



**WING LUNG BANK LTD**  
(Incorporated in Hong Kong with limited liability)  
**ANNOUNCEMENT OF 2003 FINAL RESULTS**

**Summary of Results**

The Directors of Wing Lung Bank Limited (the “Bank”) are pleased to announce the audited results of the Group for the year ended 31 December 2003 as follows:

**A. Consolidated Profit and Loss Account**

	For the year ended 31 December		Change %
	2003 HK\$'000	2002 HK\$'000 Restated	
Interest income	1,842,123	2,042,100	-9.8
Interest expense	<u>(722,293)</u>	<u>(866,021)</u>	-16.6
Net interest income	1,119,830	1,176,079	-4.8
Insurance operating income (Note 1)	429,534	196,658	+118.4
Other operating income (Note 2)	<u>399,892</u>	<u>318,009</u>	+25.7
Operating income	1,949,256	1,690,746	+15.3
Operating expenses (Note 3)	<u>(523,395)</u>	<u>(518,762)</u>	+0.9
Operating profit before provisions	1,425,861	1,171,984	+21.7
Charge for bad and doubtful debts	(67,122)	(141,677)	-52.6
Charge for insurance claims (Note 1)	<u>(339,695)</u>	<u>(135,258)</u>	+151.1
Operating profit	1,019,044	895,049	+13.9
Net loss on disposal of fixed assets	(2,313)	(545)	
Net gain on disposal of non-trading securities	9,103	21,764	
Provision made on held-to-maturity securities	<u>(18,793)</u>	<u>(29,534)</u>	
	1,007,041	886,734	+13.6
Share of net profits/(losses) of jointly controlled entities	2,600	(8,038)	
Share of profits of associates	<u>438</u>	<u>44</u>	
Profit before taxation	1,010,079	878,740	+14.9
Taxation (Note 4)	<u>(151,275)</u>	<u>(119,162)</u>	
Profit attributable to shareholders	<u>858,804</u>	<u>759,578</u>	+13.1
Dividends	<u>408,655</u>	<u>338,998</u>	+20.5
Earnings per share (Note 5)	HK\$ 3.70	HK\$3.27	
Dividends per share	HK\$1.76	HK\$1.46	

Notes:

(1) The insurance business, which includes insurance underwriting, insurance agency and other related businesses, has become a significant element of the Group's business. As a result, the insurance operating income and charge for insurance claims have been separately presented on the consolidated profit and loss account and comparative figures have been reclassified to conform with this presentation.

(2) Other operating income

	For the year ended 31 December	
	2003	2002
	HK\$'000	HK\$'000
Fees and commission income	241,996	249,318
Less: fees and commission expense	(85,510)	(127,583)
Net fees and commission income	156,486	121,735
Net gain from trading securities	27,978	7,965
Net gain/(loss) arising from derivative products	19,168	(573)
Net gain from foreign exchange trading	86,841	78,395
Others	109,419	110,487
	<u>399,892</u>	<u>318,009</u>

(3) Operating expenses

	For the year ended 31 December	
	2003	2002
	HK\$'000	HK\$'000
Staff costs		
- Salaries and other costs	305,271	297,767
- Retirement benefit costs	13,187	9,543
Depreciation	57,534	57,419
Others	147,403	154,033
	<u>523,395</u>	<u>518,762</u>

(4) Taxation

	For the year ended 31 December	
	2003	2002
	HK\$'000	HK\$'000
Current taxation:		
- Hong Kong profits tax	147,874	114,685
- Overseas taxation	6,207	3,794
Deferred taxation:		
- Relating to the origination and reversal of temporary differences	(506)	271
- Resulting from an increase in the taxation rate	(2,872)	-
	<u>150,703</u>	<u>118,750</u>
Share of taxation attributable to jointly controlled entities	507	403
Share of taxation attributable to associates	65	9
	<u><u>151,275</u></u>	<u><u>119,162</u></u>

Hong Kong profits tax has been calculated at the rate of 17.5% (2002: 16%) on the estimated assessable profit for the year. In 2003, the government enacted a change in the profits tax rate from 16% to 17.5% for the fiscal year 2003/2004. Taxation on overseas profits has been calculated on the estimated assessable profit for the year at the rates of taxation prevailing in the countries in which the Group operates.

Deferred taxation for 2002 has been restated to reflect the adoption of the Hong Kong Statement of Standard Accounting Practice 12 "Income taxes", details of which are set out in section D "Statutory Accounts".

(5) Earnings per share

The calculation of earnings per share is based on the Group's profit attributable to shareholders of HK\$858,804,000 (2002: HK\$759,578,000) and 232,190,115 (2002: 232,190,115) shares in issue during the year.

## B. Consolidated Balance Sheet

	<u>31/12/2003</u>	<u>31/12/2002</u>
	HK\$'000	HK\$'000
		Restated
<b>Assets</b>		
Cash and short-term funds	18,136,491	12,722,681
Placements with banks and other financial institutions maturing between one and twelve months	3,596,565	4,998,065
Trade bills	85,411	89,528
Certificates of deposit held	2,311,636	2,684,918
Trading securities	418,594	887,932
Held-to-maturity securities	8,465,020	6,995,439
Advances and other accounts	30,081,159	30,307,995
Non-trading securities	3,064,777	1,445,803
Interests in jointly controlled entities	91,942	89,849
Interests in associates	2,672	871
Fixed assets	1,526,850	1,507,953
Total assets	<u>67,781,117</u>	<u>61,731,034</u>
<b>Liabilities</b>		
Deposits and balances of banks and other financial institutions	1,137,149	1,031,426
Deposits from customers	51,395,646	48,653,756
Certificates of deposit issued	2,667,985	2,055,000
Other accounts and accruals	3,971,643	1,981,920
Total liabilities	<u>59,172,423</u>	<u>53,722,102</u>
<b>Capital resources</b>		
Share capital	1,160,951	1,160,951
Reserves (including proposed final dividend of HK\$320,423,000; 2002: final dividend of HK\$215,937,000 and bonus dividend of HK\$46,438,000)	7,447,743	6,847,981
Shareholders' funds	<u>8,608,694</u>	<u>8,008,932</u>
Total liabilities and capital resources	<u>67,781,117</u>	<u>61,731,034</u>

## C. Supplementary Information of the Group

### 1. Advances and other accounts

	<u>31/12/2003</u>	<u>31/12/2002</u>
	HK\$'000	HK\$'000
Advances to customers	29,261,926	30,040,641
Provision for bad and doubtful debts		
- General	(443,533)	(453,940)
- Specific	<u>(204,205)</u>	<u>(256,609)</u>
	<u>28,614,188</u>	<u>29,330,092</u>
Advances to banks and other financial institutions	..... 50,000	..... 3,119
Accrued interest	163,319	167,507
Provision for bad and doubtful debts		
- Specific	<u>(1,571)</u>	<u>(2,607)</u>
	<u>161,748</u>	<u>164,900</u>
Other accounts	1,224,559	779,201
Provision for bad and doubtful debts		
- General	(1,450)	-
- Specific	<u>(1,246)</u>	<u>(1,319)</u>
	<u>1,221,863</u>	<u>777,882</u>
Deferred tax assets	<u>33,360</u>	<u>32,002</u>
	<u>30,081,159</u>	<u>30,307,995</u>

## 2. Gross advances to customers by industry sectors

	<u>31/12/2003</u>	<u>31/12/2002</u>
	HK\$'000	HK\$'000
Loans for use in Hong Kong		
Industrial, commercial and financial		
Property development	1,480,827	1,372,499
Property investment	4,908,471	5,021,903
Financial concerns	365,482	288,633
Stockbrokers	6,315	4,010
Wholesale and retail trade	497,841	628,146
Manufacturing	757,947	836,423
Transport and transport equipment	785,468	1,009,316
Others	3,547,832	4,185,730
Individuals		
Loans for the purchase of flats in the Home Ownership Scheme, Private Sector Participation Scheme and Tenants Purchase Scheme	2,702,970	3,081,208
Loans for the purchase of other residential properties	9,844,224	10,149,580
Credit card advances	325,165	373,722
Others	993,976	955,790
Trade finance	389,986	385,536
	<u>26,606,504</u>	<u>28,292,496</u>
Loans for use outside Hong Kong	<u>2,655,422</u>	<u>1,748,145</u>
	<u><u>29,261,926</u></u>	<u><u>30,040,641</u></u>

## 3. Non-performing loans

The gross amount of non-performing loans, which represents advances on which interest is being placed in suspense or on which interest accrual has ceased, is analysed as follows:-

	Advances to customers	
	<u>31/12/2003</u>	<u>31/12/2002</u>
	HK\$'000	HK\$'000
Non-performing loans	728,822	689,041
Percentage of total advances to customers	2.49%	2.29%
Specific provisions made in respect of such advances	189,179	231,865
Amount of interest in suspense	42,982	42,991

At 31 December 2003 and 31 December 2002, there were no non-performing loans in respect of advances to banks and other financial institutions.

The above specific provisions were made after taking into account the value of collateral in respect of such advances.

**4. Overdue assets****(a) Overdue advances**

Overdue advances to customers (net of suspended interest) are analysed as follows:-

	31/12/2003		31/12/2002	
	HK\$'000	% of total advances to customers	HK\$'000	% of total advances to customers
Gross amount of advances which have been overdue for:-				
Six months or less, but over three months	156,478	0.54	237,792	0.79
One year or less, but over six months	103,689	0.35	143,427	0.48
Over one year	255,166	0.87	318,320	1.06
	515,333	1.76	699,539	2.33
Secured overdue advances	379,169		484,971	
Unsecured overdue advances	136,164		214,568	
	515,333		699,539	
Market value of collateral held against the secured overdue advances	518,198		579,503	
Specific provisions made	135,778		202,207	

At 31 December 2003 and 31 December 2002, there were no advances to banks and other financial institutions or trade bills which were overdue for over three months.

**(b) Other overdue assets**

Other overdue assets are analysed as follows:-

	31/12/2003	31/12/2002
	HK\$'000	HK\$'000
Gross amount of accrued interest which has been overdue for:-		
Six months or less, but over three months	1,503	1,966
One year or less, but over six months	1,506	2,990
Over one year	3,470	5,671
	6,479	10,627

**5. Rescheduled advances**

Rescheduled advances (net of those which have been overdue for over three months and reported in item 4(a) above) are as follows:-

	<u>31/12/2003</u>		<u>31/12/2002</u>	
	HK\$'000	% of total advances to customers	HK\$'000	% of total advances to customers
Rescheduled advances to customers	<u>365,192</u>	<u>1.25</u>	<u>142,775</u>	<u>0.48</u>

At 31 December 2003 and 31 December 2002, there were no rescheduled advances to banks and other financial institutions.

**6. Reconciliation of overdue advances to non-performing loans**

Overdue advances are reconciled to non-performing loans, which represent advances on which interest is being placed in suspense or on which interest accrual has ceased, as follows:

	<u>31/12/2003</u>	<u>31/12/2002</u>
	HK\$'000	HK\$'000
Advances which are overdue for more than three months	515,333	699,539
Add: advances which are overdue for three months or less and on which interest is being placed in suspense or on which interest accrual has ceased	153,746	89,682
Add: rescheduled advances on which interest is being placed in suspense	172,490	48,301
Less: advances which are overdue for more than three months and on which interest is still being accrued	<u>(112,747)</u>	<u>(148,481)</u>
Non-performing loans	<u>728,822</u>	<u>689,041</u>

**7. Repossessed assets**

	<u>31/12/2003</u>	<u>31/12/2002</u>
	HK\$'000	HK\$'000
Market value of repossessed assets	<u>49,613</u>	<u>56,294</u>



**8. Geographical analysis of gross advances to customers, overdue advances and non-performing loans**

The following geographical analysis of gross advances to customers, overdue advances and non-performing loans is based on the location of the counterparty, after taking into account the transfer of risk in respect of such advances where appropriate.

	<u>31/12/2003</u>	<u>31/12/2002</u>
	HK\$'000	HK\$'000
Gross advances to customers		
Hong Kong	27,504,440	28,691,132
Other areas	1,757,486	1,349,509
	<u>29,261,926</u>	<u>30,040,641</u>
Overdue advances		
Hong Kong	<u>515,333</u>	<u>699,539</u>
Non-performing loans		
Hong Kong	<u>728,822</u>	<u>689,041</u>

**9. Deposits from customers**

	<u>31/12/2003</u>	<u>31/12/2002</u>
	HK\$'000	HK\$'000
Demand deposits and current accounts	3,149,151	2,272,835
Saving deposits	15,544,448	9,017,571
Time, call and notice deposits	32,702,047	37,363,350
	<u>51,395,646</u>	<u>48,653,756</u>

**10. Other accounts and accruals**

Included in other accounts and accruals as at 31 December 2003 are deferred tax liabilities totaling HK\$600,000 (2002: HK\$536,000).

**11. Reserves**

	<u>31/12/2003</u>	<u>31/12/2002</u>
	HK\$'000	HK\$'000
Capital reserve	57,500	57,500
Investment properties revaluation reserve	1,022,940	999,293
Investment revaluation reserve	127,729	59,811
General reserve	1,003,730	1,003,730
Retained earnings (including proposed final dividend of HK\$320,423,000; 2002: final dividend of HK\$215,937,000 and bonus dividend of HK\$46,438,000)	5,235,844	4,727,647
	<u>7,447,743</u>	<u>6,847,981</u>

At a meeting held on 25 February 2004, the directors proposed a final dividend of HK\$1.38 per share. This proposed dividend is not reflected as a dividend payable in these accounts, but will be reflected as an appropriation of retained earnings for the year ending 31 December 2004.

**12. Segment reporting**  
**(a) Class of business**

The Group operates predominantly in commercial banking which comprises retail and corporate banking, treasury, insurance and other activities. Retail and corporate banking includes retail banking, commercial lending and trade finance. Treasury activities include foreign exchange, money market and capital market activities. Insurance activities include insurance underwriting, insurance agency and other related businesses. Other activities mainly comprise investment properties holding and securities brokerage business.

Unallocated items mainly comprise expenses, assets and liabilities of the central management unit and other shared services, taxation and any items which cannot be reasonably allocated to specific business segments.

	Retail and corporate banking HK\$'000	Treasury HK\$'000	Insurance HK\$'000	Others HK\$'000	Unallocated HK\$'000	Group HK\$'000
2003						
Interest income from						
- external customers	1,037,753	770,809	8,193	25,368	—	1,842,123
- other segments	200,283	198,330	3,874	1,469	—	403,956
Interest expense to						
- external customers	(200,001)	(522,244)	—	(48)	—	(722,293)
- other segments	(204,340)	(197,833)	—	(1,783)	—	(403,956)
Net interest income	833,695	249,062	12,067	25,006	—	1,119,830
Insurance operating income from external customers	—	—	429,534	—	—	429,534
Other operating income from external customers	102,496	73,621	2,892	220,883	—	399,892
Operating income	936,191	322,683	444,493	245,889	—	1,949,256
Operating expenses	(319,686)	(23,260)	(25,730)	(59,141)	(95,578)	(523,395)
Operating profit before provisions	616,505	299,423	418,763	186,748	(95,578)	1,425,861
Charge for bad and doubtful debts	(65,388)	—	(1,734)	—	—	(67,122)
Charge for insurance claims	—	—	(339,695)	—	—	(339,695)
Operating profit (Loss)/gain	551,117	299,423	77,334	186,748	(95,578)	1,019,044
on fixed assets and investments	(19,044)	407	35	8,867	(2,268)	(12,003)
Share of net profits/ (losses) of jointly controlled entities and associates	—	—	5,699	(2,661)	—	3,038
Profit/(loss) before taxation	532,073	299,830	83,068	192,954	(97,846)	1,010,079
Segment assets	31,701,713	32,963,263	1,125,261	1,732,615	258,265	67,781,117
Segment liabilities	51,016,419	5,175,096	888,463	2,035,511	56,934	59,172,423
Capital expenditure	29,991	533	994	18,003	5,559	55,080
Depreciation charge	40,019	1,863	1,368	8,024	6,260	57,534

**12. Segment reporting (continued)**  
**(a) Class of business (continued)**

	Retail and corporate banking HK\$'000	Treasury HK\$'000	Insurance HK\$'000	Others HK\$'000	Unallocated HK\$'000	Group HK\$'000
2002						
Interest income from						
- external customers	1,215,410	792,747	5,086	28,857	—	2,042,100
- other segments	328,061	314,680	5,316	5,124	—	653,181
Interest expense to						
- external customers	(359,560)	(506,335)	—	(126)	—	(866,021)
- other segments	(325,473)	(324,637)	—	(3,071)	—	(653,181)
Net interest income	858,438	276,455	10,402	30,784	—	1,176,079
Insurance operating income from external customers	—	—	196,658	—	—	196,658
Other operating income from external customers	92,899	77,197	1,091	146,822	—	318,009
Operating income	951,337	353,652	208,151	177,606	—	1,690,746
Operating expenses	(349,780)	(22,836)	(19,787)	(56,815)	(69,544)	(518,762)
Operating profit before provisions	601,557	330,816	188,364	120,791	(69,544)	1,171,984
Charge for bad and doubtful debts	(141,677)	—	—	—	—	(141,677)
Charge for insurance claims	—	—	(135,258)	—	—	(135,258)
Operating profit (Loss)/gain on fixed assets and investments	459,880	330,816	53,106	120,791	(69,544)	895,049
Share of net losses of jointly controlled entities and an associate	(33,027)	25,246	(28)	(23)	(483)	(8,315)
Profit/(loss) before taxation	—	—	(1,530)	(6,464)	—	(7,994)
Profit/(loss) before taxation	426,853	356,062	51,548	114,304	(70,027)	878,740
Segment assets	32,280,759	26,780,379	640,725	1,834,239	194,932	61,731,034
Segment liabilities	48,401,419	3,552,825	505,992	1,208,609	53,257	53,722,102
Capital expenditure	38,869	1,930	1,533	13,684	7,627	63,643
Depreciation charge	37,712	2,680	998	10,738	5,291	57,419

**(b) Geographical area**

The Group operates predominantly in Hong Kong. Less than 10% of the Group's income, profit, assets, liabilities, contingent liabilities or commitments is attributable to the Group's overseas operations.

### 13. Contingent liabilities, commitments and derivatives

The following is a summary of the contract amounts of each significant class of contingent liabilities and commitments, and the aggregate credit risk weighted amounts:

	<u>31/12/2003</u>	<u>31/12/2002</u>
	HK\$'000	HK\$'000
Contract amount		
Direct credit substitutes	216,949	1,140,561
Transaction-related contingencies	19,887	18,697
Trade-related contingencies	348,123	421,063
Other commitments with an original maturity of		
— under one year or which are unconditionally cancellable	6,208,972	5,808,049
— one year and over	3,224,186	2,814,722
	<u>10,018,117</u>	<u>10,203,092</u>
Credit risk weighted amount	<u>1,860,642</u>	<u>2,434,314</u>

The following is a summary of the notional contract amounts, credit risk weighted amounts and replacement costs of each significant type of derivative, without taking into account the effect of bilateral netting arrangements:

	<u>31/12/2003</u>	<u>31/12/2002</u>
	HK\$'000	HK\$'000
Contract amount		
Exchange rate contracts	2,310,714	2,839,116
Interest rate contracts	3,098,456	2,367,978
Equity contracts	932,734	1,117,297
	<u>6,341,904</u>	<u>6,324,391</u>
Credit risk weighted amount		
Exchange rate contracts	8,326	8,300
Interest rate contracts	15,255	6,714
Equity contracts	14,539	17,081
	<u>38,120</u>	<u>32,095</u>
Replacement cost		
Exchange rate contracts	5,485	3,955
Interest rate contracts	27,902	8,806
Equity contracts	1,395	1,036
	<u>34,782</u>	<u>13,797</u>

#### 14. Currency concentrations

The US dollar net position constitutes 10% or more of the total net position in all foreign currencies and is reported in Hong Kong dollar equivalent as follows:

	31/12/2003	31/12/2002
	HK\$'000	HK\$'000
Spot assets	14,187,753	14,131,189
Spot liabilities	(13,242,545)	(12,781,416)
Forward purchases	669,202	1,519,644
Forward sales	(1,117,634)	(1,751,962)
Net long position	<u>496,776</u>	<u>1,117,455</u>
Net structural position	<u>55,894</u>	<u>56,151</u>

#### 15. Cross-border claims

The Group analyses cross-border claims by exposures to foreign counterparties on which the ultimate risk lies, and is derived according to the location of the counterparties after taking into account any transfer of risk. The transfer of risk from one country to another is recognised if the claims against a counterparty are guaranteed by another party in a different country or if the claims are on an overseas branch of a bank whose head office is located in a different country. Those areas which contribute 10% or more of the aggregate cross-border claims are as follows:-

	Banks and other financial institutions HK\$'000	Public sector entities HK\$'000	Others HK\$'000	Total HK\$'000
2003				
Asia Pacific excluding Hong Kong	12,465,775	—	1,251,942	13,717,717
North and South America	1,886,481	1,280,088	1,229,764	4,396,333
Europe	12,571,603	—	7,457	12,579,060
2002				
Asia Pacific excluding Hong Kong	8,804,683	27,765	1,559,062	10,391,510
North and South America	1,843,691	862,485	635,779	3,341,955
Europe	11,088,591	—	4,400	11,092,991

## 16. Capital adequacy and liquidity ratios

	31/12/2003	31/12/2002
Capital adequacy ratio	<u>21.5%</u>	<u>21.1%</u>
Adjusted capital adequacy ratio	<u>21.4%</u>	<u>21.0%</u>
	For the year ended 31 December	
	2003	2002
Liquidity ratio	<u>51.2%</u>	<u>48.3%</u>

The capital adequacy ratio represents the consolidated ratio of the Bank and certain subsidiaries, as specified by the Hong Kong Monetary Authority as at 31 December computed in accordance with the Third Schedule of the Hong Kong Banking Ordinance.

The adjusted capital adequacy ratio represents the consolidated ratio of the Bank and certain subsidiaries, as specified by the Hong Kong Monetary Authority as at 31 December computed in accordance with the guideline of "Maintenance of Adequate Capital Against Market Risks" issued by the Hong Kong Monetary Authority taking into account both credit risk and market risk.

The liquidity ratio is calculated as the simple average of each calendar month's average consolidated liquidity ratio for the year calculated for the Bank and a subsidiary as specified by the Hong Kong Monetary Authority during the year in accordance with the Fourth Schedule of the Hong Kong Banking Ordinance.

The capital base after deductions used in the calculation of the above capital adequacy ratio as at 31 December and reported to the Hong Kong Monetary Authority is analysed as follows:

	31/12/2003	31/12/2002
	HK\$'000	HK\$'000
Core capital:		
Paid up ordinary share capital	1,160,951	1,160,951
Reserves	5,448,492	5,055,663
	<u>6,609,443</u>	<u>6,216,614</u>
Supplementary capital:		
Reserves on revaluation of land and interests in land	716,058	700,557
General provisions for doubtful debts	431,705	422,647
Reserves on revaluation of holding of securities not held for trading purposes	48,596	19,544
Gross value of supplementary capital	<u>1,196,359</u>	<u>1,142,748</u>
Eligible value of supplementary capital	<u>1,196,359</u>	<u>1,142,748</u>
Total capital base before deductions	7,805,802	7,359,362
Deductions from total capital base	<u>(397,275)</u>	<u>(245,630)</u>
Total capital base after deductions	<u>7,408,527</u>	<u>7,113,732</u>

## **D. Statutory Accounts**

The financial information in this final results announcement does not constitute the Group's statutory accounts for the year ended 31 December 2003 but is derived from those accounts.

The accounting policies used in preparing these annual results are consistent with those adopted in the 2002 annual accounts except that the Group has changed its accounting policy in relation to deferred taxation following its adoption of the Hong Kong Statement of Standard Accounting Practice ("SSAP") 12 "Income taxes" issued by the Hong Kong Society of Accountants which is applicable to the Group for accounting periods commencing on or after 1 January 2003.

Following the adoption of SSAP 12, which became effective on 1 January 2003, deferred taxation is recognised in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the accounts. Taxation rates enacted or substantively enacted by the balance sheet date are used to determine deferred taxation.

Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred tax liabilities are recognised on temporary differences arising on investments in subsidiaries, associates and jointly controlled entities, except where the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

In prior years, deferred taxation was accounted for at the current taxation rate in respect of timing differences between profit as computed for taxation purposes and profit as stated in the accounts to the extent that a liability or an asset was expected to be payable or recoverable in the foreseeable future. The adoption of SSAP 12 represents a change in accounting policy, which has been applied retrospectively and the comparative figures presented have been restated to conform to the changed policy.

Opening total equity at 1 January 2002 and 2003 have been increased by HK\$43,987,000 and HK\$48,115,000 respectively, which represent the unrecognised net deferred tax assets. This change has resulted in an increase in deferred tax assets and a decrease in deferred tax liabilities at 31 December 2002 by HK\$32,002,000 and HK\$16,113,000 respectively. The profit and amount credited to reserves for the year ended 31 December 2002 have been increased by HK\$1,946,000 and HK\$2,182,000 respectively.

## **Final Dividend**

The Directors propose to recommend at the forthcoming Annual General Meeting to be held on Saturday, 24 April 2004 the payment of a final dividend of HK\$1.38 per share which, together with the interim dividend of HK\$0.38 per share already paid in September 2003, make a total dividend for the year 2003 of HK\$1.76 per share. The final dividend, if approved, will be paid on or after 24 April 2004 to the shareholders whose names are on the Register of Members on 24 April 2004.

## **Closure of Register of Members**

The Register of Members will be closed from 16 April 2004 to 24 April 2004, both days inclusive, during which period no transfer of shares will be registered. In order to qualify for the final dividend, all transfers must be lodged with the Bank's Registrars, Computershare Hong Kong Investor Services Limited, for registration not later than 4 pm on Thursday, 15 April 2004.

## **Financial Results and Operation Review**

Hong Kong's economy experienced considerable vacillation in 2003. The Iraq War and SARS outbreak led to a stagnant economy at the beginning of the year. Domestic consumption, property and stock markets improved markedly in the middle of the year following the signing of the Closer Economic Partnership Arrangement (CEPA) between the Mainland and Hong Kong and the relaxation of travel restrictions for mainland residents. Meanwhile, the situation of negative equity greatly improved. It is believed that the economic nadir is behind us and that Hong Kong is pulling out of the doldrums.

The consolidated net profit for the year ended 31 December 2003, after making provision for taxation, amounted to HK\$858,804,000. Earnings per share was HK\$3.70, representing an increase of 13.1% as compared with that of 2002. The increase in net profit was mainly a result of the improving economic condition, the strong non-interest income growth and the decrease in the charge for bad and doubtful debts.

The Bank recorded a loan-to-deposit ratio of 52.9%, lower than that of 57.8% in 2002. The narrowing interest spread resulting from weak loan demand and severe price competition had a negative impact on the interest income of the Bank. Nevertheless, through effective and stringent interest cost control measures, interest expense declined simultaneously. Overall, the Bank's net interest income fell by 4.8%.

Non-interest income surged by 61.2%, mainly attributable to the increase in income from insurance business, securities broking and trading, foreign exchange trading and wealth management service. The cash rebates given to residential mortgage customers in 2003 were lower than the previous year, contributing to a considerable increase in non-interest income.

Operating expenses went up slightly by 0.9%, mainly attributable to the increase in performance bonus and retirement benefit costs, whereas rental expenses for bank premises reduced. The cost-to-income ratio was 26.9%, representing a reduction of 3.8%.

The Bank's asset quality remained at a satisfactory level. Non-performing loans amounted to HK\$728,822,000, representing 2.49% of gross advances. The charge for bad and doubtful debts was HK\$67,122,000. Income from insurance business surged by 118.4% in 2003, and the charge for insurance claims increased to HK\$339,695,000.



The Bank reported an increase in consolidated total assets by 9.8% from the previous year-end level. Return on average assets was 1.33%, return on average equity was 10.34%, and the Group's capital adequacy ratio at 31 December 2003 stood at 21.5%. The average liquidity ratio for the year was 51.2%.

### **Deposits**

Total deposits increased by 5.6%, compared with that as at the 2002 year-end.

Interest rates are expected to remain low until mid-2004, and in the absence of better investment opportunities, some depositors channel their funds to higher-yielding investment products.

As at 2003 year-end, certificates of deposit, including fixed rate retail certificates of deposit, amounting to HK\$2,667,985,000 were issued, representing an increase of 29.8% from the previous year, in alignment with the Bank's funding requirements.

As Hong Kong-based banks are allowed to conduct renminbi personal banking business, the Bank has registered its intention to participate in renminbi deposit business to the Bank of China, the authorized renminbi clearing bank. Preparatory work has largely been completed for the scheduled launch of this new product towards the end of February 2004.

### **Advances to customers**

Total loans and advances to customers reduced by 2.6% from the previous year-end level.

The property market remained weak in the first half of 2003; and it was not until the second half that the market sentiment gradually improved. The absence of a full economic recovery coupled with tough competition caused the contraction of the residential mortgage portfolio. As the Government has subsequently announced a clearer housing policy which is conducive to property price stability, the Bank will seek to actively capture more residential mortgage business, and to maintain its market share. In view of the brighter economic outlook and better creditworthiness assessment of individual borrowers through positive consumer credit data checking, new personal loan products will be launched to meet market demands.

The syndicated loan business has progressed steadily and facilities launched last year were primarily for refinancing purposes. It is hoped that the strong economic momentum and the gradual implementation of CEPA will help boost loan financing activities. The Bank will continue to actively participate in syndicated loan financing business.

Corporate financing activities recorded good growth in 2003. For efficient resources allocation and strengthened supervision, Corporate Lending Department and Bills Department merged in November 2003 to form a new department, renamed as Corporate Banking Department. The Bank can now provide customized one-stop financial solutions to corporate customers and at the same time achieve economies of scale.

In the face of unfavourable economic conditions and severe competition, the hire-purchase and leasing operation of Wing Lung Finance Limited underwent a portfolio refocus, diversifying its product mix from vehicle financing to machinery and vessel financing. The Bank will expand the customer base and offer services to industrial customers in southern China, through collaboration with the planned Shenzhen Branch.

## **Treasury**

Income from foreign exchange operations increased by 14.9%, whereas the money exchange business dropped by 3.9% from last year's level. On aggregate, the Group enjoyed a 10.8% improvement in gains on foreign exchange trading, compared with 2002.

The negative market sentiment for the US dollar led to the outflow of capital from assets denominated in US dollars. The US dollar fluctuated widely relative to other major currencies, boosting trading sentiment. The Treasury Department is considering enhancing its service to accommodate customers thus achieving better returns for the Bank.

Worries about the possible return of SARS and the spreading of bird flu in Asia may have a negative impact on tourism and retail industries, inevitably affecting money exchange income. The Bank will keep a keen eye on the operating environment to formulate appropriate business strategies.

## **Wealth management**

The performance of Wealth Management Centre is remarkable with substantial growth of fee income. There exists a stable demand for higher-yielding investment products in this low interest rate environment. The unit trust business is flourishing, supported by the improvement in local and global economies as well as a bullish stock market.

Recognising the growth potential of wealth management business, more resources will be deployed to broaden the spectrum of wealth management services. Wealth management products will be conscientiously assessed prior to product delivery to customers. The Bank looks forward to continued earnings growth in 2004.

## **Credit cards**

The card industry was still under a difficult operating environment in the first half of 2003, affected by a slack economy, prolonged deflation, high unemployment rate and weak domestic consumption. The card base grew mildly, while credit card lending and receivables were lower than that at the 2002 year-end. The annualised charge-off ratio for the year 2003 fell to 10.06%. For the fourth quarter alone, the ratio was 5.18%.

Domestic consumption started to show signs of a rebound since the signing of CEPA and the implementation of "individual traveler scheme" in mid-2003. With the operation of the credit data bank, the Bank will adopt a more progressive strategy in promoting credit card business this year. This move would help the card business to resume growth, thus contributing profits to the Group.

## **Securities broking**

Wing Lung Securities Limited and Wing Lung Futures Limited provide a wide range of securities and futures broking services. The Bank registered a growth in trading volume of more than 60% in 2003 compared to the industry's 59.2% growth, with a commensurate increase in commission income.

Boosted by a number of favourable factors in the second half of 2003, the local stock market saw a strong surge in both prices and trading volume. This upward momentum was sustained through the end of 2003, benefiting from the influx of investment capital. The signing of CEPA created further development potential for the securities brokerage business. The Bank's securities broking subsidiary will closely monitor the market trends and regularly review the pricing policy and customer incentive scheme to enhance competitiveness.

### **Insurance**

Wing Lung Insurance Company Limited enjoyed substantial growth in accident and health insurance, motor insurance, and employees' compensation insurance. The subsidiary's strategic alliance with Equity Underwriters Limited yielded good results as well. Besides, business referrals from other brokers also registered steady growth.

The Insurance Department offers various kinds of insurance services. Commission income grew steadily, particularly on the sale of Hong Kong Life Insurance products. Recognising the great growth potential of the insurance market, the Bank will continue to deploy its branch network and manpower resources for insurance products sales.

### **Branch**

To effectively allocate resources, Grand Century Place Branch merged with Lai Chi Kok Road Branch in August 2003, thus reducing the total number of local branches from 34 to 33.

The Bank's core services are now largely fully automated. Branches are assuming greater responsibility as a sales center to promote financial services and products like wealth management, securities trading, general insurance and life insurance.

The business of Los Angeles Branch and Cayman Islands Branch recorded steady growth.

The Bank has purchased a piece of land in the City of Alhambra for building its Los Angeles Branch. The construction work will commence shortly and is expected to be completed in mid 2005.

The China Banking Regulatory Commission issued an acceptance notice on 2 January 2004 which permitted the Bank to prepare for the setting up of a branch in Shenzhen, and the Bank has rented an office at World Finance Centre in Luohu for the branch. All preparatory work is running smoothly, and the new branch is expected to go into operation towards the end of March 2004.

### **Investment in information technology**

Major systems of the new teller platform acquired from IBM are operating smoothly after over two years of enormous effort. Among them, the launch of the customer relationship management system (CRM) will help front-line staff in their cross-selling activities to a certain extent.

### **Human resources**

At the end of December 2003, the total workforce of the Bank amounted to 1,243, including 1,228 locally, 6 in the Mainland and 9 overseas.

The Human Resource Department has been actively organizing courses or seminars related to bank operation, product knowledge, information technology and specialized topics with the aim of training and upgrading staff skills and knowledge. The department also encourages and sponsors staff in continued training programs, certified examinations and obtaining professional qualifications. The department arranges business visits and exchange programs at regular intervals so that the staff are better equipped to cope with business needs.

### **Purchase, Sale or Redemption of Shares**

The Bank has not redeemed any of its shares during the year. Neither the Bank nor any of its subsidiaries has purchased or sold any of the Bank's shares during the year.

### **Compliance with Disclosure Requirements**

In preparing the accounts for the year ended 31 December 2003, the Bank has fully complied with the requirements set out in the guideline entitled "Financial Disclosure by Locally Incorporated Authorized Institutions" issued by the Monetary Authority in November 2002.

### **Corporate Governance**

The Bank was in compliance with the Code of Best Practice as set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited during the year ended 31 December 2003.

By Order of the Board  
**Maria Wan-sin Fung**  
Secretary

Hong Kong, 25 February 2004

Website: <http://www.winglungbank.com>

Remark: A detailed results announcement containing all the information required by paragraphs 45(1) to 45(3) of Appendix 16 of the Listing Rules will be subsequently published on the Stock Exchange's website in due course.

Please also refer to the published version of this announcement in South China Morning Post dated 26 February 2004.