

WING HANG BANK, LIMITED**ANNOUNCEMENT OF 2002 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 2002 are as follows:

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

Consolidated profit and loss account

	Notes	<u>2002</u>	2001 (restated)	<u>Change</u> %
Interest income		2,260,276	3,275,342	
Interest expense		<u>(788,058)</u>	<u>(1,758,320)</u>	
Net interest income		1,472,218	1,517,022	-3.0
Other operating income		<u>365,413</u>	<u>363,049</u>	0.7
Operating income		1,837,631	1,880,071	-2.3
Operating expenses	(a)	<u>(595,502)</u>	<u>(588,694)</u>	1.2
Operating profit before provisions		1,242,129	1,291,377	-3.8
Charge for bad and doubtful debts		<u>(468,006)</u>	<u>(423,004)</u>	10.6
Operating profit		774,123	868,373	-10.9
(Losses) / gains on revaluation of investment properties and disposal of tangible fixed assets		(15,169)	6,222	
Profit on disposal of held-to-maturity and non-trading securities		51,317	31,476	
Provisions (made) / written back for held-to-maturity securities		<u>(21,028)</u>	<u>4,367</u>	
Profit on ordinary activities		789,243	910,438	-13.3
Share of net losses in associated companies		<u>(7,847)</u>	<u>(21,229)</u>	
Profit before taxation		781,396	889,209	-12.1
Taxation	(b)	<u>(101,544)</u>	<u>(110,223)</u>	
Profit after taxation		679,852	778,986	-12.7
Losses attributable to minority interests		895	7	
Profit attributable to the shareholders		<u>680,747</u>	<u>778,993</u>	-12.6
Dividends attributable to the year:				
Interim dividend paid during the year		108,580	108,569	
Underprovision of final dividend in respect of previous year		25	20	
Final dividend proposed after the balance sheet date		231,832	249,414	
Special dividend proposed after the balance sheet date		193,683	-	
		<u>534,120</u>	<u>358,003</u>	49.2
		HK\$	HK\$	
Earnings per share				
Basic and diluted	(c)	2.32	2.65	-12.6
Dividend per share				
Interim		0.37	0.37	
Proposed final		0.79	0.85	
Proposed special		0.66	-	
		<u>1.82</u>	<u>1.22</u>	49.2

Consolidated balance sheet

	<u>31st December 2002</u>	<u>31st December 2001</u> (restated)
ASSETS		
Cash and short-term funds	12,363,052	9,773,340
Placements with banks and other financial institutions maturing between one and twelve months	852,511	2,711,269
Trade bills less provisions	317,297	285,273
Certificates of deposit held	406,370	452,814
Trading securities	259,423	6,542
Advances to customers and other accounts less provisions	34,469,824	35,658,856
Held-to-maturity and non-trading securities	7,072,587	4,838,496
Investment in associated companies	56,924	60,771
Tangible fixed assets	1,308,751	1,272,196
Goodwill	1,454	2,035
Total assets	<u>57,108,193</u>	<u>55,061,592</u>
LIABILITIES		
Deposits and balances of banks and other financial institutions	422,060	412,980
Deposits from customers	45,302,367	45,697,763
Certificates of deposit issued	4,377,832	2,486,419
Other accounts and provisions	628,648	410,539
Total liabilities	<u>50,730,907</u>	<u>49,007,701</u>
CAPITAL RESOURCES		
Share capital	293,459	293,429
Reserves	6,062,842	5,738,582
Shareholders' funds	<u>6,356,301</u>	<u>6,032,011</u>
Minority interests	20,985	21,880
Total liabilities and capital resources	<u>57,108,193</u>	<u>55,061,592</u>

Notes:

(a) Operating expenses

Operating expenses included depreciation amounting to HK\$50,118,000 (2001: HK\$46,875,000).

(b) Taxation

Taxation in the consolidated profit and loss account represents:

	<u>2002</u>	<u>2001</u>
Provision for Hong Kong profits tax	71,702	84,745
Overseas taxation	29,842	25,478
	<u>101,544</u>	<u>110,223</u>

The provision for Hong Kong profits tax is calculated at 16% (2001: 16%) of the estimated assessable profits for the year ended 31st December 2002. Overseas taxation is provided at the appropriate current rates of taxation ruling in the countries in which the relevant units of the Group 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\$680,747,000 (2001(restated): HK\$778,993,000) and on the weighted average number of 293,452,007 (2001: 293,427,777) ordinary shares in issue during the year. The calculation of diluted earnings per share is based on profit attributable to the shareholders of HK\$680,747,000 (2001(restated): HK\$778,993,000) and on the weighted average number of 293,524,778 (2001: 293,513,778) ordinary shares in issue during the year after adjustment for the effects of all dilutive potential ordinary shares.

- (d)** This financial report is prepared on a basis consistent with the accounting policies adopted in the 2001 annual accounts except that with effect from 1st January 2002, the Group adopted the new Statement of Standard Accounting Practice 34 “Employee Benefits” issued by the Hong Kong Society of Accountants. In prior year, the Group did not provide for the liabilities in respect of its employees’ vested annual leave. SSAP 34 requires that obligations in respect of these entitlements should be accrued as soon as services are rendered. The changes have been applied retrospectively, resulting in prior year adjustments with the opening balance of shareholders’ fund as at 1st January 2001 and 1st January 2002 decreasing by HK\$11,772,000 and HK\$13,290,000 respectively. The comparative figure in respect of staff costs for 2001 has been restated by an increase of HK\$1,518,000.

The financial report has been prepared in accordance with the requirements of the Main Board Listing Rules of The Stock Exchange of Hong Kong Limited, and fully comply with the module on “Financial Disclosure by Locally Incorporated Authorised Institutions” under the Supervisory Policy Manual issued by the Hong Kong Monetary Authority (“HKMA”).

The financial information in this results announcement does not constitute the Group’s statutory accounts for the year ended 31st December 2002 but is derived from those accounts. The auditors have expressed an unqualified opinion on those accounts in their report dated 13th March, 2003.

Supplementary Information**(1) 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 business, 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.

				2002			
	Retail banking	Corporate banking	Treasury	Other	Unallocated	Inter- segment elimination	Total
Net interest income	959,689	329,321	120,410	1,484	61,314	-	1,472,218
Other operating income	197,138	71,510	36,287	34,809	25,669	-	365,413
Inter-segment income	-	-	-	-	39,137	(39,137)	-
Operating income	1,156,827	400,831	156,697	36,293	126,120	(39,137)	1,837,631
Operating expenses	(433,650)	(73,237)	(17,166)	(26,013)	(45,436)	-	(595,502)
Inter-segment expenses	(34,437)	(1,679)	(392)	(2,629)	-	39,137	-
Operating profit before provisions	688,740	325,915	139,139	7,651	80,684	-	1,242,129
Charge for bad and doubtful debts	(300,100)	(167,906)	-	-	-	-	(468,006)
Operating profit	388,640	158,009	139,139	7,651	80,684	-	774,123
Losses on revaluation of investment properties and disposal of tangible fixed assets	(499)	(22)	-	(67)	(14,581)	-	(15,169)
Profits / (losses) on disposal of held-to-maturity and non-trading securities	(2,494)	-	53,879	(68)	-	-	51,317
Provisions made for held-to-maturity securities	-	-	(21,028)	-	-	-	(21,028)
Profit on ordinary activities	385,647	157,987	171,990	7,516	66,103	-	789,243
Share of net losses in associated companies	-	-	-	(7,847)	-	-	(7,847)
Profit / (loss) before taxation	385,647	157,987	171,990	(331)	66,103	-	781,396
Depreciation	25,777	928	479	1,100	21,834	-	50,118
Segment assets	25,117,874	15,086,573	8,138,657	23,988	8,684,177	-	57,051,269
Investments in associated companies	-	-	-	56,924	-	-	56,924
Total assets	25,117,874	15,086,573	8,138,657	80,912	8,684,177	-	57,108,193
Total liabilities	45,707,476	274,300	147,800	8,100	4,593,231	-	50,730,907
Capital expenditure	40,221	710	1,499	534	62,284	-	105,248

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	<u>2001</u> (restated)							
	Retail banking	Corporate banking	Treasury	Other	Unallocated	Inter- segment elimination	Total	
Net interest income	956,116	310,894	69,579	2,393	178,040	-	1,517,022	
Other operating income	187,950	73,862	42,071	41,480	17,686	-	363,049	
Inter-segment income	-	-	-	-	<u>36,007</u>	<u>(36,007)</u>	-	
Operating income	1,144,066	384,756	111,650	43,873	231,733	(36,007)	1,880,071	
Operating expenses	(447,199)	(72,144)	(17,356)	(30,725)	(21,270)	-	(588,694)	
Inter-segment expenses	<u>(31,619)</u>	<u>(1,611)</u>	<u>(333)</u>	<u>(2,444)</u>	-	<u>36,007</u>	-	
Operating profit before provisions	665,248	311,001	93,961	10,704	210,463	-	1,291,377	
Charge for bad and doubtful debts	<u>(246,408)</u>	<u>(176,596)</u>	-	-	-	-	<u>(423,004)</u>	
Operating profit	418,840	134,405	93,961	10,704	210,463	-	868,373	
Gains / (losses) on revaluation of investment properties and disposal of tangible fixed assets	(502)	107	(1)	-	6,618	-	6,222	
Profits on disposal of held-to-maturity and non-trading securities	-	-	5,218	26,033	225	-	31,476	
Provisions written back for held-to-maturity securities	-	-	<u>4,367</u>	-	-	-	<u>4,367</u>	
Profit on ordinary activities	418,338	134,512	103,545	36,737	217,306	-	910,438	
Share of net losses in associated companies	-	-	-	<u>(21,229)</u>	-	-	<u>(21,229)</u>	
Profit before taxation	<u>418,338</u>	<u>134,512</u>	<u>103,545</u>	<u>15,508</u>	<u>217,306</u>	-	<u>889,209</u>	
Depreciation	24,936	854	443	982	19,660	-	46,875	
Segment assets	25,502,631	15,260,286	4,305,833	29,696	9,902,375	-	55,000,821	
Investments in associated companies	-	-	-	<u>60,771</u>	-	-	<u>60,771</u>	
Total assets	<u>25,502,631</u>	<u>15,260,286</u>	<u>4,305,833</u>	<u>90,467</u>	<u>9,902,375</u>	-	<u>55,061,592</u>	
Total liabilities	<u>45,560,410</u>	<u>261,400</u>	<u>171,500</u>	<u>9,000</u>	<u>3,005,391</u>	-	<u>49,007,701</u>	
Capital expenditure	<u>34,900</u>	<u>695</u>	<u>162</u>	<u>3,295</u>	<u>231,224</u>	-	<u>270,276</u>	

(b) Geographical segments

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

	2002				Total
	Hong Kong	Macau	Other	Less : inter-segment elimination	
As at 31st December 2002					
Total operating income	1,677,875	237,101	70,475	(147,820)	1,837,631
Profit before taxation	695,942	142,810	30,023	(87,379)	781,396
Total assets	56,355,727	8,484,892	6,951,234	(14,683,660)	57,108,193
Total liabilities	50,494,582	7,853,455	6,693,000	(14,310,130)	50,730,907
Contingent liabilities and commitments	8,425,820	690,084	107,102	(726,570)	8,496,436
Capital expenditure	85,282	19,282	684	-	105,248
			2001 (restated)	Less : inter-segment eliminations	Total
As at 31st December 2001					
Total operating income	1,761,863	231,209	56,950	(169,951)	1,880,071
Profit before taxation	834,444	138,824	41,199	(125,258)	889,209
Total assets	53,919,307	7,985,385	6,711,467	(13,554,567)	55,061,592
Total liabilities	48,297,308	7,416,268	6,475,676	(13,181,551)	49,007,701
Contingent liabilities and commitments	4,777,353	495,704	86,343	(54,140)	5,305,260
Capital expenditure	257,660	12,037	579	-	270,276

(2) Advances and other accounts

	<u>31st December 2002</u>	<u>31st December 2001</u>
Advances to customers	34,417,300	35,515,244
Advances to banks and other financial institutions	174,828	206,533
Specific provisions for bad and doubtful debts	(277,032)	(270,508)
General provisions for bad and doubtful debts	(348,572)	(358,406)
Accrued interest and other accounts	<u>503,300</u>	<u>565,993</u>
	<u><u>34,469,824</u></u>	<u><u>35,658,856</u></u>

(3) 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 2002</u>	<u>31st December 2001</u>
Gross non-performing advances to customers	922,785	1,349,795
Gross non-performing advances as a percentage of total advances to customers	2.68%	3.80%
Amount of collateral held	600,359	911,945
Specific provisions	275,977	267,553
Suspended interest	476,054	470,639

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 2002 and 31st December 2001.

(4) 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 2002</u>	<u>31st December 2001</u>	<u>Change</u> %
Loans for use in Hong Kong			
Industrial, commercial and financial			
- Property development	441,002	334,797	31.7
- Property investment	6,064,948	5,645,037	7.4
- Financial concerns	606,082	562,746	7.7
- Stockbrokers	245,272	259,047	-5.3
- Wholesale and retail trade	746,442	868,411	-14.0
- Manufacturing	814,887	968,820	-15.9
- Transport and transport equipment	1,967,964	1,619,465	21.5
- Share financing	206,776	255,709	-19.1
- Others	2,656,110	2,893,668	-8.2
Individuals			
- Loans for the purchase of flats in the Home Ownership Scheme, Private Sector Participation Scheme and Tenants Purchase Scheme	658,613	722,890	-8.9
- Loans for the purchase of other residential properties	9,544,144	10,799,639	-11.6
- Credit card advances	310,711	463,121	-32.9
- Others	2,767,306	2,833,500	-2.3
Trade finance	1,670,226	1,575,554	6.0
Loans for use outside Hong Kong			
- Macau	3,533,947	3,340,498	5.8
- Others	2,182,870	2,372,342	-8.0
	<u>34,417,300</u>	<u>35,515,244</u>	-3.1

(5) 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 2002</u>		
	Total advances to customers	Non-performing loans	Overdue advances for over three months
Hong Kong	29,295,688	782,028	487,981
Macau	3,654,356	135,726	227,861
People's Republic of China	481,998	3,659	2,020
Others	<u>985,258</u>	<u>1,372</u>	<u>1,372</u>
	<u>34,417,300</u>	<u>922,785</u>	<u>719,234</u>

	<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>-</u>	<u>25</u>
	<u>35,515,244</u>	<u>1,349,795</u>	<u>919,595</u>

(6) Overdue and rescheduled advances

	<u>31st December 2002</u>		<u>31st December 2001</u>	
Gross advances to customers which have been overdue for	Amount	% of total advances	Amount	% of total advances
6 months or less but over 3 months	192,245	0.56	291,684	0.82
1 year or less but over 6 months	293,415	0.85	250,786	0.71
Over 1 year	<u>233,574</u>	<u>0.68</u>	<u>377,125</u>	<u>1.06</u>
	<u>719,234</u>	<u>2.09</u>	<u>919,595</u>	<u>2.59</u>
Amount of collateral held	796,416		731,631	
Secured balance	542,165		646,525	
Unsecured balance	177,069		273,070	
Specific provisions	167,168		182,777	
Rescheduled advances	<u>316,455</u>	<u>0.92</u>	<u>478,625</u>	<u>1.35</u>

There were no overdue advances for over 3 months and rescheduled advances to banks and other financial institutions on 31st December, 2002 and 31st December 2001.

(7) Other overdue assets

	<u>31st December 2002</u>		<u>31st December 2001</u>	
Other assets which have been overdue for	Debt securities	Trade bills	Debt securities	Trade bills
6 months or less but over 3 months	-	2,328	-	2,011
1 year or less but over 6 months	-	668	-	1,667
Over 1 year	<u>-</u>	<u>1,569</u>	<u>-</u>	<u>2,599</u>
	<u>-</u>	<u>4,565</u>	<u>-</u>	<u>6,277</u>

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

	<u>31st December 2002</u>	<u>31st December 2001</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	719,234	919,595
Rescheduled advances	<u>316,455</u>	<u>478,625</u>
	<u>1,035,689</u>	1,398,220
Less : Loans overdue over 3 months and on which interest is still being accrued	(231,630)	(173,970)
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>118,726</u>	<u>125,545</u>
Total non-performing loans	<u><u>922,785</u></u>	<u><u>1,349,795</u></u>

(9) Repossessed assets

	<u>31st December 2002</u>	<u>31st December 2001</u>
Repossessed assets included in advances to customers	<u>295,164</u>	<u>214,301</u>

(10) 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 2002</u>			
	Banks and other financial institutions	Public sector entities	Others	Total
Macau	335,636	-	3,671,409	4,007,045
People's Republic of China	515,187	19,899	539,389	1,074,475
Other Asia Pacific	3,075,500	-	739,043	3,814,543
United States	1,153,954	511,276	406,369	2,071,599
Other North and South American countries	1,513,776	-	72,752	1,586,528
Middle East and Africa	3,028	-	921	3,949
Germany	3,113,626	-	-	3,113,626
United Kingdom	2,477,894	-	117,643	2,595,537
Other European countries	<u>4,327,862</u>	<u>-</u>	<u>510,331</u>	<u>4,838,193</u>
	<u>16,516,463</u>	<u>531,175</u>	<u>6,057,857</u>	<u>23,105,495</u>

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	<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>

(11) 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 2002</u>		<u>31st December 2001</u>	
In millions of HK\$ equivalent	US\$	Total	US\$	Total
Spot assets	13,158	21,212	13,525	19,294
Spot liabilities	(11,855)	(19,903)	(12,179)	(18,129)
Forward purchases	4,487	5,029	3,417	3,882
Forward sales	<u>(5,619)</u>	<u>(6,094)</u>	<u>(4,642)</u>	<u>(4,919)</u>
Net long positions	<u>171</u>	<u>244</u>	<u>121</u>	<u>128</u>

	<u>31st December 2002</u>			<u>31st December 2001</u>		
In millions of HK\$ equivalent	Macau Patacas	US\$	Total	Macau Patacas	US\$	Total
Net structural positions	<u>424</u>	<u>136</u>	<u>560</u>	<u>320</u>	<u>136</u>	<u>456</u>

(12) Reserves

	<u>31st December 2002</u>	<u>31st December 2001</u> (restated)
Share premium	330,677	329,999
Capital reserve	215,909	215,909
General reserve	2,100,201	2,100,178
Bank premises revaluation reserve	321,000	321,000
Investment revaluation reserve	(35)	(866)
Capital redemption reserve	769	769
Unappropriated profits	<u>3,094,321</u>	<u>2,771,593</u>
Total reserves	<u>6,062,842</u>	<u>5,738,582</u>

(13) 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 2002</u>	<u>31st December 2001</u>
Direct credit substitutes	847,709	398,317
Transaction-related contingencies	42,760	17,766
Trade-related contingencies	981,949	1,156,627
Other commitments	6,593,239	3,710,562
Others	<u>30,779</u>	<u>21,988</u>
	<u>8,496,436</u>	<u>5,305,260</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 2002</u>	<u>31st December 2001</u>
Exchange rate contracts	10,675,227	9,261,738
Interest rate contracts	<u>11,328,583</u>	<u>2,988,032</u>
	<u>22,003,810</u>	<u>12,249,770</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 2002</u>		<u>31st December 2001</u>	
	Replacement cost	Credit risk weighted amount	Replacement cost	Credit risk weighted amount
Contingent liabilities and commitments	N/A	1,069,415	N/A	639,978
Exchange rate contracts	32,780	45,634	27,674	38,199
Interest rate contracts	<u>113,276</u>	<u>26,229</u>	<u>24,047</u>	<u>7,407</u>
	<u>146,056</u>	<u>1,141,278</u>	<u>51,721</u>	<u>685,584</u>

(14) Capital adequacy and liquidity ratios**(a) Capital adequacy ratio**

	<u>31st December 2002</u>	<u>31st December 2001</u>
Core Capital		(restated)
Paid up ordinary share capital	293,459	293,429
Share Premium	330,677	329,999
Reserves	4,776,965	4,334,105
Others	<u>161,164</u>	<u>442,886</u>
	<u>5,562,265</u>	<u>5,400,419</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	(1,828)	(1,574)
General provisions for doubtful debts	<u>351,065</u>	<u>361,124</u>
	<u>573,937</u>	<u>584,250</u>
Total capital base before deductions	6,136,202	5,984,669
Deductions from total capital base	<u>(199,135)</u>	<u>(198,379)</u>
Total capital base after deductions	<u>5,937,067</u>	<u>5,786,290</u>
Unadjusted and adjusted capital adequacy ratio	<u>16.5%</u>	<u>16.5%</u>

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 (“HKMA”) 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 module on “Maintenance of Adequate Capital Against Market Risks” under Supervisory Policy Manual issued by the HKMA.

(b) Average liquidity ratio for the year

	<u>2002</u>	<u>2001</u>
Average liquidity ratio for the year	<u>42.4%</u>	<u>45.3%</u>

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

Hong Kong’s economy remained subdued in 2002 under a deflationary environment as the ongoing restructuring kept a lid on consumption and capital investments. Political uncertainty in the Middle East cast a shadow over the global economy, further hindering a domestic recovery.

In 2002, unemployment reached a record high of 7.8 percent, keeping consumer spending and retail sales low. Continuous deflation exerted pressure on wages, resulting in a decline in consumer confidence. Poor sentiment was exacerbated by further declines in property prices as supply still exceeded demand. The impact of the recent measures by the Government to stabilize property prices has yet to be assessed.

Despite generally poor economic conditions, China’s expansion continues to bode well for Hong Kong. The territory recorded strong export growth, particularly in the third quarter. The acceleration in the re-export trade and services exports impacted positively on the territory’s GDP. The tourism industry has benefited from the record number of visitors from China, compensating for the slower growth of visitors from overseas. In this challenging environment, Hong Kong’s real GDP grew 2.3 percent for the year 2002.

For the year ended 31st December 2002, Wing Hang Bank recorded a profit of HK\$680.7 million, compared to HK\$779.0 million in 2001. Earnings per share eased 12.6 percent to HK\$2.32. The Board has recommended a final dividend of HK\$0.79 per share and a special dividend of HK\$0.66 per share. Together with the interim dividend of HK\$0.37 paid in mid 2002, total dividends for the year amounted to HK\$1.82 per share, an increase of 49.2 percent over 2001.

The subdued economy in Hong Kong continued to dampen demand for loans. As a result, total advances to customers eased 3.1 percent to HK\$34.42 billion. Residential mortgages showed a decline of 11.6% due to intense competition and the slow property market. Continued growth has, however, been recorded in the consumer finance sector, which brought in higher yielding assets for the Bank. Respectable growth has also been recorded in vehicle and equipment finance as well as loans for use in Macau and China.

Total deposits increased 3.1 percent to HK\$50.10 billion, resulting from the issuance of HK\$1.3 billion retail Certificates of Deposit during the year. Successful promotions of current and savings deposits also brought about growth of 16.1 percent and 13.3 percent respectively for these lower cost accounts.

Net interest income declined 3.0 percent to HK\$1,472.2 million due to weak loan demand especially in residential mortgages, resulting in a drop of 2.3 percent in the Group's total revenue.

Net interest margins dropped slightly to 2.62 percent from 2.77 percent last year. Reduced margins in residential mortgages and lower yields in interest-free funds have been offset by increases in consumer finance and treasury activities.

Return on average assets and average shareholders' funds stood at 1.21 percent and 11.0 percent respectively, while the Group's capital adequacy ratio and average liquidity ratio were at 16.5 percent and 42.4 percent respectively.

In view of the weak demand for loans, the Bank has focused its efforts on broadening fee and commission income, which now accounts for 20.0 percent of the Group's operating income. Continued growth in wealth management services and increases in foreign exchange trading income and insurance commissions have been offset by decreases in share brokerage and credit card commissions.

As a result of the expansion of our treasury function to enhance yields for our surplus funds, the Treasury operation recorded a 66.0 percent increase in profit before taxation. The encouraging results have been achieved by investing excess liquidity in high grade investment bonds and debt securities.

Meanwhile, we have curtailed the growth of our credit card business in view of the volatile consumer profiles. For the year ended 31st December 2002, charge-offs for credit cards stood at 14.3 percent, which was in line with the market average. Due to the tightening of our credit approval criteria and a reduction in the number of cardholders, receivables declined 32.9 percent to HK\$310.7 million.

The Bank has continued to pursue cost-containment efforts. As a result, expenses increased marginally by 1.2 percent to HK\$595.5 million and the cost to income ratio for the year stood at 32.4 percent.

Charges for bad and doubtful debts increased by 10.6 percent to HK\$468.0 million, primarily from consumer lending, in particular, defaults in credit card payments as well as provisions required in light of the declining value of property collateral. However, the level of non-performing loans decreased to 2.68 percent compared to last year at 3.80 percent.

Hong Kong's banking industry has continued to evolve in light of changes in the market. Interest income, which was a major contributor to revenue, has continued to shrink as a result of intense competition, narrowing margins and declining loan demand. Banks have focused on fee and commission income to compensate for slower growth in loan volume. The industry has also been taking a more proactive approach to broadening the scope of the business, notably in wealth management and fee income products.

In order to implement a more proactive marketing philosophy, Wing Hang has increased the number of front line staff and streamlined back office functions. At the same time, we have continued to provide training programs to our customer service staff to broaden their knowledge of increasingly sophisticated financial products and to help them keep pace with the changing banking environment. We aim to further emphasize the quality of our service and maintain close working relationships with our customers in order to cross-sell the Bank's wide range of products and services.

While developing new businesses, we have increased our risk management efforts in view of the weakening economy and rising bankruptcies, continuing to reassess the credit quality of our customers and monitoring their repayment abilities. We will continue to take a prudent approach in granting credit while also diversifying our exposures to various industries and institutions, both in Hong Kong and across the border.

Looking ahead, 2003 is expected to be another challenging year for Hong Kong. Deflation will persist as domestic demand remains weak due to the high unemployment rate. Political uncertainty is likely to dampen the global economic recovery. There are, however, signs that we are on our way to a cyclical recovery led by trade. In particular, the strong performance of the Pearl Delta Region will improve re-export trade. Against this background, Hong Kong's real GDP is expected to edge up 3 percent this year.

At Wing Hang, we will continue to expand our treasury activities and wealth management services to broaden our fee income base. As the mainland is expected to continue to drive growth in the region, businesses will continue to migrate across the border. Leveraging on our experience and expertise, we will assist our customers to take advantage of investment opportunities in the mainland. Having been granted the approval to lend in Renminbi, we will further expand into China and continue our strategy of integrating into this high growth area.

PROPOSED DIVIDENDS

The Directors propose to recommend at the forthcoming Annual General Meeting to be held on Thursday, 24th April 2003 the payment of a final dividend of HK\$0.79 per share and a special dividend of HK\$0.66 per share. These final and special dividends, if approved, will be paid on Monday, 12th May 2003 to shareholders whose names are on the Register of Members on 24th April 2003.

CLOSING OF REGISTER OF MEMBERS

The Register of Members of the Bank will be closed from Tuesday, 22nd April 2003 to Thursday, 24th April 2003 both days inclusive, during which period no transfer of shares can be registered. In order to qualify for the above dividends, 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 4:00 p.m. on Thursday, 17th April 2003.

COMPLIANCE WITH THE CODE OF BEST PRACTICE

The Bank has complied throughout the year with the Code of Best Practice as set out in Appendix 14 of 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

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, 2002.

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

Hong Kong, 13th March 2003

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.