



Chief Executive
Officer's Report

行政總裁報告書

CHIEF EXECUTIVE OFFICER'S REPORT

行政總裁報告書

RESULTS OF THE GROUP

In 2004, following the improvement of the global economy, the Chinese economy maintained its growth momentum and the Hong Kong economy continued to recover. Affected by uncertainties such as increasing oil price, higher interest rate and the austerity measures of Mainland China, fluctuations in the performance of the financial market were substantial. In this volatile economic environment, the Company and its subsidiaries (collectively, the Group) made their best efforts in developing their businesses and strictly controlled the associated risks. The Group's Hong Kong operation grew steadily and achieved an after tax profit of HK\$326 million. The Group's 21.39% owned China Everbright Bank Company Limited ("Everbright Bank") maintained its steady pace in the development of its businesses. In 2004, Everbright Bank recorded an operating profit before provision of RMB5.1 billion according to accounting principles generally accepted in Hong Kong ("HKGAAP"). However affected by the deterioration in assets quality and higher provisioning rates for its non-performing loans ("NPL"), Everbright Bank incurred a loss of approximately RMB4.58 billion in 2004. As a result, the book value of approximately HK\$330 million of the Group's investment in Everbright Bank was written off entirely. The Group's 49% owned Everbright Securities Company Limited ("Everbright Securities") made appropriate adjustments to its business model and developed new products. It however incurred losses in the adverse market environment and the Group shared a loss after tax of approximately HK\$100 million therefrom. The Group's accounting treatments on the above-mentioned investment in associates are detailed in notes 15 and 16 to the financial statements. As a result, the Group recorded an after tax loss of approximately HK\$215 million, mainly due to shared losses and the related goodwill impairment of associated companies. The net asset value of the Group at the end of the year under review was approximately HK\$4.47 billion.

REVIEW OF OPERATIONS

(A) Commercial Banking

In 2004, the corporate governance of Everbright Bank improved significantly and the various businesses of the bank developed steadily. The general deposit reached an amount of RMB385.3 billion, representing an increase of 12.3% compared with the previous year. The loan portfolio

財務概述

回顧二零零四年，隨著全球經濟環境的改善，中國內地經濟保持較快增長，香港經濟持續復甦，但金融市場卻因受到國際油價上漲、加息周期開始、內地實行宏觀調控等不確定因素的影響而出現大幅度的波動。在此情況下，本公司及附屬公司（「本集團」）積極開展業務，嚴格控制風險。本集團香港業務穩健拓展，盈利增長，實現稅後盈利港幣3.26億元。本集團持股21.39%的中國光大銀行股份有限公司（「光大銀行」）各項業務保持平穩發展，二零零四年按香港普遍採納之會計原則撥備前實現經營利潤人民幣51億元，但受到資產質量下降及不良資產撥備比例提高的影響，出現虧損人民幣約45.8億元，致使本集團將該項投資的賬面餘額約港幣3.3億元全數撥備並計入應佔虧損。本集團持股49%的光大證券有限責任公司（「光大證券」）致力業務模式合理轉型，努力開拓創新，但在不利的市場環境下錄得虧損，集團應佔稅後虧損約港幣1億元。對以上聯營投資的相關會計處理詳情記錄在賬目附註15及16。因此本年度本集團主要受到應佔內地聯營公司虧損及相關的商譽減值影響錄得稅後虧損約港幣2.15億元，期末本集團帳面淨資產約港幣44.7億元。

業務回顧

(A) 商業銀行業務

二零零四年光大銀行公司治理結構明顯改善，各項業務保持平穩發展，一般存款餘額達到人民幣3,853億元，較去年增長12.3%，貸款餘額為人民幣2,680億元，較去年增長4.3%，營

CHIEF EXECUTIVE OFFICER'S REPORT (continued)

行政總裁報告書(續)

grew by 4.3% from 2003 to reach RMB268 billion. The operating income amounted to RMB17.2 billion, representing an increase of 25.3% from that of 2003 and the operating profit before provision was RMB5.1 billion. According to the 5-category categorization standard, as at 31st December 2004, the NPL before provision of Everbright Bank amounted to RMB26.5 billion and the non-performing loan ratio was 9.9% which was higher than that of last year. The Group increased its provisions in relation to the NPL and other assets of Everbright Bank according to HKGAAP and as such, Everbright Bank incurred an after tax loss of RMB4.58 billion in 2004.

The personal banking business of Everbright Bank grew rapidly in 2004. At the end of the year, the personal consumer loan portfolio amounted to RMB30.2 billion, representing an increase of RMB9.8 billion, or 48% compared with the previous year end; and the personal saving deposits amounted to RMB54.1 billion, representing an increase of RMB16.6 billion or 44% compared with the previous year end.

In order to strengthen its capital base and raise its capital adequacy ratio, Everbright Bank successfully raised a subordinated loan in the sum of RMB5.55 billion. Further it proposed a rights issue in early 2004 and had applied to the relevant authority in respect thereof. Based on the financial sector reform aiming at supporting development of financial institutions as a whole, the relevant government authorities are considering a capital increase proposal for Everbright Bank; as such Everbright Bank has not implemented the original proposed rights issue.

As at 31st December 2004, Everbright Bank was operating 374 banking offices in 23 provinces/cities and autonomous regions in China with a representative office in each of Hong Kong and South Africa.

(B) Investment Banking Business*Mainland Securities Business*

In 2004, the securities market in Mainland China continued the downward trend. The Shanghai Securities Index dropped

業總收入172億人民幣，較去年同比增長25.3%，撥備前經營利潤51億元人民幣。截至二零零四年十二月三十一日，根據五級分類標準，光大銀行不良貸款撥備前餘額為人民幣265億元，不良貸款比例達9.9%，比上年增加。本集團按香港普遍採納之會計原則計對光大銀行不良貸款及其它資產增加撥備，按此應計光大銀行二零零四年稅後虧損人民幣45.8億元。

二零零四年光大銀行個人業務繼續保持快速發展，到年底，個人消費貸款餘額為人民幣302億元，比上年末增加98億元人民幣，增長48%；個人儲蓄存款餘額達到541億元人民幣，比上年末增加166億元人民幣，增幅為44%。

為增強資本實力，提高資本充足率，二零零四年光大銀行成功發行了55.5億元人民幣的次級債；年初提出和上報的增資擴股計劃，由於國家有關部門基於金融業改革開放和支持金融集團發展，正在研究由政府有關部門主導的增資擴股安排而沒有實施。

截至二零零四年十二月三十一日，光大銀行在全國23個省市自治區共設立了374家營業網點，並於香港和南非設有代表處。

(B) 投資銀行業務*國內證券業務*

二零零四年中國內地股市繼續調整，上證指數全年下跌15.4%，二級市場

CHIEF EXECUTIVE OFFICER'S REPORT (continued)

行政總裁報告書(續)

by 15.4% for the whole year. There was no significant sign of recovery in the primary and secondary markets. The continued depression in the market gave rise to various risks. According to HKGAAP, Everbright Securities recorded an operating income of approximately RMB643 million in 2004, representing an increase of 7.9% compared with the previous year. Everbright Securities maintained its competitiveness in its securities brokerage and corporate finance businesses and its market share in general increased. The income of Everbright Securities in brokerage commission and underwriting fees amounted to approximately RMB299 million and approximately RMB119 million respectively, representing an increase of 21% and 28% compared with the previous year. Its asset management business has completed its restructuring; its research business is gradually gaining more recognition in the market and the risk control in its securities investment has improved. Everbright Securities has become one of the first three securities companies approved by the China Securities Regulatory Commission to commence new business in providing innovative investment products and was the first of the three to launch collective investment products. Further, the joint venture between Everbright Securities and the Prudential Financial Group of the United States, Everbright Prumerica Fund Management Co., Ltd., in which Everbright Securities is holding 67% interest, commenced business in the first half of 2004 and had successfully launched its first fund in the second half of the year.

According to HKGAAP, the Group increased its provisions in relation to litigation relating to asset management business and certain non-performing assets of operating divisions, amounted to approximately RMB116 million and RMB157 million respectively. Everbright Securities incurred loss after tax of approximately RMB216 million in 2004.

The capital restructuring of Everbright Securities is close to completion, subject to the final approval by China Securities Regulatory Commission.

As at 31st December 2004, Everbright Securities was operating 45 offices in 19 provinces/cities and autonomous regions in China

成交量和一級市場融資額都沒有很大起色。長期市道低迷造成的各種風險進一步顯現並釋放。根據香港普遍採納之會計原則二零零四年光大證券全年實現營業收入約6.43億人民幣，比上年增長7.9%；經紀業務和融資業務保持競爭能力，市場份額有所上升，經紀佣金收入、證券包銷收入分別約為人民幣2.99億、1.19億，分別比上年增長21%及28%；資產管理業務完成轉型；研究分析業務市場地位提升；證券投資較好地控制了風險；經中國證監會批准，光大證券成為首三家開展業務創新試點的證券公司之一，並成為第一家推出集合理財產品的證券公司。光大證券與美國保德信金融集團合資設立的光大保德信基金管理公司在上半年獲准正式開業並在下半年成功發行第一隻產品，光大證券持有該公司67%的股份。

本集團按香港普遍採納之會計原則對期內光大證券與資產管理業務和營業部有關的法律訴訟及不良資產分別增加撥備人民幣約1.16億及1.57億，按此光大證券二零零四年應計稅後虧損人民幣2.16億元。

光大證券的股份制改造工作接近尾聲，仍待中國證監會的最後審批。

截至二零零四年十二月三十一日，光大證券在全國19個省市自治區設立了45家營業部。

CHIEF EXECUTIVE OFFICER'S REPORT (continued)

行政總裁報告書(續)

Hong Kong Securities Business

In 2004, the Group actively developed its securities business in Hong Kong and through the implementation of an integrated financial services strategy and stringent control of risks and operating costs, generated an after tax profit of approximately HK\$326 million, representing an increase of 162% compared with last year.

In the year under review, the Group continued to expand its businesses in corporate finance and asset management. The team continued to expand and the number of projects under review increased. Bullion trading would be added to its existing business of securities, futures and forex trading as a new product of the brokerage business. Supported by the securities research bureau of Everbright Securities, the quantity and quality of research reports issued by the research department has been improved and its market recognition is growing gradually.

FINANCIAL POSITION

As at 31st December 2004, the net assets of the Group amounted to approximately HK\$4.47 billion, with cash on hand of approximately HK\$2.46 billion. Apart from trade liabilities in the ordinary course of business, the Group's major liability is HK\$440 million renewable term loans obtained from China Everbright Holdings Company Limited.

The increase in bank loans and overdrafts, all denominated in Hong Kong dollar and matured within one month was for normal working capital requirements. The level of borrowing depends mainly on the Group's business and investment needs. As at 31st December 2004, the Group has committed borrowing facilities of approximately HK\$110 million. The Group's gearing ratio, which is computed from the Group's total interest bearing liabilities divided by shareholders' funds, was 9.8% as at 31st December 2004 as compared to 9.2% as at 31st December 2003.

As at 31st December 2004, the Group had no material exposure to foreign exchange fluctuations other than assets denominated in Renminbi.

香港證券業務

二零零四年，本集團努力發展香港業務，通過積極推進綜合金融服務發展策略，嚴格控制業務風險和經營成本，本集團香港業務實現稅後盈利約港幣3.26億元，比去年增長162%。

於回顧年度，本集團香港投資銀行業務和直接投資業務繼續發展，員工隊伍逐步擴大，項目儲備增加；經紀業務在現有證券、期貨、外匯的基礎上，準備推出黃金買賣業務令產品更加豐富；資產管理和證券投資業務有所調整；研究分析業務在內地光大證券研究所的配合下，研究報告的數量與質量都有所提高，市場知名度不斷改善。

財務狀況

於二零零四年十二月三十一日，本集團的資產淨值約港幣44.7億元，持有現金總額約港幣24.6億元。除日常業務營運的流動負債外，本集團的主要負債為向中國光大集團有限公司借入的港幣4.4億元可續期借款。

本集團的銀行貸款及透支均為一個月內到期的港幣借款，期內增加借款均為正常營運資金所需，而借款規模則主要根據本集團之業務及投資需要而定。於二零零四年十二月三十一日，本集團的已承諾借貸額度約為港幣1.1億元。以附帶利息之負債與股東權益總額為計算基準，本集團於二零零四年十二月三十一日之負債與資本比率為9.8%（二零零三年十二月三十一日：9.2%）。

除以人民幣為基礎的資產外，於二零零四年十二月三十一日本集團並無重大之外匯風險。

CHIEF EXECUTIVE OFFICER'S REPORT (continued)

行政總裁報告書 (續)

As at 31st December 2004, the Group had pledged listed securities of approximately HK\$130 million in relation to certain banking facilities.

The Group did not have any contingent liabilities as at 31st December 2004. The Company had given guarantees in respect of banking and trading facilities available to subsidiaries totaling approximately HK\$80 million. As at 31st December 2004 the subsidiaries of the Company had not borrowed any term loans. The Company however had provided guarantees to financial institutions against the due performance of obligations by a subsidiary which is engaged in the business of leverage forex trading and by another subsidiary which is engaged in the business of derivatives trading. Such guaranteed liabilities will vary according to the values of transactions.

EMPLOYEES

As at 31st December 2004, the number of employees of the Group was 147. Total staff cost for the year under review amounted to approximately HK\$70 million as noted in the consolidated profit and loss account. The Group ensures that the remuneration packages for employees are fair and competitive and employees are rewarded on a performance-related basis within the general framework of the Group's salary and bonus scale. Discretionary year end bonus may also be paid to employees based on individual performance. Other benefits to employees include medical insurance, retirement scheme and training programmes. Directors of the Company and full time employees of the Group may be granted share options to subscribe for shares in the Company in accordance with the terms and conditions of the share option scheme approved by the Company at an extraordinary general meeting held on 24th May 2002.

PROSPECTS

In 2005 we believe the global financial markets will be affected by the cycle of interest rate increase; the economy of China will in general maintain its rapid growing pace and the Hong Kong economy will continue to recover. Accelerated reforms on the Mainland financial sector will lead to the eventual opening up thereof to the world. The change in capital structure, improvement in corporate governance and the establishment of systems in line with market economy in all areas will generally enhance the operating efficiency and profitability of the financial sector.

於二零零四年十二月三十一日本集團就若干銀行貸款額度作出約港幣1.3億元之上市證券抵押。

於二零零四年十二月三十一日本集團並無任何或然負債。本集團對屬下子公司作出的借款擔保合共約港幣8千萬元，於二零零四年十二月三十一日，集團屬下之子公司並未有任何借款。截至二零零四年十二月三十一日止，本公司為一間參與槓杆外匯交易之附屬公司及參與衍生工具買賣之其它附屬公司的交易額度向金融機構提供擔保。該擔保額度根據與金融機構產生之交易額而變動。

僱員

本集團於二零零四年十二月三十一日擁有僱員147名。於回顧年度內之總員工成本約為港幣7,006萬元並已列載於綜合利潤表內。本集團之薪酬制度公平及與市場相若，員工薪酬(包括薪金及花紅)按表現釐定。本集團亦會按僱員之個別表現，酌情向僱員發放花紅。員工福利亦包括醫療保險、退休計劃及培訓計劃。本公司董事及全職僱員可能獲授根據本公司於二零零二年五月二十四日股東特別大會上採納之認股權計劃之條款及條件發出之認股權以認購本公司之股份。

展望

二零零五年，全球金融市場仍處於加息周期之中，中國內地經濟整體上還將保持快速發展，而香港經濟亦將維持復甦態勢。內地加大金融改革力度，金融業將全面開放，資本結構與公司治理的改善以及在營運及監管各環節建立市場機製成為主流，將促進金融業效率和效益的提升。

CHIEF EXECUTIVE OFFICER'S REPORT *(continued)*

行政總裁報告書 (續)

Against this background, we are given to understand that Everbright Bank may complete its capital increase to raise its capital adequacy ratio in 2005 through the capital increase arrangements led by government authorities; its various businesses will grow steadily and its income structure will improve; it will also exercise due care in the control of credit risk and operating costs so as to enhance its profitability and at the same time reduce its historical NPL. We expect Everbright Securities will maintain its strong market competitiveness and leading position in innovative products and will complete its capital restructuring.

It is expected that the Group's Hong Kong operations will have steady development in the areas of direct investment, investment banking and asset management. The brokerage business will constitute a steady profit source for the Group.

The Group will leverage off its cross-border financial networks, large customer base and strong brand recognition to develop its Hong Kong operation and actively support the development of Everbright Bank and Everbright Securities so as to obtain satisfactory returns for shareholders.

On behalf of the management I take this opportunity to express my gratitude for the support and understanding of our shareholders, the members of the Board and the staff of the Group.

In 2005 I myself and the management will actively develop business, strictly control the risks and improve the operating efficiency under the guidance of the Board of Directors. We will work together with our customers, our staff and shareholders to build a solid foundation for future growth.

Zhou Liqun*Chief Executive Officer*

Hong Kong, 21st April 2005

在此背景下，光大銀行有望在二零零五年在政府主導下，完成增資擴股以顯著提升資本充足率，各項業務將平穩增長並改善收入結構，在消化以往不良資產的同時，控制信貸風險和經營成本，提高盈利能力；光大證券則將保持較強市場競爭能力和創新優勢，完成股份制改造。

本集團香港業務在直接投資、投資銀行和資產管理領域也將有穩健發展，經紀業務繼續保持穩定的盈利能力。

本集團將充分利用貫通內地和香港的綜合金融服務網絡、充足的客戶資源和穩固的品牌影響，在穩定香港業務的同時積極支持光大銀行和光大證券加快發展，爭取為股東創造理想回報。

本人謹借此機會代表管理層，對本集團的客戶、股東、董事會成員及全體員工在過去一年裏給予的理解和支持表示謝意。

在新的一年裏，本人及管理層將以董事會制訂的發展策略和目標為指引，積極拓展業務，穩健控制風險，提高營運效率，與客戶、股東和員工良性互動，以分享公司的服務能力、財富和價值觀，推動本集團建立自我更新機制和穩固發展基礎。

周立群*行政總裁*

香港，二零零五年四月二十一日