

WING HANG BANK, LIMITED

ANNOUNCEMENT OF 2001 FINAL RESULTS

Summary of Results

The Directors of Wing Hang Bank, Limited announce that the audited results of the Group for the year ended 31st December 2001 are as follows:

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

Consolidated profit and loss account

	Notes	2001	2000 (As restated)	Change %
Interest income		3,275,342	4,313,658	
Interest expense		(1,758,320)	(2,654,227)	
Net interest income		1,517,022	1,659,431	-8.6
Other operating income		363,049	351,430	3.3
Operating income		1,880,071	2,010,861	-6.5
Operating expenses	(a)	(587,176)	(582,234)	0.8
Operating profit before provisions		1,292,895	1,428,627	-9.5
Charge for bad and doubtful debts		(423,004)	(367,231)	15.2
Operating profit		869,891	1,061,396	-18.0
Gains / (losses) on revaluation of investment properties and disposal of tangible fixed assets		6,222	(427)	
Profit on disposal of held-to-maturity securities		4,794	3,684	
Profit / (losses) on disposal of non-trading securities		26,682	(384)	
Provision written back / (made) for held-to-maturity securities		4,367	(40)	
Profit on ordinary activities		911,956	1,064,229	-14.3
Share of net losses in associated companies		(21,229)	-	
Profit before taxation		890,727	1,064,229	-16.3
Taxation	(b)	(110,223)	(162,567)	
Profit after taxation		780,504	901,662	-13.4
Losses / (profit) attributable to minority interests		7	(474)	
Profit attributable to the shareholders		780,511	901,188	-13.4
Dividends attributable to the year:				
Interim dividend paid during the year		108,569	108,560	0.0
Underprovision / (overprovision) of final dividend in respect of previous year		20	(114)	
Final dividend proposed after the balance sheet date		249,414	249,393	0.0
		358,003	357,839	0.0
		HK\$	HK\$	
Earnings per share				
Basic and diluted	(c)	2.66	3.07	-13.2
Dividend per share				
Interim		0.37	0.37	
Proposed final		0.85	0.85	
		1.22	1.22	0.0

Consolidated balance sheet

	<u>31st December 2001</u>	31st December 2000 (As restated)
ASSETS		
Cash and short-term funds	9,773,340	13,661,195
Placements with banks and other financial institutions maturing between one and twelve months	2,711,269	3,360,465
Trade bills less provisions	285,273	231,497
Certificates of deposit held	452,814	138,830
Trading securities	6,542	-
Advances to customers and other accounts less provisions	35,658,856	33,719,836
Held-to-maturity and non-trading securities	4,838,496	2,331,104
Investment in associated companies	60,771	29,800
Tangible fixed assets	1,272,196	1,054,324
Goodwill	2,035	2,617
Total assets	<u>55,061,592</u>	<u>54,529,668</u>
LIABILITIES		
Deposits and balances of banks and other financial institutions	412,980	214,695
Current, fixed, savings and other deposits of customers	45,697,763	45,933,071
Certificates of deposit issued	2,486,419	2,088,568
Other accounts and provisions	397,249	602,651
Total liabilities	<u>48,994,411</u>	<u>48,838,985</u>
CAPITAL RESOURCES		
Share capital	293,429	293,405
Reserves	5,751,872	5,372,376
Shareholders' funds	6,045,301	5,665,781
Minority interests	21,880	24,902
Total liabilities and capital resources	<u>55,061,592</u>	<u>54,529,668</u>

*Notes:***(a) Operating expenses**

Operating expenses included depreciation amounting to HK\$46,875,000 (2000: HK\$46,315,000).

(b) Taxation

Taxation in the consolidated profit and loss account represents:

	<u>2001</u>	<u>2000</u>
Provision for Hong Kong profits tax	84,745	139,756
Overseas taxation	25,478	22,811
	<u>110,223</u>	<u>162,567</u>

The provision for Hong Kong profits tax is calculated at 16% (2000: 16%) of the estimated assessable profits for the year ended 31st December 2001. 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.

(c) Earnings per share and diluted earnings per share

The calculation of earnings per share is based on profit attributable to the shareholders of HK\$780,511,000 (2000: HK\$901,188,000) and on the weighted average number of 293,427,777 (2000: 293,586,577) ordinary shares in issue during the year. The calculation of diluted earnings per share is based on profit attributable to the shareholders of HK\$780,511,000 (2000: HK\$901,188,000) and on the weighted average number of 293,513,778 (2000: 293,626,123) ordinary shares in issue during the year after adjustment of the effects of all dilutive potential ordinary shares.

(d) Change in accounting policy

This financial report is prepared on a basis consistent with the accounting policies adopted in the 2000 annual accounts except that the dividend proposed or declared after the balance sheet date is not accounted for as liabilities on the balance sheet in order to comply with Statement of Standard Accounting Practice 9 (revised) "Events after the balance sheet date" issued by the Hong Kong Society of Accountants. As a result of the adoption of this revised accounting policy, shareholders' funds as at 31st December 2001 have been increased by HK\$249,414,000 (31st December 2000 : HK\$249,393,000). There is no impact on the Group's profit attributable to shareholders for the years presented. The new accounting policy has been adopted retrospectively, with the comparative information adjusted for the amounts relating to prior years.

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

	<u>31st December 2001</u>	<u>31st December 2000</u>
Advances to customers	35,515,244	33,665,841
Advances to banks and other financial institutions	206,533	-
Specific provisions for bad and doubtful debts	(270,508)	(286,012)
General provisions for bad and doubtful debts	(358,406)	(349,159)
Accrued interest and other accounts	<u>565,993</u>	<u>689,166</u>
	<u>35,658,856</u>	<u>33,719,836</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 2001</u>	<u>31st December 2000</u>
Gross non-performing advances to customers	1,349,795	1,335,171
Gross non-performing advances as a percentage of total advances to customers	3.80%	3.96%
Amount of collateral held	911,945	988,245
Specific provisions	267,553	282,002
Suspended interest	470,639	387,268

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 2001 and 31st December 2000.

(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 2001</u>	<u>31st December 2000</u>	<u>Change</u> %
Loans for use in Hong Kong			
Industrial, commercial and financial			
- Property development	334,797	293,940	13.9
- Property investment	5,645,037	5,565,530	1.4
- Financial concerns	562,746	593,606	-5.2
- Stockbrokers	259,047	245,741	5.4
- Wholesale and retail trade	868,411	992,632	-12.5
- Manufacturing	968,820	1,056,766	-8.3
- Transport and transport equipment	1,619,465	1,384,920	16.9
- Share financing	255,709	354,650	-27.9
- Others	2,893,668	2,864,953	1.0
Individuals			
- Loans for the purchase of flats in the Home Ownership Scheme, Private Sector Participation Scheme and Tenants Purchase Scheme	722,890	460,605	56.9
- Loans for the purchase of other residential properties	10,799,639	11,151,902	-3.2
- Credit card advances	463,121	343,649	34.8
- Others	2,833,500	2,352,836	20.4
Trade finance	1,575,554	1,664,877	-5.4
Loans for use outside Hong Kong			
- Macau	3,340,498	3,015,099	10.8
- Others	<u>2,372,342</u>	<u>1,324,135</u>	79.2
	<u>35,515,244</u>	<u>33,665,841</u>	5.5

(4) Advances to customers, non-performing loans and overdue advances - by geographical area

The geographical information has been classified by the 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 country 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 country.

	<u>31st December 2001</u>		
	Total advances to customers	Non-performing loans	Overdue advances for over three months
Hong Kong	29,432,277	1,173,746	740,417
Macau	3,459,865	159,879	145,641
People's Republic of China	1,875,900	16,170	33,512
Others	<u>747,202</u>	-	<u>25</u>
	<u>35,515,244</u>	<u>1,349,795</u>	<u>919,595</u>

	<u>31st December 2000</u> (As restated)		
	Total advances to customers	Non-performing loans	Overdue advances for over three months
Hong Kong	29,094,375	1,149,966	957,525
Macau	3,272,289	152,514	183,869
People's Republic of China	849,033	30,408	35,255
Others	<u>450,144</u>	<u>2,283</u>	<u>4,727</u>
	<u>33,665,841</u>	<u>1,335,171</u>	<u>1,181,376</u>

(5) Overdue and rescheduled advances

	<u>31st December 2001</u>		<u>31st December 2000</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	291,684	0.82	556,800	1.65
1 year or less but over 6 months	250,786	0.71	276,817	0.82
Over 1 year	<u>377,125</u>	<u>1.06</u>	<u>347,759</u>	<u>1.03</u>
	<u>919,595</u>	<u>2.59</u>	<u>1,181,376</u>	<u>3.50</u>
Amount of collateral held	731,631		1,029,528	
Secured balance	646,525		919,679	
Unsecured balance	273,070		261,697	
Specific provisions	182,777		231,999	
Rescheduled advances	<u>478,625</u>	<u>1.35</u>	<u>130,240</u>	<u>0.39</u>

There were no overdue advances for over 3 months and rescheduled advances to banks and other financial institutions on 31st December, 2001 and 31st December 2000.

(6) Other overdue assets

	<u>31st December 2001</u>	
	Debt securities	* Other assets
Other assets which have been overdue for		
6 months or less but over 3 months	-	2,011
1 year or less but over 6 months	-	1,667
Over 1 year	<u>-</u>	<u>2,599</u>
	<u>-</u>	<u>6,277</u>

* Other assets refer to trade bills and accrued interest.

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

	<u>31st December 2001</u>	<u>31st December 2000</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	919,595	1,181,376
Rescheduled advances	<u>478,625</u>	<u>130,240</u>
	<u>1,398,220</u>	1,311,616
Less : Loans overdue over 3 months and on which interest is still being accrued	(173,970)	(299,747)
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>125,545</u>	<u>323,302</u>
Total non-performing loans	<u>1,349,795</u>	<u>1,335,171</u>

(8) Cross-border claims

The information concerning cross-border claims has been classified by the 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 country 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 country.

	<u>31st December 2001</u>			
	Banks and other financial institutions	Public sector entities	Others	Total
Macau	223,871	-	3,368,775	3,592,646
People's Republic of China	481,882	28,145	1,756,210	2,266,237
Other Asia Pacific	2,506,606	-	707,527	3,214,133
United States	1,476,500	726,255	124,289	2,327,044
Other North and South American countries	1,004,937	-	30,677	1,035,614
Middle East and Africa	559	-	35	594
Europe	<u>8,132,349</u>	<u>-</u>	<u>211,553</u>	<u>8,343,902</u>
	<u>13,826,704</u>	<u>754,400</u>	<u>6,199,066</u>	<u>20,780,170</u>

(9) Currency risks

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

	<u>31st December 2001</u>		<u>31st December 2000</u>	
Equivalent in millions of HK\$	US\$	Total	US\$	Total
Spot assets	13,525	19,294	14,546	18,839
Spot liabilities	(12,179)	(18,129)	(12,235)	(16,565)
Forward purchases	3,417	3,882	1,979	2,307
Forward sales	<u>(4,642)</u>	<u>(4,919)</u>	<u>(4,121)</u>	<u>(4,395)</u>
Net long positions	<u>121</u>	<u>128</u>	<u>169</u>	<u>186</u>

Equivalent in millions of HK\$	<u>31st December 2001</u>			<u>31st December 2000</u>		
	Macau Patacas	US\$	Total	Macau Patacas	US\$	Total
Net structural positions	<u>320</u>	<u>136</u>	<u>456</u>	<u>179</u>	<u>136</u>	<u>315</u>

(10) Reserves

	<u>31st December 2001</u>	<u>31st December 2000</u>
		(As restated)
Share premium	329,999	329,667
Capital reserve	215,909	215,423
General reserve	2,100,178	2,100,214
Bank premises revaluation reserve	321,000	321,000
Investment revaluation reserve	(866)	42,463
Capital redemption reserve	769	769
Unappropriated profits	<u>2,784,883</u>	<u>2,362,840</u>
Total reserves	<u>5,751,872</u>	<u>5,372,376</u>

(11) 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>31st December 2001</u>	<u>31st December 2000</u>
Direct credit substitutes	398,317	555,599
Transaction-related contingencies	17,766	10,680
Trade-related contingencies	1,156,627	1,023,030
Other commitments	3,710,562	4,000,614
Others	<u>21,988</u>	<u>-</u>
	<u>5,305,260</u>	<u>5,589,923</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>31st December 2001</u>	<u>31st December 2000</u>
Exchange rate contracts	9,261,738	6,965,508
Interest rate contracts	<u>2,988,032</u>	<u>1,243,766</u>
	<u>12,249,770</u>	<u>8,209,274</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 2001</u>		<u>31st December 2000</u>	
	Replacement cost	Credit risk weighted amount	Replacement cost	Credit risk weighted amount
Contingent liabilities and commitments	N/A	639,978	N/A	902,207
Exchange rate contracts	27,674	38,199	27,909	29,098
Interest rate contracts	<u>24,047</u>	<u>7,407</u>	<u>1,433</u>	<u>474</u>
	<u>51,721</u>	<u>685,584</u>	<u>29,342</u>	<u>931,779</u>

(12) Capital adequacy and liquidity ratios

(a) Capital adequacy ratio

	<u>31st December 2001</u>	<u>31st December 2000</u>
Core Capital		
Paid up ordinary share capital	293,429	293,405
Share Premium	329,999	329,667
Reserves	4,345,877	3,833,012
Others	<u>444,404</u>	<u>512,885</u>
	<u>5,413,709</u>	<u>4,968,969</u>
Eligible supplementary capital		
Reserves on revaluation of land and interests in land	224,700	224,700
Unrealised loss on revaluation of non-trading securities	(1,574)	(46)
General provisions for doubtful debts	<u>361,124</u>	<u>352,104</u>
	<u>584,250</u>	<u>576,758</u>
Total capital base before deductions	5,997,959	5,545,727
Deductions from total capital base	<u>(198,379)</u>	<u>(127,576)</u>
Total capital base after deductions	<u>5,799,580</u>	<u>5,418,151</u>
Unadjusted and adjusted capital adequacy ratio	16.6%	16.2%

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 Hong Kong Banking Ordinance.

The adjusted capital adequacy ratio incorporating market risk is computed on the same consolidated basis, and is in accordance with the Hong Kong Monetary Authority's Guideline "Maintenance of Adequate Capital Against Market Risks".

(b) Average liquidity ratio for the year

	<u>2001</u>	<u>2000</u>
Average liquidity ratio for the year	45.3%	44.3%

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 Hong Kong Banking Ordinance.

REVIEW AND PROSPECTS

2001 was one of the most difficult years in recent history for Hong Kong. The territory's strong growth in 2000 due to its export business faced serious challenges as the United States went into a recession in the second half. The September 11 incident cast a long shadow over the United States economy, already labouring under the excesses of an uninterrupted growth for a decade.

Hong Kong's GDP grew by only 0.1 percent as external trade shrank 5.8 percent, retail sales dipped 1.2 percent, unemployment rose to an historic high of 6.7 percent and wages remained stagnant. The property market suffered under deflationary pressure and, despite a fourth-quarter rally, the Hang Seng Index ended 2001 in the red, down by more than 20 percent from the previous year.

Against this difficult environment, the Group recorded a profit of HK\$780.5 million for the year, compared to HK\$901.2 million in 2000. Earnings per share eased 13.2 percent to HK\$2.66. The Board has recommended a final dividend of HK\$0.85 per share. Together with the interim dividend of HK\$0.37 paid in mid 2001, total dividends for the year amounted to HK\$1.22 per share, equal to that of 2000.

For the year ended 31st December 2001, the Group's total revenue declined 6.5 percent to HK\$1,880.1 million mainly due to a 8.6 percent decrease in net interest income.

Net interest margins for the year narrowed to 2.77 percent from 3.16 percent last year due to re-pricing on mortgages and lower yields on interest free funds.

As margin for residential mortgages remains thin, we have stepped up our efforts to bolster other consumer lending activities and to further broaden fee income base. During the year, we expanded our wealth management services and life insurance products, contributing to a 3.3 percent increase in non-interest income to HK\$363.0 million.

Despite softening demand for loans, our advances to customers increased 5.5 percent to HK\$35.52 billion, with noticeable growth recorded in consumer finance, as well as vehicle and equipment finance and loans for use in China.

Total deposits increased 0.7 percent to HK\$48.60 billion, with a significant growth of 25.1 percent recorded in savings deposits following the deregulation of interest rates and the introduction of the tier-interest rate structures. This has resulted in an overall lower cost of fund for the Group.

With tight cost control efforts, expenses increased only marginally by 0.8 percent to HK\$587.2 million. Cost-to-income ratio for the year stood at 31.2 percent.

Charge for bad and doubtful debts increased to HK\$423.0 million, primarily stemming from consumer lending, in particular defaults in credit card payments as well as provisions required for topping up deficits due to the declining value of collaterals. For the period under review, the level of non-performing loans remained almost at the same level as last year at 3.8 percent.

Return on average assets and return on average shareholders' funds were both lower at 1.42 percent and 13.3 percent respectively, while the Group's capital adequacy ratio and average liquidity ratio were higher at 16.6 percent and 45.3 percent respectively.

On the consumer lending side, credit card receivables increased by 34.8 percent to HK\$463.1 million following successful card recruitment campaigns and new affinity card programs.

Through Wing Hang Credit Limited, the Bank has focussed on "purpose" personal loans such as tax loans and automobile loans. For example, tax loans grew by 7.8 percent compared to last year. The subsidiary also introduced an innovative revolving credit product to suit customers' individual borrowing requirements.

Turning to small and medium enterprises (SME), we initiated a new loan program to support this important segment of the market. The new program offers working capital loans to qualified customers with sound financial standing and good business prospects.

In corporate banking, in view of the deflationary environment, our customers have continued to de-leverage their borrowings and reduce their inventory. This situation, however, has been compensated by increased lending opportunities in China where high GDP growth and entry to the World Trade Organisation ("WTO") continues to attract Hong Kong investors.

This year, we have expanded our treasury activities with a view to enhancing yields for our surplus funds. To achieve this, we have been investing excess liquidity in high investment grade bonds and debt securities.

Looking ahead, Hong Kong's economy is forecast to turn positive in the latter half of the year as the US pulls out of recession. The road to recovery, however, will be tough, as the Hong Kong economy is faced with the dual challenge of structural adjustments and cyclical factors.

The mainland economy is one bright spot in the global economic landscape, with China's GDP growth for 2002 forecast to come in at a robust 7.2 percent. Hong Kong stands to benefit from its unique relationship with the world's emerging economic powerhouse and in particular from new opportunities arising from China's entry to WTO.

We at Wing Hang Bank are optimistic about Hong Kong's role as a world financial center at the doorstep of China and will continue to strive for a prosperous future for our customers and shareholders.

FINAL DIVIDEND

The Directors propose to recommend at the forthcoming Annual General Meeting to be held on Thursday, 25th April 2002 the payment of a final dividend of HK\$0.85 per share. This final dividend, if approved, will be paid on Monday, 13th May 2002 to shareholders whose names are on the Register of Members on 25th April 2002.

CLOSING OF REGISTER OF MEMBERS

The Register of Members of the Bank will be closed from Monday, 22nd April 2002 to Thursday, 25th April 2002 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, Central Registration Hong Kong Limited, Shops 1712-1716, 17/F, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, for registration not later than 4:00 p.m. on Friday, 19th April 2002.

COMPLIANCE WITH THE CODE OF BEST PRACTICE

The Bank has complied throughout the year with the Code of Best Practice as set out in the Listing Rules of The Stock Exchange of Hong Kong Limited, except that a specified term was not fixed for the appointment of Non-executive Directors.

PURCHASE, SALE OR REDEMPTION OF SHARES

During the year, 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, 2001.

STATUTORY ACCOUNTS

The financial information in this results announcement does not constitute statutory accounts for the year ended 31st December 2001 but is derived from those accounts.

By Order of the Board
Patrick Y B Fung
Chairman and Chief Executive

Hong Kong, 14th March 2002

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