

CHINA CASH OVERVIEW – PART 3

LEADING-EDGE CASH MANAGEMENT SOLUTIONS

OUR SHANGHAI AND
SHENZHEN BRANCHES
HAVE FULL CAPABILITIES
TO MANAGE YOUR CNY
ACCOUNTS IN CHINA.

In China, ABN AMRO’s cash management services are positioned as a strategic business unit and a significant arm of Transaction Banking. Our services include account services and reporting, disbursements, collections and liquidity management, which are delivered through secure electronic banking tools.

ACCOUNT SERVICES

ABN AMRO supports major currencies, including CNY, USD, EUR, HKD, JPY, GBP, CAD and AUD. Any entity carrying on business in China has to organize itself as a Chinese vehicle/enterprise. The interest rates payable to these accounts are regulated by the Central Bank.

Onshore Account	CNY	FCY
Resident	Yes	Yes
Non-resident w/out permanent establishment	No	No
Offshore Account	CNY	FCY
Resident	No	No
Non-resident w/out permanent establishment	No	Yes

CNY ACCOUNTS

CNY accounts in China are mainly segregated into two different types.

Basic Account

This is the primary account maintained with a bank by a corporate customer for the purpose of funds transfer, settlement, payroll, and cash deposits/withdrawals. An entity is allowed to maintain only ONE basic account at a time and it must be opened with a bank located in the same city where the entity is registered.

General Accounts

In addition to the basic account, corporates can maintain any number of general accounts with multiple banks to meet additional business needs or for special purposes set out in China’s rules and regulations. These general accounts can be used for the same types of payments and receipts as basic accounts, but not for payroll or cash withdrawals. Unlike basic accounts, there is no longer any restriction on the location and number of general accounts.

ABN AMRO’s branches in Shanghai and Shenzhen can manage CNY accounts. Permission to operate CNY transactions at the Beijing branch is pending.

continued



FCY ACCOUNTS

FCY accounts in China are also mainly segregated into three different types.

Capital Account

This account is maintained by foreign-invested enterprises (“FIE”) for the purpose of depositing and disbursing foreign currency capital funds remitted into China. An entity is only allowed to maintain one capital account at a time unless the State Administration of Foreign Exchange (SAFE) grants the FIE the required approval to open more than one capital account.

Settlement Account

This account is used for day-to-day operational needs that are transacted in foreign currencies, such as import and export transactions. While there is no restriction in terms of the number of settlement accounts an entity may maintain, aggregate balances across all settlement accounts must not exceed the limit imposed by regulators. Any excess must be converted into CNY within 90 days.

Loan Account

This account is used for any foreign currency borrowing from both banks and overseas shareholders. Any borrowing must be credited into this account, which will be closely monitored by SAFE for its usage and FX conversion.

Corporates are required to obtain approval from the local SAFE prior to any FCY account opening. Similarly, approval is required from the local SAFE should there be any closure of FCY accounts. For other FCY accounts (e.g. settlement account), including cross-city FCY accounts, prior approval from SAFE is no longer required except for the initial FCY account opening.

PAYMENT & COLLECTION

Clearing systems in China can be broadly categorized into intra-city and inter-city settlement systems. Each major city has its own clearing infrastructure that focuses on intra-city settlement while the People’s Bank of China (PBOC) is mandated to provide inter-city settlement.

Local banks also have their own proprietary clearing systems and some offer their clearing networks to foreign banks. Intra-city payments are usually settled through credit vouchers while inter-city payments are made through the nationwide electronic inter-city payment system (CNAPS), which is administered by PBOC, or through the proprietary clearing infrastructure of the big local banks.

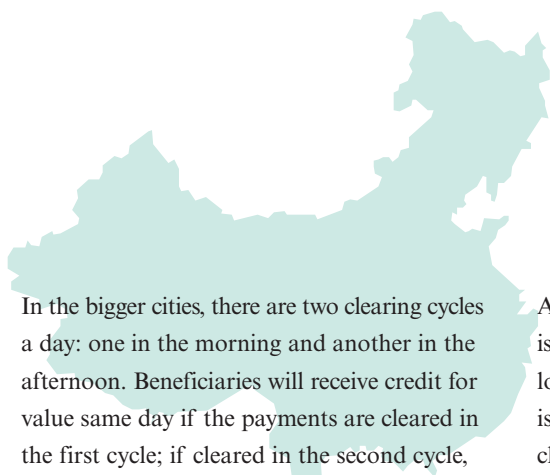
Cash is still widely used as a mode of payment in China, even among corporates. Simplified Chinese is used in all payment and clearing activities in China. ABN AMRO supports all of the above payment types.

Credit Vouchers

Credit vouchers are the most commonly used payment instruments for CNY and USD (in some cities) transfers within the same city. Clients input payment information on a set of credit vouchers and deliver it to the remitting bank. These vouchers are specific forms prescribed by the local clearing houses. The remitting bank will input additional information such as the relevant bank branch clearing codes on the credit vouchers before sending these vouchers to the clearing house for clearing.

SAFE Approvals

Corporates are required to obtain approval from the local SAFE prior to any FCY account opening. Similarly, an endorsement is required from the local SAFE should there be any closure of FCY accounts.



In the bigger cities, there are two clearing cycles a day: one in the morning and another in the afternoon. Beneficiaries will receive credit for value same day if the payments are cleared in the first cycle; if cleared in the second cycle, the beneficiary will be credited for value the next day. There is no prescribed payment amount for payments effected via credit vouchers. ABN AMRO is a direct clearing member of the Shanghai and Shenzhen local clearing for CNY/USD.

Corporate Checks

Corporate checks are rarely used and cleared by the local clearing houses. Banks wait for the outcome of clearing and credit the payee's account only if the check is not returned by the next clearing cycle. Penalties and bank charges are imposed on issuers of returned checks. The check issuer pays a 5% penalty, minimum CNY 1000, to the payee as compensation. In addition, a 2% commission is payable to the banks. Given these penalties, returned checks are rare. The validity of corporate checks is 10 days.

Cashier's Order

Cashier's orders are used as payment orders issued by banks for intra-city settlement. A payee can obtain good funds immediately upon presentation of the cashier's order to his bank for deposit or clearing. The bank, in turn, will forward the cashier's order via the clearinghouse to the issuing bank for reimbursement plus compensation for one day's cost of funds. The validity period of a cashier's order is 1 month.

CNY Telegraphic Transfers

Wire transfers are widely used for inter-city CNY settlements. These electronic transfers can be made via the nationwide China National

Automated Payment System (CNAPS), which is administered by the PBOC, or the respective local banks' clearing infrastructures. CNAPS is the new real-time gross settlement inter-city clearing system of which ABN AMRO is a direct clearing member.

To enhance our clearing capabilities, ABN AMRO has developed clearing participation with major local banks including Industrial Commercial Bank of China (ICBC), China Construction Bank (CCB), Bank Of China (BOC) and Bank of Communication (BComm).

CPO Settlements

China Post Office (CPO) has leveraged its mail clearing infrastructure to develop a financial clearing system to handle low-value payments/collections nationwide. With more than 30,000 savings bank offices spread across China, CPO is ideally positioned to target low-value payments/collections.

ABN AMRO is the first bank to partner with CPO to offer nationwide cash management solutions to our customers. Payments made out of an ABN AMRO client account can reach beneficiaries anywhere in China in 2-4 business days. In the same way, sales collections in the most remote locations in China can be remitted to an account with ABN AMRO Shanghai without delay.

To assist in reconciliation, ABN AMRO will provide customers with daily reports on these collections. Remittances made via the CPO network can be as large as CNY 200,000.

**ABN AMRO IS THE FIRST
BANK TO PARTNER WITH
THE CHINA POST OFFICE TO
OFFER NATIONWIDE CASH
MANAGEMENT SOLUTIONS
TO OUR CUSTOMERS.**



CNY Drafts

Local currency drafts are issued by ABN AMRO and used for inter-city CNY transfers. The drafts are negotiable instruments and can be endorsed to third parties. The beneficiary of the draft can present the draft to its bank for collection. The collecting bank typically sends the draft to a local branch of the drawee bank that will, in turn, liaise with the issuing branch through their internal branch network. The collection process may take up to 2 weeks and the validity of these drafts is 6 months.

Payroll Payments

Like all other foreign banks, ABN AMRO is not allowed to open CNY personal accounts for individuals. Thus, for payroll purposes, ABN AMRO has established a bilateral arrangement with Bank of China (BOC), China Construction Bank (CCB) and Industrial Commercial Bank of China (ICBC), whereby employees of our customers may open personal accounts with a BOC branch of their choice.

Based on the payroll list received from ABN AMRO, BOC ensures that employee accounts will be promptly credited. Given the general restriction on funds transfers from business to consumer accounts, ABN AMRO as the ordering bank will undertake responsibility for verifying that payroll payments are in accordance with the payroll information certified by the Labor Bureau.

CNY Low Value Clearing

PBOC has released a series of information packs regarding the launch of the CNY low value clearing system. This system is scheduled to be piloted in mid-2006 in a few select cities.

The system leverages the existing CNAPS infrastructure and will eventually be made available nationwide.

FCY Funds Transfer

As a network bank, ABN AMRO supports all major foreign currency funds transfers subject to the relevant SAFE approvals. ABN AMRO is also a local clearing member for USD and HKD in Shanghai, Shenzhen and Beijing.

Other Services

ABN AMRO is prepared to work with clients to develop valued-added services to support such payment and collection solutions as lockbox services, cash collection, courier services and open account financing.

DELIVERY CHANNELS

The delivery channels offered by ABN AMRO in China to provide the above mentioned services are as follows.

BankStationSM

BankStation is ABN AMRO's electronic banking system that provides transaction initiation and information reporting capabilities relating to account activities and transaction services. BankStation provides a single-window to manage and operate your company's local and overseas accounts with ABN AMRO. It supports Chinese characters and is also highly flexible in its ability to interface with common ERP and treasury systems.

ABN AMRO is able to present in electronic format the account statements for your other local bank accounts. At present, this is restricted to the major local banks with Internet banking capabilities.

Liquidity Advisory Services

All forms of cash pooling are restricted in China. However, regulators allow banks to offer CNY and FCY zero balancing accounts (ZBA) between related resident entities only. ABN AMRO's ZBA is an innovative liquidity management tool designed especially for corporates in China to enhance control of working capital and to reduce interest expenses.

Regulators have also allowed qualified companies to participate in global cash pools residing outside of China in the form of an Entrust Loan.



Access Online

This is our Internet banking platform for cash management, which has been rolled out successfully in Europe and North America. Access Online is scheduled for general rollout throughout Asia in 2006. It includes a host-to-host capability to cater to high transaction volume customers.

ABN AMRO is in the process of applying for regulatory approval to roll out our internet banking platform. In the interim, we have enhanced our capabilities to provide daily account statements in the form of an e-mail.

Multi-Bank Statement Reporting

Leveraging our advanced technology, we are fully capable of presenting your account information (including Chinese characters) from your local bank's internet banking system through our BankStation. Reporting can also be provided through e-mail systems. We have capabilities with BOC, CCB, ICBC & BComm. This will no doubt streamline your information flows by eliminating the need to manage several internet banking systems within your treasury operation.

Structured Yield Enhancement Products

Given growing market sophistication, ABN AMRO is a major player in offering structured products such as dual currency deposit, currency linked deposit, interest rate linked deposit and other more complicated structures that are linked to derivative products.

Portfolio Management

A dedicated portfolio management group offers specialist project finance, structured trade finance, commodity finance, asset securitization and leveraged finance services to corporates.

Research Services

Renowned for its high-quality research staff, ABN AMRO provides clients with informative research reports on major markets, industry and financial products in the financial markets arena.

Corporate Advisory Services

Tailor-made advisory services on asset and liability management can be arranged on a one-to-one basis for corporates by our experienced local Corporate Client Risk Advisory team.

China Headquarters

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Hours of Operation

ABN AMRO Banking Hours:
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Customer Service Hours:
9:00 a.m. to 5:00 p.m. (Mon-Fri)

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Time

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The information contained herein reflects prevailing conditions and ABN AMRO's views as of this date, which are accordingly subject to change.