



| People-oriented |

OUR PEOPLE

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Team spirit is the key to success

People represent the most precious asset of the Group. They are also the major driving force behind the Group's development and growth. In 2001, we accomplished the largest Restructuring and Merger ever in the Hong Kong banking industry. This was immediately followed by a successful IPO in 2002, which received widespread recognition in the community. Such significant milestones could not have been achieved without the dedication and commitment of our energetic, professional, loyal and creative people. Following the implementation of a modern management system and human resources policies, we were able to develop our competitive edge alongside the long-term development strategy of the Group. These policies included systematic incentive schemes and performance management systems, diversified training programmes, and a transparent working environment that facilitates effective communications.

A Performance-oriented and Customer-centric Corporate Culture

During the year, the Group reviewed and enhanced its employee appraisal system to stress both performance and capability. These initiatives were aimed at motivating our people to be more pro-active and to constantly strengthen quality service. A scientific performance-oriented management system was set up to ensure that personal development goals are in alignment with the long-term objectives of the Group. Furthermore, we are establishing a Competency Model to increase the competitiveness of our work force, to help attract talented people, to raise staff productivity and to foster a customer-centric culture among our people. This Model will serve as a guideline for staff recruitment and selection, training, promotion and career development. In 2002, we recruited high calibre candidates through the most effective channels to ensure that every key position of the Group will continue to have an outstanding incumbent, and that there will always be a strong work force structure to support the Management. Some professional positions were filled with high calibre



Team spirit was enhanced through business knowledge and skills contests

specialists. In line with the Group's marketing-oriented business strategy and branch rationalisation, our graduate recruitment programme was geared to recruiting frontline marketing and sales people.

Following recommendations by our external consultants and in accordance with the best practice in the market place, the Group devoted considerable energy to the reform of our compensation and benefit programmes in 2002. Such programmes included both short-term and long-term incentive schemes. A new annual incentive scheme was designed to tie in with the overall performance of the Group, of departmental operations, and of individuals. A "Sales Incentive Scheme for Retail Banking Business" was launched to meet the need of front-line business development. We have been studying sales incentive schemes for our corporate banking business and China business. These new schemes, scheduled to be launched in 2003, are aimed at motivating marketing and sales

people to further explore business opportunities for the Group and to maximise shareholder value. In regard to the long-term incentive scheme, a "Pre-Listing Share Option Scheme" was rolled out during our IPO in July 2002, while a post-listing "Sharesave Plan" and a "Share Option Scheme" are expected to be introduced in 2003. Through these incentive plans, the interests of individual employees will be effectively aligned with those of the Group and shareholders.

Diversified Employee Training Programmes

We firmly believe that quality employee training is the key to offering superior banking and financial services. The Group therefore provides comprehensive training programmes to well-equip our people to manage the needs of the ever-changing market environment and business objectives of the Group, and to meet the requirements of the regulatory bodies. These programmes also enable our people to further realise their potential. During the year, a wide range

of tailor-made training classes and examination preparatory courses for the attainment of professional qualifications were conducted, such as courses in wealth management services and marketing techniques. Moreover, to effectively enhance service quality at branches and the sales skills of front-line staff, the Group is now reviewing the feasibility of conducting training sessions for pilot branches in the provision of excellent sales and services. Proven effective training models would then be used as case references and rolled out to all other branches.

To meet the challenges of future development, and to attract and nurture new human resources for the Group, we designed two special training programmes for newly recruited university graduates. These were based on the different job nature of the retail and corporate banking departments. Training courses were tailor-made for individual departments in special business subjects, such as credit analysis. As a listed company, one of our ongoing responsibilities is to comply with the requirements of the regulatory authorities and to demonstrate the best banking practice. During 2002, the Group conducted a number of compliance training classes, which were attended by over 6,000 staff. In addition, to better equip our people in a highly competitive market and a rapidly changing corporate

environment, we arranged dozens of specialised seminars and workshops. About 3,000 staff participated in these events, learning effective ways to relieve stress and enhance team spirit.

Of equal importance is the training for our senior management. During the year, the Group designed and organised a series of training courses and seminars related to corporate culture, change management and strategic management. We also arranged courses and international seminars conducted by prestigious local and overseas academic institutions, such as the Business School of the University of Science and Technology and the Business Administration School of Harvard University. Moreover, we recommended enrollment in high-quality EMBA courses to our senior management, allowing them to achieve individual development and to enhance the level of their professionalism. In 2002, a total of 729 training courses were conducted, with 55,098 enrollments from our entire staff.

Recognising that lifelong learning will help our people strengthen their competitiveness and their abilities to meet future challenges, the Group established a Learning Resources Centre to facilitate systematic study of knowledge. The Centre has a library, a self-study room and a group discussion room. Every seat is also equipped with a

multi-media computer. Training kits, books, compact discs and videotapes are available for staff reference and borrowing. These dynamic and diversified communication channels enable our people to acquire new knowledge for value-added creation of individual and the Group.

Effective Internal Communications

The Group has always strived to establish and enhance effective two-way communications. On the one hand, we encourage our people to make recommendations about work rationalisation. On the other hand, a proper complaint channel has been established to reflect employees' different opinions on various issues. All these initiatives help to foster a harmonious relationship among our colleagues.

During the year, the Group organised a number of staff activities. For example, business knowledge and skills contests were held to strengthen teamwork spirit and generate staff enthusiasm for business learning. A gala night of "Light of Hope" was held to encourage the enhancement of operational skills and quality service among our employees. "Bank of China (Hong Kong) Sports Day 2002" was organised to further bolster team spirit. Furthermore, we lent our support to various charitable activities in order to show our commitment to the community in which we operate. A prominent example was the "BOCHK Walkalong for Light", which saw 1,400 staff spend their holiday for this charity fund-raising activity. Many other staff participated in charitable and volunteer activities in different sectors of the society, making the year a memorable one for the Group's involvement in the community.



Our people strove to compete in the "Bank of China (Hong Kong) Sports Day 2002"