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LS/B/46/00-01
2869 9204
2877 5029

Messrs Clifford Chance
29th Floor, Jardine House
One Connaught Place
Hong Kong Kong

(Attn : Mr Jonathan Grant)

9 June 2001

BY FAX

Fax No. : 2825 8800
Total no. of page(s) : 2

Dear Mr Grant,

Bank of China (Hong Kong) Limited (Merger) Bill

Thank you for your letter of 5 June 2001. I write to confirm the matters that we have discussed over the phone :

- (a) Documents used by Kwantung Shenzhen Branch and Sin Hua Shenzhen Branch that are governed by Hong Kong law (as set out in Schedules 1 and 2 of your letter) may not necessarily be entered into by Hong Kong residents. In this regard, you have confirmed that actual notices will be issued to all customers (including those who do not reside in Hong Kong) after the Bill is enacted.
 - (b) All customers of all the merging banks have agreed to the Bank of China Group's General Terms and Conditions for Banking Services referred to in paragraph 7 of your letter.
2. You mentioned in paragraph 2 of your letter that Hua Chiao shall continue to exist as a company incorporated in Hong Kong after the appointed time subject to the change of name. Would you consider providing in the Bill for the change of name and registration with the Companies Registry similar to section 4 of the Dao Heng Bank Limited Ordinance (Cap. 1152)? Otherwise, Hua Chiao would be in breach of section 97 of the Banking Ordinance (Cap. 155) from the appointed time until the certificate of incorporation on change of name is issued by the Registrar of Companies.
 3. The definition of "excluded property and liabilities" does not include the

share capital of Hua Chiao. Is it intended that the same be transferred to Po Sang at the appointed time?

4. It is unclear from your letter or the Bill whether the Kwantung Shenzhen Branch and Sin Hua Shenzhen Branch will become the branches of Bank of China (Hong Kong) Limited after the appointed time. Please clarify.

I would be grateful if you could let me have your reply on 11 June 2001.

Yours sincerely,

(Bernice Wong)
Assistant Legal Adviser

c.c. LA
Dr Hon David Li Kwok-po, JP
(Fax no. : 2526 1909)

LS/B/46/00-01

B1602-00006.RMD/JCXG

12 June 2001

2825 8887

BY HAND & BY FAX: 2877 5029

Legislative Council Secretariat
Legislative Council Building
8 Jackson Road
Central
Hong Kong
Attn: Ms. Bernice Wong
Assistant Legal Advisor

Dear Ms. Wong,

Bank of China (Hong Kong) Limited (Merger) Bill (the "Bill")

Thank you for your letter of 9 June 2001. We have discussed your letter with our client and, adopting the numbering used in your letter, we set out our responses below. Terms defined in the Bill shall bear the same meaning in this letter.

1. As regards the matters we discussed in our previous telephone conversations, we have no comments on the summary set out in paragraph 1(a) of your letter. As regards paragraph 1(b), after discussing this matter with our clients, we think it would be more accurate to say that:

"All customers who have accounts with the merging banks in Hong Kong have been issued with and are dealing with the relevant merging bank on the basis of the Bank of China Group's General Terms and Conditions for Banking Services (the "**General Terms and Conditions**")".

The primary reason why the above statement is a more accurate reflection of the position than paragraph 1(b) of your letter is that there may be customers of the merging banks in Hong Kong (such as those who have safety deposit boxes only) who will not have an account with a merging bank and therefore will not be subject to the General Terms and Conditions.

2. Our clients have spoken to the Hong Kong Monetary Authority ("**HKMA**") who have indicated that, subject to certain conditions which our clients are prepared to comply with, the HKMA is

To: Ms. Bernice Wong
Legislative Council Secretariat

11th June, 2001

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prepared to consent to Hua Chiao continuing to have the word "bank" in the name under which it carries on business in Hong Kong for the period from the appointed time until the certificate of incorporation on change of name is issued by the Registrar of Companies. We have also spoken to the Companies Registry who indicated that, provided Hua Chiao can, at least seven days before the appointed time, provide the Companies Registry with a resolution changing its name to a name not containing the word "bank" with effect from the appointed time, the Registrar of Companies would be able to issue his certificate of incorporation on change of name on the first business day after the appointed time. The assistance of the Registrar of Companies in this regard does not negate the necessity to obtain the HKMA's consent. It does, however, mean that consent will only be required for a short period of time. Accordingly, our clients would prefer to obtain the consent of the HKMA rather than amending the Bill in the manner suggested.

3. The share capital of Hua Chiao will not transfer to Po Sang at the appointed time pursuant to the Bill because it does not form part of the business, property or liabilities of the "merging branches". As a result, it is not necessary for the share capital of Hua Chiao to be designated as "excluded property and liabilities". After the appointed time the shares in Hua Chiao will continue to be held by the persons who held them immediately before the appointed time.
4. We understand from our clients that Kwangtung Shenzhen Branch and Sin Hua Shenzhen Branch will become branches of Bank of China (Hong Kong) Limited on and from the appointed time.

If you require any further information, please do not hesitate to get in touch.

Yours sincerely,

Clifford Chance

c.c. Dr. The Hon David Li Kwok-po, JP (By fax: 2526 1909)
Isabelle Tsang, Bank of China (By fax: 2230 2563)