

REPORT OF THE DIRECTORS

The Directors have pleasure in presenting their annual report together with the audited accounts for the year ended 31st December, 2006.

PRINCIPAL PLACE OF BUSINESS

The Bank of East Asia, Limited (the "Bank") is a licensed bank incorporated and domiciled in Hong Kong and has its registered office and principal place of business at 10 Des Voeux Road Central, Hong Kong.

PRINCIPAL ACTIVITIES

The Bank and its subsidiaries (the "Group") are engaged in the provision of banking and related financial services, and business, corporate and investor services.

ACCOUNTS

The profit attributable to equity holders of the Group for the year ended 31st December, 2006 and the state of the Bank's and the Group's affairs as at that date are set out in the accounts on pages 92 to 197.

TRANSFER TO RESERVES

Profit attributable to equity holders of the Group, before dividends, of HK\$3,434,511,000 (2005: HK\$2,748,725,000) have been transferred to reserves. Other movements in reserves are set out in Note 37 on the accounts.

An interim dividend of HK\$0.43 per share (2005: HK\$0.33 per share) was paid on 14th September, 2006. The Directors now recommend the payment of a final dividend of HK\$1.03 per share (2005: HK\$0.93 per share) in respect of the financial year ended 31st December, 2006.

MAJOR CUSTOMERS

The Directors believe that the five largest customers of the Group accounted for less than 30% of the total of interest income and other operating income of the Group for the year.

DONATIONS

Donations made by the Group during the year for charitable and community purposes amounted to approximately HK\$15,915,000 (2005: HK\$8,436,000).

FIXED ASSETS

Details of the movements in fixed assets are set out in Note 30 on the accounts.

SHARE CAPITAL

During the year, a sum of HK\$50,167,947.50 standing to the credit of the share premium account was capitalised and applied in paying up in full at par 20,067,179 shares of HK\$2.50 each that were allotted and issued to shareholders who had elected to receive new shares in lieu of the 2005 final dividend and the 2006 interim dividend.

During the year, 19,845,000 shares of HK\$2.50 each were issued for cash of HK\$415,523,650 on the exercise of options granted under the approved Staff Share Option Schemes.

SUBORDINATED NOTES DUE 2011

The Bank issued floating rate subordinated notes qualifying as tier 2 capital with face value of US\$500,000,000 on 27th June, 2006. The notes will mature on 28th June, 2011. The net proceeds from the sale of the notes are used for the general funding purposes of the Group.

DEALINGS IN LISTED SECURITIES OF THE BANK

There was no purchase, sale or redemption by the Bank, or any of its subsidiaries, of listed securities of the Bank during the year ended 31st December, 2006.

DIRECTORS

The present Directors of the Bank are shown on page 44.

During the year, Simon LI Fook-sean (a Non-executive Director, Chairman of the Nomination Committee and a member of the Remuneration Committee) retired upon conclusion of the Annual General Meeting on 7th April, 2006.

Stephen Charles LI Kwok-sze was appointed a Non-executive Director of the Bank on 1st May, 2006. Mr. Li offers himself for re-election at the Annual General Meeting to be held on 12th April, 2007 ("2007 AGM").

In accordance with the Articles of Association of the Bank, any Director elected by the Bank by ordinary resolution shall be elected for a term of not more than approximately three years expiring at the conclusion of the annual general meeting of the

董事會報告書

董事會全寅現謹向各股東發表董事會報告書及截至2006年12月31日止年度的已審核的賬項。

主要營業地點

東亞銀行有限公司(「本行」)乃一間在香港成立及註冊的持牌銀行，其註冊辦事處和主要營業地點為香港德輔道中10號。

主要業務

本行及其附屬公司(「本集團」)的主要業務為提供銀行及有關的金融服務，以及商務、企業及投資者服務。

賬項

本集團於2006年12月31日的股東應佔溢利，及本行和本集團於當日的財政狀況，載列於第92頁至197頁的賬項內。

撥入儲備

本集團除股息前的股東應佔溢利中的港幣3,434,511,000元(2005年：2,748,725,000元)已予撥入儲備。至於儲備的其他變動，則載於賬項附註37。

中期股息每股港幣0.43元(2005年：每股港幣0.33元)已於2006年9月14日派發。董事會現建議派發截至2006年12月31日止年度的末期股息每股港幣1.03元(2005年：每股港幣0.93元)。

主要客戶

董事會認為，本集團5位最大客戶所佔是年度本集團總利息收入及其他經營收入少於30%。

捐款

本集團本年內所作出的慈善及公益捐款約為港幣15,915,000元(2005年：港幣8,436,000元)。

固定資產

固定資產的變動詳情載於賬項附註30。

股本

年內，本行由股份溢價賬項中撥出港幣50,167,947.50元作為資本，以發行及繳足20,067,179股每股面值港幣2.50元的股份，派發予各選擇以新股份代替2005年度末期股息及2006年度中期股息的股東。

本年內，在認可僱員認股計劃認股權方面，以溢價發行19,845,000股每股面值港幣2.50元的股份，所得現金為港幣415,523,650元。

2011年到期後償票據

本行在2006年6月27日發行面值500,000,000美元評定為2級資本的浮息後償票據。此等票據將於2011年6月28日到期。發售此等票據的淨得款項會用作本集團的一般資金用途。

買賣本行上市證券

截至2006年12月31日止的年度內，本行或其任何附屬公司並無購入、出售或贖回本行的上市證券。

董事會

本行現任董事的名單載於第44頁。

年內，李福善(非執行董事、提名委員會主席及薪酬委員會委員)在2006年4月7日舉行的股東周年常會結束後退休。

李國仕在2006年5月1日獲委任為本行非執行董事。他將在2007年4月12日舉行的股東周年常會(「2007年股東周年常會」)上膺選連任。

根據本行之組織章程細則之規定，任何在普通決議獲選的董事，其任期不得超過約3年，並於其獲委任後的第3年的股東周年常會

Report of the Directors (continued)

Bank held in the third year following the year of his appointment and on expiration of his term he shall be deemed a retiring Director and eligible for re-appointment. Accordingly, Allan WONG Chi-yun, Aubrey LI Kwok-sing, Winston LO Yau-lai, KHOO Kay-peng and David LI Kwok-po will retire and, being eligible, offer themselves for re-election at the 2007 AGM.

Details of the Directors to be re-elected at the 2007 AGM are set out in the circular to the shareholders sent together with this Annual Report.

No Director proposed for re-election at the 2007 AGM has an unexpired service contract that is not determinable by the Bank or any of its subsidiaries within one year without payment of compensation, other than normal statutory obligations.

David LI Kwok-po is employed as the Chief Executive of the Bank. His service contract is on a five-year term commencing 1st April, 2004.

No contracts of significance to which the Bank or any of its subsidiaries was a party and in which a Director of the Bank had a material interest subsisted at the end of the year or at any time during the year.

None of the Directors of the Bank is interested in any business apart from the Bank's business that competes or is likely to compete, either directly or indirectly, with the Bank's business.

At no time during the year was the Bank or any of its subsidiaries a party to any arrangement to enable the Directors or Chief Executive of the Bank or their spouses or children under 18 years of age to acquire benefits by means of the acquisition of shares in or debentures of the Bank or any other body corporate with the exception of the Staff Share Option Schemes, details of which are set out in the following section under the heading "Information on Share Options", and Notes 2(q)(iv) and 35 on the accounts.

The Bank has received independence confirmation from the Independent Non-executive Directors, namely: WONG Chung-hin, LEE Shau-kee, Allan WONG Chi-yun, Winston LO Yau-lai, Thomas KWOK Ping-kwong, TAN Man-kou and Kenneth LO Chin-ming, and considers them to be independent.

The Chairman received HK\$200,000 and each of the other Directors, including the Independent Non-executive Directors, received HK\$100,000, as directors' fees for the year ended 31st December, 2006.

The fees to the Director who retired during the year and to the Director who was appointed during the year were paid in accordance with their length of service.

CONNECTED TRANSACTION

On 17th May, 2006, the Bank formed a company, Manilink Company Limited (the "Company") with some Directors of the Bank and certain independent third parties.

The sole business of the Company is its investment in US\$90 million or equivalent worth of the shares in the global offering of Bank of China Limited, a joint stock company incorporated in the People's Republic of China with limited liability and whose shares were listed on The Stock Exchange of Hong Kong Limited on 1st June, 2006.

The Company is owned as to: 51.11% by the Bank; 16.67% by William MONG Man-wai and his associates; 3.33% by Stephen Charles LI Kwok-sze and his associates; 1.11% by Simon LI Fook-sean (retired on 7th April, 2006) and the remaining 27.78% interest in the Company is held by independent third parties.

As William MONG Man-wai and Stephen Charles LI Kwok-sze are Non-executive Directors of the Bank and Simon LI Fook-sean is an ex-director of the Bank, they are connected persons of the Bank as defined under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"). Likewise, the formation of the Company is a connected transaction under Rule 14A.32 (1) of the Listing Rules. For details, please refer to the announcement dated 18th May, 2006 issued by the Bank.

CORPORATE GOVERNANCE

Being the largest independent local bank in Hong Kong, the Bank is committed to maintaining the highest corporate governance standards. Information on the corporate governance practices adopted by the Bank is set out in the Corporate Governance Report on pages 50 to 73.

董事會報告書(續)

結束時屆滿；其任期屆滿時，將被視為一位卸任董事而有資格重選。根據此規定，黃子欣、李國星、羅友禮、邱繼炳及李國寶將在2007股東周年常會上卸任，並願膺選連任。

所有在2007股東周年常會重選的董事的資料，載於連同本年報寄發予股東的股東通函內。

所有擬在2007股東周年常會上膺選連任的董事，並沒有尚未屆滿的服務合約，該等合約屬本行或其附屬公司在一年內不可在不予賠償(法定賠償除外)的情況下終止者。

李國寶受聘為本行的行政總裁。他的服務合約為期5年，由2004年4月1日起生效。

本年內凡與本行或其任何附屬公司業務有重大關係的合約，本行各董事均無佔有任何實質上的權益。

除本行業務外，本行各董事並無在其他直接或間接與本行的業務構成競爭或可能構成競爭的業務中佔有權益。

除於下列「認股權資料」項下及賬項附註2(q)(iv)及35所詳載的僱員認股計劃外，本年內本行或其任何附屬公司並無作任何安排，以致本行各董事或行政總裁或他們的配偶或18歲以下子女從中取得本行或其他法人團體的股份或債券而獲益。

本行已收到獨立非執行董事：黃頌顯、李兆基、黃子欣、羅友禮、郭炳江、陳文裘及駱錦明的獨立性確認函。本行對他們的獨立性表示認同。

本行主席獲港幣20萬元；而其他董事包括獨立非執行董事各獲得港幣10萬元，作為截至2006年12月31日止財政年度的董事袍金。

在年內退休的董事及獲委任的董事之袍金則按其服務期支付。

關連交易

於2006年5月17日，本行與部分董事及若干獨立第三方，合組一公司「Manilink Company Limited」(「該公司」)。

該公司的唯一業務是其投資9,000萬美元或等值的資金在於2006年6月1日起在香港聯合交易所有限公司掛牌上市的「中國銀行股份有限公司」(中華人民共和國註冊成立的股份有限公司)之全球售股計劃當中的股份。

該公司之股權分佈如下：本行擁有51.11%；蒙民偉及其聯繫人士擁有16.67%；李國仕及其聯繫人士擁有3.33%；李福善(已於2006年4月7日退休)擁有1.11%；其餘27.78%由獨立第三方持有。

由於蒙民偉及李國仕為本行非執行董事；李福善則為本行前任董事，彼等根據《香港聯合交易所有限公司證券上市規則》(「上市規則」)均為本行之關連人士；而根據《上市規則》第14A.32(1)條，該公司之組成構成一宗關連交易。有關詳情請參閱本行2006年5月18日刊登的通告。

企業管治

作為本港最大的獨立本地銀行，本行致力維持最高的企業管治標準。有關本行所採納的企業管治常規的資料，載列於第50頁至73頁的企業管治報告內。

Report of the Directors (continued)

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS

As at 31st December, 2006, the interests and short positions of the Directors and Chief Executive of the Bank in the shares, underlying shares and debentures of the Bank and its associated corporations as recorded in the Register required to be kept under section 352 of the Securities and Futures Ordinance (the "SFO") were as follows:

I. Long positions in shares of the Bank:

Name	Capacity and nature	No. of shares	Total	% of issued share capital
David LI Kwok-po	Beneficial owner	28,813,037	30,060,966 ¹	1.94
	Interest of spouse	1,247,929		
LI Fook-wo	Beneficial owner	1,235,804	31,891,182 ²	2.06
	Founder of discretionary trust	30,655,378		
WONG Chung-hin	Beneficial owner	46,810	390,941 ³	0.03
	Interest of spouse	344,131		
LEE Shau-kee	Beneficial owner	647,985	1,647,985 ⁴	0.11
	Interest of corporation	1,000,000		
Allan WONG Chi-yun	Interest of spouse	124	10,483,025 ⁵	0.68
	Founder of discretionary trust	10,482,901		
Aubrey LI Kwok-sing	Beneficial owner	23,391	30,694,507 ⁶	1.98
	Interest of spouse	15,738		
	Beneficiary of discretionary trust	30,655,378		
Joseph PANG Yuk-wing	Beneficial owner	880,000	880,000	0.06
William MONG Man-wai	Beneficial owner	887,613	6,130,274 ⁷	0.40
	Interest of corporation	5,242,661		
CHAN Kay-cheung	Beneficial owner	908,200	908,200	0.06
Winston LO Yau-lai	–	–	Nil	Nil
KHOO Kay-peng	Interest of corporation	1,000,000	1,000,000 ⁸	0.06
Thomas KWOK Ping-kwong	–	–	Nil	Nil
Richard LI Tzar-kai	–	–	Nil	Nil
TAN Man-kou	–	–	Nil	Nil
Kenneth LO Chin-ming	–	–	Nil	Nil
Eric LI Fook-chuen	Beneficial owner	1,040,201	33,849,527 ⁹	2.18
	Founder and beneficiary of discretionary trust	18,769,731		
	Interest of corporation	14,039,595		
Stephen Charles LI Kwok-sze	Beneficial owner	11,365,240	13,644,148 ¹⁰	0.88
	Interest of children	446,066		
	Beneficiary of discretionary trusts	1,832,842		

董事會報告書(續)

董事及行政總裁權益

於2006年12月31日，根據《證券及期貨條例》第352條須予備存的登記冊所記錄，本行各董事及行政總裁於本行及其相聯法團的股份、相關股份及債權證中擁有的權益及淡倉如下：

I. 本行股份權益的好倉

姓名	身份及性質	股份數目	總數	佔已發行股本的百分率
李國寶	實益擁有人	28,813,037	30,060,966 ¹	1.94
	配偶的權益	1,247,929		
李福和	實益擁有人	1,235,804	31,891,182 ²	2.06
	酌情信託的成立人	30,655,378		
黃頌顯	實益擁有人	46,810	390,941 ³	0.03
	配偶的權益	344,131		
李兆基	實益擁有人	647,985	1,647,985 ⁴	0.11
	法團的權益	1,000,000		
黃子欣	配偶的權益	124	10,483,025 ⁵	0.68
	酌情信託的成立人	10,482,901		
李國星	實益擁有人	23,391	30,694,507 ⁶	1.98
	配偶的權益	15,738		
	酌情信託的受益人	30,655,378		
彭玉榮	實益擁有人	880,000	880,000	0.06
蒙民偉	實益擁有人	887,613	6,130,274 ⁷	0.40
	法團的權益	5,242,661		
陳棋昌	實益擁有人	908,200	908,200	0.06
羅友禮	—	—	無	無
邱繼炳	法團的權益	1,000,000	1,000,000 ⁸	0.06
郭炳江	—	—	無	無
李澤楷	—	—	無	無
陳文裘	—	—	無	無
駱錦明	—	—	無	無
李福全	實益擁有人	1,040,201	33,849,527 ⁹	2.18
	酌情信託的成立人及受益人	18,769,731		
	法團的權益	14,039,595		
李國仕	實益擁有人	11,365,240	13,644,148 ¹⁰	0.88
	子女的權益	446,066		
	酌情信託的受益人	1,832,842		

Report of the Directors (continued)

Notes:

- 1 David LI Kwok-po was the beneficial owner of 28,813,037 shares and he was deemed to be interested in 1,247,929 shares through the interests of his spouse, Penny POON Kam-chui.
- 2 LI Fook-wo was the beneficial owner of 1,235,804 shares. The remaining 30,655,378 shares were held by The Fook Wo Trust, of which LI Fook-wo was the founder, but he had no influence on how the trustee exercises his discretion. The disclosure of these 30,655,378 shares was made on a voluntary basis. Aubrey LI Kwok-sing was also interested in this same block of 30,655,378 shares as one of the discretionary beneficiaries of the trust (please refer to note 6 below).
- 3 WONG Chung-hin was the beneficial owner of 46,810 shares and he was deemed to be interested in 344,131 shares through the interests of his spouse, LAM Mei-lin.
- 4 LEE Shau-kee was the beneficial owner of 647,985 shares.

LEE Shau-kee was deemed to be interested in 1,000,000 shares held through Superfun Enterprises Limited ("Superfun"). Superfun was wholly owned by The Hong Kong and China Gas Company Limited which was 38.47% held by Henderson Investment Limited which in turn was 67.94% held by Kingslee S.A., a wholly-owned subsidiary of Henderson Land Development Company Limited ("Henderson Land").

Henderson Land was 57.80% 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 were owned by LEE Shau-kee.
- 5 Allan WONG Chi-yun was deemed to be interested in 124 shares through the interests of his spouse, Margaret KWOK Chi-wai. He was also deemed to be interested in 10,482,901 shares held by a discretionary trust, The Wong Chung Man 1984 Trust, of which Allan WONG Chi-yun was a founder.
- 6 Aubrey LI Kwok-sing was the beneficial owner of 23,391 shares and he was deemed to be interested in 15,738 shares through the interests of his spouse, Elizabeth WOO. The remaining 30,655,378 shares were held by The Fook Wo Trust, a discretionary trust in which Aubrey LI Kwok-sing was one of the discretionary beneficiaries. LI Fook-wo had also made disclosure in respect of the same block of 30,655,378 shares as founder of the discretionary trust (please refer to note 2 above).
- 7 William MONG Man-wai was the beneficial owner of 887,613 shares. Of the remaining 5,242,661 shares, (i) 4,502,798 shares were held through Shun Hing Electronic Trading Co. Ltd., (ii) 668,323 shares were held through Shun Hing Technology Co. Ltd., and (iii) 71,540 shares were held through Shun Hing Advertising Co. Ltd. Such corporations are accustomed to act in accordance with the directions or instructions of William MONG Man-wai who is the Chairman of these corporations.
- 8 KHOO Kay-peng was deemed to be interested in 1,000,000 shares which were held through Bonham Industries Limited, a company in which he held 99.9% of the issued capital.
- 9 Eric LI Fook-chuen was the beneficial owner of 1,040,201 shares, and 18,769,731 shares were held by New Jerico Limited in the capacity of trustee of The Jerico Unit Trust. Eric LI Fook-chuen 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 Eric LI Fook-chuen is the founder and a discretionary beneficiary. Eric LI Fook-chuen was also deemed to be interested in 14,039,595 shares held by The Kowloon Dairy Limited of which he is the Chairman and Chief Executive Officer.
- 10 Stephen Charles LI Kwok-sze was the beneficial owner of 11,365,240 shares, and he was deemed to be interested in 446,066 shares through the interests of his children under the age of 18. Of the remaining 1,832,842 shares, (i) 1,681,400 shares were held by a discretionary trust of which Stephen Charles LI Kwok-sze, his spouse and his children under the age of 18 were beneficiaries and (ii) 151,442 shares were held by a discretionary trust of which his children under the age of 18 were beneficiaries.

II. Long positions in (in respect of equity derivatives) underlying shares of the Bank:

Shares options, being unlisted physically settled equity derivatives, to subscribe for the ordinary shares of the Bank were granted to David LI Kwok-po, Joseph PANG Yuk-wing and CHAN Kay-cheung pursuant to the approved Staff Share Option Schemes. Information in relation to these shares options during the year ended 31st December, 2006 was shown in the following section under the heading "Information on Share Options".

董事會報告書 (續)

附註：

- 1 李國寶為28,813,037股的實益擁有人。由於其配偶潘金翠擁有1,247,929股之權益，他亦被視為擁有該等股份。
- 2 李福和為1,235,804股的實益擁有人。餘下之30,655,378股由The Fook Wo Trust持有，李福和為該信託的成立人，惟他不可以影響受託人如何行使其酌情權。披露該30,655,378股出於自願性質。李國星作為該信託其中一位酌情受益人，亦擁有該30,655,378股的權益(請參閱下列附註6)。
- 3 黃頌顯為46,810股的實益擁有人。由於其配偶林美蓮擁有344,131股之權益，他亦被視為擁有該等股份。
- 4 李兆基為647,985股的實益擁有人。
李兆基被視為擁有由Superfun Enterprises Limited (「Superfun」) 持有之1,000,000股。Superfun由香港中華煤氣有限公司(「中華煤氣」) 全資擁有。由Kingslee S.A. 持有67.94%股權的恒基兆業發展有限公司持有中華煤氣38.47%股權。而Kingslee S.A. 是恒基兆業地產有限公司(「恒基地產」) 的全資附屬公司。
恒基兆業有限公司(「恒基兆業」) 持有恒基地產57.80%股權。Hopkins (Cayman) Limited (「Hopkins」)，作為一個單位信託(「該單位信託」) 的受託人，擁有恒基兆業的全部已發行普通股股份。Rimmer (Cayman) Limited (「Rimmer」) 及Riddick (Cayman) Limited (「Riddick」)，分別為不同全權信託的受託人，持有該單位信託的單位。李兆基擁有Hopkins、Rimmer及Riddick的全部已發行股份。
- 5 由於其配偶郭志蕙擁有124股之權益，黃子欣被視為擁有該等股份。而由於黃子欣為一個酌情信託The Wong Chung Man 1984 Trust的成立人，他亦被視為擁有該酌情信託所持有的10,482,901股。
- 6 李國星為23,391股的實益擁有人。由於其配偶吳伊莉擁有15,738股之權益，他亦被視為擁有該等股份。餘下之30,655,378股由一個酌情信託The Fook Wo Trust持有，李國星為該信託的其中一位酌情受益人。作為該酌情信託的成立人，李福和亦已就該等30,655,378股作出披露(請參閱上列附註2)。
- 7 蒙民偉為887,613股的實益擁有人。餘下的5,242,661股當中：(i) 4,502,798股由信興電器貿易有限公司持有；(ii) 668,323股由信興科技有限公司持有；及(iii) 71,540股由信興廣告有限公司持有。蒙民偉為該等法團的主席。該等法團慣於按照蒙民偉的指令或指示行事。
- 8 由於邱繼炳擁有Bonham Industries Limited 99.9%已發行股份，他被視為擁有Bonham Industries Limited持有之1,000,000股。
- 9 李福全為1,040,201股的實益擁有人。而18,769,731股由New Jerico Limited以The Jerico Unit Trust的受託人身份持有，李福全是New Jerico Limited的唯一董事。The New Elico Trust持有The Jerico Unit Trust的全部單位，而李福全為The New Elico Trust的成立人及一位酌情受益人。他亦被視為擁有由九龍維記牛奶有限公司持有的14,039,595股股份，李福全為該公司的主席兼行政總裁。
- 10 李國仕為11,365,240股的實益擁有人。他亦被視為擁有由其18歲以下子女持有的446,066股。餘下的1,832,842股當中：(i) 1,681,400股由一個酌情信託持有，李國仕、其配偶及其18歲以下子女皆為該酌情信託的受益人；及(ii) 151,442股由一個酌情信託持有，而李國仕的18歲以下子女為該酌情信託的受益人。

II. 本行相關股份(就股本衍生工具而言)的好倉

根據本行的認可僱員認股計劃，李國寶、彭玉榮及陳棋昌獲授予認股權，以認購本行普通股股份。該等認股權屬於非上市以實物交收的期權。有關此等認股權在截至2006年12月31日止年內的資料，見於下列「認股權資料」項下。

Report of the Directors (continued)

III. Interests in debentures of the Bank:

Name	Capacity and nature	Amount of debentures
Richard LI Tzar-kai	Founder of discretionary trust (Note)	US\$4,000,000
Richard LI Tzar-kai	Founder of discretionary trust (Note)	HK\$50,000,000

Note: These interests were held through a discretionary investment company, PCI Investment Management Limited, being a controlled corporation of two discretionary trusts, The Ocean Trust and The Starlite Trust, of which Richard LI Tzar-kai was the founder.

Save as disclosed above, no other interest or short position in the shares, underlying shares or debentures of the Bank or any of its associated corporations were recorded in the Register.

INFORMATION ON SHARE OPTIONS

Information in relation to share options disclosed in accordance with the Listing Rules was as follows:

(1) Movement of share options during the year ended 31st December, 2006:

Name	Date of Grant ^a	Number of Share Options				Outstanding at 31/12/2006
		Outstanding at 1/1/2006	Granted	Exercised	Lapsed	
David LI Kwok-po	19/4/2001	850,000	–	850,000 ^c	–	Nil
	18/4/2002	850,000	–	–	–	850,000
	02/5/2003	1,000,000	–	–	–	1,000,000
	22/4/2004	1,000,000	–	–	–	1,000,000
	03/5/2005	1,000,000	–	–	–	1,000,000
	03/5/2006	–	1,000,000 ^b	–	–	1,000,000
Joseph PANG Yuk-wing	19/4/2001	400,000	–	400,000 ^c	–	Nil
	18/4/2002	400,000	–	–	–	400,000
	02/5/2003	500,000	–	–	–	500,000
	22/4/2004	500,000	–	–	–	500,000
	03/5/2005	500,000	–	–	–	500,000
	03/5/2006	–	500,000 ^b	–	–	500,000
CHAN Kay-cheung	19/4/2001	400,000	–	400,000 ^c	–	Nil
	18/4/2002	400,000	–	–	–	400,000
	02/5/2003	500,000	–	–	–	500,000
	22/4/2004	500,000	–	–	–	500,000
	03/5/2005	500,000	–	–	–	500,000
	03/5/2006	–	500,000 ^b	–	–	500,000
Aggregate of other Employees*	19/4/2001	365,000	–	365,000 ^c	–	Nil
	18/4/2002	635,000	–	430,000 ^c	–	205,000
	02/5/2003	4,270,000	–	3,375,000 ^c	–	895,000
	22/4/2004	12,350,000	–	8,550,000 ^c	50,000	3,750,000
	03/5/2005	13,990,000	–	5,475,000 ^c	205,000	8,310,000
	03/5/2006	–	1,250,000 ^b	–	–	1,250,000

* Employees working under employment contracts that were regarded as "Continuous Contracts" for the purpose of the Hong Kong Employment Ordinance.

董事會報告書(續)

III. 本行債權證權益

姓名	身份及性質	債權證數額
李澤楷	酌情信託的成立人(附註)	4,000,000美元
李澤楷	酌情信託的成立人(附註)	港幣50,000,000元

附註：這等權益透過一間酌情投資公司，盈保投資管理有限公司(「盈保投資」)，持有。兩個酌情信託The Ocean Trust 及The Starlite Trust為盈保投資的控股公司，而李澤楷為該兩個酌情信託的成立人。

除上述披露外，概無其他本行或其任何相聯法團的股份、相關股份或債權證的權益或淡倉載於該登記冊內。

認股權資料

根據《上市規則》所披露有關認股權的資料如下：

(1) 截至2006年12月31日止年內認股權的變動：

姓名	授予日期 ^a	認股權數目				
		於1/1/2006 日尚未行使	授出	行使	失效	於31/12/2006日 尚未行使
李國寶	19/4/2001	850,000	—	850,000 ^c	—	無
	18/4/2002	850,000	—	—	—	850,000
	02/5/2003	1,000,000	—	—	—	1,000,000
	22/4/2004	1,000,000	—	—	—	1,000,000
	03/5/2005	1,000,000	—	—	—	1,000,000
	03/5/2006	—	1,000,000 ^b	—	—	1,000,000
彭玉榮	19/4/2001	400,000	—	400,000 ^c	—	無
	18/4/2002	400,000	—	—	—	400,000
	02/5/2003	500,000	—	—	—	500,000
	22/4/2004	500,000	—	—	—	500,000
	03/5/2005	500,000	—	—	—	500,000
	03/5/2006	—	500,000 ^b	—	—	500,000
陳棋昌	19/4/2001	400,000	—	400,000 ^c	—	無
	18/4/2002	400,000	—	—	—	400,000
	02/5/2003	500,000	—	—	—	500,000
	22/4/2004	500,000	—	—	—	500,000
	03/5/2005	500,000	—	—	—	500,000
	03/5/2006	—	500,000 ^b	—	—	500,000
其他僱員 的總數*	19/4/2001	365,000	—	365,000 ^c	—	無
	18/4/2002	635,000	—	430,000 ^c	—	205,000
	02/5/2003	4,270,000	—	3,375,000 ^c	—	895,000
	22/4/2004	12,350,000	—	8,550,000 ^c	50,000	3,750,000
	03/5/2005	13,990,000	—	5,475,000 ^c	205,000	8,310,000
	03/5/2006	—	1,250,000 ^b	—	—	1,250,000

* 按香港《僱傭條例》所指的「連續合約」工作的僱員

Report of the Directors (continued)

Notes:

a Particulars of share options:

Date of Grant	Vesting Period	Exercise Period	Exercise Price Per Share HK\$
19/4/2001	19/4/2001 – 18/4/2002	19/4/2002 – 19/4/2006	16.96
18/4/2002	18/4/2002 – 17/4/2003	18/4/2003 – 18/4/2007	15.80
02/5/2003	02/5/2003 – 01/5/2004	02/5/2004 – 02/5/2008	14.90
22/4/2004	22/4/2004 – 21/4/2005	22/4/2005 – 22/4/2009	23.23
03/5/2005	03/5/2005 – 02/5/2006	03/5/2006 – 03/5/2010	22.95
03/5/2006	03/5/2006 – 02/5/2007	03/5/2007 – 03/5/2011	33.05

b (i) The closing price of the shares of the Bank immediately before 3rd May, 2006 on which the options were granted was HK\$33.00.

(ii) Fair value of share options granted during the year ended 31st December, 2006 and the assumptions are set out in Note 35(c) on the accounts.

c Annual weighted average ("AWA") closing price of the shares of the Bank immediately before the date on which the Options were exercised during the year ended 31st December, 2006:

Date of Grant	No. of Options Exercised	Exercise Price Per Share HK\$	AWA Closing Price HK\$
19/4/2001	2,015,000	16.96	26.56
18/4/2002	430,000	15.80	32.35
02/5/2003	3,375,000	14.90	29.32
22/4/2004	8,550,000	23.23	32.57
03/5/2005	5,475,000	22.95	35.61

(2) No share options were cancelled during the year ended 31st December, 2006.

(3) The accounting policy adopted for share options is set out in Note 2(q)(iv) on the accounts.

Save as disclosed above, as at 31st December, 2006, none of the Directors or Chief Executive of the Bank or their spouses or children under 18 years of age were granted or exercised any right to subscribe for any equity or debt securities of the Bank or any of its associated corporations.

董事會報告書(續)

附註：

a 認股權詳情：

授予日期	有效期	行使期	每股行使價 港幣(元)
19/4/2001	19/4/2001 – 18/4/2002	19/4/2002 – 19/4/2006	16.96
18/4/2002	18/4/2002 – 17/4/2003	18/4/2003 – 18/4/2007	15.80
02/5/2003	02/5/2003 – 01/5/2004	02/5/2004 – 02/5/2008	14.90
22/4/2004	22/4/2004 – 21/4/2005	22/4/2005 – 22/4/2009	23.23
03/5/2005	03/5/2005 – 02/5/2006	03/5/2006 – 03/5/2010	22.95
03/5/2006	03/5/2006 – 02/5/2007	03/5/2007 – 03/5/2011	33.05

b (i) 本行股份在緊接2006年5月3日授出認股權當日之前的收市價為港幣33.00元。

(ii) 在截至2006年12月31日止年內授出的認股權的公平價值及假設載於賬項附註35(c)。

c 在截至2006年12月31日止年內本行股份在緊接有關認股權行使日期之前的全年加權平均收市價：

授予日期	行使認股權數目	每股行使價 港幣(元)	全年加權平均收市價 港幣(元)
19/4/2001	2,015,000	16.96	26.56
18/4/2002	430,000	15.80	32.35
02/5/2003	3,375,000	14.90	29.32
22/4/2004	8,550,000	23.23	32.57
03/5/2005	5,475,000	22.95	35.61

(2) 截至2006年12月31日止年內並無認股權被註銷。

(3) 有關認股權的會計政策載於賬項附註2(q)(iv)。

除上述所披露外，於2006年12月31日，本行的董事或行政總裁或他們的配偶或18歲以下子女概無獲授或行使任何權利以認購本行或其任何相聯法團的股本或債務證券。

INFORMATION ON SHARE OPTION SCHEME

The following is a summary of the Staff Share Option Scheme 2002 that was adopted on 26th March, 2002 (the "Scheme") disclosed in accordance with the Listing Rules:

1. Purpose of the Scheme:

- (a) The Scheme is a share incentive scheme and is established to recognise and acknowledge the contributions that eligible persons had made or may make to the Group.
- (b) The Scheme will provide the eligible persons with an opportunity to have a personal stake in the Bank with the view to motivating the eligible persons to optimise their performance and efficiency for the benefit of the Group.

2. Participants of the Scheme:

The Board may at its discretion grant options to any employees including Executive Directors and Chief Executive of the Group.

3. Total number of shares available for issue under the Scheme and % of issued share capital at 31st December, 2006:

The total number of shares available for issue under the Scheme is 71,696,959 shares representing 4.63% of the issued share capital at 31st December, 2006.

4. Maximum entitlement of each participant under the Scheme:

No options may be granted to any eligible persons, which if exercised in full would result in the total number of shares issued and to be issued upon exercise of the share options already granted or to be granted to such eligible person under the Scheme or any other schemes of the Bank (including exercised, cancelled and outstanding share options) in the 12-month period up to and including the date of such new grant exceeding 1% of the issued share capital as at the date of such new grant. Any grant of further options above this limit shall be subject to certain requirements as stipulated in the rules of the Scheme.

5. The period within which the shares must be taken up under an option:

Beginning on the first anniversary of the Date of Grant of such options and ending on the fifth anniversary thereof.

6. The minimum period for which an option must be held before it can be exercised:

From the Date of Grant of such options up to the day immediately before the first anniversary thereof.

7. The amount payable on application or acceptance of the option and the period within which payments or calls must or may be made or loans for such purposes must be paid:

N/A

8. The basis of determining the exercise price:

The exercise price is determined by the Directors and being not less than the highest of:

- (a) the closing price of the Bank's shares in the Stock Exchange's daily quotations sheet on the date of grant of the relevant options;
- (b) an amount equivalent to the average closing price of the Bank's shares as stated in the Stock Exchange's daily quotation sheets for the 5 business days immediately preceding the date of grant of the relevant options; and
- (c) the nominal value of the Bank's shares.

9. The remaining life of the Scheme:

The Scheme Period will end on 25th March, 2007.

董事會報告書(續)

認股權計劃資料

根據《上市規則》披露的有關於2002年3月26日採納的僱員認股計劃2002(「計劃」)的摘要如下：

1. 計劃的目的：

- (a) 本計劃屬於一項股份獎勵計劃，設立的目的是在於肯定合資格人士對本集團作出或可能作出的貢獻。
- (b) 本計劃為合資格人士提供機會持有本行的股權，藉此鼓勵僱員努力工作，提高效率，為本集團賺取更多利益。

2. 計劃的參與人：

董事會可按其酌情權，向本集團任何僱員，包括執行董事和行政總裁，授予認股權。

3. 計劃中可予發行的股份數目及其於2006年12月31日佔已發行股本的百分率：

計劃中可予發行的股份數目為71,696,959股，佔本行於2006年12月31日已發行股本的4.63%。

4. 計劃中每名參與人可獲授權益上限：

凡合資格人士在行使全部認股權後，會導致該位合資格人士在截至獲授新認股權之日(包括當日)止十二個月內，因行使已經根據或將會根據本計劃及本行任何其他計劃獲授的認股權(包括已行使、已註銷及尚未行使的認股權)時，所獲發行及將予發行的股份總數超出新認股權授出當日的已發行股份的1%，則不得向該位合資格人士再授出新認股權。再度授出超出該上限的認股權，須受載於該計劃的規則內的若干規定所約束。

5. 可根據認股權認購股份的期限：

由該認股權授予日的第一周年開始截至授予日的第五周年止。

6. 認股權行使之前必須持有的最短期限：

由認股權授出之日起直至授予日的第一周年之前一日。

7. 申請或接受認股權須付金額以及付款或通知付款的期限或償還申請期權貸款的期限：

不適用

8. 行使價的釐定基準：

行使價由董事會釐定，但不少於下列的較高價：

- (a) 於授出有關認股權當日，本行股份於聯交所日報表的收市價；
- (b) 相等於緊接授出有關認股權當日之前五個營業日，本行股份於聯交所日報表的平均收市價；及
- (c) 本行股份的面值。

9. 計劃尚餘的有效期：

計劃期間將於2007年3月25日終止。

Report of the Directors (continued)

INTERESTS OF SUBSTANTIAL SHAREHOLDERS AND OTHER PERSONS

As at 31st December, 2006, the interests and short positions of Substantial Shareholders and Other Persons of the Bank in the shares and underlying shares of the Bank as recorded in the Register required to be kept under section 336 of the SFO were as follows:

Long position in shares of the Bank:

Name	Capacity and nature	No. of shares	% on issued share capital
Silchester International Investors Limited	Investment Manager	108,246,800*	6.98
The Capital Group Companies, Inc.	Investment Manager	79,463,900	5.13

* *Silchester International Investors Limited has informally notified the Bank that as at 31st December, 2006, it held 100,295,800 shares (representing approximately 6.47% of the Bank's issued share capital) and this decrease in shareholding was not required to be disclosed under Part XV of the SFO.*

Save as disclosed above, no other interest or short position in the shares or underlying shares of the Bank were recorded in the Register.

PUBLIC FLOAT

As at the date of this Report, the Bank has maintained the prescribed public float under the Listing Rules, based on the information that is publicly available to the Bank and within the knowledge of the Directors.

COMPLIANCE

In preparing the accounts for 2006, the Bank has fully complied with the guideline set out in the Supervisory Policy Manual "Financial Disclosure by Locally Incorporated Authorized Institutions" issued by the Hong Kong Monetary Authority.

AUDITORS

A resolution for the re-appointment of KPMG as auditors of the Bank is to be proposed at the forthcoming Annual General Meeting.

On behalf of the Board

David Li Kwok-po

Chairman and Chief Executive

Hong Kong, 8th February, 2007

董事會報告書(續)

大股東及其他人士的權益

於2006年12月31日，根據《證券及期貨條例》第336條須予備存的登記冊所記錄，大股東及其他人士擁有本行的股份及相關股份的權益及淡倉如下：

本行股份權益的好倉：

姓名	身份及性質	股份數目	佔已發行股本的百分率
Silchester International Investors Limited	投資經理	108,246,800*	6.98
The Capital Group Companies, Inc.	投資經理	79,463,900	5.13

* Silchester International Investors Limited非正式通知本行，其於2006年12月31日持有本行100,295,800股股份(佔本行已發行股本約6.47%)。而減持該等股份無須根據《證券及期貨條例》第XV部作出披露。

除上述所披露外，概無其他本行股份或相關股份的權益或淡倉載於該登記冊內。

公眾持股量

基於公開予本行查閱之資料及據董事所知悉，截至本報告日期為止，本行一直維持《上市規則》所訂明之公眾持股量。

符合指引

本行已完全符合香港金融管理局所頒佈的監管政策手冊《本地註冊認可機構披露財務資料》所載的指引編製2006年度賬目。

核數師

在即將召開的股東周年常會中，將提請通過再聘畢馬威會計師事務所為本行核數師的議案。

主席兼行政總裁

李國寶

香港，2007年2月8日