

二〇〇二年全球經濟持續放緩，香港的結構性調整仍在進行，本行業績亦不免受到影響，加上連月以來中東戰雲密布，更令前景增添不明朗。

去年香港整體出口雖上升百分之五點四，惟港產品出口仍下跌百分之十四點七；失業率高企於百分之七點二；經濟實質增長雖為百分之二點三，在通縮持續和內需疲弱下，名義經濟增長全年下跌百分之零點六；政府推行了一系列穩定樓市措施，亦未能阻止樓宇價格的調整；股市交投萎縮，恒生指數全年下降百分之十八點二，影響之下，本行二〇〇二年除稅後盈利為港幣七億五千七百六十三萬二千元，上年則為港幣八億五千三百零二萬二千元，每股盈利下降百分之十一點二至港幣三元二角六仙。董事會建議派發末期股息每股港幣九角三仙及紅利每股港幣二角，連同去年九月已派發之中期股息每股港幣三角三仙，二〇〇二年全年股息為港幣一元四角六仙。

二〇〇二年度本行的平均資產回報率及平均股東資金回報率分別為百分之一點二及百分之九點八；資本充足比率及平均流動資金比率分別為百分之二十一點一及百分之四十八點三。

總存款港幣四百八十六億五千三百七十五萬六千元，下降百分之一點九；總放款港幣三百億四千零六十四萬一千元，微增百分之三點七；綜合資產總值港幣六百一十六億九千九百零三萬二千元，微減百分之四點四。由於借貸需求疲弱，本行近年來已致力開拓非利息收入業務，冀能將非利息收入在盈利當中的比重逐步加大。

理財業務是本行重點發展業務之一，去年的表現較預期為佳。客戶對債券及其他投資產品的需求日漸增加，估計此項業務仍有很大發展空間。

In 2002, global economic environment remained sluggish, and Hong Kong's economic restructuring process continued. The threat of war in the Middle East in recent months has brought about further uncertainties to the global economy. The Bank's performance in 2002 was inevitably affected under such a tough operating environment.

Despite Hong Kong's total exports recorded an increase of 5.4%, domestic exports shrank by 14.7%. Unemployment rate stood high at 7.2%. For 2002 as a whole, the GDP recorded a growth of 2.3% in real term. With persistent deflation and sluggish domestic demand, the nominal rate of economic growth fell by 0.6% for the whole year. The series of property market stabilization measures by the Government have little effect on improving market sentiment and property prices. The local stock market also experienced a substantial downturn with Hang Seng Index dropped by 18.2% as compared with that of 2001, and transaction volume shrank noticeably. Given the impact of unfavourable operating environment, the Bank registered a negative profit growth for the period under review. The consolidated net profit for the year ended 31 December 2002, after making provision for taxation, decreased from HK\$853,022,000 in 2001 to HK\$757,632,000. Earnings per share decreased by 11.2% to HK\$3.26. Your directors propose that a final dividend of HK\$0.93 and a bonus dividend of HK\$0.20 to be paid on each share. This, together with the interim dividend of HK\$0.33 per share already paid in September 2002, will amount to a total dividend of HK\$1.46 per share for the year 2002.

Return on average assets was 1.2%, return on average equity was 9.8% and capital adequacy ratio stood at 21.1% at 31 December 2002. The average liquidity ratio for the year was 48.3%.

Total deposits decreased by 1.9% to HK\$48,653,756,000, while advances to customers recorded a slim growth of 3.7% to HK\$30,040,641,000. Consolidated total assets amounted to HK\$61,699,032,000, or 4.4% decrease from 2001. In an environment of weak loan demand, much emphasis has been put on expanding our non-interest income component through broadening the spectrum of our fee income businesses.

Wealth management service, one of our business focus areas, recorded a better-than-expected performance during 2002. Investors' demand for bonds and other investment products is rising sharply, and wealth management operation is expected to be a robust sector with good growth potential.

In view of sluggish market condition and thin transaction volume, our securities trading business recorded a decline in commission income.

證券業務在股市疲弱，交投縮減之下，收益較上年減少。會以改善自動化交易服務方便客戶，以增加市場佔有率和擴大客戶基礎。

附屬保險公司業務表現理想，收益有良好增長，會繼續加強與同業的合作聯繫，發展人壽保險及專業責任保險。

去年在失業率高企及個人破產個案上升底下，整個信用咭行業都在異常惡劣環境下艱苦經營。目前本行實行更審慎批咭措施，以待時勢轉好再重上發展軌跡。相信將來正面信貸資料庫成立後，信用咭業務會有較健康的增長。

至於分行的角色和功能，將亦會跟隨業務環境的改變而調整，除辦理傳統的存、貸業務外，今後會更著重擔當分銷站去推廣各類財資產品、證券買賣、保險、人壽等服務產品。而人力資源部亦會相應給與支援，培訓更多合資格人才向客戶提供更高質素服務。

本行向國際商業機器中國香港有限公司購置的先進櫃員平台系統，各項功能已分階段陸續啟用。藉著此一高智能櫃員系統的協助，將可以較深入細緻地分析客戶的往來數據，從而瞭解他們的需要，管理好與客戶的關係，促進各部門交互推銷服務產品的能力。

預料二〇〇三年銀行業的經營環境仍會相當困難，外圍經濟持續衰退，特區政府財赤嚴峻，失業率居高不下，內需疲弱，借貸萎縮，加上波斯灣戰事可能隨時一觸即發，令前景增添不明朗。本行當堅守穩健方針，盡量保持資產質素良好，為股東謀取最佳利益而審慎從事。

香港與珠江三角洲優勢互補，融合

The Bank will continue to focus on service enhancement with a special stress on improving operation efficiency of our automated securities trading channels in order to expand our market share and customer base.

The business of the Bank's two insurance arms recorded marked performance with impressive growth during the period under review, providing a favourable backdrop for our further cooperation with other banks to cultivate life insurance and professional liability underwriting businesses.

The credit card industry was hard hit under high unemployment rate and rising personal bankruptcies. The Bank is opting for a tight credit card approval procedures in time of adversities, with the hope of reaping better profit growth when the economy turns around. It is believed that the sharing of positive consumer credit data would be conducive to healthy growth of the card business.

The role of the branch network has changed along with the development of new business direction. Branches now assume greater responsibilities for sales of the Bank's financial services and products, such as investment products, securities trading and insurance including life insurance, supplementing the traditional deposit and loan services. Towards this strategic direction, our Human Resource Department will put in place various staff development programs to help maintain a professionally qualified sales team that could provide quality service to customers.

The Bank purchased from IBM China/Hong Kong Limited the new teller platform system, and the launching of this new system will be in stages. This state-of-the-art teller terminal system will facilitate better management of customer relationships through positive identification of customers' needs and cross-selling opportunities.

The banking environment will remain difficult in 2003, and our economy will continue to be dominated by global economic slowdown, swelling internal budget deficits, persistently high unemployment rate, weak domestic consumption and soft loan demand. The imminence of a Persian Gulf war has created further uncertainties about the prospects for the global economy. Facing the acute economic situation, the Bank will continue to adhere to its prudent operating philosophy, striving to enhance its portfolio asset quality and returns for its shareholders.

Hong Kong's further synergistic integration with the economy of the Pearl River Delta area will be an inevitable trend. The SAR

發展是大勢所趨。最近特區政府對推動粵港合作轉向積極，國內製造業蓬勃發展和龐大出口增長會令香港轉口貿易受惠。香港應致力推動具優勢行業的發展，例如物流、金融、旅遊及工商業支援服務，積極改善營商環境，鞏固和強化香港作為亞洲「國際都會」的定位，為香港擺脫困境，振興經濟找出新的路向。

陳曾燾博士於二〇〇二年六月三十日辭任本行董事，其在任十七年間對本行貢獻良多，在此謹代表董事會向陳博士致以衷心感謝。

歡迎梁乃鵬太平紳士和蘇洪亮太平紳士加入董事會為獨立非執行董事。梁先生曾是執業律師，現為九龍巴士控股公司副主席及多間公司主席，並擔任多項社會公職。蘇先生獨資經營蘇佩珺公司，是證券業世家，也擔任多項社會公職。以兩位董事的湛深學識與豐富經驗，對本行今後發展定有裨助。

二〇〇三年是本行成立七十周年，本行得有今日之規模，對香港經濟建設略有貢獻，全賴社會人士愛護、客戶信任、同業匡助、股東支持，暨同人協力同心，盡忠職守有以致之。本人更擬藉此機會向前輩同事，尤其是創辦人伍宜孫博士及前任董事長伍黎宜博士致以崇高敬意，倘沒有他們籌策開拓，奠定鞏固基礎，本行不會有今日的發展。吾人今後當再接再厲，恪守“進展不忘穩健，服務必盡忠誠”的宗旨，不斷提高服務質素，冀能與時並進，毋負各界之厚望。

董事長
伍步高

二〇〇三年二月二十六日

Government's proactive efforts towards cross border cooperation with Guangdong, and the manufacturing and export growth momentum of China will benefit Hong Kong's entrepôt trade. To meet the challenges ahead, Hong Kong should particularly develop areas in which it enjoys comparative advantage such as logistics, international finance, tourism and producer services centre. By improving our business environment, we can consolidate and strengthen our position as "Asia's World City", thereby finding a new direction for economic revival out of the doldrums.

Dr Thomas Tseng-tao CHEN resigned as Director of the Bank with effect from 30 June 2002. On behalf of the Board, I wish to express our heartfelt thanks to Dr CHEN for his invaluable contribution to the Bank during his 17 years' of service.

Mr Norman Nai-pang LEUNG, JP and Mr Lincoln Hung-leung SOO, JP joined the Board as Independent Non-executive Directors. Mr LEUNG, formerly a practising lawyer, is Deputy Chairman of The Kowloon Motor Bus Holdings Limited and Chairman of several other companies. He has been active in various public services. Mr Lincoln Hung-leung SOO, JP is the sole proprietor of Soo Pei Shao & Co, and his family has been in the securities broking business for generations. He has been active in various public services as well. With their extensive knowledge and experience, their appointment would be of great benefit to the Bank's future development.

This year marks the 70th Anniversary of our Bank. That we have attained our present stature as a modern commercial bank has been due to the confidence placed in us by the community and our customers, the support and guidance given to us by fellow bankers and our shareholders, as well as the dedication of our staff. I would also like to take this opportunity to express my heartfelt gratitude to all of my senior colleagues, and particularly to our Founder, Dr Yee-sun WU and our former Chairman, Dr Jieh-ye WU for their enormous efforts in establishing the strong foundation on which the Bank continues to grow and contribute our share to the economic development of Hong Kong. Much credit is due to them for their vision and farsightedness. We shall treasure this good foundation and adhere to our philosophy of "Progress with Prudence; Service with Sincerity" in our future growth. In order to justify the confidence placed in us by our customers and the general public, we shall always strive to improve our service quality.

Michael Po-ko WU
Chairman

26 February 2003