PRESS RELEASE

NEW CHALLENGES FOR FOREIGN BANKS OPERATING IN CHINA

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Foreign banks operating in China have faced more fierce competition and challenges from domestic banks, according to a poll conducted recently by Price waterhouse Coopers (PwC) LLP.

In an effort to ward off the global economic crisis, Beijing announced a massive Rmb4 trillion ($586 billion) stimulus package in November 2008, and domestic banks extended a record Rmb9.6 trillion of new credit in 2009, nearly double the amount in 2008, following government orders. "Foreign banks didn't take part in that and they have lost many lending opportunities," said Mervyn Jacob, PwC's financial services leader for China and Hong Kong.

Moreover, the regulatory environment has also remained a source of concern. Foreign banks now have to deal with tightening regulations, including guidelines on new accounts, confirmation of account balances with their customers, new restrictions on property mortgages and the roll-out of wealth management products, according to the poll.

“Despite the challenging operating environment, China remains a key market for the future growth of foreign banks,” said Edward E. Lehman, Managing Director of Lehman, Lee & Xu, who has been working in China for over twenty years and has provided numerous foreign banks and companies with investment advice in their operations in China. “The fast-accelerating economy will generate strong demand for banking and related services,” he added.

His comments are proved by the survey which revealed that annual revenue growth prospects have improved for many foreign banks in China.

Lehman, Lee & Xu is one of the biggest Chinese law firms, with a strong team involved largely in the banking and financial practice areas. For more information about Lehman, Lee & Xu, please visit the firm's website at www.lehmanlaw.com or feel free to e-mail the Beijing office at mail@lehmanlaw.com.