

BUILDING A WINNING TEAM

Without a world-class professional team, we can never deliver the services required by our valued customers. Therefore, bank management has placed training and education as the most important tasks on their agenda. In 2003, we implemented a number of initiatives to prepare our staff for the challenges faced by CDB, focusing on international management techniques. We continued to offer educational opportunities at universities, both in China and abroad.

HUMAN RESOURCES MANAGEMENT

Our commitment to global best practices and the development of a world-class financial institution prompted a number of changes in our human resources management. In 2003, we made significant progress in a number of areas - (i) We completed a modification of the Bank's organization structure to support our restructuring plan, which included outsourcing a portion of our logistical services and automation of certain back-office support functions. (ii) We further enhanced our employment contract system up to the level of Director General. All key positions were filled after a fair and open selection process that was exclusively based on merit and competency. We will also implement a mechanism to enable us to adequately allocate resources according to job requirements and maximise the potential of our employees at the same time, and (iii) We further improved our compensation system to align pay with performance at the department levels in both Head Office and branches. Similarly, performance indicators were developed based on leading practices by global banks as well as the special needs of a development financing institution in China.

3P - POSITION, PERFORMANCE AND PAY

CDB management is committed to creating a well-balanced incentive system that meets the market demand for all of our employees. In 2003, with the help of international consultants, we started a project that included the evaluation of job positions at the various levels, the design of the performance measurement indicators and the determination of employees' compensation that are consistent with his/her position and performance. We recognize that the implementation of any changes in human resource management takes a long time, and we are currently reviewing and communicating the results of the studies with our employees in order to obtain their agreement to move forward.

BANK HISTORY EDUCATION

The coming year, 2004, will be the tenth year of Bank's history. Management believes that this is an appropriate time to take stock of our record in fulfilling our primary objective - supporting the Chinese government's infrastructure development initiatives and seeking new ways to help lead China's economic growth. It may also be time to re-examine our business priorities in this rapidly changing environment, while maintaining the focus on *raison d'être*.

TRAINING TARGETED ON INTERNATIONAL MANAGEMENT TECHNIQUES

The need for improvement in management capabilities defines our training scope. Our business departments have started the process of benchmarking practices in their areas against international best practices. The results show that although we are strong in a number of areas, we are lagging in general management capabilities. As such, our training programs have been designed to better support the Bank's current business focus and new products.

During 2003, we conducted a number of courses covering topics such as economic capital, asset and liability management and credit risk management on lending to small and medium enterprises, as well as the infrastructure financing course offered together with the World Bank. We also worked closely with our business departments in introducing new services and products, as well as the related management techniques, to our employees.

CONTINUED EDUCATION OPPORTUNITIES

CDB continued to offer top-performing staff overseas training and education opportunities. This year, the Bank and the British Embassy jointly offered full scholarship to five of our people to study in Finance or MBA programs in the UK. We have formed a partnership with Tsinghua University and designed a core MBA program, covering the concepts and methodologies of modern management customized for our top management.

USE OF TECHNOLOGY

Because of the Bank's broad geographical profile, we have been using our available network technology to facilitate training courses. During the period of May to July in 2003, when the SARS epidemic was at its worst, we were able to continue our training programs over our network through the innovative efforts of our training and technology personnel. When things returned to normal, we organized various survey and coaching projects to determine the effectiveness of this training. The results were encouraging in that we discovered that our long-distance education was well received. In this case, we were able to develop an efficient and cost-effective training tool.