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## DIRECTORS, SENIOR MANAGEMENT AND STAFF

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### DIRECTORS AND SENIOR MANAGEMENT

Information concerning our Directors and senior management is set forth below:

<u>Name</u>	<u>Age</u>	<u>Position</u>
Mr. LIU Mingkang .....	55	Chairman of the Board of Directors and non-executive Director
Mr. SUN Changji .....	59	Vice Chairman of the Board of Directors and non-executive Director
Dr. LIU Jinbao .....	49	Vice Chairman of the Board of Directors and our chief executive
Mr. PING Yue .....	59	Non-executive Director
Mr. HUA Qingshan .....	49	Non-executive Director
Mr. LI Zaohang .....	47	Non-executive Director
Mr. HE Guangbei .....	47	Non-executive Director
Mr. ZHOU Zaiqun .....	49	Non-executive Director
Ms. ZHANG Yanling .....	50	Non-executive Director
Mr. CHIA Pei-Yuan .....	63	Independent non-executive Director
Dr. FUNG Victor Kwok King ..	56	Independent non-executive Director
Mr. SHAN Weijian .....	48	Independent non-executive Director
Mr. TUNG Chee Chen .....	59	Independent non-executive Director
Mr. ZHU Chi .....	47	Deputy chief executive responsible for the business planning and finance strategic business unit of the Group
Mr. DING Yansheng .....	48	Deputy chief executive responsible for the business support services strategic business unit of the Group
Mr. OR Man Ah .....	52	Deputy chief executive responsible for the corporate banking and treasury strategic business unit of the Group
Mr. LAM Yim Nam .....	50	Deputy chief executive responsible for the retail banking strategic business unit of the Group
Mr. LAW Man Wah .....	50	Chief financial officer
Mr. MAO Xiaowei .....	49	Chief risk officer
Mr. YEUNG Jason Chi Wai ...	47	Company secretary

These Directors and senior management members hold similar positions at BOCHK, including their positions in various committees, as described below. In addition, Mr. Anthony Neoh is the senior advisor to both the Board of Directors and the board of directors of BOCHK.

The Board of Directors provides guidance and strategic direction with respect to our operations and supervises our operations (other than those of Nanyang and Chiyu) through its committees, comprising the audit committee, the risk management committee and the remuneration committee.

Our day-to-day operations are directed by our senior management. Our senior management is comprised of our chief executive, our four deputy chief executives (separately responsible for the retail banking, corporate banking and treasury, business planning and finance and business support services strategic business units of the Group), our chief financial officer, our chief risk officer and our company secretary. Our chief executive, our deputy chief executives, our chief financial officer and our chief risk officer have significant experience in the banking industry in Hong Kong and/or Mainland China. Our senior

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management is remunerated by BOCHK and is incentivized to act in the best interests of the Group. All of the foregoing members of our senior management team, including our chief executive who is our only executive Director, are ordinarily resident in Hong Kong.

Rule 8.12 (“**Rule 8.12**”) of the Listing Rules provides that a new applicant for a primary listing on the Stock Exchange must have a sufficient management presence in Hong Kong and that this will normally mean that at least two of its executive directors must be ordinarily resident in Hong Kong. While we have one executive Director, Dr. Liu Jinbao, who is ordinarily resident in Hong Kong, we have a sufficient number of senior management members who are ordinarily resident in Hong Kong and therefore believe that we have a sufficient management presence in Hong Kong. On the basis of the above, we have applied to the Stock Exchange and obtained a waiver from strict compliance with the requirements of Rule 8.12 on the conditions that (a) we have at least one executive Director who is ordinarily resident in Hong Kong and senior executives who are based in Hong Kong and (b) we nominate a Director in Mainland China (and we have nominated Mr. He Guangbei, a non-executive Director) to act at all times as the principal channel of communication with the Stock Exchange in the absence of Dr. Liu Jinbao or our company secretary (Mr. Yeung Jason Chi Wai) to ensure that there is an adequate channel of communications between the Stock Exchange and ourselves at all times.

Each of Nanyang and Chiyu continues to conduct its business as a separate legal entity with its own operational structure. BOCHK maintains its supervision over the management of Nanyang and Chiyu, in particular in the areas of finance, risk management, audit and classified loan management, through its representation on their boards of directors.

### DIRECTORS

**Mr. LIU Mingkang**, aged 55, is the chairman of both the Board of Directors and the board of directors of BOCHK. Mr. Liu was appointed as a Director on September 17, 2001. Mr. Liu has been the chairman and president of BOC since February 2000. He is also a director of BOC (BVI) and BOCHKG. Mr. Liu is the chairman of the risk management committee of both the Board of Directors and the board of directors of BOCHK. Mr. Liu has over 20 years’ experience in the banking industry. Mr. Liu is the chairman of the board of directors of BOCI and is a vice chairman of The Institute of International Finance, Inc., a global association of financial institutions. Mr. Liu was the chairman of the board of directors of China Everbright Group Limited from July 1999 to June 2000. Mr. Liu was a vice governor of the People’s Bank of China and a vice chairman of its Monetary Policy Committee from April 1998 to July 1999. Mr. Liu served as a vice governor of the State Development Bank of China from January 1994 to April 1998. Mr. Liu held various positions with BOC between 1979 to 1993. He was a vice governor and secretary-general of the Fujian Provincial Government from 1993 to 1994. Mr. Liu obtained a master’s degree in business administration and an honorary doctorate degree in science from City University of London in 1987 and 2000, respectively.

**Mr. SUN Changji**, aged 59, is a vice chairman of both the Board of Directors and the board of directors of BOCHK. Mr. Sun was appointed as a Director on September 17, 2001. Mr. Sun has been a vice chairman of the board of directors of BOC since November 2000 and an executive vice president of BOC since January 1999. Mr. Sun is also a director of BOC (BVI) and BOCHKG. Mr. Sun is the chairman of the remuneration committee of both the Board of Directors and the board of directors of BOCHK. Mr. Sun is a senior engineer. Mr. Sun was concurrently the president of the Orient Asset Management Corporation from September 1999 to August 2001. Mr. Sun was the first deputy director-general of the State Administration of Machinery Industry of the PRC from April 1998 to January 1999 and a vice minister of the Ministry of Machinery Industry of the PRC from April 1993 to April 1998. Mr. Sun was a deputy

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director-general of the production department of the Ministry of Machinery Industry from 1991 to 1993. Mr. Sun graduated from Tsinghua University in 1966 with a bachelor's degree.

**Dr. LIU Jinbao**, aged 49, is a vice chairman of the Board of Directors and our chief executive with overall responsibility for the business and operations of the Group. Dr. Liu was appointed as a Director on June 17, 2002. Dr. Liu is also a vice chairman of the board of directors and the chief executive of BOCHK and the chairman of the board of directors of Nanyang. Dr. Liu has been a director of BOC since March 1996 and a vice chairman of the board of directors of BOC since December 1998. Dr. Liu is a member of the risk management committee of both the Board of Directors and the board of directors of BOCHK. Dr. Liu has 26 years' experience in the banking industry. Dr. Liu started his career with BOC in August 1976. In 1994, Dr. Liu became the general manager of BOC Shanghai branch. Dr. Liu was appointed the senior deputy chief executive of Bank of China Hong Kong-Macau Regional Office in August 1997 and later chief executive in February 1999. Since August 1997, Dr. Liu has been the general manager of BOC Hong Kong branch. Dr. Liu is a non-executive director of, among other companies, BOCI, Hong Kong Exchanges and Clearing Limited, Hong Kong Interbank Clearing Limited, Hong Kong Note Printing Limited and Shanghai Commercial Bank Limited. Dr. Liu is a member of the Exchange Fund Advisory Committee, Land Fund Advisory Committee and Commission on Strategic Development under the Hong Kong government. Dr. Liu is the designated representative of BOCHK as the chairman of Hong Kong Association of Banks. Dr. Liu is also the chairman of Hong Kong Chinese Enterprises Association. Dr. Liu graduated with a bachelor's degree from the University of International Business and Economics in Beijing in 1976 and obtained a Ph.D degree from Shanghai Academy of Social Sciences in 1999.

**Mr. PING Yue**, aged 59, is a non-executive director of both the Board of Directors and the board of directors of BOCHK. Mr. Ping was appointed as a Director on June 17, 2002. Mr. Ping is also a managing director of the board of directors of BOC, a position he has held since 1995. Mr. Ping is a member of the audit committee of both the Board of Directors and the board of directors of BOCHK. Mr. Ping is a senior economist and has over 17 years' experience in the banking industry. Mr. Ping graduated from Lanzhou University in 1966 with a bachelor's degree.

**Mr. HUA Qingshan**, aged 49, is a non-executive director of both the Board of Directors and the board of directors of BOCHK. Mr. Hua was appointed as a Director on June 17, 2002. Mr. Hua is also an executive vice president of BOC. Mr. Hua is a member of the risk management committee of both the Board of Directors and the board of directors of BOCHK. Mr. Hua is also the chairman of the board of directors of BOC-CC. Mr. Hua was an executive assistant president of BOC from June 1994 to December 1998. Mr. Hua graduated from Peking University in 1984 with a bachelor's degree and obtained a master's degree from Hunan University in 1996.

**Mr. LI Zaohang**, aged 47, is a non-executive director of both the Board of Directors and the board of directors of BOCHK. Mr. Li was appointed as a Director on June 17, 2002. Mr. Li is also an executive vice president of BOC. Mr. Li is a member of the remuneration committee of both the Board of Directors and the board of directors of BOCHK. Mr. Li is also the chairman of the board of directors of BOC Investment. Mr. Li has over 20 years' experience in the banking industry. Mr. Li was the general manager and an executive vice president of the China Construction Bank from August 1990 to November 2000. Mr. Li graduated from the Nanjing Institute of Meteorology in 1978 with a bachelor's degree.

**Mr. HE Guangbei**, aged 47, is a non-executive director of both the Board of Directors and the board of directors of BOCHK. Mr. He was appointed as a Director on June 17, 2002. Mr. He is also an executive vice president of BOC. Mr. He is a member of the audit committee of both

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the Board of Directors and the board of directors of BOCHK. Mr. He is also the chairman of the board of directors of Chiyu and a director of BOCI. Mr. He has over 20 years' experience in the banking industry. Mr. He was an executive assistant president of BOC from November 1998 to November 2000. Mr. He was the general manager of the treasury department of BOC from January 1996 to November 1998. Mr. He graduated from the Beijing Second Foreign Languages Institute in 1979 with a bachelor's degree and obtained a master's degree in international management studies from the University of Texas in 1985.

**Mr. ZHOU Zaiqun**, aged 49, is a non-executive director of both the Board of Directors and the board of directors of BOCHK. Mr. Zhou was appointed as a Director on June 17, 2002. Mr. Zhou is also an executive vice president of BOC. Mr. Zhou is a member of the audit committee of both the Board of Directors and the board of directors of BOCHK. Mr. Zhou has over 20 years' experience in the banking industry. Mr. Zhou was the general manager of the Beijing branch of the Industrial and Commercial Bank of China ("ICBC") from December 1999 to November 2000. Mr. Zhou was the general manager of the planning and financial department of ICBC from January 1997 to December 1999. Mr. Zhou obtained a master's degree from Northeast Institute of Finance and Economics in 1996.

**Ms. ZHANG Yanling**, aged 50, is a non-executive director of both the Board of Directors and the board of directors of BOCHK. Ms. Zhang was appointed as a Director on June 17, 2002. Ms. Zhang is also an executive vice president of BOC. Ms. Zhang is a member of the risk management committee of both the Board of Directors and the board of directors of BOCHK. Ms. Zhang has over 20 years' experience in the banking industry. Ms. Zhang was the general manager of the Milan branch of BOC from March 2000 to October 2000. Ms. Zhang was the general manager of the banking department of BOC from April 1997 to March 2000. Ms. Zhang graduated from Liaoning University in 1977 with a bachelor's degree and obtained a master's degree from Wuhan University in 1999.

**Mr. CHIA Pei-Yuan**, aged 63, is an independent non-executive director of both the Board of Directors and the board of directors of BOCHK. Mr. Chia was appointed as a Director on June 17, 2002. Mr. Chia is a member of the audit committee and the risk management committee of both the Board of Directors and the board of directors of BOCHK. Mr. Chia was a vice chairman and a director of Citicorp and Citibank until his retirement in 1996. Mr. Chia is a director of American International Group, Inc. and Baxter International Inc. and a trustee of the Asia Society and Mt. Sinai-NYU Medical Center. Mr. Chia served on the Wharton Graduate Executive Board of the University of Pennsylvania and is a senior fellow at the University of Pennsylvania's SEI Center for Advanced Studies in Management. Mr. Chia was also a director of CNH Global NV. Mr. Chia obtained a bachelor's degree in economics from Tunghai University in Taiwan in 1961 and a master's degree in business administration from the Wharton Graduate School of the University of Pennsylvania in 1965.

**Dr. FUNG Victor Kwok King**, aged 56, is an independent non-executive director of both the Board of Directors and the board of directors of BOCHK. Dr. Fung was appointed as a Director on June 17, 2002. Dr. Fung is a member of the audit committee and the remuneration committee of both the Board of Directors and the board of directors of BOCHK. Dr. Fung is the chairman of the Li & Fung group of companies, the Hong Kong Airport Authority and the Hong Kong University Council. He is a non-executive director of AngloGold Limited, Pacific Century CyberWorks Limited, Kerry Properties Limited, Orient Overseas (International) Limited, Sun Hung Kai Properties Limited, Hysan Development Company Limited, Dao Heng Bank Group Limited and DBS Kwong On Bank Limited. Dr. Fung obtained a bachelor's degree and a master's degree in electrical engineering from the Massachusetts Institute of Technology in 1966 and a doctorate degree in business economics from Harvard University in 1971.

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**Mr. SHAN Weijian**, aged 48, is an independent non-executive director of both the Board of Directors and the board of directors of BOCHK. Mr. Shan was appointed as a Director on June 17, 2002. Mr. Shan is the chairman of the audit committee and a member of the remuneration committee of both the Board of Directors and the board of directors of BOCHK. Mr. Shan is a managing director of Newbridge Capital. Mr. Shan is a director of a number of companies, including Korea First Bank, Baoshan Iron & Steel Co. Ltd. and TCC International Holdings Ltd. Mr. Shan was a managing director in the investment banking group of J.P. Morgan, a professor at the Wharton School of the University of Pennsylvania and an investment officer at the World Bank in Washington D.C. Mr. Shan graduated from the Beijing Institute of Foreign Trade with a degree in English in 1979. Mr. Shan obtained a master's degree in business administration from the University of San Francisco in 1981, and received a master's of arts degree in economics and a Ph.D. degree in business administration from the University of California at Berkeley in 1984 and 1987, respectively.

**Mr. TUNG Chee Chen**, aged 59, is an independent non-executive director of both the Board of Directors and the board of directors of BOCHK. Mr. Tung was appointed as a Director on June 17, 2002. Mr. Tung is a member of the audit committee and the remuneration committee of both the Board of Directors and the board of directors of BOCHK. Mr. Tung is the chairman and the chief executive officer of Orient Overseas (International) Limited. He was the chairman of the Hong Kong Shipowners' Association from 1993 to 1995 and the chairman of the Hong Kong General Chamber of Commerce from 1999 to 2001. Mr. Tung is a non-executive director of a number of companies, including Sing Tao Holdings Limited, Zhejiang Expressway Company Limited and PetroChina Company Limited. He is an independent director of Chekiang First Bank Limited and a member of the Hong Kong Port and Maritime Board. Mr. Tung was educated at the University of Liverpool, United Kingdom, where he obtained a bachelor's degree in science in 1964. He later obtained a master's degree in mechanical engineering from the Massachusetts Institute of Technology in 1966.

### SENIOR ADVISOR TO THE BOARD OF DIRECTORS

**Mr. NEOH Anthony Francis**, aged 55, is the senior advisor to both the Board of Directors and the board of directors of BOCHK, which is a non-executive position. Mr. Neoh has been the chief advisor to the China Securities Regulatory Commission since September 1998. Mr. Neoh was the chairman of the Hong Kong Securities and Futures Commission from 1995 to 1998 and of the Technical Committee of the International Organization of Securities Commissions from 1996 to 1998. From 1991 to 1994, Mr. Neoh was a member of the Hong Kong Stock Exchange Council and its Listing Committee. Mr. Neoh was appointed Queen's Counsel (now retitled Senior Counsel) in April 1990. Mr. Neoh was a visiting scholar at the Harvard Law School from 1990 to 1991 and for the Spring semester of the academic year 2001 / 2002, he was the Visiting Professor from Practice at the Harvard Law School.

### OTHER SENIOR MANAGEMENT PERSONNEL

**Mr. ZHU Chi**, aged 47, is our deputy chief executive responsible for the business planning and finance strategic business unit of the Group. Mr. Zhu has approximately 20 years' experience in the banking industry, and was the general manager of the Macau branch of BOC from June 1998 to April 2001 and the deputy chief executive of Bank of China Hong Kong-Macau Regional Office from June 1998 to September 2001. Mr. Zhu was a director of BOC from March 1996 for six consecutive years. Mr. Zhu held various positions with BOC between 1982 and 1998. In October 1992, Mr. Zhu became a deputy general manager of the Comprehensive Planning Department of BOC and was subsequently promoted to the general

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manager of the Chief Executive Office of BOC in March 1995. Mr. Zhu graduated from the Renmin University of China with a bachelor's degree in economics.

**Mr. DING Yansheng**, aged 48, is our deputy chief executive responsible for the business support services strategic business unit of the Group and the general manager of the human resources department of BOCHK. Mr. Ding has seven years' experience in the banking industry. Mr. Ding was the general manager of the personnel division of Bank of China Hong Kong-Macau Regional Office between April 2001 and September 2001. From March 1996 to April 2001, Mr. Ding acted as the deputy general manager and the general manager of the human resources department of BOC. Mr. Ding was a director of BOCI from August 2000 to August 2001. Mr. Ding graduated from the Central University of Finance and Economics in Beijing with a bachelor's degree and later obtained a master's degree in business administration from the China Europe International Business School.

**Mr. OR Man Ah**, aged 52, is our deputy chief executive responsible for the corporate banking and treasury strategic business unit of the Group and the general manager of the corporate banking and financial institutions department of BOCHK. Mr. Or has over 30 years' experience in the banking industry. Since February 2001, Mr. Or has been the first deputy general manager of the Hong Kong branch of BOC. From February 1988 to January 2001, Mr. Or was the deputy general manager of the Hong Kong branch of BOC. Mr. Or is an associate of The Hong Kong Institute of Bankers and The Institute of Financial Services in the United Kingdom. Mr. Or completed a higher certificate course in business studies at Hong Kong Polytechnic and obtained a master's degree in business administration from The University of Warwick, United Kingdom.

**Mr. LAM Yim Nam**, aged 50, is our deputy chief executive responsible for the retail banking strategic business unit of the Group and the general manager of the retail banking department of BOCHK. Mr. Lam has over 20 years' experience in the banking industry. From August 1989 to August 1998, Mr. Lam was the deputy general manager of the Hong Kong branch of Kwangtung. Mr. Lam was the deputy general manager of the Hong Kong branch of BOC from November 1998 to December 1999, and the acting general manager of the Hong Kong branch of National Commercial from January 2000 to September 2001. Mr. Lam graduated from the Chinese University of Hong Kong with a bachelor's degree and a master's degree in business administration.

**Mr. LAW Man Wah**, aged 50, is our chief financial officer. Mr. Law is also the chief financial officer and the general manager of the finance department of BOCHK. Mr. Law has over 19 years' experience in the banking industry. Mr. Law is a director of Nanyang and was a deputy general manager of Nanyang from March 1992 to September 2001. Mr. Law is an alternate director of Shanghai Commercial Bank Limited. Mr. Law was a director of Hong Kong Interbank Clearing Limited from September 1998 to August 2001. Mr. Law is a member of the Institute of Certified Management Accountants, Australia. Mr. Law graduated from the Chinese University of Hong Kong with a bachelor's degree in business administration and obtained a master's degree in business administration from Brunel University, United Kingdom, a postgraduate diploma in banking and finance from the City Polytechnic of Hong Kong, a master of science degree in finance from the City University of Hong Kong, and a master of business (accounting) from Monash University, Australia.

**Mr. MAO Xiaowei**, aged 49, is our chief risk officer. Mr. Mao is also the chief risk officer of BOCHK. Mr. Mao has over 17 years' experience in the banking industry. Mr. Mao is a director of both Nanyang and Chiyu. Mr. Mao was the general manager of the business department of Bank of China Hong Kong-Macau Regional Office from March 1999 to September 2001. Mr. Mao was the chairman of the restructuring office of the BOC HK Group from January 2000

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to September 2001. Mr. Mao has held a number of senior managerial positions within BOC since 1996. Mr. Mao was the general manager of the asset and liability management department of BOC from June 1998 to March 1999 and the development and planning department of BOC from January 1996 to June 1998. Mr. Mao graduated from Beijing College of Economics where he majored in economics. Mr. Mao obtained a master's degree in economics from the graduate school of the China Academy of Social Science.

**Mr. YEUNG Jason Chi Wai**, aged 47, is our company secretary. Mr. Yeung is also the company secretary of BOCHK. Mr. Yeung has over 10 years' experience practising corporate and commercial law. Prior to joining us on October 1, 2001, Mr. Yeung was the general counsel and a director of China Everbright Limited and a partner of Woo, Kwan, Lee & Lo. He has also served at the Securities and Futures Commission in Hong Kong. Mr. Yeung is a member of the Legal Committee of the Hong Kong General Chamber of Commerce. Mr. Yeung was educated at the University of Hong Kong where he obtained a bachelor's degree in social sciences. Mr. Yeung later graduated from The College of Law, United Kingdom and further obtained a bachelor's degree in law from the University of Western Ontario, Canada and a master's degree in business administration from the Richard Ivey School of Business of the University of Western Ontario, Canada.

### BOARD PRACTICES

The Board of Directors consists of thirteen Directors, one of whom is an executive Director, eight of whom are non-executive Directors and four of whom are independent non-executive Directors. Our shareholders, including BOC (BVI), may by ordinary resolution elect any person to be a Director, either to fill a casual vacancy or as an addition to the Board. In addition, the Directors have the power, under the Articles of Association, to appoint any other person as a Director, either to fill a casual vacancy or as an addition to the Board, but any Directors so appointed shall hold office only until the next following annual general meeting of the Company and shall then be eligible for re-election. The chairman of the Board of Directors is appointed by the Directors.

The Articles of Association provide that, at each annual general meeting, one-third (or the number nearest to but not exceeding one-third) of the Directors will retire from office by rotation, provided that no Director holding office as chairman, vice chairman or chief executive will be subject to retirement by rotation or be taken into account in determining the number of Directors to retire. The Directors to retire in each year are those who have served longest in office since their last election, but as between persons who became Directors on the same day are to be determined by lot unless they otherwise agree among themselves. The retiring Directors are eligible for re-election.

The powers and responsibilities conferred by the Articles of Association on the Board of Directors include:

- convening general meetings of shareholders;
- exercising all our powers to borrow money and to mortgage or charge all or any part of our undertaking, property and assets;
- recommending the amount of dividends to be declared by shareholders in general meetings; and
- appointing committees and delegating powers to these committees.

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To enable the Board of Directors to discharge these responsibilities effectively, our senior management provides detailed reports on our performance to the Board of Directors on a quarterly basis.

The Board of Directors functions either as a full Board or through committees. The Board has established the audit, risk management and remuneration committees to focus on specific issues. These Board committees meet regularly.

### AUDIT COMMITTEE

The audit committee consists of seven non-executive Directors, four of whom, including the chairman, are independent Directors. In addition to assisting the Board of Directors in fulfilling its oversight responsibilities, the functions of the audit committee include:

- reviewing significant accounting policies and supervising our financial reporting process;
- approving the roles and responsibilities and departmental structure of the internal audit department; and
- ensuring compliance with applicable statutory accounting reporting requirements.

The current members of our audit committee are Mr. Shan Weijian, the chairman of the committee, Mr. Chia Pei-Yuan, Mr. Tung Chee Chen, Dr. Victor Fung, Mr. Ping Yue, Mr. He Guangbei and Mr. Zhou Zaiqun.

### RISK MANAGEMENT COMMITTEE

The risk management committee consists of thirteen members, comprising four non-executive Directors (one of whom is an independent Director), our chief executive, the head of the risk management department of BOC and our chief risk officer (all of whom are voting members) and our deputy chief executive in charge of our corporate banking and treasury strategic business unit and five senior risk management managers of BOC (all of whom are non-voting members). The risk management committee provides independent support to the Board of Directors in determining our risk management strategy, policies and procedures. See the section headed “Business — Risk Management — Our Risk Management Structure — Board of Directors and Board Committees” for a more detailed description of the roles and responsibilities of the risk management committee.

The current members of our risk management committee are Mr. Liu Mingkang, the chairman of the committee, Dr. Liu Jinbao, Mr. Chia Pei-Yuan, Mr. Hua Qingshan, Ms. Zhang Yanling, Mr. Chen Siqing, Mr. Zhu Xinqiang, Mr. Gao Yingxin, Mr. Zhang Weidong, Mr. Dong Jianyue, Ms. Zheng Xiaomin, Mr. Or Man Ah and Mr. Mao Xiaowei.

### REMUNERATION COMMITTEE

The remuneration committee consists of five non-executive Directors, three of whom are independent Directors. The functions of this committee include reviewing human resource management policies, examining remuneration strategy, determining the compensation of senior executives and managers, setting annual as well as long term performance goals for key management positions and reviewing and monitoring the implementation of all executive compensation and benefits plans.

The current members of our remuneration committee are Mr. Sun Changji, the chairman of the committee, Dr. Victor Fung, Mr. Tung Chee Chen, Mr. Shan Weijian and Mr. Li Zaohang.



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### COMMITTEES UNDER OUR CHIEF EXECUTIVE

To assist our chief executive in the execution of his duties, we have established five committees that report directly to him: the management committee, the asset and liability management committee, the credit committee, the anti-money laundering committee and the information technology committee. Our chief executive chairs each of these committees which consist mostly of the heads of our strategic business units.

The management committee's primary functions are to develop and monitor our business strategies, identify long term business opportunities and ensure synergy among our strategic business units. The asset and liability management committee's primary functions include recommending targeted balance sheets, developing appropriate liquidity and interest rate management policies and monitoring our liquidity risk and interest rate gap. The credit committee has primary responsibility for reviewing material credit transactions. The anti-money laundering committee is responsible for managing our money laundering risk exposure and ensuring implementation of proper anti-money laundering control procedures. See the section headed "Business — Risk Management — Our Risk Management Structure — Chief Executive and Senior Management Committees". The information technology committee oversees our information technology development plans.

### SENIOR MANAGEMENT COMPENSATION SYSTEM

Our compensation system links the financial interest of our senior management and senior management of BOCHK, including those of our executive Director, with our results of operations. Under this system, our senior management compensation has four components: basic salary, allowances, performance bonus and share options. The performance bonus component is linked to the attainment of business performance targets measured in terms of return on capital, return on equity, cost to income ratio, revenue growth rate and asset quality.

We and BOC also seek to link the performance of the Directors and the senior management of the Group to their compensation through the Share Option Scheme and the Pre-Listing Share Option Scheme. We believe this will align the economic interest of the Directors and the senior management of the Group with the interest of our shareholders and create an incentive to attract qualified personnel for our long term development.

In support of this objective, the Selling Shareholder has granted options under the Pre-Listing Share Option Scheme (as further described in the section headed "Pre-Listing Share Option Scheme" in Appendix VI) to nine Directors and approximately 60 senior management personnel of BOCHK, including the directors (except the independent non-executive directors), senior management and senior professional personnel and those of Nanyang, Chiyu and BOC-CC at the same levels. The Selling Shareholder has granted options, conditional on the granting by the Listing Committee of the listing of, and permission to deal in, the Shares in issue on the Stock Exchange, to purchase an aggregate of 31,132,600 Shares, which represents less than 0.3% of our issued share capital at the date of the Global Offering at the Offer Price. None of these options may be exercised within one year from the date on which dealings in the Shares commence on the Stock Exchange. These options have a vesting period of four years (25% of the number of Shares subject to such options will vest at the end of each year) from the date on which dealings in the Shares commence on the Stock Exchange with a valid exercise period of ten years. No offer to grant any options under the Pre-Listing Share Option Scheme will be made on or after the date on which dealings in the Shares commence on the Stock Exchange.

After the Global Offering, additional options under the Share Option Scheme and the Sharesave Plan (as further described in the sections headed "Share Option Scheme" and

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“Sharesave Plan,” respectively, in Appendix VI) may be granted to senior management of BOCHK, Nanyang and Chiyu, which may or may not include all of these grantees, at such time and for such amounts as the Board of Directors considers appropriate from time to time. We intend that the post-Global Offering options under the Share Option Scheme will vest over a period of four years from the date of grant with a valid exercise period of ten years. The exercise price of the post-Global Offering options will be the higher of:

- the closing price of the Shares as stated in the Stock Exchange’s daily quotations sheet on the date of grant; and
- the average closing price of the Shares as stated in the Stock Exchange’s daily quotations sheets for the five business days immediately preceding the date of grant.

### COMPENSATION OF DIRECTORS AND SENIOR MANAGEMENT

Our shareholders may determine from time to time by ordinary resolution the remuneration of the Directors for their services as Directors.

Except for Dr. Liu Jinbao, none of the Directors has entered into any service agreement with us or any of our subsidiaries which provides for benefits upon termination of employment. Details of Dr. Liu’s service agreement are set out in the section headed “Disclosure of Interests — Particulars of Service Agreement” in Appendix VI.

The aggregate amount of compensation (including basic salary, cash allowances and bonus but excluding other benefits in kind such as contributions to pension schemes) that we paid to our Directors and senior officers listed under “— Directors and Senior Management” during 1999, 2000 and 2001 for services performed as our Directors or senior officers was HK\$7,936,224, HK\$10,786,442 and HK\$18,074,848, respectively.

The aggregate remuneration paid and benefits in kind granted by the Group to the Directors for the year ended December 31, 1999, 2000 and 2001 was HK\$3,579,104, HK\$4,994,427 and HK\$6,614,840, respectively. We expect that the aggregate remuneration to be paid and benefits in kind to be granted to the Directors for the year ending December 31, 2002 will be approximately HK\$7,500,000.

### STAFF

We had 15,401, 14,480 and 13,428 employees at December 31, 1999, 2000 and 2001, respectively. We have not experienced any strikes or other material labor disputes and we consider our relations with our employees to be good. Most of our employees do not belong to any labor union. Substantially all of our employees are located in Hong Kong. We have no current intention to retrench our staff.

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## DIRECTORS, SENIOR MANAGEMENT AND STAFF

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The table below sets forth the number of our employees by operating subsidiary at December 31, 2001:

	<u>Employees<sup>(1)</sup></u>	<u>% of total</u>
BOCHK		
Retail banking .....	6,246	46.5
Corporate banking and treasury .....	1,359	10.1
Business support services .....	2,084	15.5
Business planning and finance .....	276	2.1
Others <sup>(2)</sup> .....	<u>630</u>	<u>4.7</u>
Sub-total .....	10,595	78.9
Nanyang .....	1,713	12.8
Chiyu .....	589	4.4
BOC-CC .....	<u>531</u>	<u>3.9</u>
Total .....	<u><u>13,428</u></u>	<u><u>100.0%</u></u>

(1) Does not include the employees of the other subsidiaries of BOCHK and the subsidiaries of Nanyang, Chiyu and BOC-CC. The number of these employees is not significant.

(2) Includes the chief executive's office, the board secretariat, the risk management department, the legal and compliance department, the special assets management department and the audit department.

In connection with the Restructuring and Merger, we engaged an independent consulting firm to assist us in designing a new compensation structure that will reward our employees based on performance and attract and retain qualified and skilled employees. Under the new structure, we have simplified our compensation structure, changed the focus from seniority to performance and adopted market-oriented compensation practices. In particular, our staff compensation packages include a performance-based bonus depending on the scope of the employee's responsibility and the performance targets that have been achieved. In addition, bonuses for our senior management are linked to our results of operations.

We have adopted a performance measurement system under which our employees are evaluated annually. This performance measurement system applies to every level of our permanent employees. Under the system, each supervisor of an employee conducts an annual review of the employee's performance and competence based on a number of different criteria such as business volume, profitability, marketing results and asset quality. The result of the review will be the basis for promotions, pay rises, bonuses or remedial actions.

In addition to basic compensation, we also currently offer our employees home mortgage loans at preferential interest rates. Moreover, our employees are eligible to participate in our exempted retirement schemes, MPF and other employee benefit plans. Under the exempted retirement schemes, the employee contributes to the schemes 5% of his or her salary on a monthly basis, and we contribute to the schemes 5% to 15% of the employee's salary on a monthly basis, depending on his or her years of service. The MPF, to which both we and our employees contribute, is a retirement scheme required by Hong Kong law. Under the mandatory provident fund requirements, we and each employee are presently required to contribute to the fund 5% of the employee's salary on a monthly basis, subject to a maximum monthly contribution of HK\$1,000 for each employee. We have made all required contributions to date. See note 14 to the Accountants' Report set out in Appendix I for further details regarding our retirement benefits.

We believe that training of our employees is essential in promoting a new culture in our organisation and ensuring that we will fully realize the intended benefits of the Restructuring

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## **DIRECTORS, SENIOR MANAGEMENT AND STAFF**

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and Merger. The human resources department of BOCHK focuses on facilitating changes in our corporate, risk management and marketing culture through continuous training of our employees. We have a dedicated training center where we conduct regular training programs for our employees. Management and executive trainees normally undergo a training module of approximately three to six months in length. We also offer courses conducted by both internal and external faculty. In addition to ongoing on-the-job training, we provide courses in specific areas or specialized operations to employees on a need-based basis, with training program modules varying from half a day to three days in length, covering subjects such as risk management procedures and anti-money laundering control procedures.

### **SHARE OPTION SCHEME AND SHARES SAVE PLAN**

We have conditionally adopted the Share Option Scheme and the Sharesave Plan, details of which are set out in the sections headed “Share Option Scheme” and “Sharesave Plan”, respectively, in Appendix VI.

### **PRE-LISTING SHARE OPTION SCHEME**

The Selling Shareholder has adopted the Pre-Listing Share Option Scheme pursuant to which it has granted options to certain persons, conditional on the granting by the Listing Committee of the listing of, and permission to deal in, the Shares in issue on the Stock Exchange, to purchase certain Shares held by it, details of which are set out in the section headed “— Senior Management Compensation System”. Further details of the Pre-Listing Share Option Scheme are set out in the section headed “Pre-Listing Share Option Scheme” in Appendix VI.