



# WING HANG BANK, LIMITED

(Incorporated in Hong Kong with limited liability)  
(Stock Code: 302)

## ANNOUNCEMENT OF 2008 INTERIM RESULTS

### INTERIM RESULTS

The Directors of Wing Hang Bank, Limited (“the Bank”) announce that the unaudited results of the Bank and its subsidiaries (collectively referred to as “the Group”) for the six months ended 30<sup>th</sup> June, 2008 are as follows:  
(Expressed in thousands of Hong Kong dollars unless otherwise stated in the text)

### Unaudited Consolidated Income Statement

		Six months ended		
	Notes	30 <sup>th</sup> June, 2008	30 <sup>th</sup> June, 2007	Change
Interest income		<b>3,108,623</b>	3,469,575	
Interest expense		<b>(1,798,345)</b>	(2,305,361)	
Net interest income	(3)	<b>1,310,278</b>	1,164,214	12.5%
Other operating income	(4)	<b>570,537</b>	510,825	11.7%
Net losses from financial instruments held for trading and designated at fair value through profit or loss	(5)	<b>(7,088)</b>	(24,613)	-71.2%
Non-interest income		<b>563,449</b>	486,212	15.9%
Operating income		<b>1,873,727</b>	1,650,426	13.5%
Operating expenses	(6)	<b>(726,836)</b>	(610,679)	19.0%
Operating profit before impairment losses and allowances charged on loans and advances		<b>1,146,891</b>	1,039,747	10.3%
Impairment losses and allowances (charged) / released on loans and advances		<b>(45,197)</b>	2,525	
Operating profit		<b>1,101,694</b>	1,042,272	5.7%
Net gains on revaluation of investment properties and disposal of tangible fixed assets	(7)	<b>23,239</b>	1,260	
Gains on disposal of available-for-sale financial assets		<b>43,838</b>	39,859	
Share of net (losses) / profits of associated companies		<b>(73,873)</b>	29,630	
Profit before taxation		<b>1,094,898</b>	1,113,021	-1.6%
Taxation	(8)	<b>(157,336)</b>	(155,911)	
Profit after taxation		<b>937,562</b>	957,110	-2.0%
Profit attributable to:				
Shareholders of the Bank		<b>938,122</b>	956,263	-1.9%
Minority interests		<b>(560)</b>	847	
Profit after taxation		<b>937,562</b>	957,110	
Dividends attributable to the period:				
Interim dividend declared after the balance sheet date		<b>283,243</b>	283,132	
Underprovision of final dividend in respect of the previous year		<b>198</b>	80	
		<b>283,441</b>	283,212	0.1%
		<b>HK\$</b>	<b>HK\$</b>	
Earnings per share	(9)			
- Basic		<b>3.18</b>	3.25	-2.2%
- Diluted		<b>3.15</b>	3.22	
Interim dividend declared per share		<b>0.96</b>	0.96	-

## Unaudited Consolidated Balance Sheet

	<i>Notes</i>	<u>30<sup>th</sup> June, 2008</u>	<u>31<sup>st</sup> December, 2007</u>
<b>ASSETS</b>			
Cash and balances with banks, central banks and other financial institutions		4,537,607	3,306,767
Placements with banks, central banks and other financial institutions		23,325,681	28,942,740
Trade bills		522,325	363,545
Trading assets	<i>(11)</i>	1,057,422	1,034,757
Financial assets designated at fair value through profit or loss	<i>(12)</i>	4,404,113	6,700,285
Advances to customers and other accounts	<i>(13)</i>	83,346,872	76,775,985
Held-to-maturity and available-for-sale financial assets	<i>(14)</i>	19,374,997	18,891,888
Investments in associated companies		220,031	298,189
Tangible fixed assets			
- Investment properties		293,600	286,898
- Other properties, plants and equipment		1,855,145	1,742,570
Goodwill		1,306,430	1,306,430
Current tax recoverable		1,060	151
Deferred tax assets		19,497	7,057
Total assets		<u><u>140,264,780</u></u>	<u><u>139,657,262</u></u>
<b>EQUITY AND LIABILITIES</b>			
Deposits and balances of banks, central banks and other financial institutions		1,199,260	2,817,714
Deposits from customers		117,800,432	113,968,986
Certificates of deposit issued		2,089,948	3,309,204
Trading liabilities		643,040	765,344
Current tax payable		272,006	153,879
Deferred tax liabilities		182,576	188,564
Other accounts and provisions		2,049,328	2,286,646
Subordinated liabilities	<i>(15)</i>	5,309,094	5,658,889
Total liabilities		<u>129,545,684</u>	<u>129,149,226</u>
Share capital		295,044	294,964
Reserves	<i>(16)</i>	10,401,927	10,190,387
Shareholders' funds		10,696,971	10,485,351
Minority interests		22,125	22,685
Total equity		<u>10,719,096</u>	<u>10,508,036</u>
Total equity and liabilities		<u><u>140,264,780</u></u>	<u><u>139,657,262</u></u>

## Unaudited Consolidated Statement of Changes in Equity

	Six months ended	
	<u>30<sup>th</sup> June, 2008</u>	<u>30<sup>th</sup> June, 2007</u>
Total equity as at 1 <sup>st</sup> January	<b>10,508,036</b>	9,316,723
Unrealised (losses) / gains on revaluation of available-for-sale financial assets net of deferred tax	<b>(9,669)</b>	6,313
Gains transferred from investment revaluation reserve to consolidated income statement on disposal of available-for-sale financial assets	<b>(1,925)</b>	(12,978)
Deferred tax credited to bank premises revaluation reserve	<b>4,264</b>	-
Effects of foreign exchange rate changes	<b>44</b>	4,147
Net expenses recognised directly in equity	<b>(7,286)</b>	(2,518)
Net profit for the period	<b>937,562</b>	957,110
Total recognised income and expenses for the period	<b>930,276</b>	954,592
Dividends declared and approved during the period	<b>(728,760)</b>	(588,521)
Proceeds on shares issued under Share Option Scheme	<b>2,609</b>	2,449
Share premium under Employee Incentive Plan (“EIP”)	<b>6,935</b>	6,935
Shares issued in lieu of dividends	<b>-</b>	60,799
Total equity as at 30 <sup>th</sup> June	<b><u>10,719,096</u></b>	<b><u>9,752,977</u></b>
Total recognised income and expenses for the period attributable to:		
Shareholders of the Bank	<b>930,836</b>	953,745
Minority interests	<b>(560)</b>	847
	<b><u>930,276</u></b>	<b><u>954,592</u></b>

### Notes to Interim Results:

(1) The financial information included in this unaudited interim results announcement are extracted from the Group’s unaudited interim financial report for the six months ended 30<sup>th</sup> June, 2008. The unaudited interim financial report has been prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities (“Listing Rules”) on The Stock Exchange of Hong Kong Limited and complies fully with Hong Kong Accounting Standard (“HKAS”) 34 “Interim financial reporting” issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”).

The interim financial report is unaudited, but has been reviewed by the Audit Committee of the Bank. It has also been reviewed by the Bank’s independent auditor, KPMG, in accordance with Hong Kong Standard on Review Engagements 2410 “Review of interim financial information performed by the independent auditor of the entity” issued by the HKICPA. KPMG’s independent unmodified review report to the Board of Directors is included in the 2008 Interim Report of the Bank to be sent to shareholders.

The interim results of the Group comprise the results of the Bank and its subsidiaries. Subsidiaries are consolidated into the consolidated financial statements from the date that control commences until the date that control ceases. The interim results also include the share of results of the associated companies.

This interim financial report is prepared on a basis consistent with the accounting policies adopted in the 2007 annual financial statements.

(2) The financial information relating to the financial year ended 31<sup>st</sup> December, 2007 included in the interim financial report does not constitute the Bank’s statutory financial statements for that financial year but is based on those financial statements. Statutory financial statements for the year ended 31<sup>st</sup> December, 2007 are available from the Bank’s registered office. The Bank’s independent auditor has expressed an unqualified opinion on those financial statements in its report dated 18<sup>th</sup> March, 2008.

(3) *Net interest income*

(a) *Interest income*

	Six months ended	
	<u>30<sup>th</sup> June, 2008</u>	<u>30<sup>th</sup> June, 2007</u>
Interest income arising from:		
- financial assets not measured at fair value through profit or loss	2,920,459	3,266,104
- trading assets	58,809	75,607
- financial assets designated at fair value through profit or loss	129,355	127,864
	<u>3,108,623</u>	<u>3,469,575</u>

(b) *Interest expense*

	Six months ended	
	<u>30<sup>th</sup> June, 2008</u>	<u>30<sup>th</sup> June, 2007</u>
Interest expense arising from:		
- financial liabilities not measured at fair value through profit or loss	1,650,869	2,206,432
- trading liabilities	30,500	14,875
- financial liabilities designated at fair value through profit or loss	116,976	84,054
	<u>1,798,345</u>	<u>2,305,361</u>

(4) *Other operating income*

	Six months ended	
	<u>30<sup>th</sup> June, 2008</u>	<u>30<sup>th</sup> June, 2007</u>
Fees and commissions		
Credit commission and fees	77,536	74,027
Credit card related fees	55,826	48,874
Trade related fees	41,171	40,469
Insurance commission	30,465	28,302
Stockbroking fees	83,405	95,865
Trust fees	38	41
Wealth management fees	58,937	55,275
Other fees and commission income	78,463	70,855
Less: Fees and commission expenses	(30,944)	(26,491)
	<u>394,897</u>	<u>387,217</u>
Gains arising from dealing in foreign currencies	155,590	86,612
Gains on other dealing activities	1,792	1,681
Dividend income from unlisted available-for-sale financial assets	3,746	3,621
Dividend income from listed available-for-sale financial assets	601	35
Dividend income from listed trading investments	727	84
Rental income from investment properties less direct outgoings	6,446	7,129
Others	6,738	24,446
	<u>570,537</u>	<u>510,825</u>

(5) *Net losses from financial instruments held for trading and designated at fair value through profit or loss*

	Six months ended	
	30 <sup>th</sup> June, 2008	30 <sup>th</sup> June, 2007
Net realised and unrealised losses on trading financial instruments	(23,766)	(38,731)
Net realised and unrealised gains on financial instruments designated at fair value through profit or loss	16,678	14,118
	<u>(7,088)</u>	<u>(24,613)</u>

(6) *Operating expenses*

	Six months ended	
	30 <sup>th</sup> June, 2008	30 <sup>th</sup> June, 2007
Staff costs		
Salaries and other staff costs	444,563	367,795
Retirement benefit costs	29,132	23,165
EIP costs	6,935	6,935
	<u>480,630</u>	<u>397,895</u>
Premises and equipment expenses, excluding depreciation	75,793	66,423
Depreciation	49,319	43,870
Others	121,094	102,491
	<u>726,836</u>	<u>610,679</u>

(7) *Net gains on revaluation of investment properties and disposal of tangible fixed assets*

	Six months ended	
	30 <sup>th</sup> June, 2008	30 <sup>th</sup> June, 2007
Unrealised revaluation gains of investment properties	23,127	7,150
Net gains / (losses) on disposal of tangible fixed assets	112	(5,890)
	<u>23,239</u>	<u>1,260</u>

(8) *Taxation*

Taxation in the unaudited consolidated income statement represents:

	Six months ended	
	30 <sup>th</sup> June, 2008	30 <sup>th</sup> June, 2007
Current tax - Provision for Hong Kong profits tax	128,694	122,743
Current tax - Provision for overseas tax	40,673	32,077
Deferred taxation	(12,031)	1,091
	<u>157,336</u>	<u>155,911</u>

The provision for Hong Kong profits tax is calculated at 16.5% (2007: 17.5%) of the Group's estimated assessable profits for the six months ended 30<sup>th</sup> June, 2008. The provision for overseas taxation is provided at the appropriate current rates of taxation ruling in the countries in which the relevant units of the Group operate.

**(9) Earnings per share**

The calculation of basic earnings per share is based on profit attributable to the Bank's shareholders for the six months ended 30<sup>th</sup> June, 2008 of HK\$938,122,000 (2007: HK\$956,263,000) and on the weighted average number of ordinary shares of 294,995,149 shares (2007: 294,384,636 shares) in issue during the period.

The calculation of diluted earnings per share is based on profit attributable to the Bank's shareholders for the six months ended 30<sup>th</sup> June, 2008 of HK\$938,122,000 (2007: HK\$956,263,000) and on the weighted average number of ordinary shares of 297,782,590 shares (2007: 297,161,220 shares) in issue during the period after adjustment for the effect of all dilutive potential ordinary shares of 2,787,441 shares (2007: 2,776,584 shares).

**(10) Segment reporting**

**(a) Business segments**

Retail banking activities include acceptance of deposits, residential mortgages, hire purchase and consumer loans.

Corporate banking activities include advance of commercial and industrial loans, trade financing and institutional banking.

Treasury activities include foreign exchange services, management of investment securities and trading activities.

Other business activities include insurance businesses, stockbroking activities and services for retirement schemes.

Unallocated items mainly comprise the shareholders' funds, investments in premises and property investment and other activities which cannot be reasonably allocated to specific business segments.

	Operating income		Profit before taxation	
	Six months ended		Six months ended	
	<u>30<sup>th</sup> June, 2008</u>	<u>30<sup>th</sup> June, 2007</u>	<u>30<sup>th</sup> June, 2008</u>	<u>30<sup>th</sup> June, 2007</u>
Retail banking	<b>1,167,895</b>	1,080,343	<b>688,366</b>	618,929
Corporate banking	<b>346,558</b>	284,915	<b>182,106</b>	197,198
Treasury	<b>209,608</b>	63,425	<b>187,579</b>	42,668
Others	<b>68,200</b>	112,611	<b>(51,808)</b>	104,474
Unallocated	<b>114,220</b>	139,735	<b>88,655</b>	149,752
Inter-segment elimination	<b>(32,754)</b>	(30,603)	-	-
	<b><u>1,873,727</u></b>	<b><u>1,650,426</u></b>	<b><u>1,094,898</u></b>	<b><u>1,113,021</u></b>

(b) *Geographical segments*

The information concerning geographical segments has been classified by the geographical location of the principal operations of the subsidiaries, or in the case of the Bank itself, of the geographical location of the branch responsible for reporting the results or booking the assets and liabilities.

	Operating income		Profit before taxation	
	Six months ended		Six months ended	
	<u>30<sup>th</sup> June, 2008</u>	<u>30<sup>th</sup> June, 2007</u>	<u>30<sup>th</sup> June, 2008</u>	<u>30<sup>th</sup> June, 2007</u>
Hong Kong	<b>1,572,729</b>	1,455,199	<b>967,284</b>	964,302
Macau	<b>281,264</b>	255,220	<b>188,268</b>	182,168
Mainland China	<b>198,598</b>	129,926	<b>89,775</b>	67,545
Others	<b>7,811</b>	9,393	<b>6,844</b>	7,806
Inter-segment elimination	<b>(186,675)</b>	(199,312)	<b>(157,273)</b>	(108,800)
	<b><u>1,873,727</u></b>	<b><u>1,650,426</u></b>	<b><u>1,094,898</u></b>	<b><u>1,113,021</u></b>

(11) *Trading assets*

	<u>30<sup>th</sup> June, 2008</u>	<u>31<sup>st</sup> December, 2007</u>
Debt securities:		
Listed in Hong Kong	<b>111,573</b>	119,928
Unlisted	<b>212,245</b>	206,369
	<b>323,818</b>	326,297
Equity securities listed in Hong Kong	<b>64,428</b>	33,393
Total trading securities	<b>388,246</b>	359,690
Positive fair values of derivative financial instruments held for trading	<b>669,176</b>	675,067
	<b><u>1,057,422</u></b>	<b><u>1,034,757</u></b>

Trading securities analysed by counterparty are as follows:

	<u>30<sup>th</sup> June, 2008</u>	<u>31<sup>st</sup> December, 2007</u>
Issued by:		
Sovereigns	<b>80,469</b>	80,678
Public sector entities	<b>860</b>	450
Banks	<b>153,533</b>	139,770
Corporates	<b>153,384</b>	138,792
	<b>388,246</b>	359,690
	<b><u>388,246</u></b>	<b><u>359,690</u></b>

(12) *Financial assets designated at fair value through profit or loss*

	<u>30<sup>th</sup> June, 2008</u>	<u>31<sup>st</sup> December, 2007</u>
Debt securities:		
Listed in Hong Kong	<b>47,295</b>	-
Listed outside Hong Kong	<b>1,004,818</b>	718,829
Unlisted	<b>3,352,000</b>	5,981,456
	<b>4,404,113</b>	6,700,285
	<b><u>4,404,113</u></b>	<b><u>6,700,285</u></b>

Financial assets designated at fair value through profit or loss analysed by counterparty are as follows:

	<u>30<sup>th</sup> June, 2008</u>	<u>31<sup>st</sup> December, 2007</u>
Issued by:		
Public sector entities	<b>514,241</b>	518,110
Banks	<b>1,307,874</b>	3,007,038
Corporates	<b>2,581,998</b>	3,175,137
	<b>4,404,113</b>	6,700,285
	<b><u>4,404,113</u></b>	<b><u>6,700,285</u></b>

**(13) Advances to customers and other accounts**

**(a) Advances to customers and other accounts**

	<u>30<sup>th</sup> June, 2008</u>	<u>31<sup>st</sup> December, 2007</u>
Gross advances to customers	81,439,673	74,573,779
Individual impairment allowances for impaired loans and advances	(125,220)	(105,976)
Collective impairment allowances for loans and advances	(131,993)	(135,987)
Net advances to customers	<u>81,182,460</u>	<u>74,331,816</u>
Advances to banks	-	93,920
Customer liability under acceptances	534,873	521,042
Accrued interest and other accounts	1,620,342	1,828,424
Positive fair values of derivative financial instruments held for hedging	9,197	783
	<u><u>83,346,872</u></u>	<u><u>76,775,985</u></u>

**(b) Impairment allowances for loans and advances**

	<u>Six months ended</u> <u>30<sup>th</sup> June, 2008</u>		
	Individual	Collective	Total
At 1 <sup>st</sup> January, 2008	107,479	136,263	243,742
Additions	76,874	7,219	84,093
Releases	(27,605)	(11,291)	(38,896)
Net charged / (credited) to consolidated income statement	49,269	(4,072)	45,197
Unwind of discount of loan impairment loss	(2,921)	-	(2,921)
Recoveries of advances written off in prior years	9,389	-	9,389
Amounts written off	(36,775)	-	(36,775)
At 30 <sup>th</sup> June, 2008	<u>126,441</u>	<u>132,191</u>	<u>258,632</u>
Representing impairment allowances for:			
Trade bills	1,221	198	1,419
Advances to customers	125,220	131,993	257,213
	<u>126,441</u>	<u>132,191</u>	<u>258,632</u>

	Year ended 31 <sup>st</sup> December, 2007		
	Individual	Collective	Total
At 1 <sup>st</sup> January, 2007	96,672	169,002	265,674
Additions through acquisition of a subsidiary	4,167	35,505	39,672
Additions	130,888	5,037	135,925
Releases	(61,114)	(73,281)	(134,395)
Net charged / (credited) to consolidated income statement	69,774	(68,244)	1,530
Unwind of discount of loan impairment loss	(9,281)	-	(9,281)
Recoveries of advances written off in prior years	38,198	-	38,198
Amounts written off	(92,051)	-	(92,051)
At 31 <sup>st</sup> December, 2007	107,479	136,263	243,742
Representing impairment allowances for:			
Trade bills	1,503	276	1,779
Advances to customers	105,976	135,987	241,963
	107,479	136,263	243,742

**(14) Held-to-maturity and available-for-sale financial assets**

	30 <sup>th</sup> June, 2008	31 <sup>st</sup> December, 2007
Held-to-maturity debt securities:		
Listed in Hong Kong	80,361	81,481
Listed outside Hong Kong	639,277	266,302
	719,638	347,783
Unlisted	4,147,858	8,422,974
	4,867,496	8,770,757
of which:		
Treasury bills	2,624,031	2,893,910
Other held-to-maturity debt securities	2,243,465	5,876,847
	4,867,496	8,770,757
Available-for-sale debt securities:		
Listed in Hong Kong	245,593	-
Listed outside Hong Kong	5,774,348	6,205,624
	6,019,941	6,205,624
Unlisted	8,315,110	3,768,366
	14,335,051	9,973,990
of which:		
Certificates of deposit held	2,169,043	45,005
Other available-for-sale debt securities	12,166,008	9,928,985
	14,335,051	9,973,990

	<u>30<sup>th</sup> June, 2008</u>	<u>31<sup>st</sup> December, 2007</u>
Available-for-sale equity securities:		
Listed in Hong Kong	42,659	62,614
Listed outside Hong Kong	45,263	-
	<u>87,922</u>	<u>62,614</u>
Unlisted	84,528	84,527
	<u>172,450</u>	<u>147,141</u>
	<u>14,507,501</u>	<u>10,121,131</u>
	<u>19,374,997</u>	<u>18,891,888</u>
Market value of listed held-to-maturity debt securities	<u>717,365</u>	<u>351,708</u>
Fair value of unlisted held-to-maturity debt securities	<u>4,150,400</u>	<u>8,425,115</u>

Held-to-maturity investments analysed by counterparty are as follows:

	<u>30<sup>th</sup> June, 2008</u>	<u>31<sup>st</sup> December, 2007</u>
Issued by :		
Sovereigns	2,624,031	2,893,910
Public sector entities	443,166	231,919
Banks	681,935	4,859,769
Corporates	1,118,364	785,159
	<u>4,867,496</u>	<u>8,770,757</u>

Available-for-sale financial assets analysed by counterparty are as follows:

	<u>30<sup>th</sup> June, 2008</u>	<u>31<sup>st</sup> December, 2007</u>
Issued by :		
Sovereigns	7,874	8,028
Public sector entities	106,188	106,840
Banks	12,657,895	8,688,747
Corporates	1,735,544	1,317,516
	<u>14,507,501</u>	<u>10,121,131</u>

**(15) Subordinated liabilities**

	<u>30<sup>th</sup> June, 2008</u>	<u>31<sup>st</sup> December, 2007</u>
US\$325 million 5.25% subordinated guarantee notes, measured at amortised cost	2,535,065	2,535,747
US\$400 million 6.00% step-up perpetual subordinated notes, designated at fair value through profit and loss	2,774,029	3,123,142
	<u>5,309,094</u>	<u>5,658,889</u>

In 2003, Wing Hang Financial Holdings (BVI) Limited, a single purpose wholly-owned finance subsidiary of the Bank, issued subordinated notes qualifying as tier 2 capital with face value of HK\$2,535,065,000 (US\$325,000,000). The notes bear interest at fixed rate of 5.25% per annum until 10<sup>th</sup> October, 2008 and will be reset at the US Treasury Rate plus 2.75% per annum if the notes are not early redeemed at the option of the Bank. The Bank unconditionally and irrevocably guarantees all amounts payable under the notes which are listed on the Singapore Exchange Securities Trading Limited. The notes will mature on 10<sup>th</sup> October, 2013.

On 19<sup>th</sup> April, 2007, the Bank issued step-up perpetual subordinated notes qualifying as tier 2 capital with face value of HK\$3,125,520,000 (US\$400,000,000). The notes bear interest at fixed rate of 6.00% per annum until 19<sup>th</sup> April, 2017 and are floating at LIBOR plus 1.85% per annum thereafter if the notes are not early redeemed at the option of the Bank. The notes are listed on the Singapore Exchange Securities Trading Limited. The carrying amount of the notes as at 30<sup>th</sup> June, 2008 is HK\$2,774,029,000 (31<sup>st</sup> December, 2007: HK\$3,123,142,000).

At 30<sup>th</sup> June, 2008, the accumulated amount of the change in fair value attributable to change in credit risk for the step-up perpetual subordinated notes is HK\$463,366,000 (31<sup>st</sup> December, 2007: HK\$112,922,000) for the Group.

**(16) Reserves**

	<u>30<sup>th</sup> June, 2008</u>	<u>31<sup>st</sup> December, 2007</u>
Share premium	465,793	456,329
Capital reserve	215,909	215,909
General reserve	2,113,149	2,091,907
Bank premises revaluation reserve	295,388	291,124
Investment revaluation reserve	(44,579)	(32,985)
Capital redemption reserve	769	769
Unappropriated profits	7,355,498	7,167,334
Total reserves	<u>10,401,927</u>	<u>10,190,387</u>

The Group's unappropriated profits as at 30<sup>th</sup> June, 2008 included a regulatory reserve of HK\$770,820,000 (31<sup>st</sup> December, 2007: HK\$722,615,000). The regulatory reserve is maintained to satisfy the provisions of the Hong Kong Banking Ordinance for prudential supervision purposes by earmarking amounts in respect of losses which the Group will or may incur on advances to customers and certain investments held in addition to impairment losses recognised. Movements in the reserve are earmarked directly through unappropriated profits and in consultation with the Hong Kong Monetary Authority ("HKMA").

**(17) Impaired advances to customers**

The gross impaired advances to customers, market value of collateral held with respect to such advances and individual impairment allowances are as follows:

	<u>30<sup>th</sup> June, 2008</u>	<u>31<sup>st</sup> December, 2007</u>
Gross impaired advances to customers	405,628	325,137
Gross impaired advances to customers as a percentage of total advances to customers	0.50%	0.44%
Market value of collateral held with respect to impaired advances to customers	255,408	197,662
Individual impairment allowances	125,220	105,976

Impaired advances to customers are individually assessed loans with objective evidence of impairment on an individual basis. Individually assessed impairment allowances were made after taking into account the net present value of future recoverable amounts in respect of such loans and advances, and the collateral held mainly comprised properties and vehicles.

There were no impaired advances to banks nor individual impairment allowances made on advances to banks as at 30<sup>th</sup> June, 2008 and 31<sup>st</sup> December, 2007.

**(18) Advances to customers analysed by industry sectors**

(a) The information concerning advances to customers is prepared by classifying the advances according to the usage of the advances.

	<b>30<sup>th</sup> June, 2008</b>		
	Gross advances to customers	% of gross advances covered by collateral	Impaired advances to customers
Advances for use in Hong Kong			
Industrial, commercial and financial			
- Property development	709,001	45.6	-
- Property investment	15,776,717	95.5	50,661
- Financial concerns	963,168	36.8	-
- Stockbrokers	235,061	79.3	-
- Wholesale and retail trade	904,520	76.5	24,054
- Manufacturing	1,394,591	57.0	44,866
- Transport and transport equipment	6,266,314	95.7	9,699
- Information technology	3,879	46.0	-
- Share financing	368,229	99.3	-
- Recreational activities	14	92.9	-
- Others	3,333,802	60.0	10,629
Individuals			
- Advances for the purchase of flats under the Home Ownership Scheme, Private Sector Participation Scheme and Tenants Purchase Scheme or their respective successor schemes	2,711,478	99.9	2,121
- Advances for the purchase of other residential properties	17,117,079	99.7	20,477
- Credit card advances	330,738	0.4	2,919
- Others	4,503,261	56.0	33,312
	<b>54,617,852</b>	<b>88.0</b>	<b>198,738</b>
Trade finance	3,774,051	48.0	74,297
Advances for use outside Hong Kong			
- Mainland China	13,878,211	77.7	102,787
- Macau	9,159,757	92.1	29,806
- Others	9,802	83.3	-
	<b>23,047,770</b>	<b>83.4</b>	<b>132,593</b>
	<b>81,439,673</b>	<b>84.9</b>	<b>405,628</b>

	31 <sup>st</sup> December, 2007		
	Gross advances to customers	% of gross advances covered by collateral	Impaired advances to customers
Advances for use in Hong Kong			
Industrial, commercial and financial			
- Property development	467,348	66.4	-
- Property investment	12,752,571	96.8	21,882
- Financial concerns	1,491,123	25.8	-
- Stockbrokers	322,990	83.5	-
- Wholesale and retail trade	757,592	81.4	18,695
- Manufacturing	1,257,800	64.8	46,910
- Transport and transport equipment	5,837,444	96.0	10,256
- Information technology	1,891	79.6	-
- Share financing	244,301	95.4	-
- Others	3,239,171	68.1	34,222
Individuals			
- Advances for the purchase of flats under the Home Ownership Scheme, Private Sector Participation Scheme and Tenants Purchase Scheme or their respective successor schemes	2,200,965	100.0	2,089
- Advances for the purchase of other residential properties	16,811,653	99.5	29,196
- Credit card advances	373,577	0.9	2,741
- Others	4,387,380	51.7	42,489
	50,145,806	87.7	208,480
Trade finance	3,283,349	52.7	20,636
Advances for use outside Hong Kong			
- Mainland China	12,082,546	78.5	67,937
- Macau	9,052,217	89.6	28,084
- Others	9,861	80.5	-
	21,144,624	83.3	96,021
	74,573,779	84.9	325,137

(b) An analysis of advances to customers by industry sectors in respect of industry sectors which constitute not less than 10% of gross advances to customers are as follows:

<b>30<sup>th</sup> June, 2008</b>				
	Gross advances to customers	Overdue advances to customers for over three months	Individual impairment allowances	Collective impairment allowances
Property investment	<b>15,776,717</b>	<b>43,966</b>	<b>6,114</b>	<b>21,336</b>
Advances for the purchase of other residential properties	<b>17,117,079</b>	<b>33,641</b>	<b>613</b>	<b>22,369</b>
Advances for use outside Hong Kong				
- Mainland China	<b>13,878,211</b>	<b>72,044</b>	<b>37,603</b>	<b>40,064</b>
- Macau	<b>9,159,757</b>	<b>27,114</b>	<b>827</b>	<b>3,237</b>
<b>31<sup>st</sup> December, 2007</b>				
	Gross advances to customers	Overdue advances to customers for over three months	Individual impairment allowances	Collective impairment allowances
Property investment	12,752,571	38,781	6,341	16,723
Advances for the purchase of other residential properties	16,811,653	19,665	7,849	21,150
Advances for use outside Hong Kong				
- Mainland China	12,082,546	44,377	25,150	47,935
- Macau	9,052,217	26,301	1,653	5,913

**(19) Advances to customers analysed by geographical area**

The geographical information is classified by the geographical location of the counterparties after taking into account any risk transfer. In general, such transfer of risk takes place if the claims are guaranteed by a party in a geographical location which is different from that of the borrower or if the claims are on an overseas branch of a bank whose head office is located in another geographical location.

	<b>30<sup>th</sup> June, 2008</b>				
	Gross advances to customers	Impaired advances to customers	Overdue advances to customers for over three months	Individual impairment allowances	Collective impairment allowances
Hong Kong	<b>64,952,263</b>	<b>311,271</b>	<b>192,492</b>	<b>97,845</b>	<b>105,278</b>
Macau	<b>8,064,473</b>	<b>34,217</b>	<b>31,525</b>	<b>827</b>	<b>13,067</b>
Mainland China	<b>5,269,213</b>	<b>17,171</b>	<b>19,738</b>	<b>12,003</b>	<b>8,540</b>
Others	<b>3,153,724</b>	<b>42,969</b>	<b>44,521</b>	<b>14,545</b>	<b>5,108</b>
	<b>81,439,673</b>	<b>405,628</b>	<b>288,276</b>	<b>125,220</b>	<b>131,993</b>

  

	<b>31<sup>st</sup> December, 2007</b>				
	Gross advances to customers	Impaired advances to customers	Overdue advances to customers for over three months	Individual impairment allowances	Collective impairment allowances
Hong Kong	60,883,545	259,686	169,857	94,102	111,020
Macau	7,310,699	35,615	33,999	1,653	13,327
Mainland China	3,449,322	16,341	6,479	10,193	6,296
Others	2,930,213	13,495	7,255	28	5,344
	74,573,779	325,137	217,590	105,976	135,987

**(20) Overdue and rescheduled advances to customers**

	<u>30<sup>th</sup> June, 2008</u>		<u>31<sup>st</sup> December, 2007</u>	
	Amount	% of total advances	Amount	% of total advances
Gross advances to customers which have been overdue with respect to either principal or interest for periods of:				
- 6 months or less but over 3 months	<b>102,271</b>	<b>0.13</b>	75,297	0.10
- 1 year or less but over 6 months	<b>92,311</b>	<b>0.11</b>	52,002	0.07
- Over 1 year	<b>93,694</b>	<b>0.12</b>	90,291	0.12
	<b><u>288,276</u></b>	<b><u>0.36</u></b>	<u>217,590</u>	<u>0.29</u>
Covered portion of overdue advances	<b>186,852</b>		171,578	
Uncovered portion of overdue advances	<b>101,424</b>		46,012	
	<b><u>288,276</u></b>		<u>217,590</u>	
Current market values of collateral held against covered portion of overdue advances	<b>501,523</b>		298,378	
Individual impairment allowances made on overdue advances	<b>82,909</b>		43,385	
Rescheduled advances to customers	<b>50,288</b>	<b>0.06</b>	44,635	0.06

Collateral held with respect to overdue advances to customers is mainly properties and vehicles.

There were no advances to banks which have been overdUED or rescheduled as at 30<sup>th</sup> June, 2008 and 31<sup>st</sup> December, 2007.

**(21) Other overdue assets**

	<u>30<sup>th</sup> June, 2008</u>	<u>31<sup>st</sup> December, 2007</u>
Trade bills which have been overdue with respect to either principal or interest for periods of:		
- 6 months or less but over 3 months	<b>447</b>	4,179
- 1 year or less but over 6 months	<b>8,127</b>	-
- Over 1 year	<b>-</b>	1,503
	<b><u>8,574</u></b>	<u>5,682</u>

**(22) Repossessed assets**

At 30<sup>th</sup> June, 2008, repossessed assets obtained as securities for advances to customers are HK\$22,746,000 (31<sup>st</sup> December, 2007: HK\$23,317,000).

**(23) Cross-border claims**

The information concerning cross-border claims has been classified by the geographical location of the counterparties after taking into account any risk transfer. In general, such transfer of risk takes place if the claims are guaranteed by a party in a geographical location which is different from that of the counterparty or if the claims are on an overseas branch of a bank whose head office is located in another geographical location.

	<b>30<sup>th</sup> June, 2008</b>			
	Banks and other financial institutions	Public sector entities	Sovereigns and others	Total
Macau	465	-	10,342,553	10,343,018
Mainland China	3,673,974	-	4,848,238	8,522,212
Other Asia Pacific	8,095,335	-	2,825,843	10,921,178
United States	1,678,769	310,332	3,020,693	5,009,794
Other North and South American countries	3,246,106	-	666,113	3,912,219
Middle East and Africa	8,562	-	56,394	64,956
Germany	6,421,677	-	24,242	6,445,919
United Kingdom	3,695,425	-	325,147	4,020,572
Other European countries	10,374,850	-	261,538	10,636,388
	<b>37,195,163</b>	<b>310,332</b>	<b>22,370,761</b>	<b>59,876,256</b>

  

	<b>31<sup>st</sup> December, 2007</b> (restated)			
	Banks and other financial institutions	Public sector entities	Sovereigns and others	Total
Macau	3,631	-	9,915,454	9,919,085
Mainland China	2,405,366	-	2,061,485	4,466,851
Other Asia Pacific	6,959,954	-	2,607,384	9,567,338
United States	1,238,181	311,515	2,619,393	4,169,089
Other North and South American countries	3,326,112	-	1,355,632	4,681,744
Middle East and Africa	6,355	-	41,214	47,569
Germany	9,344,325	-	7,613	9,351,938
United Kingdom	6,321,940	-	70,161	6,392,101
Other European countries	14,586,050	-	713,632	15,299,682
	<b>44,191,914</b>	<b>311,515</b>	<b>19,391,968</b>	<b>63,895,397</b>

Certain comparative figures in respect of cross-border claims have been reclassified to conform with the current period's presentation in relation to the classification of the counterparty.

**(24) Currency risks**

The net positions or net structural positions in foreign currencies are disclosed below where each currency constitutes 10% or more of the respective total net position or total net structural position in all foreign currencies.

<i>(In millions of HK\$ equivalent)</i>	<b>30<sup>th</sup> June, 2008</b>		<b>31<sup>st</sup> December, 2007</b>	
	US\$	Total	US\$	Total
Spot assets	<b>29,906</b>	<b>63,352</b>	34,087	61,184
Spot liabilities	<b>(35,552)</b>	<b>(69,112)</b>	(35,080)	(62,519)
Forward purchases	<b>21,056</b>	<b>25,082</b>	23,452	27,373
Forward sales	<b>(11,300)</b>	<b>(15,638)</b>	(19,685)	(23,628)
Net option position	<b>(3,065)</b>	<b>(3,065)</b>	(2,067)	(2,067)
Net long positions	<b>1,045</b>	<b>619</b>	707	343

Certain comparative figures in respect of currency risk have been restated to conform with the current period's presentation in relation to the amount of the net option position. The restatement has no impact on the classification, recognition and measurement of the amounts recognised in the interim financial information.

<i>(In millions of HK\$ equivalent)</i>	<b>30<sup>th</sup> June, 2008</b>				<b>31<sup>st</sup> December, 2007</b>			
	Macau Patacas	Chinese Renminbi	US\$	Total	Macau Patacas	Chinese Renminbi	US\$	Total
Net structural positions	<b>259</b>	<b>729</b>	<b>260</b>	<b>1,248</b>	260	610	646	1,516

**(25) Contingent liabilities and commitments to extend credit**

The following is a summary of the contractual amounts of each significant class of contingent liabilities and commitments to extend credit:

	<b>30<sup>th</sup> June, 2008</b>	<b>31<sup>st</sup> December, 2007</b>
Direct credit substitutes	<b>1,395,713</b>	1,375,390
Transaction-related contingencies	<b>84,971</b>	83,776
Trade-related contingencies	<b>1,403,283</b>	1,374,174
Other commitments:		
With an original maturity of not more than one year	<b>1,040,375</b>	1,151,736
With an original maturity over one year	<b>2,180,685</b>	2,415,562
Which are unconditionally cancellable	<b>13,024,264</b>	12,122,646
Total	<b>19,129,291</b>	18,523,284
Credit risk weighted amounts	<b>2,370,687</b>	2,404,184

The risk weights used in the computation of credit risk weighted amount range from 0% to 100%.

(26) *Derivatives financial instruments*

The following table is a summary of the notional amounts of each significant type of derivatives.

	<u>30<sup>th</sup> June, 2008</u>	<u>31<sup>st</sup> December, 2007</u>
Exchange rate contracts	56,176,222	61,122,799
Interest rate contracts	43,268,536	49,696,639
Equity contracts	6,949,047	6,263,248
Credit derivative contracts	1,751,192	1,578,814
	<u>108,144,997</u>	<u>118,661,500</u>

The fair values of derivative financial instruments are as follows:

	<u>30<sup>th</sup> June, 2008</u>		<u>31<sup>st</sup> December, 2007</u>	
	Assets	Liabilities	Assets	Liabilities
Exchange rate contracts	169,676	121,851	206,279	156,466
Interest rate contracts	284,628	268,517	275,966	402,454
Equity contracts	220,686	214,671	192,174	192,495
Credit derivative contracts	3,383	52,841	1,431	28,981
	<u>678,373</u>	<u>657,880</u>	<u>675,850</u>	<u>780,396</u>

The credit risk weighted amounts are as follows:

	<u>30<sup>th</sup> June, 2008</u>	<u>31<sup>st</sup> December, 2007</u>
Exchange rate contracts	464,582	400,773
Interest rate contracts	100,187	96,040
Equity contracts	249,623	284,956
Credit derivative contracts	33,183	43,035
	<u>847,575</u>	<u>824,804</u>

The risk weights used in computation of credit risk weighted average range from 0% to 100%. These amounts do not take into account the effects of bilateral netting arrangements.

(27) *Capital adequacy and liquidity ratios*

(a) *Capital adequacy ratio*

	<u>30<sup>th</sup> June, 2008</u>	<u>31<sup>st</sup> December, 2007</u>
Capital adequacy ratio	<u><b>16.1%</b></u>	<u>16.7%</u>
Core capital adequacy ratio	<u><b>8.4%</b></u>	<u>8.5%</u>

The capital adequacy ratios are computed on a consolidated basis of the Bank and certain of its subsidiaries as specified by the HKMA for its regulatory purposes, and are in accordance with the Banking (Capital) Rules of the Hong Kong Banking Ordinance.

	<u>30<sup>th</sup> June, 2008</u>	<u>31<sup>st</sup> December, 2007</u>
Components of capital base:		
Core capital		
Paid-up ordinary share capital	295,044	294,964
Share premium	465,793	456,329
Published reserves	7,555,302	7,110,192
Profit and loss account	323,450	458,498
Less: Goodwill	<u>(1,306,430)</u>	<u>(1,306,430)</u>
Total core capital before deductions	<u>7,333,159</u>	<u>7,013,553</u>
Less: deductions from core capital	<u>(125,513)</u>	<u>(134,544)</u>
Total core capital after deductions	<u>7,207,646</u>	<u>6,879,009</u>
Supplementary capital		
Reserves attributable to fair value gains on revaluation of holdings of land and buildings	206,532	196,124
Regulatory reserve for general banking risks	770,820	722,615
Collective impairment allowances	132,191	136,263
Perpetual subordinated debt	3,120,080	3,120,920
Term subordinated debt	<u>2,535,065</u>	<u>2,535,747</u>
Total supplementary capital before deductions	<u>6,764,688</u>	<u>6,711,669</u>
Less: deductions from supplementary capital	<u>(125,513)</u>	<u>(134,544)</u>
Total supplementary capital after deductions	<u>6,639,175</u>	<u>6,577,125</u>
Total capital base after deductions	<u><b>13,846,821</b></u>	<u>13,456,134</u>
Total deductions from the core capital and supplementary capital	<u><b>251,026</b></u>	<u>269,088</u>

(b) *Average liquidity ratio*

	<u>30<sup>th</sup> June, 2008</u>	<u>Six months ended 30<sup>th</sup> June, 2007</u>
Average liquidity ratio	<u><b>45.1%</b></u>	<u>52.3%</u>

The average liquidity ratio for the six months includes the liquidity positions of the Bank and certain of its financial subsidiaries, which is the basis of computation agreed with the HKMA, and has been computed in accordance with the Fourth Schedule to the Hong Kong Banking Ordinance.

**(28) Collateralised debt obligations**

At 30<sup>th</sup> June, 2008, the Group's collateralised debt obligations ("CDOs") portfolio comprises 15 (31<sup>st</sup> December, 2007: 16) corporate CDOs and 2 (31<sup>st</sup> December, 2007: 2) asset-backed CDOs squared, all of which are mezzanine tranches with investment grade ratings and are categorised as financial assets designated at fair value through profit or loss. None of the Group's CDOs investments have underlying assets that include U.S. sub-prime mortgages. The asset-backed CDOs squared are purchased in 2004 with the carrying amount of HK\$84,638,000 at 30<sup>th</sup> June, 2008 (31<sup>st</sup> December, 2007: HK\$107,477,000). The average remaining maturity of the portfolio stood at approximately 5.2 years (31<sup>st</sup> December, 2007: 5.7 years). The Group has sold a CDO with carrying amount of HK\$63,589,000 in January, 2008 and the two asset-backed CDOs squared in July, 2008.

The following table analysed the CDOs held by current ratings which are designated by external credit assessment institution, Standard & Poor's Ratings Services or their equivalents.

<b>30<sup>th</sup> June, 2008</b>					
Current rating	Notional amount	Unrealised losses recognised in the consolidated income statement during the period	Accumulated unrealised losses as at 30 <sup>th</sup> June, 2008	Carrying amount	Accumulated unrealised losses as a percentage of notional amount
AAA	<b>217,615</b>	<b>(47,455)</b>	<b>(83,258)</b>	<b>134,357</b>	<b>(38.3)</b>
AA- to AA+	<b>270,991</b>	<b>(75,875)</b>	<b>(155,551)</b>	<b>115,440</b>	<b>(57.4)</b>
A- to A+	<b>273,007</b>	<b>(63,814)</b>	<b>(118,719)</b>	<b>154,288</b>	<b>(43.5)</b>
BBB to BBB+	<b>156,004</b>	<b>(60,163)</b>	<b>(92,705)</b>	<b>63,299</b>	<b>(59.4)</b>
<b>Total</b>	<b>917,617</b>	<b>(247,307)</b>	<b>(450,233)</b>	<b>467,384</b>	<b>(49.1)</b>

<b>31<sup>st</sup> December, 2007</b>					
Current rating	Notional amount	Unrealised losses recognised in the consolidated income statement during the year	Accumulated unrealised losses as at 31 <sup>st</sup> December, 2007	Carrying amount	Accumulated unrealised losses as a percentage of notional amount
AAA	332,739	(56,593)	(56,593)	276,146	(17.0)
AA- to AA+	580,677	(147,688)	(147,688)	432,989	(25.4)
A- to A+	78,023	(13,045)	(13,045)	64,978	(16.7)
<b>Total</b>	<b>991,439</b>	<b>(217,326)</b>	<b>(217,326)</b>	<b>774,113</b>	<b>(21.9)</b>

## REVIEW AND PROSPECTS

For the first half of 2008, profit attributable to shareholders of Wing Hang Bank amounted to HK\$938.1 million, representing a decrease of 1.9 percent compared with HK\$956.3 million in the same period last year. Earnings per share was HK\$3.18. The Board has recommended an interim dividend of HK\$0.96 per share, the same as last year.

In spite of a weak stock market and global financial turbulence, Hong Kong's real GDP grew by 7.1 percent in the first quarter due to strong private consumption and investment demand. However, private investment was softer in the second quarter largely because of the weak US economy and continued problems in global credit markets. The property market consequently softened after a strong performance in late 2007 and early 2008.

The Group's loan portfolio continued to grow in the first half of the year. Most of this achievement was driven by our trade, auto and equipment financing divisions. It was also supported by investment and residential mortgage demand in Hong Kong and the Mainland. Total advances to customers increased by 9.2 percent to HK\$81.4 billion.

Here are some other key financial statistics for the period under review:

- Total deposit growth increased by 0.8 percent to HK\$121.1 billion while customer deposits were 3.4 percent higher at HK\$117.8 billion.
- The Group's operating profit before impairment losses increased by 10.3 percent to HK\$1,146.9 million due to a rise in net interest and non-interest income.
- Net interest income increased by 12.5 percent to HK\$1,310.3 million as a result of higher loan volumes and a widening of net interest margins which increased from 1.92 percent to 1.94 percent. This was also supported by an improvement in treasury operations. Partially offsetting this increase was lower yield on our interest free fund.
- Non-interest income rose 15.9 percent to HK\$563.4 million due to higher loan commissions, foreign exchange trading income and wealth management commissions. Net losses from financial instruments held for trading and designated at fair value was HK\$7.1 million reflecting an unrealised loss arising from the change in fair value of the CDOs, debt security investments and credit derivatives held by the Bank. Partially offsetting these losses was the unrealised gain arising from a change of credit spread in our perpetual subordinated debt.
- Total operating expenses increased by 19.0 percent to HK\$726.8 million mainly due to our business expansion. Consequently the Group's cost-to-income ratio increased slightly from 37.0 percent to 38.8 percent.
- Impairment losses and allowances for impaired loans for the first half of 2008 was HK\$45.2 million and the impaired loans as of 30<sup>th</sup> June, 2008 stood at HK\$405.6 million, equivalent to 0.50 percent of total loans. Meanwhile the charge-off ratio for credit cards decreased to 1.24 percent of credit card receivables compared with 1.93 percent previously.
- As at 30<sup>th</sup> June 2008 the Group's average liquidity ratio stood at 45.1 percent, the loan-to-deposit was 67.3 percent and the capital adequacy ratio was 16.1 percent.

The Group's branch network continues to expand. Currently we have 40 branches in Hong Kong, 12 branches in Macau and 4 branches and 2 sub-branches in the Mainland. As at the end of June 2008, we employed a total of 3,018 staff.

Below is a summary of the performances of our individual business operations and the outlook for the second half of the year.

Retail Banking achieved steady growth in business and benefited from stronger trade financing demand, higher Renminbi (“RMB”) deposits and wealth management services. As a result, profit before taxation increased by 11.2 percent.

Customer deposits grew by 3.4 percent following the success of our deposit marketing program.

Competition in the mortgage market has been very keen. Residential mortgages, which accounted for 21.0 percent of our total loan portfolio, increased by 1.8 percent over the end of last year. However, there was stronger demand for Home Ownership Scheme mortgages which grew by 23.2 percent following a successful marketing program. As always we will continue to respond quickly to market changes and provide flexible mortgage packages to meet our customers’ needs.

The Securities Trading business experienced a slowdown as share prices declined. Revenues decreased by 12.7 percent. However, the Wealth Management and Investment businesses achieved steady growth of 6.6 percent in spite of keen competition and relatively quiet equity markets. This growth was largely fueled by increased demand for currency-related structured products. We have also taken the opportunity to cross sell investment products across our SME customer network.

Wing Hang Credit launched several impressive and creative advertising campaigns in the first half of 2008. The subsidiary has regularly benchmarked its marketing program against those of its competitors to ensure that its customers continue to benefit from the best deals.

Wing Hang Credit now has 21 branches and business centres in Hong Kong and is committed to introducing innovative loan products and providing professional services to a range of customer segments. The company plans to further consolidate its leading market position by attracting new customers and expanding the business.

Wing Hang Finance Company Ltd. has maintained steady growth of 8.5 percent in loan assets, with profitability enhanced by the lower cost of funding coupled with a higher yield from equipment financing.

Its sister unit Inchroy Credit Corporation Ltd., which was acquired in early 2007, has also maintained a steady business portfolio and contributed good returns in the current low interest rate environment.

Both companies have successfully elevated the Group to its current position as a market leader in the local auto and equipment financing sector.

Corporate Banking recorded a 21.6 percent increase in operating income driven by the good performance of several key businesses. Firstly we continued to participate actively in the Government’s SME Loan Guarantee Scheme. Secondly, in cooperation with Wing Hang Bank (China) Ltd. (“WHBCL”), we have continued to offer financing solutions to our corporate clients who have shifted their operations to the Mainland. Thirdly, there was increased demand for trade financing - which grew by 14.9 percent - as we actively encouraged our customers to utilise their credit facilities.

Loans for use in the Mainland increased by 14.9 percent to HK\$13.9 billion due to continued strong demand. WHBCL was established in Shenzhen in 2007 to serve our expanding customer base in the Mainland and to support our business expansion strategy. WHBCL now has 3 branches and 2 sub-branches across the country and through this network we soon plan to introduce RMB services to local individuals. In addition, we plan to expand the network by opening more branches particularly in the Pearl River Delta region in cities such as Shenzhen and Guangzhou. In other parts of the country, we will open a sub-branch in Shanghai and plans are under way to upgrade the Beijing representative office to full branch status. The decision to devote more resources to upgrade the branch network and increase product variety mirrors our overall expansion strategy in China’s banking sector. The China business is expected to deliver strong growth in the coming years.

Treasury accounted for 17.1 percent of the Group’s profit before taxation. This was achieved through yield enhancement of our fixed rate portfolio due to lower interest rate environment as well as increases in foreign exchange trading service and treasury products.

Banco Weng Hang achieved satisfactory results in a challenging environment. While Macau's GDP continued to grow at a torrid pace, near double-digit inflation exerted considerable pressure on operating expense. Net profit for the period increased by 3.2 percent to 170.6 million Macau patacas, while the 10.2 percent increase in total operating profit was partly offset by an increase in costs. Net interest income grew by 13.0 percent as a result of improved interest margins, while non-interest income recorded a more modest increase of 4.3 percent as growth in fee income from share brokerage services and wealth management eased. Loans grew by 1.9 percent compared with the end of last year or increased 32.9 percent compared with a year ago. Customer deposits shrank by 7.3 percent reflecting a general market trend in Macau.

Looking forward the Group believes that building a reputation in Corporate Social Responsibility ("CSR") will earn the respect and trust of all our stakeholders including customers, employees, business partners, shareholders and the public. We recognise that good corporate citizenship reflects the strength of our brand and our values.

Apart from volunteer services supporting the local communities and energy conservation programs in Hong Kong and Macau, our CSR activities have extended to the Mainland. For instance, during the winter months, the Group donated HK\$200,000 to the Hong Kong Red Cross China Relief Fund to assist people affected by snowstorms. In late May, the Group, its staff and customers offered help to the victims of the Sichuan earthquake by donating more than HK\$5 million to Oxfam, the Macau Red Cross and various charity organisations in the Mainland.

The operating environment will remain challenging in the second half of the year due to higher inflation and the continued uncertainty in global financial and credit markets. Profitability will continue to be affected by the intense price competition on deposits and pressure on net interest margins. In response to this challenging environment we will continue to expand our business in the high-growth markets of Macau and the Mainland as well as by cross-selling products among subsidiaries. This will be enhanced by our commitment to provide more innovative products and a superior level of service to our customers. Growth will also be achieved by broadening the non-interest income side of our business and expanding consumer lending while managing costs. With a bigger customer base and operational platform we remain confident of maintaining our successful track record on delivering long-term growth.

#### **INTERIM DIVIDEND**

The Board of Directors are pleased to declare an interim dividend of HK\$0.96 per share, to be paid on Monday, 22<sup>nd</sup> September, 2008 to shareholders whose names are on the Register of Members on 11<sup>th</sup> September, 2008.

#### **CLOSING OF REGISTER OF MEMBERS**

The Register of Members of the Bank will be closed from Monday, 8<sup>th</sup> September, 2008 to Thursday, 11<sup>th</sup> September, 2008 both days inclusive, during which period no transfer of shares can be registered. In order to qualify for the above dividend, all transfers accompanied by the relevant share certificates must be lodged with the Bank's Registrars, Computershare Hong Kong Investor Services Limited, Shops 1712-1716, 17/F, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, for registration not later than 4:30 p.m. on Friday, 5<sup>th</sup> September, 2008.

## **CODE ON CORPORATE GOVERNANCE PRACTICES**

The Bank has complied throughout the six months ended 30<sup>th</sup> June, 2008 and adopted all the code provisions set out in Appendix 14 - Code on Corporate Governance Practices of the Listing Rules, except for the following deviations:

### **Code Provision A.2.1**

This Code stipulates that the roles of chairman and chief executive officer should be separate and should not be performed by the same individual.

Dr Patrick Y B Fung is the Chairman and Chief Executive of the Bank. The Board considered that the non-segregation would not result in considerable concentration of power in one person not only because of the presence of Independent Non-executive Directors but also that The Bank of New York Mellon, a substantial shareholder, is represented by a Non-executive Directors. There is a balance of power and authority such that no one individual has unfettered power of decision. Non-segregation has the advantage of a strong and consistent leadership which is conducive to making and implementing decisions quickly and consistently.

### **Code Provision A.4.1**

This code stipulates that non-executive directors should be appointed for a specific term and subject to re-election.

The term of office for non-executive directors are the same as for all directors (i.e. no specific term and subject to retirement from office by rotation and be eligible for re-election in accordance with the provisions of the Bank's Memorandum and Articles of Association). At every Annual General Meeting, one-third of the Directors for the time being or, if their number is not a multiple of three, then the number nearest to but not exceeding one-third shall retire from office.

## **MODEL CODE FOR SECURITIES TRANSACTION BY DIRECTORS**

The Bank has adopted for compliance by the Directors the code of conduct for dealings in securities of the Bank as set out in Appendix 10 – Model Code for Securities Transactions by Directors of Listed Issuers (“Model Code”), of the Listing Rules.

Having made specific enquiry of all Directors of the Bank, the Directors have confirmed that they have complied with the required standards set out in the Model Code for the six months ended 30<sup>th</sup> June, 2008.

## **PUBLICATION OF INTERIM REPORT**

The 2008 Interim Report will be published on the websites of Hong Kong Exchanges and Clearing Limited ([www.hkex.com.hk](http://www.hkex.com.hk)) and the Bank ([www.whbhk.com](http://www.whbhk.com)) in due course.

## **PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES**

There were no purchases, sales or redemptions by the Bank, or any of its subsidiaries, of the Bank's listed securities during the six months ended 30<sup>th</sup> June, 2008.

By Order of the Board

**Patrick Y B Fung**

*Chairman and Chief Executive*

Hong Kong, 14<sup>th</sup> August, 2008

*As at the date of this announcement, the Executive Directors of the Bank are Dr Patrick Y B Fung (Chairman and Chief Executive), Mr Frank J Wang (Deputy Chief Executive) and Mr Michael Y S Fung; the Non-executive Directors are Mr Andrew M Gordon and Mr Louis C W Ho; and the Independent Non-executive Directors are Dr Cheng Hon Kwan, Mr Ambrose H C Lau, Dr Simon K Y Lee, Mr Tung Chee Chen and Mr Aloysius H Y Tse.*