

Corporate Governance

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During the report period, the Bank has been in strict compliance with *the Company Law* and *the Law for Commercial Banks* as well as other applicable laws of China. In accordance with the rules and regulations enacted by the regulatory authorities but taking into account our current conditions, we continued to improve the organizational framework and management processes in order to enhance corporate governance and optimized the functions and responsibilities among the Board of Directors, Board of Supervisors and Senior Management. All parties under our corporate governance framework operated independently according to the law and performed their respective rights and obligations in accordance with their responsibilities set forth in the Articles of Association.

General Meeting of Shareholders

The Bank convened and held the general meeting of shareholders according to the related laws and regulations and the Articles of Association of the Bank to ensure that all the shareholders have an equal right to know, participate and vote. During the first half of 2006, the Bank held the Annual General Meeting of Shareholders and four interim meetings and reviewed work reports of the Board of Directors and Board of Supervisors, proposal on business plan and financial budget, and profit distribution plan etc. The Shareholders' General Meeting has played a crucial role in promoting the development of the Bank and protecting the interest of the investors and other stakeholders.

Directors and the Board of Directors

In the first half of 2006, one Independent Non-Executive Director and one Non-Executive Director were appointed to the Board of the Bank. As of 30 June, 2006, the Board consisted of 16 members, including the Chairman, four Independent Non-Executive Directors, eight Non-Executive Directors and three Executive Directors. Within the report period, the Bank held five board meetings, adopted resolution through voting by correspondence, and reviewed its development strategies, business plans, profit distribution plans, the Board's self-evaluation plans, 2005 Annual Report, objectives of performance management and bonus distribution plan for senior management, IPO plan, the amendment of Articles of Association and other proposals. All directors diligently performed their responsibilities to ensure the practicability of the Board's decisions, and protected the interests of the Bank and all its shareholders.

The Board of Directors has set up five special committees, namely Strategic Development Committee, Audit Committee, Risk Policy Committee, Personnel and Remuneration Committee and Connected Transaction Control Committee. The five committees directly report to the Board. The work performance of each committee in the first half of 2006 is as follows:

Committees	Work Performance
Strategic Development Committee	The committee held four meetings and mainly reviewed proposals such as the development strategies, business development plan for 2006-2008, and business plan and financial budget for 2006 of the Bank.
Audit Committee	The committee held four meetings and mainly reviewed proposals such as the financial management measures of Bank of China Limited, improvement of internal control, business plan and expense budget for 2006, the appointment, audit plan and audit fees of external auditors, profit forecast for 2006, financial report for year 2005 prepared in accordance with PRC GAAP and IFRS, and relevant auditors' report.
Risk Policy Committee	The committee held two meetings and mainly reviewed proposals such as key risk management work and plan for 2006, report on the key risk management indicators, and progress in market risk management.
Personnel and Remuneration Committee	The committee held two meetings and mainly reviewed proposals such as the evaluation guideline and self-evaluation plan of the Board of Directors, membership changes to special committees under the Board of Directors, and the measures on performance management of Senior Management of the Bank.
Connected Transaction Control Committee	The committee held two meetings and mainly reviewed such proposals as the management measures on connected transactions of the Bank, plan on division of responsibilities for connected transaction control, and the rules and procedures of the Connected Transaction Control Committee.

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Supervisors and the Board of Supervisors

The Board of Supervisors of the Bank is composed of five members, including the Chairman of Board of Supervisors, two full-time supervisors and two employee supervisors. The size and the composition of the Board of Supervisors comply with the supervisory requirements and the Articles of Association. The Board of Supervisors examines and supervises the operation and the financial activities of the Bank by holding meetings regularly, reading and checking various documents, debriefing the work report and reports on certain issues from the management.

Senior Management

The Senior Management is the executive body of the Bank. Headed by the President, the Senior Management comprises the Vice Presidents and Assistant Presidents, who assist the President in managing the Bank's business activities. The Senior Management of the Bank is assessed and supervised by the Board of Directors. In the first half of 2006, the Objectives for Performance Management and Scheme for Bonus Allocation of the Senior Management was deliberated and approved by the Board of Directors. In order to incentivize and motivate the Senior Management, the Bank set up scientific assessment and evaluation standards, and established an assessment mechanism in which the compensation is linked to performance, responsibilities and risks, adhering to the principle of balancing incentives and constraints.

Investor Relations and Information Disclosure

The Bank strictly complies with relevant requirements, and discloses all material information promptly, accurately, faithfully and completely to ensure all shareholders are treated equally.

The Bank is committed to promoting investor relations in the capital markets, and places investor relations management as top priority. During the report period, the Bank faithfully, accurately, promptly and sufficiently fulfilled its responsibilities of information disclosure and promoted the interests of its investors through meetings with institutional investors, press and analysts, and by adopting multiple communication channels such as launching an IR page on its website, arranging one-on-one meetings and various communication tools such as mail, phone and fax.