

WING HANG BANK, LIMITED

ANNOUNCEMENT OF 2003 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, 2003 are as follows:

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

Consolidated profit and loss account

	Notes	2003	2002 (restated)	Change %
Interest income		2,306,392	2,260,276	
Interest expense		(728,419)	(788,058)	
Net interest income		1,577,973	1,472,218	7.2
Other operating income	(a)	453,493	365,413	24.1
Operating income		2,031,466	1,837,631	10.5
Operating expenses	(b)	(712,161)	(595,502)	19.6
Operating profit before provisions		1,319,305	1,242,129	6.2
Charge for bad and doubtful debts		(325,287)	(468,006)	-30.5
Operating profit		994,018	774,123	28.4
Losses on revaluation of investment properties and disposal of tangible fixed assets		(5,533)	(15,169)	
Profits on disposal of held-to-maturity and non-trading securities		34,040	51,317	
Provisions made for held-to-maturity securities		(10,900)	(21,028)	
Profit on ordinary activities		1,011,625	789,243	28.2
Share of net profits / (losses) in associated companies		626	(7,847)	
Profit before taxation		1,012,251	781,396	29.5
Taxation	(c)	(147,603)	(112,820)	
Profit after taxation		864,648	668,576	29.3
Profit / (losses) attributable to minority interests		(772)	895	
Profit attributable to the shareholders		863,876	669,471	29.0
Dividends attributable to the year:				
Interim dividend paid during the year		108,665	108,580	
Underprovision of final and special dividends in respect of previous year		148	25	
Final dividend proposed after the balance sheet date		317,283	231,832	
Special dividend proposed after the balance sheet date		-	193,683	
		426,096	534,120	-20.2
		HK\$	HK\$	
Earnings per share	(d)			
Basic and diluted		2.94	2.28	29.0
Cash		2.99	2.28	30.7
Dividends per share				
Interim		0.37	0.37	
Proposed final		1.08	0.79	
Proposed special		-	0.66	
		1.45	1.82	-20.3

Consolidated balance sheet

	<u>31st December 2003</u>	<u>31st December 2002</u> (restated)
ASSETS		
Cash and short-term funds	18,402,805	12,363,052
Placements with banks and other financial institutions maturing between one and twelve months	1,542,981	852,511
Trade bills less provisions	595,895	317,297
Certificates of deposit held	129,972	406,370
Trading securities	546,064	259,423
Advances to customers and other accounts less provisions	47,108,427	34,481,422
Held-to-maturity and non-trading securities	17,582,264	7,072,587
Investments in associated companies	143,514	56,924
Tangible fixed assets	1,729,617	1,308,751
Goodwills	955,133	1,454
Total assets	<u>88,736,672</u>	<u>57,119,791</u>
LIABILITIES		
Deposits and balances of banks and other financial institutions	407,403	422,060
Deposits from customers	72,138,422	45,302,367
Certificates of deposit issued	4,931,139	4,377,832
Other accounts and provisions	2,031,625	658,808
Total liabilities	<u>79,508,589</u>	<u>50,761,067</u>
CAPITAL RESOURCES		
Share capital	293,781	293,459
Reserves	6,393,100	6,044,280
Shareholders' funds	<u>6,686,881</u>	<u>6,337,739</u>
Loan capital	2,522,910	-
Minority interests	18,292	20,985
Total liabilities and capital resources	<u>88,736,672</u>	<u>57,119,791</u>

*Notes:***(a) Other operating income**

Other operating income included losses on securities and other dealing activities amounting to HK\$3,552,000 (2002: HK\$5,904,000).

(b) Operating expenses

Operating expenses included depreciation and amortisation of goodwill amounting to HK\$67,420,000 (2002: HK\$50,118,000) and HK\$12,661,000 (2002: HK\$581,000) respectively.

(c) Taxation

Taxation in the consolidated profit and loss account represents:

	<u>2003</u>	<u>2002</u> (restated)
Provision for Hong Kong profits tax	132,805	71,702
Overseas taxation	32,895	29,842
Deferred taxation	(7,665)	11,276
Share of associate's tax	(10,432)	-
	<u>147,603</u>	<u>112,820</u>

The provision for Hong Kong profits tax is calculated at 17.5% (2002: 16%) of the estimated assessable profits for the year ended 31st December, 2003. Overseas taxation is provided at the appropriate current rates of taxation ruling in the countries in which the relevant units of the Group operate.

(d) Earnings per share

The calculation of basic earnings per share is based on profit attributable to the shareholders of HK\$863,876,000 (2002(restated): HK\$669,471,000) and on the weighted average number of 293,606,538 (2002: 293,452,007) ordinary shares in issue during the year.

The calculation of diluted earnings per share is based on profit attributable to the shareholders of HK\$863,876,000 (2002(restated): HK\$669,471,000) and on the weighted average number of 293,772,317 (2002: 293,524,778) ordinary shares in issue during the year after adjustment for the effects of all dilutive potential ordinary shares.

The calculation of cash earnings per share is based on profit attributable to the shareholders of HK\$876,537,000 (2002(restated): HK\$670,052,000) adjusted for goodwill amortised of HK\$12,661,000 (2002 : HK\$581,000) and on the weighted average number of 293,606,538 (2002: 293,452,007) ordinary shares in issue during the year. This supplementary information is considered a useful additional indication of performance.

- (e) This financial report is prepared on a basis consistent with the accounting policies adopted in the 2002 annual accounts except that with effect from 1st January, 2003, the Group adopted the Statement of Standards Accounting Practice 12 (revised) "Income Taxes" issued by the Hong Kong Society of Accountants. In prior years, the accounting standard required that deferred tax liabilities were provided using the liability method in respect of the taxation effect arising from all material timing differences between the accounting and tax treatment of income and expenditure, which were expected with reasonable probability to crystallise in the foreseeable future. Deferred tax assets were not recognised unless their realisation was assured beyond reasonable doubt.

Under the new accounting policy, profits tax for the period comprises current and deferred tax. Deferred tax assets and liabilities arise from deductible and taxable temporary differences between the carrying amount of assets and liabilities for financial reporting purposes and the tax bases. Deferred tax assets also arise from unused tax credits. All deferred tax liabilities and all deferred tax assets are recognised, to the extent that it is probable that future taxable profits will be available against which the asset can be utilised, except on the initial recognition of assets or liabilities that affect neither accounting nor taxable profit.

The changes have been applied retrospectively, resulting in prior period adjustments with the opening balance of shareholders' funds as at 1st January, 2002 and 1st January, 2003 decreasing by HK\$7,642,000 and HK\$18,562,000 respectively. The comparative figure in respect of deferred taxation charged to profit and loss account for the year 2002 has been restated by an additional charge of HK\$11,276,000.

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").

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.

	Retail banking	Corporate banking	Treasury	<u>2003</u> Other	Unallocated	Inter- segment elimination	Total
Net interest income	1,020,252	324,764	175,344	2,180	55,433	-	1,577,973
Other operating income	219,490	77,333	60,598	64,712	31,360	-	453,493
Inter-segment income	-	-	-	-	41,351	(41,351)	-
Operating income	1,239,742	402,097	235,942	66,892	128,144	(41,351)	2,031,466
Operating expenses	(453,814)	(92,866)	(39,924)	(32,515)	(93,042)	-	(712,161)
Inter-segment expenses	(37,499)	(1,609)	(556)	(1,687)	-	41,351	-
Operating profit before provisions	748,429	307,622	195,462	32,690	35,102	-	1,319,305
Charge for bad and doubtful debts	(193,471)	(131,757)	-	(59)	-	-	(325,287)
Operating profit	554,958	175,865	195,462	32,631	35,102	-	994,018
Losses on revaluation of investment properties and disposal of tangible fixed assets	(936)	(14)	(70)	-	(4,513)	-	(5,533)
Profits / (losses) on disposal of held-to-maturity and non-trading securities	(1,228)	-	35,178	90	-	-	34,040
Provisions made for held-to-maturity securities	-	-	(10,900)	-	-	-	(10,900)
Profit on ordinary activities	552,794	175,851	219,670	32,721	30,589	-	1,011,625
Share of net profits in associated companies	-	-	-	335	291	-	626
Profit before taxation	552,794	175,851	219,670	33,056	30,880	-	1,012,251
Depreciation	32,114	4,759	3,424	1,503	25,620	-	67,420
Segment assets	33,497,555	19,862,171	17,997,869	259,141	16,976,422	-	88,593,158
Investments in associated companies	-	-	-	123,538	19,976	-	143,514
Total assets	33,497,555	19,862,171	17,997,869	382,679	16,996,398	-	88,736,672
Total liabilities	72,596,397	902,779	812,740	89,053	5,107,620	-	79,508,589
Capital expenditure	896,584	621,450	74,329	89	104,803	-	1,697,255

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	<u>2002</u> (restated)							
	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	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>39,137</u>	<u>(39,137)</u>	<u>-</u>	
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	<u>(34,437)</u>	<u>(1,679)</u>	<u>(392)</u>	<u>(2,629)</u>	<u>-</u>	<u>39,137</u>	<u>-</u>	
Operating profit before provisions	688,740	325,915	139,139	7,651	80,684	-	1,242,129	
Charge for bad and doubtful debts	<u>(300,100)</u>	<u>(167,906)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(468,006)</u>	
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	<u>-</u>	<u>-</u>	<u>(21,028)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(21,028)</u>	
Profit on ordinary activities	385,647	157,987	171,990	7,516	66,103	-	789,243	
Share of net losses in associated companies	<u>-</u>	<u>-</u>	<u>-</u>	<u>(7,847)</u>	<u>-</u>	<u>-</u>	<u>(7,847)</u>	
Profit / (loss) before taxation	<u>385,647</u>	<u>157,987</u>	<u>171,990</u>	<u>(331)</u>	<u>66,103</u>	<u>-</u>	<u>781,396</u>	
Depreciation	25,777	928	479	1,100	21,834	-	50,118	
Segment assets	25,117,874	15,086,573	8,138,657	23,988	8,695,775	-	57,062,867	
Investments in associated companies	<u>-</u>	<u>-</u>	<u>-</u>	<u>56,924</u>	<u>-</u>	<u>-</u>	<u>56,924</u>	
Total assets	<u>25,117,874</u>	<u>15,086,573</u>	<u>8,138,657</u>	<u>80,912</u>	<u>8,695,775</u>	<u>-</u>	<u>57,119,791</u>	
Total liabilities	<u>45,707,476</u>	<u>274,300</u>	<u>147,800</u>	<u>8,100</u>	<u>4,623,391</u>	<u>-</u>	<u>50,761,067</u>	
Capital expenditure	<u>40,221</u>	<u>710</u>	<u>1,499</u>	<u>534</u>	<u>62,284</u>	<u>-</u>	<u>105,248</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 2003</u>	<u>31st December 2002</u>
Gross non-performing advances to customers	1,387,664	922,785
Gross non-performing advances as a percentage of total advances to customers	2.98%	2.68%
Amount of collateral held	1,071,767	600,359
Specific provisions	273,930	275,977
Suspended interest	538,908	476,054

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, 2003 and 31st December, 2002.

(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 2003</u>	<u>31st December 2002</u>	<u>Change</u> %
Loans for use in Hong Kong			
Industrial, commercial and financial			
- Property development	746,889	441,002	69.4
- Property investment	8,301,127	6,064,948	36.9
- Financial concerns	432,237	606,082	-28.7
- Stockbrokers	299,192	245,272	22.0
- Wholesale and retail trade	1,552,450	746,442	108.0
- Manufacturing	1,477,609	814,887	81.3
- Transport and transport equipment	2,529,990	1,967,964	28.6
- Share financing	128,297	206,776	-38.0
- Others	3,279,434	2,656,110	23.5
Individuals			
- Loans for the purchase of flats in the Home Ownership Scheme, Private Sector Participation Scheme and Tenants Purchase Scheme	1,925,650	658,613	192.4
- Loans for the purchase of other residential properties	12,486,065	9,544,144	30.8
- Credit card advances	326,186	310,711	5.0
- Others	3,168,104	2,767,306	14.5
Trade finance	2,710,956	1,670,226	62.3
Loans for use outside Hong Kong			
- Macau	3,728,726	3,533,947	5.5
- Others	3,518,773	2,182,870	61.2
	<u>46,611,685</u>	<u>34,417,300</u>	35.4

(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 2003</u>		
	Total advances to customers	Non-performing loans	Overdue advances for over three months
Hong Kong	40,947,433	1,157,473	789,291
Macau	3,876,335	219,446	209,792
People's Republic of China	843,922	8,737	8,113
Others	943,995	2,008	2,008
	<u>46,611,685</u>	<u>1,387,664</u>	<u>1,009,204</u>

	<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	985,258	1,372	1,372
	<u>34,417,300</u>	<u>922,785</u>	<u>719,234</u>

(6) Overdue and rescheduled advances

	<u>31st December 2003</u>		<u>31st December 2002</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	158,787	0.34	192,245	0.56
1 year or less but over 6 months	215,456	0.46	293,415	0.85
Over 1 year	634,961	1.36	233,574	0.68
	<u>1,009,204</u>	<u>2.16</u>	<u>719,234</u>	<u>2.09</u>
Amount of collateral held	841,574		796,416	
Secured balance	768,264		542,165	
Unsecured balance	240,940		177,069	
Specific provisions	220,991		167,168	
Rescheduled advances	<u>163,087</u>	<u>0.35</u>	<u>316,455</u>	<u>0.92</u>

There were no overdue advances for over 3 months and rescheduled advances to banks and other financial institutions on 31st December, 2003 and 31st December, 2002.

(7) Other overdue assets

	<u>31st December 2003</u>		<u>31st December 2002</u>	
	Debt securities	Trade bills	Debt securities	Trade bills
Other assets which have been overdue for				
6 months or less but over 3 months	-	117	-	2,328
1 year or less but over 6 months	30,038	-	-	668
Over 1 year	-	3,089	-	1,569
	<u>30,038</u>	<u>3,206</u>	<u>-</u>	<u>4,565</u>

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

	<u>31st December 2003</u>	<u>31st December 2002</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	1,009,204	719,234
Rescheduled advances	<u>163,087</u>	<u>316,455</u>
	<u>1,172,291</u>	1,035,689
Less : Loans overdue over 3 months and on which interest is still being accrued	(59,745)	(231,630)
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>275,118</u>	<u>118,726</u>
Total non-performing loans	<u>1,387,664</u>	<u>922,785</u>

(9) Repossessed assets

	<u>31st December 2003</u>	<u>31st December 2002</u>
Repossessed assets included in advances to customers	<u>262,881</u>	<u>295,164</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 2003</u>			Total
	Banks and other financial institutions	Public sector entities	Others	
Macau	560,836	-	3,893,773	4,454,609
People's Republic of China	1,022,099	9,190	802,154	1,833,443
Other Asia Pacific	5,315,186	493,348	867,680	6,676,214
United States	1,068,438	416,131	1,989,982	3,474,551
Other North and South American countries	2,386,259	-	362,542	2,748,801
Middle East and Africa	3,135	-	1,466	4,601
Germany	6,075,226	-	4,182	6,079,408
United Kingdom	3,441,208	-	84,989	3,526,197
Other European countries	<u>9,859,051</u>	<u>-</u>	<u>528,209</u>	<u>10,387,260</u>
	<u>29,731,438</u>	<u>918,669</u>	<u>8,534,977</u>	<u>39,185,084</u>

	<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>

(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 2003</u>		<u>31st December 2002</u>	
In millions of HK\$ equivalent	US\$	Total	US\$	Total
Spot assets	27,037	41,121	13,158	21,212
Spot liabilities	(29,345)	(42,785)	(11,855)	(19,903)
Forward purchases	5,757	6,694	4,487	5,029
Forward sales	<u>(3,214)</u>	<u>(4,701)</u>	<u>(5,619)</u>	<u>(6,094)</u>
Net long positions	<u>235</u>	<u>329</u>	<u>171</u>	<u>244</u>

	<u>31st December 2003</u>			<u>31st December 2002</u>		
In millions of HK\$ equivalent	Macau Patacas	US\$	Total	Macau Patacas	US\$	Total
Net structural positions	<u>515</u>	<u>79</u>	<u>611</u>	<u>424</u>	<u>136</u>	<u>560</u>

(12) Reserves

	<u>31st December 2003</u>	<u>31st December 2002</u> (restated)
Share premium	337,330	330,677
Capital reserve	215,909	215,909
General reserve	2,091,079	2,100,201
Bank premises revaluation reserve	268,917	273,073
Property investment revaluation reserve	14	-
Investment revaluation reserve	17,848	(35)
Capital redemption reserve	769	769
Unappropriated profits	<u>3,461,234</u>	<u>3,123,686</u>
Total reserves	<u>6,393,100</u>	<u>6,044,280</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 2003</u>	<u>31st December 2002</u>
Direct credit substitutes	699,117	847,709
Transaction-related contingencies	56,645	42,760
Trade-related contingencies	1,644,315	981,949
Other commitments	9,282,716	6,593,239
Forward forward deposits placed	<u>979,948</u>	<u>30,779</u>
	<u>12,662,741</u>	<u>8,496,436</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 2003</u>	<u>31st December 2002</u>
Exchange rate contracts	7,871,437	10,675,227
Interest rate contracts	26,345,693	11,328,583
Equity contracts	<u>140,084</u>	-
	<u>34,357,214</u>	<u>22,003,810</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 2003</u>		<u>31st December 2002</u>	
	Replacement cost	Credit risk weighted amount	Replacement cost	Credit risk weighted amount
Contingent liabilities and commitments	N/A	1,713,039	N/A	1,069,415
Exchange rate contracts	55,236	37,360	32,780	45,634
Interest rate contracts	193,612	64,667	113,276	26,229
Equity contracts	-	<u>2,101</u>	-	-
	<u>248,848</u>	<u>1,817,167</u>	<u>146,056</u>	<u>1,141,278</u>

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

	<u>31st December 2003</u>	31st December 2002 (restated)
Core Capital		
Paid up ordinary share capital	293,781	293,459
Share Premium	337,330	330,677
Reserves	4,966,124	4,816,787
Others	453,053	149,911
Less : Goodwill	<u>(954,260)</u>	<u>-</u>
	<u>5,096,028</u>	<u>5,590,834</u>
Eligible supplementary capital		
Reserves on revaluation of land and interests in land	188,231	191,164
Unrealised gains / (losses) on revaluation of non-trading securities	11,168	(1,828)
General provisions for doubtful debts	467,920	351,065
Eligible value of term subordinated debt instruments	<u>2,522,910</u>	<u>-</u>
	<u>3,190,229</u>	<u>540,401</u>
Total capital base before deductions	8,286,257	6,131,235
Deductions from total capital base	<u>(480,208)</u>	<u>(199,135)</u>
Total capital base after deductions	<u>7,806,049</u>	<u>5,932,100</u>
Unadjusted and adjusted capital adequacy ratio	<u>15.7%</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>2003</u>	<u>2002</u>
Average liquidity ratio for the year	<u>49.0%</u>	<u>42.4%</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 HKMA, and has been computed in accordance with the Fourth Schedule to the Hong Kong Banking Ordinance.

REVIEW AND PROSPECTS

2003 was a challenging year for the Hong Kong economy. International conditions deteriorated rapidly at the beginning of the year as the war in Middle East cast a temporary shadow over the global economy. The outbreak of SARS in March had a severe impact locally, with retail, tourism and restaurant sectors the hardest hit.

The economy recovered steadily in the second half, helped in part by initiatives such as the Closer Economic Partnership Agreement (CEPA) and the “individual visit” scheme of mainland visitors. The unemployment rate fell from a record high of 8.7 percent to 7.3 percent by year-end. Consumer sentiment brightened due to the improved employment situation and a firmer property market. In the external sector, total exports grew on the back of strong export performance of the mainland. There was also a revival in tourism as a record number of mainland visitors helped to offset declines from other markets. For the fourth quarter of 2003, GDP rose by 5 percent in real terms over a year earlier, reversing the 0.5 percent decline in the second quarter.

The banking industry faced a difficult environment in 2003, particularly in the first half. Loans continued to contract due to weak demand for bank credit from both individuals and businesses. Asset quality deteriorated in the early part of 2003 as the value of residential mortgage loans in negative equity grew, however this began to improve towards the end of the year.

For the year ended 31st December, 2003, profits attributable to shareholders amounted to HK\$863.9 million, compared to HK\$669.5 million in 2002. The consolidated results incorporate the results of Chekiang First Bank (CFB) and its subsidiaries from 30th September, 2003, that being the date on which the acquisition was completed. Earnings per share increased by 29.0 percent to HK\$2.94. The Board has recommended a final dividend of HK\$1.08 per share. Together with the interim dividend of HK\$0.37 paid in mid 2003, total dividends for the year amounted to HK\$1.45 per share, an increase of 25.0 percent over 2002, if the special dividend of HK\$0.66 per share paid last year was excluded.

During 2003, we have focused on diversifying revenue and containing cost. We also strive to achieve growth in non-interest income to compensate for the lack of domestic loan demand.

We continue to recognize that efficient use of capital is vital to increasing shareholder value and that economy of scale is important to cost containment. Against this background, on 1st August, 2003, Wing Hang Bank entered into an agreement to acquire CFB as a wholly owned subsidiary. With a solid credit history and a strong portfolio, CFB brings greater scale and coverage to the Bank.

Integration progress has been smooth and swift. Both revenue and cost synergies have begun to materialize. The Bank is confident that by July 2004, pending the approval of the Merger Bill, integration will be completed, resulting in a stronger and more substantial Bank.

Total advances to customers increased 35.4 percent to HK\$46.61 billion. Excluding CFB, total loan outstanding eased 1.4 percent to HK\$33.92 billion as the outbreak of SARS in the first half of the year dampened demand for loans. The decrease was mainly due to the decrease in domestic loans to individuals and corporates. Credit card receivables also declined due to the tightening of lending policies and weaker consumer spending. This was compensated by a marked increase in loans for use in China as well as in the Bank’s Macau operation. Residential mortgages showed an increase of 1.8 percent despite intense competition and a slow property market in the first half.

Total deposits increased 54.6 percent to HK\$77.48 billion. Excluding CFB, total deposits increased by 9.9 percent to HK\$55.04 billion, resulting from the issuance of HK\$1.23 billion in retail Certificates of Deposit during the year and growth in foreign currency deposits. Successful promotions of current and savings deposits also brought about growth of 52.4 percent and 63.9 percent respectively for these lower cost accounts.

Net interest income increased 7.2 percent to HK\$1,578.0 million. Excluding CFB, net interest income increased 1.3 percent to HK\$1,491.6 million due to an increase in treasury operations. Partially offsetting this increase was a reduction in margin in mortgages.

Net interest margins decreased to 2.31 percent from 2.62 percent last year due to a weak loan demand and after taking into account the lower margin at CFB.

In view of the weak demand for loans, the Bank has focused its efforts on broadening fee and commission income, which now accounts for 22.3 percent of the Group's operating income and increased by 24.1 percent from 2002. Continued growth in wealth management services was helped by cross-selling of our diversified investment products to CFB customers. Increases in foreign exchange trading income, insurance commissions and share brokerage have been partly offset by decreases in credit card commissions.

The Bank has continued to pursue cost-containment efforts. Operating expenses, however, increased 19.6 percent to HK\$712.2 million, primarily due to the acquisition of CFB and goodwill expenses. As a result, the cost-to-income ratio rose from 32.4 percent in 2002 to 35.1 percent in 2003.

The level of non-performing loans stood at 2.98 percent of total loans at year end compared to 2.68 percent last year and 3.35 percent at 30th June, 2003. Charges for bad and doubtful debts decreased by 30.5 percent to HK\$325.3 million, primarily due to an improvement in consumer lending. For the year ended 31st December, 2003, charge-offs for credit cards stood at 7.96 percent, partly reflecting the precautionary measures taken by the Bank. In the fourth quarter of 2003, the annualized charge-off ratio dropped to 5.20 percent.

The Bank's Treasury operation recorded a 27.7 percent increase in profit before taxation as a result of the expansion of our treasury function to enhance yields from our surplus funds. The encouraging results have been partly achieved by investing excess liquidity of CFB in high grade investment bonds and debt securities. The Bank continues to enhance and expand Treasury capabilities to efficiently and prudently invest surplus funds.

In Macau, Banco Weng Hang has continued to out-perform. Profits increased by 8.0 percent to 134.1 million Macau patacas, with steady growth in loans and deposits of 6.4 percent and 11.0 percent respectively. Net interest income increased slightly by 4.5 percent while fee income increased by 17.9 percent.

Return on average assets and average shareholders' funds for the Group stood at 1.27 percent and 13.3 percent respectively, while the capital adequacy ratio and average liquidity ratio were at 15.7 percent and 49.0 percent respectively.

Looking ahead, global economic prospects should brighten in 2004. The US economic recovery will be sustained by accommodative monetary and fiscal policies in the election year. The pace of growth in Mainland China will stay brisk due to robust domestic and foreign demand. Locally, the trade-driven recovery will gather pace with new trade and investment opportunities brought about by CEPA. Moreover, there are signs that the deflationary spiral will end as consumer price deflation subsides and property prices rebound. Closer integration with the mainland will also benefit neighboring Macau, where the economy will continue its double-digit growth in 2004.

To capitalize on Hong Kong's closer integration with the Mainland, we will gear ourselves up towards greater involvement in China. We already have an established foothold in the Pearl Delta Region and we are now following our customers' expansion into other regions. In this regard, we plan to upgrade our Shanghai representative office to a branch and open a representative office in Beijing in 2004 to complement our branch in Shenzhen and representative office in Guangzhou.

We will continue to expand our treasury activities and wealth management services to broaden our fee income base. While pursuing this growth strategy, we will maintain our prudent lending policy. We will step up our risk management efforts in view of the forthcoming implementation of the new Basel Capital Accord. With a recovering economy in Hong Kong and greater opportunities available in the Mainland, we are optimistic about the performance of the Bank in 2004.

PROPOSED DIVIDEND

The Directors propose to recommend at the forthcoming Annual General Meeting to be held on Thursday, 22nd April, 2004 the payment of a final dividend of HK\$1.08 per share. This final dividend, if approved, will be paid on Monday, 10th May, 2004 to shareholders whose names are on the Register of Members on 22nd April, 2004.

CLOSING OF REGISTER OF MEMBERS

The Register of Members of the Bank will be closed from Monday, 19th April, 2004 to Thursday, 22nd April, 2004 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 4:00 p.m. on Friday, 16th April, 2004.

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, 2003.

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

Hong Kong, 11th March, 2004

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.