

BANK OF CHINA (HONG KONG) LIMITED (formerly known as Po Sang Bank Limited)

REPORT OF THE DIRECTORS

The directors are pleased to present their report together with the audited consolidated accounts of Bank of China (Hong Kong) Limited (the "Bank") and its subsidiaries (together with the Bank hereinafter referred to as the "Group") for the year ended 31st December 2001.

Reorganisation of the Bank of China Group in Hong Kong (the "Reorganisation")

Pursuant to the enactment of the Bank of China (Hong Kong) Limited (Merger) Ordinance (the "Merger Ordinance"), the Bank took over either the entire equity interests in Nanyang Commercial Bank, Limited ("Nanyang") and BOC Credit Card (International) Limited ("BOC-CC"), certain equity interests in Chiyu Banking Corporation Limited ("Chiyu") and the assets, liabilities and business undertakings of the other entities listed below on 1 October 2001:

1. Hua Chiao Commercial Bank Limited ("Hua Chiao");
2. Bank of China - Hong Kong Branch;
3. Kincheng Banking Corporation - Hong Kong Branch;
4. Kwangtung Provincial Bank - Hong Kong Branch;
5. Sin Hua Bank Limited - Hong Kong Branch;
6. The China State Bank, Limited - Hong Kong Branch;
7. The China & South Sea Bank Limited - Hong Kong Branch;
8. The National Commercial Bank Limited - Hong Kong Branch;
9. The Yien Yieh Commercial Bank Limited - Hong Kong Branch;
10. Kwangtung Provincial Bank - Shenzhen Branch; and
11. Sin Hua Bank Limited - Shenzhen Branch.

Nanyang, Chiyu, BOC-CC and the above entities were all under the common control of the Bank of China. Details of the Reorganisation are set out in Note 1 to the consolidated accounts.

Change of company name

Pursuant to the Merger Ordinance, the name of the Bank was changed from Po Sang Bank Limited to Bank of China (Hong Kong) Limited on 1 October 2001.

Principal activities

The Bank is an Authorized Institution licensed under the Hong Kong Banking Ordinance. The principal activities of the Group are the provision of banking and related financial services.

Results and appropriations

The results of the Group for the year ended 31st December 2001 are set out on page 149 of the accounts.

The directors have declared an interim dividend in respect of the period to 31 May 2002 of approximately HK\$0.045 per ordinary share, amounting to HK\$1,937 million.

Reserves

Movements in the reserves of the Bank and the Group during the year are set out in Note 34 to the accounts.

Donations

Charitable donations of approximately HK\$372,000 were made during the year.

Fixed assets

Details of the movements in fixed assets are set out in Note 28 to the accounts.

Share capital

Details of the movements in the share capital of the Bank are set out in Note 33 to the accounts.

Directors

The directors who held office during the year and up to the date of this report are:

Mr. LIU Mingkang (Chairman)	(appointed on 1 October 2001)	Mr. LAM Kwong Siu	(resigned on 1 October 2001)
Mr. SUN Changji (Vice Chairman)	(appointed on 1 October 2001)	Mr. GAO Ji Lu	(resigned on 1 October 2001)
Dr. LIU Jinbao (Vice Chairman & Chief Executive)	(appointed on 1 October 2001)	Mr. FUNG Chi Kin	(resigned on 1 October 2001)
Mr. PING Yue	(appointed on 1 October 2001)	Mr. FUNG Ka York	(resigned on 1 October 2001)
Mr. HUA Qingshan	(appointed on 1 October 2001)	Ms. MAK Wai Lan, Helen	(resigned on 1 October 2001)
Mr. LI Zaohang	(appointed on 1 October 2001)	Mr. LI Nin Chee	(resigned on 1 October 2001)
Mr. HE Guangbei	(appointed on 1 October 2001)	Mr. LAM Chor Chiu	(resigned on 1 October 2001)
Mr. ZHOU Zaiqun	(appointed on 1 October 2001)		
Ms. ZHANG Yanling	(appointed on 1 October 2001)		

Directors (continued)

Independent Non-Executive Directors:

Mr. CHIA Pei-Yuan	(appointed on 1 October 2001)
Dr. Victor FUNG Kwok King	(appointed on 1 October 2001)
Mr. SHAN Weijian	(appointed on 1 October 2001)
Mr. TUNG Chee Chen	(appointed on 1 October 2001)

There being no provision in the Bank's Articles of Association for retirement by rotation, all the remaining directors continue in office.

Directors' rights to acquire shares in equity or debt securities

At no time during the year was the Bank or any of its holding companies, fellow subsidiaries or subsidiaries, a party to any arrangements to enable the directors of the Bank to acquire benefits by means of the acquisition of shares in, or debentures of, the Bank or any other body corporate.

Directors' interests in contracts

No contracts of significance in relation to the Group's business to which the Bank or any of its holding companies, subsidiaries, or fellow subsidiaries was a party and in which a director of the Bank had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

Management contracts

No contracts concerning the management and administration of the whole or any substantial part of the business of the Group were entered into or existed during the year.

Compliance with the guideline on "Financial Disclosure by Locally Incorporated Authorized Institutions"

The Bank has fully complied with the requirements set out in the guideline on "Financial Disclosure by Locally Incorporated Authorized Institutions" issued by the Monetary Authority.

Subsequent event

In June 2002, the Bank disposed of loans with a gross book value of HK\$11,401 million net of specific provisions of HK\$2,679 million to Bank of China Grand Cayman Branch. Details of the disposal are set out in Note 40 to the accounts.

Auditors

PricewaterhouseCoopers were appointed as auditors of the Bank by the directors to fill the casual vacancy occasioned by the resignation of Arthur Andersen & Co. in April 2002. A resolution for the re-appointment of PricewaterhouseCoopers as auditors of the Bank to hold office until the conclusion of the next annual general meeting will be proposed at the forthcoming Annual General Meeting.

On behalf of the Board,



Mr. LIU Mingkang
Chairman

Hong Kong, 26 June 2002