

## WING HANG BANK, LIMITED

### ANNOUNCEMENT OF 2003 INTERIM RESULTS

#### INTERIM RESULTS

The Directors of Wing Hang Bank, Limited announce that the unaudited results of the Group for the six months ended 30<sup>th</sup> June 2003 are as follows:

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

#### Unaudited consolidated profit and loss account

	Notes	Six months ended 30 <sup>th</sup> June 2003	30 <sup>th</sup> June 2002 (restated)	Change %
Interest income		1,086,759	1,122,272	
Interest expense		(346,132)	(390,087)	
Net interest income		740,627	732,185	1.2
Other operating income		192,348	181,231	6.1
Operating income		932,975	913,416	2.1
Operating expenses	(a)	(298,697)	(295,612)	1.0
Operating profit before provisions		634,278	617,804	2.7
Charge for bad and doubtful debts		(212,000)	(220,000)	-3.6
Operating profit		422,278	397,804	6.2
(Losses) / gains on revaluation of investment properties and disposal of tangible fixed assets		(1,202)	1,387	
Profit on disposal of held-to-maturity and non-trading securities		30,551	19,397	
Provision made for held-to-maturity securities		(10,900)	-	
Profit on ordinary activities		440,727	418,588	5.3
Share of net losses in associated companies		(3,210)	(3,511)	
Profit before taxation		437,517	415,077	5.4
Taxation	(b)	(67,811)	(44,952)	
Profit after taxation		369,706	370,125	-0.1
Profit attributable to minority interests		(428)	(158)	
Profit attributable to the shareholders		369,278	369,967	-0.2
Dividends attributable to the period:				
Interim dividend declared		108,617	108,580	0.0
Underprovision of final dividend in respect of previous year		148	25	
		108,765	108,605	0.1
		HK\$	HK\$	
Earnings per share				
Basic and diluted	(c)	1.26	1.26	-0.2
Interim dividend declared per share		0.37	0.37	0.0

**Unaudited consolidated balance sheet**

	<u>30<sup>th</sup> June 2003</u>	<u>31<sup>st</sup> December 2002</u> (restated)
<b>ASSETS</b>		
Cash and short-term funds	10,973,350	12,363,052
Placements with banks and other financial institutions maturing between one and twelve months	1,725,520	852,511
Trade bills less provisions	470,213	317,297
Certificates of deposit held	399,984	406,370
Trading securities	401,788	259,423
Advances to customers and other accounts less provisions	34,412,866	34,481,422
Held-to-maturity and non-trading securities	10,703,603	7,072,587
Investments in associated companies	53,714	56,924
Tangible fixed assets	1,291,536	1,308,751
Goodwill	1,163	1,454
Total assets	<u>60,433,737</u>	<u>57,119,791</u>
<b>LIABILITIES</b>		
Deposits and balances of banks and other financial institutions	327,351	422,060
Deposits from customers	47,550,791	45,302,367
Certificates of deposit issued	4,765,827	4,377,832
Other accounts and provisions	1,455,044	658,808
Total liabilities	<u>54,099,013</u>	<u>50,761,067</u>
<b>CAPITAL RESOURCES</b>		
Share capital	293,561	293,459
Reserves	6,023,216	6,044,280
Shareholders' funds	6,316,777	6,337,739
Minority interests	17,947	20,985
Total liabilities and capital resources	<u>60,433,737</u>	<u>57,119,791</u>

Notes:

**(a) Operating expenses**

Operating expenses included depreciation amounting to HK\$26,516,000 (2002: HK\$24,934,000).

**(b) Taxation**

Taxation in the consolidated profit and loss account represents:

	<u>30<sup>th</sup> June 2003</u>	<u>Six months ended</u> <u>30<sup>th</sup> June 2002</u> (restated)
Provision for Hong Kong profits tax	55,117	30,681
Overseas taxation	13,966	12,684
Deferred taxation	(1,272)	1,587
	<u>67,811</u>	<u>44,952</u>

The provision for Hong Kong profits tax is based on an estimate of the assessable profits for the period at 17.5% (2002: 16.0%). Overseas taxation is provided at the appropriate current rates of taxation ruling in the countries in which the relevant units of the Group operate.

**(c) Earnings per share and diluted earnings per share**

The calculation of earnings per share is based on profit attributable to the shareholders for the six months ended 30<sup>th</sup> June, 2003 of HK\$369,278,000 (2002 (restated): HK\$369,967,000) and on the weighted average number of 293,505,016 (2002: 293,445,406) ordinary shares in issue during the period. The calculation of diluted earnings per share is based on profit attributable to the shareholders for the six months ended 30<sup>th</sup> June, 2003 of HK\$369,278,000 (2002 (restated): HK\$369,967,000) and on the weighted average number of 293,565,601 (2002: 293,534,685) ordinary shares in issue during the period after adjustment of all dilutive potential shares.

- (d)** The same accounting policies adopted in the 2002 annual accounts have been applied in the preparation of the interim result except that with effect from 1 January 2003, the Group adopted the Statement of Standards Accounting Practice 12 (revised) “Income Taxes”. 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 reasonably 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 1<sup>st</sup> January 2002 and 1<sup>st</sup> 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 six month ended 30<sup>th</sup> June 2002 has been restated by an additional charge of HK\$1,587,000.

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

**Unaudited 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.

	Operating income		Profit before taxation	
	Six months ended		Six months ended	
	<u>30<sup>th</sup> June 2003</u>	<u>30<sup>th</sup> June 2002</u>	<u>30<sup>th</sup> June 2003</u>	<u>30<sup>th</sup> June 2002</u>
Retail banking	577,265	585,316	246,091	192,508
Corporate banking	178,575	197,870	36,489	105,385
Treasury	110,816	65,171	115,503	78,368
Other	24,198	21,683	6,530	3,338
Unallocated	62,181	62,314	32,904	35,478
Inter-segment elimination	<u>(20,060)</u>	<u>(18,938)</u>	<u>-</u>	<u>-</u>
	<u>932,975</u>	<u>913,416</u>	<u>437,517</u>	<u>415,077</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.

	Operating income		Profit before taxation	
	Six months ended		Six months ended	
	<u>30<sup>th</sup> June 2003</u>	<u>30<sup>th</sup> June 2002</u>	<u>30<sup>th</sup> June 2003</u>	<u>30<sup>th</sup> June 2002</u>
Hong Kong	1,035,249	850,279	578,420	378,096
Macau	118,900	116,454	74,431	71,814
Others	31,122	36,559	4,086	25,343
Inter-segment elimination	<u>(252,296)</u>	<u>(89,876)</u>	<u>(219,420)</u>	<u>(60,176)</u>
	<u>932,975</u>	<u>913,416</u>	<u>437,517</u>	<u>415,077</u>

**(2) Advances and other accounts**

	<u>30<sup>th</sup> June 2003</u>	<u>31<sup>st</sup> December 2002</u> (restated)
Advances to customers	34,141,555	34,417,300
Advances to banks and other financial institutions	158,878	174,828
Specific provisions for bad and doubtful debts	(278,879)	(277,032)
General provisions for bad and doubtful debts	(340,959)	(348,572)
Accrued interest and other accounts	<u>732,271</u>	<u>514,898</u>
	<u><b>34,412,866</b></u>	<u><b>34,481,422</b></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>30<sup>th</sup> June 2003</u>	<u>31<sup>st</sup> December 2002</u>
Gross non-performing advances to customers	1,144,583	922,785
Gross non-performing advances as a percentage of total advances to customers	3.35%	2.68%
Amount of collateral held	785,113	600,359
Specific provisions	277,703	275,977
Suspended interest	492,999	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 30<sup>th</sup> June 2003 and 31<sup>st</sup> 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>30<sup>th</sup> June 2003</u>	<u>31<sup>st</sup> December 2002</u>	<u>Change</u> %
Loans for use in Hong Kong			
Industrial, commercial and financial			
- Property development	356,018	441,002	-19.3
- Property investment	6,229,587	6,064,948	2.7
- Financial concerns	554,431	606,082	-8.5
- Stockbrokers	141,885	245,272	-42.2
- Wholesale and retail trade	713,240	746,442	-4.5
- Manufacturing	779,217	814,887	-4.4
- Transport and transport equipment	2,005,771	1,967,964	1.9
- Share financing	180,586	206,776	-12.7
- Others	2,545,136	2,656,110	-4.2
Individuals			
- Loans for the purchase of flats in the Home Ownership Scheme, Private Sector Participation Scheme and Tenants Purchase Scheme	621,380	658,613	-5.7
- Loans for the purchase of other residential properties	9,675,115	9,544,144	1.4
- Credit card advances	257,838	310,711	-17.0
- Others	2,432,133	2,767,306	-12.1
Trade finance	1,697,482	1,670,226	1.6
Loans for use outside Hong Kong			
- Macau	3,612,422	3,533,947	2.2
- Others	2,339,314	2,182,870	7.2
	<u>34,141,555</u>	<u>34,417,300</u>	-0.8



(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>30<sup>th</sup> June 2003</u>		
	Total advances to customers	Non-performing loans	Advances overdue for over three months
Hong Kong	28,859,270	901,185	725,692
Macau	3,765,392	232,443	218,953
People's Republic of China	504,402	8,935	-
Others	<u>1,012,491</u>	<u>2,020</u>	<u>2,020</u>
	<u>34,141,555</u>	<u>1,144,583</u>	<u>946,665</u>

  

	<u>31<sup>st</sup> December 2002</u>		
	Total advances to customers	Non-performing loans	Advances overdue for over three months
Hong Kong	29,295,688	782,028	487,981
Macau	3,654,356	135,726	227,861
People's Republic of China	481,998	3,659	2,020
Others	<u>985,258</u>	<u>1,372</u>	<u>1,372</u>
	<u>34,417,300</u>	<u>922,785</u>	<u>719,234</u>

(6) **Overdue and rescheduled advances**

	<u>30<sup>th</sup> June 2003</u>		<u>31<sup>st</sup> 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	442,993	1.30	192,245	0.56
1 year or less but over 6 months	196,167	0.57	293,415	0.85
Over 1 year	<u>307,505</u>	<u>0.90</u>	<u>233,574</u>	<u>0.68</u>
	<u>946,665</u>	<u>2.77</u>	<u>719,234</u>	<u>2.09</u>
Amount of collateral held	714,209		796,416	
Secured balance	672,243		542,165	
Unsecured balance	274,422		177,069	
Specific provisions	225,269		167,168	
Rescheduled advances	<u>106,329</u>	<u>0.31</u>	<u>316,455</u>	<u>0.92</u>

There were no advances overdue for over 3 months and rescheduled advances to banks and other financial institutions on 30<sup>th</sup> June 2003 and 31<sup>st</sup> December 2002.

(7) **Other overdue assets**

	<u>30<sup>th</sup> June 2003</u>		<u>31<sup>st</sup> 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	32,168	-	-	2,328
1 year or less but over 6 months	-	1,464	-	668
Over 1 year	<u>-</u>	<u>1,569</u>	<u>-</u>	<u>1,569</u>
	<u>32,168</u>	<u>3,033</u>	<u>-</u>	<u>4,565</u>

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

	<u>30<sup>th</sup> June 2003</u>	<u>31<sup>st</sup> 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	946,665	719,234
Rescheduled advances	<u>106,329</u>	<u>316,455</u>
	<u>1,052,994</u>	1,035,689
Less: Loans overdue over 3 months and on which interest is still being accrued	(90,979)	(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>182,568</u>	<u>118,726</u>
Total non-performing loans	<u><u>1,144,583</u></u>	<u><u>922,785</u></u>

**(9) Repossessed assets**

	<u>30<sup>th</sup> June 2003</u>	<u>31<sup>st</sup> December 2002</u>
Repossessed assets included in advances to customers	<u>220,093</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>30<sup>th</sup> June 2003</u>			
	Banks and other financial institutions	Public sector entities	Others	Total
Macau	480,434	-	3,780,515	4,260,949
People's Republic of China	916,035	3,720	495,218	1,414,973
Other Asia Pacific	3,036,047	-	1,197,108	4,233,155
United States	1,432,177	714,440	991,218	3,137,835
Other North and South American countries	1,043,550	-	44,322	1,087,872
Middle East and Africa	5,853	-	-	5,853
Germany	3,193,556	-	-	3,193,556
United Kingdom	2,872,534	-	121,424	2,993,958
Other European countries	<u>4,813,990</u>	<u>-</u>	<u>550,635</u>	<u>5,364,625</u>
	<u>17,794,176</u>	<u>718,160</u>	<u>7,180,440</u>	<u>25,692,776</u>

31<sup>st</sup> December 2002

	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>30<sup>th</sup> June 2003</u>		<u>31<sup>st</sup> December 2002</u>	
In millions of HK\$ equivalent	US\$	Total	US\$	Total
Spot assets	<b>14,905</b>	<b>24,347</b>	13,158	21,212
Spot liabilities	<b>(13,134)</b>	<b>(22,463)</b>	(11,855)	(19,903)
Forward purchases	<b>3,331</b>	<b>3,975</b>	4,487	5,029
Forward sales	<b>(3,794)</b>	<b>(4,451)</b>	(5,619)	(6,094)
Net option position	<u>(780)</u>	<u>(780)</u>	-	-
Net long positions	<u><b>528</b></u>	<u><b>628</b></u>	<u>171</u>	<u>244</u>

	<u>30<sup>th</sup> June 2003</u>			<u>31<sup>st</sup> December 2002</u>		
In millions of HK\$ equivalent	Macau Patacas	US\$	Total	Macau Patacas	US\$	Total
Net structural positions	<u><b>419</b></u>	<u><b>136</b></u>	<u><b>555</b></u>	<u>424</u>	<u>136</u>	<u>560</u>

### (12) Reserves

	<u>30<sup>th</sup> June 2003</u>	<u>31<sup>st</sup> December 2002</u>
Share premium	<b>332,088</b>	330,677 (restated)
Capital reserve	<b>215,909</b>	215,909
General reserve	<b>2,092,188</b>	2,100,201
Bank premises revaluation reserve	<b>268,580</b>	273,073
Investment revaluation reserve	<b>38,381</b>	(35)
Capital redemption reserve	<b>769</b>	769
Unappropriated profits	<u><b>3,075,301</b></u>	<u>3,123,686</u>
Total reserves	<u><b>6,023,216</b></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>30<sup>th</sup> June 2003</u>	<u>31<sup>st</sup> December 2002</u>
Direct credit substitutes	892,860	847,709
Transaction-related contingencies	80,852	42,760
Trade-related contingencies	1,170,848	981,949
Other commitments	6,057,533	6,593,239
Others	<u>556,510</u>	<u>30,779</u>
	<u>8,758,603</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>30<sup>th</sup> June 2003</u>	<u>31<sup>st</sup> December 2002</u>
Exchange rate contracts	10,158,677	10,675,227
Interest rate contracts	<u>11,735,632</u>	<u>11,328,583</u>
	<u>21,894,309</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>30<sup>th</sup> June 2003</u>		<u>31<sup>st</sup> December 2002</u>	
	Replacement cost	Credit risk weighted amount	Replacement cost	Credit risk weighted amount
Contingent liabilities and commitments	N/A	1,230,871	N/A	1,069,415
Exchange rate contracts	18,267	27,320	32,780	45,634
Interest rate contracts	<u>109,259</u>	<u>26,298</u>	<u>113,276</u>	<u>26,229</u>
	<u>127,526</u>	<u>1,284,489</u>	<u>146,056</u>	<u>1,141,278</u>

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

	<u>30<sup>th</sup> June 2003</u>	<u>31<sup>st</sup> December 2002</u> (restated)
Core Capital		
Paid up ordinary share capital	293,561	293,459
Share Premium	332,088	330,677
Reserves	4,966,549	4,816,787
Others	<u>304,056</u>	<u>149,911</u>
	<u>5,896,254</u>	<u>5,590,834</u>
Eligible supplementary capital		
Reserves on revaluation of land and interests in land	188,019	191,164
Unrealised gain / (loss) on revaluation of non-trading securities	25,368	(1,828)
General provisions for doubtful debts	<u>344,512</u>	<u>351,065</u>
	<u>557,899</u>	<u>540,401</u>
Total capital base before deductions	6,454,153	6,131,235
Deductions from total capital base	<u>(199,439)</u>	<u>(199,135)</u>
Total capital base after deductions	<u>6,254,714</u>	<u>5,932,100</u>
Unadjusted and adjusted capital adequacy ratio	<u>17.0%</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 for its regulatory supervision purposes, and is in accordance with the Third Schedule to the Hong Kong Banking Ordinance.

The adjusted capital adequacy ratio incorporating market risk is computed on the same consolidated basis, and is in accordance with the module on "Maintenance of Adequate Capital Against Market Risks" under Supervisory Policy Manual issued by the HKMA.

**(b) Average liquidity ratio for the period**

	<u>30<sup>th</sup> June 2003</u>	<u>30<sup>th</sup> June 2002</u>
Average liquidity ratio for the first six months ended	<u>49.2%</u>	<u>39.4%</u>

The average liquidity ratio for the period 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**

The Hong Kong economy showed strong growth and momentum at the beginning of the year but the situation deteriorated rapidly with the outbreak of SARS in March. This resulted in drastic reductions in revenues from inbound tourism and consumer spending. For the first quarter of the year, Hong Kong's GDP recorded 4.5 percent growth in real terms, mainly as a result of strong export growth.

The SARS outbreak exacerbated Hong Kong's unemployment situation, which climbed to a record high of 8.6 percent according to the Government's latest figures. This was especially felt in the construction, tourism and restaurant sectors. In light of the high unemployment and deteriorating business conditions, the deflationary spiral deepened and the property market continued to worsen.

Against this background, the banking industry continued to suffer from weak loan demand and excess liquidity. In this increasingly difficult market, expanding the fee income base and exploring new opportunities in the Mainland remained the ongoing key initiatives for Wing Hang.

Increasing competition in the banking sector has also accelerated the pace of consolidation. Fulfilling our stated desire to capitalize on suitable opportunities, the Bank has reached an agreement with Mizuho Corporate Bank earlier this month for the acquisition of the entire issued share capital of Chekiang First Bank (CFB) for a total consideration of HK\$4.80 billion, representing 1.22 times the audited book value of CFB as at 31<sup>st</sup> December 2002.

The acquisition, which is subject to regulatory and shareholders' approval, is a significant strategic step forward for Wing Hang and demonstrates our commitment and confidence in Hong Kong's financial services sector. With combined assets of HK\$85 billion, the acquisition will make Wing Hang the fourth largest local bank listed in Hong Kong and we will be able to serve a more diverse customer base with a much larger operating platform.

For the first six months of 2003, profits attributable to shareholders amounted to HK\$369.3 million almost unchanged when compared with the same period last year but an increase of 23.3% over the second half of last year. Earnings per share remained unchanged at HK\$1.26. The Board has recommended an interim dividend of HK\$0.37 per share, the same level as last year.

The Group's total operating income increased by 2.1 percent to HK\$933.0 million. Net interest income also increased 1.2 percent to HK\$740.6 million due to an increase in treasury interest income. Net interest margins fell from 2.66 percent to 2.54 percent as a result of continuous pricing pressure on mortgages. This was partly compensated by increased contribution from treasury activities.

Non-interest income rose 6.1% to HK\$192.3 million due to increases in foreign exchange income, insurance, share brokerage and debt securities trading income. Partially offsetting this increase was a decline in bills and loans commissions as well as credit card income.

The Group continued with its cost-containment programme during the period and was therefore able to maintain operating expenses at the same level as last year. The Group's cost to income ratio remained constant at 32.0 percent.

Total loans outstanding decreased by 0.8 percent to HK\$34.14 billion due to decreases in credit card receivables, domestic loans to individuals and other corporates. This was compensated by a marked increase in loans for use in China as well as in the Bank's Macau operations.

In consumer lending, Wing Hang Credit continued to offer innovative programmes to attract customers, including a "Half Interest Rate" refinancing scheme in which customers who transfer their personal loan and credit card outstanding from their existing lenders to Wing Hang will only be required to pay 50 percent of their prevailing interest rates. The company also offered special initiatives to assist SARS affected businesses as well as individuals who have contributed to the fight against the disease. The Bank has slowed down the growth of its credit card business for the past 18 months and the credit card receivable for the first half year of 2003 declined by 17.0% to HK\$258 million. The charge-off for credit cards for the first half year of 2003 stood at 9.8% compared with 14.2% of the same period last year.

To broaden our income base, the Bank continued to stress diversified wealth management products. The total amount of investment instruments sold through the Bank during the period, including bonds, mutual funds and callable CDs, exceeded HK\$1 billion.

Total deposits and customer deposits both registered 5% increases to HK\$52.64 billion and HK\$47.55 billion respectively. During the period under review, the Bank launched retail-structured Certificates of Deposits totaling HK\$640 million, which were well received by the market.

In Macau, Banco Weng Hang continued to out-perform the local banking sector. Profits increased by 3.7 percent to 64.6 million Macau patacas, with steady growth in loans and deposits. Net interest income increased slightly by 2.3 percent while fee income increased by 1.5 percent.

The Group's capital adequacy ratio and average liquidity ratio stood at 17.0 percent and 49.2 percent respectively. Our loan to deposit ratio dropped slightly to 64.9 percent from weak loan demand and deflation in Hong Kong.

For the period under review, the level of non-performing loans increased to HK\$1.14 billion, or 3.35 percent of total loans due to a weak economy and a sluggish property market. This made it difficult for the Bank to liquidate its property collateral. Charge for bad and doubtful loans decreased 3.6 percent to HK\$212.0 million due to improvements in consumer lending.

Looking ahead, the overall economy is expected to remain challenging in the second half of the year and the economic recovery is dependent upon both the external and domestic fronts.

The economy will continue to be export driven and subject to global uncertainties that will influence demand in major markets.

Domestically, the SARS outbreak has had a severe short-term negative impact on certain sectors, particularly construction, tourism and retail, but these pressures have begun to ease. However, deflation is likely to persist, consumer demand will remain sluggish, the rate of unemployment will continue to be high and property prices weak.

The pace of growth for the economy in 2003 depends to a great extent on how rapidly visitors come back and on whether growth in the merchandise trade and offshore trade sectors can be sustained.

Against the woes of a weak economy, the signing of the Closer Economic Partnership Agreement (CEPA) in June was a shot in the arm for Hong Kong's economic development. More recently, the Mainland Government has considered allowing Hong Kong banks to offer personal Renminbi services to Hong Kong residents.

CEPA and the extension of Renminbi services to local banks will be encouraging developments for Hong Kong's banking industry and the economy as a whole but their impact would take some time to filter through.

To capitalize on the CEPA development and Hong Kong's closer integration with China, we will gear ourselves towards a greater level of involvement in the China, in particular, the Pearl Delta Region and expand our commercial lending business to Hong Kong's investors. In this regard, we plan to upgrade our Shanghai representative office to a branch in 2004 to complement our branch in Shenzhen and representative office in Guanzhou.

In Hong Kong, we will continue to broaden our fee income businesses and expand our consumer lending activities as we are now in a better position to evaluate the credit standing of individual borrowers through the central credit bureau.

With a larger operating platform and customer base that will result from the acquisition of CFB, our competitive position will be greatly enhanced. We believe that significant value will be created from synergies achieved through integrating the two businesses and capitalizing on CFB's liquid balance sheet for increased revenue opportunities.

With a recovering economy in Hong Kong and greater opportunities available in the Mainland, we are cautiously optimistic about the performance of the Bank in the second half of the year.

#### **INTERIM DIVIDEND**

The Directors are pleased to declare an interim dividend of HK\$0.37 per share, to be paid on Monday, 15<sup>th</sup> September, 2003 to shareholders whose names are on the Register of Members on 4<sup>th</sup> September, 2003.

#### **CLOSING OF REGISTER OF MEMBERS**

The Register of Members of the Bank will be closed from Monday, 1<sup>st</sup> September, 2003 to Thursday, 4<sup>th</sup> September, 2003 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, 29<sup>th</sup> August, 2003.

#### **COMPLIANCE WITH THE CODE OF BEST PRACTICE**

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

#### **PURCHASE, SALE OR REDEMPTION OF SHARES**

There were no purchases, sales or redemptions by the Bank, or any of its subsidiaries, of the Bank's shares during the six months ended 30<sup>th</sup> June 2003.

#### **STATUTORY ACCOUNTS**

The financial information in this interim results is unaudited and does not constitute statutory accounts.

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

Hong Kong, 14<sup>th</sup> August 2003

*Remarks: A detailed results announcement containing all the information required by paragraphs 46(1) to 46(6) of Appendix 16 of Listing Rules will be subsequently published on the Stock Exchange's website in due course.*