WING LUNG BANK LTD

(Incorporated in Hong Kong with limited liability)
Stock Code: 096

INTERIM RESULTS 2005

Interim Results

The Directors of Wing Lung Bank Ltd are pleased to announce the unaudited results of the Group for the six months ended 30 June 2005 as follows:-

A. Condensed Consolidated Profit and Loss Account

	Six months ended 30 June 2005	2004	Change
	HK$'000	HK$'000 Restated	%
Interest income	1,154,345	869,839	+32.7
Interest expense	(612,651)	(327,513)	+87.1
Net interest income	541,694	542,326	-0.1
Insurance operating income	181,143	217,537	-16.7
Other operating income (Note 1)	203,090	216,678	-6.3
Operating income	925,927	976,541	-5.2
Operating expenses (Note 2)	(283,313)	(267,101)	+6.1
Operating profit before impairment allowances	642,614	709,440	-9.4
Write back of impairment allowances on loans and advances	3,056	—	
Write back of bad and doubtful debts	—	18,858	
Charge for insurance claims	(136,851)	(176,742)	-22.6
Operating profit	508,819	551,556	-7.7
Net loss on disposal of fixed assets	(115)	(707)	
Revaluation surplus on investment properties	119,847	—	
Revaluation deficit on premises	(79)	—	
Net gain on disposal of available-for-sale securities	106	—	
Net gain on disposal of non-trading securities	—	1,023	
Provision written back on held-to-maturity securities	—	6,483	
	628,578	558,355	+12.6
Share of net profits of jointly controlled entities	3,322	1,657	
Share of net (losses)/profits of associates	(366)	264	
Profit before taxation	631,534	560,276	+12.7
Taxation (Note 3)	(101,129)	(91,069)	
Profit attributable to shareholders	530,405	469,207	+13.0
Interim dividend	132,348	111,451	
Interim dividend per share	HK$0.57	HK$0.48	
Earnings per share (Note 4)	HK$2.28	HK$2.02	

Notes:

(1) Other operating income

	Six months ended 30 June 2005	2004
	HK$'000	HK$'000
Fees and commission income	120,407	142,660
Less: fees and commission expense	(23,176)	(47,146)
Net fees and commission income	97,231	95,514
Net loss from trading securities	(7,787)	(456)
Net loss arising from financial instruments at fair value through profit or loss	(50,932)	–
Net gain arising from derivative products	53,797	8,476
Net gain from foreign exchange trading	48,229	49,183
Others	62,552	63,961
	203,090	216,678

(2) Operating expenses

	Six months ended 30 June 2005	2004
	HK$'000	HK$'000 Restated
Staff costs		
- Salaries and other costs	162,082	156,478
- Retirement benefit costs	700	4,232
Depreciation	24,171	23,435
Operating lease charges on leasehold land	2,086	2,086
Others	94,274	80,870
	283,313	267,101

(3) Taxation

	Six months ended 30 June 2005	2004
	HK$'000	HK$'000
Current taxation:		
- Hong Kong profits tax	78,679	85,803
- Overseas taxation	4,136	4,216
Deferred taxation:		
- Relating to the origination and reversal of temporary differences	17,737	796
	100,552	90,815
Share of taxation attributable to jointly controlled entities	577	254
	101,129	91,069

Hong Kong profits tax has been calculated at the rate of 17.5% (2004: 17.5%) on the estimated assessable profit for the period. Taxation on overseas profits has been calculated on the estimated assessable profit for the period 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$530,405,000 (2004: HK$469,207,000) and 232,190,115 (2004: 232,190,115) shares in issue during the period.

B. Condensed Consolidated Balance Sheet

	30/06/2005	31/12/2004
	HK$'000	HK$'000 Restated
Assets		
Cash and short-term funds	15,716,413	15,842,398
Placements with banks and other financial institutions maturing between one and twelve months	2,555,367	5,708,563
Trade bills	171,514	116,073
Certificates of deposit held	1,426,652	2,266,121
Trading securities	471,847	476,617
Financial assets at fair value through profit or loss	4,545,827	—
Derivative financial instruments	36,229	—
Held-to-maturity securities	3,945,223	8,258,137
Advances and other accounts	36,365,673	32,324,828
Available-for-sale securities	4,226,074	—
Non-trading securities	—	4,113,105
Interests in jointly controlled entities	101,674	99,759
Interests in associates	1,851	2,703
Fixed assets	1,697,539	1,592,235
Interests in leasehold land	251,773	253,859
Total assets	71,513,656	71,054,398
Liabilities		
Deposits and balances of banks and other financial institutions	1,928,718	2,251,077
Deposits from customers	53,192,025	53,195,730
Financial liabilities at fair value through profit or loss	1,622,838	—
Derivative financial instruments	122,738	—
Certificates of deposit issued	1,769,135	3,179,540
Other accounts and accruals	3,172,058	2,859,407
Total liabilities	61,807,512	61,485,754
Capital resources		
Share capital	1,160,951	1,160,951
Reserves (including interim dividend declared of HK$132,348,000; 2004: final dividend of HK$459,737,000)	8,545,193	8,407,693
Shareholders' funds	9,706,144	9,568,644
Total liabilities and capital resources	71,513,656	71,054,398

C. Supplementary Information of the Group

1. Advances and other accounts

	30/06/2005	31/12/2004
	HK$'000	HK$'000
Advances to customers	34,941,763	31,143,988
Impairment allowances for impaired assets		
- Collective	(101,961)	—
- Individual	(70,759)	—
Provision for bad and doubtful debts		
- General	—	(367,628)
- Specific	—	(92,861)
	34,769,043	30,683,499
Advances to banks and other financial institutions	158,243	208,807
Accrued interest	231,464	176,882
Impairment allowances	(7,027)	—
Provision for bad and doubtful debts		
- Specific	—	(771)
	224,437	176,111
Other accounts	1,211,633	1,237,020
Impairment allowances	(539)	—
Provision for bad and doubtful debts		
- General	—	(1,395)
- Specific	—	(883)
	1,211,094	1,234,742
Deferred tax assets	2,856	21,669
	36,365,673	32,324,828

2. Gross advances to customers by industry sectors

	30/06/2005	31/12/2004
	HK$'000	HK$'000
Loans for use in Hong Kong		
Industrial, commercial and financial		
Property development	2,515,397	1,934,882
Property investment	6,756,750	5,849,464
Financial concerns	331,734	276,292
Stockbrokers	783	3,828
Wholesale and retail trade	394,671	425,941
Manufacturing	470,452	477,463
Transport and transport equipment	1,007,536	1,093,448
Others	4,393,092	3,667,655
Individuals		
Loans for the purchase of flats in the Home Ownership Scheme, Private Sector Participation Scheme and Tenants Purchase Scheme	2,409,361	2,292,527
Loans for the purchase of other residential properties	10,404,729	9,744,431
Credit card advances	308,299	320,798
Others	1,511,466	1,163,558
Trade finance	539,985	438,845
	31,044,255	27,689,132
Loans for use outside Hong Kong	3,897,508	3,454,856
	34,941,763	31,143,988

3. Impaired loans/Non-performing loans

Upon adoption of HKAS 39, the concept of suspended interest and non-performing loans is no longer relevant as interest is recognised on the recoverable element of impaired loans.

(a) Impaired loans

The gross amount of impaired loans, which represents those advances where there is objective evidence of impairment as a result of loss event occurred after the initial recognition of the advances and the loss event has an impact on the estimated future cash flows of the advances that can be reliably estimated, is analysed as follows:-

	Advances to customers 30/06/2005
	HK$'000
Impaired loans	230,745
Percentage of total advances to customers	0.66%
Individual impairment allowances in respect of such advances	70,759

At 30 June 2005, there were no impaired loans in respect of advances to banks and other financial institutions.

The above individual impairment allowances were made after taking into account the value of collateral in respect of such advances.

(b) 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
	HK$'000
Non-performing loans	258,067
Percentage of total advances to customers	0.83%
Specific provisions made in respect of such advances	91,263

At 31 December 2004, 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 are analysed as follows:-

	30/06/2005		31/12/2004	
	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	70,071	0.20	61,219	0.20
One year or less, but over six months	30,108	0.09	32,119	0.10
Over one year	64,337	0.18	78,745	0.25
	164,516	0.47	172,083	0.55
Secured overdue advances	103,973		116,175	
Unsecured overdue advances	60,543		55,908	
	164,516		172,083	
Market value of collateral held against the secured overdue advances	168,500		190,576	
Individual impairment allowances made	54,513		—	
Specific provisions made	—		57,531	

At 30 June 2005 and 31 December 2004, there were no advances to banks and other financial institutions which were overdue for over three months.

(b) Other overdue assets

Other overdue assets are analysed as follows:-

	30/06/2005		31/12/2004	
	Trade bills HK$'000	Accrued interest HK$'000	Trade bills HK$'000	Accrued interest HK$'000
Gross amount of other assets which have been overdue for:-				
Six months or less, but over three months	640	954	—	659
One year or less, but over six months	—	1,434	—	506
Over one year	—	9,139	—	1,163
	640	11,527	—	2,328

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:-

	30/06/2005		31/12/2004	
	HK$'000	% of total advances to customers	HK$'000	% of total advances to customers
Rescheduled advances to customers	165,120	0.47	268,599	0.86

At 30 June 2005 and 31 December 2004, there were no rescheduled advances to banks and other financial institutions.

6. Repossessed assets

	30/06/2005	31/12/2004
	HK$'000	HK$'000
Market value of repossessed assets	8,198	14,270

7. Geographical analysis of gross advances to customers, overdue advances and impaired loans/non-performing loans

The following geographical analysis of gross advances to customers, overdue advances and impaired loans/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.

	30/06/2005	31/12/2004
	HK$'000	HK$'000
Gross advances to customers		
Hong Kong	32,962,448	29,769,742
Other areas	1,979,315	1,374,246
	34,941,763	31,143,988
Overdue advances		
Hong Kong	164,516	172,083
Impaired loans		
Hong Kong	230,745	—
Non-performing loans		
Hong Kong	—	258,067

8. Deposits from customers

	30/06/2005	31/12/2004
	HK$'000	HK$'000
Demand deposits and current accounts	3,270,568	3,806,452
Saving deposits	13,060,903	16,974,515
Time, call and notice deposits	36,860,554	32,414,763
	53,192,025	53,195,730

9. Other accounts and accruals

Included in other accounts and accruals as at 30 June 2005 are deferred tax liabilities totalling HK$278,541,000 (31 December 2004: HK$796,000).

10. Reserves

	30/06/2005	31/12/2004
	HK$'000	HK$'000
		Restated
Capital reserve	57,500	57,500
Investment properties revaluation reserve	—	1,360,708
Investment revaluation reserve	164,036	142,215
General reserve	1,003,730	1,003,730
Retained earnings (including interim dividend declared of HK$132,348,000; 2004: final dividend of HK$459,737,000)	7,319,927	5,843,540
	8,545,193	8,407,693

(a) In accordance with the guidance note from the Hong Kong Monetary Authority, an authorised institution is required to maintain a regulatory reserve in excess of impairment allowances. As a result, retained earnings of HK$247,500,000 was earmarked as a regulatory reserve at 30 June 2005.

(b) At a meeting held on 17 August 2005, the directors declared an interim dividend of HK$0.57 per share. This interim 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.

11. 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
Six months ended 30 June 2005						
Interest income from						
- external customers	614,692	502,508	20,709	16,436	–	1,154,345
- other segments	162,655	253,052	3,010	1,510	–	420,227
Interest expense to						
- external customers	(162,697)	(449,954)	–	–	–	(612,651)
- other segments	(256,169)	(161,443)	–	(2,615)	–	(420,227)
Net interest income	358,481	144,163	23,719	15,331	–	541,694
Insurance operating income from external customers	–	–	181,143	–	–	181,143
Other operating income from external customers	87,788	6,021	(10,962)	120,243	–	203,090
Operating income	446,269	150,184	193,900	135,574	–	925,927
Operating expenses	(172,620)	(10,828)	(12,460)	(33,907)	(53,498)	(283,313)
Operating profit before impairment allowances	273,649	139,356	181,440	101,667	(53,498)	642,614
Write back of impairment allowances	3,039	–	17	–	–	3,056
Charge for insurance claims	–	–	(136,851)	–	–	(136,851)
Operating profit	276,688	139,356	44,606	101,667	(53,498)	508,819
(Loss)/gain on fixed assets and investments	(4)	4	100	–	(109)	(9)
Revaluation surplus on investment properties	–	–	–	119,847	–	119,847
Revaluation deficit on premises	–	–	–	(79)	–	(79)
Share of net profits of jointly controlled entities and associates	–	–	1,495	1,461	–	2,956
Profit/(loss) before taxation	276,684	139,360	46,201	222,896	(53,607)	631,534
Depreciation charge	15,901	612	574	4,251	2,833	24,171
At 30 June 2005						
Segment assets	39,323,528	28,030,332	1,618,221	2,254,710	286,865	71,513,656
Segment liabilities	52,924,160	6,070,752	1,160,022	1,259,737	392,841	61,807,512
Capital expenditure	7,536	54	351	1,192	695	9,828

11. 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 Restated
Six months ended 30 June 2004						
Interest income from						
- external customers	479,490	371,146	4,648	14,555	–	869,839
- other segments	66,508	77,578	780	302	–	145,168
Interest expense to						
- external customers	(51,489)	(276,024)	–	–	–	(327,513)
- other segments	(79,337)	(65,460)	–	(371)	–	(145,168)
Net interest income	415,172	107,240	5,428	14,486	–	542,326
Insurance operating income from external customers	–	–	217,537	–	–	217,537
Other operating income from external customers	52,957	34,131	1,161	128,429	–	216,678
Operating income	468,129	141,371	224,126	142,915	–	976,541
Operating expenses	(160,046)	(12,417)	(11,940)	(31,705)	(50,993)	(267,101)
Operating profit before provisions	308,083	128,954	212,186	111,210	(50,993)	709,440
Write back of/ (charge for) bad and doubtful debts	18,869	–	(11)	–	–	18,858
Charge for insurance claims	–	–	(176,742)	–	–	(176,742)
Operating profit	326,952	128,954	35,433	111,210	(50,993)	551,556
Gain/(loss) on fixed assets and investments	6,321	220	118	819	(679)	6,799
Share of net (losses)/ profits of jointly controlled entities and associates	–	–	(116)	2,037	–	1,921
Profit/(loss) before taxation	333,273	129,174	35,435	114,066	(51,672)	560,276
Depreciation charge	15,042	772	676	4,095	2,850	23,435
At 31 December 2004						
Segment assets	34,860,685	32,430,400	1,441,904	2,024,545	296,864	71,054,398
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

(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.

12. 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:

	30/06/2005	31/12/2004
	HK$'000	HK$'000
Contractual amount		
Direct credit substitutes	812,255	690,857
Transaction-related contingencies	26,136	16,097
Trade-related contingencies	442,460	444,175
Other commitments with an original maturity of		
—under one year or which are unconditionally cancellable	7,356,987	6,610,161
—one year and over	3,781,380	3,589,888
	12,419,218	11,351,178
Credit risk weighted amount	3,051,767	2,702,638

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:

	30/06/2005	31/12/2004
	HK$'000	HK$'000
Contractual amount		
Exchange rate contracts	2,763,698	2,022,249
Interest rate contracts	5,171,822	3,805,858
Equity contracts	857,766	965,097
	8,793,286	6,793,204
Credit risk weighted amount		
Exchange rate contracts	9,219	5,236
Interest rate contracts	45,744	34,056
Equity contracts	13,456	15,876
	68,419	55,168
Replacement cost		
Exchange rate contracts	4,849	1,027
Interest rate contracts	111,731	90,594
Equity contracts	2,066	3,643
	118,646	95,264

13. 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:

	30/06/2005	31/12/2004
	HK$'000	HK$'000
Spot assets	17,383,899	18,430,386
Spot liabilities	(16,679,811)	(15,835,328)
Forward purchases	2,594,915	1,672,639
Forward sales	(1,986,562)	(1,798,838)
Net long position	1,312,441	2,468,859
Net structural position	68,619	67,635

14. 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
30 June 2005				
Asia Pacific excluding Hong Kong	7,828,073	53,798	2,750,621	10,632,492
North and South America	2,060,955	2,156,090	2,039,216	6,256,261
Europe	10,902,252	—	704,621	11,606,873
31 December 2004				
Asia Pacific excluding Hong Kong	11,481,596	53,795	2,353,573	13,888,964
North and South America	1,247,365	2,145,846	2,975,388	6,368,599
Europe	12,706,818	—	399,918	13,106,736

15. Capital adequacy and liquidity ratios

	30/06/2005	31/12/2004
Capital adequacy ratio	18.7%	20.5%
Adjusted capital adequacy ratio	18.6%	20.5%

	Six months ended 30 June	
	2005	2004
Liquidity ratio	47.8%	53.9%

The capital adequacy ratio represents the consolidated ratio of the Bank and certain subsidiaries, as specified by the Hong Kong Monetary Authority as at 30 June 2005 and 31 December 2004 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 30 June 2005 and 31 December 2004 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 period calculated for the Bank and a subsidiary as specified by the Hong Kong Monetary Authority during the period 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 30 June 2005 and 31 December 2004 and reported to the Hong Kong Monetary Authority is analysed as follows:

	30/06/2005	31/12/2004
	HK$'000	HK$'000
Core capital:		
Paid up ordinary share capital	1,160,951	1,160,951
Reserves	5,817,746	5,782,946
	6,978,697	6,943,897
Supplementary capital:		
Reserves on revaluation of land and interests in land	824,416	824,416
General provisions for doubtful debts	—	368,175
Collective impairment allowances for impaired assets and regulatory reserve	349,461	—
Reserves on revaluation of holding of securities not held for trading purposes	61,914	45,916
Gross value of supplementary capital	1,235,791	1,238,507
Eligible value of supplementary capital	1,235,791	1,238,507
Total capital base before deductions	8,214,488	8,182,404
Deductions from total capital base	(397,988)	(396,991)
Total capital base after deductions	7,816,500	7,785,413

16. Event after the balance sheet date

The Group concluded a transaction relating to the disposal of its interests in HKMLC Holdings Limited on 11 July 2005. The resultant gain of HK$61,636,000 will be taken up in the Group's second half results of the financial year.

D. Statutory Accounts

The financial information relating to any financial periods included in these interim results does not constitute the Group's statutory accounts.

The financial information relating to the financial year ended 31 December 2004 is derived from the statutory accounts for that financial year. Statutory accounts for the year ended 31 December 2004 are available from the Bank's registered office. The auditors have expressed an unqualified opinion on those accounts in their report dated 23 February 2005.

The accounting policies and methods of computation used in the preparation of these interim results, which have been reviewed by the Bank's Audit Committee, are consistent with those adopted in the preparation of the Group's annual statutory accounts for the year ended 31 December 2004 except that the Group has changed certain of its accounting policies following its adoption of all applicable new and revised Hong Kong Financial Reporting Standards and Hong Kong Accounting Standards ("new HKFRSs") which are effective for accounting periods commencing on or after 1 January 2005 as disclosed in Section E.

E. Changes in Accounting Policies

The changes to the Group's accounting policies and the effects of adopting these new HKFRSs are set out below:-

(a) HKAS 17: Leases

In prior years, the leasehold properties held for own use were stated at cost less accumulated depreciation.

With the adoption of HKAS 17, where the land and building elements of the leasehold properties held for own use can be allocated reliably at the inception of the lease, the land element is accounted for as operating lease. As such, any leasehold land premiums for acquiring the land leases, or other lease payments, are charged to the profit and loss account on a straight-line basis over the period of the lease or where there is impairment, the impairment is charged to the profit and loss account. Any buildings which are situated on such land leases continue to be presented as part of premises and are stated at cost less accumulated depreciation. Where the land and building elements cannot be allocated reliably at the inception of the lease, the land and building elements will continue to be treated as finance lease and carried at cost less accumulated depreciation.

HKAS 17 has been adopted retrospectively and the comparative figures for 2004 have been restated to conform with the changed policy. This change has resulted in an increase in total equity at 1 January 2004 and 1 January 2005 by HK$7,424,000 and HK$7,885,000 respectively. The other effects of this change are as follows:

	30/06/2005	31/12/2004
	HK$'000	HK$'000
Decrease in fixed assets	(243,657)	(245,974)
Increase in interests in leasehold land	251,773	253,859
Increase in total assets	8,116	7,885
Increase in retained earnings	8,116	7,885

	Six months ended 30 June	
	2005	2004
	HK$'000	HK$'000
Decrease in depreciation	2,317	2,317
Increase in operating lease charges on leasehold land	(2,086)	(2,086)
Increase in profit after taxation	231	231
Increase in earnings per share	HK$0.001	HK$0.001

(b) HKAS 32: Financial instruments - Disclosure and presentation
HKAS 39: Financial instruments - Recognition and measurement

<u>Interest income and expense</u>

In prior years, interest income and expense were recognised in the profit and loss account as it accrued, except in the case of doubtful debts where interest was credited to a suspense account which was netted in the balance sheet against the relevant balances.

Fees on loan origination were accounted for as and when they were receivable. Cash rebates granted in relation to residential mortgage loans were capitalised and amortised to the profit and loss account on a straight line basis. The amortisation of premiums and discounts arising on acquisition of dated debt securities was included as part of interest income.

On adoption of HKAS 39, interest income and expense are recognised in the profit and loss account by using the effective interest method. The calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums or discounts.

Once a financial asset has been written down as a result of an impairment loss, interest income is recognised using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss.

<u>Derivative financial instruments</u>

In prior years, derivative financial instruments held for trading purposes were marked to market value and the gain or loss arising was recognised in the profit and loss account as "Net gain/loss from foreign exchange trading" or "Net gain/loss arising from derivative products". Unrealised gains on transactions which were marked to market were included in "Advances and other accounts" on the balance sheet. Unrealised losses on transactions which were marked to market were included in "Other accounts and accruals".

Derivatives designated as hedge were valued on an equivalent basis to the assets, liabilities or net positions that they were hedging. Any profit or loss was recognised in the profit and loss account on the same basis as that arising from the related assets, liabilities or net positions.

On adoption of HKAS 39, derivatives are initially recognised at fair value on the date on which a derivative contract is entered into. Certain derivatives embedded in other financial instruments are treated as separate derivative when their economic characteristics and risks are not closely related to those of the host contract and the host contract is not carried at fair value through profit or loss. All derivatives are carried as assets when fair value is positive and as liabilities when fair value is negative. Subsequent changes in fair value are recognised depending on the purpose of the derivatives.

Derivative financial instruments designated as hedges will apply hedge accounting provided that certain qualifying criteria are met. There are two types of hedges:

(i) Fair value hedge

Fair value hedge is a hedge against the fair value of recognised assets or liabilities or firm commitments. Changes in the fair value of derivatives that are designated and qualified as fair value hedges are recorded in the profit and loss account, together with any changes in the fair value of the hedged assets or liabilities that are attributable to the hedged risk.

(ii) Cash flow hedge

Cash flow hedge is a hedge against the cash flows attributable to recognised assets or liabilities or forecast transactions. The effective portion of changes in the fair value of derivatives that are designated and qualified as cash flow hedges are recognised in equity. The gain and loss relating to the ineffective portion is recognised immediately in the profit and loss account. Amounts accumulated in equity are recycled to the profit and loss account in the periods in which the hedged item will affect profit and loss.

Derivative financial instruments held for trading and those that do not qualify for hedge accounting will be accounted for with changes in fair value reported through the profit and loss account.

Financial assets

In prior years, all financial assets were carried at cost or amortised cost, net of impairment provisions, except for those securities held for trading and non-trading purposes which were held at fair value. Gains and losses from changes in fair value were recognised in the profit and loss account in respect of trading securities, and in equity in respect of non-trading securities.

On adoption of HKAS 39, financial assets are classified into the following categories:

(i) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the Group provides money, goods or services directly to a debtor with no intention of trading the receivable. Loans and receivables are carried at amortised cost using the effective interest method.

(ii) Trading securities

Securities which have been acquired principally for the purpose of selling in the short term are classified as trading securities and stated at fair value at the balance sheet date. Changes in fair value of trading securities are recognised as "Net gain/loss from trading securities" in the profit and loss account as they arise. Derivatives are also categorised as held for trading unless they are designated as hedges.

(iii) Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are not those financial assets acquired principally for the purpose of selling in the short term but designated by management as such if the following criteria are met:-

- The designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise from measuring assets or liabilities or recognising the gains and losses on them on different bases; or

- The designation relates to those financial instruments embedded with derivatives which significantly modify the cash flows of the financial instruments, and which would otherwise require separate accounting.

These financial assets are recognised initially at fair value and transaction costs taken directly to the profit and loss account. Changes in fair value are recognised as "Net gain/loss arising from financial instruments at fair value through profit or loss" in the profit and loss account.

(iv) Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Group's management has the positive intention and ability to hold to maturity and are carried at amortised cost using the effective interest method.

(v) Available-for-sale investments

Available-for-sale investments are those intended to be held for an indefinite period of time, which may be sold in response to needs for liquidity or changes in interest rates, exchange rates or equity prices and are stated at fair value. Gains and losses arising from changes in the fair value are recognised directly in equity, until the financial asset is derecognised or impaired at which time the cumulative gain or loss previously recognised in equity is recognised in the profit and loss account.

Purchases and sales of trading securities, financial assets at fair value through profit or loss, held-to-maturity and available-for-sale investments are recognised on trade-date. Loans are recognised when cash is advanced to the borrowers.

Impairment of financial assets

(i) Financial assets carried at amortised cost

In prior years, where the Group had doubt on the ultimate recoverability of any loans and advances in full, specific provision was made to reduce the carrying value of the asset, taking into account available collateral, to the expected net realisable value based on the Group's assessment of the potential losses on those identified loans and advances on a case-by-case basis. In addition, amounts had been set aside as a general provision for bad and doubtful debts. Both specific and general provisions were deducted from "Advances and other accounts" and "Trade bills" in the balance sheet. When there was no realistic prospect of recovery, the outstanding debt was written off.

Financial assets, other than loans and advances, were reviewed at each balance sheet date to determine whether there was any indication of impairment. If the recoverable amount of the asset was estimated to be less than its carrying amount, the carrying amount of the asssets was reduced to its recoverable amount and the impairment loss was recognised in the profit and loss account. For non-trading securities carried at fair value through equity, any losses previously recognised in equity was transferred to the profit and loss account.

On adoption of HKAS 39, impairment allowances are made on a financial asset when there is objective evidence of impairment as a result of the occurrence of certain loss events after the initial recognition of the financial asset, and these loss events will have impact on the estimated future cash flows of the financial asset. Impairment loss is assessed individually for individually significant financial assets, and individually or collectively for financial assets that are not individually significant.

If there is objective evidence that an impairment loss on financial assets carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in the profit and loss account.

For the purposes of a collective evaluation of impairment, financial assets are grouped on the basis of similar credit risk characteristics. Future cash flows in a group of financial assets that are collectively evaluated for impairment are estimated on the basis of the contractual cash flows of the assets in the group and historical loss experience for assets with credit risk characteristics similar to those in the group.

Financial assets which have been assessed individually and determined to have no objective evidence of impairment are grouped by similar credit characteristics and collectively assessed based on historical loss experience of each type of financial assets and management judgement of the current economic and credit environment.

(ii) Financial assets at fair value

In prior years, non-trading securities were reviewed at each balance sheet date to determine whether there was any indication of impairment. If non-trading securities were determined to be impaired, any loss previously recognised in equity was transferred to the profit and loss account.

On adoption of HKAS 39, available-for-sale securities are assessed for objective evidence of impairment at each balance sheet date. When the available-for-sale securities are determined to be impaired, the cumulative losses previously recognised in equity are transferred to the profit and loss account.

Financial liabilities

In prior years, all financial liabilities except short positions in trading securities were carried at cost or amortised cost. Short positions in trading securities were carried at fair value and any gains and losses arising from changes in fair value were recognised through the profit and loss account.

On adoption of HKAS 39, the Group’s financial liabilities are recognised based on the following classification:

(i) Trading liabilities

Short positions in trading securities are carried at fair value. Gains and losses arising from changes in fair value are recognised through the profit and loss account.

(ii) Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss, including certain structured certificates of deposit issued, are designated by management as such at inception according to the classification criteria of financial liabilities at fair value through profit or loss set out under the caption of “Financial assets at fair value through profit or loss”.

Gains and losses arising from changes in fair value are recognised as “Net gain/loss arising from financial instruments at fair value through profit or loss” in the profit and loss account.

(iii) Deposits, certificates of deposit issued and other liabilities

Deposits and certificates of deposit issued, other than those designated as trading liabilities or at fair value, and other liabilities are carried at amortised cost.

Valuation of securities and derivatives

The fair value of financial instruments is based on their quoted market prices at the balance sheet date without any deduction for estimated future selling costs. Financial assets are priced at current bid prices while financial liabilities are priced at current asking prices. If the market for a financial instrument is not active (and for unlisted securities), the Group estimates fair value by using valuation techniques. These include the use of recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis, and option pricing models refined to reflect the issuer's specific circumstances.

Effects of adopting HKASs 32 and 39

The new accounting policies have been applied prospectively with effect from 1 January 2005 and the comparatives for 2004 have not been restated in accordance with the transitional provisions prescribed in the Standard. Opening balance adjustments have been made to reflect the changed policies. The effects of these changes in accounting policies are as follows:-

	30/06/2005	01/01/2005
	HK$'000	HK$'000
Increase in trade bills	546	397
Increase in certificates of deposit held	336	392
Increase in available-for-sale securities	4,226,074	4,177,167
Decrease in non-trading securities	(4,198,871)	(4,113,105)
Decrease in held-to-maturity securities	(4,515,885)	(3,548,557)
Increase in financial assets at fair value through profit or loss	4,545,827	3,610,776
Increase in derivative financial instruments (assets)	36,229	39,543
Increase in advances and other accounts	265,506	268,466
Increase in total assets	359,762	435,079
Increase in deposits from customers	980	1,117
Decrease in certificates of deposit issued	(1,647,772)	(1,123,284)
Increase in financial liabilities at fair value through profit or loss	1,622,838	1,116,284
Increase in derivative financial instruments (liabilities)	122,738	165,704
Decrease in other accounts and accruals	(3,223)	(3,747)
Decrease in investment revaluation reserve	(3,618)	(4,130)
Increase in retained earnings	267,819	283,135
Increase in total liabilities and capital resources	359,762	435,079

	Six months ended 30 June 2005
	HK$'000
Decrease in net interest income	(6,549)
Increase in net fees and commission income	5,665
Increase in net loss arising from financial instruments at fair value through profit or loss	(50,932)
Increase in net gain arising from derivative products	38,949
Decrease in net gain from foreign exchange trading	(1,892)
Decrease in write back of impairment allowances on loans and advances	(1,327)
Decrease in net gain on disposal of available-for-sale securities	(644)
Decrease in taxation	1,414
Decrease in profit after taxation	(15,316)
Decrease in earnings per share	(HK$0.07)

(c) HKAS 40: Investment property
HKAS Interpretation 21: Income Taxes – Recovery of revalued non-depreciable assets

In prior years, investment properties were carried at valuation assessed by professionally qualified valuers on an open market value basis. Increases in valuations were credited to the investment properties revaluation reserve; decreases in valuations were first set off against the investment properties revaluation reserve on a portfolio basis and thereafter were charged to the profit and loss account. No deferred taxation was provided on revaluation surplus.

On adoption of HKAS 40, investment properties are carried at fair value with the changes in fair value reported directly in the profit and loss account. Deferred taxation is provided on the revaluation surplus of investment properties in accordance with HKAS Interpretation 21 on HKAS 12.

When a property is transferred to investment property following a change in its use, any differences arising at the date of transfer between the carrying amount of the property immediately prior to transfer and its fair value are credited to the premises revaluation reserve. However, a revaluation increase is recognised as income only to the extent that it reverses a revaluation decrease of the same asset previously recognised as an expense. Decreases are first set off against increases on previous valuations of the same asset and thereafter are debited to the profit and loss account. Upon disposal of the premises, the relevant portion of the revaluation reserve realised in respect of previous valuations is released and transferred from the premises revaluation reserve to retained earnings.

If an investment property becomes owner-occupied, it is reclassified as premises and its fair value at the date of reclassification becomes its cost for accounting purposes of subsequent recording.

The adoption of HKAS 40 and HKAS Interpretation 21 has been applied retrospectively. As permitted by HKAS 40, no prior period adjustment was made. At 1 January 2005, the opening balance of the investment properties revaluation reserve of HK$1,360,708,000, after deducting deferred taxation of HK$238,124,000, was transferred to retained earnings. The effects of these changes are as follows:

	30/06/2005	01/01/2005
	HK$'000	HK$'000
Increase in deferred tax liabilities	259,097	238,124
Decrease in investment properties revaluation reserve	(1,480,476)	(1,360,708)
Increase in retained earnings	1,221,379	1,122,584

	Six months ended 30 June 2005
	HK$'000
Revaluation surplus on investment properties	119,847
Revaluation deficit on premises	(79)
Increase in deferred taxation	(20,973)
Increase in profit after taxation	98,795
Increase in earnings per share	HK$0.43

Interim Dividend

The Directors are pleased to declare an interim dividend of HK$0.57 per share to be paid on or after 28 September 2005 to shareholders registered on 28 September 2005.

Closure of Register of Members

The Register of Members will be closed from 21 September 2005 to 28 September 2005, both days inclusive, during which period no transfer of shares will 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 (46th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong) for registration not later than 4 p.m. on Tuesday, 20 September 2005.

Financial Results and Operation Review

In the first half of 2005, the local economy continued to improve with gross domestic product increasing by 6%. Employment situation improved gradually and consumers regained confidence, while the property market became active again.

The operating environment in the banking sector remained taxing. Growth in loan demand did not match the pace of the economic rally, while competition in the banking industry remained intense. Earlier in the year, the influx of hot money interrupted the local interest rate trend. Subsequent to the measures in late May by the Hong Kong Monetary Authority (HKMA) to refine the Linked Exchange Rate mechanism, the interest rate gap between HK dollar and US dollar gradually narrowed, leading to higher funding costs for banks.

The anticipated further interest rate-hikes in the second half of the year will soften loan demand and abate property and investment market activities. This, coupled with soaring oil prices, will dampen the pace of economic growth. Such developments will present more challenges to the banking sector.

Comparing the Bank's operating results for the first half of 2005 with the corresponding period of 2004:

Profit after taxation amounted to HK$530,405,000, representing an increase of 13%, mainly attributable to the revaluation surplus on investment properties. Meanwhile, non-interest income dropped, and impairment allowances written back decreased as compared with the releases of provisions for bad and doubtful debts in the corresponding period last year.

Net interest income remained at last mid-year level. Amid rising funding costs in the first half of the year, interest margin continued to contract as lending interest rates lagged behind deposit rate rises. The negative impact was however offset by higher loan-to-deposit ratio and increased earnings from free funds. Net interest margin contracted by 8 basis points compared with the corresponding period last year.

Underwriting profit from insurance business increased, mainly attributable to appropriate risk management measures resulting in fewer cases of claims, despite a 16.7% regression in insurance operating income to HK$181,143,000.

Other non-interest income was down by 6.3% to HK$203,090,000, mainly attributable to the reduction in securities brokerage and securities trading income. Wealth management income, on the other hand, was on a growth track.

Total operating income fell by 5.2% to HK$925,927,000. Operating expenses increased by 6.1% to HK$283,313,000, mainly due to rising expenses in business promotion and human resources.

The cost-to-income ratio increased by 3.2% to 30.6%, compared with the first half of 2004. Operating profit before impairment allowances dropped by 9.4% to HK$642,614,000. Impairment allowances of HK$3,056,000 were written back. Provisions for insurance claims declined by 22.6% to HK$136,851,000 in line with the drop in insurance revenues.

Operating profit dropped by 7.7% to HK$508,819,000.

Reflecting surging property prices during the period under review, the Bank recorded an investment properties revaluation gain of HK$119,847,000. In accordance with Hong Kong Accounting Standard No.40, the said revaluation gain has been reflected in the Group's profit and loss account.

Total customer deposits of HK$53,192,025,000 maintained at last year-end level and was 8.8% higher than the level in the same period last year. The amount of certificates of deposit issued was 6.7% higher than that at the end of 2004.

Advances to customers increased by 18% from the level a year ago to HK$34,941,763,000, up 12.2% as compared with that at 2004 year-end. Impairment allowances amounted to HK$172,720,000, of which 59% was collective impairment allowances, representing 0.29% of the total advances to customers. The loan-to-deposit ratio was 61.4%, higher than the 56.1% for the same period of 2004 and 54.4% at 2004 year-end, reflecting stronger loan growth in the first half of 2005.

The return on average total assets was 1.49%, slightly higher than 1.41% for the same period in 2004. The return on average shareholders' funds was 11.01%, above the 10.82% recorded in the same period last year.

At 30 June 2005, the consolidated capital adequacy ratio was 18.7%, and the average liquidity ratio was 47.8%.

Deposits

The gradual rise in local interest rates prompted a rising number of depositors to seek higher returns by shifting their funds from current or savings accounts to fixed deposit accounts. Competition for deposits intensified and this pushed up the funding costs following the outflow of hot money triggered by HKMA's refining measures to the Linked Exchange Rate system. The Bank will monitor market development and adjust the deposit rate strategy to grow its deposit base. Deposit product range will be expanded to meet customers' needs. "All-In-One" Service, aggregating a client's transaction activities in a single account, was launched in February and well-received by customers.

As at 30 June 2005, certificates of deposit totalling HK$3,391,973,000 were issued, up 6.7% as compared with that at last year-end. Among them, a great majority are floating rate certificates of deposit and a small amount are fixed rate certificates of deposit issued to individual investors.

Fuelled by depositors speculating on an upward revaluation of renminbi, the volume of the Bank's renminbi deposits sharply increased in recent months. The renminbi appreciated against the US dollar by 2% following the announcement of renminbi revaluation and restructure of exchange rate mechanism by the Chinese government on 21 July. Under such circumstances, people may increase their holdings in renminbi, and wider circulation of this currency is expected. The range of renminbi financial products can be further extended in Hong Kong given the favourable conditions and potentials.

Advances to customers

In the buoyant property market, the Bank expended great efforts to grow its residential mortgage lending business by 6.8% in the past six months. However, upward property prices and continuous interest rate-hikes will likely slow down property transactions. It is anticipated that the property market will become active again after a period of consolidation.

Corporate loans outperformed the target and soared by 23.3% as compared with that at 2004 year-end. Similarly, syndicated loan financing achieved a 20.2% growth over last year-end level.

Total advances through the Bank's hire-purchase and leasing subsidiary, Wing Lung Finance Limited, grew in the first half of 2005 as compared with that at 2004 year-end. However, a mild decrease in operating profit was recorded, due to rising funding costs.

Treasury
Combined income from foreign exchange and money exchange business slipped 1.9% from the level a year ago.

The US dollar gained against other major currencies in the first quarter of the year and strengthened more significantly in the second quarter. Moreover, as interest rate gradually rises, clients' participation in foreign exchange activities curtailed, causing a mild contraction in trading volume and profit.

The Bank was active in capital market activities in the first half of 2005, participating in floating-rate instruments and structured bonds investments while closely monitoring market situation and interest rate trend. Appropriate market adaptive strategies will be devised and implemented for earnings enhancement.

Wealth Management
Wealth management income progressed by 20.9% over the same period a year ago.

The US Federal Funds rate is now 3.5% after ten consecutive increases since June 2004, and the trend is likely to persist. Consequently, investors have taken a more prudent view towards interest rate linked structured products and prefer to channel their funds to interest-earning deposits.

The Wealth Management Centre will vigorously identify appropriate investment products, widen the client base, and launch promotion campaigns to grow sales volume.

Credit card
As at 30 June 2005, the total number of credit cards issued increased appreciably as compared with 2004 year-end, whereas total credit card receivables retreated.

In the first half of 2005, more resources were allocated to expand the card base and bolster credit card lending. Under proper cost control and improving bad debt conditions, credit card business grew steadily, commensurate with the Bank's expectation.

In addition to growing the card base, new products including revolving cash card and loans for tertiary students will be launched in mid-September to further expand its card business for better returns.

Securities broking
Trading volume of the local stock market in the first half of 2005 remained at the same level as last mid-year, largely attributed to transactions from issuers and fund houses as opposed to the retail sector. With most of its customers being retail investors, the Bank's securities business and related income regressed somewhat.

The threat of continuous interest rate-hikes will loom over the overall investment atmosphere in the second half of the year despite the anticipation of a more active stock market.

Insurance
Underwriting business of Wing Lung Insurance Company Limited declined in the first half of 2005 due to contraction of property damage and employee's compensation classes, stiff bidding competition and fewer infrastructure projects in both the public and private sectors. However, underwriting profits maintained growth thanks to a reduction in claims.

The Insurance Department recorded a gain in agency business and commission income, mainly contributed by the increase in public light bus and residential mortgage insurance.

Life insurance sales retreated, signifying consolidation after several years of rapid growth.

Branch network
The Bank has 33 local branches, a Shenzhen Branch in China, a Los Angeles Branch in the US and a Cayman Islands Branch. All achieved steady growth in both business and returns.

Preparatory works are underway for setting up a sub-branch in Nanshan District, Shenzhen after obtaining China Banking Regulatory Commission's approval. A suitable location has been identified, and the sub-branch is scheduled to operate within the year for further business expansion on the Mainland.

May 12 saw the foundation stone laying ceremony of the new building for Los Angeles Branch in the City of Alhambra. Construction work is expected to be completed before the year-end. Relocation of Los Angeles Branch is scheduled prior to March next year after completion of all interior decoration and fittings.

Investment in information technology
In the first half of 2005, the Information Technology Department continued to assist other departments in enhancing information technology application capabilities for business development, operational efficiency and risk management. The Bank entered into an agreement with IBM in March to cooperate with IBM's software development centre in Shenzhen to bolster system development capability.

Human resources
At the end of June 2005, total workforce amounted to 1,316.

In order to upgrade the skills, knowledge, management and sales techniques of its staff so that they are better able to serve business and customers' needs, the Bank's Human Resource Department has been actively organising seminars and training sessions related to bank operations, product knowledge, information technology and specialised topics, and co-organising certain management programmes with universities and the Vocational Training Council. The Department also sponsors staff members to attend various training programmes so that they can obtain the required professional qualifications. Exchange visits with overseas correspondents take place regularly to share and mutually update business and operational experience which should be useful for future development.

Purchase, Sale or Redemption of Shares
The Bank has not redeemed any of its shares during the six months ended 30 June 2005. Neither the Bank nor any of its subsidiaries has purchased or sold any of the Bank's shares during the period.

Compliance with Disclosure Requirements

In preparing the interim results for the six months ended 30 June 2005, the Bank has fully complied with the requirements set out in the guideline entitled "Interim Financial Disclosure by Locally Incorporated Authorised Institutions" issued by the Monetary Authority.

Corporate Governance

The Bank is committed to maintaining high standards of corporate governance and has been taking action to follow the code provisions set out in the Code on Corporate Governance Practices contained in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("Listing Rules") which came into effect on 1 January 2005.

On 23 April 2005, the terms of reference of the Bank's Audit Committee and Remuneration Committee were modified to incorporate certain provisions set out in the Code on Corporate Governance Practices contained in Appendix 14 of the Listing Rules.

To enhance the standard of corporate governance, the positions of chairman and chief executive were separated. Dr Philip Po-him Wu, Executive Director, has been appointed as Chief Executive to replace Dr Michael Po-ko Wu, Executive Director, who remains as Chairman effective 8 June 2005.

Throughout the six months to 30 June 2005, the Bank has complied with all other applicable code provisions set out in the Code on Corporate Governance Practices contained in Appendix 14 of the Listing Rules.

Publication of Interim Report on the Stock Exchange's Website

The 2005 Interim Report of the Bank containing all the information required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited will be published on the Stock Exchange's website in due course.

By Order of the Board
Maria Wan-sin FUNG
Secretary

Hong Kong, 17 August 2005

As at the date of this announcement, the executive directors of the Bank are Dr Michael Po-ko Wu (Chairman), Dr Patrick Po-kong Wu (Vice-Chairman), Dr Philip Po-him Wu (Chief Executive) 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 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.

Web site: http://www.winglungbank.com

Please also refer to the published version of this announcement in South China Morning Post dated 18 August 2005.