

本人謹向各位報告，二〇〇〇年本銀行業績，在香港經濟漸次復甦下，獲得平穩進展。

業績

本銀行截至二〇〇〇年十二月三十一日止之綜合溢利，經扣除稅項準備後，為港幣十億一千零六十五萬六千元，較一九九九年增加百分之十八點二；若將一九九九年出售所持加怡保險集團部份股權的特殊收益約港幣八千二百萬元剔除，則實質增加百分之三十點七。期間淨利息收入增加百分之三點七，非利息收入增加百分之三，營業支出微升百分之一點八；綜合資產總值港幣六百五十四億八千一百八十八萬三千元，較一九九九年增加百分之九點六，總存款港幣四百九十七億一千八百零二萬七千元，較一九九九年增加百分之九點三；總放款港幣二百八十二億四千五百五十九萬二千元，較一九九九年輕微增加百分之三點二。

雖然樓宇按揭減息競爭激烈令息差持續收窄，盈利尚能維持增長，主要因為利息支出受到有效控制，而非利息收入亦有所增長之故；另一方面，呆壞賬撥備相對減少也是重要因素。

董事會建議開派末期股息每股港幣一元一角五仙，連同二〇〇〇年九月已派之中期股息每股港幣四角二仙，二〇〇〇年全年股息為每股港幣一元五角七仙。

業務

本銀行二〇〇〇年業務，存款增長百分之九點三。去年七月起利率協議七天通知以下定期存款的利率限制撤消，本銀行此類存款佔總存款比例不大，影響輕微。相信二〇〇一年中儲蓄及往來賬戶利率全面開放後，銀行間的激烈競爭才正式開展。

各項放款較去年微升百分之三點二，主要是多敘做了銀團貸款所致。去年本銀行參與銀團信貸頗為活躍，也曾與銀聯信託成員銀行聯手安排了多宗銀團融資，其中兩宗本銀行且擔任牽頭銀行。至於樓宇借貸則呈萎縮，同業集中爭取樓宇按揭，將按揭息率推低至最優惠利率之下。企業信貸業務進展平穩，樓宇按揭則呈現退縮。為求降低對樓宇按揭貸款倚重，現正向特選客戶提供稅務借貸、

It is my pleasure to report that with the gradual recovery of Hong Kong's economy in 2000, the Bank was able to achieve improved results.

Business Results

The consolidated net profit for the year ended 31 December 2000, after making provision for taxation, amounted to HK\$1,010,656,000, representing an 18.2% increase from 1999. If the exceptional gain of about HK\$82,000,000 generated from the disposal of a part of the Bank's shareholding in CEF Insurance Holdings (Bermuda) Ltd in 1999 is excluded, the actual increment was 30.7%. Net interest income grew 3.7%, and non-interest income increased 3%. Operating expenses went up mildly by 1.8%. Consolidated total assets amounted to HK\$65,481,883,000, a 9.6% increase from 1999. Total deposits grew 9.3% to HK\$49,718,027,000, while advances recorded a mild increase of 3.2% to HK\$28,245,592,000.

Although interest rate spreads further narrowed as a result of severe competition for residential mortgages, the Bank was able to sustain profit growth, benefiting from more effective control of funding costs and the increase in non-interest income. A substantial reduction in the charge for bad and doubtful debts also contributed to the Bank's profit growth.

Your directors propose that a final dividend of HK\$1.15 be paid on each share. This, together with the interim dividend of HK\$0.42 per share already paid in September 2000, will amount to a total dividend of HK\$1.57 per share for the year 2000.

Business Operations

In 2000, total deposits of the Bank registered an increase of 9.3%. The removal of the interest rate cap on time deposits with a maturity of less than seven days in July 2000 had a minimal impact on the Bank, as this type of deposit constitutes only a small fraction of our deposit structure. However, when interest rates on savings and current account deposits are fully deregulated in mid-2001, greater competition on the funding side is expected.

As weak loan demand and keen pricing competition forced the mortgage interest rate to fall well below prime, the Bank's lending business recorded a mild



由本銀行牽頭安排與銀聯信託成員銀行為恆基兆業集團及美麗華集團提供銀團貸款。

Wing Lung Bank, as an arranger and lead manager, joined hands with other members of the Bank Consortium Trust in providing syndicated loans to the Henderson Group and the Miramar Group.

私人透支等個人信貸服務。樓宇按揭減息戰相信會持續至二〇〇一年底，令息差進一步收窄，影響盈利增長。本銀行除如常發展現有的放款業務外，今後會積極開拓其他信貸業務產品，以配合客戶需要，增加收益來源。

本銀行透過全資附屬的永隆財務有限公司經營的士、小巴及各類營業用汽車的租購貸款，二〇〇〇年業績表現良好，惟市場競爭亦日益激烈。本銀行現正致力將經營範圍擴大至機器、躉船、漁船等租購分期，以期逐步發展成集團的重點業務。

為配合網上銀行服務之迅速發展，本銀行自一九九八年已開始分階段為個人及公司客戶提供全面「網上銀行服務」。網上即時申請服務已於二〇〇〇年三月推出，令服務範圍更為廣闊，現時客戶可以在網上：調撥資金、處理定期存款、繳付賬單、止付支票、查閱賬戶資料、買賣證券、買賣外匯、辦理匯款、管理投資組合、查閱押匯往來紀錄、投購保險、申請信用咭、敘做樓宇按揭分期、租購

increase of 3.2%, mainly attributable to the growth in syndicated loan financing activities in an improving economy. The Bank actively participated in syndicated loan financing activities in 2000, and joined hands with the other members of the Bank Consortium Trust to arrange a number of syndicated loans, including two in which the Bank acted as arranger and lead manager. During the year, our corporate lending operation also progressed steadily, whereas residential property lending business contracted. To reduce our reliance on residential property lending, a variety of consumer loan products such as tax loans and personal overdraft facilities were offered to selected customer groups. The mortgage price war is expected to extend into 2001 with narrower interest rate spreads exerting tremendous pressure on the profitability of banks. While actively expanding the existing loan business, the Bank will continue to develop new sources of income and to widen the loan product range so as to meet different customers' needs.

The Bank provides hire-purchase and leasing services through its wholly-owned subsidiary, Wing Lung Finance Ltd. The operation achieved remarkable results. Due to keen competition, the company has, in addition to taxis, minibuses and other automobile financing, expanded the scope of business to machinery, barges and fishing vessel financing. We anticipate that this line of business will be increasingly more significant within our group.

To stay in the forefront of internet banking services, new value-added services have been rolled out in phases since the debut of Wing Lung NET Banking at the end of 1998 to satisfy the needs of both individuals



永隆財務提供汽車租購貸款服務。

Wing Lung Finance provides automobile financing service.



「永隆網上銀行」第三階段服務啟用儀式。左起：常務董事伍步謙博士太平紳士、副董事長伍步剛博士太平紳士、董事長伍步高博士、常務董事兼總經理鍾子森先生。

Wing Lung NET Banking phase III launching. From the left: Dr Philip Po-him WU, JP, Executive Director, Dr Patrick Po-kong WU, JP, Vice-Chairman, Dr Michael Po-ko WU, Chairman, Mr Che-shum CHUNG, Executive Director and General Manager.



分期、申請認購上市新股等。今後銀行擴大使用資訊科技作為輸送服務的管道是一個不可逆轉的趨勢，本銀行亦會繼續發展網上銀行及其他經由電子管道輸送的服務，令客戶隨時隨地都可以享用。

二〇〇〇年本銀行總共發行港幣五億五千萬等值的浮息存款證，與一九九九年比較減少百分之七十四點二。

二〇〇〇年歐元匯價持續低沉，而日本經濟未見起色，投資者信心薄弱，致外匯買賣減少，收益與去年相若。雖然旅遊業已好轉，惟因遊客以信用咭付款日形普遍，外幣找換業務亦受到影響，收益減少百分之二點三。本銀行在財資業務方面一向致力提供多元化產品，對資本市場業務的參與亦甚為活躍，

and corporate customers. The instant on-line banking service application function was launched in March 2000. A wide range of convenient services, including fund transfers, handling of fixed deposit transactions, bill payments, stop payment of cheques, account balance enquiries, securities trading, foreign currency trading, remittances, portfolio management, trade finance account enquiries, insurance applications, credit card applications, mortgage loan applications, hire-purchase and leasing applications, IPO subscriptions, etc are now available through our website. As competition among banks in the provision of e-banking services continues to intensify, the Bank will continue with its development of internet banking and other electronic service delivery channels to enable our customers to do their banking anytime and anywhere.

In 2000, the Bank issued floating rate certificates of deposit totalling HK\$550 million, representing a decrease of 74.2% from that of 1999.

As investor sentiment was clouded by concerns over the declining Euro and the economic setback of Japan, profits generated from foreign exchange operations remained at the 1999 level. Although the tourist industry has started to revive, the money exchange business was hit by the increasing widespread use of credit cards by tourists, driving money exchange profits down by 2.3%. The Bank has geared up its efforts to expand its treasury operation and to increase its participation in the capital markets. To step up its wealth management capabilities, the Bank will set up a specialized department customizing a wide range of investment products to cater for the needs of particular customer groups.

Following the introduction of the USD Clearing System in mid-August 2000, FX spot transactions on HKD and USD can now be settled through this clearing system as of September 2000. This arrangement facilitates the settlement of USD cheques locally, and the Bank started to provide USD current accounts in December 2000.

On the back of China's remarkable performance in external trade, Hong Kong's export and entrepôt trading activities recorded good growth. Bills business turnover recorded a 10% increase, and bills income also grew slightly by 2.9% over the previous year. The increasing use of open account and other electronic channels to conduct transactions among trading partners have

現正研究成立財資管理部門，將有關產品向客戶推介。

美元交換系統已於二〇〇〇年八月中開始運作，九月起港元兌美元之外匯交易可以在該系統進行交收，亦可以透過該系統在香港辦理美元票據結算。本銀行由十二月起接受客戶開立美元支票戶口。

中國外貿持續強勁，香港的出口和轉口亦蒙受其惠。押匯業務與去年比較，營業數字增長百分之十，收益微升百分之二點九。惟是現今出入口商與海外貿易對手多採用記賬形式和電子商貿系統進行交易逐漸增多，致對信用證的需求下降。本銀行去年進出口押匯業務經營數字呈現增長，惟融資需求萎縮，收益增幅不大。本銀行正嘗試向信譽良好的客戶提供入口發票融資服務，以彌補傳統開出信用證方面的減少。本銀行聯同香港出口信用保險局推出「無抵押出口融資」，向中小型企業提供一站式出口信貸及信用保險服務，獲得頗佳反應。



與聖類斯同學會攜手發行聯營咭儀式上，該會會長梁家駒先生(左)與本銀行董事長伍步高博士(右)合影。

*Affinity card program with St. Louis Old Boys' Association.
Mr Johnny K K LEUNG, President of the Association (left),
Dr Michael Po-ko WU, Chairman of the Bank (right).*

信用咭業務進展良好，發咭數量、應收賬款及收單數目均繼續上升，呆壞賬情況較去年有所改善。信用咭業務仍有發展空間，惟市場競爭亦日趨激烈，本銀行會致力將此項業務結合其他業務一併推廣，期望收到相輔相成的效果。吾人已定下計劃投入更多資源，積極擴展信用咭業務，以增加市場佔有率。

reduced their reliance on commercial letters of credit. Despite a higher bills turnover, bills income did not grow commensurately reflecting a decline in trade financing needs. To compensate for the decline in import L/C business, the Bank has introduced invoice financing services to selected customers. The Bank has joined forces with the Hong Kong Export Credit Insurance Corporation to launch the "ECIC Supported Export Finance for SMEs", a one-stop service package incorporating trade financing and credit insurance to small and medium-sized enterprises. We are pleased with the positive response that the service has generated thus far.

The progress of our credit card business has been satisfactory. The card centre continues to experience good growth in cardholder base, card receivables and merchant acquisition business. The default rate for credit card receivables has slightly improved compared with that at the end of 1999. There is still room for credit card business expansion, yet competition remains keen. The Bank will package its credit card promotion programs with other banking products for synergy and overall service improvement. To speed up business expansion and to increase our market share, more resources will be deployed in our credit card operation in the current year.



The Mandatory Provident Fund Scheme came into effect on 1 December 2000. Amid fierce competition among some 20 service providers, the Bank was successful in recruiting about 20,000 employees to sign up for the Bank Consortium Trust MPF plan, and the majority of them are employees of our existing customers. MPF operations will offer the Bank cross-selling opportunities of other banking products to employers and employees.

Wing Lung Insurance Co Ltd and Wing Lung Agency Ltd act as principal and agent respectively for a wide range of insurance services. Although severe price

由政府立例推行的強制性公積金計劃已於二〇〇〇年十二月一日起實施。在約二十個服務供應者激烈競爭中，本銀行已成功招攬約二萬人轉介與銀聯信託有限公司簽立託管合約，其中主要為現有客戶，而在推廣強積金服務的同時，亦藉機向僱主及僱員推銷了其他銀行服務產品。



永隆保險有限公司及永隆代理有限公司分別提供承保及代理保險服務。香港保險業惡性競爭持續深化，令多數公司在虧損中經營。本銀行屬下保險公司因有銀行客戶基礎作支持，加上多吸納了經紀及代理的生意，業務保持穩定增長。本銀行屬下的保險公司及代理公司所經營的保險業務，整體而言毛保費收入有可觀增長，盈利則較去年微升。本銀行聯同幾家同業合作組成的銀和再保險有限公司及香港人壽保險有限公司，前者已於二〇〇〇年十二月開業，後者預期於今年三月開業，此後乃可充份利用集團各部門及各分行網絡向客戶推銷人壽及一般保險服務。

永隆證券有限公司及永隆期貨有限公司分別提供各類證券及期貨買賣服務。本港股市由去年初至八月持續暢旺，股價上揚，其後因油價上升觸發全球跌市，投資者出現恐慌性拋售，始告回落。本銀行屬下證券公司及期貨公司佣金收益分別較去年增加百分之六十三及百分之三點一。藉著先進資訊科技的協助，本銀行先後於一九九九年六月及八月推出電子證券交易系統「永隆電話買賣證券」及「永隆網上買賣證券」服務。二〇〇〇年十二月香港聯合交易所實施第三代自動對盤交易，永隆證券有限公司是第一批參與新系

competition resulted in most insurers operating at a loss, with a strong bank customer base and the expansion in brokerage and agencies businesses, our insurance operations maintained steady growth. Overall, our insurance operation recorded a sizable increase in gross premium and some improvements in profit from last year. The Bank partnered with other banks to set up BC Reinsurance Ltd and Hong Kong Life Insurance Ltd. The reinsurance company commenced business in December 2000, and the life insurance company will commence operation in March 2001. All the departments and branch network will provide a strong base to cross-sell life insurance and general insurance products.

Wing Lung Securities Ltd and Wing Lung Futures Ltd provide various securities and futures investment services. Given the bullish market environment in the first 8 months of 2000, transaction volume increased significantly. Panicked by high oil prices and market declines across the world, investors went on a selling spree starting in the 4th quarter of 2000. Commission income generated from both securities and futures businesses recorded good growth of 63% and 3.1% respectively. Evolving with new technology advancements to deliver securities trading services through electronic channels, “Wing Lung Automated Securities Services” and “Wing Lung NET Banking Services” providing telephone and internet securities trading services were introduced in June and August 1999 respectively. Wing Lung Securities Ltd was among the first batch of companies to participate in the AMS 3-Automatic Order Matching and Execution System (the third generation), providing straight-through processing of on-line share transactions, launched by the Stock Exchange of Hong Kong in December 2000. The on-line securities trading services, which allow customers to manage their investments with greater flexibility and convenience, were well received. The number of on-line transactions increased substantially. Greater emphasis will be placed on securities and futures business development to expand the source of non-interest income. Our securities subsidiary is aiming at upgrading its service quality and efficiency in order to achieve further growth.

The primary business of Wing Lung Bank (Trustee) Ltd is to provide property management and agency services. Despite the improving economy, the property

統的證券商，投資者可以方便而迅速透過該系統直達聯交所的終端機執行落盤指令，甚受客戶歡迎，因而證券交易經由網上完成者大幅增加。證券及期貨經紀業務亦是本銀行今年重點發展的非利息收入業務，將會進一步改善服務質素，提高交易效率，以期業務持續增長。

永隆銀行信託有限公司主要向客戶提供物業管理、買賣及代理租務等服務。本地經濟雖然有復甦跡象，惟樓市依然疲弱，加上現時政府的樓宇政策欠缺明確方向，市民置業投資意欲薄弱，這對信託業務的收益有直接影響，佣金收入減少百分之二。

羅省分行和開曼群島分行的業務和運作如常，輔助了總行加強對客戶服務；廣州代表處與上海代表處繼續其聯絡工作，為發展內地業務作準備。

本銀行一向恪守「進展不忘穩健，服務必盡忠誠」的方針，制定審慎貸放政策和嚴緊監察制度，使貸存比率經常維持於安全水平，流動資金充裕。二〇〇〇年本銀行的總放款為總存款的百分之五十三點七，流動資金比率全年平均維持在百分之五十二點七，資本充足比率為百分之二十點七，高於法例所要求，顯示本銀行具備充足資金以配合未來的發展。

market remained weak. This, coupled with the lack of a clear housing policy and poor investor sentiment, directly affected the profitability of the trustee operation. Commission income was down 2%.

Our Los Angeles Branch and Cayman Islands Branch, both of which complement and enhance our service capacity, achieved steady growth. The Guangzhou Representative Office and Shanghai Representative Office, serving as a foundation for the future expansion of our business in China, continue to play an active role in customer liaison.

The Bank has always adhered to its philosophy of “Progress with prudence; service with sincerity” in maintaining a prudent credit policy and tight internal control measures. As such, the Bank’s loan-to-deposit ratio was maintained at a comfortable level and the liquidity position has always remained strong. At the end of 2000, the ratio of total loans to deposits was 53.7%, and the average liquidity ratio was 52.7%. The capital adequacy ratio was 20.7%, which was significantly higher than the specified statutory requirement, a good indication that the Bank has sufficient resources necessary for future expansion.

Information Technology Development

The new millennium heralds the latest technology race of the banking industry in Hong Kong. E-banking provision has become the new competition platform among banks. The Bank, while speeding up its automated service delivery channel expansion, continues to innovate. Substantial resources have been devoted to replace the existing teller terminal system. An agreement was signed with IBM China/Hong Kong Ltd for the purchase of the most sophisticated teller terminal system in late January 2001. This state of the art teller terminal system will not only improve operational efficiency, but will also facilitate better management of customer relationships through better identification of customers’ needs and cross-selling opportunities, hence significantly strengthening our competitive position.

Employees

Much of our success is attributed to the talents and dedicated efforts of our 1,161 employees. In 2000,



資訊科技投資

踏入新紀元，香港銀行將會進一步利用資訊科技，競相推出各類電子服務。為求擴大自動化服務的發展，本銀行已決意投下鉅額資源以更新現有的存款櫃員終端機系統，已於今年一月底與國際商業機器中國香港有限公

司簽約，向其購置一套最先進櫃員平台系統，以替換現用的存款櫃員終端機系統。藉著此高智能系統，工作效率將可大為提高，有效管理與客戶關係，從而加強瞭解客戶的需要，增加交互推銷各類服務產品的能力，以強化本銀行競爭地位。

員工

本銀行於二〇〇〇年十二月三十一日職員總人數為一千一百六十一人。為確保本銀行薪酬待遇具競爭力，縱然社會整體對人力資源需求放緩，二〇〇〇年度員工薪酬仍作過檢討及調整，而其他福利則照舊維持，包括：房屋廉息貸款、醫療津貼、退休福利金及可享用多項銀行服務優惠。為應付不斷變化的競爭環境，本銀行將本著按勞付酬的宗旨，以制定職員薪酬政策。

「強制性公積金」法例已於二〇〇〇年底實施，本銀行原有之退休福利計劃亦已獲強積金管理局批准保留，令僱員可因應個人情況作出選擇。

本銀行訓練部經常舉辦各類訓練課程及講座供職員參與；亦有鼓勵及資助職員修讀外間專業機構舉辦與業務有關之課程。此外，並不時派遣職員參與國內及海外各類業務研討會，加強同業間之交流聯繫，藉以充實知識技能，擴闊視野。另方面，也設有計劃資助職員修讀本地及外地大學、專業學院之高等教育課程，以提升職員質素。

為配合未來數月引進新櫃員終端機系統的發展，訓練部特別設計了一套新櫃員終端機系統培訓課程讓職員參與，學習有關技能及知識，以便作好適應和準備。

二〇〇〇年四月本銀行提升了周維國先生及張頌強先生為高級經理。

回顧與展望

二〇〇〇年香港經濟已呈現復甦，主要是由進出口及轉口帶動。內部消費依然疲弱，通縮稍斂，而失業情況改善緩慢，部份行業仍在困苦當中經營，普羅大眾對經濟增長感受不深。以往過份賴以支撐經濟的地產業仍在繼續調整，借貸萎縮，致銀行資金出路更為

employee remuneration packages were revised to ensure our competitiveness, though the labour market conditions were still sluggish. Employee benefits, which include low-interest staff housing loan programs, health care plans, retirement benefits and subsidized costs for selected bank products and services, remain unchanged. However, a performance related compensation philosophy will be adopted in order to cope with the ever competitive business environment.

The end of 2000 saw the implementation of the Mandatory Provident Fund Scheme. The Bank also obtained exemption from the relevant Authority to retain the existing retirement benefit scheme, thus allowing employees more choices to suit their individual needs and situations.

Employee education is an integral component of our competitive edge. To this end, the Bank actively sponsors employees to attend various job-related training programs and career development workshops, so that they can acquire the knowledge and skills necessary to respond to our customers' needs. Some employees also participated in seminars organized by local and overseas correspondents. This has the added benefit of strengthening our relationships and connections with those institutions. The Bank also sponsored employees seeking higher education to participate in various courses offered by both local and overseas universities and educational institutions with the vision of upgrading staff quality in the long-run.

To cope with the new teller platform development, specially tailored training programs will be put in place to better equip employees with particular skills and knowledge, as well as to enhance employees' readiness and ability to meet the change.

The Bank is pleased to announce the promotion of Mr Wai-kwok CHOW and Mr Chung-keung CHEUNG to Senior Manager in April 2000.

Review of Hong Kong Economic Performance and Prospects

During 2000, Hong Kong's economy staged a rebound led by impressive import, export and entrepôt performance. Although the deflationary environment improved, domestic demand remained lackluster. The

狹小，減息競爭持續激烈，息差收窄，故整體經營環境仍屬相當困難。預料銀行將更致力拓展其他新業務，擴大收入來源，以彌補樓宇按揭之減縮。

本年中儲蓄存款及往來存款將撤消利率協議管制，估計銀行將會各自調整業務策略，訂出更具吸引力的服務價格和產品，以保持市場佔有率。銀行除在樓宇按揭上競爭外，亦會在存款業務上作激烈競爭。同業間之息率戰將會推高資金成本，令息差進一步收窄。去年底金融管理局發出了「加強香港存款保障諮詢文件」，建議設立存款保險制度，以保障小存戶的利益，維持香港金融體系的穩定。本銀行作為一家植根於本地的銀行，認為以上建議值得肯定和支持。

今年美國經濟可能放緩，而歐洲和亞洲的經濟則繼續好轉，中國即將加入世貿組織，其經濟亦將步入新的增長周期，會對香港有一定影響。當中國全面開放市場後，將吸引更多外來資金流入，為香港帶來更多機遇，成為中國與國際商業貿易的重要中介點。香港擁有一些一流專業人才，有敏銳市場觸覺和廣泛的國際聯繫，應增加營商的基建投資，善用地緣優勢，進一步提升與周邊城市的合作關係，擴闊襟懷，把握機遇，迎接挑戰，共同開創互惠發展的新局面。

展望未來，香港經濟會繼續好轉，息率跟隨美元息率進一步下調，刺激股市上揚；加上個人薪金增長，估計會加強消費意欲，對本地物業市場之影響則有待觀察。內部經濟雖漸見復甦，惟美國經濟放緩，將間接影響本地經濟，預期二〇〇一年出口貿易會轉趨疲弱。本銀行當仍恪守穩健的經營方針，盡量利用資訊科技更新服務以迎合客戶的需要，增強競爭能力，鞏固基礎，以期業務能持續增長。

致意與祝賀

副董事長伍步剛博士於二〇〇〇年十月獲澳洲Charles Sturt大學頒授榮譽大學博士學位，以表揚他在教育方面傑出成就；復於同年十一月，獲香港嶺南大學頒授榮譽社會科學博士學位，以表揚他對社會及嶺南教育事業卓越貢獻。謹代表同人向伍博士敬致賀忱。

unemployment situation improved slowly, and some corporations were still struggling to get out of the trough. Many sectors have yet to experience the economic recovery. The residential property market, which used to be the pillar of strength and the key driving force of the economy, has lost its vigor and continued to contract despite the gradual improvement of the economy. In the banking sector, the mortgage price war intensified in the face of ample bank liquidity and slack loan demand, further narrowing the interest rate spread. Overall, the operating environment was challenging. As a result, the development of new types of business and new sources of income to compensate for the reduction in residential mortgage business remains one of the key challenges that banks must face.

In the banking sector, the final liberalization of the savings and current accounts will take place in mid-2001. Banks will have to address the impacts of the deregulation by revising their competitive strategies and offering more sophisticated products with good pricing to sustain their market shares. Price competition is expected to spread from mortgages to deposits. An interest-rate bidding war among banks would, in time, increase funding costs, squeezing net interest margins further. At the end of 2000, a consultative paper on enhancing deposit protection in Hong Kong was released by the Hong Kong Monetary Authority. The introduction of a deposit insurance scheme in Hong Kong will provide comfort and protection for small depositors. Wing Lung, as a local bank, supports the proposal as it would help foster stability of the financial system in Hong Kong.

The US economy is expected to slow down moderately in 2001 and the European and Asian economies will continue to perform relatively well. Mainland China has entered a new growth era and her impending entry to the World Trade Organization is likely to have a significant impact on Hong Kong in the coming years. Further opening up of the mainland market will attract inflows of foreign investments, which will bring enormous opportunities to Hong Kong which is an important access point for international firms to the mainland. Hong Kong should strive hard to strengthen her business infrastructure and tighten her cooperation with neighboring countries to seize the many opportunities and to meet the challenges that lie ahead.



副董事長伍步剛博士太平紳士(右)接受澳洲 Charles Sturt 大學校長 Ian Macdonald 議員(左)頒授榮譽大學博士學位。
Dr Patrick Po-kong WU, JP, Vice-Chairman was awarded a Doctor of the University (honoris causa) by Charles Sturt University, Australia. The Honorable Ian Macdonald, BA, MLC, Chancellor (left), Dr Patrick Po-kong WU, JP, Vice-Chairman (right).



副董事長伍步剛博士太平紳士接受香港嶺南大學頒授榮譽社會科學博士學位後致詞。
Dr Patrick Po-kong WU, JP, Vice-Chairman gave a speech at the Degree Conferring Ceremony after he was awarded a Doctor of Social Sciences (honoris causa) by Lingnan University, Hong Kong.

本人並藉此機會向所有客戶、股東、各界友好、同業先進在過去一年給與本銀行的支持、指教，尤其是創辦人伍宜孫博士及前任董事長伍潔宜博士的時加輔導，敬致謝忱；對本銀行管理層暨全體職員的忠誠服務與通力合作，亦謹代表董事會向他們致以衷心感謝！

董事長
伍步高

二〇〇一年二月二十一日

With her numerous professional talents, far-sighted business vision and good international connections, Hong Kong is well positioned to benefit from this development.

Looking ahead, economic recovery will continue. Local interest rates are expected to come down tracking the US rates, thus stimulating the stock market. This, coupled with a more positive outlook for personal income growth, should help boost consumer spending. However, the impact on the local property market is yet to be seen. Although the internal economic environment is expected to improve, the slowdown in the US economy will indirectly affect the local economy, slowing down export trade momentum in the current year. The Bank will strictly adhere to its prudent operating policy and devote its efforts to innovative information technology development in order to increase customer responsiveness, to sharpen its competitive edge and to fortify its base for future growth.

Congratulations and Appreciation

Your director, Dr Patrick Po-kong WU, was awarded a Doctor of the University (honoris causa) in October 2000 by Charles Sturt University, Australia, in recognition of his outstanding achievements in education, and a Doctor of Social Sciences (honoris causa) in November by Lingnan University, Hong Kong, in recognition of his enormous contribution to society and his strong and lasting affiliation with the Lingnan organizations. On behalf of the management and staff, I wish to express my heartiest congratulations to Dr Patrick Po-kong WU.

On behalf of the Board, I would like to take this opportunity to express our gratitude to all of our customers, shareholders, friends and fellow bankers for their continued support and guidance, to Dr Yee-sun WU, founder, and Dr Jieh-yee WU, former Chairman of the Bank, for their wise counsel and to the management and entire staff for their ongoing dedicated service.

Michael Po-ko WU
Chairman

21 February 2001