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**THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION**

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**If you are in any doubt** as to any aspect of this circular or as to the action to be taken, you should consult a licensed securities dealer or registered institution in securities, a bank manager, solicitor, professional accountant or other professional adviser.

**If you have sold or transferred** all your shares in The Bank of East Asia, Limited, you should at once hand this circular to the purchaser or transferee or to the bank, a licensed securities dealer or registered institution in securities or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

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**The Bank of East Asia, Limited**

*(Incorporated in Hong Kong with limited liability in 1918)*

(Stock Code: 23)

**NOTICE OF ANNUAL GENERAL MEETING,  
RE-ELECTION OF DIRECTORS,  
AMENDMENTS TO ARTICLES OF ASSOCIATION  
AND  
GENERAL MANDATES TO ISSUE SHARES AND REPURCHASE SHARES**

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The notice of Annual General Meeting of The Bank of East Asia, Limited to be held at the Ballroom, The Ritz-Carlton, 3 Connaught Road Central, Hong Kong on Friday, 7th April, 2006 at 11:00 a.m. ("2006 AGM") is set out on pages 2 to 5 of this circular.

Whether or not you are able to attend the 2006 AGM, please complete the accompanying form of proxy in accordance with the instructions printed thereon and return it to the Bank's Share Registrars, Standard Registrars Limited, 26th Floor, Tesbury Centre, 28 Queen's Road East, Hong Kong as soon as possible and in any event not less than 48 hours before the 2006 AGM. Completion and delivery of the form of proxy will not preclude you from attending and voting at the 2006 AGM should you so wish.

8th March, 2006

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## DEFINITIONS

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*In this circular, the following expressions shall have the following meanings unless the context requires otherwise:*

“2006 AGM”	the annual general meeting of the Bank to be held at the Ballroom, The Ritz-Carlton, 3 Connaught Road Central, Hong Kong on Friday, 7th April, 2006 at 11:00 a.m., the notice of which is set out on pages 2 to 5 of this circular or, where the context so admits, any adjournment thereof;
“Articles of Association”	the articles of association of the Bank, as from time to time altered;
“Bank”	The Bank of East Asia, Limited, a company incorporated in Hong Kong with limited liability;
“Directors”	the directors of the Bank;
“Hong Kong”	Hong Kong Special Administrative Region of the People’s Republic of China;
“Latest Practicable Date”	28th February, 2006, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained in this circular;
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange;
“Ordinance” or “Companies Ordinance”	the Companies Ordinance, Chapter 32 of the Laws of Hong Kong;
“SFO”	the Securities and Futures Ordinance, Chapter 571 of the Laws of Hong Kong;
“Shareholders”	holders of Shares;
“Shares”	shares of HK\$2.50 each in the share capital of the Bank;
“Stock Exchange”	The Stock Exchange of Hong Kong Limited; and
“Takeover Code”	the Hong Kong Code on Takeovers and Mergers.

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## NOTICE OF ANNUAL GENERAL MEETING

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# The Bank of East Asia, Limited

### Notice of Eighty-Seventh Annual General Meeting

NOTICE IS HEREBY GIVEN that the Eighty-seventh Annual General Meeting of the members of the Bank will be held in the Ballroom, The Ritz-Carlton, 3 Connaught Road Central, Hong Kong on Friday, 7th April, 2006 at 11:00 a.m. for the following purposes:

1. To consider and adopt the Audited Accounts and the Reports of the Directors and of the Auditors for the year ended 31st December, 2005;
2. To declare a final dividend of HK\$0.93 per share (with scrip option) for the year ended 31st December, 2005;
3. To re-elect Directors:
  - (a) Mr. Kenneth LO Chin-ming
  - (b) Mr. Eric LI Fook-chuen
  - (c) Mr. WONG Chung-hin
  - (d) Dr. LEE Shau-kee
  - (e) Dr. William MONG Man-wai
  - (f) Mr. CHAN Kay-cheung
4. To re-appoint KPMG as Auditors of the Bank and authorise the Directors to fix their remuneration;

As special business, to consider and, if thought fit, pass with or without amendments, the following resolutions:

#### Special Resolution

5. "THAT the Articles of Association of the Company be and are hereby amended as follows:
  - (a) Article 49 be amended by deleting the words "by rotation" in paragraph (c) thereof and substituting therefor the words "upon expiration of his term";
  - (b) Article 56 be deleted in its entirety and replaced by the following:

'56. Subject to any special rights or restrictions as to voting for the time being attached to any shares by or in accordance with these Articles, at any general meeting on a show of hands every Member present in person (or being a corporation, is present by a duly authorised representative) or by proxy (whether the Member has appointed one or more than one proxy) shall have one vote and on a poll every Member present in person or by proxy or, in the case of a Member being a corporation, by its duly authorised representative, shall have one vote for every fully paid share of which he is the holder. Notwithstanding anything contained in these Articles, where more than one proxy is appointed by a Member which is a Recognised Clearing House (or its nominee(s)), each such proxy shall have one vote on a show of hands.'
  - (c) Article 74 be amended by deleting the words ", either to fill a casual vacancy or as an addition to the existing Board, but so that the total number of Directors shall not at any time exceed any maximum number fixed by or in accordance with these Articles";

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## NOTICE OF ANNUAL GENERAL MEETING

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- (d) the following new Article 74A be inserted immediately after Article 74:
- '74A. Subject to any express terms to the contrary in the relevant resolution for appointing any Director under Article 74, any Director so elected by the Company shall be elected for a term of not more than approximately three years expiring at the conclusion of the annual general meeting of the Company held in the third year following the year of his appointment and for the avoidance of doubt, on expiration of his term he shall be deemed a retiring Director and eligible for re-appointment.';
- (e) Article 75 be deleted in its entirety and replaced by the following:
- '75. Without prejudice to the power of the Company in general meeting in pursuance of any of the provisions of these Articles to appoint any person to be a Director and subject to the Ordinance, the Board shall have power at any time and from time to time to appoint any person to be a Director. Any Director so appointed by the Board shall hold office only until the next following general meeting and shall then be eligible for re-election.';
- (f) Article 78 be amended by deleting the words "by rotation hereinafter" on the first line thereof and inserting the words "in these Articles" immediately after the word "contained" on the second line thereof;
- (g) Article 80 be amended by deleting the sentence "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.";
- (h) Article 81 be deleted in its entirety;
- (i) Article 83 be amended by deleting the words "in manner aforesaid" and substituting therefor the words "upon expiration of his term";
- (j) Article 88 be amended by deleting the word "Executive" on the first line thereof and by deleting the words "an Executive" on the sixth line thereof and substituting therefor the word "a"; and
- (k) Article 113 be amended by deleting the sentence "Surpluses arising from the revaluation of investments shall not be available for dividend."."

### Ordinary Resolutions

6. "THAT
- (a) a general mandate be and is hereby unconditionally given to the Directors to exercise during the Relevant Period all the powers of the Bank to allot, issue and dispose of additional shares of the Bank and to make or grant offers, agreements, options or warrants which would or might require the exercise of such powers either during or after the Relevant Period, not exceeding 10% of the aggregate nominal amount of the issued share capital of the Bank as at the date of this Resolution, otherwise than any shares which may be issued pursuant to the following events:
- (i) a rights issue;
- (ii) any option scheme or similar arrangement for the time being adopted for the grant or issue to the employees of the Bank and its subsidiaries of shares or rights to acquire shares of the Bank; or

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## NOTICE OF ANNUAL GENERAL MEETING

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(iii) any scrip dividend or similar arrangement in accordance with the Articles of Association of the Bank; and

(b) for the purposes of this Resolution:

'Relevant Period' means the period from the passing of this Resolution until whichever is the earlier of:

(i) the conclusion of the next Annual General Meeting of the Bank;

(ii) the expiration of the period within which the next Annual General Meeting of the Bank is required by law to be held; and

(iii) the date on which the authority set out in this Resolution is revoked or varied by an ordinary resolution of the members in general meeting."

7. "THAT

(a) a general mandate be and is hereby unconditionally granted to the Directors to exercise during the Relevant Period all the powers of the Bank to repurchase ordinary shares of HK\$2.50 each in the capital of the Bank in accordance with all applicable laws and the requirements of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited or of any other stock exchange as amended from time to time provided however that the aggregate nominal amount of the shares to be repurchased pursuant to the approval in this paragraph shall not exceed 10% of the aggregate nominal amount of the issued share capital of the Bank as at the date of this Resolution; and

(b) for the purposes of this Resolution:

'Relevant Period' means the period from the passing of this Resolution until whichever is the earlier of:

(i) the conclusion of the next Annual General Meeting of the Bank;

(ii) the expiration of the period within which the next Annual General Meeting of the Bank is required by law to be held; and

(iii) the date on which the authority set out in this Resolution is revoked or varied by an ordinary resolution of the members in general meeting."

8. "THAT, conditional on the passing of Resolutions in item 6 and item 7 of the Notice of this Meeting, the general mandate granted to the Directors to allot shares pursuant to the Resolution set out in item 6 of the Notice of this Meeting be and is hereby extended by the addition to the aggregate nominal amount of the share capital which may be allotted or agreed to be allotted by the Directors pursuant to such general mandate an amount representing the aggregate nominal amount of the share capital of the Bank repurchased by the Bank under the authority granted pursuant to the Resolution set out in item 7 of the Notice of this Meeting."

By Order of the Board  
**Molly HO Kam-lan**  
*Company Secretary*

Hong Kong, 8th March, 2006

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## NOTICE OF ANNUAL GENERAL MEETING

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Notes:

- (a) *The Register of Members of the Bank will be closed from Monday, 13th March, 2006 to Wednesday, 15th March, 2006. In order to qualify for the final dividend, all transfer documents should be lodged for registration with Standard Registrars Limited, 26/F., Tesbury Centre, 28 Queen's Road East, Hong Kong, by 4:00 p.m. Friday, 10th March, 2006.*
- (b) *For good corporate governance practice, the Chairman of the Board has indicated that he would direct that each of the resolutions set out in the notice of the Meeting be voted on by poll.*
- (c) *A member entitled to attend and vote at the above Meeting may appoint a proxy to attend and vote in his place. A proxy need not be a member.*
- (d) *The Memorandum and Articles of Association of the Bank is written in English. The Chinese version of the Resolution as set out in item 5 above on amendments of Articles of Association is a translation for reference only. Should there be any discrepancies, the English version will prevail.*

## The Bank of East Asia, Limited

*(Incorporated in Hong Kong with limited liability in 1918)*

*Executive Directors:*

Dr. The Hon. Sir David LI Kwok-po (*Chairman and Chief Executive*)

Mr. Joseph PANG Yuk-wing (*Deputy Chief Executive*)

Mr. CHAN Kay-cheung (*Deputy Chief Executive*)

*Registered Office:*

10 Des Voeux Road Central

Hong Kong.

*Non-executive Directors:*

Dr. LI Fook-wo

Dr. The Hon. Simon LI Fook-sean

Mr. Aubrey LI Kwok-sing

Dr. William MONG Man-wai

Tan Sri Dr. KHOO Kay-peng

Mr. Richard LI Tzar-kai

Mr. Eric LI Fook-chuen

*Independent Non-executive Directors:*

Mr. WONG Chung-hin

Dr. LEE Shau-kee

Dr. Allan WONG Chi-yun

Mr. Winston LO Yau-lai

Mr. Thomas KWOK Ping-kwong

Mr. TAN Man-kou

Mr. Kenneth LO Chin-ming

*To the Shareholders*

8th March, 2006

Dear Sir or Madam,

### **INTRODUCTION**

The purpose of this circular is to provide you with information in connection with the convening of the 2006 AGM and explanation in connection with the matters to be dealt with at the 2006 AGM. For good corporate governance practice, I would direct that each of the resolutions set out in the notice of the 2006 AGM be voted on by poll.

A notice convening the 2006 AGM is set out on pages 2 to 5 of this circular.

The procedure by which Shareholders may demand a poll at any general meeting of the Bank is set out in Appendix 1 to this circular.

A proxy form for use at the 2006 AGM is enclosed. Whether or not you are able to attend the 2006 AGM, please complete the accompanying form of proxy in accordance with the instructions printed thereon and return it to the Bank's Share Registrars, Standard Registrars Limited, 26th Floor, Tesbury Centre, 28 Queen's Road East, Hong Kong as soon as possible and in any event not less than 48 hours before the 2006 AGM. Completion and delivery of the form of proxy will not preclude you from attending and voting at the 2006 AGM should you so wish.



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## LETTER FROM THE CHAIRMAN

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### **RESOLUTION (1) — ADOPTION OF THE AUDITED ACCOUNTS AND THE REPORTS OF THE DIRECTORS AND OF THE AUDITORS**

Annual Report 2005 incorporating the audited accounts, the Reports of the Directors and of the Auditors for the year ended 31st December, 2005 was sent together with this circular to Shareholders on the same date. The audited accounts have been reviewed by the Audit Committee.

### **RESOLUTION (2) — DECLARATION OF FINAL DIVIDEND WITH SCRIP OPTION**

The Board has recommended a final dividend of HK\$0.93 per share for the year 2005 in cash with an option to receive new, fully paid Shares in lieu of cash. Subject to the passing of Resolution (2), such final dividend will be paid on or about 8th April, 2006. The scrip dividend scheme is also conditional upon the Listing Committee of the Stock Exchange granting approval to the listing of and permission to deal in the new Shares to be issued under the scrip dividend scheme.

A circular containing details of scrip dividend scheme and the election form will be sent to Shareholders on or about Wednesday, 15th March, 2006.

The Register of Members will be closed from Monday, 13th March, 2006 to Wednesday, 15th March, 2006. In order to qualify for the proposed final dividend, all transfer documents should be lodged for registration with Standard Registrars Limited, 26th Floor, Tesbury Centre, 28 Queen's Road East, Hong Kong, by 4:00 p.m. on Friday, 10th March, 2006.

### **RESOLUTION (3) — RE-ELECTION OF DIRECTORS**

In accordance with Article 75 of the Articles of Association, Mr. Kenneth LO Chin-ming who was appointed on 1st May, 2005, and Mr. Eric LI Fook-chuen who was appointed on 25th January, 2006, will retire at the 2006 AGM and, being eligible, offer themselves for re-election. In accordance with Articles 80, 81 and 82 of the Articles of Association, Mr. WONG Chung-hin, Dr. LEE Shau-kee, Dr. Simon LI Fook-sean, Dr. William MONG Man-wai and Mr. CHAN Kay-cheung will retire by rotation at the 2006 AGM. With the exception of Dr. Simon LI Fook-sean who does not seek re-appointment, all the other retiring Directors, being eligible, offer themselves for re-election. Details of the Directors who are proposed to be re-elected at the 2006 AGM are set out in Appendix 2 to this circular.

The re-appointment of Directors has been reviewed by the Nomination Committee which made recommendation to the Board that the re-election be proposed for shareholders' approval at the 2006 AGM. The Nomination Committee has also assessed the independence of all the Bank's Independent Non-executive Directors including those to be re-elected at the 2006 AGM.

### **RESOLUTION (4) — RE-APPOINTMENT OF AUDITORS**

The Board (which agreed with the view of the Audit Committee) recommended that, subject to the approval of Shareholders at the 2006 AGM, KPMG be re-appointed as the external auditors of the Bank for 2006.

### **RESOLUTION (5) — AMENDMENTS TO THE ARTICLES OF ASSOCIATION**

The Directors proposed to amend the Articles of Association to, inter alia, reflect the new Code on Corporate Governance Practices (the "Code") which replaced the Code of Best Practice in Appendix 14 of the Listing Rules. The Code, subject to certain transitional arrangements, took effect on 1st January, 2005. Certain minor housekeeping amendments to the Articles of Association will also be proposed at the 2006 AGM.

Details of the proposed amendments to the Articles of Association are set out in Appendix 3 to this circular.

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## LETTER FROM THE CHAIRMAN

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### **RESOLUTIONS (6), (7) AND (8) — GENERAL MANDATES TO ISSUE SHARES AND REPURCHASE SHARES**

To keep in line with current corporate practice, an ordinary resolution will be proposed at the 2006 AGM for approval by Shareholders for the granting of a general mandate to the Directors to allot, issue and otherwise deal with additional Shares not exceeding 10% of the aggregate nominal amount of the issued share capital of the Bank as at the date of passing the resolution. Based on the 1,512,574,871 Shares in issue as at the Latest Practicable Date (and assuming that there is no change in respect of the issued share capital of the Bank after the Latest Practicable Date and up to the passing of the relevant resolution), the Bank will therefore be allowed under the mandate to issue a maximum of 151,257,487 Shares.

At the annual general meeting of the Bank held on 8th April, 2005, approval was given by Shareholders for the granting of the general mandate to the Directors to repurchase Shares on the Stock Exchange up to 10% of the aggregate nominal amount of the issued share capital of the Bank as at the date of passing the relevant resolution. In accordance with the terms of the approval, that general mandate will shortly expire on 7th April, 2006 upon the conclusion of the 2006 AGM. An ordinary resolution will therefore be proposed to renew the grant of this mandate. The Explanatory Statement required by the Listing Rules to be sent to Shareholders in connection with the proposed share repurchase resolution is set out in Appendix 4 to this circular.

Conditional upon the passing of the Resolutions (6) and (7), an ordinary resolution to authorise the Directors to exercise the powers to allot, issue and dispose of additional Shares of the Bank under the general mandate to issue shares in respect of the aggregate nominal amount of the share capital in the Bank repurchased by the Bank will also be proposed for approval by Shareholders at the 2006 AGM.

### **RECOMMENDATION**

Your Directors consider that the above proposals are in the interests of the Bank and its Shareholders and accordingly recommend that all Shareholders vote in favour of the resolutions to be proposed at the 2006 AGM.

Yours faithfully,

**David Li Kwok-po**

*Chairman and Chief Executive*

Article 57 of the Articles of Association sets out the procedure by which Shareholders may demand a poll:

At any general meeting a resolution put to the vote of the meeting shall be decided on a show of hands unless (before or on the declaration of the result of the show of hands or on the withdrawal of any other demand for a poll) a poll is duly demanded. Subject to the Ordinance, a poll may be demanded by:

- (a) the chairman of the meeting; or
- (b) at least five Members present in person or by proxy and entitled to vote; or
- (c) any Member or Members present in person or by proxy and representing in the aggregate not less than one-tenth of the total voting rights of all Members having the right to attend and vote at the meeting; or
- (d) any Member or Members present in person or by proxy and holding shares conferring a right to attend and vote at the meeting on which there have been paid up sums in the aggregate equal to not less than one-tenth of the total sum paid up on all shares conferring that right.

Unless a poll is so demanded and the demand is not withdrawn, a declaration by the chairman that a resolution has, on a show of hands, been carried or carried unanimously or by a particular majority or not carried by a particular majority or lost shall be final and conclusive, and an entry to that effect in the minutes of the meeting shall be conclusive evidence of the fact without proof of the number or proportion of the votes recorded for or against such resolution.

The following are the particulars of the six Directors proposed to be re-elected at the 2006 AGM:

1. **Mr. Kenneth LO Chin-ming**

*MA, BA, Independent Non-Executive Director and Member of the Audit Committee*

Mr. Lo, aged 63, was appointed a Director in 2005. Mr. Lo is the Chairman and Chief Executive Officer of the Industrial Bank of Taiwan, the Chairman of IBT Management Corp., the Chairman of IBT Venture Co., the Chairman of Boston Life Science Venture Corp., the Honourable Chairman of the Chailease Group and the Chairman of Grand Pacific Holding Corp. (USA). He is also the Director of Taiwan Cement Corp. and the Director of Gainwell Securities Co., Ltd. (Hong Kong). Mr. Lo holds a B.A. in Economics from National Taiwan University and an M.A. in Finance from the University of Alabama. He has been with the banking and finance industry for over 35 years and had abundant experience in securities, trust, leasing, commercial banking, investment banking and venture capital. He was the President of Chinatrust Commercial Bank, the President of Chailease Group, the Vice Chairman of China Trust Bank (USA), the Managing Director of International Bank of Taipei, and the Director of Hua Nan Commercial Bank. Mr. Lo has not held any directorship in other listed public companies during the last three years.

In addition to his highly recognized professional accomplishments, Mr. Lo is also active in public service. He is the Executive Supervisor of the Chinese National Association of Industry and Commerce, the Supervisor of the ROC Bankers Association, the Director of Mount Jade Science & Technology Association of Taiwan, the Director of US-Taiwan Business Council and a member of Dean's Advisory Council of the Sloan School of Business at the Massachusetts Institute of Technology. He was the President of Asian Leasing Association, the Charter Chairman of Taipei Presidents' Organization, and the Director of the ROC Bankers Association.

Save as disclosed, Mr. Lo does not hold any position with the Bank or with other members of the Bank Group. Mr. Lo has not entered into any service contract with the Bank. No terms have been fixed or proposed for Mr. Lo's length of service with the Bank, although he is subject to retirement by rotation and re-election at an annual general meeting of the Bank in accordance with the Articles of Association. The fees payable to directors are determined by the Board with reference to market trends. Mr. Lo receives a directors' fee of HK\$100,000 per annum.

Mr. Lo is not or was not connected with any directors and the senior management of the Bank. The Bank does not have a substantial or controlling shareholder (as defined in the Listing Rules) as at the Latest Practicable Date.

As at the Latest Practicable Date, Mr. Lo is not interested in any Shares within the meaning of Part XV of the SFO.

Save as disclosed herein, there are no other matters relating to his re-election that need to be brought to the attention of the Shareholders.

2. **Mr. Eric LI Fook-chuen**

*BscEE, MscEE, MBA, FIM, Non-Executive Director*

Mr. Li, aged 76, was appointed a Director in January 2006. He is currently the Chairman and Chief Executive Officer of The Kowloon Dairy Limited. He holds a Bachelor of Science Degree in Electrical Engineering from the University of Arkansas, U.S.A., a Master of Science Degree in Electrical Engineering from the University of Michigan, U.S.A., and a Master Degree in Business Administration from the University of California, U.S.A.. He is also a Fellow of the Chartered Management Institute. Mr. Li is a director of Joyce Boutique Holdings Limited. Saved as disclosed, Mr. Li has not held any directorship in other listed public companies during the last three years.

Mr. Li is a non-executive director of one of the Bank's wholly-owned subsidiaries, Blue Cross (Asia-Pacific) Insurance Limited. Save as disclosed, Mr. Li does not hold any position with the Bank or with other members of the Bank Group.

Mr. Li has not entered into any service contract with the Bank. No terms have been fixed or proposed for Mr. Li's length of service with the Bank, although he is subject to retirement by rotation and re-election at an annual general meeting of the Bank in accordance with the Articles of Association. The fees payable to directors are determined by the Board with reference to market trends. Mr. Li will receive a directors' fee of HK\$100,000 per annum.

Mr. Li is the uncle of Dr. The Hon. Sir David LI Kwok-po, Chairman and Chief Executive of the Bank, and also the uncle of Mr. Aubrey LI Kwok-sing, a Non-executive Director of the Bank. He is also the cousin of Dr. LI Fook-wo and Dr. Simon LI Fook-sean, both are Non-executive Directors of the Bank. Save as disclosed, Mr. Li is not or was not connected with any directors and the senior management of the Bank. The Bank does not have a substantial or controlling shareholder (as defined in the Listing Rules) as at the Latest Practicable Date.

As at the Latest Practicable Date, Mr. Li is interested in 33,849,527 (2.24%) Shares within the meaning of Part XV of the Securities and Futures Ordinance. Of these 33,849,527 Shares, Mr. Li is the beneficial owner of 1,040,201 (0.07%) Shares, and 18,769,731 (1.24%) Shares are held by New Jerico Limited in the capacity of trustee of The Jerico Unit Trust. Mr. Li is the sole director of New Jerico Limited. All the units in The Jerico Unit Trust are held by The New Elico Trust, of which Mr. Li is the founder and a discretionary beneficiary. Mr. Li is also deemed to be interested in 14,039,595 (0.93%) Shares held by The Kowloon Dairy Limited of which Mr. Li is the Chairman and Chief Executive Officer.

Save as disclosed herein, there are no other matters relating to his re-election that need to be brought to the attention of the Shareholders.

3. **Mr. WONG Chung-hin**

*CBE, JP, Independent Non-executive Director and Member of the Audit Committee*

Mr. Wong, aged 72, is a solicitor. He was appointed a Director in 1977. Mr. Wong is the Consultant of P.C. Woo & Co. He is also a Director of Hongkong Electric Holdings Limited and Hutchison Whampoa Limited. Save as disclosed, Mr. Wong has not held any directorship in other listed public companies during the last three years.

Save as disclosed, Mr. Wong does not hold any position with the Bank or with other members of the Bank Group. Mr. Wong has not entered into any service contract with the Bank. No terms have been fixed or proposed for Mr. Wong's length of service with the Bank, although he is subject to retirement by rotation and re-election at an annual general meeting of the Bank in accordance with the Articles of Association. The fees payable to directors are determined by the Board with reference to market trends. Mr. Wong receives a directors' fee of HK\$100,000 per annum.

Mr. Wong is the uncle of Dr. Allan WONG Chi-yun, an Independent Non-executive Director of the Bank. Save as disclosed, Mr. Wong is not or was not connected with any directors and the senior management of the Bank. The Bank does not have a substantial or controlling shareholder (as defined in the Listing Rules) as at the Latest Practicable Date.

As at the Latest Practicable Date, Mr. Wong is the beneficial owner of 46,810 (0.003%) Shares and he is deemed to be interested in 344,131 (0.02%) Shares through the interests of his spouse, Mrs. WONG LAM Mei-lin.

Save as disclosed herein, there are no other matters relating to his re-election that need to be brought to the attention of the Shareholders.

**4. Dr. LEE Shau-kee**

*Hon. DBA, Hon. DSSc, Hon. LLD, Independent Non-executive Director and Member of the Nomination Committee*

Dr. Lee, aged 77, was appointed a Director in 1987. He is the Chairman and Managing Director of Henderson Land Development Company Limited and Henderson Investment Limited. Dr. Lee is also the Chairman of Henderson Cyber Limited (being a listed company in Hong Kong until its privatisation on 12th December, 2005), The Hong Kong and China Gas Company Limited and Miramar Hotel and Investment Company, Limited. He is the Vice Chairman of Sun Hung Kai Properties Limited and a Director of Henderson China Holdings Limited (being a listed company in Hong Kong until its privatisation on 15th August, 2005) and Hong Kong Ferry (Holdings) Company Limited. Save as disclosed, he has not held any directorship in other listed public companies during the last three years.

Save as disclosed above, Dr. Lee does not hold any position with the Bank or with other members of the Bank Group. Dr. Lee has not entered into any service contract with the Bank. No terms have been fixed or proposed for Dr. Lee's length of service with the Bank, although he is subject to retirement by rotation and re-election at an annual general meeting of the Bank in accordance with the Articles of Association. The fees payable to directors are determined by the Board with reference to market trends. Dr. Lee receives a directors' fee of HK\$100,000 per annum.

Dr. Lee is not or was not connected with any directors and the senior management of the Bank. The Bank does not have a substantial or controlling shareholder (as defined in the Listing Rules) as at the Latest Practicable Date.

As at the Latest Practicable Date, Dr. Lee is the beneficial owner of 647,985 (0.04%) Shares. In addition, Dr. Lee is also deemed to be interested in 1,000,000 (0.07%) Shares held through Superfun Enterprises Limited ("Superfun"). Superfun is wholly owned by The Hong Kong and China Gas Company Limited which is 37.62% held by Henderson Investment Limited which in turn is 73.48% held by Kingslee S.A., a wholly-owned subsidiary of Henderson Land Development Company Limited ("Henderson Land"). Henderson Land is 61.87% held by Henderson Development Limited ("Henderson Development"). Hopkins (Cayman) Limited ("Hopkins") as trustee of a unit trust (the "Unit Trust") owned all the issued ordinary shares of Henderson Development. Rimmer (Cayman) Limited ("Rimmer") and Riddick (Cayman) Limited ("Riddick"), as trustees of respective discretionary trusts, held units in the Unit Trust. The entire issued share capital of Hopkins, Rimmer and Riddick are owned by Dr. Lee.

Save as disclosed herein, there are no other matters relating to his re-election that need to be brought to the attention of the Shareholders.

**5. Dr. William MONG Man-wai**

*Hon. DBA, Hon. LLD, Hon. DSSc, Hon. DEng, Non-executive Director*

Dr. Mong, aged 78, was appointed a Director in 1995. He is the Chairman and Senior Managing Director of Shun Hing Group. Dr. Mong is a Member of the One Country Two Systems Research Institute Advisory Committee. He is the Honorary Chairman of Hong Kong Electrical Appliances Manufacturers Association. Dr. Mong is the Honorary Chairman of the Board of Trustees of Nanjing University, a Consultant of the Tsinghua University Education Foundation, a Director of the Centre for Advanced Study Foundation of Tsinghua University, the Honorary Member of the Education Fund of Peking University, the Board of Trustees of Shanghai Jiao Tong University and a Member of the Board of Directors of Jinan University in Guangdong. He is also a Member of the Court of Hong Kong University of Science and Technology and Hong Kong Polytechnic University. Dr. Mong has not held any directorship in other listed public companies during the last three years.

Save as disclosed, Dr. Mong does not hold any position with the Bank or with other members of the Bank Group. Dr. Mong has not entered into any service contract with the Bank. No terms have been fixed or proposed for Dr. Mong's length of service with the Bank, although he is subject to retirement by rotation and re-election at an annual general meeting of the Bank in accordance with the Articles of Association. The fees payable to directors are determined by the Board with reference to market trends. Dr. Mong receives a directors' fee of HK\$100,000 per annum.

Dr. Mong is not or was not connected with any directors and the senior management of the Bank. The Bank does not have a substantial or controlling shareholder (as defined in the Listing Rules) as at the Latest Practicable Date.

As at the Latest Practicable Date, Dr. Mong is the beneficial owner of 848,157 (0.06%) Shares. In addition, amongst the 5,242,661 (0.35%) Shares, (i) 4,502,798 (0.30%) Shares are held through Shun Hing Electronic Trading Co. Ltd., (ii) 668,323 (0.04%) Shares are held through Shun Hing Technology Co. Ltd., and (iii) 71,540 (0.005%) Shares are held through Shun Hing Advertising Co. Ltd. Such corporations are accustomed to act in accordance with the directions or instructions of Dr. Mong who is the Chairman of these corporations.

Save as disclosed herein, there are no other matters relating to his re-election that need to be brought to the attention of the Shareholders.

6. **Mr. CHAN Kay-cheung**

*FHKIB, Executive Director and Deputy Chief Executive*

Mr. Chan, aged 59, joined the Bank in 1965. He was the Company Secretary from 1987 to 1995 and was promoted to General Manager in 1992. Mr. Chan was appointed a Director in 1996 and was promoted to Deputy Chief Executive in 1997. He assists the Chief Executive in the overall management and control of the Group. Mr. Chan is also a director of various members of the Bank Group. He is also the Chairman and a Member of various Committees appointed by the Board. Mr. Chan possesses extensive knowledge and experience in the banking industry.

Mr. Chan is a Director of China Electronics Corporation Holdings Company Limited, Chu Kong Shipping Development Company Limited and Four Seas Food Investment Holdings Limited. Save as disclosed, Mr. Chan has not held any directorship in other listed public companies during the last three years.

Mr. Chan is also a Member of the MPF Industry Schemes Committee.

Mr. Chan has not entered into any service contract with the Bank. No terms have been fixed or proposed for Mr. Chan's length of service with the Bank, although he is subject to retirement by rotation and re-election at an annual general meeting of the Bank in accordance with the Articles of Association. The fees payable to directors are determined by the Board with reference to market trends. Mr. Chan receives a directors' fee of HK\$100,000 per annum.

Mr. Chan is not or was not connected with any directors and the senior management of the Bank. The Bank does not have a substantial or controlling shareholder (as defined in the Listing Rules) as at the Latest Practicable Date.

As at the Latest Practicable Date, Mr. Chan is interested in 478,800 (0.03%) Shares within the meaning of Part XV of the SFO, in addition to the share options being granted to him to subscribe for 2,300,000 Shares pursuant to the Staff Share Option Schemes of the Bank (details of such share options were disclosed in the Annual Report 2005 under the section heading "Information on Share Options" in the Report of the Directors).

Save as disclosed herein, there are no other matters relating to his re-election that need to be brought to the attention of the Shareholders.



This appendix sets out the proposed amendments to the Articles of Association.

Summary of the major changes to the existing Articles of Association include the following:

- (a) the mechanics regarding voting will be refined to the effect that at any general meeting on a show of hands every Member present in person (or being a corporation, is present by a duly authorised representative) or by proxy (whether the Member has appointed one or more than one proxy) shall have one vote and on a poll every Member present in person or by proxy or, in the case of a Member being a corporation, by its duly authorised representative, shall have one vote for every fully paid share of which he is the holder. Where more than one proxy is appointed by a Member which is a Recognised Clearing House (or its nominee(s)), each such proxy shall have one vote on a show of hands;
- (b) a Director appointed by the Board shall hold office until the next following general meeting, instead of the next following annual general meeting as provided in the existing Articles of Association;
- (c) all Directors will be appointed for a specific term of no more than three years, and will be eligible for re-appointment upon retirement. The relevant provisions in the Articles of Association regarding retirement by rotation will be deleted;
- (d) each of the Directors, instead of only the Executive Directors as provided in the existing Articles of Association, may be paid his reasonable travelling, hotel and incidental expenses of attending and returning from meetings of the Board or committees of the Board or general meetings or any other meeting which as a Director he is entitled to attend and shall be paid all expenses properly and reasonably incurred by him in the conduct of the Company's business or in the discharge of his duties as a Director; and
- (e) the existing restriction that surpluses arising from revaluation of investments shall not be available for dividend will be removed from the Articles of Association.

The proposed amendments to the Articles of Association have been marked up for ease of reference as follows:

*Article 49 — Special business*

49. All business shall be deemed special that is transacted at an extraordinary general meeting and also all business that is transacted at an annual general meeting with the exception of:
- (a) the declaration and sanctioning of dividends;
  - (b) the consideration and adoption of the accounts and balance sheet and the reports of the Directors and other documents required to be annexed to the accounts;
  - (c) the election of Directors in place of those retiring (~~by rotation~~ upon expiration of his term or otherwise);
  - (d) the appointment of Auditors where special notice of the resolution for such appointment is not required by the Ordinance; and
  - (e) the fixing of, or the determining of the method of fixing, the remuneration of the Directors and of the Auditors.



*Article 56 — Voting rights at general meetings*

56. ~~Subject to any special terms as to voting upon which any shares may be issued or may for the time being be held, on a show of hands every Member who is present in person at a general meeting of the Company shall have one vote, and on a poll every Member who is present in person or by proxy shall have one vote for each share of which he is the holder.~~

Subject to any special rights or restrictions as to voting for the time being attached to any shares by or in accordance with these Articles, at any general meeting on a show of hands every Member present in person (or being a corporation, is present by a duly authorised representative) or by proxy (whether the Member has appointed one or more than one proxy) shall have one vote and on a poll every Member present in person or by proxy or, in the case of a Member being a corporation, by its duly authorised representative, shall have one vote for every fully paid share of which he is the holder. Notwithstanding anything contained in these Articles, where more than one proxy is appointed by a Member which is a Recognised Clearing House (or its nominee(s)), each such proxy shall have one vote on a show of hands.

*Article 74 — Company may appoint Directors*

74. ~~Subject to the provisions of these Articles and the Ordinance, the Company may by ordinary resolution elect any person to be a Director, either to fill a casual vacancy or as an addition to the existing Board, but so that the total number of Directors shall not at any time exceed any maximum number fixed by or in accordance with these Articles.~~

*Article 74A — Terms of elected Directors (new Articles)*

- 74A. Subject to any express terms to the contrary in the relevant resolution for appointing any Director under Article 74, any Director so elected by the Company shall be elected for a term of not more than approximately three years expiring at the conclusion of the annual general meeting of the Company held in the third year following the year of his appointment and for the avoidance of doubt, on expiration of his term he shall be deemed a retiring Director and eligible for re-appointment.

*Article 75 — Board may appoint Directors*

75. ~~Without prejudice to the power of the Company in general meeting in pursuance of any of the provisions of these Articles to appoint any person to be a Director and subject to the Ordinance, the Board shall have power at any time and from time to time to appoint any person to be a Director, either to fill a casual vacancy or as an addition to the existing Board, but so that the total number of Directors shall not at any time exceed any maximum number fixed by or in accordance with these Articles. Any Director so appointed by the Board shall hold office only until the next following annual general meeting and shall then be eligible for re-election but shall not be taken into account in determining the Directors or the number of Directors who are to retire by rotation at such meeting.~~

Without prejudice to the power of the Company in general meeting in pursuance of any of the provisions of these Articles to appoint any person to be a Director and subject to the Ordinance, the Board shall have power at any time and from time to time to appoint any person to be a Director. Any Director so appointed by the Board shall hold office only until the next following general meeting and shall then be eligible for re-election.

*Article 78 — Disqualification of Directors*

78. Without prejudice to the provisions for retirement ~~by rotation hereinafter~~ contained in these Articles, the office of a Director shall be vacated in any of the events following, namely:
- (a) if by notice in writing delivered to the Office or tendered at a meeting of the Board his resignation is requested by all of the other Directors;
  - (b) if (not being an Executive Director whose contract precludes resignation) he resigns his office by notice in writing delivered to the Office or tendered at a meeting of the Board;
  - (c) if he becomes of unsound mind or a patient for any purpose of any statute relating to mental health and the Board resolves that his office is vacated;
  - (d) if, without leave, he is absent from meetings of the Board for six consecutive months, and the Board resolves that his office is vacated;
  - (e) if he becomes bankrupt or compounds with his creditors;
  - (f) if he is prohibited by law from being a Director;
  - (g) if he ceases to be a Director by virtue of the Ordinance or is removed from office pursuant to these Articles.

*Articles 80 — Retirement of Directors ~~at annual general meeting~~*

80. ~~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 retiring at a meeting shall retain office until the close of the meeting.~~

*Articles 81 — Selection of Directors to retire*

81. ~~The Directors to retire on each occasion shall be those who have been longest in office since their last election, but as between persons who became or were re-elected Directors on the same day those to retire shall (unless they otherwise agree among themselves) be determined by lot. The Directors to retire on each occasion (both as to number and identity) shall be determined by the composition of the Board at the date of the notice convening the annual general meeting, and no Director shall be required to retire or be relieved from retiring by reason of any change in the number or identity of the Directors after the date of such notice but before the close of the meeting.~~

*Article 83 — Deemed re-election*

83. Subject to the provisions of these Articles, the Company at the meeting at which a Director retires ~~in manner aforesaid~~ upon expiration of his term may fill the vacated office by electing a person thereto and in default the retiring Director shall, if willing to continue to act, be deemed to have been re-elected, unless at such meeting it is expressly resolved not to fill such vacated office or unless a resolution for the re-election of such Director shall have been put to the meeting and lost.

*Article 88 — Expenses of Directors*

88. Each ~~Executive~~ Director may be paid his reasonable travelling, hotel and incidental expenses of attending and returning from meetings of the Board or committees of the Board or general meetings or any other meeting which as a Director he is entitled to attend and shall be paid all expenses properly and reasonably incurred by him in the conduct of the Company's business or in the discharge of his duties as ~~an Executive~~ a Director. Any Director who, by request, goes or resides outside the jurisdiction in which he normally resides for any purposes of the Company or who performs services which in the opinion of the Board go beyond the ordinary duties of a Director may be paid such extra remuneration (whether by way of salary, commission, participation in profits or otherwise) as the Board may determine and such extra remuneration shall be in addition to any remuneration provided for by or pursuant to any other Article.

*Article 113 — Company may declare dividends*

113. Subject to the Ordinance and as hereinafter set out, the Company in general meeting may from time to time declare dividends to be paid to the Members according to their rights and interests in the profits available for distribution, but no dividend shall be declared in excess of the amount recommended by the Board. ~~Surpluses arising from the revaluation of investments shall not be available for dividend.~~

The proposed amendments to the Articles of Association are subject to the approval of the Shareholders by way of passing a special resolution at the 2006 AGM.

The following is the Explanatory Statement required to be sent to Shareholders under the Listing Rules in connection with the proposed general mandate for repurchase of Shares and also constitutes the Memorandum required under Section 49BA of the Companies Ordinance:

- (i) At the 2006 AGM a resolution will be proposed that the Directors be given a general mandate to exercise all powers of the Bank to repurchase on the Stock Exchange fully paid-up Shares representing up to a maximum of 10% of the aggregate nominal amount of the issued share capital of the Bank as at the date of passing the resolution (the "Repurchase Mandate"). Based on the 1,512,574,871 Shares in issue as at the Latest Practicable Date (and assuming that there is no change in respect of the issued share capital of the Bank after the Latest Practicable Date and up to the passing of the relevant resolution), the Bank will therefore be allowed under the Repurchase Mandate to repurchase a maximum of 151,257,487 Shares.
- (ii) Although the Directors have no present intention of repurchasing any Shares, they believe that the flexibility afforded by the Repurchase Mandate will be beneficial to the Bank and its Shareholders. Trading conditions on the Stock Exchange have sometimes been volatile in recent years and if there are occasions in the future when depressed market conditions arise and Shares are trading at a discount to their underlying value, the ability of the Bank to repurchase Shares will be beneficial to those Shareholders who retain their investment in the Bank since their percentage interests in the assets of the Bank will increase in proportion to the number of Shares repurchased by the Bank. Furthermore, the Directors' exercise of the mandate granted under the Repurchase Mandate may lead to an increased volume of trading in Shares on the Stock Exchange.
- (iii) The Directors propose that repurchases of Shares under the Repurchase Mandate will be financed from the available cash flow or working capital facilities of the Bank and its subsidiaries. In repurchasing Shares, the Bank may only apply funds legally available for such purpose in accordance with its Memorandum and Articles of Association and the laws of Hong Kong.
- (iv) There may be material adverse impact on the working capital or gearing position of the Bank (as compared with the position disclosed in its most recent published audited accounts) in the event that the proposed share repurchases are to be carried out in full at any time during the proposed repurchase period. However, the Directors do not propose to exercise the Repurchase Mandate to such extent as will, in the circumstances, have a material adverse effect on the working capital requirements of the Bank or the gearing levels which in the opinion of the Directors are from time to time appropriate for the Bank.
- (v) There are no Directors or (to the best of the knowledge of the Directors, having made all reasonable enquiries) any associates of the Directors of the Bank who have a present intention, in the event that the Repurchase Mandate is granted by Shareholders, to sell Shares to the Bank.
- (vi) The Directors have undertaken to the Stock Exchange to exercise the power of the Bank to make purchases pursuant to the Repurchase Mandate in accordance with the Listing Rules and the laws of Hong Kong.
- (vii) If as a result of a share repurchase a shareholder's proportionate interest in the voting rights of the Bank increases, such increase will be treated as an acquisition of voting rights for purpose of the Takeover Code. As a result, a shareholder, or group of shareholders acting in concert, would obtain or consolidate control of the Bank and thereby become obliged to make a mandatory offer in accordance with Rule 26 of the Takeover Code. As at the Latest Practicable Date, the Bank does not have a substantial shareholder (as defined in the Listing Rules).

However, the Directors are not aware of any consequence which would arise under the Takeover Code as a consequence of any purchases pursuant to the Repurchase Mandate.

- (viii) No purchases have been made by the Bank of its Shares in the six months prior to the date of this circular.
- (ix) No connected persons (as defined in the Listing Rules) of the Bank have notified it of a present intention to sell Shares to the Bank and no such persons have undertaken not to sell any such Shares to the Bank in the event that the Repurchase Mandate is granted by Shareholders.
- (x) The highest and lowest prices at which Shares had traded on the Stock Exchange in each of the previous twelve months were as follows:

	<b>Highest</b> <i>HK\$</i>	<b>Lowest</b> <i>HK\$</i>
2005: February	23.90	22.65
March	23.95	22.30
April	23.00	22.35
May	23.15	22.35
June	23.00	22.60
July	23.85	22.70
August	24.15	22.50
September	23.20	22.45
October	23.05	22.30
November	23.35	22.65
December	23.70	23.15
2006: January	24.20	23.25