

2003-06-06

## Bank of China Statement

On June 6, Bank of China spokesman Wang Zhaowen made a statement concerning the credit extension of Bank of China (Hong Kong) Limited ("the Company") to the New Nongkai Global Investment Limited ("New Nongkai").

The Company is a publicly listed company registered in the Hong Kong Special Administrative Region (HKSAR), with Bank of China as its largest shareholder, Wang said.

Relevant law enforcement agencies of the HKSAR are conducting an investigation into a suspected fraud case which involves one loan customer of the Company. The Bank of China ("BOC") and the Company are directing active and full-scaled support and assistance to the above-mentioned investigation.

In June 2002, the Company extended a bridging loan facility to the New Nongkai. The actual amount of draw-down was HK\$1.77 billion. The outstanding balance of principle of the loan is HKD740 million. The loan was granted in accordance with the internal risk management procedures of the Company and it was secured with certain risk preventive measures. To safeguard the Company's asset and the interest of the Company's shareholders, the Company has pressed New Nongkai for repayment of the loan and has applied to and has been granted an order by the High Court of Hong Kong for the receivership of New Nongkai, in order to receive and protect the business and asset of New Nongkai and its subsidiaries and to protect the interest of the Company. Based on information available so far, the New Nongkai loan shall not have material adverse impact on the financial position of the Company.

The Company's Board of Directors has attached great importance to the on-going investigation, and also to the construction of risk management and internal control system of the Company. It has decided that the Board's Audit Committee, which includes all four independent directors and led by one of them, follow up the issue. The committee will thoroughly examine the Company's credit extension procedures as well as its risk management and internal control. The Board of Directors has required the management of the Company to actively assist the committee.

The spokesman said that we have noticed recent reports by the media about Mr. Liu Jinbao, the former Vice Chairman and Chief Executive of the Company, and if there is any problem related to a particular loan customer during his terms in Hong Kong and the mainland. The Head Office also have received some complaints. The issue is being investigated.

As the largest single shareholder of the Company, BOC firmly supports local regulatory authorities for its supervision, and will as always back up the Company in its efforts to build good corporate governance, improve internal control, standardize business procedures to seek steady and healthy development and fulfill the commitment it made to its shareholders, Wang noted.