

# Corporate Governance Report

## CORPORATE GOVERNANCE PRACTICES

- (A) The Bank is committed to high standards of corporate governance and has followed the module on “Corporate Governance of Locally Incorporated Authorised Institutions” under the Supervisory Policy Manual (CG-1) issued by the HKMA in September 2001. The Bank has also complied with the Code of Best Practice in Appendix 14 of the Listing Rules.

In November 2004, the Stock Exchange introduced the Code on Corporate Governance Practices (the “Code”) in replacement and enhancement of the Code of Best Practice. The Code became effective for the accounting periods commencing on or after 1 January 2005.

The Code has been reviewed and the Bank has taken necessary steps to address its new requirements including, inter alia, the revision of the terms of reference of the Bank’s Board of Directors and its committees.

- (B) Save the exceptions below, the Bank has applied the principles and complied with the Code provisions throughout the year ended 31 December 2005 and to the fullest extent of the recommended best practices of the Code.
- (1) The Articles of Association (“Articles”) of the Bank provide that the Managing Director is excluded from retirement by rotation. In compliance with the Code provision that every Director should be subject to retirement by rotation, the Bank will propose to its shareholders at the 2006 Annual General Meeting that the Articles be amended accordingly.

- (2) The Code provision requires that Directors must comply with the obligations set out in the Model Code. Upon appointment, a Director was not aware that his spouse had, before his appointment, purchased 100,000 issued shares of the Bank in March 2004 and therefore failed to make the required notification to the Bank under the Model Code in respect of said issued shares. The Director only became aware of his spouse’s ownership of the shares in January 2006 and he then notified the Bank accordingly.

- (3) The Code provides that a majority of the members of the Remuneration Committee should be Independent Non-Executive Directors. The Remuneration Committee of the Bank during 2005 did not comply with the Code as it comprised a total of four members, two Non-Executive Directors and two Independent Non-Executive Directors. In compliance with the Code, the Board approved the appointment of the remaining Independent Non-Executive Director to the Remuneration Committee in January 2006.

### (C) Directors’ Securities Transactions

The Bank has adopted the Model Code as its own code of conduct regarding securities transactions by the Directors. The Bank has made specific enquiries of all Directors regarding any non-compliance with the Model Code during the period, and received confirmations from all Directors that, with the exception of the matter referred to in section B(2) above, they have fully complied with the required standards set out in the Model Code.

## 企業管治報告

### 企業管治常規

- (A) 本銀行致力實行高水準企業管治，一直遵守金管局於二零零一年九月頒佈的監管政策手冊 (CG-1) 的其中章節「本地註冊認可機構的企業管治」。本銀行亦一直遵守上市規則內附錄十四之最佳應用守則。

於二零零四年十一月，聯交所引入企業管治常規守則 (「守則」) 以替代及強化最佳應用守則。守則由從二零零五年一月一日或其後開始之會計期間生效。

守則已經審閱，本銀行已採取適當步驟以符合其新訂要求，其中包括修訂本銀行董事會及其委員會之職權範圍。

- (B) 除以下之各項外，本銀行於截至二零零五年十二月三十一日止年度一直應用守則所載之原則，並已遵守守則條文及盡力遵守守則建議之最佳常規。

- (1) 本銀行之組織章程細則 (「章程細則」) 規定董事部經理毋須輪值退任。為遵照守則條文各董事均須輪值退任之規定，本銀行將於二零零六年之股東週年大會上建議其股東對章程細則作出相應修改。

- (2) 守則條文規定董事必須遵照證券交易的標準守則所載的責任。有一名董事於獲委任時並不知悉其配偶於該董事獲委任前曾於二零零四年三月購買本銀行100,000股已發行股份，故未能就上述已發行股份向本銀行作出所須通知。該名董事於二零零六年一月才知悉其配偶擁有本行股份，並已通知本行有關上述事宜。

- (3) 守則條文訂明，薪酬委員會之大部分成員須由獨立非執行董事擔任。於二零零五年，本銀行之薪酬委員會並無遵守此項條文，原因是該委員會包括合共四名成員，即兩名執行董事及兩名獨立非執行董事。為遵照有關條文，董事會批准於二零零六年一月委任其餘獨立非執行董事加入薪酬委員會。

#### (C) 董事之證券交易

本銀行已採納證券交易的標準守則作為本公司董事進行證券交易之行為守則。本銀行已向所有董事作出有關於本期間任何違反標準守則之特定查詢，除於以上B(2)部分所述事件外，彼等皆確認已完全遵守標準守則所載之要求標準。

# Corporate Governance Report

## (D) Board of Directors

- (1) Details in relation to the Board of Directors (“the Board”) of the Bank have been set out in the Directors’ Report. During the financial year, four board meetings have been held. Each Director’s attendance at these board meetings is set out below:

Directors	Attendance
<b>Executive Directors</b>	
Jin-Yi Lee (Managing Directors and Chief Executive Officer)	4/4
Fan Sheung Yam, Horace	2/4
<b>Non-Executive Directors</b>	
Ming-Hsing (Richard) Tsai ( <i>Chairman</i> )	4/4
Ming-Chung (Daniel) Tsai ( <i>Vice Chairman</i> )	2/4
Wing-Fai Ng	3/4
Victor Kung	4/4
Jesse Ding	2/4
<b>Independent Non-Executive Directors</b>	
Robert James Kenrick	4/4
Moses K. Tsang	3/4
Hung Shih	4/4

- (2) In meeting its overall duties and responsibilities to shareholders, depositors, creditors, employees and other stakeholders, the Board is responsible to ensure that there is a competent executive management which is able to run the Bank in a sound and efficient manner.

The Board is also responsible for establishing the overall business objectives of the Bank and to approve and review the corresponding business strategies and plans (including annual budgets) from time to time. The Board is also required to ensure that the operations of the Bank are conducted prudently and within the laws and regulations of the Hong Kong Special Administrative Region and thus, establishes, approves and reviews such policies, codes of conduct, guidelines and systems as the Board may think necessary and appropriate from time to time.

The Board also ensures that the Bank observes a high standard of integrity in its dealings with the public and particular care is taken to comply with applicable laws and regulations (such as the Personal Data (Privacy) Ordinance, Prevention of Bribery Ordinance etc), prevention of money laundering legislation, industry standards (such as the Code of Banking Practice) and regulatory guidelines issued by the HKMA, the Securities and Futures Commission and other relevant regulatory authorities.

In addition, the Board regularly establishes, approves and reviews risk management strategies and policies of the Bank as it may think necessary and appropriate from time to time to identify, measure, monitor and control the various types of risk with which the Bank is faced, such as but not limited to credit, operational, market, reputational and liquidity risks. It also oversees the overall investments (other than in the ordinary course of its banking and securities business) of the Bank in assets such as property, equities or bonds.

The Board also ensures that the staff of the Bank fully understands the provisions of Section 83 of the Banking Ordinance on connected lending and establishes a policy on such lending.

The Board also focuses on effectively overseeing and managing the business of the Bank including delegating duties and responsibilities to the Managing Director and Chief Executive Officer or through the appointment of Directors to specialised Board committees with all decisions and approvals being subject to review and ratification by the Board.

The Managing Director and Chief Executive Officer is responsible without interference from individual Directors for the day to day general management and control of the Bank’s business and operation under delegated power and authority of the Board. However, the Managing Director and Chief Executive Officer has discretion to consult and obtain guidance from the other Directors or the Board when he considers necessary.

## 企業管治報告

### (D) 董事會

- (1) 董事報告中載有本銀行董事會（「董事會」）之詳情。於本財政年度已舉行四次董事會會議。董事出席該等董事會會議之情況載列如下：

董事	出席
<b>執行董事</b>	
李晉頤 (董事總經理兼行政總裁)	4/4
范上欽	2/4
<b>非執行董事</b>	
蔡明興 (主席)	4/4
蔡明忠 (副主席)	2/4
吳榮輝	3/4
龔天行	4/4
丁予康	2/4
<b>獨立非執行董事</b>	
甘禮傑	4/4
曾國泰	3/4
石宏	4/4

- (2) 為履行其對股東、存戶、債權人、僱員及其他股票持有人之義務及責任，董事會負責確保行政管理層有能力以合理及有效的方式經營本銀行。

董事會亦負責建立本銀行之全盤業務目標並不時批准及審核相應之業務策略及計劃（包括年度預算）。董事會亦須確保本銀行謹慎營運並遵守香港特別行政區之法例及規例，從而於董事會認為有必要及適當時不時建議、批准及審核該等政策、行為守則、指引及系統。

董事會亦須確保本銀行於其對公眾之交易中遵循高標準誠信準則，並特別留意須遵守法例及法規（例如個人資料（私隱）條例、防止賄賂條例等）、防止洗錢法例、行業標準（例如銀行營運守則）及由金管局、證監會及其他相關監管機構發佈之規管性指引。

此外，董事會於其認為有必要及適當時不時定期建立、批准及審核銀行之風險管理策略及政策以確認、計算、監控及控制各類銀行所面對之風險，其中包括惟不僅限於信貸、營運、市場、聲譽及流動資金風險。其亦監察本銀行之全盤資產（如物業、股權或債券）投資。

董事會亦確保本銀行員工完全理解銀行條例第83部分之有關關連借貸之條文並就該等借貸訂立政策。

董事會亦專注於有效監察及管理銀行之業務，包括授權董事總經理及行政總裁或通過向專責委員會委任董事，所有決定及批准須由董事會審核及批准。

董事總經理及行政總裁根據獲授權之權利及董事會之批准負責日常管理及銀行之營運，且不受任何個人董事之幹擾。然而，董事總經理及行政總裁可於彼等認為必要時酌情向其他董事或董事會進行諮詢及獲取指引。

# Corporate Governance Report

## (D) Board of Directors (*continued*)

- (3) The Listing Rules require every listed issuer to have at least three Independent Non-Executive Directors, at least one of whom must have appropriate professional qualifications, or accounting or related financial management expertise. The Board comprises a total of ten Directors, three of whom are Independent Non-Executive Directors and more than one of them hold appropriate professional qualifications, or accounting or related financial management expertise.

Each of the Independent Non-Executive Directors has made an annual confirmation of independence pursuant to Rule 3.13 of the Listing Rules. The Bank is of the view that all Independent Non-Executive Directors are independent and meet the independence guidelines set out in Rules 3.13 of the Listing Rules.

- (4) Among the members of the Board, Ming-Chung (Daniel) Tsai, Vice Chairman is the brother of Ming-Hsing (Richard) Tsai, Chairman, both of whom represent the majority shareholder of the Bank, Fubon Financial Holding Co., Ltd.

## (E) Chairman and Chief Executive Officer

Details of the Chairman, Ming-Hsing (Richard) Tsai, and the Chief Executive Officer, Jin-Yi Lee, have been set out in the Directors' Report. The roles of the Chairman and the Chief Executive Officer were segregated throughout the financial year.

## (F) Remuneration Committee

The Remuneration Committee comprises the Board's Non-Executive Chairman, Non-Executive Vice Chairman and two Independent Non-Executive Directors. The Committee meets as required to review and approve the remuneration packages for senior executives which include the Chief Executive Officer, Executive Directors, and Executive Vice Presidents. Executive Directors do not play a part in decisions on their own remuneration. During the financial year, one meeting was held. Each Director's attendance at the meeting is set out below:

Directors	Attendance
Ming-Hsing (Richard) Tsai ( <i>Chairman</i> )	1/1
Ming-Chung (Daniel) Tsai ( <i>Vice Chairman</i> )	1/1
Robert James Kenrick	1/1
Moses K. Tsang	1/1

During the financial year, the Remuneration Committee approved the re-employment of one Executive Vice President and the employment of a new Executive Vice President effective in March 2006.

The Remuneration Committee also discussed the average staff salary increase for 2006 and the 2005 staff bonuses and recommended its decision to the Board for approval. The Remuneration Committee also approved 2006 salary increases and 2005 bonuses for the Executive Vice Presidents.

## (G) Nomination of Directors

The Board has not established a nomination committee and there was no nomination of new Directors during the financial year. As a major shareholder holding 75% of the shares of the Bank, Fubon Financial Holding Co., Ltd will be involved in the process of nominating new Directors. The appointment of new Directors will be considered and approved by the full Board of Directors or Shareholders in accordance with the Articles of Association of the Bank.

## 企業管治報告

### (D) 董事會 (續)

- (3) 上市規則要求各上市發行人至少設有三名獨立非執行董事，其中至少一名必須擁有適當之專業資格，或具備會計或相關財務管理專長。董事會共有十位董事，其中三位為獨立非執行董事且其中不止一位擁有適當之專業資格，或具備會計或相關財務管理專長。

各獨立非執行董事已根據上市規則第3.13條之規定提交其獨立性週年確認書。本銀行認為所有獨立非執行董事均保持獨立並符合上市規則第3.13條所載之獨立性指引。

- (4) 董事會成員中，副主席蔡明忠乃主席蔡明興之胞弟，兩位均代表本銀行之大股東富邦金融控股股份有限公司。

### (E) 主席及行政總裁

董事會報告書載有主席蔡明興及行政總裁李晉頤之詳細資料。主席及行政總裁之角色於本財政年度乃分別設立。

### (F) 薪酬委員會

薪酬委員會由董事會之非執行主席、非執行副主席及兩名獨立非執行董事組成。該委員會按需要舉行會議，以審閱及批准高級行政人員(包括行政總裁、執行董事及執行副總裁)之薪酬方案。執行董事並無參與彼等本身薪酬之決策。於本財政年度舉行過一次會議。各董事出席會議之情況如下：

董事	出席
蔡明興 (主席)	1/1
蔡明忠 (副主席)	1/1
甘禮傑	1/1
曾國泰	1/1

於本財政年度，薪酬委員會批准重新僱用一名執行副總裁及僱用一名新執行副總裁並於二零零六年三月生效。

薪酬委員會亦就二零零六年員工平均薪金增加及二零零五年之員工花紅進行討論，並向董事會提出批准之推薦意見。薪酬委員會亦批准二零零六年薪金增加及二零零五年執行副總裁之花紅。

### (G) 董事提名

董事會並未成立提名委員會，於本財政年度並無任何新董事之提名。富邦金融控股股份有限公司作為持有本銀行75%權益之大股東將參與提名新董事之程序。根據本銀行章程細則，委任新董事須由董事會或股東審核及批准。

# Corporate Governance Report

## (H) Auditors' Remuneration

An analysis of the remuneration in respect of audit and non-audit services provided by the auditors to the Bank is set out below:

	2005 HK\$'000
Statutory audit, including interim review	1,821
Tax compliance	59
Advisory*	370
	2,250

\* The advisory fee was paid to the auditors for carrying out agreed upon procedures for the financial evaluation of an investment project.

## (I) Audit Committee

The Bank has complied with rule 3.21 of the Listing Rules in relation to the composition of the Audit Committee. The Audit Committee comprises three members, one Non-Executive Director and two Independent Non-Executive Directors. The Audit Committee is chaired by Mr Robert Kenrick, an Independent Non-Executive Director who has appropriate accounting professional qualifications. It meets at least four times a year and additionally when deemed necessary. During the financial year, four meetings have been held and each Independent Director's attendance at the board meeting is set out below:

Directors	Attendance
Robert James Kenrick	4/4
Victor Kung	4/4
Hung Shih	4/4

The Audit Committee ensures adequate supervision of the Bank's financial reporting processes, reviews the internal audit programme and reports, ensures co-ordination between the internal and external auditors, and monitors the compliance with internal policies, statutory regulations and recommendations made by the external auditors.

During the financial year, the Audit Committee has reviewed the Bank's financial reporting process and the systems of internal control, including reviews of the internal audit functions and the risk management process. In particular, the reviews undertaken by Audit Committee on the internal audit function include reviews of the internal audit program, the internal audit reports issued, the major findings from any investigation and remedial actions taken by the relevant departments in response to the findings.

The Audit Committee also reviewed the appointment of the external auditors and discussed with them on the nature and scope of the audits. In addition, any issues arising from their audits together with the follow up actions taken by the Bank to address these issues have also been examined by the Audit Committee. The Audit Committee also reviewed the interim and annual financial statements before recommending them to the Board for approval. It also reviewed the Bank's statement on internal control systems in the annual report prior to the endorsement by the Board.

## (J) Financial Statements

The Directors are responsible for the preparation of the financial statements and were not aware of any material uncertainty that may cast significant doubt upon the Group's or the Bank's ability to continue as a going concern. The Audit Committee has conducted a review of the effectiveness of the Group's system of internal control, including financial, operational and compliance controls and risk management functions and reported significant matters identified in the review to the Board. The Audit Committee has recommended to the Board regarding the re-appointment of the auditors, which has been accepted by the Board.

The auditors are responsible to form an independent opinion on whether the financial statements give a true and fair view of the state of affairs of the Bank and the Group as at 31 December 2005 and of the Group's profit and cash flows for the year then ended and have been properly prepared in accordance with the Hong Kong Companies Ordinance.

## 企業管治報告

### (H) 核數師之薪酬

就由核數師向本銀行提供之審計及非審計服務之薪酬分析如下：

	二零零五年 千港元
法定審計，包括中期審閱	1,821
稅務諮詢	59
顧問*	370
	2,250

\* 為就一項投資計劃之評估執行商定程序而向核數師支付顧問費。

### (I) 審核委員會

本銀行就審核委員會之組成已遵守上市規則第3.21條之規定。審核委員會由一名非執行董事及兩名獨立非執行董事共三位成員組成。審核委員會由擁有適當之會計專業資格之獨立非執行董事甘禮傑主持。審核委員會每年至少舉行四次會議，且當有需要時可舉行額外會議。於本財政年度已舉行四次會議，各獨立董事出席董事會議之情況如下：

董事	出席
甘禮傑	4/4
龔天行	4/4
石宏	4/4

審核委員會確保對本銀行之財務申報程式進行足夠的監管、檢討內部審核程式及報告、確保內部及外部核數師之間之合作及監控遵守內部政策、法規及由外部核數師所提出之推薦意見之情況。

於本財政年度，審核委員會已審核本銀行之財務報告編製程序及內部監控系統，其中包括對內部審核職能及風險管理程式之審核。特別是由審核委員會對內部審核職能所進行之審核包括對內部審核方案、已發佈之內部審核報告、任何調查所發現的主要問題及相關部門對所發現問題所採取之補救行動之審核。

審核委員會亦對外部核數師之委任進行審核，並與其就審計之性質及範圍進行討論。此外，由於其審計而產生之問題以及其後由本銀行為解決該等問題所採取之行動亦由審核委員會進行審核。審核委員會亦於向董事會推薦批准之前對中期及年度財務報告進行審閱。其亦在董事會批准年報所載之本銀行有關內部監控系統之聲明前對其進行審閱。

### (J) 財務報告

董事負責編製財務報告，且並不知悉任何可能會對本集團或本銀行繼續向前發展構成重要影響之重大不確定因素。審核委員會已對本集團之內部監控系統(包括財務、營運及規管遵從控制)及風險管理職能進行審閱，並向董事會報告於審核中確認之重大事務。審核委員會已就重新委任核數師向董事會提交推薦意見，且獲董事會接納其意見。

核數師負責就財務報告是否真實及公司反映本銀行及本集團於二零零五年十二月三十一日時之財務狀況及本集團截至該日止年度之溢利及現金流量，以及該財務報告是否根據香港公司條例妥為編製作出獨立意見。