去年下半年香港经济渐入佳境，《內地与香港關於建立更緊密經貿關係的安排》（CEPA）為經濟注入新動力，旅遊及飲食業市場好轉，地產物業商情復暢，就業情況持續改善，加上「自由行」內地到港遊客大增，推動零售消費行業迅速反彈，市民日趨繁榮。踏入今年，乘着外圍經濟情況普遍回升，本港因應CEPA正式實施而受惠，港製產品可免徵關稅運往國內銷售，有利吸引內地上市商回流，外商亦因本港優越地位，積極探討利用CEPA優惠在香港投資機遇，導致本地工業有重生趨勢。根據統計數字顯示，本港出口已經連續五個月上升，創出十三年來最長連續上升紀錄，今年首六個月，整體出口貨值上升近16%，出口業蓬勃，主因是欧美日以至東南亞市場表現良好，一般相信強勁增長勢頭將可持續。隨著各行各業互相競爭效應，上半年本港整體經濟表現全面復甦，各項指標均有不同程度之進展，為九七年金融危機出現以來最具活力之時期。

Although the economy has markedly improved, the impact has yet to be felt by the banking sector. As such, the results for the first half of this year, as compared with those of the corresponding period last year, can only be described as a slight improvement. The Bank's unaudited, consolidated results for the first half of 2004 improved somewhat compared with those for the corresponding period of 2003. Net income rose 2.08 percent to HK$353.29 million. Operating profit before provisions increased 19.42 percent to HK$252.21 million. Provisions newly made for bad and doubtful debts for the first half of this year fell 3.97 percent to 84.96.6 million from 88.478 million for the corresponding period last year. However, the provisions written back during the period declined 33.10 percent to 33.149 million from 49.55 million for the corresponding period last year. As such, the results for the first half of this year, as compared with those of the corresponding period of 2003, can only be described as a slight improvement. The Bank's unaudited, consolidated results for the first half of 2004 improved somewhat compared with those for the corresponding period of 2003. Net income rose 2.08 percent to HK$353.29 million. Operating profit before provisions increased 19.42 percent to HK$252.21 million. Provisions newly made for bad and doubtful debts for the first half of this year fell 3.97 percent to 84.96.6 million from 88.478 million for the corresponding period last year. However, the provisions written back during the period declined 33.10 percent to 33.149 million from 49.55 million for the corresponding period of 2003. As such, the results for the first half of this year can only be described as a slight improvement. The Bank's unaudited, consolidated results for the first half of 2004 improved somewhat compared with those for the corresponding period of 2003. Net income rose 2.08 percent to HK$353.29 million. Operating profit before provisions increased 19.42 percent to HK$252.21 million. Provisions newly made for bad and doubtful debts for the first half of this year fell 3.97 percent to 84.96.6 million from 88.478 million for the corresponding period last year. However, the provisions written back during the period declined 33.10 percent to 33.149 million from 49.55 million for the corresponding period of 2003. As such, the results for the first half of this year can only be described as a slight improvement.

The second half of last year witnessed the gradual improvement of the Hong Kong economy. The Mainland and Hong Kong Closer Economic Partnership Arrangement ("CEPA") has given the economy a new boost. The tourism and restaurant businesses have turned around and so has the property market. The employment situation has continued to improve, not to mention the gradual blossoming of economic activities on the back of a swift rebound of the retail consumer market brought about by the increasing numbers of mainland visitors to Hong Kong travelling under the "individual travel" arrangement. The overseas economies have generally stabilized as this year began to unfold and Hong Kong has started benefitting from the official implementation of CEPA, which means zero import tariff for the sale of a number of Hong Kong products in the mainland. This has facilitated the return of manufacturers who had previously moved up north. In the light of Hong Kong's superb position, foreign businesses have actively explored the use of CEPA incentives for investment opportunities in Hong Kong. The local industries tended to have been given a dose of new life. Industry insiders indicate that local exports have risen in 25 months in a row, setting the longest continuous increase record for the past 13 years. The value of the overall exports has risen some 16 percent for the first six months of this year. The export industry has flourished mainly because of the good performance of the markets in Europe, America, Japan and South East Asia. It is generally believed that strong growth momentum will persist. Following the interactive effect caused by the various trades and businesses, Hong Kong's economy as a whole has enjoyed a full recovery for the first half of this year. All kinds of indicators have shown various degrees of progress. This is a period exhibiting the most vitality after the financial turmoil of 1997.

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The local economy has shifted into a rising mode. Deflation, which has plagued the territory for years, can be expected to be behind us in a few months. Gross domestic product for this year has been forecasted to grow up to 7 percent. Although US interest rates have just started to rise, the American presidential election towards the end of this year will have its impact on the international political landscape for the next four years. In the light of Hong Kong’s sound foundation and network of global trading partners, not to mention a more stable development of the economy facilitated by mainland China’s macroadjustment policy, the local economy stands to benefit even more from plans to foster closer cooperation in the Pan Pearl River Delta area (comprising nine provinces and two Special Administrative Regions). Such plans will pave the road for a brighter future with huge potential for business opportunities.

The recovery of the economy will help the local government to gradually reduce its fiscal deficit. The recent successful issues of the retail bonds which are backed by the revenues from five tunnels and the Lantau Link owned by the government and of the HK$20 billion government bonds, as well as such proposals as those for the merger of the Kowloon-Canton Railway Corporation and the MTR Corporation and for the listing of the Airport Authority that are in the pipeline, are all beneficial to the government’s finances. The goal to cut the fiscal deficit can thus be expected to be achieved sooner. Large public infrastructural projects have continued to be implemented. The Hong Kong Disneyland will commence business next year, while all the major enterprises concerned have climbed on the bandwagon to expand their operations. All these are conducive to lowering the unemployment rate. It is expected that the current robust market condition will continue.

Your board appointed Mr Kevin Wai Hung Chu, Senior Manager heading the Bank’s Corporate and Commercial Banking Department, an Executive Director on 1 June 2004. I, on behalf of your board, would like to welcome Mr Chu as a new board member to join us in charting the development of the Bank.

We will continue to stride forward by devoting our efforts to both the development of our comprehensive array of business lines and the sharpening of our competitive advantage.

本港經濟已踏入上升軌，困擾經年之通縮可望於數月內消失，預期本地全年生產總值增長可達7%。雖然美國加息週期剛開始，復因年底前總統大選將影響未來四年國際政治局面，但由於本港根基穩固，貿易伙伴廣遍全球，加上國宏觀調控政策令經濟更穩健發展，對本港經濟更為有利，「珠三角融合」及「九加二」方案皆對本港未來發展作鋪橋搭路，商機滿盈，前景光明。

經濟復甦協助特區政府逐步減少財赤，近期五隧一橋發債及200億元官債成功發行，計劃中地鐵與九鐵合併及機管局上市等方案均有利政府財政，相信消減財赤目標可望提早完成。公營大型基建項目持續落實，迪士尼樂園明年開業，各大相關企業乘勢擴展業務，皆有助降低失業率，預料目前蓬勃市況可維持。

本行董事會於今年六月一日，委任本行企業銀行業務部主管朱惠雄高級經理為常務董事，本人謹代表董事會歡迎朱先生加入，共策本行之發展。

本行將繼續致力拓展各項業務，並增強競爭優勢，向前邁進。