
THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt as to any aspect of this circular or as to the action to be taken, you shall consult your stockbroker or other registered dealer in securities, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in China Merchants Bank Co., Ltd., you shall at once hand this circular to the purchaser or transferee or to the bank, stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser or the transferee.

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招商銀行

CHINA MERCHANTS BANK

招商銀行股份有限公司

CHINA MERCHANTS BANK CO., LTD.

(a joint stock company incorporated in the People's Republic of China with limited liability)

(stock code: 3968)

**(I) Discloseable Transaction –
Acquisition of a controlling interest in
Wing Lung Bank Limited
by China Merchants Bank Co., Ltd.;**

**(II) Possible unconditional mandatory cash offer by
J. P. Morgan Securities (Asia Pacific) Limited
for and on behalf of China Merchants Bank Co., Ltd.
for all the issued shares in Wing Lung Bank Limited
(other than those shares already owned by or agreed to be acquired by
China Merchants Bank Co., Ltd. and parties acting in concert with it
at the time when the offer is made);**

AND

(III) Proposed Issue of Subordinated Bond

Financial adviser to China Merchants Bank Co., Ltd.

JPMorgan 

A letter from the Board is set out on pages 6 to 22 of this circular.

CMB will convene the AGM at 9:00 a.m. on Friday, 27 June 2008 at the Conference Room, 5/F, China Merchants Bank Tower, No. 7088 Shennan Boulevard, Shenzhen, PRC, at which, among other things, the Acquisition, the possible General Offer and the proposed issue of subordinated bond will be considered. The supplementary notice of the AGM will be issued to the CMB Shareholders together with this circular.

Whether or not you are able to attend, you should complete and return the supplementary proxy form in accordance with the instructions printed thereon and return it to Computershare Hong Kong Investor Services Limited at Rooms 1806-07, 18/F., Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, as soon as possible and in any event by not later than 24 hours before the time appointed for holding such meeting or any adjournment thereof. Completion and return of the supplementary form of proxy will not preclude you from attending and voting at the AGM should you so wish.

12 June 2008

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DEFINITIONS

In this circular, unless the context otherwise requires, the following expressions have the following meanings:

“2008 Interim Dividends”	any interim dividends in respect of WLB’s results for the six-month period ending 30 June 2008 which are declared on or prior to the Conditions Satisfaction Date
“Acquisition”	the acquisitions of the Sale Shares by CMB from the Vendors pursuant to the terms of the Sale and Purchase Agreements
“acting in concert”	has the meaning ascribed thereto under the Takeovers Code, as extended to include persons presumed to be acting in concert
“AGM”	the annual general meeting of CMB to be held at the Conference Room, 5/F., China Merchants Bank Tower, No. 7088 Shennan Boulevard, Shenzhen, PRC on Friday, 27 June 2008 at 9:00 a.m. to approve, inter alia, the Acquisition (including the possible General Offer) and the proposed issue of subordinated bond
“associates”	has the meaning ascribed to it in the Listing Rules
“Banking Ordinance”	the Banking Ordinance, Chapter 155 of the Laws of Hong Kong
“CMB”	招商銀行股份有限公司 (China Merchants Bank Co., Ltd.), a joint stock company incorporated in the PRC with limited liability, the H shares of which are listed on the Stock Exchange and the A shares of which are listed on the Shanghai Stock Exchange
“CMB Board”	the board of CMB Directors
“CMB Directors”	the members of the CMB Board
“CM Group”	招商局集團有限公司 (China Merchants Group Limited) and its subsidiaries and associates
“CM Steam Navigation”	招商局輪船股份有限公司 (China Merchants Steam Navigation Co., Ltd.), a substantial shareholder and promoter of CMB

DEFINITIONS

“CMB Group”	CMB and its subsidiaries
“CMB Share(s)”	ordinary share(s) of RMB1.00 each in the capital of CMB
“CMB Shareholder(s)”	holder(s) of the CMB Share(s)
“Companies Ordinance”	the Companies Ordinance, Chapter 33 of the Laws of Hong Kong
“Completion”	the completion of the Acquisition contemplated under the Sale and Purchase Agreements at the same time
“Completion Date”	the date on which Completion takes place which is five Business Days after the later of Conditions Satisfaction Date and the Dividend Record Date, or such other date as may be agreed in writing between each of the Vendors and CMB
“Conditions”	being the conditions precedent to Completion set out under the section headed “Completion”
“Conditions Satisfaction Date”	the date on which the last of the Conditions in each of the Sale and Purchase Agreements having been satisfied by CMB or waived by CMB and each of the Vendors (such date not being later than the Long Stop Date)
“connected persons”	has the meaning ascribed to it in the Listing Rules
“Consideration”	the aggregate consideration of HK\$19,302,110,605.00 for the sale of the Sale Shares pursuant to the Sale and Purchase Agreements
“Dividend Record Date”	the date for ascertaining the identity of WLB Shareholders who will be entitled to receive the 2008 Interim Dividends
“Executive”	the Executive Director of the Corporate Finance Division of the SFC or any of his delegates

DEFINITIONS

“General Offer”	the unconditional mandatory cash offer to be made by JPMorgan, for and on behalf of CMB, for the Offer Shares (other than those WLB Shares already owned by or agreed to be acquired by CMB or parties acting in concert with it at the time when the General Offer is made) in accordance with the Takeovers Code upon Completion
“HKMA”	the Hong Kong Monetary Authority
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	Hong Kong Special Administrative Region of the PRC
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“JPMorgan”	J.P. Morgan Securities (Asia Pacific) Limited, a registered institution licensed to carry on business in Type 1 (dealing in securities), Type 4 (advising on securities), Type 6 (advising on corporate finance) and Type 7 (providing automated trading services) regulated activities under the SFO and a Restricted Licence Bank under the Banking Ordinance
“Latest Practicable Date”	9 June 2008, being the latest practicable date prior to the printing of this circular for ascertaining certain information in this circular
“Long Stop Date”	(i) 15 August 2008, being the date falling on the 77th calendar day after the date of the Sale and Purchase Agreements; or (ii) if the Conditions are not satisfied by 8 August 2008, being the date falling on the 70th calendar day after the date of the Sale and Purchase Agreements, either the Vendors or CMB shall be entitled to, by notice in writing to the other party, postpone the Long Stop Date by 30 calendar days in which event the Long Stop Date shall mean 14 September 2008, being the date falling on 107th calendar day after the date of the Sale and Purchase Agreements; or

DEFINITIONS

- (iii) if following such postponement in (ii) above, the Conditions are not satisfied by 14 September 2008, being the date falling on the 107th calendar day after the date of the Sale and Purchase Agreements, then both the Vendors and CMB shall endeavour to determine and agree upon a period of further postponement of the Long Stop Date, but such postponed Long Stop Date shall not be later than 27 October 2008, being the date falling on the 150th calendar day after the date of the Sale and Purchase Agreements; or
- (iv) such other date as the Vendors and CMB may at any time and from time to time agree in writing
- “Offer Price” the offer price of HK\$156.50 per Offer Share pursuant to the General Offer
- “Offer Share(s)” the WLB Share(s) subject to the General Offer
- “PRC” and “China” the People’s Republic of China, excluding, for the purpose of this circular only, Hong Kong Special Administrative Region, Macau Special Administrative Region and Taiwan
- “RMB” Renminbi, the lawful currency of the PRC
- “Sale and Purchase Agreements” the conditional sale and purchase agreement entered into between Wu Jieh Yee Company Limited and CMB and the conditional sale and purchase agreement entered into between Wu Yee Sun Company Limited, Yee Hong Company Limited and CMB, in each case, entered into on 30 May 2008 in relation to the Acquisition
- “Sale Shares” an aggregate of 123,336,170 WLB Shares to be acquired by CMB pursuant to the Sale and Purchase Agreements, representing approximately 53.12% of the entire issued share capital of WLB as at the Latest Practicable Date
- “SFC” The Securities and Futures Commission of Hong Kong
- “SFO” the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)

DEFINITIONS

“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subsidiaries”	has the meaning ascribed to it in the Listing Rules
“Takeovers Code”	the Hong Kong Code on Takeovers and Mergers
“Vendors”	Wu Jieh Yee Company Limited, Wu Yee Sun Company Limited and Yee Hong Company Limited, which in aggregate directly and indirectly hold approximately 53.12% of the issued WLB Shares as at the Latest Practicable Date
“WLB”	Wing Lung Bank Limited, a company incorporated in Hong Kong, its WLB Shares are listed on the Stock Exchange
“WLB Group”	WLB and its subsidiaries
“WLB Shareholder(s)”	holder(s) of the WLB Shares
“WLB Share(s)”	ordinary share(s) of HK\$5.00 each in the capital of WLB

LETTER FROM THE BOARD



招商銀行

CHINA MERCHANTS BANK

招商銀行股份有限公司

CHINA MERCHANTS BANK CO., LTD.

(a joint stock company incorporated in the People's Republic of China with limited liability)

(stock code: 3968)

Executive Directors:

Ma Weihua
Zhang Guanghua
Li Hao

Registered address:

China Merchants Bank Tower
No. 7088 Shennan Boulevard
Shenzhen 518040
PRC

Non-executive Directors:

Qin Xiao
Wei Jiafu
Fu Yuning
Li Yinquan
Hong Xiaoyuan
Ding An Hua Edward
Sun Yueying
Wang Daxiong
Fu Junyuan

*Principal place of business
in Hong Kong:*

21st Floor, Bank of America Tower
12 Harcourt Road
Central
Hong Kong

Independent Non-executive Directors:

Wu Jiesi
Yan Lan
Yi Xiqun
Chow Kwong Fai, Edward
Liu Yongzhang
Liu Hongxia

12 June 2008

To the Shareholders

Dear Sir or Madam,

**(I) Discloseable Transaction –
Acquisition of a controlling interest in
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J. P. Morgan Securities (Asia Pacific) Limited
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AND

(III) Propose Issue of Subordinated Bond

1. INTRODUCTION

Reference is made to the joint announcement of CMB and WLB dated 2 June 2008 in relation to the Acquisition and the possible General Offer of CMB.

LETTER FROM THE BOARD

2. SALE AND PURCHASE AGREEMENTS

Date: 30 May 2008

Parties: (1) Vendor: Wu Jieh Yee Company Limited

Purchaser: CMB

(2) Vendors: Wu Yee Sun Company Limited and Yee Hong Company Limited

Purchaser: CMB

To the best of the knowledge, information and belief of the CMB Directors, having made all reasonable enquiry, each of the Vendors and its respective ultimate beneficial owners is a third party independent of CMB and any connected person of CMB, and each of the Vendors is not connected with and is not a party acting in concert with CMB.

Save as to the number of the Sale Shares being the subject matter of the relevant Sale and Purchase Agreements, the aggregate considerations and the particulars of the Vendors, the terms and conditions of the two Sale and Purchase Agreements are identical, including the purchase price per Sale Share of HK\$156.50.

WLB Shares to be acquired by CMB

Subject to and in accordance with the terms and conditions of the Sale and Purchase Agreements, CMB has conditionally agreed to buy and the respective Vendors have conditionally agreed to sell or procure the sale of the Sale Shares, being 65,524,929 WLB Shares from Wu Jieh Yee Company Limited and an aggregate of 57,811,241 WLB Shares from Wu Yee Sun Company Limited and Yee Hong Company Limited, which together represent approximately 53.12% of the entire issued share capital of WLB as at the Latest Practicable Date, as (direct or indirect) beneficial owners free from any mortgage, charge, pledge, lien, option, restriction, right of first refusal, right of pre-emption, third-party right or interest, or other encumbrance or security interest having similar effect together with all rights of any nature which were on the date of the Sale and Purchase Agreements, or might at any time thereafter become, attached to them or accrue in respect of them including all dividends and distributions declared, paid or made in respect of them on or after the date of the Sale and Purchase Agreements, but excluding any 2008 Interim Dividends.

LETTER FROM THE BOARD

The book value of the 53.12% shareholding in WLB as at 31 December 2007 was HK\$6,629,257,689.22. For the financial years ended 31 December 2006 and 31 December 2007, the net profits before taxation attributable to the 53.12% shareholding in WLB were HK\$1,021,623,389.91 and HK\$837,192,376.38, respectively and the net profits after taxation attributable to the 53.12% shareholding in WLB were HK\$852,972,854.11 and HK\$728,529,222.10, respectively.

Consideration for the Sale Shares

The Consideration in the aggregate sum of HK\$19,302,110,605.00 (representing HK\$156.50 per Sale Share) was negotiated and determined on arm's length basis between CMB and the Vendors with reference to (i) the recent price performance of the WLB Shares on the Stock Exchange, (ii) the audited consolidated net profits attributable to the WLB Shareholders of approximately HK\$1,371,514,000.00 for the year ended 31 December 2007, (iii) the audited consolidated net assets of the WLB Group of approximately HK\$12,480,103,000.00 as at 31 December 2007; and (iv) necessary adjustment having regard to CMB's due diligence on WLB. The Acquisition will be financed by the internal resources of CMB.

The purchase price of HK\$156.50 per Sale Share represents:

- (a) a premium of approximately 6.17% over the closing price of HK\$147.40 per WLB Share as quoted on the Stock Exchange on 29 May 2008, being the last full trading day prior to the suspension of trading in the WLB Shares on 30 May 2008;
- (b) a premium of approximately 5.27% over the average closing price of the WLB Shares as quoted on the Stock Exchange for the last 5 consecutive full trading days prior to the suspension of trading in the WLB Shares on 30 May 2008, being approximately HK\$148.66 per WLB Share;
- (c) a premium of approximately 9.72% over the average closing price of the WLB Shares as quoted on the Stock Exchange for the last 30 consecutive full trading days prior to the suspension of trading in the WLB Shares on 30 May 2008, being approximately HK\$142.64 per WLB Share; and
- (d) a premium of approximately 76.14% over the closing price of HK\$88.85 per WLB Share as quoted on the Stock Exchange on 12 February 2008, being the last full trading day prior to recent news articles of the potential sale of the Sale Shares on 13 February 2008.

LETTER FROM THE BOARD

The Consideration shall be settled in cash by CMB in the following manner:

- (i) a total sum of HK\$965,105,530.26 being the deposit paid by CMB to the Vendors upon signing of the Sale and Purchase Agreements (the “Deposit”), of which HK\$512,732,569.43 was paid to Wu Jieh Yee Company Limited and as to an aggregate of HK\$452,372,960.83 was paid to Wu Yee Sun Company Limited and Yee Hong Company Limited; and
- (ii) the remaining balance of the Consideration in the sum of HK\$18,337,005,074.74 is payable by CMB to the Vendors on the Completion Date, of which HK\$9,741,918,819.07 is to be paid to Wu Jieh Yee Company Limited and an aggregate of HK\$8,595,086,255.67 is to be paid to Wu Yee Sun Company Limited and Yee Hong Company Limited.

In the event that the 2008 Interim Dividends are declared and paid or payable to the Vendors on or prior to the Conditions Satisfaction Date and are in excess of HK\$0.50 per WLB Share, the Consideration for each Sale Share will be correspondingly reduced by the amount of such 2008 Interim Dividends being in excess of HK\$0.50 per WLB Share so declared on each Sale Share. The Offer Price will also be correspondingly reduced by such amount per Offer Share under such circumstances, whilst the WLB Shareholders will be entitled to the full amount of the 2008 Interim Dividends. If the 2008 Interim Dividends, if any, are less than or equal to HK\$0.50 per WLB Share, the Consideration will not change and the Offer Price will remain at HK\$156.50 per Offer Share whereas WLB Shareholders as registered on the Dividend Record Date will be entitled to receive the 2008 Interim Dividends.

CMB and the Vendors agree that if any 2008 Interim Dividends have been declared prior to Conditions Satisfaction Date but the Dividend Record Date has not passed, then Completion shall take place on the date which is no later than five Business Days after the Dividend Record Date, or such other date as may be agreed in writing between each of the Vendors and CMB.

The Deposit

If all the Conditions have been satisfied or duly waived in accordance with the Sale and Purchase Agreements and Completion does not take place due to CMB’s default, the Vendors shall be entitled to forfeit and retain the Deposit in full (together with any interest income earned on the Deposit from the date of receipt of the Deposit by the Vendors). If Completion does not take place or is not capable of taking place because of any other reason, the Deposit shall be refunded to CMB in full, together with any interest income earned on the Deposit from the date of receipt of the Deposit by the Vendors.

LETTER FROM THE BOARD

Revised Offer

If, in relation to the General Offer, CMB makes, or becomes obliged under the Takeovers Code to make, a revised or an improved offer (the “Revised Offer”) for the WLB Shares under the General Offer, CMB will pay or procure to be paid to each of the Vendors (or as it may direct) a cash amount equal to the difference by which the market value per WLB Share of such Revised Offer exceeds the Consideration per Sale Share (aggregating, for this purpose, all forms of consideration and consideration paid and/or payable in connection therewith whether in cash or in any other form).

Vendor undertakings

Each of the Vendors has undertaken to CMB that during the period between the date of the Sale and Purchase Agreements and Completion, each of them will, and will procure that the WLB Group will, to continue their respective businesses in the ordinary and usual course. Each of the Vendors also undertakes that each of them will not, and will procure that the WLB Group will not, unless CMB otherwise agrees in writing or unless in relation to matters already disclosed by the Vendors:

- (i) issue or redeem any capital (equity or subordinated debt);
- (ii) declare, make or pay any dividend or other distribution other than the 2008 Interim Dividends; or
- (iii) compromise, settle, release or discharge any liability, claim, action, demand or dispute, or waive a right in relation to litigation or arbitration proceedings the amount of which individual liability, claim, action, demand or dispute being compromised, settled, released or discharged individually is in excess of HK\$100 million.

Each of the Vendors has also undertaken to, (a) in the period prior to Completion, procure and (b) in the period after Completion, reasonably assist, WLB will carry out an audit by WLB’s external auditors of WLB’s consolidated balance sheet, profit and loss account and cashflow statement, in each case, as at and for the six-month period ending on 30 June 2008 and shall deliver a copy of the same to CMB on or before the later of (i) Completion or (ii) 30 September 2008.

CMB undertakings

CMB is committed to the long term stability and continuity of WLB’s management and employees. As such, CMB has undertaken to the Vendors, among other things, that for a period of at least 18 months from the Completion Date, it will not and will procure that each member of the WLB Group will not terminate the employment of the staff of the WLB Group, save under limited specific circumstances.

CMB further undertakes that it will provide each of the Vendors periodic updates regarding its progress in obtaining the requisite PRC government approvals.

LETTER FROM THE BOARD

Completion

As described above, Completion is conditional upon, among other things, the satisfaction of the following matters, for which CMB has undertaken to use its best endeavours to fulfill:

- (i) CMB Shareholders having approved, in general meeting, the Acquisition as contemplated in the Sale and Purchase Agreements and the subsequent General Offer;
- (ii) all approvals of relevant PRC government authorities or agencies whose approval is required for the completion of the transactions contemplated in the Sale and Purchase Agreements (including approvals in relation to the remittance of foreign exchange) and the subsequent General Offer having been obtained;
- (iii) CMB and any holding company or other controller of CMB having been approved, or not objected to within the relevant period by the HKMA as a majority shareholder controller (as such term is defined in the Banking Ordinance) of WLB under section 70 of the Banking Ordinance and the chief executive and directors of WLB which CMB proposes to appoint on Completion having been approved by the HKMA under section 71 of the Banking Ordinance;
- (iv) CMB and any holding company or other controller of CMB having been approved within the relevant period by the SFC as a substantial shareholder of each of Wing Lung Securities Limited and Wing Lung Futures Limited under section 132 of the SFO; and
- (v) CMB and any holding company of CMB having been approved, or not objected to within the relevant period, by the Insurance Authority of Hong Kong as a controller (as such expression is defined under the Insurance Companies Ordinance) of Wing Lung Insurance Company Limited.

Completion of both Sale and Purchase Agreements will take place at the same time on the Completion Date which is five Business Days after the later of the Conditions Satisfaction Date and the Dividend Record Date, or such other date as may be agreed in writing between each of the Vendors and CMB.

If any of the Conditions set out above have not been satisfied or waived in writing on or before 11:59 p.m. on the Long Stop Date, the Sale and Purchase Agreements will terminate automatically with immediate effect and neither the Vendors nor CMB will be obliged to complete the Acquisition.

LETTER FROM THE BOARD

3. SHAREHOLDING STRUCTURE OF WLB

The existing shareholding structure of WLB and the shareholding structure of WLB upon Completion but before the General Offer (assuming that there is no change in the issued share capital of WLB) are set out as follows:

	Existing shareholding structure		Shareholding structure upon Completion but before the General Offer	
	<i>Number of WLB Shares</i>	<i>Approximate Shareholding</i>	<i>Number of WLB Shares</i>	<i>Approximate Shareholding</i>
	Wu Jieh Yee Company Limited	65,524,929	28.22%	–
Wu Yee Sun Company Limited	32,239,835 ⁽¹⁾	13.89%	–	–
Yee Hong Company Limited	25,571,406	11.01%	–	–
Subtotal	123,336,170	53.12%	–	–
Wings Investment Company Limited ⁽³⁾	21,926,910 ⁽²⁾	9.44%	21,926,910 ⁽²⁾	9.44%
Directors of WLB ⁽⁴⁾	1,034,353	0.44%	1,034,353 ⁽⁴⁾	0.44%
CMB and parties acting in concert with it	90	0.00004%	123,336,260	53.12%
Public	85,892,592	37.00%	85,892,592	37.00%
Total	232,190,115	100%	232,190,115	100%

Notes:

- (1) This excludes the WLB Shares held by Yee Hong Company Limited in which Wu Yee Sun Company Limited holds a controlling interest.
- (2) This includes the 11,638,204 WLB Shares (representing approximately 5.01% of the entire issued share capital of WLB) held by Hopes Enterprises Limited in which Wings Investment Company Limited holds a controlling interest and assuming that each of Hopes Enterprises Limited and Wings Investment Company Limited will not acquire or dispose of any WLB Shares from the Latest Practicable Date to Completion and before the General Offer.
- (3) Wings Investment Company Limited is majority-owned by connected persons of WLB, including associates of the directors of WLB and the Vendors. Wu Jieh Yee Company Limited, Wu Yee Sun Company Limited and Yee Hong Company Limited respectively own approximately 17.38%, 23.88% and 1.10% of Wings Investment Company Limited. Accordingly, Wings Investment Company Limited is a party acting in concert with the Vendors.
- (4) Such directors include Dr Michael Po-ko Wu, Dr Patrick Po-kong Wu, Dr Philip Po-him Wu, Mr. Che Shum Chung, Mr. Anthony Shang-fung Wu and Mr. Shung-kwong Tsang. Such WLB directors' shareholding upon Completion but before the General Offer is based on the assumption that none of such directors will acquire or dispose of any WLB Shares from the Latest Practicable Date to Completion and before the General Offer.

LETTER FROM THE BOARD

4. REASONS FOR AND BENEFITS OF ENTERING INTO THE SALE AND PURCHASE AGREEMENTS

Headquartered in Shenzhen, CMB views the Hong Kong market to be very important to its international expansion strategy. The Acquisition offers a unique opportunity for CMB to establish a sizeable customer base and distribution network in Hong Kong. Through the Acquisition and the General Offer, CMB can fully utilize WLB's strong network and reputation to provide diversified financial services to customers in Hong Kong. At the same time, CMB can combine its own strengths in retail and SME banking, online banking and credit cards with WLB's comprehensive product offering and expertise to enhance CMB's own financial products and services for its customer base in mainland China.

The CMB Directors (including the independent non-executive directors of CMB) consider that the Sale and Purchase Agreements are entered into after an arm's length negotiation between CMB and the Vendors and the terms therein are on normal commercial terms and the Acquisition is fair and reasonable and in the interests of CMB and the CMB Shareholders as a whole.

5. FINANCIAL EFFECTS OF THE ACQUISITION ON CMB'S EARNINGS, ASSETS AND LIABILITIES

Upon Completion, WLB will become a subsidiary of CMB and the financial results of WLB Group will be consolidated into CMB Group's financial statements. CMB's earnings, assets and liabilities will increase as a result of consolidation of the financial statements of WLB Group. Since the increase in earnings, assets and liabilities as a result of the Acquisition is not substantial as compared with the size of CMB Group, the CMB Directors are of the view that the Acquisition will have no material financial effects on CMB.

Based on the current assessment, the CMB Directors do not expect the Acquisition to have a negative impact on CMB's earning per CMB Share, even excluding the beneficial impact of synergies.

6. POSSIBLE UNCONDITIONAL MANDATORY CASH OFFER

CMB and parties acting in concert with it held 90 WLB Shares as at the Latest Practicable Date. Upon Completion, CMB and parties acting in concert with it will own 123,336,260 WLB Shares, representing approximately 53.12% of the entire issued share capital of WLB as at the Latest Practicable Date.

Under Rule 26.1 of the Takeovers Code, upon Completion, CMB will be required to make an unconditional mandatory cash offer for all the issued WLB Shares, other than those WLB Shares already owned by or agreed to be acquired by CMB or parties acting in concert with it at the time when the General Offer is made. The General Offer, if and when made, will be unconditional in all respects.

LETTER FROM THE BOARD

JPMorgan will, for and on behalf of CMB, make the General Offer on the following terms in accordance with Rule 26.1 of the Takeovers Code.

For each Offer Share HK\$156.50 in cash

CMB does not intend to increase the Offer Price of HK\$156.50 per WLB Share. CMB reserves the right not to be bound by this statement in the event that CMB (together with parties acting in concert with it) acquires in aggregate more than 75% of the total issued share capital of WLB.

As at the Latest Practicable Date, WLB had 232,190,115 WLB Shares in issue and there are no outstanding options, warrants, derivatives or convertibles which may confer any rights to the holder(s) thereof to subscribe for, convert or exchange into WLB Shares.

WARNING: The General Offer is a possibility only. Completion is conditional upon the fulfillment or waiver of certain conditions under the Sale and Purchase Agreements as mentioned above and the General Offer will only be made if Completion takes place. Accordingly, the Sale and Purchase Agreements may or may not be completed and the General Offer may or may not proceed. CMB Shareholders, WLB Shareholders and potential investors are therefore advised to exercise caution when dealing in the CMB Shares and the WLB Shares.

Total consideration

Given that WLB had a total number of 232,190,115 WLB Shares in issue as at the Latest Practicable Date, the entire issued share capital of WLB is valued at HK\$36,337,752,997.50 at the Offer Price of HK\$156.50 per Offer Share under the General Offer and all the Offer Shares (being 108,853,855 WLB Shares not held by CMB and parties acting in concert with it after Completion) subject to the General Offer are valued at HK\$17,035,628,307.50.

Confirmation of financial resources

CMB has sufficient internal resources to satisfy full acceptance of the General Offer. JPMorgan, as financial adviser to CMB, is satisfied that sufficient resources are available to CMB to satisfy full acceptance of the General Offer.

Capital raising arrangement

Upon Completion, the capital adequacy ratio of CMB will remain above 8%. CMB intends to strengthen its capital base through the issuance of subordinated debt in the domestic market, subordinated debt in the overseas market, convertible bonds in the overseas market, or a combination of these options. Further announcement will be made by CMB as to the capital raising arrangement.

LETTER FROM THE BOARD

Effect of accepting the General Offer

The General Offer to be made upon Completion will be unconditional in all respects. By accepting the General Offer, WLB Shareholders will sell their WLB Shares to CMB free from all liens, claims and encumbrances and together with all rights attaching to the WLB Shares as at the date of the close of the General Offer, including the rights to receive all dividends and distribution identified as payable to WLB Shareholders on a record date which is on or after the posting of the composite offer document, but excluding the 2008 Interim Dividends.

Stamp duty

Ad valorem stamp duty of the accepting WLB Shareholders arising in connection with acceptance of the General Offer amounting to 0.1% of the amount payable in respect of the relevant acceptance or, if higher, the value of the Offer Shares as determined by the Collector of Stamp Revenue under the Stamp Duty Ordinance (Chapter 117 of the Laws of Hong Kong) is payable by those accepting WLB Shareholders which will be deducted from the payment to be received by them. CMB will bear its own portion of buyer's ad valorem stamp duty under the General Offer at the rate of 0.1% of the amount payable in respect of relevant acceptances or, if higher, the value of the Offer Shares as determined by the Collector of Stamp Revenue under the Stamp Duty Ordinance (Chapter 117 of the Laws of Hong Kong) and will be responsible to account to the Stamp Office of Hong Kong for the stamp duty payable for the sale and purchase of the relevant Offer Shares pursuant to the acceptances of the General Offer.

Payment

Payment (after deducting the accepting WLB Shareholders' share of stamp duty) in cash in respect of acceptances of the General Offer will be made as soon as possible but in any event within 10 days of the date on which the relevant documents of title are received by CMB to render each such acceptance complete and valid.

Information on the existing directors of WLB

Dr Patrick Po-kong Wu, Dr Philip Po-him Wu, Mr. Anthony Shang-fung Wu, Dr Michael Po-ko Wu, Mr. Albert Po-cheung Wu and Mr. Ivan Po-young Wu who are existing directors of WLB have indicated to CMB their intention to resign from their respective offices with WLB with effect from the earliest date as may be permitted under Rule 7 of, or pursuant to any dispensation from, the Takeovers Code or by the Executive.

Information on CMB and its intention regarding the WLB Group

At the Latest Practicable Date, Bear Stearns Asia Limited (an affiliate of JPMorgan) held 90 WLB Shares.

Details of dealings in WLB Shares by CMB and parties acting in concert with it during the six-month period immediately prior to 20 March 2008 (being the date of

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WLB's announcement of a possible offer) and up to the date of the joint announcement of CMB and WLB on 2 June 2008 were as follows:

J. P. Morgan Whitefriars Inc.

Date of dealing	Number of WLB Shares acquired/(disposed)	Acquisition price per WLB Share (HK\$)
11/01/2008	800	96.80
25/01/2008	(800)	90.64
31/01/2008	800	88.59
05/02/2008	(800)	87.46
07/03/2008	4,500	83.18
12/03/2008	(4,500)	81.95

Bear Stearns Asia Limited

Date of dealing	Number of WLB Shares acquired/(disposed)	Acquisition price per WLB Share (HK\$)
27/09/2007	(15,210)	81.45*
26/10/2007	(14,430)	81.45*
26/11/2007	(15,600)	81.45*
27/12/2007	(9,360)	81.45*
31/12/2007	(390)	81.45*
04/01/2008	200	93.41
04/01/2008	100	93.41
04/01/2008	200	93.41
04/01/2008	400	93.40

* WLB Shares were delivered to fulfill obligations under pre-existing OTC derivative contracts.

Save as disclosed above, (i) CMB and parties acting in concert with it did not hold any WLB Shares as at the Latest Practicable Date; and (ii) during the six-month period immediately prior to 20 March 2008 (being the date of WLB's announcement of a possible offer) and up to the date of the joint announcement of CMB and WLB on 2 June 2008, CMB and parties acting in concert with it had not dealt in any WLB Shares, save and except certain dealings by exempt persons under the Takeovers Code.

There is no arrangement (whether by way of option, indemnity or otherwise) in relation to the CMB Shares or WLB Shares and which might be material to the General Offer as referred to in Note 8 to Rule 22 of the Takeovers Code.

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There is no agreement or arrangement to which CMB is a party which relates to the circumstances in which it may or may not invoke or seek to invoke a pre-condition or a condition to the General Offer.

CMB is currently reviewing the overall businesses of the WLB Group and will keep WLB Shareholders and investors informed by further announcement if it decides on anything that requires disclosure pursuant to the Listing Rules.

As mentioned above, CMB is committed to the long term stability and continuity of WLB's management and employees. As such, CMB has undertaken to the Vendors that it will not terminate the employment of the staff of the WLB Group for at least 18 months from Completion, except under limited specific circumstances. CMB also aims to ensure the appropriate degree of continuity of the board of directors of WLB. Upon the despatch of the composite offer document, there will be directors appointed by CMB into WLB. Further announcement will be made as to the details of the appointment of new directors of WLB.

Given WLB's strong and established brand in Hong Kong, CMB intends to maintain the branding and the name of "Wing Lung Bank" and "永隆銀行" to benefit from the strong reputation that WLB has developed in the Hong Kong market over the past 75 years.

Composite offer document

It is the intention of the CMB Board and board of directors of WLB to combine the offer document and the offeree board circular in the composite offer document. Pursuant to Rule 8.2 of the Takeovers Code, within 21 days of the date of the joint announcement of CMB and WLB on 2 June 2008 or such later date as the Executive may approve, CMB is required to despatch the offer document containing the terms of the General Offer, the form of acceptance and transfer of the Offer Shares to the WLB Shareholders. As the Conditions cannot be fulfilled within 21 days of the date of the joint announcement of CMB and WLB on 2 June 2008, CMB will apply for the consent of the Executive under Note 2 to Rule 8.2 of the Takeovers Code for an extension of time for despatching the composite offer document to any time within 7 days of Completion.

7. COMPULSORY ACQUISITION AND WITHDRAWAL OF LISTING

If CMB acquires not less than 90% of the Offer Shares within, but not exceeding, four months of the posting of the composite offer document (within the meaning of the ninth schedule of the Companies Ordinance), CMB intends to exercise any right it may have under the Companies Ordinance to compulsorily acquire those Offer Shares not acquired by CMB pursuant to the General Offer. On completion of such compulsory acquisition, WLB would become a wholly-owned subsidiary of CMB and an application will be made for the withdrawal of the listing of the WLB Shares from the Stock Exchange in accordance with the Listing Rules.

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Pursuant to Rule 15.6 of the Takeovers Code, where CMB has stated in the composite offer document its intention to avail itself of any powers of compulsory acquisition, the General Offer may not remain open for acceptance for more than four months from the posting of the composite offer document, unless CMB has by that time become entitled to exercise such powers of compulsory acquisition, in which event it must do so without delay.

8. MAINTAINING THE LISTING STATUS OF WLB

If CMB does not effect the compulsory acquisition as set out in the section headed “Compulsory Acquisition and Withdrawal of Listing” above, the CMB Directors and any new directors to be appointed to WLB by CMB will jointly and severally undertake to the Stock Exchange to take appropriate steps to ensure that the minimum public float requirement under the Listing Rules is complied with by WLB following the close of the General Offer.

The Stock Exchange has stated that it will consider exercising its discretion to suspend dealing in the Shares if, at the close of the General Offer:

- (a) less than the minimum prescribed percentage applicable to WLB being 25% of the issued WLB Shares are held by the public; or
- (b) if the Stock Exchange believes that (i) a false market exists or may exist in the trading of the WLB Shares or (ii) there are insufficient WLB Shares in public hands to maintain an orderly market.

In this connection, it should be noted that upon the closing of the General Offer, there may be insufficient public float for the WLB Shares and therefore, trading in the WLB Shares may be suspended until a prescribed level of public float is attained.

9. IMPLICATIONS UNDER THE LISTING RULES AND PRC LEGAL REQUIREMENTS FOR CMB

As the applicable percentage ratios set out in Rule 14.07 of the Listing Rules in respect of the Acquisition and the General Offer are more than 5% but less than 25%, under the Listing Rules, the Acquisition contemplated under the Sale and Purchase Agreements and the General Offer constitute a discloseable transaction for CMB. Each of the Vendors and its respective ultimate beneficial owners has not had any prior transactions with CMB Group that require aggregation under Rule 14.22 of the Listing Rules. Under the Listing Rules, the Acquisition is subject to the reporting and announcement requirement only. However, pursuant to the relevant rules and regulations relating to CMB’s foreign investment authority, the Acquisition is also subject to the approval of the CMB Shareholders. No CMB Shareholder is required to abstain from voting in connection with the additional resolutions to be resolved at the AGM.

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10. GENERAL

Information on the Vendors

The Vendors are companies incorporated in Hong Kong and are principally engaged in investment holding.

Information on WLB

WLB is a banking company incorporated in Hong Kong and the WLB Shares have been listed on the Stock Exchange since 1980. WLB is principally engaged in the provision of banking and related financial services. The principal activities of the WLB Group include deposit taking, futures and securities broking, investment trading, insurance underwriting, insurance agency, trustee and nominee services and property management.

Further information on CMB

CMB is a joint stock company incorporated in the PRC and the CMB Shares are listed on the Stock Exchange and the Shanghai Stock Exchange. CM Group, a substantial shareholder of CMB, was indirectly interested in 17.64% of the total issued share capital of CMB as at the Latest Practicable Date. CMB is principally engaged in the provision of banking and other related financial services. CMB is an independent third party and is not connected with and is not a party acting in concert with WLB or its subsidiaries or any connected persons of WLB.

11. DISCLOSURE OF DEALINGS

Associates of WLB and CMB are reminded to disclose their dealings in the WLB Shares.

In accordance with Rule 3.8 of the Takeovers Code, the full text of Note 11 to Rule 22 of the Takeovers Code is reproduced below:

“Responsibilities of stockbrokers, banks and other intermediaries

Stockbrokers, banks and others who deal in relevant securities on behalf of clients have a general duty to ensure, so far as they are able, that those clients are aware of the disclosure obligations attaching to associates and other persons under Rule 22 and that those clients are willing to comply with them. Principal traders and dealers who deal directly with investors should, in appropriate cases, likewise draw attention to the relevant Rules. However, this does not apply when the total value of dealings (excluding stamp duty and commission) in any relevant security undertaken for a client during any 7 day period is less than \$1 million.

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This dispensation does not alter the obligations of principals, associates and other persons themselves to initiate disclosure of their own dealings, whatever total value is involved. Intermediaries are expected to co-operate with the Executive in its dealings enquiries. Therefore, those who deal in relevant securities should appreciate that stockbrokers and other intermediaries will supply the Executive with relevant information as to those dealings, including identities of clients, as part of that co-operation.”

12. PROPOSED ISSUE OF SUBORDINATED BOND

In order to replenish as well as to strengthen the capital base of CMB, CM Steam Navigation proposed to the CMB Board to submit the additional proposal of the issue of subordinated bond with a principal value of not more than RMB30 billion (or the equivalent amount of foreign currencies) in the domestic and/or overseas markets to the AGM for the Shareholders’ approval pursuant to the CMB’s articles of association. The details of the resolution is set out below:

1. CMB be authorized to issue subordinated bond in the principal amount of not more than RMB30 billion (or the equivalent amount of foreign currencies) in the domestic and/or overseas markets to replenish the capital base of CMB. In the event that the subordinated bond is issued in both domestic and overseas markets, the aggregate principal value for the issue of the subordinated bond in the overseas market shall not exceed RMB10 billion;
2. Particulars of the issue of subordinated bond in the domestic market are as follows:
 - (i) Principal amount: Not exceeding RMB30 billion
 - (ii) Maturity of the subordinated bond: 5 years or more
 - (iii) Interest rate of the subordinated bond: to be determined by the CMB Board and its authorized person (authorised by the AGM) according to the market interest rate, the mode of issue and the actual market conditions at the time of issue
 - (iv) Target subscribers: institutional investors in the PRC’s inter-bank bond market
 - (v) Use of proceeds: to be used to replenish the capital base of CMB

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- (vi) Validity period of the resolution passed relating to the issue of subordinated bond in the domestic market: for a period from the approval date of AGM to 31 December 2009
- (vii) Authorization: submit proposal to the AGM to authorise the CMB Board and its authorized person to do or cease to do all such things relating to the issue of the subordinated bond in domestic markets (including but not limited to determine and finalise the terms and conditions of the issue of subordinated bonds) and to make amendments to such issue proposal as permitted by the relevant regulatory authorities. Such authorization shall be valid for a period from the approval date of AGM to 31 December 2009.
3. For the issue of subordinated bond in the overseas market, proposal will be submitted to the AGM to authorise the Board and its authorized person to determine and enact the issue proposal and to do or cease to do all such things relating to the issue of the subordinated bonds in overseas markets based on the actual need of CMB and the overseas market conditions. Such authorization shall be valid for a period from the approval date of AGM to 31 December 2009.

13. AGM

Reference is made to the notice of AGM published by CMB on 13 May 2008. The CMB Board has received a written request from CM Steam Navigation, which currently holds approximately 12.11% of the issued shares of CMB, stating that it being a CMB Shareholder holding more than 3% of the CMB Shares carrying the voting right, shall have the right of making a provisional proposal in accordance with the “Company Law of the PRC”, “Regulations in relation to the General Meeting of Listed Companies” and the “Articles of Association of CMB”, and proposing that the CMB Board to submit additional resolutions to the AGM for consideration and approval by the CMB Shareholders.

Supplementary notice of the AGM, together with the supplementary proxy form, will be issued to the CMB Shareholders at the same time with this circular. Whether or not you are able to attend the AGM, you should complete and return the supplementary proxy form in accordance with the instructions printed thereon not less than 24 hours before the time fixed for holding the AGM or any adjournment thereof (as the case may be) to Computershare Hong Kong Investor Service Limited at Rooms 1806-07, 18/F., Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong. If no supplementary proxy form duly completed and returned is lodged with CMB, the original proxy form lodged will be treated as valid if duly completed and returned. The proxy so appointed will be entitled to vote at his discretion or abstain on the

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newly proposed resolutions properly put to the AGM. If CMB receives, in addition to a duly completed and returned original proxy form, a duly completed and returned supplementary proxy form, CMB will treat both the original proxy form and the supplementary proxy form as valid.

Completion and return of the supplementary proxy form will not preclude you from attending the AGM and voting in person if you so wish.

14. RECOMMENDATIONS

The CMB Directors (including the independent non-executive directors of CMB) consider that the Acquisition, the possible General Offer and the proposed issue of subordinated bond are in the best interests of CMB and the CMB Shareholders as a whole.

Accordingly, the CMB Directors recommend the CMB Shareholders to vote in favour of these additional resolutions which will be proposed at the AGM.

15. ADDITIONAL INFORMATION

Your attention is drawn to the general information set out in the appendix to this circular.

Yours faithfully,
By order of the Board
China Merchants Bank Co., Ltd.
Qin Xiao
Chairman

1. RESPONSIBILITY STATEMENT

This circular includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to CMB. The CMB Directors collectively and individually accept full responsibility for the accuracy of the information contained in this circular and confirm, having made all reasonable enquiries, that to the best of their knowledge and belief, opinions expressed in this circular have been arrived at after due and careful consideration and there are no other facts the omission of which would make any statement herein misleading.

2. DISCLOSURE OF INTEREST

(a) Directors and Supervisors of CMB

As at the Latest Practicable Date, none of the directors, supervisors or chief executives of CMB held or was deemed to hold interest or short position in the shares, underlying shares and/or debentures of CMB or any of its associated corporations (within the meaning of Part XV of the SFO) which are required to be notified to CMB and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are taken or deemed to have under such provisions of the SFO) or which are required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or which are required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers to be notified to CMB and the Stock Exchange.

(b) Substantial Shareholders

As at the Latest Practicable Date, save as disclosed below, so far as was known to the CMB Board, no persons (not being a director, chief executive or supervisor of CMB) had an interest or short position in the CMB Shares or underlying CMB Shares which would fall to be disclosed to CMB under the provisions of Divisions 2 and 3 of Part XV of the SFO, or, who is directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at the general meeting of any other member of CMB:

Substantial shareholders' and other persons' interests and short positions in CMB Shares and underlying CMB Shares

As at the Latest Practicable Date, the following persons (other than the directors, supervisors and chief executives of CMB (defines as to the Listing Rules) had interests

and short positions in the CMB Shares as recorded in the register required to be kept by CMB pursuant to Section 336 of the SFO:

Name of substantial shareholder	Class of CMB Shares	Long/short position	Capacity	No. of CMB Shares held	Notes	Percentage of the relevant class of CMB Share in issue (%)	Percentage of total CMB Shares in issue (%)
CM Group	A	Long	Interest of controlled corporations	2,599,932,810	1	21.58	17.68
CM Steam Navigation	A	Long	Beneficial owner	1,785,120,730	1	14.82	12.14
China Merchants Finance Investment Holdings Co. Ltd.	A	Long	Interest of controlled corporations	814,812,080	1	6.76	5.54
Shenzhen Yan Qing Investment Development Co. Ltd.	A	Long	Beneficial owner	434,878,336	1		
		Long	Interest of controlled corporations	379,933,744	1		
				814,812,080		6.76	5.54
China Ocean Shipping (Group) Company	A	Long	Beneficial owner	950,595,801	2	7.89	6.46
China Shipping (Group) Company	A	Long	Beneficial owner	176,515,978	3		
		Long	Interest of controlled corporations	618,366,092	3		
				794,882,070	3	6.60	5.40
JPMorgan Chase & Co.	H	Long	Beneficial owner	65,652,738			
		Long	Investment manager	265,635,000			
		Long	Custodian corporation/ approved lending agent	93,252,760			
				424,540,498	4	15.95	2.89
		Short	Beneficial owner	35,197,820	4	1.32	0.24
UBS AG	H	Long	Beneficial owner	158,817,975			
		Long	Interest of controlled corporations	40,163,037	5		
				198,981,012	5	7.47	1.35
		Short	Beneficial owner	64,436,476			
		Short	Person having a security interest in shares	6,164,200			
				70,600,676	5	2.65	0.48
Mirae Asset Global Investments (Hong Kong) Limited	H	Long	Investment manager	160,244,000		6.02	1.09

Notes:

Notes (1) to (3) below reflect the number of A shares of CMB recorded in the disclosure forms completed by the relevant substantial shareholders of CMB before the Latest Practicable Date (and the actual number of A shares held by them as at the Latest Practicable Date).

1. CM Group held interest in a total of 2,599,932,810 (2,593,877,836) A shares in CMB by virtue of its control over the following corporations, which held direct interests in CMB:
 - 1.1 CM Steam Navigation held 1,785,120,730 (1,781,677,633) A shares in CMB. CM Steam Navigation was a wholly-owned subsidiary of CM Group.
 - 1.2 Shenzhen Yan Qing Investment Development Co. Ltd. held 434,878,336 (433,484,335) A shares in CMB. Shenzhen Yan Qing Investment Development Co. Ltd. was owned as to 51% and 49% by China Merchants Finance Investment Holdings Co. Ltd. and CM Group respectively. China Merchants Finance Investment Holdings Co. Ltd. was owned as to 90% and 10% by CM Group and CM Steam Navigation, referred to in (1.1) above, respectively.
 - 1.3 Shenzhen Chu Yuan Investment Development Co. Ltd. held 379,933,744 (378,715,868) A shares in CMB. Shenzhen Chu Yuan Investment Development Co. Ltd. was owned as to 50% by each of Shenzhen Yan Qing Investment Development Co. Ltd., referred to in (1.2) above, and China Merchants Finance Investment Holdings Co. Ltd., referred to in (1.2) above, respectively.
2. China Ocean Shipping (Group) Company directly held 950,595,801 (947,548,668) A shares in CMB.
3. China Shipping (Group) Company held interest in a total of 794,882,070 (792,334,078) A shares in CMB by virtue of its direct interest in 176,515,978 (175,950,157) A shares in CMB and indirect interest in 618,366,092 (616,383,921) A shares in CMB by virtue of its wholly-owned subsidiaries, which held direct interests in CMB as follows:
 - 3.1 Guangzhou Maritime Transport (Group) Company Limited held 567,177,677 (565,359,590) A shares in CMB; and
 - 3.2 Shanghai Shipping (Group) Company held 51,188,415 (51,024,331) A shares in CMB.
4. JPMorgan Chase & Co. held interest in a total of 451,520,647 H shares (Long position) and 35,197,819 H shares (Short position) of CMB by virtue of its control over the following corporations, which held direct interests in CMB:
 - 4.1 JPMorgan Chase Bank, N.A. held 98,742,260 H shares (Long position) in CMB. JPMorgan Chase Bank, N.A. was a wholly-owned subsidiary of JPMorgan Chase & Co.
 - 4.2 J.P. Morgan Whitefriars Inc. held 49,371,297 H shares (Long position) and 11,686,913 H shares (Short position) in CMB. J.P. Morgan Whitefriars Inc. was a wholly-owned subsidiary of J.P. Morgan Overseas Capital Corporation, which in turn was a wholly-owned subsidiary of J.P. Morgan International Finance Limited. J.P. Morgan International Finance Limited was wholly-owned by Bank One International Holdings Corporation, which in turn was a wholly-owned subsidiary of J.P. Morgan International Inc. JPMorgan Chase Bank, N.A., referred to in (4.1) above, owned 100% interest in J.P. Morgan International Inc.
 - 4.3 J.P. Morgan Securities Ltd. held 1,251,500 H shares (Long position) and 967,500 H shares (Short position) in CMB. J.P. Morgan Securities Ltd. was owned as to 98.95% by J.P. Morgan Chase International Holdings Limited, which in turn was a wholly-owned subsidiary of J.P. Morgan Chase (UK) Holdings Limited. J.P. Morgan Chase (UK) Holdings Limited was wholly-owned by J.P. Morgan Capital Holdings Limited, which in turn was wholly-owned by J.P. Morgan International Finance Limited, referred to in (4.2) above.
 - 4.4 J.P. Morgan Structured Products B.V. held 7,998,500 H shares (Short position) in CMB. J.P. Morgan Structured Products B.V. was a wholly-owned subsidiary of J.P. Morgan International Finance Limited, referred to in (4.2) above.
 - 4.5 JF Asset Management (Taiwan) Limited held 5,453,000 H shares (Long position) in CMB. JF Asset Management (Taiwan) Limited was wholly-owned by JF Funds Limited. JF Funds Limited was a wholly-owned subsidiary of JF Asset Management Limited, which in turn was a

wholly-owned subsidiary of JPMorgan Asset Management (Asia) Inc., which was a wholly-owned subsidiary of JPMorgan Asset Management Holdings Inc. JPMorgan Asset Management Holdings Inc. was wholly-owned by JPMorgan Chase & Co.

- 4.6 JF Asset Management Limited and JF Asset Management (Singapore) Limited held 105,519,500 H shares (Long position) and 38,600,000 H shares (Long position) in CMB respectively. Both of them were wholly-owned subsidiaries of JPMorgan Asset Management (Asia) Inc., referred to in (4.5) above.
- 4.7 J.P. Morgan Investment Management Inc. held 28,982,500 H shares (Long position) in CMB. J.P. Morgan Investment Management Inc. was a wholly-owned subsidiary of JPMorgan Asset Management Holdings Inc., referred to in (4.5) above.
- 4.8 China International Fund Management Ltd held 19,454,000 H shares (Long position) in CMB. China International Fund Management Ltd was owned as at 49% by JPMorgan Asset Management (UK) Limited, which held 62,136,500 H shares (Long position) directly in CMB. JPMorgan Asset Management (UK) Limited was a wholly-owned subsidiary of JPMorgan Asset Management Holdings (UK) Limited, which in turn was wholly-owned by JPMorgan Asset Management International Limited, which was a wholly-owned subsidiary of JPMorgan Asset Management Holdings Inc., referred to in (4.5) above.
- 4.9 Bear Stearns International Limited held 15,029,941 H shares (Long position) and 14,544,907 H shares (Short position) in CMB. Bear Stearns International Limited was wholly-owned subsidiary of Bear Stearns Holdings Limited, which in turn was a wholly-owned subsidiary of Bear Stearns UK Holdings Limited. Bear Stearns UK Holdings Limited was wholly-owned by The Bear Stearns Companies Inc., which in turn was owned as at 49.78% by JPMorgan Chase & Co.

The entire interest of JPMorgan Chase & Co. in CMB included a lending pool of 93,252,760 H shares (Long position). Besides, 17,550,898 H shares (Long position) and 19,685,413 H shares (Short position) were held through derivatives as follows:

7,998,500 H shares (Short position)	–	through cash settled derivatives (on exchange)
17,550,898 H shares (Long position) and	–	through physically settled derivatives
11,686,913 H shares (Short position)		(off exchange)

5. UBS AG held interest in a total of 40,163,037 H shares (Long position) in CMB by virtue of its 100% control over the following corporations, which held direct interests in CMB:

Name of controlled Corporation	No. of CMB Shares Long position
UBS Fund Management (Switzerland) AG	2,838,200
UBS Global Asset Management (Canada) Inc.	735,000
UBS Global Asset Management (Americas) Inc.	3,074,500
UBS Global Asset Management (Hong Kong) Ltd	8,170,400
UBS Global Asset Management (Singapore) Ltd	13,182,100
UBS Global Asset Management (UK) Limited	9,305,939
UBS Global Asset Management (Japan) Ltd	2,748,000
UBS Global Asset Management (Australia) Inc.	108,898

Among the entire interest and short position of UBS AG in CMB, 31,366,984 H shares (Long position) and 52,989,568 H shares (Short position) were held through derivatives as follows:

1,682,000 H shares (Long position) and	–	through physically settled derivatives
3,513,500 H shares (Short position)		(on exchange)
20,304,500 H shares (Short position)	–	through cash settled derivatives (on exchange)
16,633,984 H shares (Long position) and	–	through physically settled derivatives
9,520,568 H shares (Short position)		(off exchange)
13,051,000 H shares (Long position) and	–	through cash settled derivatives (off exchange)
19,651,000 H shares (Short position)		

Save as disclosed above, CMB was not aware of any other person (other than the CMB Directors, supervisors and chief executives of CMB) having any interests or short positions in the CMB Shares and underlying CMB Shares as at the Latest Practicable Date as recorded in the register required to be kept by CMB pursuant to Section 336 of the SFO.

3. LITIGATION

None of CMB and its subsidiaries was at present engaged in any litigation or arbitration of material importance and there was no litigation or claim of material importance known to the CMB Directors to be pending or threatened by or against CMB and its subsidiaries as at the Latest Practicable Date.

4. SERVICE CONTRACTS

As at the Latest Practicable Date, none of the CMB Directors had entered into, or proposed to enter into, a service contract with CMB or its subsidiaries which does not expire or is not terminable by CMB and its subsidiaries within one year without payment of compensation, other than statutory compensation.

5. DIRECTORS' INTERESTS IN COMPETING BUSINESS

As at the Latest Practicable Date, none of the CMB Directors or their respective associates had interests in the businesses, other than being a CMB Director, which compete or are likely to compete, either directly or indirectly, with the businesses of CMB (as would be required to be disclosed under Rule 8.10 of the Listing Rules if each of them were a controlling shareholder).

6. PROCEDURE FOR DEMANDING A POLL BY CMB SHAREHOLDERS

According to the articles of association of CMB, the resolutions will be determined on a show of hands unless a poll is demanded before or after any vote on a show of hands. A poll may be demanded by (i) the chairman of the meeting; or (ii) at least two CMB Shareholders entitled to vote, present in person or by proxy; or (iii) one or more CMB Shareholders present in person or by proxy representing more than 10% of all shares carrying the voting rights at the meeting.

7. MISCELLANEOUS

- (a) The registered office of CMB is situated at China Merchants Bank Tower, No. 7088 Shennan Boulevard, Shenzhen 518040, PRC.
- (b) CMB's H share registrar is Computershare Hong Kong Investor Services Limited at Rooms 1712-16, 17/F., Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong.
- (c) The Joint Company Secretaries of CMB are Lan Qi and Seng Sze Ka Mee, Natalia.

Mr. Lan Qi is the secretary of the CMB Board and head of the Office of Board of Directors, and one of the joint company secretaries of CMB. He joined CMB in April 1993. Mr. Lan obtained a master's degree in economics from monetary banking major of the Graduate School of the PRC in 1987 and is a senior economist. He previously served as deputy head of the Financial Administration Division of the PRC, Jiangxi Branch and vice president of the PRC, Jiangxi Province Pingxiang City Branch from 1987 to 1993. Mr. Lan has been working in CMB since 1993. He previously served as deputy general manager of the Development and Research Department of our head office from April 1993 to August 1993, deputy general manager of the Securities Department of the head office and deputy general manager of CMB Securities Company from August 1993 to June 1995, general manager of the Research and Development Department, Human Resources Department, Merchant Banking Department of the head office and general manager of CMB International Capital Corporation Limited and chief officer of the General Affairs Office from June 1995 to February 2004.

Mrs. Seng Sze Ka Mee Natalia is one of the joint company secretaries of CMB since August 2006. Mrs. Seng is currently an Executive Director and head of Corporate Services of Tricor Group. Prior to joining Tricor, she was a Director of Company Secretarial Services at Ernst & Young, Hong Kong and Tengis Limited from 1994 to early 2002. Mrs. Seng is a Chartered Secretary, current President of The Hong Kong Institute of Chartered Secretaries and a Fellow of both The Institute of Chartered Secretaries and Administrators and The Hong Kong Institute of Directors. Mrs. Seng holds a Master's degree in Business Administration (Executive) from City University of Hong Kong. Apart from CMB, she has been serving many listed clients over these years.

- (d) The qualified accountant of CMB is Cheng Ting Nam. Mr. Cheng became a qualified accountant of CMB on a full time basis in May 2006. He is a member of the senior management of CMB. Mr. Cheng joined CMB in August 2003 and served as the Head of Accounting Department of CMB's Hong Kong Branch. Mr. Cheng has over 12 years of financial management and accounting experience working for international banks in Hong Kong. Mr. Cheng is a Certified Public Accountant, an Authorized Supervisor of the Hong Kong Institute of Certified Public Accountants and a fellow member of the Association of Chartered Certified Accountants, the United Kingdom. He graduated from City University of Hong Kong with a bachelor degree in accounting and received a master's degree in business administration from the Open University of Hong Kong.
- (e) In the case of any discrepancy, the English text of this circular and proxy form shall prevail over the Chinese text.