

WING HANG BANK, LIMITED

ANNOUNCEMENT OF 2004 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, 2004 are as follows:

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

Consolidated profit and loss account

	Notes	2004	2003	Change %
Interest income		2,877,006	2,306,392	
Interest expense		(1,082,689)	(728,419)	
Net interest income		1,794,317	1,577,973	13.7
Other operating income	(a)	640,070	453,493	41.1
Operating income		2,434,387	2,031,466	19.8
Operating expenses	(b)	(1,028,107)	(712,161)	44.4
Operating profit before provisions		1,406,280	1,319,305	6.6
Charge for bad and doubtful debts		(54,434)	(325,287)	-83.3
Operating profit		1,351,846	994,018	36.0
Profits / (losses) on revaluation of investment properties, disposal of tangible fixed assets and associated companies		43,743	(5,533)	
Profits on disposal of held-to-maturity and non-trading securities		6,508	34,040	
Provisions written back / (made) for held-to-maturity securities		4,848	(10,900)	
Profit on ordinary activities		1,406,945	1,011,625	39.1
Share of net profits in associated companies		5,229	626	
Profit before taxation		1,412,174	1,012,251	39.5
Taxation	(c)	(242,561)	(147,603)	
Profit after taxation		1,169,613	864,648	35.3
Profit attributable to minority interests		(1,592)	(772)	
Profit attributable to the shareholders		1,168,021	863,876	35.2
Dividends attributable to the year:				
Interim dividend paid during the year		155,773	108,665	
Underprovision of final and special dividends in respect of previous year		140	148	
Final dividend proposed after the balance sheet date		420,292	317,283	
		576,205	426,096	35.2
		HK\$	HK\$	
Earnings per share	(d)			
Basic		3.97	2.94	35.2
Diluted		3.97	2.94	34.8
Cash		4.13	2.99	38.3
Dividends per share				
Interim		0.53	0.37	
Proposed final		1.43	1.08	
		1.96	1.45	35.2

Consolidated balance sheet

	<u>31st December 2004</u>	<u>31st December 2003</u>
ASSETS		
Cash and short-term funds	20,529,318	18,402,805
Placements with banks and other financial institutions maturing between one and twelve months	1,435,527	1,542,981
Trade bills less provisions	551,124	595,895
Certificates of deposit held	30,000	129,972
Trading securities	12,067	546,064
Advances to customers and other accounts less provisions	49,745,339	47,108,427
Held-to-maturity and non-trading securities	20,388,740	17,582,264
Investments in associated companies	135,706	143,514
Tangible fixed assets	1,772,570	1,729,617
Goodwill	847,713	955,133
Total assets	<u>95,448,104</u>	<u>88,736,672</u>
LIABILITIES		
Deposits and balances of banks and other financial institutions	1,209,582	407,403
Deposits from customers	78,569,161	72,138,422
Certificates of deposit issued	4,616,090	4,931,139
Other accounts and provisions	1,103,015	2,031,625
Total liabilities	<u>85,497,848</u>	<u>79,508,589</u>
CAPITAL RESOURCES		
Share capital	293,911	293,781
Reserves	7,109,976	6,393,100
Shareholders' funds	<u>7,403,887</u>	<u>6,686,881</u>
Loan capital	2,526,485	2,522,910
Minority interests	19,884	18,292
Total liabilities and capital resources	<u>95,448,104</u>	<u>88,736,672</u>

Notes:

(a) Other operating income

Other operating income included profits on securities and other dealing activities amounting to HK\$6,695,000 (losses in 2003: HK\$3,552,000).

(b) Operating expenses

Operating expenses included depreciation, amortisation of goodwill and employee incentive plan cost amounting to HK\$108,058,000 (2003: HK\$67,420,000), HK\$44,997,000 (2003: HK\$12,661,000) and HK\$2,248,000 (2003: Nil) respectively.

(c) Taxation

Taxation in the consolidated profit and loss account represents:

	<u>2004</u>	<u>2003</u>
Provision for Hong Kong profits tax	184,956	132,805
Overseas taxation	50,093	32,895
Deferred taxation	6,828	(7,665)
Share of associate's tax	684	(10,432)
	<u>242,561</u>	<u>147,603</u>

The provision for Hong Kong profits tax is calculated at 17.5% (2003: 17.5%) of the estimated assessable profits for the year ended 31st December 2004. 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\$1,168,021,000 (2003: HK\$863,876,000) and on the weighted average number of 293,897,112 (2003: 293,606,538) ordinary shares in issue during the year.

The calculation of diluted earnings per share is based on profit attributable to the shareholders of HK\$1,168,021,000 (2003: HK\$863,876,000) and on the weighted average number of 294,567,557 (2003: 293,772,317) 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\$1,213,018,000 (2003: HK\$876,537,000) adjusted for goodwill amortised of HK\$44,997,000 (2003 : HK\$12,661,000) and on the weighted average number of 293,897,112 (2003: 293,606,538) ordinary shares in issue during the year. This supplementary information is considered a useful additional indication of performance.

- (e)** The same accounting policies adopted in the 2003 annual accounts have been applied in the preparation of the financial report except the account policy on new Employee Incentive Plan (“EIP”). The Group has granted awards to certain employees to acquire shares of the Bank under a new EIP. The fair value of the awards is measured at the grant date and is charged to the profit and loss account and credited to shareholders’ funds between the grant date and the vesting date. The cash amount equal to the dividend that would have been paid during the period up to vesting will be charged to the profit and loss account as bonus expenses on an accrual basis.

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”).

(f) Recently issued accounting standards

The Hong Kong Institute of Certified Public Accountants has issued a number of new and revised Hong Kong Financial Reporting Standards and Hong Kong Accounting Standards (“new HKFRSs”) which are effective for accounting periods beginning on or after 1st January 2005.

The Group has not early adopted these new HKFRSs in the financial statements for the year ended 31st December 2004.

The Group has already commenced an assessment of the impact of these new HKFRSs but is not yet in a position to state whether these new HKFRSs would have a significant impact on its results of operations and financial position.

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.

	2004						
	Retail banking	Corporate banking	Treasury	Other	Unallocated	Inter- segment elimination	Total
Net interest income	1,213,269	378,961	186,681	3,597	11,809	-	1,794,317
Other operating income	313,230	112,981	86,918	84,417	42,524	-	640,070
Inter-segment income	-	-	-	-	49,087	(49,087)	-
Operating income	1,526,499	491,942	273,599	88,014	103,420	(49,087)	2,434,387
Operating expenses	(661,458)	(165,718)	(60,934)	(43,134)	(96,863)	-	(1,028,107)
Inter-segment expenses	(44,861)	(1,918)	(554)	(1,754)	-	49,087	-
Operating profit before provisions	820,180	324,306	212,111	43,126	6,557	-	1,406,280
Charge for bad and doubtful debts	(35,235)	(19,199)	-	-	-	-	(54,434)
Operating profit	784,945	305,107	212,111	43,126	6,557	-	1,351,846
Profits / (losses) on revaluation of investment properties, disposal of tangible fixed assets and associated companies	(978)	(1,895)	(1,235)	(354)	48,205	-	43,743
Profits on disposal of held-to-maturity and non-trading securities	-	-	6,425	83	-	-	6,508
Provisions written back for held-to-maturity securities	-	-	4,848	-	-	-	4,848
Profit on ordinary activities	783,967	303,212	222,149	42,855	54,762	-	1,406,945
Share of net profits in associated companies	-	-	-	5,115	114	-	5,229
Profits before taxation	783,967	303,212	222,149	47,970	54,876	-	1,412,174
Depreciation	51,463	14,678	7,666	2,125	32,126	-	108,058
Amortisation of goodwill	21,988	11,268	9,139	1,726	876	-	44,997
Segment assets	37,528,072	19,407,218	20,332,953	119,608	17,924,547	-	95,312,398
Investments in associated companies	-	-	-	127,970	7,736	-	135,706
Total assets	37,528,072	19,407,218	20,332,953	247,578	17,932,283	-	95,448,104
Total liabilities	76,886,457	1,318,299	806,869	22,658	6,463,565	-	85,497,848
Capital expenditure	44,285	26,812	3,964	442	75,787	-	151,290

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	Retail banking	Corporate banking	Treasury	2003 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
Profits before taxation	<u>552,794</u>	<u>175,851</u>	<u>219,670</u>	<u>33,056</u>	<u>30,880</u>	<u>-</u>	<u>1,012,251</u>
Depreciation	32,114	4,759	3,424	1,503	25,620	-	67,420
Amortisation of goodwill	3,361	2,604	2,570	1,116	3,010	-	12,661
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	<u>33,497,555</u>	<u>19,862,171</u>	<u>17,997,869</u>	<u>382,679</u>	<u>16,996,398</u>	<u>-</u>	<u>88,736,672</u>
Total liabilities	<u>72,596,397</u>	<u>902,779</u>	<u>812,740</u>	<u>89,053</u>	<u>5,107,620</u>	<u>-</u>	<u>79,508,589</u>
Capital expenditure	<u>903,076</u>	<u>621,450</u>	<u>74,329</u>	<u>89</u>	<u>104,803</u>	<u>-</u>	<u>1,703,747</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.

	2004				Total
	Hong Kong	Macau	Other	Less : inter-segment elimination	
As at 31st December 2004					
Total operating income	2,383,998	268,339	88,483	(306,433)	2,434,387
Profit before taxation	1,341,708	167,817	45,389	(142,740)	1,412,174
Total assets	95,563,311	10,092,742	14,370,127	(24,578,076)	95,448,104
Total liabilities	88,507,952	9,443,949	11,506,089	(23,960,142)	85,497,848
Contingent liabilities and commitments	14,377,018	758,992	45,597	(805,182)	14,376,425
Capital expenditure	103,936	23,160	24,194	-	151,290
	2003				Total
	Hong Kong	Macau	Other	Less : inter-segment eliminations	
As at 31st December 2003					
Total operating income	2,126,056	254,405	58,715	(407,710)	2,031,466
Profit before taxation	1,179,116	154,549	14,952	(336,366)	1,012,251
Total assets	97,893,393	9,317,866	10,649,054	(29,123,640)	88,736,673
Total liabilities	86,226,863	8,691,491	10,565,659	(25,975,424)	79,508,589
Contingent liabilities and commitments	12,241,808	725,483	35,135	(339,685)	12,662,741
Capital expenditure	1,642,799	13,818	47,130	-	1,703,747

(2) Advances and other accounts

	<u>31st December 2004</u>	<u>31st December 2003</u>
Advances to customers	49,189,126	46,611,685
Advances to banks and other financial institutions	110,865	142,371
Specific provisions for bad and doubtful debts	(127,731)	(276,682)
General provisions for bad and doubtful debts	(494,779)	(465,940)
Accrued interest and other accounts	<u>1,067,858</u>	<u>1,096,993</u>
	<u>49,745,339</u>	<u>47,108,427</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 2004</u>	<u>31st December 2003</u>
Gross non-performing advances to customers	824,995	1,387,664
Gross non-performing advances as a percentage of total advances to customers	1.68%	2.98%
Amount of collateral held	671,350	1,071,767
Specific provisions	125,732	273,930
Suspended interest	465,552	538,908

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, 2004 and 31st December, 2003.

(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 2004</u>	<u>31st December 2003</u>	<u>Change</u> %
Loans for use in Hong Kong			
Industrial, commercial and financial			
- Property development	652,393	746,889	-12.7
- Property investment	8,502,635	8,301,127	2.4
- Financial concerns	631,997	432,237	46.2
- Stockbrokers	244,082	299,192	-18.4
- Wholesale and retail trade	974,803	1,552,450	-37.2
- Manufacturing	1,745,129	1,477,609	18.1
- Transport and transport equipment	2,721,053	2,529,990	7.6
- Share financing	205,011	128,297	59.8
- Others	3,032,779	3,279,434	-7.5
Individuals			
- Loans for the purchase of flats in the Home Ownership Scheme, Private Sector Participation Scheme and Tenants Purchase Scheme	1,618,601	1,925,650	-15.9
- Loans for the purchase of other residential properties	13,872,283	12,486,065	11.1
- Credit card advances	358,582	326,186	9.9
- Others	3,272,558	3,168,104	3.3
Trade finance	2,575,916	2,710,956	-5.0
Loans for use outside Hong Kong			
- Macau	4,026,596	3,728,726	8.0
- Others	4,754,708	3,518,773	35.1
	<u>49,189,126</u>	<u>46,611,685</u>	5.5

(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 2004</u>		
	Total advances to customers	Non-performing loans	Overdue advances for over three months
Hong Kong	43,343,176	626,765	562,931
Macau	4,227,186	190,019	87,516
People's Republic of China	715,318	8,211	7,807
Others	<u>903,446</u>	<u>-</u>	<u>-</u>
	<u>49,189,126</u>	<u>824,995</u>	<u>658,254</u>

	<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	<u>943,995</u>	<u>2,008</u>	<u>2,008</u>
	<u>46,611,685</u>	<u>1,387,664</u>	<u>1,009,204</u>

(6) Overdue and rescheduled advances

	<u>31st December 2004</u>		<u>31st December 2003</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	148,535	0.30	158,787	0.34
1 year or less but over 6 months	65,410	0.13	215,456	0.46
Over 1 year	<u>444,309</u>	<u>0.90</u>	<u>634,961</u>	<u>1.36</u>
	<u>658,254</u>	<u>1.33</u>	<u>1,009,204</u>	<u>2.16</u>
Amount of collateral held	647,116		841,574	
Secured balance	563,124		768,264	
Unsecured balance	95,130		240,940	
Specific provisions	89,644		220,991	
Rescheduled advances	<u>186,192</u>	<u>0.38</u>	<u>163,087</u>	<u>0.35</u>

There were no overdue advances for over 3 months and rescheduled advances to banks and other financial institutions on 31st December, 2004 and 31st December, 2003.

(7) Other overdue assets

	<u>31st December 2004</u>		<u>31st December 2003</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
1 year or less but over 6 months	-	108	30,038	-
Over 1 year	<u>-</u>	<u>1,714</u>	<u>-</u>	<u>3,089</u>
	<u>-</u>	<u>1,822</u>	<u>30,038</u>	<u>3,206</u>

(8) The reconciliation between overdue and rescheduled loans and non-performing loans	<u>31st December 2004</u>	<u>31st December 2003</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	658,254	1,009,204
Rescheduled advances	<u>186,192</u>	<u>163,087</u>
	844,446	1,172,291
 (Less) : Loans overdue over 3 months and on which interest is still being accrued	 (115,371)	 (59,745)
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>95,920</u>	<u>275,118</u>
Total non-performing loans	<u>824,995</u>	<u>1,387,664</u>

(9) Repossessed assets

	<u>31st December 2004</u>	<u>31st December 2003</u>
Repossessed assets included in advances to customers	<u>193,822</u>	<u>262,881</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 2004</u>			
	Banks and other financial institutions	Public sector entities	Others	Total
Macau	355,234	-	4,241,239	4,596,473
People's Republic of China	1,424,858	15,795	564,279	2,004,932
Other Asia Pacific	7,161,851	-	1,052,747	8,214,598
United States	1,124,311	303,703	2,200,764	3,628,778
Other North and South American countries	1,070,887	-	493,806	1,564,693
Middle East and Africa	761	-	1,821	2,582
Germany	7,751,606	-	3,977	7,755,583
United Kingdom	4,997,717	-	170,806	5,168,523
Other European countries	<u>10,100,714</u>	<u>-</u>	<u>638,539</u>	<u>10,739,253</u>
	<u>33,987,939</u>	<u>319,498</u>	<u>9,367,978</u>	<u>43,675,415</u>

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	Banks and other financial institutions	Public sector entities	Others	Total
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>

(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.

In millions of HK\$ equivalent	<u>31st December 2004</u>		<u>31st December 2003</u>	
	US\$	Total	US\$	Total
Spot assets	27,044	43,484	27,037	41,121
Spot liabilities	(28,388)	(44,775)	(29,345)	(42,785)
Forward purchases	4,307	5,100	5,757	6,694
Forward sales	<u>(2,417)</u>	<u>(3,233)</u>	<u>(3,214)</u>	<u>(4,701)</u>
Net long positions	<u>546</u>	<u>576</u>	<u>235</u>	<u>329</u>

In millions of HK\$ equivalent	<u>31st December 2004</u>			<u>31st December 2003</u>		
	Macau Patacas	US\$	Total	Macau Patacas	US\$	Total
Net structural positions	<u>110</u>	<u>218</u>	<u>328</u>	<u>515</u>	<u>79</u>	<u>611</u>

(12) Reserves

	<u>31st December 2004</u>	<u>31st December 2003</u>
Share premium	342,102	337,330
Capital reserve	215,909	215,909
General reserve	2,091,174	2,091,079
Bank premises revaluation reserve	269,039	268,917
Investment property revaluation reserve	12,683	14
Investment revaluation reserve	22,241	17,848
Capital redemption reserve	769	769
Unappropriated profits	<u>4,156,059</u>	<u>3,461,234</u>
Total reserves	<u>7,109,976</u>	<u>6,393,100</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 2004</u>	<u>31st December 2003</u>
Direct credit substitutes	809,560	699,117
Transaction-related contingencies	33,450	56,645
Trade-related contingencies	1,416,358	1,644,315
Other commitments	9,875,085	9,282,716
Forward forward deposits placed	<u>2,241,972</u>	<u>979,948</u>
	<u>14,376,425</u>	<u>12,662,741</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 2004</u>	<u>31st December 2003</u>
Exchange rate contracts		
Forwards – trading	3,286,625	4,034,010
Forwards – hedging	919,593	2,878,948
Option purchased – trading	277,016	508,321
Option written – trading	<u>277,016</u>	<u>450,158</u>
Total exchange rate contracts	<u>4,760,250</u>	<u>7,871,437</u>
Interest rate contracts		
Swaps – trading – receiving fixed rate	37,191,480	893,838
Swaps – trading – paying fixed rate	37,070,388	893,838
Swaps – hedging– receiving fixed rate	14,854,793	8,753,450
Swaps – hedging– paying fixed rate	<u>25,096,124</u>	<u>15,804,567</u>
Total interest rate contracts	<u>114,212,785</u>	<u>26,345,693</u>
Equity contracts		
Option purchased – trading	-	70,042
Option written – trading	<u>140,902</u>	<u>70,042</u>
Total equity contracts	<u>140,902</u>	<u>140,084</u>
	<u>119,113,937</u>	<u>34,357,214</u>

As at 31st December 2004, an amount of HK\$31,134,069,000 (2003: Nil) were included both in swap trading receiving fixed rate and swap trading paying fixed rate for the Bank and the Group reflecting previously designated hedging transactions which have been unwound using offsetting transactions as part of management's ongoing hedging of the investment debt securities portfolio.

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 2004</u>		<u>31st December 2003</u>	
	Replacement cost	Credit risk weighted amount	Replacement cost	Credit risk weighted amount
Contingent liabilities and commitments	N/A	1,757,281	N/A	1,713,039
Exchange rate contracts	22,192	20,229	55,236	37,360
Interest rate contracts	554,187	211,702	193,612	64,667
Equity contracts	-	-	-	2,101
	<u>576,379</u>	<u>1,989,212</u>	<u>248,848</u>	<u>1,817,167</u>

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

	<u>31st December 2004</u>	<u>31st December 2003</u>
Core Capital		
Paid up ordinary share capital	293,911	293,781
Share Premium	342,102	337,330
Reserves	5,417,947	4,966,124
Others	516,743	453,053
(Less) : Goodwill	<u>(847,422)</u>	<u>(954,260)</u>
	<u>5,723,281</u>	<u>5,096,028</u>
Eligible supplementary capital		
Reserves on revaluation of land and interests in land	187,824	188,231
Unrealised gains on revaluation of non-trading securities	14,246	11,168
General provisions for doubtful debts	496,214	467,920
Eligible value of term subordinated debt instruments	<u>2,526,485</u>	<u>2,522,910</u>
	<u>3,224,769</u>	<u>3,190,229</u>
Total capital base before deductions	8,948,050	8,286,257
Deductions from total capital base	<u>(405,324)</u>	<u>(480,208)</u>
Total capital base after deductions	<u>8,542,726</u>	<u>7,806,049</u>
Unadjusted and adjusted capital adequacy ratio	<u>15.7%</u>	<u>15.7%</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>2004</u>	<u>2003</u>
Average liquidity ratio for the year	<u>49.1%</u>	<u>49.0%</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

2004 saw a steady recovery of the Hong Kong economy. GDP grew by an average of 8.8 percent in real terms in the first three quarters over a year earlier, significantly higher than the 2.6 percent growth in the same period of 2003. Retail sales and tourism were boosted by the influx of mainland visitors under the “individual visit” scheme. Labor market conditions improved in tandem with the economic upturn and the unemployment rate fell to 6.5% in December, its lowest level since 2001. Renewed business confidence and the low cost of funds fueled the continuing recovery of the property market as abundant liquidity drove short-term Hong Kong dollar interest rates to near zero levels despite higher US interest rates.

The general improvement in the Hong Kong economy benefited the banking industry. Strong loan demand in the 4th quarter boosted loan growth for the sector to 5.9% for the year. Asset quality improved as property prices rebounded and the unemployment rate fell steadily from its peak in the middle of 2003. Consequently, bad debt charges reduced significantly in 2004. Net interest margin, however, was under pressure due to increased competition and excess liquidity.

Wing Hang Bank continued to grow in 2004. We were able to achieve satisfactory asset growth in areas such as residential mortgages, equipment financing as well as in the Bank's China and Macau operations. We continued to extract synergies from the acquisition of Chekiang First Bank (CFB).

Wing Hang Bank achieved a new record in profit attributable to shareholders of HK\$1,168.0 million for the year, an increase of 35.2 percent when compared to HK\$863.9 million in 2003. The consolidated results incorporate the full year results of CFB and its subsidiaries. Earnings per share increased by 35.2 percent to HK\$3.97. Cash earnings per share increased by 38.3 percent to HK\$4.13. The Board has recommended a final dividend of HK\$1.43 per share. Together with the interim dividend of HK\$0.53 paid on 20th September 2004, total dividends for the year amounted to HK\$1.96 per share, an increase of 35.2 percent over 2003.

Net interest income increased 13.7 percent to HK\$1,794.3 million due to the full year effect of the acquisition of CFB, as well as an increase in loan volume and treasury operations. Net interest margins fell from 2.31 percent to 1.99 percent due to mortgage re-pricing and partly due to the narrower margins of CFB's assets.

Non-interest income rose 41.1 percent to HK\$640.1 million due to substantial growth in share brokerage, foreign exchange trading income and wealth management services as well as the full year effect of the acquisition of CFB.

The Group's total operating income increased by 19.8 percent to HK\$2,434.4 million. The Group's cost-to-income ratio rose from 35.1 percent to 42.2 percent due to the full year effects of the acquisition of CFB and goodwill expenses. With the successful integration of CFB, the Group is confident that its cost-to-income ratio will improve further as cost economies will be achieved by more branch rationalisation and centralising of back-office and IT operations.

Charges for bad and doubtful loans decreased 83.3 percent to HK\$54.4 million due to the recovery in property prices, declining personal bankruptcies and the general improvement in the economy. For 2004, charge-offs for credit cards decreased to 2.46 percent of credit card receivables from 7.96 percent in the same period last year. In the fourth quarter of 2004, the annualised charge-off ratio dropped to 1.16%. The level of non-performing loans decreased to HK\$0.82 billion, or 1.68 percent of total loans.

Total advances to customers increased 5.5 percent to HK\$49.19 billion due to satisfactory growth in domestic lending such as residential mortgage and equipment financing as well as lending outside Hong Kong in the Group's China and Macau operations.

Total deposits increased 8.9 percent to HK\$84.39 billion and customer deposits increased 8.9 percent to HK\$78.57 billion, reflecting the increase in both foreign currency deposits and HK dollar current and savings deposits. Deposit growth was partly helped by increased brand awareness after the integration, an expanded branch network that gave depositors more convenience and the successful promotion of the Elite Banking concept targeting high net-worth customers.

The recovery in the property markets has continued in 2004 with pronounced increases in the prices of both residential and commercial properties. However, property lending remained stagnant until the fourth quarter despite the pick up in sale activities in both the primary and secondary markets. Residential mortgages, which accounts for 28.2 percent of the loan portfolio, increased by 11.1 percent. The Bank has refrained from price competition to gain market share but is attracting home buyers through new mortgage products such as a 95% mortgage plan.

The intensive competition in Hong Kong continued to be compensated by increased activities in Mainland China, where residential mortgage financing grew 73.2 percent in 2004. Property prices have risen rapidly in the Mainland despite administrative measures by the central government to reduce credit growth and an increase in benchmark lending and deposit rates in October. Although there are risks of overheating in the property markets in some metropolitan areas, we have mitigated risks by chiefly servicing Hong Kong residents buying owner-occupied homes.

In Macau, Banco Weng Hang continues to out-perform, helped by double-digit growth in the local economy. Macau's GDP surged 21.7 percent in real terms in the third quarter over a year earlier due to vibrant inbound tourism. Profits increased by 8.6 percent to 146.0 million Macau patacas, with a steady growth in loans and deposits of 9.3 percent and 8.5 percent respectively. Net interest income increased slightly by 0.6 percent while fee income increased by 22.1 percent.

Return on average assets and average shareholders' funds stood at 1.29 percent and 16.6 percent respectively, while the Group's capital adequacy ratio and average liquidity ratio were at 15.7 percent and 49.1 percent respectively.

Following the passage of the Wing Hang Bank, Limited (Merger) Bill by the Legislative Council on 9 July 2004, Wing Hang Bank (WHB) and CFB have been successfully integrated on 9 August 2004. Integration has been seamless and on schedule due to careful planning and execution. Substantial revenue and cost synergies have been realised in 2004 and we are confident that full integration benefit will be achieved by the end of 2005, earlier than planned.

Looking ahead, the operating environment will remain challenging in 2005 due to the continuing rise in US interest rates. In light of the uncertainties regarding fund inflows into Hong Kong and intense competition, interest margin will continue to be under pressure in 2005. However, loan demand should gradually grow with the improving local economy and buoyant asset markets. Mainland China is expected to maintain healthy growth as tightening policies help steer the economy away from overheating. Neighboring Macau will continue its double-digit economic growth in 2005 due to the inflow of foreign investments drawn by the casino gaming sector.

We will continue to control costs through streamlining operations as well as to broaden our fee income and expand our consumer lending businesses through cross-selling to an enlarged customer base. With the successful integration of CFB, we now have a larger operating platform to grow our business. We will also focus on enhancing our franchise through innovative products and superior service quality.

To capitalise on the high growth in China, we will continue our expansion program in the Mainland. In this regard, we will be opening our Shanghai branch and Beijing representative office in March of 2005. After that we plan to upgrade the Guangzhou representative office to a branch to further expand our network in China. While pursuing a growth strategy, we are fully aware that the key to success is prudent lending policy.

PROPOSED DIVIDEND

The Directors propose to recommend at the forthcoming Annual General Meeting to be held on Thursday, 21st April, 2005 the payment of a final dividend of HK\$1.43 per share. This final dividend, if approved, will be paid on Monday, 9th May, 2005 to shareholders whose names are on the Register of Members on 21st April, 2005.

CLOSING OF REGISTER OF MEMBERS

The Register of Members of the Bank will be closed from Monday, 18th April, 2005 to Thursday, 21st April, 2005 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, 15th April, 2005.

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, 2004.

BOARD OF DIRECTORS

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

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

Hong Kong, 10th March, 2005

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.