors.

The range of services we offer has grown from funds clearing to encompass a comprehensive set of services, which include the provision of money market facilities, credit facilities (including stock hypothecated loans) and custodial services for investors' deposits. The stock collateralised lending business has been growing rapidly and we now provide these credit facilities to nine securities companies and are the market leader. Total stock collateralised lending granted during 2001 amounted to RMB 3,084 million. Funds clearing continues to grow and we have signed clearing agreements with more than 120 securities companies. In addition, over half of these securities companies (which have registered capital exceeding RMB 500 million) have selected CCB as the custodian bank for client money accounts. During 2001 we also signed an agreement for funds clearing with three commodities futures exchanges, becoming their designated clearing bank.

In 2001 we continued to develop our settlement services for securities companies. We now offer A-share transactions settlements directly between securities companies' bank accounts and investors' client money accounts in 37 provincial branches. This service is also available in Zhejiang and Xiamen for B-shares trading. In addition, approximately 20 branches can now settle A-share transactions directly between investors' bank accounts and the securities companies' bank accounts, Shanghai Branch also launched this service for B-shares trading.

We have launched a new securities system ("China Construction Bank Securities Services" or "CCBSS") handling securities trading and registration. This system utilises the extensive electronic network within the bank and can be accessed throughout the branch network. In late November to mid December of 2001

we used this system to handle the agency sales of the ChinaAMC Growth Fund (the third open-ended fund in China). The launch of this product was very successful with sales of RMB 1,600 million through more than 1,000 operating outlets.

> > Pricing advisory services

Drawing on considerable experience in the construction industry and using a team of qualified professional staff, we are the only domestic commercial bank which is allowed to provide pricing advisory services on construction projects. In 2001, we signed an agreement with China Galaxy Securities Co., Ltd. to provide them with pricing advisory services on construction projects and we successfully completed 107 pricing advisory engagements for China Netcom. The total business volume by value of construction projects amounted to RMB 238,169 million resulting in net consulting fees of RMB 165 million.

> > Financial advisory services

Our customers are constantly demanding more of us as their businesses grow and develop. We are well positioned to provide them financial advisory services on, for example, the issue of securities, structured finance and asset management. In 2001 we acted as the joint financial advisor for a joint venture between China National Offshore Oil Corporation and British Petroleum to obtain project finance for their Liquefied Natural Gas project in Guangdong.



International business

> > Cross border finance

Despite a general downturn in the global economy and reduced domestic consumer demand in 2001, we managed to maintain a leading position in foreign currency lending to domestic entities, completing cross border financing deals of US\$ 319 million. We arranged a structured aircraft lease of US\$ 80.58 million for Shanghai Airlines' purchase of a Boeing aircraft, the first deal of its kind in China which provides a significantly lower financing cost for our customer.

We are also actively helping our customers to restructure their foreign currency debts to reduce interest expenses. For example, we achieved interest cost reductions of US\$ 3 million on a loan of JP ¥3,200 million for Maoming Petro-Chemical Co., Ltd.

> > Overseas branches

While we are continuing to expand overseas operations, we are committed to serving our customers overseas to the same standards as we do in China. In addition to the branches we have in Hong Kong, Singapore, Frankfurt and Johannesburg, we will upgrade our representative office in Tokyo to full branch status in 2002. In addition, our application to upgrade our representative office in Seoul to branch status has been approved by the PBOC. We have two other representative offices in New York and London.

2001 saw two major developments of our operations in Hong Kong. In order to strengthen our commercial banking operations there, we signed a purchase agreement to acquire the remaining 30% shareholding of Jian Sing Bank Limited, making it our wholly owned subsidiary. This acquisition was completed on 22 February 2002. In addition, after one year's preparation, our foreign exchange dealing operations were moved from Beijing to our Hong Kong branch.

The total assets and profits before tax of the four branches have shown strong growth from 2000.

(Expressed in millions of US\$)

Branch	Total assets	Growth over the	Profit before tax	Growth over the
	2001	last year (%)	2001	last year (%)
Hong Kong	2,942	22	18	51
Singapore	290	3	3	76
Frankfurt	210	62	0.2	—
Johannesburg	77	—	0.8	—

Note: CCB's Johannesburg branch commenced business in October 2000.

> > Correspondent banking

Our correspondent banking network has continued to expand. As at the end of the year, CCB had 619 correspondent banks (2000 : 591) in about 80 countries and regions. These include most of the major international banks as well as banks in those countries which are China's major trading partners. On the back of this we have seen strong growth in related businesses. In addition to more traditional products (such as foreign currency clearing, international settlement and foreign currency money market transactions), we are granting RMB loans against standby letters of credit, accepting branch capital deposits from foreign banks in China, lending in RMB to foreign branch banks with terms over 4 months, and providing clearing services between different cities in China for them. In 2001, we granted RMB loans against standby letters of credit of RMB 7,900 million and RMB loans to foreign branch banks of RMB 3,900 million.

Treasury business

2001 saw some important developments in our treasury business. The growing commercial surplus from our fast growing deposit base, both in RMB and foreign currency, needs to be deployed to the maximum advantage of the bank within our risk parameters.

> > RMB business

In 2001 our RMB commercial surplus continued to grow and the pressure to deploy these funds effectively has increased. We have used a variety of financial products to maximise return on these deployed funds, including money market transactions, reverse repos, and investments in government and other bond markets. One measure of the effectiveness of our deployment of these funds has been a 1.5% reduction, over the previous year of the excess over the PBOC's deposit reserve ratio requirement (for the 5 day moving average ratio), taking this ratio to its lowest level in recent years.

We play an active role in the underwriting and distribution of government bonds. In 2001 we underwrote RMB 67,294 million of government and quasi government bond issues, which accounted for a 14% market share, making us the market leader. Investment income from bonds amounted to RMB 15,009 million for 2001 and commission fees for bond underwriting amounted to RMB 211 million. At the end of the year we had investment of RMB 596,130 million in bonds, accounting for 21.6% of the bank's total assets.

In 2001, we made placements of RMB 65,100 million in the money market. The securities repurchase and reverse repurchase markets have grown very rapidly and we are now using reverse repo transactions as our major method for deploying surplus funds in the short term. The volume of these transactions has seen significant growth in 2001 to RMB 365,600 million, an increase of RMB 275,500 million or 306% over the previous year.

In 2001 we gained the PBOC's approval to be a market maker in the interbank bond market. As a result, the transactions volumes for bonds have increased to RMB 3,630 million, an increase of 143.2% over the previous year. These operations are subject to the PBOC's rules and we have set up strict compliance procedures to ensure that the risk is managed effectively.

We see continued business growth with other financial institutions and are actively building relationships with other domestic banks to further this growth. We signed co-operation agreements with Fujian Industrial Bank and Huaxia Bank and have also signed agreements for funds clearing and settlements with more than 100 domestic commercial banks. The needs of the interbank market are developing and in response we have

offered a series of new products including RMB clearing, bills discounting, bills purchasing and money market transactions.

> > Foreign currency business

We are active participants in international financial markets. During the year we moved our foreign exchange dealing operations to Hong Kong, where we are seeking to gain experience from market participants to develop our own operations. At the end of the year, our holdings of foreign currency denominated bonds were US\$ 3,158 million, an increase of 89.2% over the previous year. The volume of foreign currency money market transactions during the year amounted to US\$ 152,976 million and we had foreign currency money market placements of US\$ 5,619 million at the end of the year.

During 2001, our foreign currency exchange business and trade related foreign currency exchange and settlement for customers has been rapidly growing. These services are now available to corporates in 37 provinces' branches and are also available to individual customers in 18 provinces. We can conduct this business in 12 major international currencies, including US dollar, Euro, Hong Kong dollar and Japanese Yen. The transactions volumes for foreign currency exchange and trade related foreign currency exchange and settlement were US\$ 10,866 million and US\$ 30,816 million respectively, an increase of 61.1% and 9.6% respectively over the previous year.

The increasingly sophisticated needs of our customers are creating demand for more complex financial instruments and we are actively developing and marketing these products to customers for their risk management requirements. During 2001 we increased our marketing efforts to offer tailor-made financial instruments (including options, forwards and swaps) to help them manage interest rate risk and foreign exchange risk. During 2001, we entered into financial instrument contracts (including interest rate swaps, currency swaps and foreign currency option linked deposits) with a nominal value of US\$ 880 million.

China International Capital Corporation Limited

China International Capital Corporation Limited ("CICC") is the first Sino-foreign joint venture investment bank in China, with a registered capital of US\$100 million in which we have a shareholding of 43.35%. Headquartered in Beijing, CICC has branches in Hong Kong and Shanghai.

CICC's objective is to be a leading international investment bank focusing on China. Using a combination of in depth knowledge of China and the Chinese economy and experience from international capital markets, CICC has been actively involved in helping large and medium sized state-owned enterprises raise capital in domestic and overseas markets. CICC's major business include investment banking, proprietary and agency trading of equity and debt, economic analysis as well as sector and corporate research.

In 2001 CICC completed the following major projects:

Equity finance projects

- CICC acted as the lead underwriter and sponsor in Sinopec's A-share IPO of RMB 11,816 million in July 2001, the largest ever domestic equity issue.
- CICC acted as the joint global coordinator, joint bookrunner, joint lead manager and joint sponsor for Chalco (Aluminium Corporation of China Ltd.)'s H-share IPO dual listings in Hong Kong and New York of US\$ 486 million in December 2001.

Debt finance projects

- China Mobile's corporate bond issue of RMB 5,000 million in June 2001, the largest corporate bond issue in China.

Merger and acquisition transactions

- CICC acted as the joint financial advisor in 2001 for the following projects:
 - COFCO International Ltd.'s acquisition of COFCO Oils & Fats Holdings Ltd., COFCO Wines and Spirits Holdings Ltd., and COFCO (BVI) No. 36 Ltd. from the COFCO Group;
 - Sinopec's acquisition of China National Star Petroleum Corp. from its parent;
 - Alcatel's acquisition of Shanghai Bell's controlling stake and establishment of Shanghai Bell-Alcatel Inc.; and
 - Emerson's acquisition of Avansys Power from Huawei Technologies Co.
- CICC acted as the financial advisor in Baoshan Iron and Steel Inc.'s acquisition of phase III assets from its parent.

Information technology

The rapid development of information technology systems is a key driver in international banking markets. In 2001 we fully integrated all the IT systems of the bank and certain branches (for example Shanghai and Shenzhen branches) and have completed a system upgrade process.

The key development for 2001 was to build a unified broadband network linking the head office with 38 province or major city level branches and 318 municipal branches. To achieve this we had to consolidate the different existing networks equipment, standardise the IP addresses, technical standards and security protocols. Connecting these branches was no small achievement and now data, voice, and video can be transmitted. We can for example have video conferences between the head office and provincial branches across the country. We are continuing this process to ensure that all our 20,000 operating outlets are connected into this broadband network in the near future.

This broadband network sets the foundation for the future IT development of our bank. Without such a network we would not have been able to offer products such as ATMs, electronic remittances and internet banking. During the year we joined the ATM network alliance established by the PBOC. As a result, Long card users can conduct transactions in other banks' ATMs across the country.

System security is always a high priority at CCB. We have established a comprehensive and strict network security management mechanism against unauthorised access (including data encryption, authentication and access control) and have implemented comprehensive anti-virus systems.

The growth rate that we are experiencing in our new products is leading to ever increasing transactions volumes and we are constantly up-grading our capacity to ensure that service integrity is maintained. We are also revamping our teller systems across the country, improving efficiency and customer service standards.

Over the next few years we plan to make significant changes in our data processing, improve our MIS systems and develop data warehousing to enable customer relationship management systems to be established. In 2001 we invested over RMB 3,000 million in new IT systems and infrastructure. Our future plans in technology investment are equally ambitious, as we recognise that this IT investment is a prerequisite to improve our services, our management processes and create value for the bank.

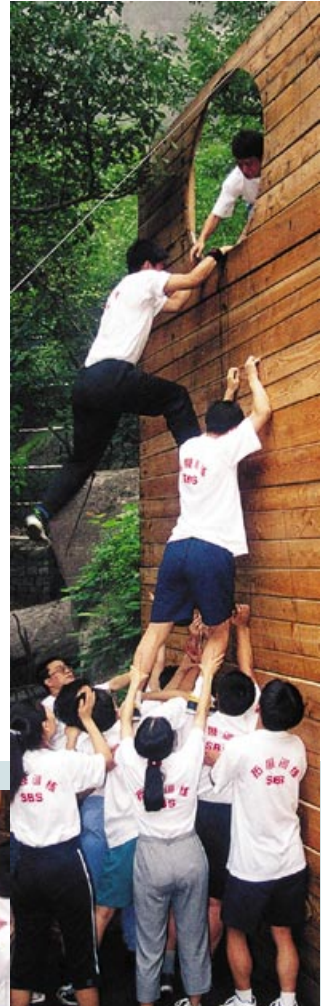
Human resources management

At CCB we currently have approximately 316,000 full-time employees and we recognise that they are the key assets that we have. All of our investments in new technology and new products will only be worthwhile if our people are trained to add value using the tools that we provide them. To say that we are becoming passionate about helping our staff reach their full potential would not be an overstatement. Men and women are given equal opportunities at all levels in our bank and now over 40% of our staff are women.

In co-operation with several of the top universities in the country we are training our staff in topics as diverse as credit risk management, quality service standards, international finance and accounting. We have also selected a few managers with excellent performance to take part in the Master's Program on Modern Enterprise Management conducted by Guanghua School of Management, Peking University and the MBA program conducted by Tsinghua University.

We have arranged outward bound training programs to provide staff with opportunities to cultivate their potential and communicate with each other with a view to building up team spirit.

We recognise the importance of effective communication among employees. CCB has established an intranet website and published "CCB newsletter" which combines work-related issues and information with more general and topical articles. These, together with traditional methods of communication, such as team meetings, briefings and internal communications, aim to ensure that employees are fully informed of news and developments of interest to them.



Community involvement

We support a variety of community activities primarily in education and to people who have shown courageous behaviour in helping others. In 1996 our employees donated RMB 30 million to set up a charity called "CCB Caring Foundation". This foundation has so far donated over RMB 19 million to various charitable organisations.

In 2001 total donations amounted to RMB 3.5 million, out of which RMB 500,000 was given to China Youth Development Foundation, which built a CCB Hope Primary School, bringing the total number of those schools to 17, installed a multi-media classroom in another Hope Primary school and installed distance learning equipment and computers in 7 other Hope Primary schools. China Foundation of Courageous Behaviour, which rewards people in China who have shown brave and exemplary behaviour in particular incidents, received donations of RMB 500,000. To support further education, RMB 2 million was given in grants to over 1,400 university students in 86 tertiary education institutions, who come from poor backgrounds. Following last winter's snowstorms, RMB 500,000 was given to China Charity Federation to help residents in the Inner Mongolia Autonomous Region whose homes were destroyed during the past harsh winter to rebuild their homes.

In July 2001, our Xinjiang Branch organised an event called "Pamirs Century Trip" inviting eight primary school students from the CCB Hope Dabuda'er primary school located in the Pamirs Plateau, which is the highest altitude CCB Hope school, to visit the city of Urumqi for one week.

5 FINANCIAL REVIEW

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5.1 PROFIT AND LOSS

Pre-tax profit for 2001 was RMB 5,191 million after provisions against loans and other assets and write-offs of interest receivable (booked against interest income). The pre-tax profit excluding these provisions and write-offs increased by RMB 10,653 million over the previous year. The significant growth in operating profit is the result of a combination of organic growth of our businesses, effective control on operating costs, higher interest margins and lower business tax.

Net interest income

Net interest income increased to RMB 55,325 million. This increase in net interest income was achieved in an environment of decreasing market interest rates and reflects a rise in average interest-earning assets and a better portfolio mix of assets and liabilities. Average interest-earning assets rose by RMB 287,100 million or 13.2% to RMB 2,456,000 million driven by strong growth in loans and increased government bond investments. The net interest margin increased by 0.17% to 2.48%.

Non-interest income

A key strategic focus of CCB has been to grow non-interest based business. Non-interest income has grown significantly this year to RMB 9,024 million. New products and services from the intermediary division have been a key driver of this growth and the net fee based income, including net fees and commissions income and net foreign exchange gains, increased by RMB 638 million or 23.9% to RMB 3,314 million. Investment income increased by RMB 853 million or 211.1% given an enlarged portfolio of debt-for-equity swaps which increased by RMB 33,663 million following a transfer from loans.

Provisions

Provisions against loans and other assets increased from RMB 5,435 million to RMB 18,927 million reflecting our commitment to resolve the historical legacy of non-performing assets.

However, this increased level of provisions is not an indication of any deterioration in our assets quality. To the contrary, the bank has managed to improve asset quality and reduce the non-performing loans ratio from 20.27% in 2000 to 19.35% in 2001 (based on the PBOC's five grades credit system). This improved asset quality is a result of new loans with better credit quality, non-performing loans write-offs and improved bad debt recovery procedures. We intend to improve our credit risk management processes in order to more effectively manage the historical legacy of non-performing loans, enabling us to make more informed decisions on the recoverability of non-performing loans and consequently on the provision levels against these assets.

The provisions against loans and other assets (including loans, placements with financial institutions and investments) were RMB 22,976 million as at the end of the year, an increase of RMB 11,616 million or 102.3%, over the previous year. The year-end provisions covered approximately 1% of total risk assets.

Operating expenses

We have continued to exercise tight control on operating costs and have achieved a slight reduction in operating expenses due to more efficient use of resources. Given the rapid growth of our business and the very significant level of IT investment this is a remarkable achievement.

In 2001 the bank's total operating expenses were RMB 27,455 million, a reduction of RMB 20 million from the previous year. We have streamlined our workforce following the restructuring of retail outlets. Despite a reduction in headcount, CCB staff now have more incentive elements in their remuneration packages and this gave rise to a modest increase of RMB 812 million or 8.3% in staff costs. The increase in staff costs was more than off-set by a reduction in other expenses amounting to RMB 832 million.

5.2 BALANCE SHEET

Assets

Total assets of the bank increased by RMB 233,265 million or 9.2% to RMB 2,764,960 million, of which loans to customers increased by RMB 119,520 million or 8.6% and investments by RMB 75,958 million or 12.6%. The main drivers for the growth in loans to customers are from property lending, accounting for an increase of RMB 64,284 million (including residential mortgages which increased by RMB 43,906 million or 34.5% and commercial mortgages and other property lending which increased by RMB 20,378 million or 11.0%). In addition, corporate lending managed to achieve a modest growth of RMB 51,382 million (4.9%) or RMB 80,773 million (7.6%) if the effect of the debt-for-equity swaps is taken into account.

Government bond investments increased by RMB 20,132 million, mainly as a result of the deployment of the commercial surplus which has grown due to increasing customer deposits.

Customer accounts

Customer accounts grew by RMB 255,252 million or 12.7%. We have been attracting new personal customers and as a result, deposits from personal customers increased at a faster rate, by RMB 148,782 million or 16.1%. Deposits from corporate customers also had a strong growth of RMB 106,470 million or 9.8%. The maturity mix of deposits has improved and current and savings accounts now represent just over half of the total deposits.

6 RISK MANAGEMENT OVERVIEW

CCB manages a variety of risks in the ordinary course of business. These risks are identified, measured and monitored through various control mechanisms across the bank. The overall responsibility of managing risks lies with the "Asset and Liability Management Committee" (ALMC) and the "Risk Management & Internal Control Committee" (RMICC) which are comprised of senior management. The committees are responsible for analysing and monitoring risks in their respective areas, determining long-term business strategy, the markets in which the bank will operate and the level of risk acceptable for each business area.

The ALMC is responsible for overall strategic planning, assets and liabilities management, product pricing management, credit policy management and decision making on significant financial matters.

The RMICC is primarily responsible for organising, co-ordinating and making decisions on risk management and internal control. There are two sub-committees under the RMICC: the Office of Risk Management & Internal Control Committee (O-RMICC) and the Credit Examination & Approval Office of Risk Management and Internal Control Committee (CEAO-RMICC). As the operational office of RMICC, the O-RMICC prepares risk management policies and procedures, sets out standards for risk assessment and risk management and sets authorisation limits across the bank. The CEAO-RMICC is responsible for overseeing the independent credit approvals process and approving credits above the authorised limits of individual branches.

6.1 CREDIT RISK MANAGEMENT

Credit risk is the risk that a customer or counter party will be unable or unwilling to meet their contractual obligations or commitments entered into with CCB, which may result in a financial loss to the bank. It arises from the extension of credit in all forms, including lending, trade finance and other activities undertaken by CCB. CCB focuses on improving standards, policies and procedures to control and monitor all such risks. There are three departments: credit operation, credit approval and credit administration, which work together but are independent of each other to ensure that risk control and segregation of duties are fully effective.

Loan portfolios

Loans to customers are spread across various industrial sectors, as well as various regions within the country.

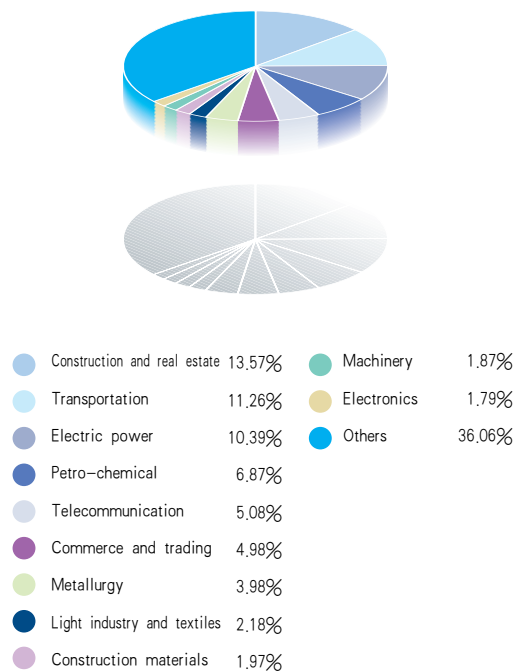
Loans to customers grew by 8.6% (RMB 119,520 million) during 2001. Within this growth corporate and property lending are the main drivers. Corporate lending grew by 4.9% (RMB 51,382 million) and property lending grew by 20.6% (RMB 64,284 million) in which the residential mortgages component increased by 34.5% or RMB 43,906 million.

Loan quality

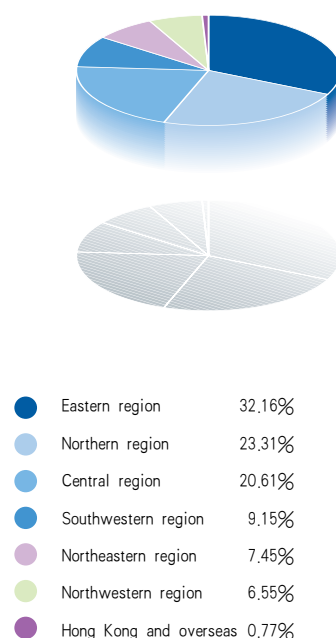
The quality of the loan portfolios has further improved this year, and this can be attributed to our efforts in strengthening the loan approval process, enhancing credit risk monitoring as well as improved recovery on non-performing loans. In accordance with the PBOC's requirements, CCB started piloting the implementation of the new five grades credit system in 1998 and began full implementation in 1999. At the end of 2001, our total non-performing loan ratio stood at 19.35% (2000: 20.27%) based on this five grades credit system. The non-performing asset level of newly granted loans was controlled below 1%.

During the year there were no further loan transfers to Cinda Asset Management Company ("Cinda").

Analysis of loans by industry sector for 2001



Analysis of loans by geographical location for 2001



Special assets resolution

Loans to customers are transferred to a separate department, the Special Assets Resolution Department as soon as they are classified as doubtful or loss under the previous credit grade system (or grades 4 & 5 according to the new five grades credit system). Using a separate department to manage the recovery of these non-performing assets has allowed us to build up considerable experience and expertise, and consequently recovery rates have improved. During 2001 the department dealt with non-performing assets of RMB 62,300 million, resulting in recoveries of RMB 32,800 million (of which cash received accounted for RMB 25,900 million), restructured problem loans of RMB 10,500 million and disposals of RMB 12,200 million of foreclosed assets. In addition assets of RMB 6,840 million were written off during the year.

Going forward, we are aiming to further improve our recovery, liquidation and management of non-performing loans. We continually look for innovative methods to resolve non-performing assets and maintain close contact with international investment banks as well as Cinda and China International Capital Corporation Limited in our disposal process.

6.2 MARKET RISK MANAGEMENT

Market risk is the risk that the movements in interest rates, foreign exchange rates or equity and commodity prices will result in profits or losses. Market risk arises on financial instruments which are valued at current market prices (mark to market) as well as those that are valued at cost plus accrued interest (accrual basis).

CCB operates in an environment where RMB interest rates for both deposits and loans, are set by the PBOC. Individual banks are only allowed to undertake business within a limited spread of these set rates. In addition, the foreign exchange rates of RMB are also set by the PBOC and again CCB is only able to quote for business within a limited spread of these rates.

Within this context, CCB is actively involved in foreign exchange market, money market and bond market and is also a market maker for government bonds in the secondary market. Using economic analysis of trends at macro-economic levels and movements in RMB exchange rates, as well as our assessment of the bank's liquidity requirements, we have adjusted the maturity structure of our investment portfolios and money market books to reduce exposure to interest rate risks.

Foreign currency trading and investing activities require further analysis of global economic trends and prediction of foreign exchange rate movements. We seek to adjust our maturity profiles to ensure that the best returns are earned for the minimum risk involved. Last year as global economic conditions deteriorated, we expanded our foreign currency bonds investment portfolio, seeking to reduce the risks in a declining interest rate environment.

We have a strict authorisation limit structure in place to monitor and control these risks. The limits include for example, daily and overnight position limits, maximum exposure holding periods, stop loss limits and single transaction limits.

In analysing and measuring exposure to market risk, CCB uses a sensitivity analysis approach as the primary mechanism within the risk management process. Other risk management tools, such as the present value of a basis point, are used as additional risk management tools as appropriate and are complemented by dynamic simulation and stress testing.

6.3 LIQUIDITY RISK MANAGEMENT

The Asset & Liability Management Committee is responsible for managing the liquidity structure of CCB's assets, liabilities and commitments in order to ensure that cash flows are appropriately balanced and all financial obligations are met when they fall due.

Liquidity is managed on a daily basis by projecting cash flows and assessing the level of liquid assets needed to protect against unforeseen interruptions to cash flow. Regulatory liquidity requirements are also taken into account. The sources and maturities of assets and liabilities are closely monitored and diversified to avoid any undue concentration. A substantial proportion of deposits is made up of current and savings accounts (over 50%) which have traditionally formed a stable deposit base. We have been able to maintain a healthy growth rate in our deposit base (for example retail deposits have increased by 16.1% over the last year) while improving the mix of deposits to increase stability. Another important factor in assuring liquidity is the ability to keep depositors' confidence in a bank's reputation. CCB's good reputation is based on strength of earnings and a robust financial position.

6.4 OPERATIONAL RISK MANAGEMENT

Operational risk, which is inherent in all business transactions, is the potential for financial loss arising through fraud, unauthorised transactions, error, omission, negligence, inefficiency, systems failure or from external events.

CCB is committed to maintaining a control conscious culture across all areas of operation. This is communicated to all employees by way of procedures manuals and regular management briefings to foster awareness and ensure compliance among the employees. Key internal controls include:

- The authority to operate various business activities is delegated to branches within set limits according to their respective business scope, risk management capabilities and credit approval procedures;
- Systems and procedures are in place to identify, control and report on the major risks: credit, market, liquidity and operational;
- Comprehensive financial and operating plans are prepared by branches and are reviewed and approved by the senior management;
- Assessments are made of each branch's financial performance against their comprehensive operating plans. Limits are also delegated to line management in the branches for capital expenditure and credit exposures.

In addition, CCB maintains contingency facilities (including backup systems and disaster recovery plans) to support all operations, especially back office operations in the event of an unforeseen interruption. Insurance cover is arranged to mitigate potential losses associated with certain operational events.

6.5 INTERNAL AUDIT

The internal audit department's objective is to promote an effective internal control environment and it is responsible for auditing, supervising and evaluating the business operations, internal controls and risk profiles of the whole bank. In 2001, we conducted audits on the financial and operating controls and procedures of selected branches, sub-branches and smaller operating outlets, which included assessments of branch senior executives during and after their tenure. During the year we have improved the reporting lines for internal audit, making them completely independent of the branch management, and have improved internal audit procedures, standards and techniques, further strengthening our internal control framework.

7 CORPORATE INFORMATION

7.1 ORGANISATION BRIEF

Senior executives

President and Chief Executive Officer	Zhang Enzhao
Deputy President	Liu Shulan
Chief Auditor	Zhao Lin
Deputy President	Song Mi
	Luo Zhefu
	Zheng Zhijie
Assistant President	Chen Zuofu
	Fan Yifei

Supervisory board

On behalf of the government, the Supervisory Board (formed in August 2000) of which Mr. Ding Xianjue is Chairman monitors the performance of the bank, in particular the quality of the bank's assets, safeguarding the government's investments in the bank.

Head office address

No. 25, Finance Street,
Beijing, China
Telephone: 86-10-67597114
Telex: 222971 PCBC CN
Postcode: 100032
Website: www.ccb-on-line.com

7.2 SENIOR MANAGEMENT PROFILES

Mr. Zhang Enzhao President and Chief Executive Officer

Born in December 1946 and graduated from Fudan University. Appointed Deputy General Manager of China Investment Bank Shanghai branch in July 1984. Deputy General Manager of China Construction Bank Shanghai branch from January 1986 and promoted to General Manager of China Construction Bank Shanghai branch in June 1987. Deputy President of China Construction Bank from September 1999 and promoted to President of China Construction Bank in January 2002. Mr. Zhang Enzhao is also Chairman of China International Capital Corporation, CPC Secretary of Cinda Asset Management Company, and Deputy President of China Banks Association.

Ms. Liu Shulan Deputy President

Born in November 1945 and graduated from the Central Institute of Finance and Banking. Transferred from the Finance Department of Inner Mongolia Autonomous Region, and appointed Deputy General Manager of China Construction Bank Inner Mongolia Autonomous Region branch in June 1983. Deputy President of China Construction Bank since February 1992, currently in charge of the Executive Office, the Policy Research Office, and the Audit Department.

Mr. Zhao Lin Chief Auditor

Born in August 1954 and graduated from Zhongnan University of Finance and Economics. Appointed Deputy General Manager of China Construction Bank Hubei branch in February 1991. Chief Auditor of China Construction Bank since February 1995 and currently in charge of the Supervision and Inspection Department, the Security Department and the Corporate Culture Department.

Ms. Song Mi Deputy President

Born in November 1944 and graduated from Beijing Institute of Water Conservancy and Hydroelectric Power. Transferred from the State Development Planning Commission and appointed Deputy President of China Construction Bank in September 2000. Currently in charge of the Office of Asset and Liability Management Committee, the Planning & Financial Department, the Corporate Banking Department, and the Real Estate Finance Department. Ms. Song Mi is also Deputy Chairman of China City Science Association.

Mr. Luo Zhefu Deputy President

Born in March 1953 and graduated with a Master's degree from the Chinese Academy of Social Sciences. Transferred from the Agricultural Bank of China and appointed Deputy President of China Construction Bank in November 2000, currently in charge of the Credit Examination & Approval Office of Risk Management and Internal Control Committee, the Office of Information and Development Committee, the Personal Banking Department, the Financial Institutions Department, the Information Technology Department and the Research & Development Department.

Mr. Zheng Zhijie Deputy President

Born in May 1958 and graduated with a Master's degree from the Chinese Academy of Social Sciences. Deputy General Manager and General Manager of China Construction Bank Beijing branch from January 1993 to February 2000. Appointed Assistant President of China Construction Bank in February 2000 and promoted to Deputy President in September 2001, currently in charge of the Office of Risk Management and Internal Control Committee, the Credit Risk Management Department, the Accounting Department, the Systems Reform Office, the Treasury Department, the Settlement Department and the Banking Department.

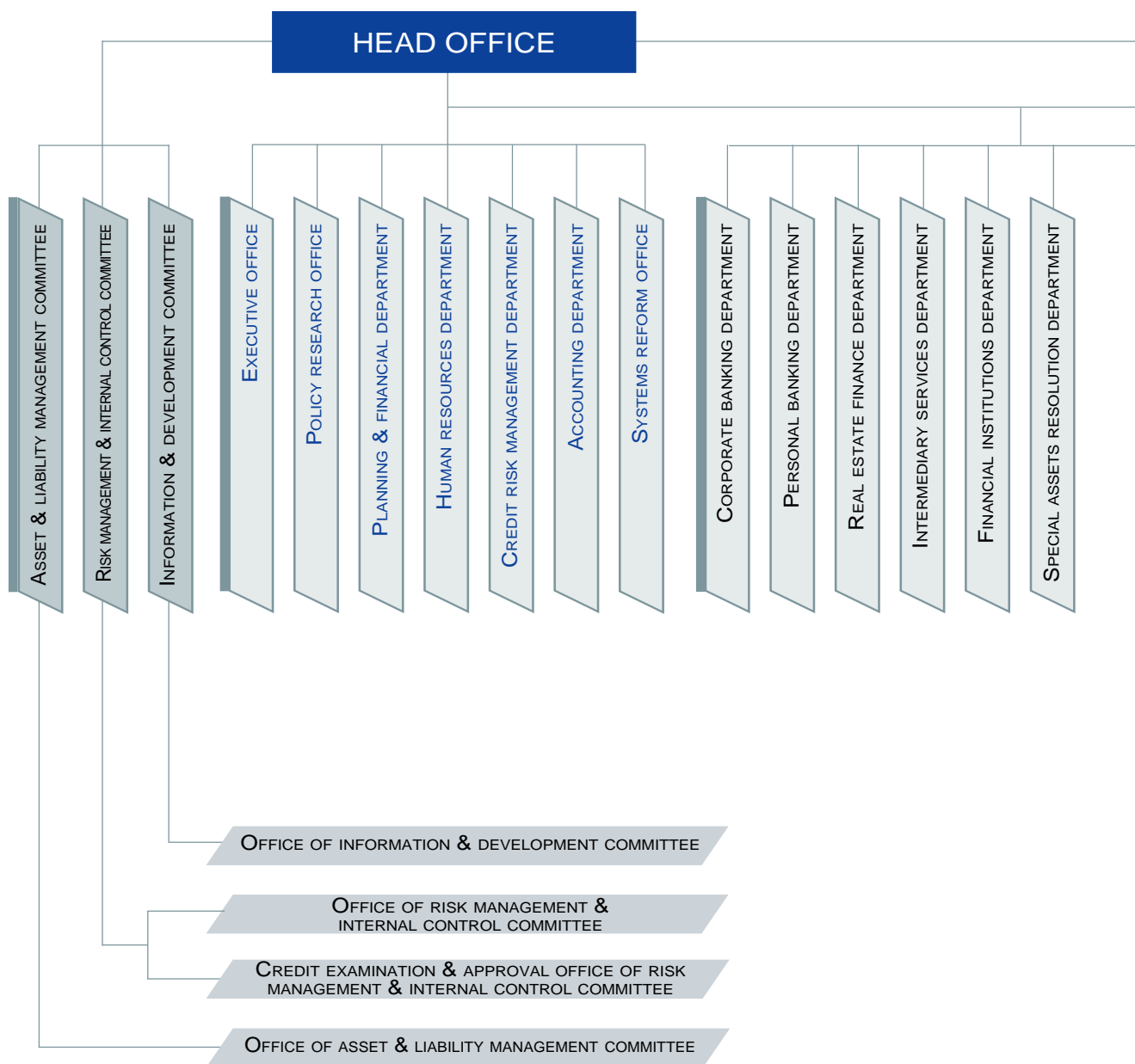
Mr. Chen Zuofu Assistant President

Born in June 1954 and graduated with a Master's degree from the Central South University of Technology. Transferred from the General Office of the CPC Central Committee and appointed Assistant President of China Construction Bank in July 1997. Currently in charge of the Intermediary Services Department, the Legal Department, the Special Assets Resolution Department, the Fund Custody Department and the Second Banking Department.

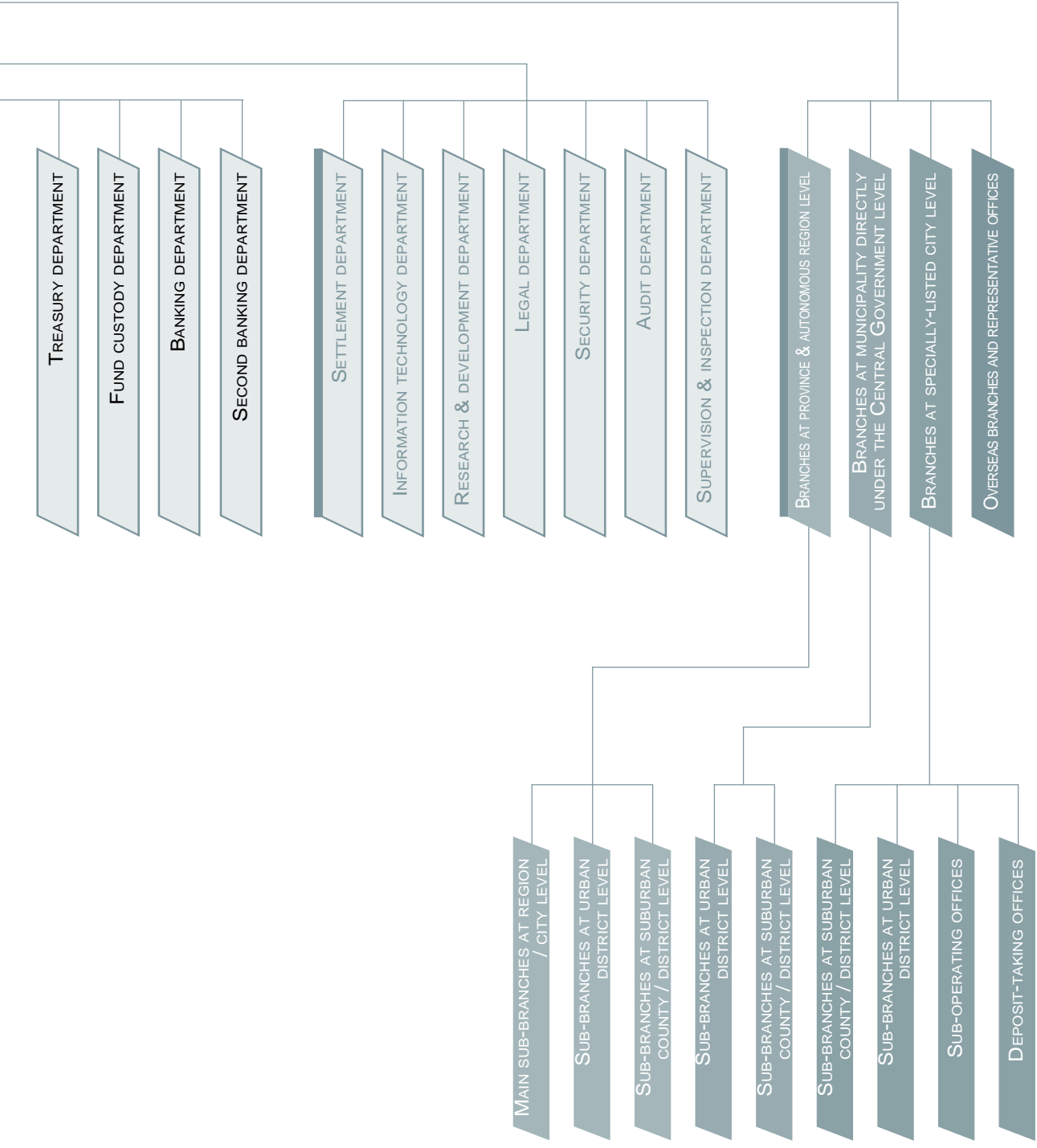
Mr. Fan Yifei Assistant President

Born in August 1964 and received a Doctorate from Renmin University of China. Appointed Assistant President of China Construction Bank in February 2000.

7.3 ORGANISATION STRUCTURE



- Notes: 1. CCB has 38 branches in the capitals of 31 provinces, autonomous regions and municipalities directly under the Central Government as well as in Dalian, Suzhou, Ningbo, Xiamen, Qingdao, Three Gorges, and Shenzhen.
2. CCB has overseas branches in Hong Kong, Singapore, Frankfurt and Johannesburg. CCB also has overseas representative offices in London, Tokyo, Seoul and New York.
3. Harbin Specialised Investment College and Changzhou School of Finance and Economics, the training centres of the bank, are managed by the head office.
4. The Audit Department has 8 regional offices in Beijing, Dalian, Shanghai, Nanjing, Wuhan, Guangzhou, Chengdu and Xi'an.
5. At the end of 2001, CCB had 23,919 branches, sub-branches and operating outlets with approximately 316,000 full-time employees.



8 ACCOUNTS



8.1 AUDITORS' REPORT

Zhong Tian Yin (2002) Shen Zi No. 015

China Construction Bank

We accepted the appointment and have audited the Bank's balance sheet as at 31 December 2001 and the profit and loss account for the year then ended. The accounts on pages 52 to 68 are the responsibility of the Bank. Our responsibility is to express an audit opinion on these accounts based on our audit. We conducted our audit in accordance with the *Independent Auditing Standards for Chinese Certified Public Accountants*. In the course of our audit, we considered the circumstances of the Bank, and carried out such audit procedures as we deemed necessary.

In our opinion, the above-mentioned accounts comply with the relevant requirements of the *Accounting Standards for Business Enterprises*, *Accounting Regulations for Financial Institutions* and any other related financial and accounting regulations of the People's Republic of China, and present fairly, in all material respects, the financial position of the Bank as at 31 December 2001 and the results of operations of the Bank for the year then ended, and the accounting policies have been consistently applied.

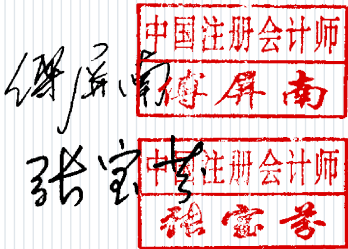
Certified Public Accountants Registered in
the People's Republic of China



Fu Pingnan

Zhang Baofen

15 March 2002



8.2 PROFIT AND LOSS ACCOUNT

	Notes	2001	2000
Interest income			
Loans		72,316	74,762
Balances at the Central Bank		5,035	5,062
Balances at banks and other financial institutions		976	953
Placements with banks and other financial institutions		3,977	2,816
Discounted bills		593	312
Securities held for investment		16,365	15,288
Other interest income		0	44
Sub-total		99,262	99,237
Interest expense			
Customer accounts		(36,582)	(42,626)
Borrowings from the Central Bank		(55)	(43)
Balances due to banks and other financial institutions		(5,562)	(4,955)
Borrowings from banks and other financial institutions		(404)	(269)
Bonds		(187)	(102)
Re-discounted bills		(91)	(98)
Long-term borrowings		(1,056)	(1,029)
Sub-total		(43,937)	(49,122)
Net interest income		55,325	50,115

For the year ended 31 December 2001

(Expressed in millions of RMB)

	Notes	2001	2000
Non-interest income			
Investment income		1,257	404
Fee and commission income		3,256	2,345
Exchange gain		1,313	1,245
Non-operating income		911	473
Other income		2,287	733
Sub-total		9,024	5,200
Non-interest expenses			
Operating expenses	4	(27,455)	(27,475)
Depreciation		(4,094)	(3,732)
Fee and commission expenses		(336)	(294)
Exchange loss		(1,103)	(1,054)
Non-operating expenses		(1,516)	(2,186)
Business tax and surcharges		(5,681)	(6,618)
Other expenses		(46)	(38)
Sub-total		(40,231)	(41,397)
Profit before tax and provisions against loans and other assets		24,118	13,918
Provisions against loans and other assets		(18,927)	(5,435)
Profit before tax		5,191	8,483
Income tax		(24)	(943)
Profit after tax		5,167	7,540

8.3 BALANCE SHEET

	Notes	2001	2000
Assets			
Cash		23,440	24,404
Balances at the Central Bank	5	294,792	235,697
Balances at banks and other financial institutions	6	11,737	12,662
Placements with banks and other financial institutions	7	76,925	90,183
Other receivables		42,852	54,142
Loans	8	1,505,906	1,386,386
Interest receivable		14,947	18,452
Securities purchased under resale agreements		28,453	19,940
Investments	9	679,829	603,871
Fixed assets	10	60,356	69,310
Other assets	11	48,699	28,008
Provisions against loans and other assets	12	(22,976)	(11,360)
Total assets		2,764,960	2,531,695

As of 31 December 2001

(Expressed in millions of RMB)

	Notes	2001	2000
Liabilities			
Customer accounts	13	2,265,536	2,010,284
Balances due to banks and other financial institutions	6	233,713	251,201
Borrowings from banks and other financial institutions	7	10,823	1,798
Borrowings from the Central Bank		4,120	4,620
Interest payable		22,669	24,265
Other payables		16,804	38,695
Long-term borrowings	14	35,546	37,181
Other liabilities	15	55,594	48,801
Total liabilities		2,644,805	2,416,845
Owners' equity	16		
Paid-in capital		85,115	85,115
Reserves		20,867	20,729
Retained earnings		14,173	9,006
Total owners' equity		120,155	114,850
Total liabilities and owners' equity		2,764,960	2,531,695

8.4 NOTES ON THE ACCOUNTS

For the year ended 31 December 2001

1 Company status

China Construction Bank ("the Bank") is a state-owned commercial bank and its scope of business covers:

Taking RMB deposits; offering short-term, medium-term and long-term loans; offering settlement services; offering bills discounting services; issuing financial bonds; agency services for issuing, settling and underwriting government bonds; purchasing and selling government bonds; participating in money markets (RMB) with banks and other financial institutions; providing letter of credit and guarantee services; agency services for receipts and payments; agency insurance business; and safety-deposit boxes.

Taking foreign currency deposits; offering foreign currency loans; offering foreign currency remittances; offering foreign currency exchange; international payments settlement; participating in money markets denominated in foreign currency; acceptance and discounting of bills denominated in foreign currency; foreign currency borrowing; offering guarantees in foreign currency; settlement and sales of foreign currency from trade finance; issuing and arranging the issue of debt securities denominated in foreign currency; purchasing, selling and arranging the purchase and sale of debt securities denominated in foreign currency; purchasing and selling foreign currency for the Bank and on behalf of customers; credit cards (denominated in foreign currency) issuing, agency services for the issue and payment of credit cards for foreign banks; credit rating investigation; advisory services and notary services.

The Bank also conducts other agency business (including pricing advisory services on construction projects) approved by the People's Bank of China ("PBOC").

2 Basis of preparation

a Statement of compliance

The accounts have been prepared in accordance with the applicable laws and regulations in China, which include standards and regulations of the *Accounting Law*, *Financial Regulations for Business Enterprises*, *Accounting Standards for Business Enterprises*, *Financial Regulations for Financial and Insurance Institutions*, and *Accounting Regulations for Financial Institutions* issued by the Ministry of Finance of the People's Republic of China.

b Accounting period

The accounting period is from 1 January to 31 December of each calendar year.

c Basis of consolidation

The accounts are expressed in millions of Renminbi unless stated otherwise.

The accounts comprise the accounts of the Bank's head office, domestic branches, and branches in Hong Kong, Singapore, Frankfurt and Johannesburg made up to 31 December. All material inter-branch balances have been eliminated during consolidation.

d Accounting basis

The accounts have been prepared under the historical cost convention.

3 Principal accounting policies

a Foreign currency translation

The Bank's reporting currency is Renminbi. Transactions denominated in foreign currency are accounted for using separate multi-currency ledgers. Monetary assets and liabilities denominated in foreign currency are translated into RMB at the exchange rates (the average of the bid and offer rate of exchange) quoted by the PBOC at the balance sheet date. Non-monetary assets, liabilities and owners' equity denominated in foreign currency are translated into RMB at the historical exchange rate. Exchange gains and losses on

foreign currency translation are recognised in the profit and loss account. Accounts denominated in foreign currency are translated into RMB and consolidated into the Bank's accounts denominated in RMB. The exchange rates for the US dollar at the end of 2001 and 2000 were :

31 December 2001: USD 1 = RMB 8.2766

31 December 2000: USD 1 = RMB 8.2781

b Income recognition

(i) Interest income

Interest income is recognised in the profit and loss account as it accrues, except in the case of non accrual interest.

Accruals of interest income cease when interest receivable or principal repayments are overdue more than 180 days. Any accrued interest receivable, which has earlier been recognised in the profit and loss account, is reversed through interest income of the current year. Any subsequent recovery of non accrual interest is recognised into the current year's profit and loss account. Non accrual interest is recorded in memorandum accounts.

(ii) Fee and commission income

Fee and commission income is recognised in the period when the services are provided to customers.

c Provisions against loans and other assets

From 1 January 2001, provisions are booked against all risk assets (including loans, investments, balances at and placements with banks and financial institutions, and other credit risk assets), with the exception of PRC government bonds. The amount of provision made against each type of risk asset depends on its level of perceived risk. Provisions made during the year are accounted for in the profit and loss account. The write-off of non-recoverable assets is booked against the accrued provision account on the balance sheet.

As at 1 January 2001 the separately brought forward provisions against loan losses, suspended interest and investments were transferred to the account for provisions against loans and other assets.

d Investment securities

Income from short term investment securities is recognised when the investment is disposed of or matures.

Interest income from long term debt securities is accounted for on an accrual basis. Where long term debt securities have been purchased at a premium or discount, those premiums or discounts are amortised through the profit and loss account over the period from the date of purchase to the date of maturity.

Long term equity investments are accounted for at cost.

e Fixed assets and depreciation

Fixed assets are stated at historical cost less depreciation calculated using the straight-line method to write off the cost of the assets, less their estimated residual value (3% of cost) over their estimated useful lives. The estimated useful lives are as follows:

Fixed assets	Estimated useful lives
Buildings	30–35 years
Motor vehicles	4–6 years
Electronic equipment	3–8 years
Others	5–11 years

f Intangible assets

Intangible assets mainly include land use rights, software licenses and patents. These assets are amortised over their estimated useful lives but not less than five years. The net book value of intangible assets at the end of the year are included in "Other Assets".

g Discounted bills

The Bank provides bill discounting facilities for customers. Discounted bills are accounted for at face value on the balance sheet and interest income is recognised in the profit and loss account as it accrues.

h Entrusted loans and investments

The Bank conducts entrusted lending on behalf of government bodies, corporations and financial

institutions. The Bank acts as agent for this business and all entrusted loans and investments are funded by entrusted deposits. Any surplus funds arising from entrusted deposits exceeding entrusted loans and investments are included in "Other Liabilities". The Bank does not take on any credit risk in relation to these transactions and income from the entrusted business is included in the profit and loss account as fee income.

i Taxation

(i) Income tax

The Bank has provided for income tax at the rate of 33% on the profits assessable in China. Interest income from PRC government bonds and bonds issued by Cinda Asset Management Company is not subject to tax and is excluded from assessable profits. The Bank's head office is responsible for income tax payments. Overseas branches provide for tax in accordance with the relevant local regulations. The PRC income tax charge is adjusted in accordance with the PRC tax regulations to take into account any income tax paid by overseas branches to local tax authorities.

(ii) Other taxes

Other taxes, such as business tax for financial and insurance institutions (7% for year 2001) and business tax surcharges, property tax, vehicle and ship usage tax are all accrued at the appropriate tax rates.

j Profit appropriation

The Ministry of Finance permits interest income from bonds issued by Cinda Asset Management Company, to whom certain of the Bank's non-performing loans were transferred, to be non-taxable. However, any such income, which is included in retained earnings, is not available for distribution.

k Derivative financial instruments

The Bank enters into interest rate and foreign currency swaps to service corporate customers' needs. Income and expense items associated with these transactions are offset against transactions taken out to hedge any interest rate and foreign currency risk exposures back to the market by making offsetting swap agreements with foreign banks.

4 Operating expenses

	2001	2000
Salaries and employees benefits	10,556	9,744
Premises rental and refurbishment expenses	1,919	1,909
Equipment rental and maintenance costs	2,732	3,051
Insurance premiums	231	262
Amortisation of intangible and deferred assets	2,862	2,903
Others	9,155	9,606
Total	27,455	27,475

5 Balances at the Central Bank

The Bank places statutory reserves with the PBOC calculated at 6% of its RMB deposits and at 2% of its foreign currency deposits. The Bank's statutory reserves at the PBOC were RMB 129,574 million and RMB 114,288 million as at 31 December 2001 and 2000 respectively.

6 Balances at and due to banks and other financial institutions

a Balances at banks and other financial institutions

	2001	2000
Balances at banks	10,572	11,949
Balances at other financial institutions	1,165	713
Total	11,737	12,662

b Balances due to banks and other financial institutions

	2001	2000
Balances due to banks	25,258	111,836
Balances due to other financial institutions	208,455	139,365
Total	233,713	251,201

7 Placements with and borrowings from banks and other financial institutions

a Placements with banks and other financial institutions

	2001	2000
Placements with banks	47,963	60,928
Placements with other financial institutions	28,962	29,255
Total	76,925	90,183

b Borrowings from banks and other financial institutions

	2001	2000
Borrowings from banks	10,715	1,634
Borrowings from other financial institutions	108	164
Total	10,823	1,798

8 Loans

a Loans

	2001	2000
Loans to customers	1,459,566	1,345,576
Deposit backed lending	35,090	36,854
Discounted bills	11,250	3,956
Total	1,505,906	1,386,386

Note: Deposit backed lending includes loans where deposits have been received from overseas governments, overseas banks, overseas financial institutions and bond issues, specifically for the purpose of funding these loans.

b Analysis of loans

(i) Analysed by original maturity:

	2001	2000
Within one year	439,318	430,381
Over one year	1,066,588	956,005
Total	1,505,906	1,386,386

(ii) Analysed by customer:

	2001	2000
Corporate	1,111,419	1,060,037
Personal	17,770	13,916
Property	376,717	312,433
Including: home mortgage loans	171,082	127,176
Total	1,505,906	1,386,386

(iii) Analysed by region:

	2001	2000
Northeastern region	112,186	110,789
Northern region	351,006	332,342
Eastern region	484,250	433,728
Central region	310,430	291,514
Northwestern region	98,561	90,815
Southwestern region	137,842	120,424
Hong Kong	10,461	6,175
Overseas	1,170	599
Total	1,505,906	1,386,386

9 Investments

a Analysis of investments

	2001	2000
Equity securities	7,338	2,505
Debt-for-equity swaps	50,223	16,560
Debt securities	622,268	584,806
Including: Treasury bonds	220,760	200,628
Quasi government bonds	124,898	134,178
Corporate bonds	276,610	250,000
Total	679,829	603,871

b Investments in subsidiaries and associated companies

The subsidiaries and associated companies of the Bank as at 31 December 2001 were:

Name	Place of incorporation	Principal activities	The Bank's interest in equity capital	
			2001	2000
Jian Sing Bank Limited	Hong Kong SAR	Banking	70%	70%
China International Capital Corporation Limited	PRC	Investment banking	43.35%	42.5%
CITIC Ka Wah Bank Limited	Hong Kong SAR	Banking	5.19%	5.19%

The balance sheets of Jian Sing Bank Limited and China International Capital Corporation Limited as of 31 December 2001 and their results for the year then ended have not been consolidated into the Bank's accounts in view of their immateriality to the Bank as a whole.

The Bank signed an agreement with Dah Sing Bank Limited in February 2002 to acquire the remaining 30% shareholding of Jian Sing Bank Limited. The acquisition was completed on 22 February 2002, making Jian Sing Bank Limited the Bank's wholly owned subsidiary.

10 Fixed assets

	2001	2000
Buildings	53,493	60,030
Motor Vehicles	4,743	4,629
Electronic equipment	10,589	5,994
Others	4,978	7,531
Less: Accumulated depreciation	(19,974)	(18,037)
Sub-total	53,829	60,147
Construction in progress	6,527	9,163
Net book value	60,356	69,310

11 Other assets

	2001	2000
Intangible assets	3,233	2,865
Deferred assets	5,187	6,651
Foreclosed assets	16,295	12,600
Others	23,984	5,892
Total	48,699	28,008

12 Provisions against loans and other assets

	2001	2000
At 1 January	11,360	12,788
Amounts written off	(7,378)	(7,067)
Recoveries of loans written off in previous years	67	204
Charge to profit and loss account	18,927	5,435
At 31 December	22,976	11,360

13 Customer accounts

a Analysed by customer:

	2001	2000
Corporate deposits	1,191,298	1,084,828
Personal deposits	1,074,238	925,456
Total	2,265,536	2,010,284

b Analysed by maturity:

	2001	2000
Current and savings accounts	1,297,908	1,186,751
Term deposits	967,628	823,533
Total	2,265,536	2,010,284

c Analysed by region:

	2001	2000
Northeastern region	197,586	178,613
Northern region	426,028	352,645
Eastern region	684,893	616,810
Central region	580,549	524,482
Northwestern region	155,163	140,073
Southwestern region	210,197	181,388
Hong Kong	10,814	16,026
Overseas	306	247
Total	2,265,536	2,010,284

14 Long-term borrowings

	2001	2000
Deposits for on-lending		
Overseas governments	7,467	7,629
Overseas banks	20,268	26,217
Overseas financial institutions	2,223	3,335
Debt securities	5,588	—
Total	35,546	37,181

15 Other liabilities

	2001	2000
Inward remittances	4,319	3,478
Outward remittances	26,418	29,403
Others	24,857	15,920
Total	55,594	48,801

16 Reconciliation of movements in owners' equity

	Paid-in capital	Capital reserve	Surplus reserve	Retained earnings	Total
At 1 January 2001	85,115	12,462	8,267	9,006	114,850
Additions	—	138	—	5,167	5,305
At 31 December 2001	85,115	12,600	8,267	14,173	120,155

17 Significant off-balance sheet items

	2001	2000
Entrusted loans and investments:		
Entrusted investments for government	42,510	56,810
Entrusted loans	157,114	169,131
Total	199,624	225,941
Others:		
Acceptances	57,084	44,162
Guarantees and standby letters of credit	30,868	18,802

9 CCB BRANCHES IN CHINA AND OVERSEAS

BEIJING BRANCH

Gate 4, No.28, West Street, Xuanwumen, Beijing
 Swift: PCBCCNBJBJX
 Telephone: (010) 63603664
 Facsimile: (010) 63603656
 Postcode: 100053

TIANJIN BRANCH

No.19 one plus, Nanjing Road, Hexi District, Tianjin
 Swift: PCBCCNBJTJX
 Telephone: (022) 23401616
 Facsimile: (022) 23400503
 Postcode: 300203

HEBEI BRANCH

No.40, Ziqiang Road, Shijiazhuang
 Swift: PCBCCNBJHBX
 Telephone: (0311) 7888866
 Facsimile: (0311) 8601010
 Postcode: 050000

SHANXI BRANCH

No.126, Yingze Street, Taiyuan
 Swift: PCBCCNBJIXA
 Telephone: (0351) 4957800
 Facsimile: (0351) 4957871
 Postcode: 030001

INNER MONGOLIA BRANCH

No.45, South Xincheng Street, Huhhot
 Swift: PCBCCNBJNMX
 Telephone: (0471) 6200196
 Facsimile: (0471) 6200257
 Postcode: 010010

LIAONING BRANCH

No.176, Zhongshan Road, Heping District, Shenyang
 Swift: PCBCCNBJLNX
 Telephone: (024) 22787600
 Facsimile: (024) 22856915
 Postcode: 110002

DALIAN BRANCH

No.1, Liberation Road, Zhongshan Square, Dalian
 Swift: PCBCCNBJDLX
 Telephone: (0411) 2818818
 Facsimile: (0411) 2804560
 Postcode: 116001

JILIN BRANCH

No.32, Xi'an Road, Changchun
 Swift: PCBCCNBJJLX
 Telephone: (0431) 8960160
 Facsimile: (0431) 8988748
 Postcode: 130061

HEILONGJIANG BRANCH

No.67, Hong Jun Street, Nan'gang District, Harbin
 Swift: PCBCCNBJLJX
 Telephone: (0451) 3619788
 Facsimile: (0451) 3625552
 Postcode: 150001

SHANGHAI BRANCH

No.201, Yincheng East Road, Shanghai
 Swift: PCBCCNBJSHX
 Telephone: (021) 58880000
 Facsimile: (021) 58781818
 Postcode: 200120

JIANGSU BRANCH

No.188, Hongwu Road, Nanjing
 Swift: PCBCCNBJJSX
 Telephone: (025) 4200545
 Facsimile: (025) 4209316
 Postcode: 210002

SUZHOU BRANCH

No.158, Sanxiang Road, Suzhou
 Swift: PCBCCNBJJSS
 Telephone: (0512) 8623792
 Facsimile: (0512) 8284938
 Postcode: 215004

ZHEJIANG BRANCH

No.288, Tiyyuchang Road, Hangzhou
 Swift: PCBCCNBJZJX
 Telephone: (0571) 85313000
 Facsimile: (0571) 85313001
 Postcode: 310003

NINGBO BRANCH

No.31, Guangji Street, Ningbo
 Swift: PCBCCNBJNPX
 Telephone: (0574) 87313888
 Facsimile: (0574) 87325019
 Postcode: 315010

ANHUI BRANCH

No.373, Meiling Road, Hefei
 Swift: PCBCCNBJAHX
 Telephone: (0551) 2874100
 Facsimile: (0551) 2872014
 Postcode: 230001

FUJIAN BRANCH

No.142, Guping Road, Fuzhou
 Swift: PCBCCNBJFJX
 Telephone: (0591) 7811098
 Facsimile: (0591) 7856865
 Postcode: 350003

XIAMEN BRANCH

No.8, Hubin South Road, Xiamen
Swift: PCBCCNBJSMX
Telephone: (0592) 2286262
Facsimile: (0592) 2286262
Postcode: 361004

JIANGXI BRANCH

No.366, Bayi Street, Nanchang
Swift: PCBCCNBJJXX
Telephone: (0791) 6848200
Facsimile: (0791) 6848318
Postcode: 330006

SHANDONG BRANCH

No.74, Jingsi Road, Ji'nan
Swift: PCBCCNBJSDX
Telephone: (0531) 6912621
Facsimile: (0531) 6912956
Postcode: 250001

QINGDAO BRANCH

No.71, Guizhou Road, Qingdao
Swift: PCBCCNBJQDX
Telephone: (0532) 2651888
Facsimile: (0532) 2670157
Postcode: 266002

HENAN BRANCH

No.28, Fengchan Road, Zhengzhou
Swift: PCBCCNBJHAX
Telephone: (0371) 3942255
Facsimile: (0371) 3942676
Postcode: 450002

HUBEI BRANCH

No.709, Jianshe Street, Wuhan
Swift: PCBCCNBJHPX
Telephone: (027) 65775888
Facsimile: (027) 65775881
Postcode: 430015

THREE GORGES BRANCH

No.122, Xilingyi Road, Yichang, Hubei
Swift: PCBCCNBJHP3
Telephone: (0717) 6736888
Facsimile: (0717) 6738137
Postcode: 443000

HUNAN BRANCH

Yin'gang Plaza, No.211, Jiefang Middle Road,
Changsha
Swift: PCBCCNBJHUX
Telephone: (0731) 4419191
Facsimile: (0731) 4419141
Postcode: 410011

GUANGDONG BRANCH

No.509, Dongfeng Middle Road, Guangzhou
Swift: PCBCCNBJGDX
Telephone: (020) 83608888
Facsimile: (020) 83606207
Postcode: 510045

SHENZHEN BRANCH

CCB Plaza, East Zone, Finance Centre, Hongling South
Road, Shenzhen
Swift: PCBCCNBSXXX
Telephone: (0755) 2488189
Facsimile: (0755) 2246144
Postcode: 518010

GUANGXI BRANCH

No.92, Minzu Road, Nanning
Swift: PCBCCNBJGXX
Telephone: (0771) 5513001
Facsimile: (0771) 5513012
Postcode: 530022

HAINAN BRANCH

CCB Plaza, Guomao Avenue, Haikou
Swift: PCBCCNBJHNX
Telephone: (0898) 68587488
Facsimile: (0898) 68587569
Postcode: 570125

CHONGQING BRANCH

No.123, Minzu Road, Yuzhong District, Chongqing
Swift: PCBCCNBJCQX
Telephone: (023) 63771848
Facsimile: (023) 63771835
Postcode: 400010

SICHUAN BRANCH

Minxing Finance Plaza, No.86, Tidu Street, Chengdu
Swift: PCBCCNBJSCX
Telephone: (028) 6767161
Facsimile: (028) 6767187
Postcode: 610016

GUIZHOU BRANCH

No.113, Ruijin North Road, Guiyang
Swift: PCBCCNBJUZX
Telephone: (0851) 5976660
Facsimile: (0851) 6505883
Postcode: 550003

YUNNAN BRANCH

No.37, Yong'an Road, Kunming
Swift: PCBCCNBJYNX
Telephone: (0871) 3544508
Facsimile: (0871) 3559355
Postcode: 650041

TIBET BRANCH

No.32, Beijing Zhong Road, Lhasa
 Telephone: (0891) 6838792
 Facsimile: (0891) 6836818
 Postcode: 850001

SHANNXI BRANCH

No.38, South Guangji Street, Xi'an
 Swift: PCBCCNBJSXX
 Telephone: (029) 7617515
 Facsimile: (029) 7617514
 Postcode: 710002

GANSU BRANCH

No.59, Qin'an Road, Lanzhou
 Swift: PCBCCNBJSXX
 Telephone: (0931) 4891598
 Facsimile: (0931) 4891862
 Postcode: 730030

QINGHAI BRANCH

No.59, West Street, Xi'ning
 Swift: PCBCCNBJSXX
 Telephone: (0971) 8261181
 Facsimile: (0971) 8261225
 Postcode: 810000

NINGXIA BRANCH

No.26, Nannun West Road, Yinchuan
 Swift: PCBCCNBJSXX
 Telephone: (0951) 4112504
 Facsimile: (0951) 4112064
 Postcode: 750001

XINJIANG BRANCH

No.36, Minzhu Road, Urumqi
 Swift: PCBCCNBJSXX
 Telephone: (0991) 2848666
 Facsimile: (0991) 2819160
 Postcode: 830002

CCB HONGKONG BRANCH

44-45/F, Lippo Tower, Lippo Centre,
 89 Queensway, Admiralty, Hong Kong
 Swift: PCBCHKHHXXX
 Telephone: 00852-2868 4438
 Facsimile: 00852-2537 7182
 Telex: 87335 PCBCH HX
 Website: www.ccbhk.com

CCB SINGAPORE BRANCH

9 Raffles Place, #33-01/02
 Republic Plaza, Singapore 048619
 Swift: PCBCSGSGXXX
 Telephone: 0065-65358133
 Facsimile: 0065-65356533
 Email: kyx@ccb.com.sg

CCB FRANKFURT BRANCH

Bockenheimer Landstrasse 51-53
 Frankfurt am Main 60325, Germany
 Swift: PCBCDEFFXXX
 Telephone: 0049-69-9714950
 Facsimile: 0049-69-97149588
 Website: www.ccbff.de

CCB JOHANNESBURG BRANCH

18th Floor, Office Tower, Sandton City;
 Sandton Private Bag X1007, Sandton, 2146,
 Johannesburg, South Africa
 Swift: PCBCZAJJXXX
 Telephone: 0027-11-5209401
 Facsimile: 0027-11-5209411
 Website: www.ccbtjhb.com

CCB LONDON REPRESENTATIVE OFFICE

6th Floor, 29/30 Cornhill
 London EC3V 3ND, U.K.
 Telephone: 0044-207- 2207871
 Facsimile: 0044-207- 2207849
 Email: zhangguangying@yahoo.com

CCB TOKYO REPRESENTATIVE OFFICE

No.105, Kowa Shiba Park Building 3F
 1-1-11 Shiba Park Minato Ku, Tokyo, Japan
 Telephone: 0081-3-5473-7511/2/3
 Facsimile: 0081-3-5473-7501
 Email: ccbtliwe@ma.kcom.ne.jp

CCB SEOUL REPRESENTATIVE OFFICE

6/F, Ankuk Insurance Building
 87, 1-GA, Ulchi-RO, Chung-Ku
 Seoul, 100-191, Korea
 Telephone: 0082-2-319-8658/59/60
 Facsimile: 0082-2-319-8661
 Email: ccbseoul@hotmail.com

CCB NEW YORK REPRESENTATIVE OFFICE

350 Park Avenue, 25th Fl, New York,
 NY, 10022, U.S.A.
 Telephone: 001-212-2078188
 Facsimile: 001-212-2078288
 Email: ccbny2000@yahoo.com

JIAN SING BANK LIMITED

1/F, 99-105 Des Voeux Road Central, Hong Kong
 Swift: JSHKHKHHXXX
 Telephone: 00852-2541-2210
 Facsimile: 00852-2541-1115
 Website: www.jsb.com.hk

CCB HEAD OFFICE

No.25, Finance Street,

Beijing, China

Telephone: 86-10-67597114

Telex: 222971 PCBC CN

Postcode: 100032

Website: www.ccb-on-line.com

