

Chief Executive Officer's *Report*

行政總裁報告書



Chief Executive
行政總裁報告書 *Officer's Report*

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RESULTS OF THE GROUP

For the year under review, the Hong Kong economy went through a difficult year and the securities markets of both Hong Kong and Mainland China were still suffering from many unfavourable factors. Against this backdrop, the Group and its subsidiaries made their best efforts in developing their businesses in Hong Kong and Mainland China. Everbright Securities in which the Group owns 49% equity interest, increased its market share in Mainland China's securities market. Everbright Bank in which the Group owns 21.39% equity interest, recorded rapid growth in loan and deposit business and its asset quality and profitability improved gradually. However in 2002, Everbright Bank, adopting a prudent provisioning policy according to the Hong Kong accounting standards, increased the provisions in respect of its historic non-performing assets. In the Group's consolidated accounts, the losses attributed from Everbright Bank and Everbright Securities to the Group were HK\$838 million and HK\$127 million respectively. A total after tax loss of HK\$993 million was recorded for the Group.

REVIEW OF OPERATIONS

(A) Commercial Banking

In 2002, Everbright Bank reported a profit before provisions and tax of RMB2,705 million, representing an increase of 49% over 2001. Such increase in profit before provisions and tax was mainly attributable to the increase in its loan portfolio from RMB146.1 billion to RMB191.4 billion (a 31% increase) and an increase in net interest income from RMB4,288 million to RMB5,504 million (a 28% increase) together with a decrease in its operating costs by 7% from its level as in 2001. Provisions made by Everbright Bank in 2002 amounted to RMB8,630 million, mainly in respect of the non-performing assets acquired from the former-China Investment Bank.

經營業績

回顧本年度，香港經濟經歷了困難的一年，中國內地和香港證券市場受多種因素影響持續低迷。在此環境下，本公司及附屬公司（「本集團」）努力發展香港及內地業務。本集團持股49%的光大證券有限責任公司（「光大證券」）市場份額有所提高。本集團持股21.39%的中國光大銀行股份有限公司（「光大銀行」）貸款及存款業務持續快速增長，資產質量及盈利能力逐漸改善，但二零零二年光大銀行採取審慎會計政策，根據香港會計準則，對歷史遺留的問題資產增加了撥備。在本集團的合併賬內錄得應佔光大銀行及光大證券稅後虧損分別約港幣8.38億元和1.27億元。本集團全年稅後虧損共港幣9.93億元。

業務回顧

(A) 商業銀行業務

於二零零二年，光大銀行錄得未計入撥備之除稅前利潤為人民幣27.05億元，較二零零一年增長49%。此利潤增長主要是因貸款額由人民幣1,461億元增至人民幣1,914億元（增長31%），淨利息收入由人民幣42.88億元增至人民幣55.04億元（增長28%），而經營開支則較二零零一年下降超過7%所致。二零零二年光大銀行對主要是接收的原中國投資銀行的不良資產增加撥備人民幣86.3億元。

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REVIEW OF OPERATIONS (Continued)

(A) Commercial Banking (Continued)

The above provisions are made up of: (1) doubtful debts provisions of RMB2,860 million out of which there was an increase in general provision of RMB1,310 million due to the increase in general provision percentage for ordinary loan to 1%; a further RMB1,550 million increased provision was made primarily due to the downgrading of the former-China Investment Bank's non-performing loans; (2) with the passage of time, the collectibility of overdue interest receivable relating to the former-China Investment Bank business has diminished. The management of Everbright Bank adopted a prudent approach and made an increased provision of RMB3,410 million on the overdue interest receivable; (3) based on the actual experience in dealing with the foreclosed assets related to the non-performing loans acquired from the former-China Investment Bank and the latest position of the assets involved, Everbright Bank increased the provision to RMB1,570 million on such foreclosed assets; (4) further provision of RMB790 million related to the former China Investment Bank's other non-performing assets including investments and overdue inter-bank assets was made.

Over the last three years, Everbright Bank has paid extra efforts in recovery of overdue receivables and clearing up its non-performing assets. The non-performing loans have decreased both in terms of value and rate. As at 31st December 2002, according to the "5-grade" standard in asset categorization, Everbright Bank's non-performing loan amounted to RMB25.15 billion and the non-performing loan rate dropped to 13.1%. After the substantial provisions made this year, the provisioning rate for the non-performing loans has reached 43%. The accounts should fairly reflect the value of Everbright Bank and its operating profits in coming years. The above-mentioned provisions will not have any serious effect on the cash flow of Everbright Bank.

業務回顧 (續)

(A) 商業銀行業務 (續)

以上撥備的主要構成是：(1)呆賬撥備共人民幣28.6億元。其中將正常類貸款所作的一般撥備提升至1%，增加撥備人民幣13.1億元。其餘約人民幣15.5億元貸款損失撥備主要是因為接收的原中國投資銀行的不良貸款進一步降級所致；(2)隨著時間的推移，原中國投資銀行逾期應收利息的回收可能性逐漸降低，光大銀行管理層決定採取較保守的會計政策，為此增加撥備人民幣34.1億元；(3)光大銀行根據最新的實際處置經驗和資產現狀對原中國投資銀行的不良貸款之抵債資產，增加撥備人民幣15.7億元；(4)此外，光大銀行亦對從原中國投資銀行接收的，包括逾期拆放、存放及投資等其他不良應收款項增加撥備約人民幣7.9億元。

過去三年光大銀行努力追收欠款，不斷清理資產，不良貸款金額和比率持續下降。截至二零零二年十二月三十一日，按五級分類口徑，光大銀行不良貸款為人民幣251.5億元，不良貸款比率降到13.1%。此次大幅撥備後不良貸款撥備率已達到43%，可從財務方面更公允地反映銀行的資產價值，同時使銀行為反映以後的經常性收益作出積極的準備。上述撥備對光大銀行的現金流不會產生嚴重影響。

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REVIEW OF OPERATIONS (Continued)

(A) Commercial Banking (Continued)

In 2002, Everbright Bank made substantial improvements in its electronic banking system. Leveraged on its “one counter-through” real time clearing system, Sunshine Cards and internet banking, Everbright Bank’s marketing network has been expanded to facilitate further development of its businesses, in particular, the intermediary and consumer lending businesses. As at the end of 2002, a total of 10.03 million cards were issued.

As at 31st December 2002, Everbright Bank was operating 30 direct branches and 354 banking offices in 23 provinces/cities and autonomous regions in Mainland China with a representative office in Hong Kong.

Affected by the weak Hong Kong economy in 2002, the Group’s 20% owned International Bank of Asia Limited recorded a decrease in profit in 2002 and contributed a profit after tax of HK\$48 million to the Group, representing a decrease of 18% compared to last year.

(B) Investment Banking Business

In 2002, the securities markets of Mainland China continued to adjust downwards. Both the Shenzhen and Shanghai composite indices dropped by approximately 17.5% and 18.3% respectively compared to last year. The trading volumes of the primary and secondary markets dropped 23% and 27% respectively. The results of Everbright Securities were therefore adversely affected. Everbright Securities recorded an after tax loss of HK\$259 million, contributing a loss of HK\$127 million to the Group. During the year, Everbright Securities recorded a total operating income of HK\$358 million, made up of commission income of HK\$258 million, underwriting income of HK\$103 million, interest and other income of HK\$135 million and an investment loss of HK\$138 million. The operating costs decreased by HK\$180 million, representing a decrease of 24% compared to last year. Everbright Securities made provisions of HK\$100 million for account receivables and other assets.

業務回顧 (續)

(A) 商業銀行業務 (續)

二零零二年光大銀行電子化建設有長足進展，全行業務依託一櫃通、陽光卡、網上銀行等電子化手段擴大了市場營銷渠道，推動了多項業務，尤其是中間業務和消費貸款業務的發展。到二零零二年年末陽光卡發行量已達到1,003萬張。

截至二零零二年十二月三十一日止，光大銀行在全國23個省市自治區共擁有30家直屬分支行及354個營業網點，並於香港設有代表處。

受到香港經濟不景氣的影響，本集團持有20%股份的港基國際銀行二零零二年盈利有所下降，為本集團帶來港幣0.48億元的稅後盈利，比上年下降18%。

(B) 投資銀行業務

二零零二年，中國內地股市繼續調整，深證綜合指數及上證綜合指數分別下跌17.5%及18.3%，一級市場籌資額及二級市場成交量分別下降23%及27%。光大證券的業績因此受到較大的影響，全年錄得稅後虧損為港幣2.59億元，為本集團帶來港幣1.27億元的稅後虧損。本年光大證券錄得營業收入港幣3.58億元，其中佣金收入港幣2.58億元，包銷收入港幣1.03億元，利息與其他收入共港幣1.35億元，而投資業務虧損港幣1.38億元。期間營運支出比上一年度下降港幣1.8億元，降幅達24%，光大證券對應收賬款及其他資產撥備港幣1億元。

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REVIEW OF OPERATIONS (Continued)

(B) Investment Banking Business (Continued)

According to the information released by China Securities Association, the ranking of Everbright Securities has climbed from 14th to 12th in terms of secondary market trading volume. In terms of total capital raised, Everbright Securities ranked the 6th place. Its market share in the secondary share market was 1.62%, representing a slight increase compared to last year. As at the end of 2002, Everbright Securities operated 43 branches in Mainland China.

In order to raise its service standard and to further develop its business, Everbright Securities enlarged its capital in May 2002 to RMB2,600 million. The proceeds raised were used to further develop its brokerage, corporate finance and asset management businesses. To lower its operating costs so as to enhance its profitability, Everbright Securities underwent corporate restructuring and staff reduction last year.

Despite the overall difficult market conditions last year, the Group's brokerage business in Hong Kong recorded profits and achieved increase in market share. The Group recommenced its corporate finance business and participated as underwriters in some initial public offers (IPOs) during the year, including acting as the co-lead manager in the IPO of Bank of China (Hong Kong) Limited and acting as co-manager in the IPO of Harbin Brewery Group Limited, CK Life Sciences Int'l., (Holding) Inc. and BYD Company Limited.

(C) Others

As at 31st December 2002, the Group was holding approximately 45 million shares of China Mobile (Hong Kong) Limited.

業務回顧 (續)

(B) 投資銀行業務 (續)

根據中國證券業協會公佈的數據，光大證券股票基金交易量的全國總體排名由第14位上升至第12位。籌募金額在全國排名第6位。二級市場佔有率為1.62%，比上年都有所增長。至二零零二年末，光大證券營業網點總數達43家。

為了提高服務水平，進一步拓展業務，光大證券在二零零二年五月完成了增資擴股，資本金增加至26億元人民幣。所籌集的資金主要用於進一步發展光大證券的經紀、投資銀行及資產管理業務。為了壓縮成本，提高經營效率，光大證券調整了內部機構設置、裁減了冗員，努力削減經營支出。

在本年度內，本集團香港經紀業務錄得盈利，市場佔有率有所上升。本集團重新啟動了投資銀行業務，並積極參與了市場上幾個有一定影響力的新股上市的承銷工作。包括擔任中國銀行香港(集團)有限公司的上市聯席牽頭經辦人、哈爾濱啤酒、長江生命科技有限公司、比亞迪公司上市的副協辦人等。

(C) 其他

截至二零零二年十二月三十一日，本集團仍持有約4,500萬股中國移動(香港)有限公司股票。

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REVIEW OF OPERATIONS (Continued)

(C) Others (Continued)

In order to concentrate on the development of its financial sector business in Mainland China, namely banking and securities businesses, the Directors of the Company decided to withdraw from Standard Life (Asia) Limited ("SLA"), a joint venture with Standard Life Assurance Company ("Standard Life") of the United Kingdom. The Company and Standard Life entered into a share sale agreement on 17th October 2002 whereby the Company sold its 35% stake in SLA to Standard Life for HK\$40 million. As provisions had previously been made in respect of this investment, this transaction resulted in a disposal profit of HK\$25.8 million for the Group.

Action Against Ch'ng Poh

In the legal action brought by the Company against Mr. Ch'ng Poh, the Court of Final Appeal handed down its judgment on 19th December 2002 whereby it dismissed Mr. Ch'ng Poh's appeal and upheld a judgment dated 21st February 2001 awarded in favour of the Company.

FINANCIAL POSITION

As at 31st December 2002, the net asset value of the Group was approximately HK\$3.97 billion with cash on hand of approximately HK\$124 million. Apart from trade liabilities incurred in the ordinary course of business, the Group's major liability was a HK\$250 million renewable term loan obtained from China Everbright Holdings Company Limited on 2nd July 2002.

The increase in bank loans and overdrafts, all denominated in Hong Kong dollar and maturing within one month was for normal working capital requirements. The level of borrowing depended mainly on the Group's business and investment needs. As at 31st December 2002, the Group committed borrowing facilities in the sum of approximately HK\$630 million. The Group's gearing ratio, which is computed from the Group's total interest bearing liabilities divided by shareholders' funds, was 7.3% as at 31st December 2002 (4.5% as at 31st December 2001).

業務回顧 (續)

(C) 其他 (續)

為了集中精力發展國內金融業務，特別是銀行與證券業務，本集團董事會決定退出與英國標準人壽保險公司在香港合資設立的標準人壽保險(亞洲)有限公司。本公司與英國標準人壽於二零零二年十月十七日簽訂了股權買賣協議，作價港幣4,000萬元向對方出售本公司持有的合資公司35%的股份。由於以前年度已經對此項投資做出了部分撥備，因此，上述交易為本集團本年度帶來約港幣2,580萬的出售利潤。

對莊寶的訴訟

就本集團對莊寶先生提起的訴訟，終審法院於二零零二年十二月十九日作出了判決。駁回了莊寶先生的上訴申請，確認本集團於二零零一年二月二十一日取得的勝訴判決。

財務狀況

於二零零二年十二月三十一日，本集團的資產淨值約港幣39.7億元，持有現金總額約港幣1.24億元。除日常業務營運的流動負債外，本集團的主要負債為於二零零二年七月二日向中國光大集團有限公司借入的港幣2.5億元可續期借款。

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。於二零零二年十二月三十一日，本集團的已承諾借貸額度約為港幣6.3億元。以附帶利息之負債與股東權益總額為計算基準，本集團於二零零二年十二月三十一日之負債與資本比率為7.3% (二零零一年十二月三十一日：4.5%)。

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FINANCIAL POSITION (Continued)

As at 31st December 2002, the Group had no substantial exposure to foreign exchange fluctuations other than assets denominated in Renminbi.

As at 31st December 2002, the Group had pledged listed securities to the value of approximately HK\$590 million in relation to certain banking facilities.

The Group did not have any contingent liabilities as at 31st December 2002. The Company had given guarantees in respect of banking facilities available to subsidiaries totaling approximately HK\$380 million but those facilities were not utilised as at 31st December 2002. As at 31st December 2002, the Company had issued corporate guarantees to certain financial institutions for trading facilities granted to a subsidiary which engages in leveraged foreign exchange trading and derivatives transactions conducted by other subsidiaries. The guarantee amounts vary and are dependent on the volume of transactions effected.

EMPLOYEES

As at 31st December 2002, the number of employees of the Group was 105. Total staff costs for the period under review amounted to approximately HK\$46.94 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.

財務狀況 (續)

除以人民幣為基礎的資產外，於二零零二年十二月三十一日本集團並無重大之外匯風險。

於二零零二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5.9億元之上市證券抵押。

於二零零二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3.8億元，於二零零二年十二月三十一日，集團屬下之子公司並未有任何借款。截至二零零二年十二月三十一日止，本公司為一間參與橫杆外匯交易之附屬公司及參與衍生工具買賣之其他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

本集團於二零零二年十二月三十一日擁有僱員105名。於回顧年度內之總員工成本約為港幣4,694萬元並已列載於綜合損益表內。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。

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PROSPECTS

With the global economy being dominated by uncertainties, we believe the Hong Kong economy will face another difficult year in 2003. However, considering the vast business opportunities made available to the Group's banking and securities business by the fast growing economy in Mainland China, the Group is optimistic about the outlook of its business in 2003.

China's accession to the World Trade Organisation in 2001 not only boosts foreign investments and trade activities in Mainland China, it also provides opportunities for steady economic growth and accelerates reforms to a wide spectrum of business sectors. A series of policy reforms recently promulgated in Mainland China's financial sector give rise to abundant business opportunities to investors. Capitalizing on the Group's banking and securities operations in the Hong Kong and Mainland China markets, the Group will continue to develop synergy amongst the Group's business operations. The Group will actively expand our scope of business, improve our corporate governance and achieve growth and return for our shareholders.

Finally, I take this opportunity to express my gratitude for the support of our shareholders, the members of the Board and the staff of the Group. I will, together with all those who are interested in the Group, continue to contribute to the growth and development of the Group.

Guo You

Chief Executive Officer

Hong Kong, 23rd April 2003

展望

在全球經濟形勢不明朗的情況下，二零零三年香港經濟仍將面臨一些困難，但是考慮到中國經濟快速發展為國內銀行及證券業務所提供的商機，本集團對二零零三年的經營狀況充滿信心。

中國二零零一年加入世界貿易組織後，外國投資和對外貿易更加活躍，有力地促進了經濟的穩定增長，同時各行各業的改革步伐進一步加快。國內金融市場實施了一系列改革措施，為廣大投資者提供了多種商機。本集團將憑藉國內銀行及證券業務的基礎，橫跨中港兩地市場的優勢，進一步發揮與國內金融業務的協同效應，努力擴大業務規模，積極拓展業務領域，全面提高經營管理水平，爭取以良好的業績回饋股東。

最後，本人謹藉此機會對本集團的股東、董事會成員及全體員工的支援表示衷心的感謝。本人將與所有關心本集團的人員一道為本集團發展壯大作出貢獻。

郭友

行政總裁

香港，二零零三年四月二十三日