

# CORPORATE GOVERNANCE REPORT

Being the largest independent local bank in Hong Kong, the Bank is committed to maintaining the highest standard of corporate governance practices. The Board considers such commitment essential in balancing the interests of shareholders, customers and employees; and in upholding accountability and transparency.

The Bank has complied with all the code provisions set out in Appendix 14 Code on Corporate Governance Practices (the "Code") of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") throughout the accounting year ended 31st December, 2005, except for the deviations from Code Provisions A.2.1, A.4.1 and A.4.2 which are explained in the following relevant paragraphs.

Corporate Governance Principles and BEA's Practices:

## A.1 THE BOARD OF DIRECTORS

An issuer should be headed by an effective board which should assume responsibility for leadership and control of the issuer and be collectively responsible for promoting the success of the issuer by directing and supervising the issuer's affairs. Directors should take decisions objectively in the interests of the issuer.

Board meetings are held at least 6 times a year at approximately bi-monthly intervals. In addition, special Board meetings will be held when necessary. Such Board meetings involve the active participation, either in person or through other electronic means of communication, of a majority of Directors.

Attendance of individual Directors at Board meetings in 2005:

Number of meetings	8	
<i>Executive Directors:</i>		
David LI Kwok-po ( <i>Chairman &amp; Chief Executive</i> )	8/8	100%
Joseph PANG Yuk-wing ( <i>Deputy Chief Executive</i> )	8/8	100%
CHAN Kay-cheung ( <i>Deputy Chief Executive</i> )	8/8	100%
<i>Non-executive Directors:</i>		
LI Fook-wo	8/8	100%
Simon LI Fook-sean	6/8	75%
Aubrey LI Kwok-sing	8/8	100%
William MONG Man-wai	7/8	88%
KHOO Kay-peng	8/8	100%
Richard LI Tzar-kai	6/8	75%
<i>Independent Non-executive Directors:</i>		
WONG Chung-hin	7/8	88%
LEE Shau-kee	6/8	75%
Winston LO Yau-lai	7/8	88%
Allan WONG Chi-yun	7/8	88%
Thomas Kwok Ping-kwong	6/8	75%
TAN Man-kou	8/8	100%
Kenneth LO Chin-ming ( <i>appointed on 1st May, 2005</i> )	5/5	100%
Average attendance rate	91%	

Directors are consulted to include matters in the agenda for regular Board meetings.

Dates of regular Board meetings are scheduled in the prior year to provide sufficient notice to give all Directors an opportunity to attend. For special Board meetings, reasonable notice will be given.

Directors have access to the advice and services of the Company Secretary to ensure that Board procedures, and all applicable rules and regulations, are followed.

Minutes of the Board, the Audit Committee, the Remuneration Committee and the Nomination Committee are kept by the Company Secretary (prior to November 2005, the minutes of the Remuneration Committee and the Nomination Committee were kept by the then secretary of these two Committees). Minutes of other Board Committees (as listed under D.2 Board Committees) are kept by the appointed secretary of each Committee. Minutes are open for inspection at any reasonable time on reasonable notice by any Director.

# 企業管治報告

作為本港最大的獨立本地銀行，本行有責任維持最高標準的企業管治常規。董事會認為此承諾對於平衡股東、客戶及員工的利益，以及保持問責及透明度，至為重要。

除偏離守則條文A.2.1, A.4.1 及 A.4.2外(該等偏離行為已在各有關段落作出解釋)，本行在截至2005年12月31日止會計年度內，已遵守載於《香港聯合交易所證券上市規則》(「上市規則」)附錄14「企業管治常規守則」(「守則」)中的全部守則條文。

企業管治的原則及東亞銀行的管治常規：

## A.1 董事會

發行人應以一個行之有效的董事會為首；董事會應負有領導及監控發行人的責任，並應集體負責統管並監督發行人事務以促使發行人成功。董事應該客觀行事，所作決策須符合發行人利益。

董事會會議每年召開至少6次，大約每兩個月一次。此外，在有需要時會召開董事會特別會議。此等董事會會議均有大部分董事親身出席，或透過其他電子通訊方法積極參與。

2005年董事會會議個別董事的出席率：

會議次數	8	
<b>執行董事：</b>		
李國寶(主席兼行政總裁)	8/8	100%
彭玉榮(副行政總裁)	8/8	100%
陳棋昌(副行政總裁)	8/8	100%
<b>非執行董事：</b>		
李福和	8/8	100%
李福善	6/8	75%
李國星	8/8	100%
蒙民偉	7/8	88%
邱繼炳	8/8	100%
李澤楷	6/8	75%
<b>獨立非執行董事：</b>		
黃頌顯	7/8	88%
李兆基	6/8	75%
羅友禮	7/8	88%
黃子欣	7/8	88%
郭炳江	6/8	75%
陳文裘	8/8	100%
駱錦明(於2005年5月1日獲委任)	5/5	100%
平均出席率	91%	

董事會定期會議議程之事項，經諮詢董事後釐定。

董事會定期會議的日期在前一年已安排，以讓所有董事皆有機會騰空出席。至於董事會特別會議，則會發出合理通知召開。

所有董事都可獲得公司秘書的意見和服務，確保董事會程序及所有適用規則及規例均獲得遵守。

董事會、審核委員會、薪酬委員會及提名委員會的會議紀錄由公司秘書備存(在2005年11月之前，薪酬委員會及提名委員會的會議紀錄由該兩個委員會當時的秘書備存)。其他董事會轄下委員會(列於D.2董事會轄下委員會項下)的會議紀錄則由每個委員會正式委任的秘書備存。若董事發出合理通知，會公開有關會議紀錄供其在任何合理時段查閱。

Minutes of the Board and Board Committees have recorded in sufficient detail the matters considered by the Board and the Committees, decisions reached, including any concerns raised by Directors or dissenting views expressed. Draft and final versions of minutes of the Board are sent to all Directors for their comment and records respectively, in the case of Board meetings, normally within 3 business days whilst in the case of the Audit Committee, the Remuneration Committee and the Nomination Committee, normally within one week, after the meetings are held.

The Bank has established the Policy on Obtaining Independent Professional Advice by Directors to enable the Directors, upon reasonable request, to seek independent professional advice in appropriate circumstances, at the Bank's expense. The Board shall resolve to provide separate independent professional advice to Directors to assist the relevant Director or Directors to discharge his/their duties to the Bank Group.

If a substantial shareholder or a Director has a conflict of interest in a matter to be considered by the Board which the Board has determined to be material, the matter shall not be dealt with by way of circulation or by a Committee (except an appropriate Board Committee set up for that purpose pursuant to a resolution passed in a Board meeting) but a Board meeting shall be held. Independent Non-executive Directors who, and whose associates, have no material interest in the transaction shall be present at such Board meeting.

### A.2 CHAIRMAN AND CHIEF EXECUTIVE OFFICER

There are two key aspects of the management of every issuer - the management of the board and the day-to-day management of the issuer's business. There should be a clear division of these responsibilities at the board level to ensure a balance of power and authority, so that power is not concentrated in any one individual.

Code Provision A.2.1 stipulates that the roles of chairman and chief executive officer should be separate and should not be performed by the same individual.

Dr. The Hon. Sir David Li Kwok-po is the Chairman and Chief Executive of the Bank. The Board considers that this structure will not impair the balance of power and authority between the Board and the Management of the Bank. The balance of power and authority is ensured by the operations of the Board, which comprises experienced and high calibre individuals and meets regularly every two months to discuss issues affecting operations of the Bank. The Board believes that this structure is conducive to strong and consistent leadership, enabling the Bank to make and implement decisions promptly and efficiently. The Board has full confidence in Sir David, and believes that his appointment to the posts of Chairman and Chief Executive is beneficial to the business prospects of the Bank.

The Chairman shall ensure that all Directors are properly briefed on issues arising at Board meetings.

The Chairman is responsible for ensuring that Directors receive adequate information, which must be complete and reliable, in a timely manner.

### A.3 BOARD COMPOSITION

The board should have a balance of skills and experience appropriate for the requirements of the business of the issuer. The board should ensure that changes to its composition can be managed without undue disruption. The board should include a balanced composition of executive and non-executive directors (including independent non-executive directors) so that there is a strong independent element on the board, which can effectively exercise independent judgement. Non-executive directors should be of sufficient calibre and number for their views to carry weight.

The composition of the Board is shown on page 46 under the subject Corporate Information. All Directors are expressly identified by categories of Executive Directors, Non-executive Directors and Independent Non-executive Directors, in all corporate communications that disclose the names of Directors of the Bank.

Biographies which include relationships among members of the Board are shown on page 36 under the subject Biographical Details of Directors and Senior Management.

## 企業管治報告（續）

董事會及其轄下委員會的會議紀錄，已對會議上各董事所考慮事項及達致的決定作足夠詳細的記錄，其中包括董事提出的任何疑慮或表達的反對意見。會議紀錄的初稿及最終定稿會發送全體董事，初稿供董事表達意見，最後定稿則作其紀錄之用。董事會會議的紀錄，通常在會議後的3個營業日內發出，而審核委員會、薪酬委員會及提名委員會的會議紀錄則通常在會議後的一星期內發出。

董事會已建立一套董事諮詢獨立專業意見政策，讓董事按合理要求，可在適當的情況下尋求獨立專業意見，費用由本行支付。董事會亦會議決另外為董事提供獨立專業意見，以協助有關董事履行其對本集團的責任。

若有大股東或董事在董事會將予考慮的事項中存有董事會認為重大的利益衝突，有關事項不會以傳閱文件方式處理或交由轄下委員會處理（根據董事會會議上通過的決議而特別就此事項成立的委員會除外），而董事會會就該事項舉行董事會。在交易中本身及其聯繫人均沒有重大利益的獨立非執行董事會出席有關的董事會會議。

### A.2 主席及行政總裁

每家發行人在經營管理上皆有兩大方面 — 董事會的經營管理和發行人業務的日常管理。在董事會層面，這兩者之間必須清楚區分，以確保權力和授權分布均衡，不致權力僅集中於一位人士。

守則條文 A.2.1 規定主席與行政總裁的角色應有區分，並不應由一人同時兼任。

李國寶爵士為本行的主席兼行政總裁。董事會認為此架構不會影響董事會與管理層兩者之間的權力和職權的平衡。本行董事會由極具經驗和才幹的成員組成，並定期每兩個月開會，以商討影響本行運作的事項。透過董事會的運作，足以確保權力和職權得到平衡。董事會相信此架構有助於建立穩健而一致的領導權，使本行能夠迅速及有效地作出及實施各項決定。董事會對李爵士充滿信心，相信委任他出任主席兼行政總裁之職，會有利於本行的業務發展。

主席確保董事會會議上所有董事均適當知悉當前的事項。

主席負責確保董事及時收到充分的資訊，而有關資訊均屬完備可靠。

### A.3 董事會組成

董事會應根據發行人業務而具備適當所需技巧和經驗。董事會應確保其組成人員的變動不會帶來不適當的干擾。董事會中執行董事與非執行董事（包括獨立非執行董事）的組合應該保持均衡，以使董事會有強大的獨立元素，能夠有效地作出獨立判斷。非執行董事應有足夠才幹和人數，以使其意見具有影響力。

董事會的成員刊載於第46頁公司資料內。所有載有董事姓名的公司通訊中，已按董事類別，包括執行董事、非執行董事及獨立非執行董事，明確說明各董事身份。

各董事的簡介，包括其與其他董事會成員的關係，刊載於第36頁董事及高層管理人員的個人資料項下。

#### A.4 APPOINTMENTS, RE-ELECTION AND REMOVAL OF DIRECTORS

There should be a formal, considered and transparent procedure for the appointment of new directors to the board. There should be plans in place for orderly succession for appointments to the board. All directors should be subject to re-election at regular intervals. An issuer must explain the reasons for the resignation or removal of any director.

Code Provision A.4.1 stipulates that non-executive directors should be appointed for a specific term, subject to re-election.

Code Provision A.4.2 stipulates that all directors appointed to fill a casual vacancy should be subject to election by shareholders at the first general meeting after their appointment. Every director, including those appointed for a specific term, should be subject to retirement by rotation at least once every three years.

Non-executive Directors of the Bank do not have a specific term of appointment. At every annual general meeting, one-third of the Directors for the time being or, if their number is not a multiple of three, then the number nearest to but not exceeding one-third shall retire from office.

A Director appointed by the Board to fill a casual vacancy or as an addition shall hold office until the next annual general meeting.

In order to ensure full compliance with Code Provisions A.4.1 and A.4.2, a special resolution will be proposed to amend the relevant Articles of Association of the Bank at the Annual General Meeting to be held on 7th April, 2006, so that every Director appointed by the Board during the year shall retire at the next general meeting. Every Director shall be subject to retirement at least once every three years.

The Bank has established a Nomination Committee with specific written Terms of Reference which deal clearly with its authority and duties. The Terms of Reference of the Nomination Committee have included the specific duties set out in paragraphs A.4.5 (a) to (d) of the Code, with appropriate modifications where necessary.

The Nomination Committee is responsible for recommending to the Board all new appointments of Directors and senior executives of the Bank, and for the review of management succession plan for Executive Directors and senior executives of the Bank.

A majority of the members of the Nomination Committee are Non-executive Directors. This Committee is chaired by Simon LI FOOK-sean. The other members are David LI Kwok-po, LI Fook-wo, LEE Shau-kee, Allan WONG Chi-yun and Aubrey LI Kwok-sing.

Attendance of individual members at Nomination Committee meeting in 2005:

Number of meeting	1	
Simon LI Fook-sean ( <i>Chairman</i> )	1/1	100%
David LI Kwok-po	1/1	100%
LI Fook-wo	1/1	100%
LEE Shau-kee	1/1	100%
Allan WONG Chi-yun	1/1	100%
Aubrey LI Kwok-sing	1/1	100%
Average attendance rate	100%	

A proposal for the appointment of a new Director will be considered and reviewed by the Nomination Committee. Candidates to be selected and recommended are those experienced, high calibre individuals. All candidates must be able to meet the standards as set forth in Rules 3.08 and 3.09 of the Listing Rules. In addition, they must be assessed by the Hong Kong Monetary Authority and able to meet the standards of the Authority for being a director of an authorised institution. A candidate who is to be appointed as an Independent Non-executive Director should also meet the independence criteria set out in Rule 3.13 of the Listing Rules.

## 企業管治報告(續)

### A.4 委任、重選和罷免

董事會應制定正式、經審慎考慮並具透明度的新董事委任程序，並應設定有秩序的董事接任計劃。所有董事均應每隔若干時距即重新選舉。發行人必須就任何董事辭任或遭罷免解釋原因。

守則條文A.4.1規定非執行董事的委任應有指定任期，並須接受重新選舉。

守則條文A.4.2規定所有為填補臨時空缺而被委任的董事應在接受委任後的首次股東大會上接受股東選舉。每名董事(包括有指定任期的董事)應輪流退任，至少每3年一次。

本行的非執行董事並無指定任期。在每一屆的股東周年常會上，當時的三份一董事(若董事數目並非3的倍數，則取其接近者，但不能超過三份一)應退任。

由董事會委任以填補臨時空缺或增加的董事，只可任職至下屆股東周年常會。

為確保完全遵從守則條文A.4.1及A.4.2，在2006年4月7日舉行的股東周年常會上，將提呈一項特別決議案，以修訂本行的組織章程細則，使每名在年內獲委任的董事須在下一次股東大會退任，而每名董事亦須至少每3年1次退任。

本行已設立一個提名委員會，並以書面訂明具體的職權範圍，清楚說明委員會的職權和責任。提名委員會的職權範圍已包括載於守則第A.4.5(a)至(d)段所指明的責任，惟因應需要而作出適當修改。

提名委員會負責就本行委任董事及高級行政人員以及審議本行執行董事及高級行政人員的繼任安排。

提名委員會的大部分成員為非執行董事。該委員會的主席為李福善。其他成員包括李國寶、李福和、李兆基、黃子欣及李國星。

2005年提名委員會會議個別成員的出席率：

會議次數	1	
李福善(主席)	1/1	100%
李國寶	1/1	100%
李福和	1/1	100%
李兆基	1/1	100%
黃子欣	1/1	100%
李國星	1/1	100%
平均出席率	100%	

委任新董事的建議會由提名委員會考慮及審議。獲甄選及獲推薦的候選人皆為具有豐富經驗及有才幹的人士。所有候選人必須符合《上市規則》第3.08及3.09條所載的標準。此外，他們亦須經香港金融管理局評核，以符合作為一間認可機構董事的標準。如候選人會獲委任為獨立非執行董事，亦須符合《上市規則》第3.13條所列的獨立性準則。

The Nomination Committee had considered the following proposals and made recommendation to the Board:

- Appointment of Kenneth LO Chin-ming as an Independent Non-executive Director;
- Appointment of Eric LI Fook-chuen as a Non-executive Director;
- Management Succession Policy;
- Management Succession Plan;
- Re-election of Kenneth LO Chin-ming, Eric LI Fook-chuen, WONG Chung-hin, LEE Shau-kee, William MONG Man-wai and CHAN Kay-cheung as Directors of the Bank to be proposed for shareholders' approval at the 2006 Annual General Meeting.

The Nomination Committee has also assessed the independence of the Independent Non-executive Directors of the Bank.

The Chairman received HK\$20,000 and each of the other members of the Nomination Committee received HK\$10,000 as remuneration for the year ended 31st December, 2005.

The Nomination Committee has made available its Terms of Reference, on the website of the Bank, explaining its role and the authority delegated to it by the Board.

The Nomination Committee is provided with sufficient resources, including the advice of professional firms, to discharge its duties, if necessary.

## A.5 RESPONSIBILITIES OF DIRECTORS

Every director is required to keep abreast of his responsibilities as a director of an issuer and of the conduct, business activities and development of that issuer. Given the essential unitary nature of the board, non-executive directors have the same duties of care and skill and fiduciary duties as executive directors.

Every newly appointed Director of the Bank shall receive an Information Package from the Company Secretary on the first occasion of his appointment. This Information Package is a comprehensive, formal and tailored induction on the responsibilities and on-going obligations to be observed by a director. In addition, the Package includes materials on the operations and business of the Bank. The Senior Management and the Company Secretary will subsequently conduct such briefing as is necessary, to ensure that the Directors have a proper understanding of the operations and business of the Bank and that they are aware of their responsibilities under the laws and applicable regulations.

The functions of Non-executive Directors, as per the Terms of Reference of the Board of Directors, have included the functions as specified in Code Provision A.5.2 (a) to (d) of the Code.

Every Director is aware that he should give sufficient time and attention to the affairs of the Bank.

Directors have satisfactory attendance rates at both Board meetings and Committee meetings.

The Bank has established its own code of securities transactions by Directors and Chief Executive, i.e. Policy on Insider Trading – Directors and Chief Executive (“Own Code”) on terms no less exacting than the required standard set out in Appendix 10 – Model Code for Securities Transactions by Directors of Listed Issuers (“Model Code”), of the Listing Rules.

Having made specific enquiry of all Directors of the Bank, during the year ended 31st December, 2005, Directors of the Bank have complied with the required standard set out in the Own Code and the Model Code.

The Bank has also established a Policy on Insider Trading – Group Personnel to be observed by the employees of the Bank or directors or employees of the Bank's subsidiaries, in respect of their dealings in the securities of the Bank.

## 企業管治報告（續）

提名委員會就下列的提議作出考慮，並向董事會提出建議：

- 委任駱錦明為獨立非執行董事；
- 委任李福全為非執行董事；
- 管理層繼任政策；
- 管理層繼任安排；
- 在2006年股東周年常會上向股東提呈批准重選駱錦明、李福全、黃頌顯、李兆基、蒙民偉及陳棋昌為本行董事。

提名委員會亦已就本行獨立非執行董事的獨立性作出評核。

提名委員會的主席獲港幣20,000元，而其他委員各獲得港幣10,000元，作為截至2005年12月31日止年度的酬金。

提名委員會的職權範圍登載於本行的網站上，解釋其角色以及董事會轉授予其的權力。

提名委員會獲供給充足資源，包括專業公司的意見(如需要)，以履行其職責。

### A.5 董事責任

每名董事須不時瞭解其作為發行人董事的職責，以及發行人的經營方式、業務活動及發展。由於董事會本質上是個一體組織，非執行董事應有與執行董事相同的受信責任以及以應有謹慎態度和技能行事的責任。

每名新委任的董事均會在首次接受委任時由公司秘書獲得一份資料套件。此資料套件為一份全面、正式兼特為其而設的董事責任及持續職責須知。此外，該套件亦包括本行的運作及業務資料。其後，高層管理人員及公司秘書會向董事提供所需介紹，以確保各董事對本行的運作及業務均有適當的理解，以及知道本身在法律及適用的規定下的職責。

非執行董事的職責(已載列於董事會的職權範圍內)包括守則條文A.5.2(a)至(d)所指明的職能。

每名董事知悉其應付出足夠時間及精神以處理本行的事務。

董事在董事會會議及委員會會議的出席率均令人滿意。

本行已自行訂立一套與《上市規則》附錄10「上市發行人董事進行證券交易的標準守則」(「標準守則」)所訂標準同樣嚴格的董事及行政總裁證券交易守則，即內幕交易政策－董事及行政總裁(「自訂守則」)。

經向所有董事作出特定的查詢後，在截至2005年12月31日止的年度內，本行董事已遵守「自訂守則」及「標準守則」中所要求的標準。

本行亦已訂立一份內幕交易政策－集團人士以供本行僱員，或本行附屬公司的董事或僱員，遵照規定買賣本行證券。



## A.6 SUPPLY OF AND ACCESS TO INFORMATION

Directors should be provided in a timely manner with appropriate information in such form and of such quality as will enable them to make an informed decision and to discharge their duties and responsibilities as directors of an issuer.

In respect of regular Board meetings, and so far as practicable in all other cases, an agenda and accompanying Board papers are sent in full to all Directors in a timely manner and at least 5 days before the intended date of a Board meeting or at least 3 days before the intended date of a Board Committee meeting.

Management are regularly reminded by the Company Secretary that they have an obligation to supply the Board and its Committees with adequate information in a timely manner to enable it to make informed decisions. The information supplied must be complete and reliable. The Board and each Director shall have separate and independent access to the Bank's Senior Management.

All Directors are entitled to have access to Board papers, minutes and related materials.

## B.1 THE LEVEL AND MAKE-UP OF REMUNERATION AND DISCLOSURE

An issuer should disclose information relating to its directors' remuneration policy and other remuneration related matters. There should be a formal and transparent procedure for setting policy on executive directors' remuneration and for fixing the remuneration packages for all directors. Levels of remuneration should be sufficient to attract and retain the directors needed to run the company successfully, but companies should avoid paying more than is necessary for this purpose. No director should be involved in deciding his own remuneration.

The Bank has established a Remuneration Committee with specific written Terms of Reference which deal clearly with its authority and duties. The Terms of Reference of the Remuneration Committee have included the specific duties set out in Code Provision B.1.3 (a) to (f) of the Code, with appropriate modifications where necessary.

The Remuneration Committee is responsible for making recommendations to the Board regarding the Bank's remuneration policy, and for the formulation and review of the specific remuneration packages of all Executive Directors and senior executives of the Bank.

A majority of the members of the Remuneration Committee are Independent Non-executive Directors. This Committee is chaired by Allan WONG Chi-yun. The other members are Simon LI Fook-sean, Aubrey LI Kwok-sing, Winston LO Yau-lai and Thomas KWOK Ping-kwong.

Attendance of individual members at Remuneration Committee meeting in 2005:

Number of meeting	1	
Allan WONG Chi-yun ( <i>Chairman</i> )	1/1	100%
Simon LI Fook-sean	1/1	100%
Aubrey LI Kwok-sing	1/1	100%
Winston LO Yau-lai	0/1	0
Thomas KWOK Ping-kwong	0/1	0
Average attendance rate	60%	

The Remuneration Committee had considered the following proposals and made recommendation to the Board:

- Annual salary review for 2005 for all staff;
- Offer and grant of share options under the Bank's Staff Share Option Scheme to eligible employees including the three Executive Directors;
- Senior Executives Bonus Plan.

The Remuneration Committee shall consult the Chairman and Chief Executive Officer about their proposals relating to the remuneration of other Executive Directors and have access to professional advice if necessary.

## 企業管治報告(續)

### A.6 資料提供及使用

董事應獲提供適當的適時資料，其形式及素質須使董事能夠在掌握有關資料的情況下作出決定，並能履行其作為發行人董事的職責及責任。

董事會定期會議的議程及相關會議文件會全部及時送交全體董事，並至少在計劃舉行董事會日期的5天前或其轄下委員會會議日期的3天前送出。董事會其他所有會議在切實可行的情況下亦會採納以上安排。

公司秘書會定期提醒管理層其有責任向董事會及其轄下委員會提供充足的適時資料，以使董事能夠在掌握有關資料的情況下作出決定。管理層所提供的資料均屬完整可靠。董事會及每名董事有自行接觸本行高級管理人員的獨立途徑。

所有董事均有權查閱董事會文件、會議紀錄及相關資料。

### B.1 薪酬及披露的水平及組成

發行人應披露其董事酬金政策及其他薪酬相關事宜的資料；應設有正規而具透明度的程序，以制訂有關執行董事酬金的政策及釐訂各董事的薪酬待遇。所定薪酬的水平應足以吸引及挽留公司成功營運所需的一眾董事，但公司應避免為此支付過多的酬金。任何董事不得參與訂定本身的酬金。

本行已設立一個薪酬委員會，並以書面訂明具體的職權範圍，清楚說明委員會的職權和責任。薪酬委員會的權責範圍已包括守則條文第B.1.3(a)至(f)段所載的特定職責，惟因應需要而作出適當修改。

薪酬委員會負責就本行的薪酬政策，以及就訂立及審議本行的執行董事及高級行政人員的特定薪酬待遇，向董事會提出建議。

薪酬委員會的大部分成員為獨立非執行董事。該委員會的主席為黃子欣。其他成員包括李福善、李國星、羅友禮及郭炳江。

2005年薪酬委員會會議個別成員的出席率：

會議次數	1	
黃子欣(主席)	1/1	100%
李福善	1/1	100%
李國星	1/1	100%
羅友禮	0/1	0
郭炳江	0/1	0
平均出席率	60%	

薪酬委員會就下列的提議作出考慮及向董事會提出建議：

- 2005年所有員工周年薪酬檢討；
- 根據本行的僱員認股計劃，給予及授出認股權予合資格僱員，包括3位執行董事；
- 高級行政人員花紅計劃。

薪酬委員會會就其他執行董事的薪酬建議諮詢主席兼行政總裁，如認為有需要，亦可索取專業意見。

## Corporate Governance Report (continued)

The Chairman received HK\$20,000 and each of the other members of the Remuneration Committee received HK\$10,000 as remuneration for the year ended 31st December, 2005.

The Remuneration Committee has made available its Terms of Reference, on the website of the Bank, explaining its role and the authority delegated to it by the Board.

The Remuneration Committee is provided with sufficient resources, including the advice of professional firms, to discharge its duties, if necessary.

### C.1 FINANCIAL REPORTING

The board should present a balanced, clear and comprehensible assessment of the company's performance, position and prospects.

Management shall provide such explanation and information to the Board as will enable the Board to make an informed assessment of the financial and other information put before the Board for approval.

The Directors are responsible for keeping proper accounting records and preparing accounts of each financial period, which give a true and fair view of the state of affairs of the Group and of the results and cash flow for that period. In preparing the accounts for the year ended 31st December, 2005, the Directors have:

- approved the adoption of all applicable Hong Kong Financial Reporting Standards which are issued by the Hong Kong Institute of Certified Public Accountants;
- selected and applied consistently appropriate accounting policies;
- made judgements and estimates that are prudent and reasonable;
- prepared the accounts on the going concern basis.

The Bank has announced its annual and interim results within two months after the end of the relevant periods, which is earlier than the limits of four months and three months as required by Rule 13.49(1) and (6) of the Listing Rules.

A statement by the auditors about their reporting responsibilities is included in the Report of the Auditors on page 88.

The Board will present a balanced, clear and understandable assessment to annual and interim reports, other price-sensitive announcements and other financial disclosures required under the Listing Rules, and reports to regulators as well as to information required to be disclosed pursuant to statutory requirements.

### C.2 INTERNAL CONTROLS

The board should ensure that the issuer maintains sound and effective internal controls to safeguard the shareholders' investment and the issuer's assets.

The Board is responsible for the Group's system of internal controls and for reviewing its effectiveness through the Audit Committee. The Board requires management to establish and maintain sound and effective internal controls. Evaluation of the Group's internal controls is independently conducted by the Internal Audit Department on an on-going basis. Such evaluation covers all material controls, including financial, operational and compliance controls and risk management functions. Internal Audit Department will report to the Audit Committee twice each year on significant findings on internal controls. Copy of the minutes of the Audit Committee meeting will also be sent to the Board for information.

## 企業管治報告（續）

薪酬委員會的主席獲港幣20,000元，而其他委員各獲得港幣10,000元，作為截至2005年12月31日止年度的酬金。

薪酬委員會職權範圍登載於本行的網站上，解釋其角色及董事會轉授予其的權力。

薪酬委員會獲供給充足資源，包括專業公司的意見(如需要)，以履行其職責。

### C.1 財務匯報

董事會應平衡、清晰及全面地評核公司的表現、情況及前景。

管理層會向董事會提供充分的解釋及足夠的資料，讓董事會可以就提交給他們批准的財務及其他資料，作出有根據的評審。

董事負責備存正確的會計紀錄及編製每個財政期間的賬項，使這些賬項能真實和公允地反映本集團在該段期間的財政狀況、業績及現金流向表現。在編製截至2005年12月31日止年度的賬項時，董事已：

- 批准採納香港會計師公會發出的《香港財務報告準則》的所有適用準則；
- 貫徹地選用適當的會計政策；
- 作出審慎及合理的判斷及估計；
- 按持續經營基準編製賬項。

本行一向在有關財政期間結束後兩個月內公布年度及中期業績，較《上市規則》第13.49(1)及(6)條所規定的4個月及3個月期限為早。

核數師的申報責任聲明載於第89頁的核數師報告內。

董事會會平衡、清晰及明白地評審年度報告及中期報告、其他涉及股價敏感資料的通告及根據《上市規則》規定須予披露的其他財務資料，以及向監管者提交的報告書以至根據法例規定須予披露的資料。

### C.2 內部監控

董事會應確保發行人的內部監控系統穩健妥善而且有效，以保障股東的投資及發行人的資產。

董事會需負責本集團的內部監控系統，並透過審核委員會檢討其效能。董事會規定管理層設立及維持穩健妥善而有效的內部監控系統。評估本集團的內部監控由稽核部按持續基準獨立進行。評估涵蓋所有重要的監控方面，包括財務監控、運作監控及合規監控以及風險管理功能。稽核部每年兩次向審核委員會匯報有關內部監控的重要審閱結果。審核委員會會議紀錄的副本會送呈董事以供參閱。

### C.3 AUDIT COMMITTEE

The board should establish formal and transparent arrangements for considering how it will apply the financial reporting and internal control principles and for maintaining an appropriate relationship with the company's auditors. The audit committee established by an issuer pursuant to the Exchange Listing Rules should have clear terms of reference.

The Bank has established an Audit Committee with specific written Terms of Reference which deal clearly with its authority and duties. The Terms of Reference of the Audit Committee have included the duties set out in Code Provision C.3.3 (a) to (n) of the Code, with appropriate modifications where necessary.

As laid down in the Terms of Reference, the Audit Committee is responsible for reviewing the financial controls, internal control and risk management systems, annual report and accounts, and half-year report.

All the members of the Audit Committee are Independent Non-executive Directors. This Committee is chaired by Winston LO Yau-lai. The other members are WONG Chung-hin, Allan WONG Chi-yun, Thomas KWOK Ping-kwong, TAN Man-kou and Kenneth LO Chin-ming.

Attendance of individual members at Audit Committee meetings in 2005:

Number of meetings	3	
Winston LO Yau-lai ( <i>Chairman</i> )	3/3	100%
WONG Chung-hin	3/3	100%
Allan WONG Chi-yun	3/3	100%
Thomas KWOK Ping-kwong	2/3	67%
TAN Man-kou	2/3	67%
Kenneth LO Chin-ming ( <i>appointed on 1<sup>st</sup> May, 2005</i> )	1/2	50%
Average attendance rate	81%	

The following is a summary of the work performed by the Audit Committee during the year:

- a Met with the external auditors to discuss the general scope of their audit work;
- b Met with the Hong Kong Monetary Authority to exchange view in the areas of (i) risk management and internal controls and (ii) internal audit and compliance functions;
- c Reviewed external auditor's management letter and management's response;
- d Considered and recommended to the Board adoption of new accounting standards;
- e Reviewed and revised its Terms of Reference to conform to the Code;
- f Considered and recommended to the Board adoption of the Policy on Appointment of External Auditor in Providing Non-audit Services;
- g Reviewed and approved the appointment of external auditors for providing non-audit services to the Group;
- h Reviewed and recommended to the Board approval of the audit fee proposal for the Group for 2005;
- i Recommended to the Board that the shareholders be asked to re-appoint KPMG as the Bank's external auditors for 2005;
- j Reviewed and approved the Group internal audit policy and internal audit plan for 2006;
- k Reviewed the internal audit reports covering the evaluation of internal controls;
- l Reviewed the Auditors' Report regarding the internal control systems for the year 2004 prepared under the Banking Ordinance;
- m Reviewed the audited accounts and final results announcement for the year 2004;
- n Reviewed the Interim Report and the interim results announcement for the six months ended 30th June 2005.

All issues raised by the Committee have been addressed by Management. The work and findings of the Committee have been reported to the Board. During the year, no issues brought to the attention of Management and the Board were of sufficient importance to require disclosure in the Annual Report.

## 企業管治報告 (續)

### C.3 審核委員會

董事會應就如何應用財務匯報及內部監控原則及如何維持與公司核數師適當的關係作出正規及具透明度的安排。發行人根據《上市規則》成立的審核委員會須具有清晰的職權範圍。

本行已設立一個審核委員會，並以書面訂明具體的職權範圍，清楚說明委員會的職權及責任。審核委員會的職權範圍已包括守則條文第C.3.3 (a) 至 (n) 段所載的職責，惟因應需要而作適當修改。

根據其職權範圍，審核委員會負責檢討財務監控、內部監控及風險管理系統；審閱年度報告及賬目，以及半年報告。

審核委員會的所有成員均為獨立非執行董事。委員會主席為羅友禮。其他成員包括黃頌顯、黃子欣、郭炳江、陳文裘及駱錦明。

2005年審核委員會會議個別成員的出席率：

會議次數	3	
羅友禮 (主席)	3/3	100%
黃頌顯	3/3	100%
黃子欣	3/3	100%
郭炳江	2/3	67%
陳文裘	2/3	67%
駱錦明 (於 2005 年 5 月 1 日獲委任)	1/2	50%
平均出席率	81%	

審核委員會在年內所做的工作，摘要如下：

- a 會見外聘核數師以商討其核數工作的一般範圍；
- b 會見香港金融管理局就(i)風險管理及內部監控及(ii)內部稽核及合規職能方面交換意見；
- c 審閱外聘核數師致管理層的審核情況說明函件及管理層的回應；
- d 考慮及向董事會建議採納新的會計準則；
- e 檢討及修改其職權範圍以符合「守則」的規定；
- f 考慮及向董事會建議採納委任外聘核數師提供非核數服務政策；
- g 審議及批准聘用外聘核數師提供非核數服務；
- h 審議及向董事會推薦批准2005年集團的核數費用建議；
- i 向董事會建議向股東提呈再度委任畢馬威會計師事務所為本行2005年度的外聘核數師；
- j 審核及批准集團內部稽核政策及2006年內部稽核計劃；
- k 審議內部稽核報告，內部監控評估包括在內；
- l 審閱2004年度《銀行條例》下的內部監控系統核數師報告；
- m 審閱2004年度已審核賬目及年度業績通告；
- n 審閱截至2005年6月30日止6個月的中期報告及中期業績通告。

委員會所提出的事項已交回管理層處理。委員會的工作情況及審閱結果已向董事會報告。在年內，已提交管理層以及董事會所需留意的事項，其重要性不足以需在年報內披露。

## Corporate Governance Report (continued)

The Board agrees with the Audit Committee's proposal for the re-appointment of KPMG as the Bank's external auditor for 2006. The recommendation will be put forward for the approval of shareholders at the Annual General Meeting to be held on 7th April, 2006.

Full minutes of Audit Committee meetings are kept by the Company Secretary. Draft and final versions of minutes of the Audit Committee meetings will be sent to all members of the Committee for their comment and records respectively, in both cases normally within one week after the meeting.

The Bank's Audit Committee does not have a former partner of the Bank's existing auditing firm.

The Bank has established the Policy on Appointment of External Auditor in Providing Non-Audit Services, setting out the principles by which an external auditor may be appointed to provide non-audit services, with a view to ensuring the independence of the external auditor.

During 2005, the fees paid / payable to KPMG, the Bank's external auditor, for providing non-audit services amounted to HK\$4.1 million, which included the following items:

- Taxation services: HK\$2.7 million;
- Ad hoc projects (including service relating to issuance of subordinated debt and review of interim accounts): HK\$0.9 million;
- Services made at the request of regulators: HK\$0.4 million;
- Other services: HK\$0.1 million.

The Chairman received HK\$20,000 and each of the other members of the Audit Committee received HK\$10,000 as remuneration for the year ended 31st December, 2005.

The Audit Committee has made available its Terms of Reference, on the website of the Bank, explaining its role and the authority delegated to it by the Board.

The Audit Committee is provided with sufficient resources, including the advice of external auditors and Internal Audit Department, to discharge its duties.

### D.1 MANAGEMENT FUNCTIONS

An issuer should have a formal schedule of matters specifically reserved to the board for its decision. The board should give clear directions to management as to the matters that must be approved by the board before decisions are made on behalf of the issuer.

The Board is responsible for formulating overall strategy, monitoring and controlling the performance of the Group whilst managing the Group's business is the responsibility of the Management.

When the Board delegates aspects of its management and administration functions to Management, it has given clear directions as to the powers of Management, in particular, with respect to the circumstances where Management shall report back and obtain prior approval from the Board before making decisions or entering into any commitments on behalf of the Bank.

The Bank has established the Schedule of Matters Reserved to the Board for Decision to formalise the functions reserved to the Board and those delegated to Management. The Board shall review those arrangements on a periodic basis to ensure that they remain appropriate to the needs of the Bank.

Matters reserved to be approved by the Board include:

- Appointment of directors and senior executives;
- Business plans of the Bank;
- Proposal for selection of external auditors;
- Financial statements and budgets;
- Substantial investments in assets other than those arising in the ordinary course of banking businesses;
- Establishment of China or overseas branches or establishment or acquisition of subsidiaries or associates;
- Formation of policies and codes as required by regulators;
- Formation of board committees.

## 企業管治報告（續）

董事會同意審核委員會再度聘畢馬威會計師事務所為本行2006年度的外聘核數師的建議。推薦建議將在2006年4月7日舉行的股東周年常會上提呈予股東批准。

審核委員會的完整會議紀錄由公司秘書保存。審核委員會會議紀錄的初稿及最後定稿通常在會議後一星期內先後發送委員會全體成員，初稿供成員表達意見，最後定稿作其紀錄之用。

本行的審核委員會並無本行現任核數公司的前任合夥人。

本行已訂立委任外聘核數師提供非核數服務政策，訂明委任外聘核數師提供非核數服務的原則，以確保外聘核數師的獨立性。

2005年內支付/需支付予本行的外聘核數師，畢馬威會計師事務所，提供非核數服務的費用為港幣4,100,000元，其中包括以下事項：

- 稅務服務：港幣2,700,000元；
- 非經常性項目（包括與發行後償債券有關的服務及審閱中期報告）：港幣900,000元；
- 就監管者要求所作的服務：港幣400,000元；
- 其他服務：港幣100,000元。

審核委員會主席獲港幣20,000元，而其他委員各獲港幣10,000元，作為截至2005年12月31日止年度的酬金。

審核委員的職權範圍登載於本行的網站上，解釋其角色及董事會轉授予其的權力。

審核委員會獲供給充足資源，包括外聘核數師及稽核部的意見，以履行其職責。

### D.1 管理功能

發行人應有一個正式的預定計劃表，列載特別要董事會作決定的事項。董事會在代表發行人作出決定前，亦應明確指示管理層哪些事項須由董事會批准。

董事會負責制訂整體策略，監察及控制集團的表現，而管理集團業務則是管理層的責任。

當董事會將其管理及行政功能方面的權力轉授予管理層時，已同時就管理層的權力，給予清晰的指引，特別是在何種情況下管理層應向董事會匯報以及在代表本行作出任何決定或訂立任何承諾前應取得董事會批准等事宜方面。

本行已訂立一份保留予董事會決定的事項表，將那些保留予董事會的職能及轉授予管理層的職能分別確定。董事會也會定期檢討該等安排，以確保有關安排符合本行的需要。

保留予董事會批准的事項包括：

- 委任董事及高級行政人員；
- 本行的業務計劃；
- 甄選外聘核數師的建議；
- 財務報表及預算；
- 重大的資產投資，但不包括在銀行日常業務上所作的投資；
- 設立中國及海外分行或設立或收購附屬公司或聯營公司；
- 訂立由監管人規定的政策及守則；
- 成立董事會轄下的委員會。



## D.2 BOARD COMMITTEES

Board committees should be formed with specific written terms of reference which deal clearly with the committees' authority and duties.

Where Board Committees are established to deal with matters, the Board shall prescribe sufficiently clear terms of reference to enable such Committees to discharge their functions properly.

Apart from the Audit Committee (particulars are disclosed under C.3), Remuneration Committee (particulars are disclosed under B.1) and the Nomination Committee (particulars are disclosed under A.4), the Board has also established the following 10 specialised committees which comprise Directors and where appropriate, other senior executives from relevant areas:

- 1 Sealing Committee, which is responsible for directing the usage and custody of the Bank's common seal;
- 2 Executive Committee, which is responsible for reviewing all major functions and critical issues relating to the businesses and operations of the Group;
- 3 Policy Committee, which is responsible for discussing and formulating various strategies and policies for managing businesses and operations of the Group;
- 4 Risk Management Committee, which is responsible for dealing with all risk management related issues of the Group;
- 5 Credit Committee, which is responsible for carrying out lending related activities and in particular, monitoring the lending portfolio for managing the overall credit risk of the Group;
- 6 Operational and Other Risk Management Committee, which is responsible for dealing with all issues related to the management of operational, legal, reputation and strategic risks of the Group;
- 7 Asset and Liability Management Committee, which is responsible for overseeing the management of liquidity risk, interest rate risk, market risk and country risk of the Group;
- 8 Crisis Management Committee, which is responsible for developing and reviewing the Group's strategy for managing crisis scenarios and taking charge of crisis situations which jeopardise or have the potential to jeopardise the Group in its reputation, liquidity/financial position and business continuity;
- 9 Investment Committee, which is responsible for formulating investment strategies and making daily investment decisions on the overall investment portfolio of the Group;
- 10 Steering Committee for the Basel Project, which is responsible for dealing with all issues related to the implementation of the New Basel Capital Accord for the Group.

The Terms of Reference of the Audit Committee, the Remuneration Committee and the Nomination Committee require such Committees to report back to the Board on their decisions or recommendations. Material matters will be reported to the Board by the other Board committees according to their respective Terms of Reference.

## E.1 EFFECTIVE COMMUNICATION

The board should endeavour to maintain an on-going dialogue with shareholders and in particular, use annual general meetings or other general meetings to communicate with shareholders and encourage their participation.

At the 2005 Annual General Meeting, a separate resolution was proposed by the Chairman in respect of each separate issue, including the re-election of Directors.

The Chairman of the Board, the chairmen of the Audit, Remuneration and Nomination Committees attended the 2005 Annual General Meeting to answer questions of shareholders.

## E.2 VOTING BY POLL

The issuer should regularly inform shareholders of the procedure for voting by poll and ensure compliance with the requirements about voting by poll contained in the Exchange Listing Rules and the constitutional documents of the issuer.

At the 2005 Annual General Meeting, the Chairman demanded a poll on all resolutions. The procedures for demanding a poll by the shareholders were incorporated in the Annual General Meeting circular. KPMG, the Bank's external auditor, was engaged as scrutineer to ensure the votes were properly counted.

## 企業管治報告（續）

### D.2 董事會轄下的委員會

董事會轄下各委員會的成立應訂有書面的特定職權範圍，清楚列載委員會權力及職責。

若要成立委員會處理事宜，董事會會充分清楚的訂明該等委員會的職權範圍，讓有關委員會能適當地履行其職能。

除審核委員會（詳情在C.3段披露），薪酬委員會（詳情在B.1段披露）及提名委員會（詳情在A.4段披露）外，董事會亦設立以下10個專責委員會，該等委員會的成員包括董事及（在適當的情況下）其他有關方面的高級行政人員：

- 1 印章委員會負責監督本行之法定印章的使用及保管；
- 2 執行委員會負責檢討集團各項有關業務及運作的主要功能和重大事宜；
- 3 政策委員會負責商討及制訂策略和政策以管理集團各類業務及運作；
- 4 風險管理委員會負責處理集團各項有關風險管理的事宜；
- 5 信貸委員會負責執行有關借貸活動，尤其是監控集團借貸組合以管理整體的信貸風險；
- 6 營運及其他風險管理委員會負責處理集團各項有關營運、法律、信譽及策略風險的事宜；
- 7 資產負債管理委員會負責監察集團管理流動資金、利率風險、市場風險及國家風險；
- 8 危機管理委員會負責建立和檢討集團監控各類危機事故的策略，及當發生或有可能發生危害集團聲譽、流動資金或財政狀況及持續業務運作的事務時負責危機處理；
- 9 投資委員會負責制訂投資策略及作出日常集團投資組合的投資決策；
- 10 巴塞爾項目督導委員會負責處理集團各項有關實施巴塞爾委員會新資本協議的事宜。

審核委員會，薪酬委員會及提名委員會的職權範圍規定該等委員會要向董事會匯報其決定或建議。而其他董事會轄下的委員會亦會根據其職權範圍向董事會匯報重要事項。

### E.1 有效溝通

董事會應盡力與股東持續保持對話，尤其是藉股東周年大會或其他全體會議與股東溝通及鼓勵他們的參與。

在2005年的股東常會上，會議主席就每項實際獨立的事宜，包括重選董事，個別提出決議案。

董事會主席，審核委員會、薪酬委員會及提名委員會的主席，均已出席2005年的股東周年常會，回應股東提問。

### E.2 以投票方式表決

發行人應定期通知股東以投票方式表決的程序，並確保符合《上市規則》有關以投票方式表決的規定及發行人本身的組織章程文件。

在2005年的股東周年常會上，主席已就所有議案要求以投票方式表決。要求以投票方式表決的程序載列於股東周年常會通函內。本行的外聘核數師，畢馬威會計師事務所，受聘擔任監察員以確保票數正確地點算。