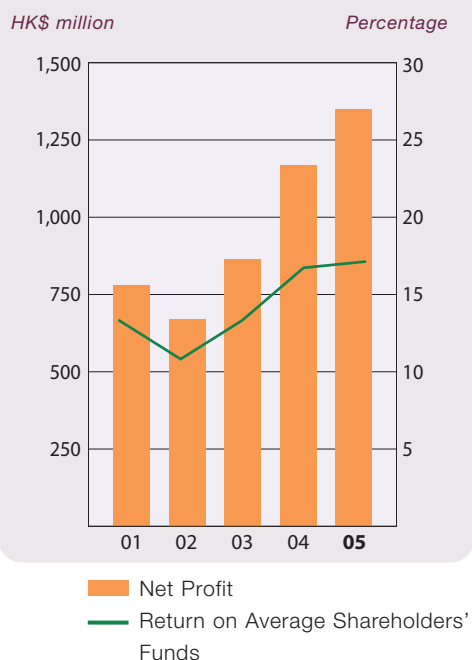




**Dr Patrick Y B Fung**

*Chairman & Chief Executive*

### Net Profit / Return on Average Shareholders' Funds



It gives me great pleasure to present the Group's 2005 Final Results. I am delighted to announce that the Bank achieved record profit last year. We were able to achieve good asset growth in China and Macau. Our consumer financing, investment mortgages, trade financing and equipment financing also did well.

This excellent performance took place on the back of an improving economic climate. Hong Kong's real GDP grew at a robust rate of 7.3 percent after 8.6 percent growth in 2004. Exports of goods and services grew due to the buoyant trade flows with China, and the economy was further boosted by the continued strong inbound tourism. Consumer spending rebounded as a result of rising employment. The unemployment rate declined to 5.2 percent, its lowest level in four years. Household income also gradually improved while inflation remained benign with consumer prices rising by just 1.1 percent.

Short-term US interest rates continued to rise at a gradual pace, taking the federal funds rate to 4.5 percent by January 2006. Local interbank interest rates

closely followed that trend after the Hong Kong Monetary Authority ("HKMA") refined the operation of the Linked Exchange Rate system last May. However, the Hong Kong dollar exchange rate hovered on the strong side of the peg on continued speculation about a revaluation of the Renminbi.

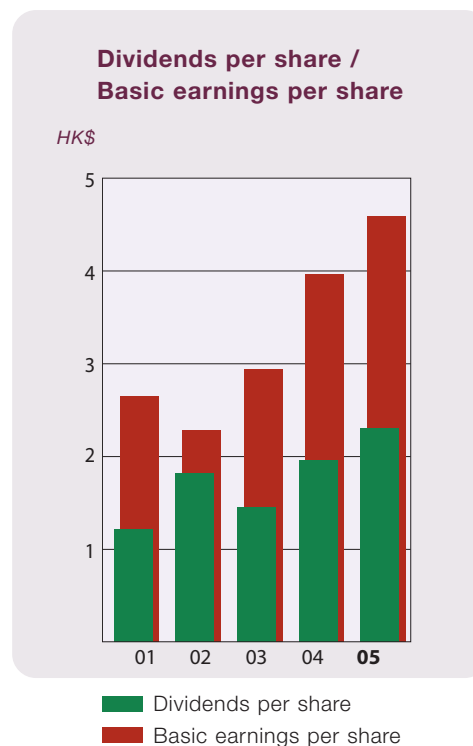
Asset quality continues to improve amid stable conditions in the domestic economy and property market. Rises in real estate prices in the first half of the year helped the number of residential mortgage loans in negative equity to fall by 90 percent to 11,000 units compared with the recent peak in 2003.

Profit attributable to shareholders reached a record HK\$1,348.7 million, an increase of 15.6 percent compared to HK\$1,166.7 million the previous year. Earnings per share rose 15.6 percent to HK\$4.59. The Board has recommended a final dividend of HK\$1.60 per share. Together with the interim dividend of HK\$0.70 paid on 12th September, 2005, total dividends for the year amounted to HK\$2.30 per share, representing an increase of 17.3 percent over 2004.

The return on average assets and average shareholders' funds reached 1.35 percent and 17.1 percent respectively. The Group's capital adequacy ratio and average liquidity ratio stood at 14.9 percent and 50.8 percent respectively while the loan to deposit ratio increased slightly to 59.7 percent due to an increase in loan volume.

Another important achievement was the successful integration of CFB as a result of a carefully executed merger exercise. This has resulted in a stronger and more substantial bank with an expanded branch network. In addition, significant revenue and cost synergies were achieved in 2005. The Group currently has 37 branches in Hong Kong, 11 branches in Macau and one branch each in Shenzhen and Shanghai. As at the end of December 2005, the Group employed a total of 2,301 staff.

Looking ahead, global economic expansion should continue in 2006 despite uncertainties about interest rates and energy prices. Trade protectionism in Europe and the US as well as continued pressure for a revaluation of the Renminbi may cast a shadow on the outlook for economic growth in China and Hong Kong. However, there are signs that the US interest rate cycle is near its peak, and domestic credit growth is likely to increase in line with strong economic activity.



After the successful integration of CFB, we now have a larger operating platform and customer base to grow our business. We will continue to expand our business in high growth areas such as Macau and China. While pursuing such a growth strategy, we are keenly aware that the key to success is a prudent lending policy.

We will continue to control costs by carefully streamlining our operations as well as broadening our fee income and expanding our consumer lending businesses through cross selling to an enlarged customer base. We will focus on enhancing our franchise by introducing innovative products and delivering superior service.

I would like to take this opportunity to extend my gratitude to my colleagues who have worked very hard to achieve these outstanding results. I am indebted to the Board of Directors for their continued support and counsel. I am also grateful to our shareholders who have continued to extend their trust and support to us.

**Patrick Y B Fung**  
*Chairman and Chief Executive*

Hong Kong, 16th March, 2006