

## WING HANG BANK, LIMITED

### ANNOUNCEMENT OF 2000 FINAL RESULTS

#### Summary of Results

The Directors of Wing Hang Bank, Limited are pleased to announce the audited results of the Group for the year ended 31st December, 2000 as follows:

*(Expressed in thousands of Hong Kong dollars unless otherwise in the text)*

#### Consolidated profit and loss account

	Notes	<u>2000</u>	<u>1999</u>	Change %
Interest income		<b>4,313,658</b>	3,833,660	
Interest expense		<b>(2,654,227)</b>	(2,389,659)	
Net interest income		<b>1,659,431</b>	1,444,001	14.9
Other operating income		<b>351,430</b>	337,852	4.0
Operating income		<b>2,010,861</b>	1,781,853	12.9
Operating expenses		<b>(582,234)</b>	(517,149)	12.6
Operating profit before provisions		<b>1,428,627</b>	1,264,704	13.0
Charge for bad and doubtful debts		<b>(367,231)</b>	(438,878)	-16.3
Operating profit		<b>1,061,396</b>	825,826	28.5
Losses on revaluation of investment				
Properties and disposal of tangible fixed assets		<b>(427)</b>	(5,846)	
Profit on disposal of held-to-maturity				
And non-trading securities		<b>3,300</b>	620	
Provisions for held-to-maturity and non-trading				
Securities		<b>(40)</b>	(17,084)	
Profit before taxation		<b>1,064,229</b>	803,516	32.4
Taxation	(a)	<b>(162,567)</b>	(119,165)	
Profit after taxation		<b>901,662</b>	684,351	31.8
Profit attributable to minority interest		<b>(474)</b>	(1,423)	
Profit attributable to the shareholders		<b>901,188</b>	682,928	32.0
Dividends		<b>(357,953)</b>	(249,878)	43.3
Retained profit for the year		<b>543,235</b>	433,050	
		<b>HK\$</b>	<b>HK\$</b>	
Earnings per share				
Basic and diluted	(b)	<b>3.07</b>	2.32	32.2
Dividend per share				
Interim		<b>0.37</b>	0.28	
Proposed final		<b>0.85</b>	0.57	
		<b>1.22</b>	0.85	43.5

Notes:

(a) **Taxation**

Taxation in the consolidated profit and loss account represents:

	<u>2000</u>	<u>1999</u>
Provision for Hong Kong profits tax	139,756	96,757
Overseas taxation	22,811	22,408
	<u>162,567</u>	<u>119,165</u>

The provision for Hong Kong profits tax is calculated at 16% (1999: 16%) of the estimated assessable profits for the year ended 31<sup>st</sup> December, 2000. Overseas taxation is provided at the appropriate current rates of taxation ruling in the countries in which they operate. No provision for deferred taxation has been made as the effect of all timing differences is immaterial.

(b) **Earnings per share and diluted earnings per share**

The calculation of earnings per share is based on profit attributable to the shareholders of HK\$901,188,000 (1999: HK\$682,928,000) and on the weighted average number of 293,586,577 (1999: 293,964,000) ordinary shares in issue during the year. The calculation of diluted earnings per share is based on profit attributable to the shareholders of HK\$901,188,000 (1999: HK\$682,928,000) and on the weighted average number of 293,626,123 (1999: 294,010,703) ordinary shares in issue during the year after adjustment of the effects of all dilutive potential shares.

**Consolidated balance sheet**

	<u>31st December, 2000</u>	<u>31st December, 1999</u>
<b>ASSETS</b>		
Cash and short-term funds	13,661,195	12,488,916
Placements with banks and other financial institutions maturing between one and twelve months	3,360,465	2,672,068
Trade bills less provisions	231,497	280,438
Certificates of deposit held	138,830	88,591
Advances to customers and other accounts less provisions	33,729,636	32,398,527
Held-to-maturity and non-trading securities	2,351,104	1,522,363
Tangible fixed assets	1,054,324	986,854
Goodwill	2,617	3,198
Total assets	<u>54,529,668</u>	<u>50,440,955</u>
<b>LIABILITIES</b>		
Deposits and balances of banks and other financial institutions	214,695	417,782
Current, fixed, savings and other deposits of customers	45,933,071	41,774,418
Certificates of deposit issued	2,088,568	2,452,673
Other accounts and provisions	602,651	763,513
Proposed dividend	249,393	167,565
Total liabilities	<u>49,088,378</u>	<u>45,575,951</u>
<b>CAPITAL RESOURCES</b>		
Share capital	293,405	293,975
Reserves	5,122,983	4,546,601
Shareholders' funds	<u>5,416,388</u>	<u>4,840,576</u>
Minority interests	24,902	24,428
Total liabilities and capital resources	<u>54,529,668</u>	<u>50,440,955</u>

**Supplementary Information**
**(1) Advances and other accounts**

	<u>31st December, 2000</u>	<u>31st December, 1999</u>
Advances to customers	33,675,641	32,331,070
Specific provisions for bad and doubtful debts	(286,012)	(359,393)
General provisions for bad and doubtful debts	(349,159)	(333,527)
Advances to banks and other financial institutions	-	7,494
Accrued interest and other accounts	689,166	752,883
	<u>33,729,636</u>	<u>32,398,527</u>

**(2) Non-performing loans**

The advances net of suspended interest, on which interest is being placed in suspense or on which interest accrual has ceased, the amount of suspended interest and specific provisions made after taking into account the value of collateral in respect of such advances are as follows:

	<u>31st December, 2000</u>	<u>31st December, 1999</u>
Gross non-performing advances to customers	1,335,171	1,507,754
Gross non-performing advances as a percentage of total advances to customers	3.96%	4.66%
Amount of collateral held	988,245	1,136,205
Specific provisions	282,002	341,906
Suspended interest	387,268	275,468

There were no advances to banks and other financial institutions on which interest is being placed in suspense or on which interest accrual has ceased on 31st December, 2000 and 31st December, 1999.

**(3) Advances to customers - by industry sectors**

The information concerning advances to customers by industry sectors has been classified according to the usage of the loan and is stated gross of any provisions.

	<u>31st December, 2000</u>	<u>31st December, 1999</u>	<u>Change</u> %
Loans for use in Hong Kong			
Industrial, commercial and financial			
- Property development	293,940	315,074	-6.7
- Property investment	5,565,530	5,472,508	1.7
- Financial concerns	603,406	502,907	20.0
- Stockbrokers	245,741	217,751	12.9
- Wholesale and retail trade	992,632	1,226,503	-19.1
- Manufacturing	1,056,766	1,169,196	-9.6
- Transport and transport equipment	1,384,920	1,103,844	25.5
- Share financing	354,650	406,433	-12.7
- Others	2,864,953	2,341,995	22.3
Individuals			
- Loans for the purchase of flats in the Home Ownership Scheme, Private Sector Participation Scheme and Tenants Purchase Scheme	460,605	727,245	-36.7
- Loans for the purchase of other residential properties	11,151,902	10,615,916	5.0
- Credit card advances	480,224	307,008	56.4
- Others	2,216,261	2,031,846	9.1
Trade finance	1,664,877	1,678,646	-0.8
Loans for use outside Hong Kong			
- Macau	3,015,099	3,177,187	-5.1
- Others	1,324,135	1,037,011	27.7
	<u>33,675,641</u>	<u>32,331,070</u>	4.2

**(4) Overdue and rescheduled advances**

	<u>31st December, 2000</u>		<u>31st December, 1999</u>	
	Amount	% of total advances	Amount	% of total advances
Gross advances to customers which have been overdue for				
6 months or less but over 3 months	556,800	1.65	405,672	1.26
1 year or less but over 6 months	276,817	0.82	258,513	0.80
Over 1 year	347,759	1.03	508,105	1.57
	<u>1,181,376</u>	<u>3.50</u>	<u>1,172,290</u>	<u>3.63</u>
Amount of collateral held	1,029,528		961,143	
Secured balance	919,679		866,343	
Unsecured balance	261,697		305,947	
Specific provisions	231,999		276,591	
Rescheduled advances	<u>130,240</u>	<u>0.39</u>	<u>469,056</u>	<u>1.45</u>

There were no overdue advances for over 3 months and rescheduled advances to banks and other financial institutions on 31st December, 2000 and 31st December, 1999.

**(5) The reconciliation between overdue and rescheduled loans and non-performing loans**

	<u>31<sup>st</sup> December, 2000</u>	<u>31<sup>st</sup> December, 1999</u>
Gross advances to customers and rescheduled loans which have been overdue for over three months:		
Gross advances to customers which have been overdue for over three months	1,181,376	1,172,290
Rescheduled advances	<u>130,240</u>	<u>469,056</u>
	<u>1,311,616</u>	<u>1,641,346</u>
Less: Loans overdue over 3 months and on which interest is still being accrued	(299,747)	(256,180)
Add: Loans overdue for 3 months or less and on which interest is being placed in suspense or on which interest accrual has ceased	<u>323,302</u>	<u>122,588</u>
Total non-performing loans	<u><u>1,335,171</u></u>	<u><u>1,507,754</u></u>

**(6) Reserves**

	<u>31<sup>st</sup> December, 2000</u>	<u>31<sup>st</sup> December, 1999</u>
Share premium	329,667	329,667
Capital reserve	215,423	215,423
General reserve	2,100,214	2,099,780
Bank premises revaluation reserve	321,000	321,000
Investment revaluation reserve	42,463	(66)
Capital redemption reserve	769	199
Unappropriated profits	<u>2,113,447</u>	<u>1,580,598</u>
Total	<u><u>5,122,983</u></u>	<u><u>4,546,601</u></u>

**(7) Off-balance sheet exposures**
**(a) Contingent liabilities and commitments**

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

	<u>31<sup>st</sup> December, 2000</u>	<u>31<sup>st</sup> December, 1999</u>
Direct credit substitutes	555,599	542,596
Transaction-related contingencies	10,680	8,568
Trade-related contingencies	1,023,030	974,926
Other commitments	4,000,614	3,673,110
Others	-	13,288
	<u><u>5,589,923</u></u>	<u><u>5,212,488</u></u>

**(b) Derivatives**

Derivatives refer to financial contracts whose value depends on the value of one or more underlying assets or indices.

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

	<u>31<sup>st</sup> December, 2000</u>	<u>31<sup>st</sup> December, 1999</u>
Exchange rate contracts	6,965,508	9,688,584
Interest rate contracts	<u>1,243,766</u>	<u>4,081,408</u>
	<u><u>8,209,274</u></u>	<u><u>13,769,992</u></u>

The replacement costs and credit risk weighted amounts of the above off-balance sheet exposures are as follows. These amounts do not take into account of the effects of bilateral netting arrangements.

	<u>31st December, 2000</u>		<u>31st December, 1999</u>	
	<b>Replacement cost</b>	<b>Credit risk weighted amount</b>	Replacement cost	Credit risk weighted amount
Contingent liabilities and commitments	N/A	902,207	N/A	742,312
Exchange rate contracts	<b>27,909</b>	29,098	91,829	57,275
Interest rate contracts	<b>1,433</b>	474	9,789	2,196
	<b>29,342</b>	931,779	101,618	801,783

**(8) Capital adequacy and liquidity ratios**

(a) Capital adequacy ratio

	<u>31st December, 2000</u>	<u>31st December, 1999</u>
Core Capital		
Paid up ordinary share capital	<b>293,405</b>	293,975
Reserves	<b>4,162,679</b>	3,758,454
Others	<b>512,885</b>	414,041
	<b>4,968,969</b>	4,466,470
Eligible supplementary capital		
Reserves on revaluation of land and interests in land	<b>224,700</b>	224,700
Unrealised loss on revaluation of non-trading securities	<b>(46)</b>	-
General provisions for doubtful debts	<b>352,104</b>	336,680
	<b>576,758</b>	561,380
Total capital base before deductions	<b>5,545,727</b>	5,027,850
Deductions from total capital base	<b>(127,576)</b>	(92,776)
Total capital base after deductions	<b>5,418,151</b>	4,935,074
Unadjusted capital adequacy ratio	<b>16.2%</b>	16.0%

The unadjusted capital adequacy ratio is computed on a consolidated basis covering the Bank and certain of its financial subsidiaries as specified by the Hong Kong Monetary Authority for its regulatory supervision purposes, and is in accordance with the Third Schedule to the Banking Ordinance.

The Bank meets all of the *de minimus* exemption criteria for reporting market risk as set out in the Guideline "Maintenance of Adequacy Capital Against Market Risks" issued by the Hong Kong Monetary Authority and is not required to maintain capital against market risk. Hence, the Bank is exempted from disclosing the adjusted capital adequacy ratio computed in accordance with the above-mentioned Guideline.

(b) Average liquidity ratio for the year

	<u>2000</u>	<u>1999</u>
Average liquidity ratio for the year	<b>44.3%</b>	45.8%

The average liquidity ratio for the year includes the liquidity positions of all overseas branches, Hong Kong offices and financial subsidiaries in its calculation, which is the basis of computation agreed with the Hong Kong Monetary Authority, and has been computed in accordance with the Fourth Schedule to the Banking Ordinance.

## Review and Prospects

Hong Kong's economy staged a dramatic rebound in 2000 with GDP grew 10.5 percent. Nevertheless, the economic recovery has not trickled down to the average household as wages remained stagnant and domestic demand continued to be low. Against weak sentiment in investments and spending, the demand for loans remained soft, and this has further intensified competition in the banking industry, particularly in the mortgage sector.

For the year ended 31st December, 2000, the Group achieved a record profit of HK\$901.2 million, representing a significant increase of 32.0 percent over 1999. The Group's operating profit before provision increased 13.0 percent to HK\$1,428.6 million in 2000 from HK\$1,264.7 million in 1999.

Net interest income increased 14.9 percent to HK\$1,659.4 million primarily due to wider net interest margins, which increased from 2.92 percent to 3.16 percent over the same period last year. Despite narrowing margins in residential mortgages, they were compensated by lowering cost of funds and a more favourable asset mix, following efforts to increase our higher yielding assets.

Non-interest income increased 4.0 percent to HK\$351.4 million due to significant increases in our securities trading business and credit card commissions as well as healthy growth in trade finance commissions.

Expenses increased 12.6 percent to HK\$582.2 million due to investments in the development of electronic banking services as well as expenses allocated for the promotion of consumer finance products. Despite the increase, our cost to income ratio remained unchanged at 29.0 percent.

For the year 2000, the Group's total loan outstanding increased 4.2 percent to HK\$33.68 billion with significant growth recorded in consumer lending, in particular credit card, personal loans as well as transport equipment financing. Satisfactory growth was also recorded in residential mortgages. During the year, the Bank launched a number of competitive mortgage programmes to suit different market needs.

The quality of our assets continued to improve with the recovery of the economy. For the period under review, the level of non-performing loans dropped to HK\$1.34 billion, or 3.96 percent of total loans. Charge for bad and doubtful debts decreased 16.3 percent to HK\$367.2 million.

Total deposits and customer deposits increased respectively by 8.0 percent and 10.0 percent to HK\$48.24 billion and HK\$45.93 billion. Our loan to deposit ratio lowered marginally to 69.8 percent as the rate of growth for deposits continued to run ahead of loans.

Return on average assets and return on average shareholders' funds were both higher at 1.72 percent and 17.6 percent respectively, as were the Group's capital adequacy ratio and average liquidity ratio, which stood at 16.2 percent and 44.3 percent respectively.

Our branch expansion programme has slowed with a gradual shift to other electronic delivery channels through the launch of our e-banking and internet banking services. However, we continue to pursue a "click and mortar" strategy. In November, the Bank opened a branch in Tseung Kwan O to capture business from the growing population in this rapidly developing new town.

Looking into the new year, economic growth is expected to slow down with a less favourable external environment, but the reduction in interest rates which began early this year should be a welcomed stimulus to the economic recovery.

In the absence of strong investment catalysts, however, the demand for loans is expected to remain weak and tough competition in the banking industry for assets will continue to prevail. For the year 2001, we will spearhead growth in consumer finance, which will be reflected in further expansion in residential mortgages, consumer lending, credit cards and share brokerage. Apart from this, we will also expand our commercial lending business, especially for small and medium enterprises.

We will also step up our efforts in the development of non-interest income businesses. Already, MPF related products are producing fee income for the Bank. For the year 2001, we will expand into life insurance business as well as marketing of mutual fund products.

With the beginning of the rate reduction cycle, coupled with China's impending admission to the WTO, Hong Kong's economy should continue to recover and we are hopeful that 2001 will again be a rewarding year for the Group.

#### **FINAL DIVIDEND**

The Directors propose to recommend at the forthcoming Annual General Meeting to be held on Thursday, 26th April, 2001 the payment of a final dividend of HK\$0.85 per share. This final dividend, if approved, will be paid on Monday, 14th May, 2001 to shareholders whose names are on the Register of Members on 26th April, 2001.

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

The Register of Members of the Bank will be closed from Monday, 23rd April, 2001 to Thursday, 26th April, 2001, 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 Registrars of the Bank, Central Registration Hong Kong Limited, Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, for registration not later than 4:00 p.m. on Friday, 20th April, 2001.

#### **PURCHASE, SALE OR REDEMPTION OF SHARES**

During the year, the Bank repurchased and cancelled a total of 570,000 shares of HK\$1 each of the Bank on The Stock Exchange of Hong Kong Limited for an aggregate price of HK\$10.5 million. As a result, the issued share capital of the Bank was reduced to 293,404,500 shares of HK\$1 each at the end of 2000. Save as disclosed, there were no purchases, sales or redemptions by the Bank, or any of its subsidiaries, of the Bank's shares during the year ended 31st December, 2000.

#### **By Order of the Board**

**Patrick Y B Fung**

**Chairman and Chief Executive**

Hong Kong, 8th March, 2001

*Remark: A detailed results announcement containing all the information required by paragraphs 45(1) to 45(3) of Appendix 16 of the Listing Rules will be subsequently published on the Stock Exchange's website in due course.*

*The information in this advertisement does not constitute statutory accounts for the years ended 31st December 1999 and 2000. The statutory accounts for the year ended 31st December 2000, which contain an unqualified auditors' report, will be delivered to the Registrar of Companies and the Hong Kong Monetary Authority.*