



| Steering Forward |

CHAIRMAN'S STATEMENT

Enhancing the corporate governance framework and maximising shareholder value became the cornerstones of our business development. With a solid financial foundation, extensive customer base, talented employees and close cooperation with BOC, we will benefit from an economic recovery in Hong Kong and economic development in the Mainland, bringing favourable returns to investors.



LIU Mingkang

*Chairman and President, Bank of China
Chairman, BOC Hong Kong (Holdings) Limited and
Bank of China (Hong Kong) Limited*

The year 2002 was an extraordinary year for the Company. Thanks to the valuable support of investors and the dedication of our staff, the Company was successfully listed on the Stock Exchange of Hong Kong on 25 July. Our global offering was 6.5 times over-subscribed despite deteriorating global equity market conditions. With our launch of one of the world's largest public offerings in 2002, we received ten awards from a number of magazines including "Best Investor Relations for an IPO" by *Investor Relations* and "Deal of the Year" by *FinanceAsia*. Shortly after our listing, the Company was admitted as a constituent stock in various indices, including the MSCI Hong Kong Index and Hang Seng Index. These achievements highlighted our status as a major player in the international financial markets.

Our Restructuring and Merger in 2001 laid a solid foundation for the establishment of a sound corporate governance framework, an efficient management structure, a new management philosophy and a new corporate culture. Our listing in 2002 further confirmed the pledges we had made to investors. Enhancing the corporate governance framework and maximising shareholder value became the cornerstones of our business management. As a result of our dedicated efforts, we made encouraging progress in the areas of organisational restructuring, business development, risk management and information technology. We also devoted considerable resources to enhancing transparency under the scrutiny of the market, adapting promptly to comply with the various market practices and regulatory requirements applicable to listed companies.

We will continue to target for the full implementation of our corporate governance framework. In this regard, the Board of Directors is actively involved in decision-making on and monitoring of important issues, and providing guidance to the Management. Demand for better corporate governance reached unprecedented levels in 2002 and became a matter of global concern. The Board of Directors and the Management fully appreciate the importance and urgency of this issue. We will regularly review our corporate governance framework and make necessary adjustments, taking into consideration new circumstances and acting in accordance with prevailing regulatory requirements.

Maximising shareholder value requires concerted action on several fronts. We will continue to focus on the integration of our business development, risk management and back office functions. Developing intermediary business and exploring new opportunities in the Mainland market are also strategic priorities. Meanwhile, we seek to maximise the synergies presented by our restructuring. Within a more scientific management framework, we will be able

to improve our operations efficiency. Our adoption of a modern business philosophy will lead to better quality services for customers. All these initiatives will serve to reinforce our competitive edges in a fierce market environment. Furthermore, the fostering of a new dynamic corporate culture will mobilise the creativity and participation of each and every staff to its full extent. The alignment of staff interests with those of the Group therefore provides further impetus for growth and development.

As a result of the committed efforts of our Management and staff, the Group recorded a profit attributable to shareholders of HK\$6,673 million for 2002, exceeding by 6.2% the profit projection stated in our Prospectus. Return on average shareholders' funds was 12.23%, representing an increase of 4.92 percentage points over the same period last year. Return on average total assets was 0.91%, a rise of 0.55 percentage point from the preceding year. NPL ratio was 7.99%, which was a decline of 3 percentage points year-on-year. We will continue to concentrate on our overall objective of maximising shareholder value through pro-active

business development, risk management and revenue enhancement, while maintaining our commitment to the society as a good corporate citizen.

I believe that on the back of a solid financial foundation, extensive customer base, talented employees and close cooperation with BOC, the Company will benefit from an economic recovery in Hong Kong and rapid economic development in the Mainland of China. As we strive to establish ourselves as a first-class international bank, we aim to bring favourable returns to investors. Finally, I would like to take this opportunity to express my sincere gratitude to investors and all our staff. Going forward, I thank you for your continuing support.



LIU Mingkang

Hong Kong, 20 March 2003