

董事長致詞 CHAIRMAN'S STATEMENT

二〇〇六年香港經濟表現持續強勁，本行業績亦獲致良好增長。二〇〇六年除稅後盈利為港幣1,605,789,000元，較二〇〇五年之港幣1,108,815,000元增長44.8%，即每股盈利港幣6.92元。董事會建議派發末期股息每股港幣2.60元，連同去年九月已派發之中期股息每股港幣0.80元，二〇〇六年全年每股派息港幣3.40元，較二〇〇五年增加25.9%。

二〇〇六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2.01%及14.92%；資本充足比率及平均流動資金比率分別為16%及46.1%。

於二〇〇六年十二月三十一日與去年同期比較，總存款港幣62,709,121,000元，增長15.5%；總放款港幣38,782,981,000元，增長5.2%；綜合資產總值港幣84,980,628,000元，上升13.7%。

去年香港經濟雖有長足增長，惟借貸需求未見相應提升，同業間對爭取放款仍然異常激烈。由於市場資金充裕，同業拆放利率長時期處於低水平，息差逐步得到擴闊，本行去年淨利息收入有理想升幅；而年來致力擴展非利息收入業務亦漸見成效，去年其他營業收入增長44.2%，當中以證券業務受惠於大市連月壯旺，收益增長尤為顯著；理財業務及財資業務亦分別錄得平穩增長；保險業務則因市場削價競爭依然激烈，收益勉能維持於上年的水平。

As the Hong Kong economy continued to flourish in 2006, the Bank achieved finer results with consolidated after tax net profit up 44.8% from HK\$1,108,815,000 in 2005 to HK\$1,605,789,000 in 2006. Earnings per share was HK\$6.92. The Board proposes the payment of a final dividend of HK\$2.60 per share which, together with the interim dividend of HK\$0.80 per share already paid in September 2006, make a total dividend of HK\$3.40 per share for the year 2006, representing an increase of 25.9% over 2005.

Return on average assets and return on average equity were 2.01% and 14.92% respectively. The capital adequacy ratio and the average liquidity ratio for the year were 16% and 46.1% respectively.

As at 31 December 2006, total deposits grew by 15.5% to HK\$62,709,121,000, while total advances to customers expanded by 5.2% to HK\$38,782,981,000. Consolidated total assets amounted to HK\$84,980,628,000, representing a 13.7% increase over 2005.

In 2006, loan demand in Hong Kong did not increase in tandem with the strong growth of the local economy, and competition for loans in the banking sector remained intense. Awash in excessive liquidity, HIBOR stayed at a low level for a long period of time, and interest rate spreads gradually widened, thereby increasing the Bank's net interest income. In recent years, the Bank has deliberately expanded into non-interest income businesses, so it is encouraging to see positive results from this move with other operating income rising by 44.2% in 2006. Income from securities brokerage business in particular grew robustly, benefiting from the active stock market. Both wealth management business and treasury business recorded steady growth, whereas income from insurance operations maintained at 2005's level due to fierce price cutting and competition.

香港經濟在過去三年連續好轉下，就業情況大為改善，內部需求隨個人收入增加、物業價格穩定及利率見頂而回升，這利好勢頭相信在三〇〇七年仍會延續。本行在政策上會繼續加大力度於非利息收入的開拓，期望逐步提升這方面盈利的比重。此外，亦會繼續將信用卡及個人消費信貸列為繼續開發項目，以求獲致較高回報。

二〇〇六年是香港銀行業經營環境變化較多的一年。由於市場憧憬人民幣升值，吸引了大量資金流入。美元近期加息港元未有相應跟隨，且呈背馳現象。同業對按揭放款的競爭未歇，大銀行且領先以超低息率搶客。中國加入世貿組織後已於二〇〇六年十二月十一日全面對外開放市場，連月來已有幾家大型國營銀行在香港成功上市，也有多家外資銀行先後入股內地銀行，這將會加速中、港兩地市場的磨合。內地經濟逐步朝向私有化發展及按市場機制營運是大勢所趨，預料香港未來銀行業的經營會面對更多競爭和挑戰。

香港回歸中國將近十年，內地因素對香港經濟影響愈來愈大，國家第十一個五年規劃已將香港納入其中，而特區政府也曾為此舉行過高峰會議，就商貿、金融、物流、基建等領域擬訂了行動綱領，加強與廣東省及泛珠三角各省份的合作，提出具體建議，尋求互利互惠。中國經濟持續高速發

After three consecutive years of steady economic growth, employment situation improved significantly. Domestic consumption rose as personal income increased, property prices stabilised and the local interest rates peaked. This favourable market environment is likely to persist in 2007. For the current year, the Bank will step up its efforts in the development of non-interest income businesses so as to expand the non-interest income component and will continue promoting credit card, personal and consumer loan businesses for higher returns.

2006 witnessed quite a number of changes in the Hong Kong's banking environment. Market anticipation for an upward revaluation of Renminbi attracted large influx of capital. Local interest rates did not precisely mirror the recent US rate rises; on the contrary, some large banking groups took the lead to reduce the mortgage interest rates for a bigger slice of the residential mortgage market. With China fully opening its domestic market on 11 December 2006 in line with its WTO commitments, several large state-owned banks have since successfully listed on the Hong Kong Stock Exchange, and a number of foreign banks have taken equity investments in mainland banks in the past few months. All these will accelerate the integration of the Hong Kong and Mainland markets, and the Chinese economy will orientate more towards private enterprises and free market mechanism. The Hong Kong banking sector will see greater competition and challenges ahead.

As Hong Kong is approaching its 10th Anniversary of Chinese sovereignty, developments in China will have an ever greater impact on the local economy with Hong Kong being included in China's Eleventh-Five-Year Plan. Accordingly, the HKSAR Government organised a summit conference, during which action plans and concrete recommendations were hammered out in the areas of commerce, finance, logistics and infrastructure in the

展，香港自然蒙受其益。本行已制訂長遠計劃逐步開拓內地市場，現正積極籌辦將上海代表處升格為分行。另已為深圳分行申請經營人民幣業務牌照，及開辦一些新業務如中小企信貸、貿易融資、廠房及機器抵押貸款等。同時，會就近在內地招聘所需人才，加強培訓，以配合發展。

今年一月中美國傳統基金公布二〇〇七年「經濟自由度指數」，香港連續第十三年獲評為全球最自由經濟體系，證明香港一向所堅持的自由市場政策及所提供的有利營商環境仍然得到國際社會的認同，這包括了低稅率、少干預、高透明度監管及司法獨立等。特區政府有須繼續強化這些優勢，加速經濟建設，才可以保持領先地位。否則稍有鬆弛，便很容易被鄰近競爭對手所超越。

現今銀行經營業務所提供與客戶的服務產品是日益多元化和複雜化，建構一個完善的風險管理系統係有必要。本行已設有風險管理委員會，負責擬訂、檢討本行控制各類風險的政策與程序，並就此等政策與程序的落實執行進行監察。此外，風險管理委員會亦負責對法律及合規風險的監控，確保所有業務運作均依照法例合規進行。

hope of strengthening cooperation and establishing mutually beneficial relationships with Guangdong and other provinces within the Pan-Pearl River Delta region. China's continuous fast economic growth will directly benefit Hong Kong, and the Bank has formulated long-term strategies to expand into the Mainland market. Among the Bank's China expansion initiatives are the upgrading of the Shanghai Representative Office to a full branch, applying for a licence to operate Renminbi business in Shenzhen Branch, launching new businesses such as SME loan, trade financing and factory and machinery mortgage loan, and beefing up staff recruitment and training in the Mainland to meet our expansion needs.

In mid-January 2007, the Heritage Foundation of the US announced its 2007 Index of Economic Freedom, and Hong Kong has been rated by the Foundation as the world's freest economy for the past thirteen consecutive years, indicating that our laissez-faire economic policy and our city's favourable business environment including low tax rates, minimum intervention, transparent regulation and judicial independence continue to earn international recognition. The HKSAR Government should continue strengthening our existing competitive edge as well as economic development in order to stay ahead of the game. Otherwise, Hong Kong will be outperformed by its competitors in the region.

The increased diversity of banking services necessitates the establishment of a comprehensive risk management system. The Bank has therefore in place a Risk Management Committee to formulate and evaluate policies and procedures regarding the control of various types of risks and to monitor the effective implementation of such. The Risk Management Committee is also actively involved in overseeing the legal and compliance risks to ensure all business operations are strictly in accordance with applicable laws.

董事伍兆燦博士於二〇〇七年四月二十八日之股東年會任期屆滿後不再接受複選連任。伍博士是商界碩彥，自一九九九年出任董事以來對本行發展作過不少卓越貢獻，在此謹代表董事會同人向伍博士敬致謝忱。

本人並擬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予本行的支持，尤其是名譽董事長伍絜宜博士的時加匡導，敬致謝忱！對本行管理層暨各級人員的努力工作，忠誠服務，亦謹代表董事會向他們表示衷心感謝！

伍步高
董事長

二〇〇七年二月二十八日

Your director Dr Siu-chan NG, a prominent business magnate, will not stand for re-election when he retires as a director of the Bank by rotation at the Annual General Meeting on 28 April 2007. On behalf of the Board, I would like to express our gratitude to Dr NG for his invaluable guidance and support during the period of his service since 1999.

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

Michael Po-ko WU
Chairman

28 February 2007