



## Customer Communication Letter

According to the Notice of the State Administration of Foreign Exchange (hereinafter referred to as SAFE), No.142 [2008] of SAFE: “SAFE Notification about improving the foreign exchange and payment on capital funds of Foreign Investment Companies”, in order to improve the management of foreign exchange, smooth and simplify the process of capital verification and foreign exchange settlement for foreign investment companies, from 29 Aug 2008, the foreign exchange and payment on an enterprise’s FCY capital account should comply with the captioned notification. We hereby summarize the key points of the SAFE notices as below for your information:

1. Before applying for the conversion of capital funds with the bank, foreign-invested companies must complete the capital verification with their accounting firm in advance.
2. RMB funds obtained from capital fund conversion must be used within the business scope approved by government authorities.
3. Following documents should be submitted when foreign invested companies apply for the conversion of capital funds:
  - (1) IC card of foreign invested company foreign exchange;
  - (2) Foreign invested company capital fund conversion payment instruction form;
  - (3) Supporting documents on the usage of RMB funds from the capital fund conversion;
  - (4) The latest capital verification report provided by the enterprise’s accounting firm;
  - (5) Relevant supporting documents on the usage of RMB funds obtained from the previous capital fund conversion, which should be consistent with the statement on payment instruction form, the detailed usage list of RMB funds and the photocopy of related supporting documents, such as invoices, with company or financial stamp;
  - (6) Other materials which are required by bank.

For petty cash conversion for amounts equivalent to or less than USD50,000, customers do not need to submit documents mentioned in (3) and (5). And the conversion of capital account interests can be directly conducted according to the interest statements from the bank.

4. If the capital account and RMB accounts are maintained with one bank, the bank must finish the conversion, RMB fund credit and payment within one day. If the capital account and RMB account are maintained with different banks, the conversion bank should mark “capital funds conversion” in the payment details and the company is required to submit the payment instructions to the RMB account holding bank (RMB fund receiving bank) for their further action to release the payment out within 2 working days (including the day account crediting). The bank will execute the payment accordingly.

For capital fund conversions for petty cash or payroll/bonus, the RMB funds obtained in the conversion can be reserved in the companies’ RMB account.

5. This notice is effective from 29Aug 2008

For your easy understanding, we have prepared some frequent “Questions & Answers” for your reference (please refer to appendix 1)

Please kindly find the detailed regulation SAFE Notice No. 142 [2008] from SAFE in appendix 2.

If you have any queries, please feel free to contact your Relationship Managers or Customer Service Officers at the Bank.

Yours Sincerely,

HSBC Bank (China) Company Limited

10Sep2008