

CHAIRMAN'S STATEMENT

Promotional pamphlets on diversified business lines



Going Forward

The Bank began to focus on the revamping of its organisational structure last year along functional lines with the job responsibilities of the various divisions and departments defined in more specific terms. The object of this rationalisation exercise is to improve communication and efficiency through better use of division of labour, and checks and balances. After careful planning, we have now implemented the Bank's new organisational structure. Internally, we have intensively beefed up our training programmes and promoted capable members of our staff. We have also recruited a number of high-calibre and seasoned professionals from the banking circle to enhance our management capabilities so as to better position ourselves to embrace the arrival of the territory's new economic terrain.



Causeway Bay Branch moved to self-owned premises

The Bank continued to renovate and decorate its branches during 2001. At the end of last year, the Bank has given a face-lift to about half of its branches by applying a uniform touch and colour scheme to their frontages and signboards. This has improved the Bank's image by putting across a youthful and spirited aura.

In the light of fierce competition among the banks and the shrinking property market, which have a negative impact on lending business, the Bank has entered the consumer finance market. In October 2001, a Consumer Finance Business Department was officially set up to offer such products as consumer loans, tax loans, car loans, and small and medium enterprises loans. It is expected that this will channel surplus capital into good use during these sluggish times.

Directorate Changes

In addition to the resignation of Mr Nam Lee Yick, an executive director, on 18 July 2001 so as to join his family in Australia, the composition of your board changed on 16 August 2001. On the one hand, Mr Ryoichi Kato, a non-executive director, resigned following his return to Japan. On the other hand, your board confirmed the appointment of Mr Tatsuo Tanaka, the General Manager of the Hong Kong Branch of the Bank of Tokyo-Mitsubishi, as a non-executive director on top of the appointments of two veteran members of the Bank's staff – Mr Lau Wai Man and Mr Frank Shui Sang Jin, who are accountants by training – as executive directors. Your board's composition also changed on 29 November 2001 when Mr Nobuyoshi Iijima, a non-executive director, resigned following his return to Japan. I, on behalf of my fellow board members, would like to not only sincerely thank the three gentlemen who had retired from your board, but also warmly welcome the ones who had joined us as new board members. In this connection, I, on behalf of your board, would like to take this opportunity to pay our respects to the late Mr Liu Lit To, a non-executive director, who passed away on 21 February 2001.

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New face of Wan Chai Branch after renovation



Economic Prospects

Apart from the relative seeming stability experienced by certain countries in Europe consequent on the unification of their currencies by adopting the Euro, the economies of the other districts, including those in North America and the Asia-Pacific region, all showed signs of sluggishness or inability to turn around in 2001. It has generally been hoped that the United States, as the locomotive of the global economy, would be able to swiftly get out of the woods and gradually restore prosperity. The US Federal Reserve chairman announced towards the end of January 2002 that the current interest rate would remain unchanged, signifying that the interest rate reduction cycle has reached its final stage and that the sagging economy has stabilised and can be expected to resume the growth trend in the second half of the year, thereby helping the global economy to make a comeback. Moreover, China made significant achievements in the international arena in 2001. They include the Asia-Pacific Economic Cooperation conferences recently held in the mainland which have attracted the attention of the world, Beijing's successful bid to host the Olympic Games, and China's successful admission to the World Trade Organisation. China's status as a major power has thus been recognised internationally. Countries all over the globe are eyeing the tremendous China market, intending to develop trading relationships with her. Hong Kong stands a better chance of benefiting from the mother country. By capitalising on Hong Kong's internationally recognised and time-honoured infrastructures in such areas as foreign exchange clearing and settlement networks for global trade as well as legal system, Hong Kong can cash in on its leading attributes and help the mainland to gradually integrate with the international community. It is believed without doubt that, through fair competition for business opportunities, Hong Kong's recovery will be better ensured.

The local economy has currently relied entirely on the pursuit of steady development of the service industry. In this regard, the Government could help by introducing measures to reduce the operating costs incurred by that industry, thereby enhancing its competitiveness in the Asia-Pacific region. This will in turn help to lower the unemployment rate and bring about economic recovery.

In spite of the full deregulation of the interest rate rules in July 2001, competition among our fellow bankers for deposits continued to be subdued because of considerable liquidity in the market. Funding costs have therefore remained stable. The banking industry faced one common problem in 2001: the avenues for placing the banks' funds remain limited. They continue to be concentrated in such areas as mortgage loans and the expansion of one's share of the credit card market. We will continue to stick to our established principle and further develop our business activities to generate non-interest income. We will also strive for business opportunities by keeping a close eye on the mainland's developments now that China has been admitted to the World Trade Organisation. Based upon the analysis of the current economic data released by the United States, I firmly believe that the US economy should have started to stage a gradual comeback by now. If so, this will be conducive to returning the global economy to normalcy while helping to ease Hong Kong of some of its pressures. I also strongly believe that, with the trust and support of the Bank's customers, friends and shareholders, as well as the shrewd leadership of your directors and the dedication of the Bank's staff, better results are attainable. On behalf of your board, I would therefore like to express my sincerest thanks to them all.

Liu Lit Man

Chairman & Managing Director

14 March 2002