



WING HANG BANK, LIMITED

(Incorporated in Hong Kong with limited liability)

(Stock Code: 302)

ANNOUNCEMENT OF 2006 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, 2006 are as follows:

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

Consolidated profit and loss account

	Note	2006	2005	Change %
Interest income		5,818,646	4,041,779	
Interest expense		(3,899,913)	(2,312,655)	
Net interest income		1,918,733	1,729,124	11.0
Net interest income on financial instruments held for trading and measured at fair value through profit or loss	(2)	207,165	135,876	
Other operating income	(3)	811,549	755,770	
Operating income		2,937,447	2,620,770	12.1
Operating expenses	(4)	(1,074,369)	(975,789)	10.1
Operating profit before impairment losses and allowances charge on loans and advances		1,863,078	1,644,981	13.3
Impairment losses and allowances charge on loans and advances		(773)	(54,056)	
Operating profit		1,862,305	1,590,925	17.1
Gains on revaluation of investment properties and disposal of tangible fixed assets		54,222	22,680	
Gains / (losses) on disposal of available-for-sale financial assets		13,773	(9,048)	
Share of net profits of associated companies	(5)	50,951	11,249	
Profit before taxation		1,981,251	1,615,806	22.6
Taxation	(6)	(319,138)	(264,861)	
Profit after taxation		1,662,113	1,350,945	23.0
Profit attributable to:				
Shareholders of the Bank		1,660,716	1,348,718	23.1
Minority interests		1,397	2,227	
Profit after taxation		1,662,113	1,350,945	23.0
Dividends attributable to the year:				
Interim dividend paid during the year		241,260	205,800	
Underprovision of final dividend in respect of the prior year		96	57	
Final dividend proposed after the balance sheet date		588,441	470,433	
		829,797	676,290	22.7
		HK\$	HK\$	
Earnings per share – basic	(7)	5.65	4.59	23.1
– diluted		5.60	4.57	
Dividends per share – interim		0.82	0.70	
– proposed final		2.00	1.60	
		2.82	2.30	22.6

Consolidated balance sheet

	<u>31st December, 2006</u>	<u>31st December, 2005</u>
ASSETS		
Cash and short-term funds	28,785,949	20,053,798
Placements with banks and other financial institutions maturing between one and twelve months	3,677,234	2,657,380
Trade bills less impairment allowances	370,549	652,375
Trading assets	738,392	911,264
Financial assets measured at fair value through profit or loss	5,382,956	5,924,424
Advances to customers and other accounts less impairment allowances	60,704,258	55,472,883
Held-to-maturity and available-for-sale financial assets	19,534,360	15,909,430
Investments in associated companies	197,906	146,955
Tangible fixed assets		
- Investment properties	258,390	231,447
- Other properties, plants and equipment	1,635,398	1,506,041
Goodwill	847,422	847,422
Current tax recoverable	1,074	1,211
Deferred tax assets	16,679	7,986
Total assets	<u>122,150,567</u>	<u>104,322,616</u>
EQUITY AND LIABILITIES		
Deposits and balances of banks and other financial institutions	1,692,887	1,703,026
Deposits from customers	102,066,947	85,673,452
Certificates of deposit issued	3,715,303	3,824,339
Trading liabilities	590,899	865,962
Current tax payable	152,706	102,798
Deferred tax liabilities	105,274	91,570
Other accounts and provisions	1,981,978	1,203,530
Loan capital	2,527,850	2,519,888
Total liabilities	<u>112,833,844</u>	<u>95,984,565</u>
Share capital	294,221	294,021
Reserves	9,002,494	8,021,919
Shareholders' funds	9,296,715	8,315,940
Minority interests	20,008	22,111
Total equity	<u>9,316,723</u>	<u>8,338,051</u>
Total equity and liabilities	<u>122,150,567</u>	<u>104,322,616</u>

Consolidated statement of changes in equity

	<u>31st December, 2006</u>	<u>31st December, 2005</u>
Total equity as at 1 st January	8,338,051	7,602,038
Unrealised gains / (losses) on revaluation of available-for-sale financial assets after deferred tax charge / credit	14,378	(20,650)
(Gains) / losses transferred from investment revaluation reserve to current year profit or loss account on disposal of available-for-sale financial assets	(11,890)	7,424
Unrealised gains on revaluation of bank premises	11,010	9,297
Deferred tax (charged) / credited to bank premises revaluation reserve	(1,440)	2,900
Effects of foreign exchange rate changes	1,098	(759)
Net gains / (losses) recognised directly in equity	<u>13,156</u>	<u>(1,788)</u>
Net profit for the year	<u>1,662,113</u>	<u>1,350,945</u>
Total recognised income and expenses for the year	1,675,269	1,349,157
Dividends paid	(711,789)	(626,149)
Proceeds on shares issued under share option scheme	6,327	4,010
Share premium under Employee Incentive Plan (“EIP”) and share option scheme	12,365	8,995
Ordinary dividends paid to minority interests	(3,500)	-
Total equity as at 31 st December	<u><u>9,316,723</u></u>	<u><u>8,338,051</u></u>
Total recognised income and expenses for the year attributable to:		
Shareholders of the Bank	1,673,872	1,346,930
Minority interests	1,397	2,227
	<u><u>1,675,269</u></u>	<u><u>1,349,157</u></u>

Notes:

(1) The audited results of the Group have been reviewed by the Bank’s Audit Committee and are prepared on a basis consistent with the significant accounting policies adopted in the 2005 annual accounts.

(2) *Net interest income on financial instruments held for trading and measured at fair value through profit or loss*

	<u>2006</u>	<u>2005</u>
Trading assets	1,014	138
Trading liabilities	(106)	(562)
Financial assets measured at fair value through profit or loss	239,650	234,309
Financial liabilities measured at fair value through profit or loss	(110,319)	(84,776)
Trading financial derivatives assets	99,690	55,869
Trading financial derivatives liabilities	(22,764)	(69,102)
	<u><u>207,165</u></u>	<u><u>135,876</u></u>

(3) *Other operating income*

Other operating income include net realised and unrealised gains on financial instruments held for trading amounting to HK\$77,312,000 (2005: HK\$33,038,000) and net realised and unrealised losses on financial instruments measured at fair value through profit or loss amounting to HK\$59,480,000 (Gains in 2005: HK\$59,531,000).

(4) *Operating expenses*

Operating expenses include depreciation and EIP expenses amounting to HK\$81,242,000 (2005: HK\$75,407,000) and HK\$12,365,000 (2005: HK\$3,372,000) respectively. In 2005, the impairment losses on goodwill and the share option scheme expenses amounted to HK\$1,170,000 and HK\$6,588,000 respectively.

(5) Share of net profits of associated companies is stated net of taxation on profits of associated companies amounting to HK\$4,117,000 (2005: HK\$2,597,000).

(6) **Taxation**

Taxation in the consolidated profit and loss account represents:

	<u>2006</u>	<u>2005</u>
Provision for Hong Kong profits tax	270,286	232,285
Provision for overseas taxation	45,819	25,830
Deferred taxation	3,033	6,746
	<u>319,138</u>	<u>264,861</u>

The provision for Hong Kong profits tax is calculated at 17.5% (2005: 17.5%) of the Group's estimated assessable profits for the year ended 31st December, 2006. The provision for overseas taxation is provided at the appropriate current rates of taxation ruling in the countries in which the relevant units of the Group operate.

(7) **Earnings per share**

The calculation of basic earnings per share is based on profit attributable to the Bank's shareholders of HK\$1,660,716,000 (2005: HK\$1,348,718,000) and on the weighted average number of ordinary shares of 294,126,856 shares (2005: 293,970,062 shares) in issue during the year.

The calculation of diluted earnings per share is based on profit attributable to the Bank's shareholders of HK\$1,660,716,000 (2005: HK\$1,348,718,000) and on the weighted average number of ordinary shares of 296,657,181 shares (2005: 294,844,825 shares) in issue during the year after adjustment for the effects of all dilutive potential ordinary shares.

Supplementary Financial 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 businesses, stockbroking activities and services for retirement schemes.

Unallocated items mainly comprise the shareholders' funds, investments in premises and investment properties, and results of other activities which cannot be reasonably allocated to specific business segments.

	<u>2006</u>						
	Retail banking	Corporate banking	Treasury	Other	Unallocated	Inter- segment elimination	Total
Net interest income / (expense)	1,455,093	473,035	(325,670)	2,389	313,886	-	1,918,733
Net interest income / (expense) on financial instruments held for trading and measured at fair value through profit or loss	-	-	317,484	-	(110,319)	-	207,165
Other operating income	427,272	78,781	156,439	99,944	49,113	-	811,549
Inter-segment income / (expense)	-	-	-	-	62,171	(62,171)	-
Operating income	1,882,365	551,816	148,253	102,333	314,851	(62,171)	2,937,447
Operating expenses	(690,193)	(150,562)	(27,708)	(50,545)	(155,361)	-	(1,074,369)
Inter-segment (expense) / income	(55,745)	(3,062)	(894)	(2,470)	-	62,171	-
Operating profit before impairment losses and allowances charge on loans and advances	1,136,427	398,192	119,651	49,318	159,490	-	1,863,078
Impairment losses and allowances (charge) / release for loans and advances	(26,787)	26,134	-	(120)	-	-	(773)
Operating profit	1,109,640	424,326	119,651	49,198	159,490	-	1,862,305
Gains / (losses) on reevaluation of investment properties and disposal of tangible fixed assets	(698)	(73)	(2)	(88)	55,083	-	54,222
Gains on disposal of available-for-sale financial assets	1,132	-	12,221	420	-	-	13,773
Share of net profits / (losses) of associated companies	-	-	-	51,252	(301)	-	50,951
Profit before taxation	1,110,074	424,253	131,870	100,782	214,272	-	1,981,251

	<u>2006</u>						
	Retail banking	Corporate banking	Treasury	Other	Unallocated	Inter- segment elimination	Total
Depreciation	<u>29,856</u>	<u>5,283</u>	<u>2,740</u>	<u>801</u>	<u>42,562</u>	-	<u>81,242</u>
Segment assets	45,126,008	24,849,597	25,658,545	108,148	26,210,363	-	121,952,661
Investments in associated companies	-	-	-	190,227	7,679	-	197,906
Total assets	<u>45,126,008</u>	<u>24,849,597</u>	<u>25,658,545</u>	<u>298,375</u>	<u>26,218,042</u>	-	<u>122,150,567</u>
Total liabilities	<u>97,070,598</u>	<u>2,415,551</u>	<u>617,992</u>	<u>23,875</u>	<u>12,705,828</u>	-	<u>112,833,844</u>
Capital expenditure	<u>88,261</u>	<u>7,708</u>	<u>571</u>	<u>689</u>	<u>157,999</u>	-	<u>255,228</u>
	<u>2005</u>						
	Retail banking	Corporate banking	Treasury	Other	Unallocated	Inter- segment elimination	Total
Net interest income / (expense)	1,230,339	378,742	(90,958)	2,855	208,146	-	1,729,124
Net interest income / (expense) on financial instruments held for trading and measured at fair value through profit or loss	-	-	220,652	-	(84,776)	-	135,876
Other operating income	398,322	85,892	131,503	82,326	57,727	-	755,770
Inter-segment income / (expense)	-	-	-	-	56,344	(56,344)	-
Operating income	1,628,661	464,634	261,197	85,181	237,441	(56,344)	2,620,770
Operating expenses	(648,406)	(123,753)	(35,108)	(41,919)	(126,603)	-	(975,789)
Inter-segment (expense) / income	(51,468)	(2,377)	(652)	(1,847)	-	56,344	-
Operating profit before impairment losses and allowances charges on loans and advances	928,787	338,504	225,437	41,415	110,838	-	1,644,981
Impairment losses and allowances charge on loans and advances	(15,604)	(38,452)	-	-	-	-	(54,056)
Operating profit	913,183	300,052	225,437	41,415	110,838	-	1,590,925
Gains / (losses) on revaluation of investment properties and disposal of tangible fixed assets	(3,146)	(28)	-	(1)	25,855	-	22,680
(Losses) / gains on disposal of available- for-sale financial assets	-	-	(8,174)	59	(933)	-	(9,048)
Share of net profits of associated companies	-	-	-	11,005	244	-	11,249
Profit before taxation	<u>910,037</u>	<u>300,024</u>	<u>217,263</u>	<u>52,478</u>	<u>136,004</u>	-	<u>1,615,806</u>

	<u>2005</u>						
	Retail banking	Corporate banking	Treasury	Other	Unallocated	Inter- segment elimination	Total
Depreciation	<u>27,926</u>	<u>3,807</u>	<u>2,029</u>	<u>1,005</u>	<u>40,640</u>	-	<u>75,407</u>
Impairment losses on goodwill	-	-	-	<u>291</u>	<u>879</u>	-	<u>1,170</u>
Segment assets	40,112,196	21,714,801	21,943,990	122,253	20,282,421	-	104,175,661
Investments in associated companies	-	-	-	<u>138,978</u>	<u>7,977</u>	-	<u>146,955</u>
Total assets	<u>40,112,196</u>	<u>21,714,801</u>	<u>21,943,990</u>	<u>261,231</u>	<u>20,290,398</u>	-	<u>104,322,616</u>
Total liabilities	<u>84,031,512</u>	<u>1,897,049</u>	<u>662,086</u>	<u>20,550</u>	<u>9,373,368</u>	-	<u>95,984,565</u>
Capital expenditure	<u>24,729</u>	<u>10,557</u>	<u>1,114</u>	<u>238</u>	<u>19,261</u>	-	<u>55,899</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.

	2006					
	Hong Kong	Macau	Other	Less: inter- segment elimination	Total	
Total operating income	2,648,730	416,198	190,956	(318,437)	2,937,447	
Profit before taxation	1,764,280	276,338	82,042	(141,409)	1,981,251	
Total assets	118,039,586	18,274,017	16,514,225	(30,677,261)	122,150,567	
Total liabilities	109,663,538	17,188,389	16,050,385	(30,068,468)	112,833,844	
Contingent liabilities and commitments	13,636,801	2,298,288	971,802	(1,577,703)	15,329,188	
Capital expenditure	174,999	72,344	7,885	-	255,228	

	2005					
	Hong Kong	Macau	Other	Less: inter- segment elimination	Total	
Total operating income	2,439,037	328,961	138,562	(285,790)	2,620,770	
Profit before taxation	1,476,178	233,180	61,249	(154,801)	1,615,806	
Total assets	102,123,436	12,823,757	15,733,485	(26,358,062)	104,322,616	
Total liabilities	94,384,492	11,981,792	15,320,048	(25,701,767)	95,984,565	
Contingent liabilities and commitments	14,190,916	1,236,398	665,151	(1,113,613)	14,978,852	
Capital expenditure	40,759	7,554	7,586	-	55,899	

(2) **Advances to customers and other accounts less impairment allowances**

	<u>31st December, 2006</u>	<u>31st December, 2005</u>
Gross advances to customers	58,638,237	54,401,834
Individual impairment allowances for impaired loans and advances	(92,317)	(119,720)
Collective impairment allowances for loans and advances	<u>(168,717)</u>	<u>(207,842)</u>
Net advances to customers	58,377,203	54,074,272
Advances to banks and other financial institutions	47,539	79,191
Accrued interest and other accounts	2,272,096	1,310,822
Positive fair values of derivative financial instruments held for hedging	<u>7,420</u>	<u>8,598</u>
	<u>60,704,258</u>	<u>55,472,883</u>

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

The information concerning advances to customers by industry sectors is prepared by classifying the advances according to the usage of the advances and is stated gross of any impairment allowances.

	<u>31st December, 2006</u>	<u>31st December, 2005</u>
Advances for use in Hong Kong		
Industrial, commercial and financial		
- Property development	405,490	652,264
- Property investment	10,901,148	9,628,817
- Financial concerns	1,101,513	508,747
- Stockbrokers	346,457	307,150
- Wholesale and retail trade	807,723	835,833
- Manufacturing	1,241,327	1,460,996
- Transport and transport equipment	2,416,631	2,827,696
- Share financing	277,747	256,776
- Others	2,762,740	2,899,347
Individuals		
- Advances for the purchase of flats under the Home Ownership Scheme, Private Sector Participation Scheme and Tenants Purchase Scheme	1,591,838	1,500,857
- Advances for the purchase of other residential properties	14,692,277	13,917,497
- Credit card advances	323,145	385,932
- Other	<u>3,238,841</u>	<u>3,523,120</u>
	40,106,877	38,705,032
Trade finance	3,049,104	3,057,178
Advances for use outside Hong Kong		
- Mainland China	9,257,219	7,801,900
- Macau	6,211,056	4,817,591
- Other	<u>13,981</u>	<u>20,133</u>
	<u>15,482,256</u>	<u>12,639,624</u>
	<u>58,638,237</u>	<u>54,401,834</u>

(4) Impaired advances to customers

The gross impaired advances to customers and individual impairment allowances made after taking into account the discounted value of future recoverable amounts in respect of such advances are as follows:

	<u>31st December, 2006</u>	<u>31st December, 2005</u>
Gross impaired advances to customers	364,092	560,065
Gross impaired advances to customers as a percentage of total advances to customers	0.62%	1.03%
Individual impairment allowances	92,317	119,720

There are no individual impairment allowances made on advances to banks and other financial institutions as at 31st December, 2006 and 31st December, 2005.

(5) Advances to customers and overdue advances analysed by geographical area

The geographical information is classified by the geographical location of the borrowers 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 geographical location which is different from that of the borrower or if the claims are on an overseas branch of a bank whose head office is located in another geographical location.

	<u>31st December, 2006</u>		31st December, 2005	
	Total advances to customers	Overdue advances for over three months	Total advances to customers	Overdue advances for over three months
Hong Kong	48,519,063	228,191	46,779,933	263,429
Macau	5,819,641	46,935	5,012,975	50,982
Mainland China	1,673,038	3,567	990,269	3,510
Others	<u>UU 2,626,495</u>	<u>3,552</u>	<u>1,618,657</u>	<u>3,530</u>
	<u>58,638,237</u>	<u>282,245</u>	<u>54,401,834</u>	<u>321,451</u>

(6) Overdue and rescheduled advances to customers

	<u>31st December, 2006</u>		<u>31st December, 2005</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	44,470	0.08	84,313	0.15
- 1 year or less but over 6 months	48,222	0.08	65,648	0.12
- Over 1 year	<u>189,553</u>	<u>0.32</u>	<u>171,490</u>	<u>0.32</u>
	<u>282,245</u>	<u>0.48</u>	<u>321,451</u>	<u>0.59</u>
Secured balance	224,291		265,815	
Unsecured balance	<u>57,954</u>		<u>55,636</u>	
	<u>282,245</u>		<u>321,451</u>	
Market values of collateral held with respect to secured balance	<u>299,772</u>		<u>329,492</u>	
Individual impairment allowances	<u>57,412</u>		<u>51,608</u>	
Rescheduled advances	<u>43,729</u>	<u>0.07</u>	<u>145,084</u>	<u>0.27</u>

There were no advances overdue for over 3 months and rescheduled advances to banks and other financial institutions as at 31st December, 2006 and 31st December, 2005.

(7) **Other overdue assets**

	<u>31st December, 2006</u>	<u>31st December, 2005</u>
Trade bills which have been overdue for		
- 6 months or less but over 3 months	-	3,529
- 1 year or less but over 6 months	4,934	-
- Over 1 year	<u>1,509</u>	<u>547</u>
	<u>6,443</u>	<u>4,076</u>

(8) **Repossessed assets**

	<u>31st December, 2006</u>	<u>31st December, 2005</u>
Repossessed assets obtained as securities for advances to customers	<u>78,094</u>	<u>86,314</u>

(9) **Cross-border claims**

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

	<u>31st December, 2006</u>			
	Banks and other financial institutions	Public sector entities	Others	Total
Macau	2,352,697	-	5,885,873	8,238,570
Mainland China	2,147,298	138,738	1,085,908	3,371,944
Other Asia Pacific	7,350,417	-	1,112,209	8,462,626
United States	1,138,755	301,822	1,821,869	3,262,446
Other North and South American countries	4,152,129	-	1,357,939	5,510,068
Middle East and Africa	8,632	-	2,922	11,554
Germany	9,171,920	-	13,417	9,185,337
United Kingdom	5,658,352	-	338,407	5,996,759
Other European countries	<u>17,213,063</u>	-	<u>901,774</u>	<u>18,114,837</u>
	<u>49,193,263</u>	<u>440,560</u>	<u>12,520,318</u>	<u>62,154,141</u>

31st December, 2005

	Banks and other financial institutions	Public sector entities	Others	Total
Macau	1,069,529	-	5,051,067	6,120,596
Mainland China	1,655,235	136,698	504,354	2,296,287
Other Asia Pacific	5,770,376	-	1,067,643	6,838,019
United States	957,664	300,635	2,098,564	3,356,863
Other North and South American countries	1,222,935	-	400,289	1,623,224
Middle East and Africa	3,721	-	3,216	6,937
Germany	8,064,807	-	13,280	8,078,087
United Kingdom	4,865,660	-	204,425	5,070,085
Other European countries	<u>13,101,460</u>	<u>-</u>	<u>957,342</u>	<u>14,058,802</u>
	<u>36,711,387</u>	<u>437,333</u>	<u>10,300,180</u>	<u>47,448,900</u>

(10) Currency risks

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

	<u>31st December, 2006</u>		<u>31st December, 2005</u>	
<i>(In millions of HK\$ equivalent)</i>	US\$	Total	US\$	Total
Spot assets	33,352	54,786	31,689	51,672
Spot liabilities	(33,486)	(54,549)	(32,431)	(52,130)
Forward purchases	32,214	35,141	5,396	7,871
Forward sales	(28,651)	(32,299)	(3,257)	(5,783)
Net option position	<u>(171)</u>	<u>(166)</u>	<u>-</u>	<u>-</u>
Net long positions	<u>3,258</u>	<u>2,913</u>	<u>1,397</u>	<u>1,630</u>

31st December, 2006

<i>(In millions of HK\$ equivalent)</i>	Macau Patacas	Chinese Renminbi	US\$	Total
Net structural positions	<u>441</u>	<u>199</u>	<u>324</u>	<u>964</u>

31st December, 2005

<i>(In millions of HK\$ equivalent)</i>	Macau Patacas	Chinese Renminbi	US\$	Total
Net structural positions	<u>204</u>	<u>192</u>	<u>317</u>	<u>713</u>

(11) Reserves

	<u>31st December, 2006</u>	<u>31st December, 2005</u>
Share premium	378,421	359,929
Capital reserve	215,909	215,909
General reserve	2,091,513	2,090,415
Bank premises revaluation reserve	290,806	281,236
Investment revaluation reserve	16,634	14,146
Capital redemption reserve	769	769
Unappropriated profits	<u>6,008,442</u>	<u>5,059,515</u>
Total	<u>9,002,494</u>	<u>8,021,919</u>

The Group's unappropriated profits as at 31st December, 2006 include a regulatory reserve of HK\$417,665,000 (2005: HK\$336,176,000). The regulatory reserve is maintained to satisfy the provisions of the Hong Kong Banking Ordinance for prudential supervision purposes by earmarking amounts in respect of losses which the Group will or may incur on advances to customers in addition to impairment losses recognised. Movements in the reserve are earmarked directly through unappropriated profits and in consultation with the Hong Kong Monetary Authority ("HKMA").

(12) 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, 2006</u>	<u>31st December, 2005</u>
Direct credit substitutes	1,795,317	848,908
Transaction-related contingencies	133,868	105,582
Trade-related contingencies	1,191,434	1,482,947
Other commitments	12,208,569	10,540,815
Forward forward deposits placed	-	2,000,600
	<u>15,329,188</u>	<u>14,978,852</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, 2006</u>	<u>31st December, 2005</u>
Exchange rate contracts		
Forwards – trading	61,189,905	6,866,513
Option purchased – trading	4,334,573	242,524
Option written – trading	4,495,155	242,524
Total exchange rate contracts	<u>70,019,633</u>	<u>7,351,561</u>
Interest rate contracts		
Swaps – trading – receiving fixed rate	33,427,156	79,759,074
Swaps – trading – paying fixed rate	35,860,439	83,558,435
Swaps – hedging – paying fixed rate	482,236	535,485
Total interest rate contracts	<u>69,769,831</u>	<u>163,852,994</u>
Equity contracts		
Option purchased – trading	944,593	-
Option written – trading	1,137,137	76,210
Total equity contracts	<u>2,081,730</u>	<u>76,210</u>
	<u>141,871,194</u>	<u>171,280,765</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, 2006</u>		<u>31st December, 2005</u>	
	Replacement cost	Credit risk weighted amount	Replacement cost	Credit risk weighted amount
Contingent liabilities and commitments	N/A	2,659,818	N/A	1,954,688
Exchange rate contracts	169,917	219,406	59,494	41,391
Interest rate contracts	424,243	152,106	783,180	259,614
Equity contracts	15,096	34,342	1,094	-
	<u>609,256</u>	<u>3,065,672</u>	<u>843,768</u>	<u>2,255,693</u>

(13) Capital adequacy and liquidity ratios

(a) Capital adequacy ratio

	<u>31st December, 2006</u>	<u>31st December, 2005</u>
Core Capital		
Paid-up ordinary share capital	294,221	294,021
Share premium	378,421	359,929
Reserves	6,541,502	5,838,021
Others	694,038	623,129
Less: Goodwill	<u>(847,422)</u>	<u>(847,422)</u>
	<u>7,060,760</u>	<u>6,267,678</u>
Eligible supplementary capital		
Reserves on revaluation of land and interests in land	191,836	190,993
Reserves on revaluation of holding of securities not held for trading purposes	(88,791)	5,699
Collective impairment allowances for advances to customers and trade bills	169,002	208,498
Regulatory reserve	417,665	336,176
Eligible value of term subordinated debt instruments	<u>2,527,850</u>	<u>2,519,888</u>
	<u>3,217,562</u>	<u>3,261,254</u>
Total capital base before deductions	10,278,322	9,528,932
Deductions from total capital base	<u>(405,324)</u>	<u>(405,324)</u>
Total capital base after deductions	<u>9,872,998</u>	<u>9,123,608</u>
Unadjusted capital adequacy ratio	<u>14.8%</u>	<u>14.9%</u>
Adjusted capital adequacy ratio	<u>15.2%</u>	<u>14.9%</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 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>2006</u>	<u>2005</u>
Average liquidity ratio for the year	<u>51.6%</u>	<u>50.8%</u>

The average liquidity ratio for the year includes the liquidity positions of the Bank and certain of its 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

The Wing Hang Bank Group achieved record results in 2006 underpinned by strong economic growth in Hong Kong and China. Profit attributable to shareholders grew by 23.1 percent to HK\$1,660.7 million compared to HK\$1,348.7 million in 2005. Basic earnings per share rose 23.1 percent to HK\$5.65. The Board has recommended a final dividend of HK\$2.00 per share. Together with the interim dividend of HK\$0.82 paid on 18th September, 2006, the total distribution for the year amounted to HK\$2.82 per share representing an increase of 22.6 percent over 2005.

Hong Kong's economic expansion has been impressive. Real GDP grew by 6.8 percent in the third quarter of 2006 following an annual growth rate of 7.3 percent in 2005. Exports of goods and services grew by 8.9 percent reflecting China's substantial economic growth and a strong tourism industry. The stock market has also performed well since the second half of the year as a result of abundant liquidity and strong demand for new listings. In the property sector, prices have picked up slightly since 2005. The unemployment rate fell to a six-year low of 4.4 percent while the rate of inflation as measured by the CPI advanced to 2.3 percent in December 2006.

Short-term U.S. interest rates continued to rise in the first half of 2006 following increases in the Fed Funds rate. Hong Kong dollar interest rates rose in tandem but were reduced in the second half of the year due to the build-up of liquidity and a pause in tightening by the Federal Reserve in August.

Meanwhile asset quality continues to improve along with better economic conditions and the relatively low interest rate environment.

Profit before taxation increased 22.6 percent to HK\$1,981.3 million due to an increase in total operating income and a decrease in the impairment allowance. The Group's total operating income increased by 12.1 percent to HK\$2,937.4 million fuelled by a rise in both net interest income and non-interest income.

Net interest income increased by 11.0 percent to HK\$1,918.7 million as higher loan volumes partially offset by thinner net interest margins on interest bearing assets. These margins came under pressure falling from 1.94 percent to 1.90 percent due to a reduction in income from our treasury operations (caused by a flatter yield curve) and pressure from mortgage re-pricing. This was partially offset by strong loan growth, higher returns on shareholders' funds and a wider spread between prime and HIBOR.

Non-interest income rose 14.3 percent to HK\$1,018.7 million supported by increases in share brokerage commissions, treasury dealing income and wealth management commissions.

Total operating expenses increased 10.1 percent to HK\$1,074.4 million due to higher staff costs and depreciation expenses. Nevertheless the Group's cost-to-income ratio improved from 37.2 percent to 36.6 percent due to sustained higher growth in income over costs.

The impairment allowance decreased to HK\$0.8 million thanks to higher property prices and a general improvement in the economy. For 2006, the charge-off ratio for credit cards remained unchanged at 1.52 percent of credit card receivables. The level of impaired loans decreased to HK\$0.36 billion, or 0.62 percent of total loans.

Total advances to customers increased 7.8 percent to HK\$58.6 billion on the back of higher demand for residential and investment mortgages, consumer financing and share financing. Loan demand was also robust at the Group's China and Macau operations where growth was recorded at 18.7 percent and 26.4 percent respectively.

Total deposits increased by 17.8 percent to HK\$107.5 billion and customer deposits increased 19.1 percent to HK\$102.1 billion, with a substantial increase in demand and savings deposits. Deposit growth was partly supported by increased stock market activity, an expanded branch network and the successful promotion of the Elite Banking concept targeting high net-worth customers.

Return on average assets and average shareholders' funds stood at 1.47 percent and 18.9 percent respectively. The Group's capital adequacy ratio as at 31st December, 2006 and average liquidity ratio in 2006 stood at 15.2 percent and 51.6 percent respectively while the loan to deposit ratio eased slightly to 54.6 percent due to an increase in deposit volumes.

The Retail Banking division achieved a 22.0 percent increase in profit before taxation over 2005, mainly fuelled by strong growth in both net interest income and non-interest income.

The stock market experienced a pronounced increase in turnover in the second half of 2006 and consequently income derived from stock trading grew by 82.7 percent. The 31.9 percent increase in demand and savings deposit growth was stimulated by this activity.

The popularity of our foreign exchange service was boosted by a marketing campaign in the first half of the year and as a result foreign currency deposits grew by 5.3 percent.

In the first half of 2006, residential mortgages performed very well. Although market competition was keen in the second half of the year, careful strategic planning allowed us to sustain a good overall performance. For the year as a whole, residential mortgages grew by an above-market rate of 5.6 percent.

There was further branch expansion during the year. One new branch was opened and two branches were relocated to larger sites. Several branches were renovated to create a more comfortable environment for our customers. The Group will continue to look for strategic locations to expand our branch network and to search for larger premises for existing branches so we can better cross sell our various products.

The Group currently has 38 branches in Hong Kong, 13 branches in Macau and 3 branches and 1 sub-branch in the Mainland employing at total workforce of 2,436 as at the end of December 2006.

A real-time HK-Macau remittance service was launched in the first quarter of 2006. This enables our customers to switch their funds between Hong Kong and Macau instantly.

Wing Hang Credit, which maintains a leading position in the consumer lending market, achieved record volumes in its loan portfolio in 2006 growing by 11.1 percent. There was continued emphasis on product diversification and service excellence throughout the year.

Wing Hang Credit has developed a strong reputation for its range of loan services provided through its 17 branches and business centers. The company will further expand its business in 2007 by reinforcing its brand image and exploring more delivery channels.

Wing Hang Finance is a market leader in the auto and equipment finance industry. It extends credit facilities to consumers and small and medium enterprises (SMEs) both in Hong Kong and China. During the year, Wing Hang Finance maintained its loan assets despite keen price competition in the local auto finance business.

Taking advantage of the enormous growth potential in equipment and auto financing in China, the company has expanded its business activities in that market. Growth in 2006 reached 9.0 percent.

The introduction of a wider range of investment products and greater emphasis on promotion to our high net worth customers helped the Wealth Management commission increased by 18.9 percent over the year. New openings of wealth management centers in Causeway Bay and Tsuen Wan also enabled us to increase business development opportunities.

It was a very challenging year for the general insurance business because of the keenly competitive environment. Although we also faced increased competition in 2006, our insurance subsidiaries and associated companies achieved favorable results in investment income.

The ongoing promotion of life insurance and MPF services will continue to be our main focal point in 2007. The Insurance Agency License acquired by our Shenzhen Branch has been activated to provide insurance services to our customers in China.

Wing Hang Share Brokerage, the Bank's share broking arm, performed very well with a 82.7 percent growth in commissions due to active trading on the stock market. To improve efficiency, we will continue to encourage retail investors to execute transactions through automatic channels such as our Internet trading platform.

The Corporate Banking Division recorded a 41.4 percent increase in profit before taxation. The volume of trade financing remained steady in 2006 due to a repayment by a large corporate borrower. Throughout the year we actively encouraged customers to utilize credit facilities while closely monitoring the business performances of various industry sectors. The Corporate Tax Loan program launched in the last quarter of 2006 received an encouraging response and attracted a number of good quality SME customers.

The division will continue to focus on developing more trade related businesses such as Factoring and Invoice Discounting for our export customers. We also plan to cross sell more financial products to our existing corporate customers.

The Bank's Treasury division accounted for 6.42 percent of Group operating profit before impairment allowances through yield enhancement of our surplus funds. This has been partly achieved by investing excess liquidity in high-grade investment bonds and debt securities. The decrease in operating profit was mainly due to a flatter yield curve in 2006. We believe performance should improve with the re-pricing of our debt portfolio in 2007.

Advances to customers for use in China increased by 18.7 percent as our customers continued to expand their businesses. During the year, we added Guangzhou branch to our network which includes branches in Shanghai and Shenzhen as well as a Beijing representative office and a sub-branch in Shenzhen. We plan to devote more resources to develop the distribution network and increase product variety in the retail banking business.

In Macau, Banco Weng Hang ("BWH") continues to perform exceptionally well as the territory experiences robust economic growth. Macau's GDP grew by 11.4 percent in real terms in the first three quarters of 2006 compared with 6.5 percent growth for the whole of 2005. Operating profit before impairment allowances increased by 27.0 percent to Macau patacas 284.8 million underpinned by continuous expansion in the recreation industry and a buoyant property market. Net interest income increased by 27.6 percent while non-interest income increased by 22.2 percent. Loans and deposits grew by 26.4 percent and 35.1 percent respectively since the end of the previous year.

Looking ahead, global economic growth should stabilize in 2007 despite uncertainties over the U.S. housing market. Gradual banking and financial liberalization in China should also provide more opportunities for Hong Kong's financial industry.

Consequently we will continue to expand our business in high growth areas such as Macau and China. In this respect, we have obtained preliminary approval to establish a subsidiary bank in China. This subsidiary will be able to provide Renminbi banking service to Chinese nationals and will, therefore, offer immense opportunities to expand our Renminbi deposit. We expect the subsidiary bank will begin operation in the third quarter of 2007. We also plan to upgrade Beijing Representative Office to a Branch and open sub-branches in Shenzhen

and Guangzhou. The growth strategy in China will be complimented by the additional hiring of 100 staff. Similarly, to cope with the business growth we will add 40 new staff for BWH.

In another move to expand our customer base and gain more cross-selling opportunities, we acquired Inchroy Credit Corporation in January 2007. The company is engaged in the hire purchase and lease financing business. Assets from Inchroy will help double the volume of hire-purchase business of Wing Hang Finance and we expect the acquisition to be income accretive in 2007.

Domestically, we will strive to continuously improve our businesses through product innovation and better service. In an effort to broaden our wealth management business and expand our consumer lending businesses, we plan to open three more branches and add two Wing Hang Credit outlets in 2007. In line with our growth plan, we will add 60 new staff. At the same time we will continue to improve efficiency across the Group's operations by streamlining the operation where appropriate.

PROPOSED DIVIDEND

The Directors propose to recommend at the forthcoming Annual General Meeting to be held on Thursday, 26th April, 2007 the payment of a final dividend of HK\$2.00 per share. This final dividend, if approved, will be paid on Friday, 25th May, 2007 to shareholders whose names are on the Register of Members as at the close of business on 26th April, 2007. The final dividend will be paid in cash, with an option to receive new, fully paid shares in lieu of cash. This scrip dividend scheme is conditional upon the passing of the relevant resolution at the Annual General Meeting, and the Listing Committee of The Stock Exchange of Hong Kong Limited granting approval to the listing of and permission to deal in the new shares. Details of the scrip dividend and the election form are expected to be sent to shareholders on or about Friday, 4th May, 2007. The dividend warrants and the share certificates for the scrip dividend are expected to be sent to shareholders by ordinary mail on or about Friday, 25th May, 2007.

CLOSING OF REGISTER OF MEMBERS

The Register of Members of the Bank will be closed from Monday, 23rd April, 2007 to Thursday, 26th April, 2007 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 4:30 p.m. on Friday, 20th April, 2007.

CODE ON CORPORATE GOVERNANCE PRACTICES

The Bank has complied throughout the year ended 31st December, 2006 and adopted all the code provisions set out in Appendix 14 - Code on Corporate Governance Practices of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited ("the Listing Rules"), except for the following deviations:

Code Provision A.2.1

This Code stipulates that the roles of chairman and chief executive officer should be separate and should not be performed by the same individual.

Dr Patrick Y B Fung is the Chairman and Chief Executive of the Bank. The Board considered that the non segregation would not result in considerable concentration of power in one person not only because of the presence of Independent Non-executive Directors but also that The Bank of New York, a substantial shareholder, is represented by two Non-executive Directors. There is a balance of power and authority such that no one individual has unfettered power of decision. Non-segregation has the advantage of a strong and consistent leadership which is conducive to making and implementing decisions quickly and consistently.

Code Provision A.4.1

This code stipulates that non-executive directors should be appointed for a specific term and subject to re-election.

The term of office for non-executive directors are the same as for all directors (i.e. no specific term and subject to retirement from office by rotation and be eligible for re-election in accordance with the provisions of the Bank's Memorandum and Articles of Association). At every Annual General Meeting, one-third of the

Directors for the time being or, if their number is not a multiple of three, then the number nearest to but not exceeding one-third shall retire from office.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Bank has adopted for compliance by the Directors the code of conduct for dealings in securities of the Bank as set out in Appendix 10 – Model Code for Securities Transactions by Directors of Listed Issuers (“Model Code”), of the Listing Rules.

Having made specific enquiry of all directors of the Bank, they have complied with the required standards set out in the Model Code during the year ended 31st December, 2006.

PUBLICATION OF ANNUAL REPORT ON THE EXCHANGE’S WEBSITE

The financial information set out in this announcement of results does not constitute the Group’s statutory accounts for the year ended 31st December, 2006 but there is no material change as compared to those accounts. The statutory accounts comply with the applicable disclosure provisions of the Listing Rules, and the module on “Financial Disclosure by Locally Incorporated Authorised Institutions” under the Supervisory Policy Manual issued by the HKMA. The statutory accounts for the year ended 31st December, 2006 will be published on the Hong Kong Stock Exchange’s website in due course.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

There were no purchases, sales or redemptions by the Bank, or any of its subsidiaries, of the Bank’s listed securities during the year ended 31st December, 2006.

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

Hong Kong, 15th March, 2007

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