



Chairman's Statement

Year 2001, being the first year of the new century, was an eventful year for the Bank of China throughout its operating history in Hong Kong. During the year, the Bank of China (BOC) Group in Hong Kong underwent an overall restructuring leading to the establishment of the Bank of China (Hong Kong) Ltd on 1 October 2001. Accordingly, the businesses of the Bank of China Hong Kong Branch, Kincheng Banking Corporation Hong Kong Branch, The China & South Sea Bank Ltd Hong Kong Branch, The Yien Yieh Commercial Bank Ltd Hong Kong Branch, The China State Bank Ltd Hong Kong Branch, The National Commercial Bank Ltd Hong Kong Branch, Sin Hua Bank Ltd Hong Kong Branch, The Kwangtung Provincial Bank Hong Kong Branch, Hua Chiao Commercial Bank Ltd and Po Sang Bank Ltd were successfully merged into BOCHK. In addition, Nanyang Commercial Bank Ltd, Chiyu Banking Corporation Ltd and BOC Credit Card (International) Ltd became subsidiaries of BOCHK. The establishment of BOCHK not only marked a new era for the Bank of China in terms of its operation in Hong Kong, but also formed a milestone for Hong Kong's banking industry.



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Following the restructuring, the shareholding structure of BOCHK was made clearer by integrating the formerly independent operational entities into one. The efficiency of its internal organizational and management structure was enhanced to constitute a centralized, unified, scientific and efficient management system. BOCHK also strengthened its "customer-centric" mechanism, unified its corporate image and enhanced its overall competitive edge to achieve better economies of scale and joint forces.

With the assistance of internationally renowned investment banks and management consulting firms, BOCHK has established a sound corporate governance mechanism. We set up an effective Board of Directors in accordance with the Hong Kong corporate governance and financial regulatory requirements. Furthermore, a number of well-experienced and renowned individuals were appointed as independent Directors and Senior Advisors. The Board of Directors set up a Risk Management Committee, an Audit Committee and a Remuneration Committee in accordance with the international practices taking into consideration the needs of BOCHK. The four independent Directors of the Audit Committee are responsible for fulfilling its supervision and inspection capabilities. The Audit Department of BOCHK reports directly to the Audit Committee. In addition, the establishment of the Risk Management Committee will strengthen BOCHK's risk management capabilities as the Risk Management Department of BOCHK also directly reports to the Risk Management Committee.

BOCHK established a brand new management organizational structure for reducing the overlapping intermediate levels, reshaping the management relationships, expanding the management scope and specifying the accountability system. On such basis, BOCHK began by introducing a new operational concept, a new management mechanism, a new accountability system, as well as a new corporate culture. It also gradually incorporates a series of new mechanisms including risk management, performance appraisal, remuneration incentives, and sales and marketing.

The unprecedented restructuring work succeeded with the enormous support of the Government of the Hong Kong Special Administrative Region, the

Legislative Council and all sectors of the Hong Kong society. The smooth completion of various legislative and administrative approval procedures ensured the accomplishment of our restructuring. On behalf of BOCHK, I would like to express my sincere gratitude to friends from all circles.

The success and development of BOCHK cannot be achieved without the hard work of our staff. My fellow colleagues' enthusiasm and devoted efforts ensured the advancement of our operations. By actively participating in the historic restructuring work to shape a brand new image of BOCHK's future, they have also laid a solid foundation for our long-term development. Their efforts will make a deep imprint in the history of BOCHK.

The strategic goal of BOCHK is to develop itself into a leading world-class bank through maximising shareholders' values by way of constantly improving our investment return. BOCHK has combined the spirit of the Bank of China Group in Hong Kong, the reputable brand of Bank of China, and the operational networks of Nanyang Commercial Bank, Chiyu Banking Corporation and BOC Credit Card (International) Ltd. These have enabled us to provide services of superior quality, efficiency and diversity for the general public as well as the industrial and commercial sectors of Hong Kong. We will continue to operate under the brand new management organizational structure and in accordance with international practices and commercial principles. Needless to say, BOCHK will continuously spare no efforts in maximizing its potentials amid the fierce market competition by making the full use of the Bank of China's advantages to achieve the above strategic goal.

I strongly believe that, under the leadership of the Board and management, with the relentless efforts of our staff, BOCHK will be able to offer more superior products and services to customers, to contribute more to the economic and social development of Hong Kong while developing a brighter future for ourselves.

