



WING LUNG BANK LTD

(Incorporated in Hong Kong with limited liability)

Stock Code: 096

ANNOUNCEMENT OF 2004 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 2004 as follows:

A. Consolidated Profit and Loss Account

	For the year ended 31 December		Change %
	2004 HK\$'000	2003 HK\$'000	
Interest income	1,813,186	1,842,123	-1.6
Interest expense	(741,626)	(722,293)	+2.7
Net interest income	1,071,560	1,119,830	-4.3
Insurance operating income	411,427	429,534	-4.2
Other operating income (Note 1)	458,565	399,892	+14.7
Operating income	1,941,552	1,949,256	-0.4
Operating expenses (Note 2)	(534,360)	(523,395)	+2.1
Operating profit before provisions	1,407,192	1,425,861	-1.3
Write back of/(charge for) bad and doubtful debts	113,890	(67,122)	-269.7
Charge for insurance claims	(322,096)	(339,695)	-5.2
Operating profit	1,198,986	1,019,044	+17.7
Net gain/(loss) on disposal of fixed assets	2,056	(2,313)	
Net gain on disposal of non-trading securities	7,266	9,103	
Provision written back/(made) on held-to-maturity securities	7,077	(18,793)	
	1,215,385	1,007,041	+20.7
Share of net profits of jointly controlled entities	11,495	2,600	
Share of profits of associates	415	438	
Profit before taxation	1,227,295	1,010,079	+21.5
Taxation (Note 3)	(195,610)	(151,275)	
Profit attributable to shareholders	1,031,685	858,804	+20.1
Dividends	571,188	408,655	+39.8
Earnings per share (Note 4)	HK\$4.44	HK\$3.70	
Dividends per share	HK\$2.46	HK\$1.76	

Notes:

(1) Other operating income

	For the year ended 31 December	
	2004	2003
	HK\$'000	HK\$'000
Fees and commission income	283,212	241,996
Less: fees and commission expense	(90,845)	(85,510)
Net fees and commission income	192,367	156,486
Net gain from trading securities	32,407	27,978
Net gain arising from derivative products	15,652	19,168
Net gain from foreign exchange trading	95,679	86,841
Others	122,460	109,419
	<u>458,565</u>	<u>399,892</u>

(2) Operating expenses

	For the year ended 31 December	
	2004	2003
	HK\$'000	HK\$'000
Staff costs		
- Salaries and other costs	312,217	305,271
- Retirement benefit costs	7,016	13,187
Depreciation	52,494	57,534
Others	162,633	147,403
	<u>534,360</u>	<u>523,395</u>

(3) Taxation

	For the year ended 31 December	
	2004	2003
	HK\$'000	HK\$'000
Current taxation:		
- Hong Kong profits tax	172,434	147,874
- Overseas taxation	7,828	6,207
Deferred taxation:		
- Relating to the origination and reversal of temporary differences	13,992	(506)
- Resulting from an increase in the taxation rate	—	(2,872)
	<u>194,254</u>	<u>150,703</u>
Share of taxation attributable to jointly controlled entities	1,296	507
Share of taxation attributable to associates	60	65
	<u>195,610</u>	<u>151,275</u>

Hong Kong profits tax has been calculated at the rate of 17.5% (2003: 17.5%) on the estimated assessable profit for the year. 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.

(4) Earnings per share

The calculation of earnings per share is based on the Group's profit attributable to shareholders of HK\$1,031,685,000 (2003: HK\$858,804,000) and 232,190,115 (2003: 232,190,115) shares in issue during the year.

B. Consolidated Balance Sheet

	31/12/2004	31/12/2003
	HK\$'000	HK\$'000
Assets		
Cash and short-term funds	15,842,398	18,136,491
Placements with banks and other financial institutions maturing between one and twelve months	5,708,563	3,596,565
Trade bills	116,073	85,411
Certificates of deposit held	2,266,121	2,311,636
Trading securities	476,617	418,594
Held-to-maturity securities	8,258,137	8,465,020
Advances and other accounts	32,324,828	30,081,159
Non-trading securities	4,113,105	3,064,777
Interests in jointly controlled entities	99,759	91,942
Interests in associates	2,703	2,672
Fixed assets	1,838,209	1,526,850
Total assets	<u>71,046,513</u>	<u>67,781,117</u>
Liabilities		
Deposits and balances of banks and other financial institutions	2,251,077	1,137,149
Deposits from customers	53,195,730	51,395,646
Certificates of deposit issued	3,179,540	2,667,985
Other accounts and accruals	2,859,407	3,971,643
Total liabilities	<u>61,485,754</u>	<u>59,172,423</u>
Capital resources		
Share capital	1,160,951	1,160,951
Reserves (including proposed final dividend of HK\$459,737,000; 2003: HK\$320,423,000)	8,399,808	7,447,743
Shareholders' funds	<u>9,560,759</u>	<u>8,608,694</u>
Total liabilities and capital resources	<u>71,046,513</u>	<u>67,781,117</u>

C. Supplementary Information of the Group

1. Advances and other accounts

	<u>31/12/2004</u>	<u>31/12/2003</u>
	HK\$'000	HK\$'000
Advances to customers	31,143,988	29,261,926
Provision for bad and doubtful debts		
- General	(367,628)	(443,533)
- Specific	(92,861)	(204,205)
	<u>30,683,499</u>	<u>28,614,188</u>
Advances to banks and other financial institutions 208,807 50,000
Accrued interest	176,882	163,319
Provision for bad and doubtful debts		
- Specific	(771)	(1,571)
	<u>..... 176,111</u>	<u>..... 161,748</u>
Other accounts	1,237,020	1,224,559
Provision for bad and doubtful debts		
- General	(1,395)	(1,450)
- Specific	(883)	(1,246)
	<u>..... 1,234,742</u>	<u>..... 1,221,863</u>
Deferred tax assets	<u>..... 21,669</u>	<u>..... 33,360</u>
	<u>32,324,828</u>	<u>30,081,159</u>

2. Gross advances to customers by industry sectors

	31/12/2004	31/12/2003
	HK\$'000	HK\$'000
Loans for use in Hong Kong		
Industrial, commercial and financial		
Property development	1,934,882	1,480,827
Property investment	5,849,464	4,908,471
Financial concerns	276,292	365,482
Stockbrokers	3,828	6,315
Wholesale and retail trade	425,941	497,841
Manufacturing	477,463	757,947
Transport and transport equipment	1,093,448	785,468
Others	3,667,655	3,547,832
Individuals		
Loans for the purchase of flats in the Home Ownership Scheme, Private Sector Participation Scheme and Tenants Purchase Scheme	2,292,527	2,702,970
Loans for the purchase of other residential properties	9,744,431	9,844,224
Credit card advances	320,798	325,165
Others	1,163,558	993,976
Trade finance	438,845	389,986
	<u>27,689,132</u>	<u>26,606,504</u>
Loans for use outside Hong Kong	<u>3,454,856</u>	<u>2,655,422</u>
	<u>31,143,988</u>	<u>29,261,926</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	
	31/12/2004	31/12/2003
	HK\$'000	HK\$'000
Non-performing loans	258,067	728,822
Percentage of total advances to customers	0.83%	2.49%
Specific provisions made in respect of such advances	91,263	189,179
Amount of interest in suspense	23,548	42,982

At 31 December 2004 and 31 December 2003, 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:-

	31/12/2004		31/12/2003	
	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	61,219	0.20	156,478	0.54
One year or less, but over six months	32,119	0.10	103,689	0.35
Over one year	78,745	0.25	255,166	0.87
	172,083	0.55	515,333	1.76
Secured overdue advances	116,175		379,169	
Unsecured overdue advances	55,908		136,164	
	172,083		515,333	
Market value of collateral held against the secured overdue advances	190,576		518,198	
	57,531		135,778	

At 31 December 2004 and 31 December 2003, 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:-

	31/12/2004	31/12/2003
	HK\$'000	HK\$'000
Gross amount of accrued interest which has been overdue for:-		
Six months or less, but over three months	659	1,503
One year or less, but over six months	506	1,506
Over one year	1,163	3,470
	2,328	6,479

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:-

	31/12/2004		31/12/2003	
	HK\$'000	% of total advances to customers	HK\$'000	% of total advances to customers
Rescheduled advances to customers	<u>268,599</u>	<u>0.86</u>	<u>365,192</u>	<u>1.25</u>

At 31 December 2004 and 31 December 2003, 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:

	31/12/2004	31/12/2003
	HK\$'000	HK\$'000
Advances which are overdue for more than three months	172,083	515,333
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	77,134	153,746
Add: rescheduled advances on which interest is being placed in suspense	78,832	172,490
Less: advances which are overdue for more than three months and on which interest is still being accrued	<u>(69,982)</u>	<u>(112,747)</u>
Non-performing loans	<u>258,067</u>	<u>728,822</u>

7. Repossessed assets

	31/12/2004	31/12/2003
	HK\$'000	HK\$'000
Market value of repossessed assets	<u>14,270</u>	<u>49,613</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>31/12/2004</u>	<u>31/12/2003</u>
	HK\$'000	HK\$'000
Gross advances to customers		
Hong Kong	29,769,742	27,504,440
Other areas	1,374,246	1,757,486
	<u>31,143,988</u>	<u>29,261,926</u>
Overdue advances		
Hong Kong	<u>172,083</u>	<u>515,333</u>
Non-performing loans		
Hong Kong	<u>258,067</u>	<u>728,822</u>

9. Deposits from customers

	<u>31/12/2004</u>	<u>31/12/2003</u>
	HK\$'000	HK\$'000
Demand deposits and current accounts	3,806,452	3,149,151
Saving deposits	16,974,515	15,544,448
Time, call and notice deposits	32,414,763	32,702,047
	<u>53,195,730</u>	<u>51,395,646</u>

10. Other accounts and accruals

Included in other accounts and accruals as at 31 December 2004 are deferred tax liabilities totaling HK\$796,000 (2003: HK\$600,000).

11. Reserves

	<u>31/12/2004</u>	<u>31/12/2003</u>
	HK\$'000	HK\$'000
Capital reserve	57,500	57,500
Investment properties revaluation reserve	1,360,708	1,022,940
Investment revaluation reserve	142,215	127,729
General reserve	1,003,730	1,003,730
Retained earnings (including proposed final dividend of HK\$459,737,000; 2003: HK\$320,423,000)	5,835,655	5,235,844
	<u>8,399,808</u>	<u>7,447,743</u>

At a meeting held on 23 February 2005, the directors proposed a final dividend of HK\$1.98 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 2005.

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
2004						
Interest income from						
- external customers	978,797	800,280	15,109	19,000	—	1,813,186
- other segments	160,798	192,671	3,887	1,049	—	358,405
Interest expense to						
- external customers	(127,424)	(614,202)	—	—	—	(741,626)
- other segments	(198,189)	(158,714)	—	(1,502)	—	(358,405)
Net interest income	813,982	220,035	18,996	18,547	—	1,071,560
Insurance operating income from external customers	—	—	411,427	—	—	411,427
Other operating income from external customers	114,714	78,204	1,771	263,876	—	458,565
Operating income	928,696	298,239	432,194	282,423	—	1,941,552
Operating expenses	(319,351)	(23,909)	(22,660)	(66,797)	(101,643)	(534,360)
Operating profit/(loss) before provisions	609,345	274,330	409,534	215,626	(101,643)	1,407,192
Write back of / (charge for) bad and doubtful debts	113,903	—	(13)	—	—	113,890
Charge for insurance claims	—	—	(322,096)	—	—	(322,096)
Operating profit/(loss)	723,248	274,330	87,425	215,626	(101,643)	1,198,986
Gain/(loss) on fixed assets and investments	10,592	242	501	6,610	(1,546)	16,399
Share of net profits of jointly controlled entities and associates	—	—	7,313	4,597	—	11,910
Profit/(loss) before taxation	733,840	274,572	95,239	226,833	(103,189)	1,227,295
Segment assets	34,852,800	32,430,400	1,441,904	2,024,545	296,864	71,046,513
Segment liabilities	52,958,597	5,793,403	1,071,645	1,580,025	82,084	61,485,754
Capital expenditure	17,404	446	405	6,329	4,171	28,755
Depreciation charge	34,864	1,467	1,336	8,914	5,913	52,494

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
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/(loss) 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)	551,117	299,423	77,334	186,748	(95,578)	1,019,044
(Loss)/gain 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

(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 contractual amounts of each significant class of contingent liabilities and commitments, and the aggregate credit risk weighted amounts:

	<u>31/12/2004</u>	<u>31/12/2003</u>
	HK\$'000	HK\$'000
Contractual amount		
Direct credit substitutes	690,857	216,949
Transaction-related contingencies	16,097	19,887
Trade-related contingencies	444,175	348,123
Other commitments with an original maturity of		
— under one year or which are unconditionally cancellable	6,610,161	6,208,972
— one year and over	3,589,888	3,224,186
	<u>11,351,178</u>	<u>10,018,117</u>
Credit risk weighted amount	<u>2,702,638</u>	<u>1,860,642</u>

The following is a summary of the notional or contractual amounts, credit risk weighted amounts and replacement costs of each significant type of derivatives, without taking into account the effects of bilateral netting arrangements:

	<u>31/12/2004</u>	<u>31/12/2003</u>
	HK\$'000	HK\$'000
Contractual amount		
Exchange rate contracts	2,022,249	2,310,714
Interest rate contracts	3,805,858	3,098,456
Equity contracts	965,097	932,734
	<u>6,793,204</u>	<u>6,341,904</u>
Credit risk weighted amount		
Exchange rate contracts	5,236	8,326
Interest rate contracts	34,056	15,255
Equity contracts	15,876	14,539
	<u>55,168</u>	<u>38,120</u>
Replacement cost		
Exchange rate contracts	1,027	5,485
Interest rate contracts	90,594	27,902
Equity contracts	3,643	1,395
	<u>95,264</u>	<u>34,782</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:

	31/12/2004	31/12/2003
	HK\$'000	HK\$'000
Spot assets	18,430,386	14,187,753
Spot liabilities	(15,835,328)	(13,242,545)
Forward purchases	1,672,639	669,202
Forward sales	(1,798,838)	(1,117,634)
Net long position	<u>2,468,859</u>	<u>496,776</u>
Net structural position	<u>67,635</u>	<u>55,894</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
2004				
Asia Pacific excluding Hong Kong North and South America Europe	11,481,596 1,247,365 12,706,818	53,795 2,145,846 —	2,353,573 2,975,388 399,918	13,888,964 6,368,599 13,106,736
2003				
Asia Pacific excluding Hong Kong North and South America Europe	12,465,775 1,886,481 12,571,603	— 1,280,088 —	1,251,942 1,229,764 7,457	13,717,717 4,396,333 12,579,060

16. Capital adequacy and liquidity ratios

	31/12/2004	31/12/2003
Capital adequacy ratio	<u>20.5%</u>	<u>21.5%</u>
Adjusted capital adequacy ratio	<u>20.5%</u>	<u>21.4%</u>
	For the year ended 31 December	
	2004	2003
Liquidity ratio	<u>53.4%</u>	<u>51.2%</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:

	31/12/2004	31/12/2003
	HK\$'000	HK\$'000
Core capital:		
Paid up ordinary share capital	1,160,951	1,160,951
Reserves	5,782,946	5,448,492
	<u>6,943,897</u>	<u>6,609,443</u>
Supplementary capital:		
Reserves on revaluation of land and interests in land	824,416	716,058
General provisions for doubtful debts	368,175	431,705
Reserves on revaluation of holding of securities not held for trading purposes	45,916	48,596
Gross value of supplementary capital	<u>1,238,507</u>	<u>1,196,359</u>
Eligible value of supplementary capital	<u>1,238,507</u>	<u>1,196,359</u>
Total capital base before deductions	8,182,404	7,805,802
Deductions from total capital base	<u>(396,991)</u>	<u>(397,275)</u>
Total capital base after deductions	<u>7,785,413</u>	<u>7,408,527</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 2004 but is derived from those accounts.

The accounting policies used in preparing these annual results are consistent with those adopted in the 2003 annual accounts.

Final Dividend

The Directors propose to recommend at the forthcoming Annual General Meeting to be held on Saturday, 23 April 2005 the payment of a final dividend of HK\$1.98 per share which, together with the interim dividend of HK\$0.48 per share already paid in September 2004, make a total dividend for the year 2004 of HK\$2.46 per share. The final dividend, if approved, will be paid on or after 23 April 2005 to the shareholders whose names are on the Register of Members on 23 April 2005.

Closure of Register of Members

The Register of Members will be closed from 15 April 2005 to 23 April 2005, 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, 14 April 2005.

Financial Results and Operation Review

During 2004, positive external economic factors and supportive Central Government's policies towards Hong Kong facilitated the steady recovery of our economy. Employment and domestic consumption resumed growth as the business and investment environment continued to improve. As the long deflationary period lasting several years is drawing to a close, the property market is showing vibrancy and cases of negative equity have consistently declined.

The consolidated net profit for the year ended 31 December 2004, after making provision for taxation, amounted to HK\$1,031,685,000. Earnings per share was HK\$4.44, representing an increase of 20.1% as compared with that of 2003. The increase in net profit was mainly the result of non-interest income growth, reduced charges for bad and doubtful debts and release of provisions.

The Bank recorded a loan-to-deposit ratio of 54.4%, higher than that of 52.9% in 2003. However, the Bank's net interest income fell by 4.3% due to narrowing interest spread amid severe price competition.

Net profit from insurance operations was maintained at the 2003 level. Other operating income surged by 14.7%, mainly attributable to the increase in income from wealth management initiatives, securities broking and treasury operations.

Operating expenses went up by 2.1% owing to the increase in advertisement and business promotion expenses. The cost-to-income ratio was 27.5%, representing an increase of 0.6%.

The Bank's asset quality remained at a satisfactory level. Non-performing loans amounted to HK\$258,067,000, representing 0.83% of gross advances. Provisions for bad and doubtful debts of HK\$113,890,000 were written back in 2004.

The Bank reported an increase in consolidated total assets by 4.8% from the previous year-end level. Return on average assets was 1.49%; return on average equity was 11.36%; and the Group's capital adequacy ratio at 31 December 2004 stood at 20.5%. The average liquidity ratio for the year was 53.4%.

Comparing the Bank's operating position and results for 2004 with 2003:-

Deposits

Total deposits increased by 3.5% in 2004.

As at 31 December 2004, certificates of deposit totaling HK\$3,179,540,000 were issued, up 19.2% as compared with that of 2003 year-end. Among them, a great majority are floating rate certificates of deposit with a small amount of USD fixed rate certificates of deposit issued to individual investors.

The renminbi services, which commenced in February 2004, have been running smoothly with steady growth. It will become a core business as the national economy continues to expand.

The interest rate-hike cycle has already started in the US, but banks in Hong Kong, awash in excessive liquidity, did not follow the US dollar interest rate rise. Nevertheless, the Bank is of the view that Hong Kong dollar interest rates will follow those of the US. The Bank will grow its deposit base to cope with the changes in overall business development.

Advances to customers

Loans and advances to customers went up by 6.4% in 2004.

The Bank's residential mortgage business progressed steadily in the booming property market.

The Bank maintained an active presence in the syndicated loan market in 2004. In the face of continuing bidding competition and narrowing profit margin, the Bank has to open up new sources of revenue for sustainable growth.

Other corporate lending activities achieved satisfactory growth in 2004. The Corporate Banking Department will actively develop new business opportunities, expand its commercial financing to small and medium-sized enterprises, and to enlarge its customer pool.

Wing Lung Finance Limited maintained its hire-purchase and leasing operation at last year's level, mainly attributable to the shift to machinery and vessel financing. The company will follow this direction in 2005 for business expansion and yet maintain a high quality loan portfolio.

Treasury

Income from foreign exchange operations increased by 25.5%; whereas money exchange business dropped by 8.4% from last year's level. On aggregate, the Bank enjoyed a 10.2% improvement in gain on foreign exchange trading compared with 2003.

The US dollar has declined since the start of 2004 and the foreign exchange market fluctuated widely, boosting trading volume and income.

The Bank's foreign exchange business development was limited by attendant restrictions on renminbi exchange following the participation in personal renminbi services. Extensive market fluctuations are anticipated to bring about greater volume of foreign exchange transactions. The Treasury Department has provided different electronic trading channels and extended the trading hours. For customers' convenience, a wider variety of foreign exchange option products and online margin trading will be introduced.

Wealth management

Wealth management operations registered continuous progression with income growth in line with projection. Owing to the influx of hot money, domestic interest rate stayed at a low level, this coupled with the rebound of Hong Kong's economy, was conducive to increased sale of higher-yielding wealth management products.

Wealth management products are increasingly accepted by investors. Recognising large expansion potentials, the Bank will deploy more resources, offer a wider array of quality wealth management products to customers and expand the sales channel to every branch office. An encouraging earnings growth is expected for 2005.

Credit cards

The economic rebound and an improved deflation situation during the year helped put credit card operations back on a growth track. Credit cards issuance and profits resumed growth in 2004. The Bank saw an increase in affinity card programmes and merchant acquisition business. Annualised charge-off ratio for 2004 was 3.32%, a great improvement over 2003's 10.06%.

Improving consumer sentiment in the recovering economy reflected restoration of confidence among people towards the future. In 2005, the Credit Card Centre will launch promotion campaigns and introduce some low-interest rate products like credit to cash programmes, hire-purchase and other spending incentives to bolster credit card lending. The Credit Card Centre will launch cash revolving cards to meet the needs of particular market segments.

Securities broking

In 2004, the Bank's securities transaction volume increased by over 30% with a commensurate growth in the total income.

To enlarge market share and to extend the customer pool, the Securities Department will launch margin trading privileges and intensify promotion campaigns in 2005 to increase its competitiveness.

The new securities computer system which commenced operations in August 2004, enables customers' margin securities account to be monitored on a real time basis through terminals at all branches, effectively strengthening our risk management mechanism and facilitating accurate and speedy margin securities dealing. The Securities Department will continue to leverage on the new computer system in trading channel automation, service efficiency enhancement and new business development.

Insurance

Wing Lung Insurance Company Limited recorded a slight reduction in gross premium and underwriting profit in 2004, mainly attributable to a decline in motor insurance and employee's compensation classes, while other classes of insurance business grew appreciably.

The Insurance Department recorded a similar level of commission income from all insurance classes as last year. Commission income generated from the sale of Hong Kong Life Insurance products surged by a larger degree. Recognising ample growth potentials for sale of life insurance products, the Bank will continue to deploy its branch network and manpower resources for further achievement.

Wing Lung Insurance Company Limited joined a few insurers led by People's Insurance Holdings Ltd to form China Insurance Brokers Co Ltd. This company, targeting the mainland market, came into operation on 18 December 2004. The Bank believes that this cooperation with mainland insurers will help foster the Company's insurance business development in the long term.

Branch

Our network of 33 local branches, Shenzhen Branch in China, Los Angeles Branch in the US and Cayman Islands Branch all achieved steady growth in both business and returns.

To further cultivate the mainland market, the Bank will select suitable locations to establish sub-branches in Shenzhen and consider upgrading its existing representative offices to full branches.

The ground-breaking ceremony of the new building for our Los Angeles Branch in the City of Alhambra was held on 6 December 2004. The construction work of the new building has commenced and will take about a year to complete.

Investment in information technology

The development of the new teller platform acquired from IBM has been completed. Continuous efforts will be placed on the application of computer systems in product development and risk management.

Human resources

At the end of December 2004, the total workforce of the Bank amounted to 1,275, including 1,249 locally, 16 in the Mainland and 10 overseas.

To continuously upgrade staff skills and knowledge, the Human Resource Department has been regularly organising courses or seminars related to bank operations, product knowledge, information technology, sales techniques and other specialised topics. The department also encourages and sponsors staff in continued training programmes, certified examinations and obtaining professional qualifications. The department arranges business visits and exchange programmes with other financial institutions at regular intervals so that the staff are better equipped to cope with increasing 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 2004, 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 (the "Listing Rules") during the year ended 31 December 2004.

Code for Securities Transactions by Directors

The Bank has adopted a code for securities transactions by Directors (the "Code of Conduct") on terms no less exacting than the required standard of the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 of the Listing Rules.

Following specific enquiry made with all Directors, the Bank has confirmed that each of the Directors complied with the required standard set out in the Model Code and the Code of Conduct regarding securities transactions by the Directors.

By Order of the Board
Maria Wan-sin Fung
Secretary

Hong Kong, 23 February 2005

As at the date of this announcement, the executive directors of the Bank are Dr Michael Po-ko Wu, Dr Patrick Po-kong Wu, Dr Philip Po-him Wu and Mr Che-shum Chung, the non-executive directors are Mr Albert Po-cheung Wu, Mr Ivan Po-young Wu and Mr Anthony Shang-fung Wu and the independent non-executive directors are Mr Kee-choe Ng, Dr Siu-chan Ng, Dr Norman Nai-pang Leung, Mr Lincoln Hung-leung Soo and Mr Shung-kwong Tsang. Mr Kenneth Ngai-keung Ma is the alternate director to Mr Ivan Po-young Wu.

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

Remark: A detailed results announcement containing all information required by paragraphs 45(1) to 45(3) of Appendix 16 of the Listing Rules (before amendments effective 31 March 2004) will be published on the website of The Stock Exchange of Hong Kong Limited in due course.

Please also refer to the published version of this announcement in South China Morning Post dated 24 February 2005.