
THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt as to any aspect of this Composite Offer Document (as defined herein) or as to the action to be taken, you should consult a licensed securities dealer or registered institution in securities, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or otherwise transferred all your shares in Wing Lung Bank, Limited, you should at once hand this Composite Offer Document and the accompanying Form of Acceptance (as defined herein) to the purchaser(s) or transferee(s) or to the bank, a licensed securities dealer or registered institution in securities or other agent through whom the sale or transfer was effected for transmission to the purchaser(s) or transferee(s). This Composite Offer Document should be read in conjunction with the accompanying Form of Acceptance, the contents of which form part of the terms of the General Offer (as defined herein) contained herein.

Neither The Stock Exchange of Hong Kong Limited nor the Hong Kong Securities Clearing Company Limited takes any responsibility for the contents of this Composite Offer Document and the accompanying Form of Acceptance, makes any representation as to their accuracy or completeness and each of them expressly disclaims any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this Composite Offer Document and the accompanying Form of Acceptance.



招商銀行

CHINA MERCHANTS BANK

招商銀行股份有限公司

CHINA MERCHANTS BANK CO., LTD.

*(A joint stock company incorporated in
the People's Republic of China with limited liability)*

(Stock Code: 3968)



永隆銀行有限公司

WING LUNG BANK LTD

(Incorporated in Hong Kong with limited liability)

(Stock Code: 0096)

**COMPOSITE OFFER AND RESPONSE DOCUMENT
RELATING TO THE UNCONDITIONAL MANDATORY CASH OFFER BY
J. P. MORGAN SECURITIES (ASIA PACIFIC) LIMITED
ON BEHALF OF
CHINA MERCHANTS BANK CO., LTD. TO ACQUIRE ALL THE ISSUED SHARES
IN THE CAPITAL OF WING LUNG BANK, LIMITED
(OTHER THAN THOSE SHARES ALREADY OWNED BY OR AGREED TO BE ACQUIRED
BY CHINA MERCHANTS BANK CO., LTD. AND PARTIES ACTING IN CONCERT WITH IT)**

Financial adviser to China Merchants Bank Co., Ltd.

J.P.Morgan

Financial advisers to Wing Lung Bank, Limited



CREDIT SUISSE



UBS Investment
Bank

Independent Financial Adviser to the Independent WLB Board Committee

Morgan Stanley

A letter from J.P. Morgan Securities (Asia Pacific) Limited containing, amongst other things, the terms of the General Offer, is set out on pages 6 to 15 of this Composite Offer Document.

A letter from the WLB Board (as defined herein) is set out on pages 16 to 23 of this Composite Offer Document. A letter from the Independent WLB Board Committee (as defined herein) containing its recommendation in respect of the General Offer to the Independent WLB Shareholders (as defined herein) is set out on pages 24 to 25 of this Composite Offer Document and a letter from the independent financial adviser, Morgan Stanley Asia Limited, containing their advice on the General Offer to the Independent WLB Board Committee is set out on pages 26 to 46 of this Composite Offer Document.

The procedures for acceptance and settlement of the General Offer and other related information are set out in Appendix I to this Composite Offer Document and in the accompanying Form of Acceptance. Acceptance of the General Offer should be received by the Registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong no later than 4:00 p.m. on Monday, 27 October 2008 (or such later time and/or date as CMB may decide and announce in accordance with the Takeovers Code).

Persons including, without limitation, custodians, nominees and trustees, who would, or otherwise intend to, forward this Composite Offer Document and/or the accompanying Form of Acceptance to any jurisdiction outside Hong Kong should read the details in this regard which are contained in the section headed "Overseas WLB Shareholders" in the letter from J. P. Morgan Securities (Asia Pacific) Limited on page 12 of this Composite Offer Document and in paragraph 5 of Appendix I to this Composite Offer Document before taking any action. It is the responsibility of each Overseas WLB Shareholder wishing to accept the General Offer to satisfy himself, herself or itself as to the full observance of the laws of the relevant jurisdiction in connection therewith, including the obtaining of any governmental, exchange control or other consents which may be required and the compliance with other necessary formalities or legal requirements. Overseas WLB Shareholders are recommended to seek professional advice on deciding whether to accept the General Offer.

6 October 2008

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EXPECTED TIMETABLE

Despatch Date and the commencement of the General Offer ⁽¹⁾	Monday, 6 October 2008
Latest time and date for acceptance of the General Offer ^{(2), (4)}	4:00 p.m. on Monday, 27 October 2008
Closing Date of the General Offer ⁽²⁾	Monday, 27 October 2008
Announcement of the results of the General Offer, or as to whether the General Offer has been revised or extended, on the website of the Stock Exchange	7:00 p.m. on Monday, 27 October 2008
Latest date for posting of remittances for the amounts due under the General Offer in respect of valid acceptances received under the General Offer ⁽³⁾	Thursday, 6 November 2008

Notes:

1. The General Offer is made on Monday, 6 October 2008, being the date of posting of this Composite Offer Document, and is capable of acceptance on and from that date until the Closing Date.
2. The General Offer, which is unconditional, will close on Monday, 27 October 2008 unless CMB revises or extends the General Offer in accordance with the Takeovers Code. CMB reserves the right to extend the General Offer until such date as it may determine pursuant to the Takeovers Code. An announcement will be posted onto the website of the Stock Exchange by 7:00 p.m. on Monday, 27 October 2008 stating whether the General Offer has been revised or extended or has expired. In the event that CMB decides to extend the General Offer, notice in writing of at least 14 days will be given, before the General Offer is closed, to those WLB Shareholders who have not accepted the General Offer. If in the course of the General Offer, CMB revises its terms, all the WLB Shareholders, whether or not they have already accepted the General Offer, will be entitled to the revised terms. A revised General Offer must be kept open for at least 14 days following the date on which the revised General Offer document is posted and shall not be closed earlier than 27 October 2008.
3. Pursuant to the Takeovers Code, remittances in respect of the consideration payable for the Offer Shares tendered under the General Offer will be paid by ordinary post to the WLB Shareholders accepting the General Offer at their respective addresses as they appear on the register of members of WLB or, in the case of joint WLB Shareholders, to the WLB Shareholders whose name stands first in the register of members of WLB at his/her/its own risks as soon as possible, but in any event within 10 days from the date of the receipt by the Registrar of the duly completed Form of Acceptance and all valid requisite documents from the WLB Shareholders accepting the General Offer. Please refer to the paragraph headed "Settlement of the General Offer" in the "Letter from J.P. Morgan" of this Composite Offer Document for further information in relation to the settlement of the General Offer.
4. Acceptance of the General Offer shall be irrevocable and not capable of being withdrawn, except as permitted under the Takeovers Code. Please refer to paragraph 4 headed "Right of Withdrawal" in Appendix I of this Composite Offer Document for further information on the circumstances when acceptances may be withdrawn.

Unless otherwise expressly stated, all time and date references contained in this Composite Offer Document refer to Hong Kong time.

DEFINITIONS

In this Composite Offer Document, the following expressions have the meanings set out below, unless the context requires otherwise:

“Acquisition”	the acquisitions of the Sale Shares by CMB from the Vendors pursuant to the terms of the Sale and Purchase Agreements
“acting in concert”	has the meaning ascribed thereto under the Takeovers Code
“associates”	has the meaning ascribed thereto under the Takeovers Code
“Banking Ordinance”	the Banking Ordinance, Chapter 155 of the Laws of Hong Kong
“CCASS”	the Central Clearing and Settlement System established and operated by HKSCC
“Closing Date”	27 October 2008, being the 21st day after the Despatch Date or any subsequent closing date of the General Offer if it is extended or revised pursuant to the Takeovers Code
“CMB”	招商銀行股份有限公司 (China Merchants Bank Co., Ltd.), a joint stock company incorporated in the PRC with limited liability, the H shares of which are listed on the Stock Exchange and the A shares of which are listed on the Shanghai Stock Exchange
“CMB Director(s)”	the director(s) of CMB
“CMB Group”	CMB and its subsidiaries
“CMB Share(s)”	ordinary share(s) of RMB1.00 each in the capital of CMB
“CMB Shareholder(s)”	holder(s) of the CMB Shares
“Companies Ordinance”	the Companies Ordinance, Chapter 32 of the Laws of Hong Kong
“Completion”	the completion of the Acquisition

DEFINITIONS

“Completion Date”	30 September 2008, being the date on which Completion took place
“Composite Offer Document”	this composite offer and response document dated 6 October 2008 jointly issued by CMB and WLB in connection with the General Offer
“Consideration”	the aggregate consideration of HK\$19,302,110,605.00 for the sale of the Sale Shares pursuant to the Sale and Purchase Agreements
“Credit Suisse”	Credit Suisse (Hong Kong) Limited, a registered institution under the SFO to conduct Type 1 (dealing in securities), Type 4 (advising on securities) and Type 6 (advising on corporate finance) regulated activities and a joint financial adviser to WLB in relation to the General Offer and the sole financial adviser to Wu Jieh Yee Company Limited in relation to the Acquisition
“Despatch Date”	6 October 2008, being the date of posting of this Composite Offer Document
“Executive”	the Executive Director of the Corporate Finance Division of the SFC or any of his delegates
“Form of Acceptance”	the form of acceptance and transfer of WLB Shares in respect of the General Offer (accompanying this Composite Offer Document)
“General Offer”	the unconditional mandatory cash offer to acquire the entire issued share capital of WLB (other than those WLB Shares already owned by or agreed to be acquired by CMB and parties acting in concert with it) being made by J.P. Morgan, on behalf of CMB, in accordance with the Takeovers Code and on the terms contained in this Composite Offer Document and the accompanying Form of Acceptance, including any extension or revision thereof
“HKMA”	the Hong Kong Monetary Authority
“HKSCC”	Hong Kong Securities Clearing Company Limited
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC

DEFINITIONS

“Independent Financial Adviser”	Morgan Stanley Asia Limited, a registered institution licensed to carry on business in Type 1 (dealing in securities), Type 4 (advising on securities), Type 5 (advising on futures contracts), Type 6 (advising on corporate finance), Type 7 (providing automated trading services) and Type 9 (asset management) regulated activities under the SFO
“Independent WLB Board Committee”	the independent committee of the WLB Board, comprising of all the independent non-executive WLB Directors, namely Dr. Norman Nai-pang Leung, Mr. Lincoln Hung-leung Soo, Mr. Shung-kwong Tsang and The Hon Bernard Charnwut Chan, established for the purpose of advising the Independent WLB Shareholders in relation to the General Offer
“Independent WLB Shareholders”	the WLB Shareholders other than CMB and parties acting in concert with it
“J.P. Morgan”	J.P. Morgan Securities (Asia Pacific) Limited, a registered institution licensed to carry on business in Type 1 (dealing in securities), Type 4 (advising on securities), Type 6 (advising on corporate finance) and Type 7 (providing automated trading services) regulated activities under the SFO and a Restricted Licence Bank under the Banking Ordinance, and the sole financial adviser to CMB in relation to the General Offer and the Acquisition
“Joint Announcement”	the joint announcement issued by CMB and WLB dated 2 June 2008 in relation to the Acquisition and the possible General Offer
“Latest Practicable Date”	3 October 2008, being the latest practicable date prior to the printing of this Composite Offer Document for the purpose of ascertaining certain information contained in this Composite Offer Document
“Listing Rules”	The Rules Governing the Listing of Securities on the Stock Exchange
“Offer Period”	the period from 20 March 2008, being the date WLB issued an announcement pursuant to Rule 3.7 of the Takeovers Code, to 4:00 p.m. on the Closing Date

DEFINITIONS

“Offer Price”	the offer price of HK\$156.50 payable by CMB to holders of the Offer Shares for each Offer Share accepted under the General Offer
“Offer Share(s)”	the WLB Share(s) subject to the General Offer
“Overseas WLB Shareholder(s)”	WLB Shareholder(s) who is/are located outside of Hong Kong
“PRC” or “China”	the People’s Republic of China
“Registrar”	Computershare Hong Kong Investor Services Limited, the share registrar of WLB at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong
“Relevant Period”	the period commencing on 20 September 2007 (being the date falling six months prior to 20 March 2008, the date WLB issued an announcement pursuant to Rule 3.7 of the Takeovers Code) and up to the Latest Practicable Date
“Sale and Purchase Agreements”	the conditional sale and purchase agreement entered into between Wu Jieh Yee Company Limited and CMB and the conditional sale and purchase agreement entered into between Wu Yee Sun Company Limited, Yee Hong Company Limited and CMB, in each case, dated 30 May 2008 in relation to the Acquisition
“Sale Shares”	an aggregate of 123,336,170 WLB Shares acquired by CMB pursuant to the Sale and Purchase Agreements, representing approximately 53.12% of the entire issued share capital of WLB as at the Latest Practicable Date
“SFC”	the Securities and Futures Commission of Hong Kong
“SFO”	the Securities and Futures Ordinance, Chapter 571 of the Laws of Hong Kong
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Takeovers Code”	The Hong Kong Code on Takeovers and Mergers
“trading day”	a day on which the Stock Exchange is open for business of dealings in securities

DEFINITIONS

“UBS”	UBS AG, acting through its business group UBS Investment Bank, a registered institution under the SFO to conduct Type 1 (dealing in securities), Type 4 (advising on securities), Type 6 (advising on corporate finance), Type 7 (providing automated trading services) and Type 9 (asset management) regulated activities and a joint financial adviser to WLB in relation to the General Offer and the sole financial adviser to Wu Yee Sun Company Limited and Yee Hong Company Limited in relation to the Acquisition
“Vendors”	Wu Jieh Yee Company Limited, Wu Yee Sun Company Limited and Yee Hong Company Limited
“WLB”	Wing Lung Bank, Limited, a company incorporated in Hong Kong, the WLB Shares of which are listed on the Stock Exchange
“WLB Board”	the board of WLB Directors
“WLB Director(s)”	the director(s) of WLB
“WLB Group”	WLB and its subsidiaries
“WLB Shareholder(s)”	holder(s) of the WLB Shares
“WLB Share(s)”	ordinary share(s) of HK\$5.00 each in the capital of WLB
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“RMB”	Renminbi, the lawful currency of the PRC
“%”	per cent

J.P.Morgan

28/F, Chater House
8 Connaught Road Central
Hong Kong

6 October 2008

To the WLB Shareholders

Dear Sir or Madam,

**UNCONDITIONAL MANDATORY CASH OFFER BY
J. P. MORGAN SECURITIES (ASIA PACIFIC) LIMITED
ON BEHALF OF
CHINA MERCHANTS BANK CO., LTD.
TO ACQUIRE ALL THE ISSUED SHARES
IN THE CAPITAL OF WING LUNG BANK, LIMITED
(OTHER THAN THOSE SHARES ALREADY OWNED BY
OR AGREED TO BE ACQUIRED BY CHINA MERCHANTS BANK CO., LTD.
AND PARTIES ACTING IN CONCERT WITH IT)**

INTRODUCTION

On 2 June 2008, CMB and WLB jointly announced that on 30 May 2008, CMB entered into the Sale and Purchase Agreements with the respective Vendors, pursuant to which CMB had conditionally agreed to purchase and the respective Vendors had conditionally agreed to sell or procure the sale of the Sale Shares for cash consideration in an aggregate sum of HK\$19,302,110,605.00 (equivalent to HK\$156.50 per Sale Share). Immediately prior to Completion, CMB and parties acting in concert with it did not hold any WLB Shares.

On 30 September 2008, CMB and WLB jointly announced that Completion took place on 30 September 2008 and immediately following Completion, CMB and persons acting in concert with it owned 123,336,170 WLB Shares, representing approximately 53.12% of the entire issued share capital of WLB as at the Latest Practicable Date. In accordance with Rule 26.1 of the Takeovers Code, CMB is required to make the General Offer for all the issued WLB Shares (other than those WLB Shares already owned by or agreed to be acquired by CMB or parties acting in concert with it).

Unless the context requires otherwise, terms defined in this Composite Offer Document, of which this letter forms part, shall have the same meanings when used herein.

UNCONDITIONAL OFFER

The General Offer is unconditional in all respects and is therefore not conditional upon any minimum level of acceptances being received or subject to any other conditions.

LETTER FROM J.P. MORGAN

THE GENERAL OFFER

On behalf of CMB, we hereby unconditionally make the General Offer to acquire all the WLB Shares not already owned or agreed to be acquired by CMB and parties acting in concert with it, on the following basis:

Offer Price

For each Offer Share. HK\$156.50 in cash

The Offer Price is equal to the price paid by CMB for each Sale Share under the Sale and Purchase Agreements. This letter, Appendix I to this Composite Offer Document and the accompanying Form of Acceptance together set out the terms and conditions of the General Offer and certain related information.

CMB will not increase the Offer Price of HK\$156.50 per Offer Share. CMB reserves the right not to be bound by this statement in the event that CMB (together with parties acting in concert with it) holds, through the Acquisition and the receipt of valid acceptances of the General Offer, in aggregate more than 75% of the total issued share capital of WLB.

Comparisons of Value

The Offer Price represents:

- (a) a premium of approximately 52.68% over the closing price of HK\$102.50 per WLB Share as quoted on the Stock Exchange on 19 March 2008, being the last trading day prior to the commencement of the Offer Period;
- (b) a premium of approximately 6.17% over the closing price of HK\$147.40 per WLB Share as quoted on the Stock Exchange on 29 May 2008, being the last full trading day prior to the suspension of trading in the WLB Shares on 30 May 2008;
- (c) a premium of approximately 5.27% over the average closing price of the WLB Shares as quoted on the Stock Exchange for the last 5 consecutive full trading days prior to the suspension of trading in the WLB Shares on 30 May 2008, being approximately HK\$148.66 per WLB Share;
- (d) a premium of approximately 4.24% over the average closing price of the WLB Shares as quoted on the Stock Exchange for the last 10 consecutive full trading days prior to the suspension of trading in the WLB Shares on 30 May 2008, being approximately HK\$150.14 per WLB Share;
- (e) a premium of approximately 9.72% over the average closing price of the WLB Shares as quoted on the Stock Exchange for the last 30 consecutive full trading days prior to the suspension of trading in the WLB Shares on 30 May 2008, being approximately HK\$142.64 per WLB Share;

LETTER FROM J.P. MORGAN

- (f) a premium of approximately 23.88% over the average closing price of the WLB Shares as quoted on the Stock Exchange for the last 60 consecutive full trading days prior to the suspension of trading in the WLB Shares on 30 May 2008, being approximately HK\$126.33 per WLB Share;
- (g) a premium of approximately 0.71% over the closing price of HK\$155.40 per WLB Share as quoted on the Stock Exchange as at the Latest Practicable Date; and
- (h) a premium of approximately 76.14% over the closing price of HK\$88.85 per WLB Share as quoted on the Stock Exchange on 12 February 2008, being the last full trading day prior to the news articles of the potential sale of the Sale Shares by the Vendors on 13 February 2008.

Please refer to the section headed “Market Prices” in Appendix III to this Composite Offer Document for further information on the market prices of the WLB Shares.

Highest and Lowest Closing WLB Share Prices

During the Relevant Period, the highest closing price of the WLB Shares as quoted on the Stock Exchange was HK\$155.40 per WLB Share on each of 2 October 2008 and 3 October 2008, and the lowest closing price of the WLB Shares as quoted on the Stock Exchange was HK\$72.25 per WLB Share on 22 November 2007.

Acceptance

Acceptance of the General Offer should be received as soon as possible and in any event by no later than 4:00 p.m. (Hong Kong time) on Monday, 27 October 2008.

As at the Latest Practicable Date, CMB or its concert parties had not received any irrevocable commitment to accept the General Offer.

By accepting the General Offer, WLB Shareholders will sell to CMB the Offer Shares free from all liens, charges, encumbrances, rights of pre-emption and any other third party rights of any nature and together with all rights attaching to them as at the Completion Date, including the right to receive in full all dividends and other distributions, if any, declared, made or paid on or after the Completion Date. Acceptance of the General Offer shall be unconditional and irrevocable and shall not be capable of being withdrawn, except as permitted under the Takeovers Code.

Please also refer to Appendix I to this Composite Offer Document for further terms of the General Offer.

CONFIRMATION OF FINANCIAL RESOURCES FOR THE GENERAL OFFER

As at the Latest Practicable Date, WLB had 232,190,115 WLB Shares in issue and there were no outstanding warrants, options, derivatives or securities convertible into WLB Shares.

LETTER FROM J.P. MORGAN

Based on the total number of 232,190,115 WLB Shares in issue as at the Latest Practicable Date, the entire issued share capital of WLB was valued at HK\$36,337,752,997.50 at the Offer Price of HK\$156.50 per Offer Share under the General Offer and all the Offer Shares (being 108,853,945 WLB Shares not held by CMB and parties acting in concert with it subject to the General Offer) were valued at HK\$17,035,642,392.50.

The General Offer is unconditional in all respects. CMB has confirmed that it has sufficient internal resources and that it will use its internal resources to satisfy full acceptance of the General Offer. J.P. Morgan, as financial adviser to CMB, is satisfied that sufficient financial resources are available to CMB to satisfy full acceptance of the General Offer.

INFORMATION ON CMB AND THE CMB GROUP

CMB is a joint stock company incorporated in the PRC and the CMB Shares are listed on the Stock Exchange and the Shanghai Stock Exchange. China Merchants Group Limited, a substantial shareholder of CMB, was indirectly interested in 17.64% of the total issued share capital of CMB as at the Latest Practicable Date. CMB is principally engaged in the provision of banking and other related financial services. Save as being the controlling shareholder of WLB after Completion, CMB is an independent third party and is not connected with and is not a party acting in concert with WLB or its subsidiaries or any connected persons of WLB.

The executive directors of CMB are Dr. Ma Weihua, Dr. Zhang Guanghua and Mr. Li Hao; the non-executive directors of CMB are Dr. Qin Xiao, Dr. Wei Jiafu, Dr. Fu Yuning, Mr. Li Yinquan, Mr. Hong Xiaoyuan, Mr. Ding An Hua Edward, Ms. Sun Yueying, Mr. Wang Daxiong and Mr. Fu Junyuan; and the independent non-executive directors of CMB are Dr. Wu Jiesi, Dr. Yan Lan, Mr. Yi Xiqun, Mr. Chow Kwong Fai Edward, Mr. Liu Yongzhang and Dr. Liu Hongxia.

The directors of China Merchants Group Limited are Dr. Qin Xiao, Dr. Fu Yuning, Mr. Yuan Wu, Dr. Ma Weihua, Mr. Gong Shao Lin and Mr. Shi Wei.

Save for the entering into of the Sale and Purchase Agreements and certain dealings by exempt persons under the Takeovers Code, and save as disclosed in the section headed "Dealings in WLB Shares" in Appendix III to this Composite Offer Document, none of CMB, the CMB Directors and parties acting in concert with any of them had dealt in any WLB Shares during the Relevant Period.

INFORMATION ON WLB AND THE WLB GROUP

WLB is a banking company incorporated in Hong Kong and the WLB Shares have been listed on the Stock Exchange since 1980. WLB is principally engaged in the provision of banking and related financial services. The principal activities of the WLB Group include deposit taking, loans advancing, futures and securities broking, investment trading, insurance underwriting, insurance agency, reinsurance business, trustee and nominee services, investment properties holding and property management.

LETTER FROM J.P. MORGAN

CMB'S INTENTION IN RELATION TO THE WLB GROUP

CMB intends to continue the existing businesses of the WLB Group. CMB has no intention to dispose of any material assets and/or businesses of WLB or inject any assets or businesses into the WLB Group but does not rule out the possibility that any of these events may occur. CMB will keep WLB, the WLB Shareholders and investors informed by future announcement(s) if it decides on anything that requires disclosure pursuant to the Listing Rules.

CMB has confirmed its commitment to the long term stability and continuity of WLB's management and employees. Save for the resignation of certain existing WLB Directors referred to in the section headed "Change of WLB Board Composition" below, CMB has undertaken to the Vendors that it will not terminate the employment of the staff of the WLB Group for at least 18 months from Completion, except under limited specific circumstances provided in the Sale and Purchase Agreements. CMB has no intention to introduce any major changes to the business of the WLB Group.

Given WLB's strong and established brand in Hong Kong, CMB intends to maintain the branding and the name of "Wing Lung Bank" and "永隆銀行" for a period of time to benefit from the strong reputation that WLB has developed in the Hong Kong market over the past 75 years.

Headquartered in Shenzhen, CMB views the Hong Kong market to be very important to its international expansion strategy. Through the Acquisition and the General Offer, CMB intends to fully utilize WLB's strong network and reputation to provide diversified financial services to customers in Hong Kong. At the same time, CMB intends to combine its own strengths in retail and SME banking, online banking and credit cards with WLB's comprehensive product offering and expertise to enhance CMB's own financial products and services for its customer base in mainland China.

CHANGE OF WLB BOARD COMPOSITION

Mr. Zhu Qi has been appointed as the chief executive of WLB with effect from Completion. (i) Each of Dr. Ma Weihua, Dr. Zhang Guanghua, Mr. Li Hao, Mr. Zhu Qi, Dr. Zheng Xianbing and Dr. Xu Shiqing has been appointed as additional directors to the WLB Board; and (ii) Dr. Ma Weihua and Dr. Zhang Guanghua have been appointed as the chairman and vice-chairman of WLB, respectively, with effect from the Despatch Date, but not earlier than this Composite Offer Document being posted in accordance with Rule 26.4 of the Takeovers Code.

Each of Dr. Michael Po-ko Wu, Dr. Patrick Po-kong Wu, Mr. Albert Po-cheung Wu, Mr. Ivan Po-young Wu, Mr. Anthony Shang-fung Wu and Mr. Shung-Kwong Tsang had, prior to Completion, tendered his resignation as directors of WLB and (where appropriate) its subsidiaries. Their resignation from the WLB Board will take effect on 27 October 2008. Dr. Philip Po-him Wu's directorship on the WLB Board will be re-designated from being an executive director to a non-executive director with effect from the Despatch Date. Dr. Michael Po-ko Wu and Dr. Patrick Po-kong Wu had been re-designated from their roles as executive directors to non-executive directors with effect from Completion. Dr. Michael Po-ko Wu, Dr. Patrick Po-kong Wu and Dr. Philip Po-him Wu had also resigned from their respective roles as chairman, vice-chairman and chief executive of WLB with effect from Completion. In

LETTER FROM J.P. MORGAN

accordance with the requirements of WLB's articles of association, the company secretary of WLB has notified each of Miss Alice Shang-sze Wu and Mr. Kenneth Ngai-keung Ma, being alternate WLB Directors to Mr. Albert Po-cheung Wu and Mr. Ivan Po-young Wu, respectively, that each of his or her alternate directorship will be revoked with effect from the date on which the respective resignations of Mr. Albert Po-cheung Wu and Mr. Ivan Po-young Wu as WLB Directors take effect. For further details, please refer to the announcement issued by WLB on 30 September 2008.

COMPULSORY ACQUISITION AND WITHDRAWAL OF LISTING

If CMB acquires not less than 90% of the Offer Shares within, but not exceeding, four months from the Despatch Date (within the meaning of the ninth schedule of the Companies Ordinance), CMB intends to exercise any right it may have under the Companies Ordinance to compulsorily acquire those Offer Shares not acquired by CMB pursuant to the General Offer. On completion of such compulsory acquisition, WLB would become a wholly-owned subsidiary of CMB and application will be made for the withdrawal of the listing of the WLB Shares from the Stock Exchange in accordance with the Listing Rules.

Pursuant to Rule 15.6 of the Takeovers Code, where CMB has stated in this Composite Offer Document its intention to avail itself of its powers of compulsory acquisition, the General Offer may not remain open for acceptance for more than four months from the Despatch Date, unless CMB has, by that time, become entitled to exercise such powers of compulsory acquisition, in which event it must do so without delay.

Pursuant to Rule 2.11 of the Takeovers Code, except with the consent of the Executive, where CMB seeks to acquire or privatise WLB by means of the General Offer and the use of its compulsory acquisition rights, such rights may only be exercised if, in addition to satisfying any requirements imposed by the Companies Ordinance, the level of acceptances of the General Offer and purchases (in each case of the Offer Shares) made by CMB and parties acting in concert with it during the period of four months after the Despatch Date reaches 90% of the Offer Shares.

Furthermore, if the level of acceptances reaches 90% of the Offer Shares and Rule 2.11 of the Takeovers Code permits CMB to exercise such compulsory acquisition rights and CMB proceeds with the privatisation of WLB and withdrawal of listing of the WLB Shares from the Stock Exchange pursuant to Rule 6.15 of the Listing Rules, WLB will apply for a suspension of dealings in the WLB Shares from the closing of the General Offer up to the withdrawal of listing of the WLB Shares from the main board of the Stock Exchange.

MAINTAINING THE LISTING

If CMB does not become entitled to exercise such powers of compulsory acquisition set out above in the section headed "Compulsory Acquisition and Withdrawal of Listing" (whether by reason of not acquiring 90% of the Offer Shares or otherwise) within four months from the Despatch Date, it is CMB's intention to maintain the listing of WLB on the Stock Exchange. The newly appointed WLB Directors (with effect from the Despatch Date, but not earlier than this Composite Offer Document being posted) and Dr. Philip Po-him Wu, Mr. Che-shum Chung, Dr. Norman Nai-pang Leung, Mr. Lincoln Hung-leung Soo and The Hon Bernard Charnwut Chan jointly and severally undertake to the Stock Exchange, in such case, to take steps to ensure that sufficient public float exists in the WLB Shares.

LETTER FROM J.P. MORGAN

The Stock Exchange has stated that if, at the close of the General Offer, less than the minimum prescribed percentage applicable to WLB, being 25% of the issued WLB Shares, is held by the public, or if the Stock Exchange believes that:

- (i) a false market exists or may exist in the trading of the WLB Shares; or
- (ii) there are insufficient WLB Shares in public hands to maintain an orderly market,

it will consider exercising its discretion to suspend dealings in the WLB Shares.

In this connection, it should be noted that upon the closing of the General Offer, there may be insufficient public float for the WLB Shares and therefore, trading in the WLB Shares may be suspended until a prescribed level of public float is attained or, if withdrawal of the listing of the WLB Shares on the Stock Exchange is applied for, until the listing is withdrawn.

OVERSEAS WLB SHAREHOLDERS

The General Offer is in respect of securities of a company incorporated in Hong Kong and admitted to listing in Hong Kong and is subject to the procedure and disclosure requirements of Hong Kong which may be different from other jurisdictions. The ability for Overseas WLB Shareholders to participate in the General Offer is subject to, and may be limited by, the laws and regulations of their respective jurisdictions. It is the responsibility of each Overseas WLB Shareholder who wishes to accept the General Offer to satisfy himself, herself or itself as to the full observance of all the applicable legal and regulatory requirements of the relevant jurisdiction in connection therewith, including the obtaining of any governmental, exchange control or other consent which may be required, complying with any other necessary formalities or legal requirements and paying any transfer or other taxes due by him/her/it in respect of such jurisdiction.

Acceptances of the General Offer by any such person will constitute a warranty by such person that such person is permitted under all applicable laws to receive and accept the General Offer, and any revision thereof, and such acceptances shall be valid and binding in accordance with all applicable laws. Overseas WLB Shareholders are recommended to seek professional advice on whether to accept the General Offer.

The attention of Overseas WLB Shareholders and any person (including, without limitation, any nominee, custodian and trustee) who may have an obligation to forward this Composite Offer Document and the accompanying Form of Acceptance outside of Hong Kong is drawn to paragraph (1)(b) in the section headed "Procedures for acceptance of the General Offer" in Appendix I to this Composite Offer Document.

LETTER FROM J.P. MORGAN

PROCEDURES FOR ACCEPTANCE AND SETTLEMENT

Procedures for Acceptance of the General Offer

To accept the General Offer, you must complete and sign the accompanying Form of Acceptance in accordance with the instructions printed thereon, which forms part of the terms of the General Offer.

The completed Form of Acceptance should then be forwarded, together with the relevant WLB Share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) for the whole of your holding of the WLB Shares or, if applicable, for not less than the number of WLB Shares in respect of which you intend to accept the General Offer, by post or by hand to the Registrar at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, marked "CMB Offer" on the envelope, as soon as practicable after receipt of these documents and in any event, so as to reach the Registrar by no later than 4:00 p.m. (Hong Kong time) on Monday, 27 October 2008 (or such later time and/or date as CMB may decide and announce with the consent of the Executive in accordance with the Takeovers Code). No acknowledgement of receipt of any Form(s) of Acceptance, WLB Share certificate(s), transfer receipt(s) or other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) will be given.

Your attention is also drawn to the section headed "Terms of the General Offer" as set out in paragraph 1 of Appendix I to this Composite Offer Document and the accompanying Form of Acceptance.

Settlement of the General Offer

Provided that a valid Form of Acceptance and the relevant documents required to render the relevant acceptance under the General Offer are complete and in good order in all respects and have been received by the Registrar no later than 4:00 p.m. on Monday, 27 October 2008, being the latest time for acceptance of the General Offer unless the General Offer is extended by CMB in accordance with the Takeovers Code, a cheque for the amount due to the relevant accepting WLB Shareholder, less seller's ad valorem stamp duty (if any) payable by the relevant accepting WLB Shareholder will be despatched to the relevant accepting WLB Shareholder by ordinary post at his/her/its own risk as soon as possible, but in any event within 10 days from the date on which all relevant documents are received by the Registrar to render such acceptance complete and valid.

LETTER FROM J.P. MORGAN

Stamp Duty

Ad valorem stamp duty of the accepting WLB Shareholders arising in connection with the acceptance of the General Offer amounting to 0.1% of the amount payable in respect of the relevant acceptance or, if higher, the value of the Offer Shares as determined by the Collector of Stamp Revenue under the Stamp Duty Ordinance (Chapter 117 of the Laws of Hong Kong) is payable by those accepting WLB Shareholders which will be deducted from the payment to be received by them. CMB will bear its own portion of buyer's ad valorem stamp duty under the General Offer at the rate of 0.1% of the amount payable in respect of the relevant acceptances or, if higher, the value of the Offer Shares as determined by the Collector of Stamp Revenue under the Stamp Duty Ordinance (Chapter 117 of the Laws of Hong Kong) and will be responsible to account to the Stamp Office of Hong Kong for the stamp duty payable for the sale and purchase of the relevant Offer Shares pursuant to the acceptances of the General Offer.

Nominee Registration

In order for the beneficial owners of WLB Shares whose investments are registered in nominees' names to accept the General Offer, it is essential that they provide instructions to their nominee agents of their intentions with regards to the General Offer. To ensure equality of treatment of all WLB Shareholders, those registered WLB Shareholders who hold WLB Shares as nominees for more than one beneficial owner should, as far as practicable, treat the holding of each beneficial owner separately.

The attention of Overseas WLB Shareholders outside Hong Kong is drawn to paragraph (1)(b) in the section headed "Procedures for acceptance of the General Offer" in Appendix I to this Composite Offer Document.

TAXATION

WLB Shareholders are recommended to consult their own professional advisers if they are in any doubt as to the taxation implications of their acceptance of the General Offer. It is emphasised that none of WLB, CMB or J.P. Morgan or any of their respective directors or any persons involved in the General Offer accepts responsibility for any tax effects on or liabilities of any person or persons as a result of their acceptances of the General Offer.

This Composite Offer Document does not include any information in respect of overseas taxation. WLB Shareholders who may be subject to overseas tax are recommended to consult their tax advisers regarding the implications in the relevant jurisdiction of owning and disposing of the WLB Shares.

FURTHER TERMS OF THE GENERAL OFFER

Further terms of the General Offer (including the further procedures for acceptance, the acceptance period, revisions of the General Offer and the stamp duty payable by the WLB Shareholders who accept the General Offer) are set out in Appendix I to this Composite Offer Document and the accompanying Form of Acceptance.

LETTER FROM J.P. MORGAN

RECOMMENDATION AND ADDITIONAL INFORMATION

Your attention is drawn to the “Letter from the WLB Board” on pages 16 to 23, the “Letter from the Independent WLB Board Committee” on pages 24 to 25 and the “Letter from Morgan Stanley Asia Limited” on pages 26 to 46, all of which are contained in this Composite Offer Document, in relation to their recommendations regarding the General Offer.

Your attention is also drawn to the additional information set out in the appendices which form part of this Composite Offer Document.

Yours faithfully,
For and on behalf of
J.P. Morgan Securities (Asia Pacific) Limited
Olivier J De Grivel
Managing Director

LETTER FROM THE WLB BOARD



永隆銀行有限公司
WING LUNG BANK LTD

(Incorporated in Hong Kong with limited liability)
(Stock Code: 0096)

Executive Directors:

Dr. Philip Po-him Wu
Mr. Che-shum Chung

Non-executive Directors:

Dr. Michael Po-ko Wu
Dr. Patrick Po-kong Wu
Mr. Albert Po-cheung Wu
Mr. Ivan Po-young Wu
Mr. Anthony Shang-fung Wu

Independent Non-executive Directors:

Dr. Norman Nai-pang Leung
Mr. Lincoln Hung-leung Soo
Mr. Shung-kwong Tsang
The Hon Bernard Charnwut Chan

Alternate Directors:

Mr. Kenneth Ngai-keung Ma
(Alternate to Mr. Ivan Po-young Wu)
Ms. Alice Shang-sze Wu
(Alternate to Mr. Albert Po-cheung Wu)

*Registered office, principal office and
place of business in Hong Kong:*
45 Des Voeux Road Central
Hong Kong

6 October 2008

To the WLB Shareholders

Dear Sir or Madam,

**UNCONDITIONAL MANDATORY CASH OFFER BY
J. P. MORGAN SECURITIES (ASIA PACIFIC) LIMITED
ON BEHALF OF
CHINA MERCHANTS BANK CO., LTD.
TO ACQUIRE ALL THE ISSUED SHARES
IN THE CAPITAL OF WING LUNG BANK, LIMITED
(OTHER THAN THOSE SHARES ALREADY OWNED BY
OR AGREED TO BE ACQUIRED BY CHINA MERCHANTS BANK CO., LTD.
AND PARTIES ACTING IN CONCERT WITH IT)**

1. INTRODUCTION

Reference is made to the Joint Announcement in which CMB and WLB jointly announced that on 30 May 2008, CMB entered into the Sale and Purchase Agreements with the respective

LETTER FROM THE WLB BOARD

Vendors, pursuant to which CMB had conditionally agreed to purchase and the respective Vendors had conditionally agreed to sell or procure the sale of the Sale Shares for cash consideration in an aggregate sum of HK\$19,302,110,605.00 (equivalent to HK\$156.50 per Sale Share). The WLB Directors understand that, immediately prior to Completion, CMB and parties acting in concert with it did not hold any WLB Shares.

On 30 September 2008, CMB and WLB jointly announced that Completion took place on 30 September 2008 and immediately following Completion, CMB and parties acting in concert with it owned 123,336,170 WLB Shares, representing approximately 53.12% of the entire issued share capital of WLB as at the Latest Practicable Date. In accordance with Rule 26.1 of the Takeovers Code, CMB is required to make the General Offer for all the issued WLB Shares (other than those WLB Shares already owned by or agreed to be acquired by CMB and parties acting in concert with it).

The purpose of this Composite Offer Document, of which this letter forms a part, is to provide you with, amongst others, information relating to the WLB Group, the Vendors, the CMB Group and the General Offer as well as to set out the letter from the Independent WLB Board Committee containing its recommendation and advice to the Independent WLB Shareholders in respect of the General Offer and the letter from the Independent Financial Adviser containing its advice to the Independent WLB Board Committee as to whether the terms of the General Offer are fair and reasonable so far as the Independent WLB Shareholders are concerned and as to acceptance in respect of the General Offer.

Unless the context otherwise requires, terms defined in this Composite Offer Document shall have the same meanings when used in this letter.

2. INDEPENDENT WLB BOARD COMMITTEE

In accordance with Rule 2.1 and Rule 2.8 of the Takeovers Code, the Independent WLB Board Committee comprising of all the independent non-executive WLB Directors, namely Dr. Norman Nai-pang Leung, Mr. Lincoln Hung-leung Soo, Mr. Shung-kwong Tsang and The Hon Bernard Charnwut Chan, was established to advise the Independent WLB Shareholders in respect of the General Offer.

The independent non-executive WLB Directors are independent of and have no direct or indirect interest in the General Offer other than, in the case of Mr. Shung-kwong Tsang, as a holder of the Offer Shares. WLB, with the approval of the Independent WLB Board Committee, has appointed Morgan Stanley Asia Limited as the independent financial adviser to advise the Independent WLB Board Committee as to whether the terms of the General Offer are fair and reasonable so far as the Independent WLB Shareholders are concerned and as to acceptance in respect of the General Offer.

Morgan Stanley Asia Limited has advised the Independent WLB Board Committee it is of the view that the terms of the General Offer are fair and reasonable so far as the Independent WLB Shareholders are concerned. Accordingly, Morgan Stanley Asia Limited has recommended to the Independent WLB Board Committee to advise the Independent WLB Shareholders to accept the General Offer.

The full text of the letter of advice from the Independent Financial Adviser addressed to the Independent WLB Board Committee is set out in this Composite Offer Document. WLB Shareholders are advised to read the letter of advice from the Independent Financial Adviser addressed to the Independent WLB Board Committee and the additional information contained in the appendices to this Composite Offer Document carefully before taking any action in respect of the General Offer.

LETTER FROM THE WLB BOARD

3. THE GENERAL OFFER

On behalf of CMB, J.P. Morgan unconditionally makes the General Offer to acquire all the WLB Shares not already owned or agreed to be acquired by CMB and parties acting in concert with it on the following basis:

Offer Price

For each Offer Share.HK\$156.50 in cash

The Offer Price is equal to the price paid by CMB for each Sale Share under the Sale and Purchase Agreements. The letter from J.P. Morgan, Appendix I to this Composite Offer Document and the accompanying Form of Acceptance together set out the terms and conditions of the General Offer and certain related information.

Comparisons of Value

The Offer Price represents:

- (a) a premium of approximately 52.68% over the closing price of HK\$102.50 per WLB Share as quoted on the Stock Exchange on 19 March 2008, being the last trading day prior to the commencement of the Offer Period;
- (b) a premium of approximately 6.17% over the closing price of HK\$147.40 per WLB Share as quoted on the Stock Exchange on 29 May 2008, being the last full trading day prior to the suspension of trading in the WLB Shares on 30 May 2008;
- (c) a premium of approximately 5.27% over the average closing price of the WLB Shares as quoted on the Stock Exchange for the last 5 consecutive full trading days prior to the suspension of trading in the WLB Shares on 30 May 2008, being approximately HK\$148.66 per WLB Share;
- (d) a premium of approximately 4.24% over the average closing price of the WLB Shares as quoted on the Stock Exchange for the last 10 consecutive full trading days prior to the suspension of trading in the WLB Shares on 30 May 2008, being approximately HK\$150.14 per WLB Share;
- (e) a premium of approximately 9.72% over the average closing price of the WLB Shares as quoted on the Stock Exchange for the last 30 consecutive full trading days prior to the suspension of trading in the WLB Shares on 30 May 2008, being approximately HK\$142.64 per WLB Share;
- (f) a premium of approximately 23.88% over the average closing price of the WLB Shares as quoted on the Stock Exchange for the last 60 consecutive full trading days prior to the suspension of trading in the WLB Shares on 30 May 2008, being approximately HK\$126.33 per WLB Share;
- (g) a premium of approximately 0.71% over the closing price of HK\$155.40 per WLB Share as quoted on the Stock Exchange as at the Latest Practicable Date; and

LETTER FROM THE WLB BOARD

- (h) a premium of approximately 76.14% over the closing price of HK\$88.85 per WLB Share as quoted on the Stock Exchange on 12 February 2008, being the last full trading day prior to the news articles of the potential sale of the Sale Shares by the Vendors on 13 February 2008.

Please refer to the section headed “Market Prices” in Appendix III to this Composite Offer Document for further information on the market prices of the WLB Shares.

Highest and Lowest Closing WLB Share Prices

During the Relevant Period, the highest closing price of the WLB Shares as quoted on the Stock Exchange was HK\$155.40 per WLB Share on each of 2 October 2008 and 3 October 2008, and the lowest closing price of the WLB Shares as quoted on the Stock Exchange was HK\$72.25 per WLB Share on 22 November 2007.

Further details of the General Offer are set out in the “Letter from J.P. Morgan” on pages 6 to 15 of this Composite Offer Document, Appendix I to this Composite Offer Document and the accompanying Form of Acceptance.

4. GENERAL

Information on CMB and the CMB Group

To the best of the WLB Directors’ knowledge, CMB is a joint stock company incorporated in the PRC and the CMB Shares are listed on the Stock Exchange and the Shanghai Stock Exchange. China Merchants Group Limited, a substantial shareholder of CMB, was indirectly interested in 17.64% of the total issued share capital of CMB as at the Latest Practicable Date. CMB is principally engaged in the provision of banking and other related financial services. Save as being the controlling shareholder of WLB after Completion, CMB is an independent third party and is not connected with and is not a party acting in concert with WLB or its subsidiaries or any connected persons of WLB. Further information on CMB and the CMB Group is set out in the “Letter from J.P. Morgan” on page 9 of this Composite Offer Document.

Information on WLB and the WLB Group

WLB is a banking company incorporated in Hong Kong and the WLB Shares have been listed on the Stock Exchange since 1980. WLB is principally engaged in the provision of banking and related financial services. The principal activities of the WLB Group include deposit taking, loans advancing, futures and securities broking, investment trading, insurance underwriting, insurance agency, reinsurance businesses, trustee and nominee services, investment properties holding and property management.

For the year ended 31 December 2007, profit attributable to the WLB Shareholders was approximately HK\$1,372 million. The audited net asset value of the WLB Group as at 31 December 2007 was approximately HK\$12,480 million. For the six months ended 30 June 2008, profit attributable to the WLB Shareholders was approximately HK\$350 million. The audited net asset value of the WLB Group as at 30 June 2008 was approximately HK\$11,846 million. As at the Latest Practicable Date, there was no intention for the WLB Group to dispose of any of its existing businesses. The WLB

LETTER FROM THE WLB BOARD

Group's existing businesses would continue to be and its activities would remain the same. As at the Latest Practicable Date, no new business was contemplated to be carried out by the WLB Group as a result of the General Offer.

As at the Latest Practicable Date, WLB had 232,190,115 WLB Shares in issue and there were no outstanding options, warrants, derivatives or convertibles which might confer any rights to the holder(s) thereof to subscribe for, convert or exchange into WLB Shares.

Information on the Vendors

The Vendors are companies incorporated in Hong Kong and are principally engaged in investment holding.

Wu Jieh Yee Company Limited is a family company with beneficial owners coming from the family of Dr. Wu Jieh Yee (deceased) and a charitable foundation. Certain WLB Directors, namely Dr. Patrick Po-kong Wu, Dr. Philip Po-him Wu and Mr. Anthony Shang-fung Wu have interests in Wu Jieh Yee Company Limited. No one individual or entity has more than 30% beneficial interest in Wu Jieh Yee Company Limited. None of the beneficial owners of Wu Jieh Yee Company Limited is a party acting in concert with CMB.

Wu Yee Sun Company Limited and Yee Hong Company Limited are family companies with beneficial owners coming from the family of Dr. Wu Yee Sun (deceased) and a charitable foundation. Yee Hong Company Limited is a subsidiary of Wu Yee Sun Company Limited. Certain WLB Directors, namely Dr. Michael Po-ko Wu, Mr. Albert Po-cheung Wu and Mr. Ivan Po-young Wu have interests in Wu Yee Sun Company Limited and Yee Hong Company Limited and Dr. Patrick Po-kong Wu has interest in Yee Hong Company Limited. No one individual or entity has more than 30% beneficial interest in Wu Yee Sun Company Limited. None of the beneficial owners of Wu Yee Sun Company Limited and Yee Hong Company Limited is a party acting in concert with CMB.

Shareholding Structure of WLB

The shareholding structure of WLB as at the Latest Practicable Date is set out as follows:

	<i>Number of WLB Shares</i>	<i>Approximate shareholding</i>
CMB and parties acting in concert with it	<u>123,336,170</u>	<u>53.12%</u>
Subtotal	123,336,170	53.12%
Wings Investment Company Limited ⁽¹⁾	21,926,910 ⁽²⁾	9.44%
WLB Directors ⁽³⁾	1,034,353	0.45%
Public	<u>85,892,682</u>	<u>36.99%</u>
Total	<u><u>232,190,115</u></u>	<u><u>100.00%</u></u>

LETTER FROM THE WLB BOARD

Notes:

- (1) Wings Investment Company Limited is majority-owned by connected persons of WLB, including associates of the WLB Directors and the Vendors. Wu Jieh Yee Company Limited, Wu Yee Sun Company Limited and Yee Hong Company Limited, respectively, own approximately 17.38%, 23.88% and 1.10% of the issued share capital of Wings Investment Company Limited. Accordingly, Wings Investment Company Limited is a party acting in concert with the Vendors.
- (2) This includes the 11,638,204 WLB Shares (representing approximately 5.01% of the entire issued share capital of WLB) held by Hopes Enterprises Limited, a wholly-owned subsidiary of Wings Investment Company Limited.
- (3) Such WLB Directors include Dr. Michael Po-ko Wu, Dr. Patrick Po-kong Wu, Dr. Philip Po-him Wu, Mr. Che-shum Chung, Mr. Anthony Shang-fung Wu and Mr. Shung-kwong Tsang.

5. CMB'S INTENTION IN RELATION TO THE WLB GROUP

Your attention is drawn to the paragraph headed “CMB’s intention in relation to the WLB Group” in the “Letter from J.P. Morgan” on page 10 of this Composite Offer Document.

CMB intends to continue the existing businesses of the WLB Group. CMB has no intention to dispose of any material assets and/or businesses of WLB or inject any assets or businesses into the WLB Group but does not rule out the possibility that any of these events may occur. CMB will keep WLB, the WLB Shareholders and investors informed by further announcement(s) if it decides on anything that requires disclosure pursuant to the Listing Rules.

CMB has confirmed its commitment to the long term stability and continuity of WLB’s management and employees. Save for the resignation of certain existing WLB Directors referred to in the section headed “Change of WLB Board Composition” in the letter from J.P. Morgan on page 10 of this Composite Offer Document, CMB has undertaken to the Vendors that it will not terminate the employment of the staff of the WLB Group for at least 18 months from Completion, except under limited specific circumstances provided in the Sale and Purchase Agreements. CMB has no intention to introduce any major changes to the business of the WLB Group.

Given WLB’s strong and established brand in Hong Kong, CMB intends to maintain the branding and the name of “Wing Lung Bank” and “永隆銀行” for a period of time to benefit from the strong reputation that WLB has developed in the Hong Kong market over the past 75 years.

The WLB Board consents to the intentions of CMB in respect of the WLB Group.

LETTER FROM THE WLB BOARD

6. COMPULSORY ACQUISITION AND WITHDRAWAL OF LISTING

If CMB acquires not less than 90% of the Offer Shares within, but not exceeding, four months of the Despatch Date (within the meaning of the ninth schedule of the Companies Ordinance), the WLB Board understands that CMB intends to exercise any right it may have under the Companies Ordinance to compulsorily acquire those Offer Shares not acquired by CMB pursuant to the General Offer. On completion of such compulsory acquisition, WLB would become a wholly-owned subsidiary of CMB and application will be made for the withdrawal of the listing of the WLB Shares from the Stock Exchange in accordance with the Listing Rules.

Pursuant to Rule 15.6 of the Takeovers Code, where CMB has stated in this Composite Offer Document its intention to avail itself of its powers of compulsory acquisition, the General Offer may not remain open for acceptance for more than four months from the Despatch Date, unless CMB has, by that time, become entitled to exercise such powers of compulsory acquisition, in which event it must do so without delay.

Pursuant to Rule 2.11 of the Takeovers Code, except with the consent of the Executive, where CMB seeks to acquire or privatise WLB by means of the General Offer and the use of its compulsory acquisition rights, such rights may only be exercised if, in addition to satisfying any requirements imposed by the Companies Ordinance, the level of acceptances of the General Offer and purchases (in each case of the Offer Shares) made by CMB and parties acting in concert with it during the period of four months after the Despatch Date reaches 90% of the Offer Shares.

Furthermore, if the level of acceptances reaches 90% of the Offer Shares and Rule 2.11 of the Takeovers Code permits CMB to exercise such compulsory acquisition rights and CMB proceeds with the privatisation of WLB and withdrawal of listing of the WLB Shares from the Stock Exchange pursuant to Rule 6.15 of the Listing Rules, WLB will apply for a suspension of dealings in the WLB Shares from the closing of the General Offer up to the withdrawal of listing of the WLB Shares from the main board of the Stock Exchange.

7. MAINTAINING THE LISTING

If CMB does not become entitled to exercise such powers of compulsory acquisition set out above in the section headed “Compulsory Acquisition and Withdrawal of Listing” of this letter (whether by reason of not acquiring 90% of the Offer Shares or otherwise) within four months from the Despatch Date, the WLB Board understands it is CMB’s intention to maintain the listing of the WLB Shares on the Stock Exchange. The newly appointed WLB Directors (with effect from the Despatch Date, but not earlier than this Composite Offer Document being posted) and Dr. Philip Po-him Wu, Mr. Che-shum Chung, Dr. Norman Nai-pang Leung, Mr. Lincoln Hung-leung Soo and The Hon Bernard Charnwut Chan jointly and severally undertake to the Stock Exchange that, in such case, to take steps to ensure that sufficient public float exists in the WLB Shares.

LETTER FROM THE WLB BOARD

The Stock Exchange has stated that if, at the close of the General Offer, less than the minimum prescribed percentage applicable to WLB, being 25% of the issued WLB Shares, is held by the public, or if the Stock Exchange believes that:

- (i) a false market exists or may exist in the trading of the WLB Shares; or
- (ii) there are insufficient WLB Shares in public hands to maintain an orderly market,

it will consider exercising its discretion to suspend dealings in the WLB Shares.

In this connection, it should be noted that upon the closing of the General Offer, there may be insufficient public float for the WLB Shares and therefore, trading in the WLB Shares may be suspended until a prescribed level of public float is attained or, if withdrawal of the listing of the WLB Shares on the Stock Exchange is applied for, until the listing is withdrawn.

8. FURTHER INFORMATION

Please refer to the “Letter from J.P. Morgan” set out in this Composite Offer Document, Appendix I to this Composite Offer Document and the accompanying Form of Acceptance for information relating to the General Offer, the acceptance and settlement procedures of the General Offer, the making of the General Offer to Overseas WLB Shareholders and taxation.

9. RECOMMENDATION

Your attention is drawn to the letter from the Independent WLB Board Committee set out on pages 24 to 25 of this Composite Offer Document, which contains its recommendation to the Independent WLB Shareholders in respect of the General Offer, and the letter from the Independent Financial Adviser on pages 26 to 46 of this Composite Offer Document, which contains its advice to the Independent WLB Board Committee in respect of the fairness and reasonableness of the terms of the General Offer (so far as the Independent WLB Shareholders are concerned) and the principal factors and reasons it has considered before arriving at its advice to the Independent WLB Board Committee. You are also advised to read this Composite Offer Document and the accompanying Form of Acceptance in respect of the acceptance and settlement procedures of the General Offer.

By order of the board of
Wing Lung Bank, Limited
Dr. Philip Po-him Wu
Executive WLB Director



永隆銀行有限公司
WING LUNG BANK LTD

(Incorporated in Hong Kong with limited liability)
(Stock Code: 0096)

6 October 2008

To the Independent WLB Shareholders

Dear Sir or Madam,

**UNCONDITIONAL MANDATORY CASH OFFER BY
J. P. MORGAN SECURITIES (ASIA PACIFIC) LIMITED
ON BEHALF OF
CHINA MERCHANTS BANK CO., LTD.
TO ACQUIRE ALL THE ISSUED SHARES
IN THE CAPITAL OF WING LUNG BANK, LIMITED
(OTHER THAN THOSE SHARES ALREADY OWNED BY
OR AGREED TO BE ACQUIRED BY CHINA MERCHANTS BANK CO., LTD.
AND PARTIES ACTING IN CONCERT WITH IT)**

We refer to the composite offer and response document issued jointly by CMB and WLB to the WLB Shareholders dated 6 October 2008 (the “**Composite Offer Document**”) of which this letter forms part. Unless the context otherwise requires, terms defined in the Composite Offer Document shall have the same meanings when used in this letter.

We have been appointed by the WLB Board to form the Independent WLB Board Committee to consider and to advise the Independent WLB Shareholders as to whether or not the terms of the General Offer are fair and reasonable so far as the Independent WLB Shareholders are concerned and to make a recommendation as to acceptance.

Morgan Stanley Asia Limited has been appointed as the independent financial adviser to advise us as to whether or not the terms of the General Offer are fair and reasonable so far as the Independent WLB Shareholders are concerned and as to acceptance in respect of the General Offer.

We draw your attention to the letter from the WLB Board on pages 16 to 23 of the Composite Offer Document and the letter from Morgan Stanley Asia Limited on pages 26 to 46 of the Composite Offer Document.

Having considered the principal factors and reasons considered by, and the advice of Morgan Stanley Asia Limited as set out in its letter, we concur with the view of Morgan Stanley Asia Limited and consider that the terms of the General Offer are fair and reasonable so far as the Independent WLB Shareholders are concerned.

LETTER FROM THE INDEPENDENT WLB BOARD COMMITTEE

Accordingly, we concur with the recommendation of Morgan Stanley Asia Limited and would recommend the Independent WLB Shareholders to accept the General Offer.

You are advised to read the letter from Morgan Stanley Asia Limited and the additional information contained in the appendices to the Composite Offer Document carefully before taking any action in respect of the General Offer.

Notwithstanding our views and recommendation in respect of the terms of the General Offer, the Independent WLB Shareholders are advised that their decision to realise or to hold their investment in WLB depends on their own individual circumstances and investment objectives.

Yours faithfully,

THE INDEPENDENT WLB BOARD COMMITTEE

Dr. Norman Nai-pang Leung

Independent Non-executive WLB Director

Mr. Lincoln Hung-leung Soo

Independent Non-executive WLB Director

Mr. Shung-kwong Tsang

Independent Non-executive WLB Director

The Hon Bernard Charnwut Chan

Independent Non-executive WLB Director

LETTER FROM MORGAN STANLEY ASIA LIMITED

The following is the text of the letter from Morgan Stanley Asia Limited, the independent financial adviser appointed to advise the Independent WLB Board Committee, which has been prepared for the purpose of incorporation into this Composite Offer Document, setting out its advice to the Independent WLB Board Committee in connection with the General Offer.

Morgan Stanley

Morgan Stanley Asia Limited
30th Floor
Three Exchange Square
Central, Hong Kong

6 October 2008

*To the Independent Board Committee of Wing Lung Bank, Limited
(the “Independent WLB Board Committee”)*

Dear Sirs,

**UNCONDITIONAL MANDATORY CASH OFFER
BY J.P. MORGAN SECURITIES (ASIA PACIFIC) LIMITED
ON BEHALF OF CHINA MERCHANTS BANK CO., LTD.
TO ACQUIRE ALL THE ISSUED SHARES
IN THE CAPITAL OF WING LUNG BANK, LIMITED
(OTHER THAN THOSE SHARES ALREADY OWNED BY
OR AGREED TO BE ACQUIRED BY CHINA MERCHANTS BANK CO., LTD.
AND PARTIES ACTING IN CONCERT WITH IT)**

1. INTRODUCTION

We refer to our engagement to advise the Independent WLB Board Committee in connection with the General Offer, details of which are contained in the Composite Offer Document dated 6 October 2008. We have been appointed as the independent financial adviser to provide financial advice solely to the Independent WLB Board Committee as to whether the terms of the General Offer are fair and reasonable so far as the Independent WLB Shareholders are concerned.

This letter sets out our financial assessment of the terms of the General Offer for inclusion in the Composite Offer Document. We do not express any opinion on the future prospects of WLB or CMB and have not provided advice concerning the structure, timing or any other aspect of the General Offer.

Unless otherwise defined or the context otherwise requires, all terms defined in the Composite Offer Document shall have the same meanings when used in this letter.

In preparing our opinion, we have relied upon, without independent verification, information which was publicly available or supplied or otherwise made available to us and opinions expressed and representations made by the WLB Directors and the management of WLB, including those set out in the Composite Offer Document, which formed a substantial

LETTER FROM MORGAN STANLEY ASIA LIMITED

basis for the opinion in this letter. We have assumed that all such information, opinions and representations so supplied by the WLB Directors and/or the management of WLB, and all such information, opinions and representations referred to or contained in the Composite Offer Document, were true, accurate, complete and not misleading at the time they were supplied, expressed or made, and have remained so up to the date of the Composite Offer Document and that no material facts have been omitted. No representation or warranty, whether express or implied, is made by us as to the truth, accuracy or completeness of such information, opinions and/or representations. We are not aware of any facts or circumstances which would render the information provided, opinions expressed and representations made to us untrue, inaccurate, incomplete or misleading. The WLB Directors have also jointly and severally accepted full responsibility for the truth, accuracy and completeness of the information in the Composite Offer Document in relation to the WLB Group and have confirmed, having made all reasonable enquiries, that to the best of their knowledge, opinions of WLB and the WLB Directors expressed in the Composite Offer Document have been arrived at after due and careful consideration and there are no facts (other than those relating to the CMB Group) not contained in the Composite Offer Document, the omission of which would make any statement in the Composite Offer Document relating to the WLB Group (other than those relating to CMB) misleading. We are not responsible for, and have not carried out any independent verification of, the information provided or otherwise made available, opinions expressed and representations made, to us. We have not made any independent valuation or appraisal of the assets or liabilities of the WLB Group, nor have we been furnished with any such appraisals. We have assumed that the General Offer will be consummated in accordance with the terms set forth in the Composite Offer Document without any waiver, amendment, addition or delay of any terms or conditions. We have assumed that in connection with the receipt of all the necessary governmental, regulatory or other approvals and consents required for the General Offer, no delays, limitations, conditions or restrictions will be imposed that would have a material adverse effect on the contemplated benefits expected to be derived in the General Offer. In addition, our opinion is necessarily based on financial, market, economic, industry-specific and other conditions as they exist on, and the information made available to us as at, the date of this letter.

In rendering our advice and giving our recommendation, we have not had regard to the general or specific investment criteria, financial situation, risk profile, tax position, objectives, needs, constraints or any other circumstance of any WLB Shareholder. It is also not possible to opine if the General Offer is in the interest of each individual WLB Shareholder. As different WLB Shareholders could have different investment criteria, objectives and/or circumstances, we would recommend any WLB Shareholder who may require advice in relation to any aspect of the Composite Offer Document, or as to the action to be taken, to consult a licensed securities dealer, bank manager, solicitor, professional accountant, tax adviser or other professional adviser. The opinion contained in this letter is only intended to provide one of the bases on which the Independent WLB Board Committee may make their recommendation to the Independent WLB Shareholders.

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WLB has been separately advised by its own professional advisers with respect to the General Offer and the preparation of the Composite Offer Document (other than this letter). We are not legal, tax, regulatory or actuarial advisers to WLB. We are the independent financial adviser to the Independent WLB Board Committee and have relied upon, without independent verification, the assessment of WLB and their legal, tax, regulatory or actuarial advisers with respect to legal, tax, regulatory or actuarial matters. We have not received any information from, and have not conducted any discussions with, CMB with respect to the General Offer. We have had no role or involvement and have not provided and will not provide any advice (financial or otherwise) whatsoever in the preparation, review or verification of the Composite Offer Document (other than this letter). Accordingly, we take no responsibility for, and express no views on, whether expressly or implicitly, the contents of the Composite Offer Document (other than this letter). Furthermore, our opinion does not address the merits of the underlying decision by the parties to engage in the General Offer.

It is understood that this letter and our opinion expressed herein is solely for the assistance of the Independent WLB Board Committee in connection with its consideration of the General Offer except that this letter may be included in its entirety in the Composite Offer Document pursuant to Rule 2.1 of the Takeover Code. Nothing in this letter should be construed as an opinion or view as to the trading price or market trends of the WLB Shares or any other securities of WLB generally or at any particular time in the past, present or future.

It is emphasized that none of Morgan Stanley Asia Limited or any of its directors or affiliates or any other persons involved in the General Offer accepts responsibility for any tax or other effects on, or liabilities of, any person or persons as a result of their acceptance or rejection of the General Offer.

We have acted as an independent financial adviser to the Independent WLB Board Committee in connection with the General Offer and will receive a fee for our services, which is contingent upon rendering of this letter.

2. SCOPE OF WORK

In undertaking our financial assessment of the terms of the General Offer and arriving at our advice to the Independent WLB Board Committee set out below, we have, amongst other things:

- (i) reviewed the Composite Offer Document and the terms of the General Offer as described in the Composite Offer Document;
- (ii) reviewed certain publicly-available information relating to WLB and CMB, respectively, including audited consolidated financial statements of the WLB Group for the three financial years ended 31 December 2005, 2006 and 2007, audited consolidated interim statements for the six months ended 30 June 2008, and audited consolidated financial statements of the CMB Group for the three financial years ended 31 December 2005, 2006 and 2007;

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- (iii) reviewed the recent financial performance of WLB and compared it with that of certain publicly-traded comparable banks that we consider to be relevant;
- (iv) analyzed the historical price performance of WLB Shares on both an absolute basis and relative to the price performance of the shares of certain publicly-traded comparable banks that we consider to be relevant;
- (v) compared the ratio of the share price to the book value, which corresponds to the publicly-reported shareholders' funds ("BV") on a per share basis ("Price/BV Ratio"), implied by the terms of the General Offer, to the historical Price/BV Ratio of WLB;
- (vi) compared the ratio of the share price to the publicly-reported consolidated profit attributable to shareholders ("Earnings") on a per share basis ("Price/Earnings Ratio") and the Price/BV Ratio, implied by the terms of the General Offer, to the current Price/Earnings Ratios and Price/BV Ratios of certain publicly-traded comparable banks that we consider to be relevant;
- (vii) compared the Price/Earnings Ratio, Price/BV Ratio and premium paid implied by the terms of the General Offer to those of comparable acquisition transactions;
- (viii) conducted a limited number of discussions with certain members of the senior management of WLB on the past and current operations and financial condition and the prospects of WLB; and
- (ix) reviewed such other relevant information and considered such other factors as we have deemed appropriate.

3. BACKGROUND TO AND TERMS OF THE GENERAL OFFER

On 2 June 2008, CMB and WLB jointly announced that on 30 May 2008, CMB entered into the Sale and Purchase Agreements with the respective Vendors, pursuant to which CMB had conditionally agreed to purchase and the respective Vendors had conditionally agreed to sell or procure the sale of the Sale Shares for cash consideration in an aggregate sum of HK\$19,302,110,605.00 (equivalent to HK\$156.50 per Sale Share). Immediately prior to Completion, CMB and parties acting in concert with it did not hold any WLB Shares.

On 30 September 2008, CMB and WLB jointly announced that Completion took place on 30 September 2008 and immediately following Completion, CMB and persons acting in concert with it owned 123,336,170 WLB Shares, representing approximately 53.12% of the entire issued share capital of WLB as at the Latest Practicable Date. In accordance with Rule 26.1 of the Takeovers Code, CMB is required to make the General Offer for all the issued WLB Shares (other than those WLB Shares already owned by or agreed to be acquired by CMB or parties acting in concert with it).

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On behalf of CMB, J.P. Morgan is unconditionally making the General Offer to acquire all the WLB Shares not already owned or agreed to be acquired by CMB and parties acting in concert with it, on the following basis:

For each Offer Share HK\$156.50 in cash

Further terms of the General Offer are set out in the “Letter from J.P. Morgan” and Appendix I of the Composite Offer Document. The “Letter from J.P. Morgan” also sets out, among other things, certain background information on CMB, the reasons for the General Offer and the intention of CMB in relation to the WLB Group.

The General Offer is unconditional in all respects and is therefore not conditional upon any minimum level of acceptances being received or subject to any other conditions.

4. PRINCIPAL FACTORS AND REASONS CONSIDERED

In assessing the General Offer and giving our recommendation to the Independent WLB Board Committee, we have taken into account the following principal factors and reasons:

(a) Historical Financial Performance of WLB

WLB is a Hong Kong licensed bank with its shares listed on the Stock Exchange. Through its branches, WLB provides banking, securities and other financial related services to corporate and retail customers in Hong Kong. A summary of the audited consolidated financial results of the WLB Group for each of the three financial years ended 31 December 2005, 2006 and 2007, and the audited consolidated interim financial results of the WLB Group for the six months ended 30 June 2008, are set out in Appendix II to the Composite Offer Document respectively.

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Set out below is a summary of the published audited consolidated financial results of the WLB Group for the three financial years ended 31 December 2005, 2006 and 2007, and the published audited consolidated financial results of the WLB Group for the six months ended 30 June 2008, and a brief review of the financial performance of the WLB Group during the period.

	Financial year ended 31 December			Six months ended	
				30 June	
	2005	2006	2007	1H 2007⁽¹⁾	1H 2008
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Net Interest Income	1,134,618	1,399,025	1,491,589	731,589	677,177
Net Fees and Commission Income	201,942	288,489	500,118	194,007	192,316
Insurance Profit/(Loss) ⁽²⁾	93,661	92,497	81,955	32,727	(83,906)
Net Trading Gain/(Loss) ⁽³⁾	102,331	219,310	104,511	103,849	(205,629)
Net Gain on Disposal of Available-for- Sale Securities	66,343	6,154	104,130	19,310	252,915
Other Operating Income	<u>107,175</u>	<u>85,649</u>	<u>162,091</u>	<u>81,060</u>	<u>95,386</u>
Operating Income	1,706,070	2,091,124	2,444,394	1,162,542	928,259
Operating Expenses	<u>(576,093)</u>	<u>(674,757)</u>	<u>(738,479)</u>	<u>(349,929)</u>	<u>(440,818)</u>
Operating Profit Before Impairment Charge for Credit Losses	1,129,977	1,416,367	1,705,915	812,613	487,441
Impairment Charge for Credit Losses ⁽⁴⁾	<u>(19,830)</u>	<u>(44,254)</u>	<u>(503,448)</u>	<u>(11,563)</u>	<u>(291,335)</u>
Operating Profit After Impairment Charge for Credit Losses	1,110,147	1,372,113	1,202,467	801,050	196,106

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	Financial year ended 31 December			Six months ended	
	2005	2006	2007	30 June	
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	1H 2007⁽¹⁾	1H 2008
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Net Loss on Disposal of Other Properties and Equipment	(926)	(1,417)	(994)	(347)	(337)
Fair Value Adjustments on Investment Properties	188,652	512,626	305,264	162,880	186,676
Revaluation Deficit on Bank Premises	(79)	–	–	–	–
Share of Net Profits/(Losses) of Jointly Controlled Entities	6,649	36,749	67,637	24,017	(37,800)
Share of Net Profits of Associates	<u>1,323</u>	<u>3,216</u>	<u>1,707</u>	<u>1,270</u>	<u>1,895</u>
Profit Before Taxation	1,305,766	1,923,287	1,576,081	988,870	346,540
Income Tax	<u>(196,951)</u>	<u>(317,498)</u>	<u>(204,567)</u>	<u>(133,429)</u>	<u>3,690</u>
Net Profit Attributable to Shareholders	<u><u>1,108,815</u></u>	<u><u>1,605,789</u></u>	<u><u>1,371,514</u></u>	<u><u>855,441</u></u>	<u><u>350,230</u></u>
Earnings per share					
Basic (HK\$)	4.78	6.92	5.91	3.68	1.51
Diluted (HK\$)	<u>4.78</u>	<u>6.92</u>	<u>5.91</u>	<u>3.68</u>	<u>1.51</u>
Dividends	626,913	789,446	557,256	208,971	116,095
Dividends per share	<u>2.70</u>	<u>3.40</u>	<u>2.40</u>	<u>0.90</u>	<u>0.50</u>

Notes:

1. Unaudited results for the six months ended 30 June 2007
2. Net of charge for insurance claims
3. Including a mark-to-market loss for CDOs of: (i) HK\$131.1 million for 2007; (ii) HK\$228.7 million for 1H 2008
4. Including an impairment loss for SIV investments of: (i) HK\$463.0 million for 2007; (ii) HK\$285.1 million for 1H 2008

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Net interest income

Net interest income increased from approximately HK\$1,134.6 million in 2005 to approximately HK\$1,399.0 million in 2006, and further increased to approximately HK\$1,491.6 million for the financial year ended 31 December 2007. The increase in net interest income in 2006 was largely due to a slight widening of net interest margin.

For 2007, the increase in net interest income was due largely to the strong growth in local property market resulting in an increase in loan demand. However, the increase in loan demand was slightly offset by the narrowing of the interest rate spreads, as banks in Hong Kong tracked the US Dollar interest rate cuts.

Net interest income reduced to approximately HK\$677.2 million for the six months ended 30 June 2008, compared to approximately HK\$731.6 million for the same period in 2007. Due to severe competition, interest rate spreads narrowed with net interest margin dropping 26 basis points below the same period in 2007.

Operating profit after impairment charge for credit losses

Operating profit after impairment charge for credit losses increased from approximately HK\$1,110.1 million in 2005 to approximately HK\$1,372.1 million in 2006, but subsequently decreased to approximately HK\$1,202.5 million for the financial year ended 31 December 2007.

For the financial year ended 31 December 2006, in addition to the increase in net interest income, net fees and commission increased by 42.9% to HK\$288.5 million. On the other hand, insurance profit dropped by 1.2% to HK\$92.5 million, and operating expenses went up by 17.1% to HK\$674.8 million as a result of staff increase and the rise in equipment maintenance and depreciation expenses. Furthermore, impairment charge for credit losses increased by 123.2% to approximately HK\$44.3 million.

For 2007, although net interest income and net fees and commission increased by 6.6% and 73.4% to HK\$1,491.6 million and HK\$500.1 million, respectively, the decline in operating profit after impairment charge for credit losses was primarily caused by an increase in operating expenses of HK\$63.7 million, an impairment allowance against Structured Investments Vehicles (“SIV”) portfolio of HK\$463.0 million, and a mark-to-market loss for Collateralised Debt Obligations (“CDO”) of HK\$131.1 million.

Operating profit after impairment charge for credit losses was approximately HK\$196.1 million for the six months ended 30 June 2008, compared to approximately HK\$801.1 million for the same period in 2007. The decrease was primarily due to a net trading loss of HK\$205.6 million from mark-to-market loss on CDO portfolio of HK\$228.7 million, a net loss from insurance operations of HK\$83.9 million, and an additional impairment allowance against SIV investments of HK\$285.1 million. In addition, operating expenses also increased HK\$90.9 million compared to the same period last year, mainly due to higher staffing costs and advertising and promotion expenses related to the WLB’s 75th Anniversary.

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Net profit attributable to WLB Shareholders

For the financial year ended 31 December 2007, WLB reported a consolidated net profit attributable to WLB Shareholders of approximately HK\$1,371.5 million compared to approximately HK\$1,605.8 million for the financial year ended 31 December 2006, and approximately HK\$1,108.8 million for the financial year ended 31 December 2005.

In addition to the reasons for the change in operating profit after impairment charge for credit losses in 2006 as discussed above, the increase in net profit attributable to WLB Shareholders of approximately HK\$497.0 million in 2006 was due largely to the growth in both net interest income and non-interest income as well as revaluation surplus on investment properties. On the other hand, the decline in net profit for the financial year ended 31 December 2007, compared to 2006, was due mainly to the mark-to-market loss on CDO and the impairment allowance made for SIV, totaling HK\$594.1 million, and a lower revaluation gain on investment properties of HK\$305.3 million, compared to HK\$512.6 million in 2006.

Net profit attributable to the WLB Shareholders decreased to approximately HK\$350.2 million for the six months ended 30 June 2008, compared to approximately HK\$855.4 million for the same period in 2007. The decrease was due largely to the mark-to-market loss on CDO and impairment allowance made for the investment in SIV totaling HK\$513.8 million.

SIV and CDO

For the financial year ended 31 December 2007, and the six months ended 30 June 2008, WLB recorded an impairment allowance of HK\$463.0 million and HK\$285.1 million, respectively, against its SIV portfolio. WLB made these provisions amidst deterioration in the asset-backed securities market. An amount of HK\$58.0 million was written off in the six months ended 30 June 2008. As at 30 June 2008, the total accumulated impairment allowance stood at 95.5% of the WLB Group's gross SIV investments with the net exposure amounting to HK\$26.7 million.

WLB recorded a mark-to-market loss against its CDO portfolio of HK\$131.1 million for the financial year ended 31 December 2007, and an additional HK\$228.7 million loss for the six months ended 30 June 2008. The valuation of the CDO investments is the result of the challenging credit market conditions in the second half of 2007 and the deterioration in the first six months of 2008. As at 30 June 2008, the total accumulated mark-to-market loss stood at 41.9% of the WLB Group's gross CDO portfolio with the net exposure amounting to HK\$498.1 million.

We have not conducted any independent review or assessment of WLB Group's SIV and CDO investments or its underlying securities.

(b) Hong Kong Banking Environment

Hong Kong had experienced a period of strong economic growth, with GDP increasing at an average annual rate of 7.2% over the 2004-2007 period. However, Hong Kong, like other advanced economies globally, is currently facing slower GDP growth, financial market turbulence and rising inflation. Recent statistics show that GDP growth has slowed down to 4.2% in the second quarter of 2008 compared to 6.2% in the second quarter of 2007. Inflationary pressure continues to trend upward in the second quarter, with headline consumer price inflation rising to 5.7%. The Hang Seng Index has lost 35.8% since the beginning of 2008, following a gain of 36.9% in 2007.

Local banks had delivered a strong financial performance during the 2004 to 2007 period, driven by high loan and fee income growth, improving margins and benign asset quality. Banks experienced a sharp increase in their loan balance benefiting from the continued decline in lending rates, while fee income also grew strongly, with high loan growth driving fees from normal banking operations. Continued growth in market-related fees such as brokerage and wealth management also contributed to the bottom line.

The operating environment for banks in Hong Kong has become more challenging since the first half of 2008 due to deteriorating economic environment and difficult financial market conditions. Revenue growth has slowed down and margins have come under increasing pressure as competition amongst the banks intensifies. Continued weakness in the capital markets has negatively impacted fee income growth, trading gains as well as funding cost. Some local banks have also been significantly impacted by impairments on their CDO and SIV investments. These factors have affected the profitability of Hong Kong banks, including WLB as a standalone entity in the first half of 2008, and may continue to do so in the near future.

(c) Financial Assessment of the General Offer

In assessing the fairness and reasonableness of the General Offer, we have compared:

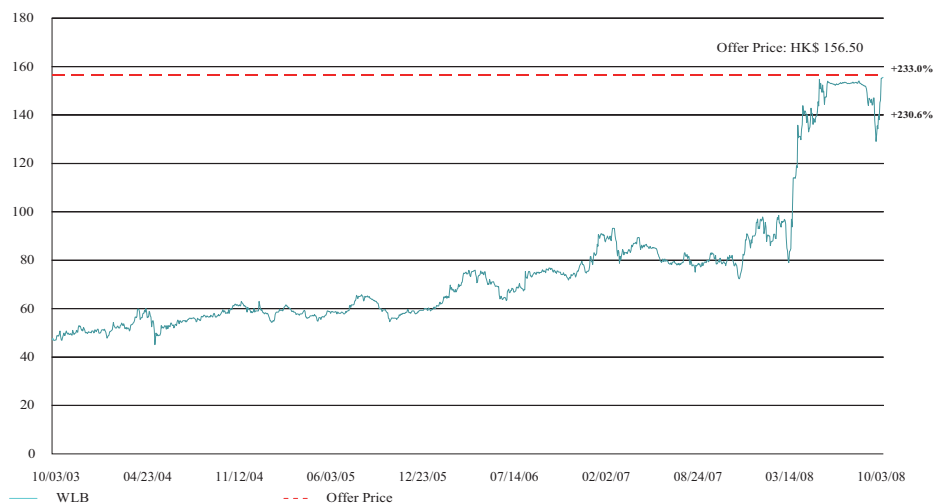
- (i) the Offer Price to the historical trading price performance of WLB Shares and the Price/BV Ratio implied by the Offer Price to the historical Price/BV Ratio of WLB;
- (ii) the Price/Earnings Ratio and Price/BV Ratio implied by the Offer Price to the Price/Earnings Ratios and the Price/BV Ratios at which the shares of comparable listed companies currently trade;
- (iii) the historical trading price performance of WLB Shares and of the shares of comparable listed companies;
- (iv) the Price/Earnings Ratio and Price/BV Ratio implied by the Offer Price to the Price/Earnings Ratios and Price/BV Ratios in comparable acquisitions involving Hong Kong commercial banks; and
- (v) the premia implied by the Offer Price relative to the premia paid in comparable acquisitions involving Hong Kong commercial banks.

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Historical Trading Price Performance of WLB Shares

The graph below shows the trend of the daily closing price of WLB Shares on the Stock Exchange for the last five years from 3 October 2003 to the Latest Practicable Date.

Historical Trading Price of WLB Shares (3 October 2003 – Latest Practicable Date)



Source: Factset

As illustrated by the graph above, in the five-year period prior to the Latest Practicable Date, the trading price of WLB Shares never exceeded the Offer Price.

We have also set out below a comparison of the Offer Price to the share price of the WLB Shares over different periods of time.

Prior to the commencement of the Offer Period on 20 March 2008

The Offer Price represents:

- (i) a premium of approximately 52.68% over the closing price of HK\$102.50 per WLB Share as quoted on the Stock Exchange on 19 March 2008, being the last trading day prior to the commencement of the Offer Period;
- (ii) a premium of approximately 70.24% over the average closing price of WLB Shares as quoted on the Stock Exchange for the last 30 consecutive full trading days prior to the commencement of the Offer Period on 20 March 2008, being approximately HK\$91.93 per WLB Share;
- (iii) a premium of approximately 77.04% over the average closing price of WLB Shares as quoted on the Stock Exchange for the last 90 consecutive full trading days prior to the commencement of the Offer Period on 20 March 2008, being approximately HK\$88.40 per WLB Share;

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- (iv) a premium of approximately 86.44% over the average closing price of WLB Shares as quoted on the Stock Exchange for the last 180 consecutive full trading days prior to the commencement of the Offer Period on 20 March 2008, being approximately HK\$83.94 per WLB Share; and
- (v) a premium of approximately 89.38% over the average closing price of WLB Shares as quoted on the Stock Exchange for the last 365 consecutive full trading days prior to the commencement of the Offer Period on 20 March 2008, being approximately HK\$82.64 per WLB Share.

Prior to the suspension of trading of the WLB Shares on 30 May 2008

The Offer Price represents:

- (i) a premium of approximately 6.17% over the closing price of HK\$147.40 per WLB Share as quoted on the Stock Exchange on 29 May 2008, being the last full trading day prior to the suspension of trading of the WLB Shares on 30 May 2008;
- (ii) a premium of approximately 9.72% over the average closing price of WLB Shares as quoted on the Stock Exchange for the last 30 consecutive full trading days prior to the suspension of trading of the WLB Shares on 30 May 2008, being approximately HK\$142.64 per WLB Share;
- (iii) a premium of approximately 35.80% over the average closing price of WLB Shares as quoted on the Stock Exchange for the last 90 consecutive full trading days prior to the suspension of trading of the WLB Shares on 30 May 2008, being approximately HK\$115.24 per WLB Share;
- (iv) a premium of approximately 57.99% over the average closing price of WLB Shares as quoted on the Stock Exchange for the last 180 consecutive full trading days prior to the suspension of trading of the WLB Shares on 30 May 2008, being approximately HK\$99.06 per WLB Share; and
- (v) a premium of approximately 72.62% over the average closing price of WLB Shares as quoted on the Stock Exchange for the last 365 consecutive full trading days prior to the suspension of trading of the WLB Shares on 30 May 2008, being approximately HK\$90.66 per WLB Share.

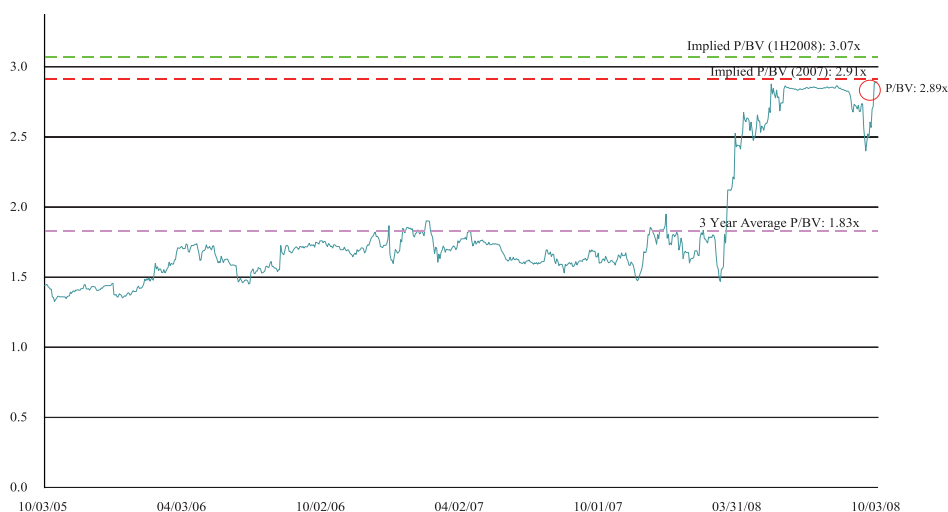
Prior to the publication of certain news articles on the potential sale of the Sale Shares by the Vendors on 13 February 2008

The Offer Price represents a premium of 76.14% over the closing price of HK\$88.85 per WLB Share as quoted on the Stock Exchange on 12 February 2008, being the last full trading day prior to the news articles of the potential sale of the Sale Shares by the Vendors on 13 February 2008 (the “Unaffected Date”).

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The graph below compares the historical trading Price/BV Ratio of WLB Shares for the last three years from 3 October 2005 to the Latest Practicable Date, based on the latest reported full-year financial statements available at that time, to the Price/BV Ratio implied by the Offer Price.

WLB Historical Price/BV Ratio (3 October 2005 – Latest Practicable Date)⁽¹⁾



Sources: Factset, Company filings

Note:

1. Historical P/BV based on actual BV for each year

The above graph demonstrates that for the entire three-year period from 3 October 2005 to the Latest Practicable Date, WLB Shares traded at a Price/BV Ratio below that implied by the Offer Price. The Price/BV Ratio of 2.91x, implied by the Offer Price and the 2007 BV of HK\$12,480.1 million, represents a premium of 59.0% over the simple average of Price/BV Ratio over the three-year period.

Comparable Companies Trading and Operating Analysis

We have calculated the current Price/Earnings Ratios and Price/BV Ratios for Hong Kong listed banks that we consider to be comparable (the “Comparable Companies”) to WLB, based on (i) the closing share prices of each of these Comparable Companies as quoted on the Stock Exchange as at the Latest Practicable Date; (ii) the Earnings for the twelve months ended 31 December 2007, and the latest twelve months (“LTM”) ended 30 June 2008; and (iii) the publicly-reported BV as at 31 December 2007 and 30 June 2008. In selecting the Comparable Companies, we have considered, amongst other things, listed commercial banks that operate mainly in Hong Kong and that have a current market value of issued equity greater than HK\$5,000 million and total assets, based on latest published audited financial statements, greater than HK\$50,000 million. We have also considered the Price/Earnings Ratio and Price/BV Ratio of WLB based on the closing share price as at the Latest Practicable Date, and as implied by the Offer Price, and based on the Earnings for the twelve months ended 31

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December 2007 and 30 June 2008, and the BV as at 31 December 2007 and 30 June 2008 for WLB. The results of our calculations are set out in the table below.

Bank	Market Data ⁽¹⁾			Market Value				Operating Performance					
	Price	Market Cap (HK\$ MM)	Market Cap (US\$ MM)	Earnings		Book Value		ROAE		ROAA		Div Yield	
				2007A	LTM	2007A	2008 1H	2007A	LTM	2007A	LTM	2007A	LTM
(HK\$)	(MM)	(MM)	(x)	(x)	(x)	(x)	(%)	(%)	(%)	(%)	(%)	(%)	
Hang Seng Bank	123.70	236,495	30,430	13.0x	12.8x	4.19x	4.25x	35.3%	34.0%	2.6%	2.5%	5.1%	5.1%
BEA	22.70	37,929	4,880	9.2x	12.0x	1.25x	1.11x	14.3%	10.1%	1.2%	0.9%	7.3%	6.2%
CIFH ⁽²⁾	4.88	28,105	3,616	15.2x	15.8x	1.06x	0.98x	7.9%	6.5%	1.6%	1.4%	n.a.	n.a.
Wing Hang Bank	56.05	16,537	2,128	8.1x	8.2x	1.57x	1.54x	20.5%	19.7%	1.6%	1.5%	6.1%	6.1%
ICBC (Asia) ⁽²⁾	12.94	16,434	2,115	10.2x	9.1x	1.09x	1.07x	12.3%	13.2%	0.9%	0.8%	6.6%	7.0%
Dah Sing Financial ⁽²⁾	33.00	8,589	1,105	8.2x	11.2x	0.67x	0.66x	8.3%	5.9%	0.9%	0.6%	4.5%	4.3%
Chong Hing Bank ⁽²⁾	13.76	5,986	770	11.9x	19.4x	0.95x	0.98x	8.2%	5.0%	0.8%	0.4%	4.7%	4.3%
Fubon Bank (HK) ⁽²⁾	2.99	3,505	451	7.6x	7.1x	0.85x	0.84x	11.4%	12.0%	0.8%	0.8%	6.0%	6.0%
Mean	33.75	44,197	5,687	10.4x	12.0x	1.46x	1.43x	14.8%	13.3%	1.3%	1.1%	5.8%	5.6%
Mean (Comparable Mid-Sized Banks)⁽²⁾	13.51	12,524	1,611	10.6x	12.5x	0.93x	0.90x	9.6%	8.5%	1.0%	0.8%	5.5%	5.4%
WLB at Latest Practicable Date	155.40	36,082	4,643	26.3x	41.7x	2.89x	3.05x	11.5%	7.3%	1.5%	0.9%	1.5%	1.3%
WLB at Offer Price	156.50	36,338	4,654	26.5x	41.9x	2.91x	3.07x	11.5%	7.3%	1.5%	0.9%	1.5%	1.3%

Source: Audited financial statements for the year ended 31 December 2007 and for the six months ended 30 June 2008, for each of the Comparable Companies and WLB Group, closing share prices as quoted on the Stock Exchange as at the Latest Practicable Date

Notes:

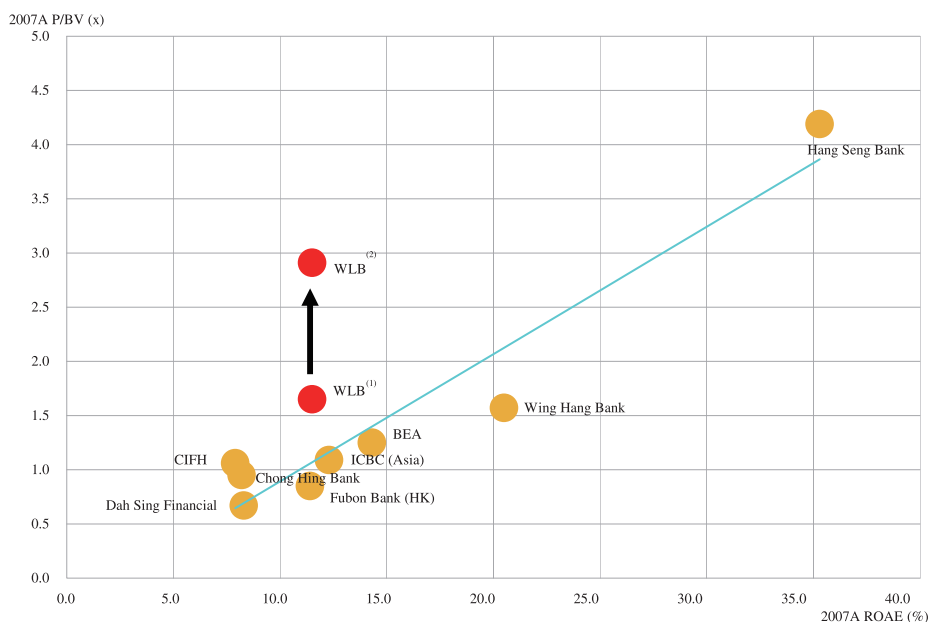
- Market data as at the Latest Practicable Date
- Comparable mid-sized banks with similar ROAE levels include: CIFH, ICBC (Asia), Dah Sing Financial, Chong Hing Bank, and Fubon Bank (HK)

As shown in the table above, the 2007 Price/Earnings Ratio and the Price/BV Ratio implied by the Offer Price represent premia of 154.8% and 99.3%, respectively, over the mean corresponding ratios of the Comparable Companies. The premia using LTM Price/Earnings Ratio and 1H2008 Price/BV Ratio are even higher, at 249.2% and 114.7%, respectively. If we only take into account mid-sized comparable banks with similar profitability levels to WLB, which we consider to include CIFH, ICBC (Asia), Dah Sing Financial, Chong Hing Bank, and Fubon Bank (HK), the LTM Price/Earnings Ratio and the 1H2008 Price/BV Ratio implied by the Offer Price represent premia of 235.2% and 241.1%, respectively.

We have also compared the current profitability and valuation level of all comparable companies, using a regression analysis of Price/BV Ratio, based on the BV as at 31 December 2007, and the return on average equity (“ROAE”), based on the Earnings for the twelve months ended 31 December 2007, and the average of the BV as at 31 December 2006 and 31 December 2007.

LETTER FROM MORGAN STANLEY ASIA LIMITED

The graph illustrates a significant correlation between the Price/BV Ratio and ROAE ratio. The 2007 Price/BV Ratio of WLB, implied by the Offer Price, is at a premium to the regression line for comparable companies, taking into account their ROAE levels. Furthermore, the 2007 Price/BV Ratio of WLB, implied by the Offer Price, is also significantly higher than the 2007 Price/BV Ratio implied by the WLB Share price on the Unaffected Date.



Notes:

1. 2007A P/BV of 1.65x is implied by the price of HK\$88.85 on the Unaffected Date
2. 2007A P/BV of 2.91x is implied by the Offer Price of HK\$156.50

LETTER FROM MORGAN STANLEY ASIA LIMITED

The graph below compares the trading price of WLB Shares to a rebased index that represents the market value-weighted trading share price performance of the Comparable Companies, and a rebased Hang Seng Index, for the last five years from 3 October 2003 to the Latest Practicable Date. The graph illustrates that the price of WLB Shares moved broadly in line with the rebased index of the Comparable Companies and the rebased Hang Seng Index until the Unaffected Date.

5-Year Rebased Trading Price Performance of WLB, Comparable Banks and Hang Seng Index⁽¹⁾



Source: Factset

Notes:

1. As at the Latest Practicable Date
2. Rebased to WLB's Share price of HK\$47.00 on 3 October 2003
3. Comparable banks include: Hang Seng Bank, BEA, CIFH, Wing Hang Bank, ICBC (Asia), Dah Sing Financial, Chong Hing Bank, and Fubon Bank (HK)

LETTER FROM MORGAN STANLEY ASIA LIMITED

Analysis of Selected Comparable Acquisitions Involving Hong Kong Commercial Banks

We have reviewed information relating to selected publicly-announced acquisition transactions since 2000 involving commercial banks that operate in Hong Kong and which we consider to be relevant (“Comparable Bank Transaction(s)”). For each Comparable Bank Transaction, we have compared the total price (“Transaction Value”) reported to be paid for 100% of the issued equity capital of the company acquired (“Target Company”), or implied to be paid for 100% of the Target Company in the case of an acquisition of less than 100% of the Target Company (“Implied Value”), to the latest reported twelve-month earnings (Price/Earnings Ratio) and the latest reported BV (Price/BV Ratio) of the Target Company available prior to the announcement of the Comparable Bank Transaction. For each Comparable Bank Transaction, we have also compared the percentage premia paid over the 3 months and 6 months average closing share prices prior to the announcement of the Comparable Bank Transaction, when available. The results of this analysis, together with the corresponding ratios and premia implied by the Offer Price, are set out in the table below.

Ann. Date	Acquirer	Target	Stake (%)	Trans. Value ⁽¹⁾ (US\$MM)	Implied Value ⁽¹⁾ (US\$MM)	Price/BV ⁽²⁾ (x)	Price/Earnings ⁽²⁾ (x)	Premium over (discount to) average closing price prior to announcement	
								3 Months	6 Months
12/27/2007	ICBC	ICBC Asia	8.2%	244	2,967	2.09	18.6	(3.8%)	0.5%
11/19/2007	BOCHK	BEA	4.9%	508	10,275	2.89	23.3	11.7%	12.3%
08/24/2007	COSCO (HK)	Chong Hing Bank	20.0%	268	1,338	1.73	20.7	31.5%	25.5%
12/22/2006	Wing Hang Bank	Inchroy Credit Corp	100.0%	180	180	1.61	16.5	n.a. ⁽³⁾	n.a. ⁽³⁾
11/23/2006	BBVA	CIFH	14.6%	626	4,292	3.53	30.3	21.9%	28.2%
08/24/2006 ⁽⁴⁾	CCB	BoA (Asia)	100.0%	1,249	1,249	1.32	18.1	n.a. ⁽³⁾	n.a. ⁽³⁾
02/15/2006	Public Bank (JCG Holdings)	Asia Commercial Bank ⁽⁵⁾	100.0%	580	580	2.40	52.0	n.a. ⁽³⁾	n.a. ⁽³⁾
06/29/2004	Standard Chartered	Advantage Ltd	100.0%	126	126	1.98	41.9	n.a. ⁽³⁾	n.a. ⁽³⁾
09/08/2003 ⁽⁴⁾	Fubon FHC	International Bank of Asia	75.1%	415	553	1.15	19.1	23.8%	28.5%
08/21/2003	ICBC (Asia)	Fortis Bank Asia HK	100.0%	277	277	1.22	21.9	n.a. ⁽³⁾	n.a. ⁽³⁾
08/01/2003 ⁽⁴⁾	Wing Hang Bank	Chekiang First Bank	100.0%	616	616	1.22	23.2	n.a. ⁽³⁾	n.a. ⁽³⁾
11/01/2001 ⁽⁴⁾	CITIC Ka Wah Bank	Hong Kong Chinese Bank	100.0%	538	538	1.25	46.1	n.a. ⁽³⁾	n.a. ⁽³⁾
04/11/2001 ⁽⁴⁾	DBS	Dao Heng Bank	100.0%	5,376	5,376	3.34	24.2	49.5%	48.8%
11/20/2000 ⁽⁴⁾	BEA	First Pacific Bank Holding	100.0%	560	560	1.52	n.m.	34.6%	81.7%
04/19/2000 ⁽⁴⁾	ICBC	Union Bank of Hong Kong	100.0%	435	435	1.40	n.m.	6.6%	19.7%
Mean (Comparable Bank Transactions)⁽⁴⁾				1,313	1,332	1.60	26.1	22.0%	30.7%
Median (Comparable Bank Transactions)⁽⁴⁾				560	560	1.32	23.2	22.9%	26.9%
06/02/2008	CMB	WLB	53.1%	2,474	4,656	2.91	26.5	24.0%	43.8%
2/12/2008 ⁽⁶⁾	CMB	WLB						79.8%	88.0%

Source: Company filings

Notes:

- For an acquisition of less than 100% of the Target Company, the Implied Value represents the amount implied to be paid for 100% of the Target Company
- Calculated from last year end financials prior to announcement date

LETTER FROM MORGAN STANLEY ASIA LIMITED

3. Not available because the Target Company is not publicly listed or is a privately held subsidiary of a listed company
4. Comparable Bank Transactions include: CCB-BoA (Asia), Fubon FHC-International Bank of Asia, Wing Hang Bank-Chekiang First Bank, CITIC Ka Wah Bank-Hong Kong Chinese Bank, DBS-Dao Heng Bank, BEA-First Pacific Bank, and ICBC-Union Bank of Hong Kong
5. Asia Commercial Bank Limited, a company incorporated in Hong Kong, is a wholly-owned subsidiary of Asia Financial Holdings Limited
6. The premium paid implied by the Offer Price using the Unaffected Date as the benchmark date

The Price/BV Ratio implied by the Offer Price represents significant premia of 81.9% and 120.5% to the mean and median Price/BV Ratios achieved in the Comparable Bank Transactions, respectively. Furthermore, the Price/Earnings Ratio implied by the Offer Price represents premia of 1.5% and 14.2% to the mean and median Price/Earnings Ratios of the Comparable Bank Transactions, respectively.

The percentage premia implied by the Offer Price to the 3 months and 6 months average closing share prices prior to the Joint Announcement are 24.0% and 43.8%, respectively. However, due to speculation of a possible transaction prior to the date of the Joint Announcement, including the announcement on 20 March 2008 by WLB on the potential sale of the Sale Shares by the Vendors, we believe that the appropriate benchmark date is the Unaffected Date. The percentage premia implied by the Offer Price to the 3 months and 6 months average closing share prices prior to the Unaffected Date are 79.8% and 88.0%, respectively. This compares favourably to the mean and median percentage premia paid in the Comparable Bank Transactions.

(d) Alternative Proposals Relating to WLB Shares

The WLB Directors have confirmed to us that, save for the General Offer, they have not received any formal proposals concerning the WLB Shares subsequent to the date of the Joint Announcement up to the Latest Practicable Date, nor are they aware of any potential proposals that may be made in the future.

(e) CMB's Intention Relating to The WLB Group

We understand that CMB intends to continue the existing businesses of the WLB Group and has no intention to dispose of any material assets and/or businesses of WLB or inject any assets or businesses into the WLB Group but does not rule out the possibility that any of these events may occur. We also understand that CMB will keep WLB, the WLB Shareholders and investors informed by future announcement(s) if it decides on anything that requires disclosure pursuant to the Listing Rules.

We understand that CMB has confirmed its commitment to the long term stability and continuity of WLB's management and employees. Save for the resignation of certain existing WLB Directors referred to in the section headed "Change of WLB Board Composition" in the "Letter from J.P. Morgan" in the Composite Offer Document, CMB has undertaken to the Vendors that it will not terminate the employment of the staff of the WLB Group for at least 18 months from Completion, except under limited specific circumstances provided in the Sale and Purchase Agreements. We also understand that CMB has no intention to introduce any major changes to the business of the WLB Group.

LETTER FROM MORGAN STANLEY ASIA LIMITED

Given WLB's strong and established brand in Hong Kong, we understand that CMB intends to maintain the branding and the name of "Wing Lung Bank" and "永隆銀行" for a period of time to benefit from the strong reputation that WLB has developed in the Hong Kong market over the past 75 years.

It has also been further stated in the "Letter from J.P. Morgan" that CMB views the Hong Kong market to be very important to its international expansion strategy. It is further stated that through the Acquisition and the General Offer, CMB intends to fully utilize WLB's strong network and reputation to provide diversified financial services to customers in Hong Kong. At the same time, CMB intends to combine its own strengths in retail and SME banking, online banking and credit cards with WLB's comprehensive product offering and expertise to enhance CMB's own financial products and services for its customer base in mainland China.

(f) Compulsory Acquisition and Withdrawal of Listing

As stated in the "Letter from J.P. Morgan", if CMB acquires not less than 90% of the Offer Shares within, but not exceeding, four months from the Despatch Date (within the meaning of the ninth schedule of the Companies Ordinance), CMB intends to exercise any right it may have under the Companies Ordinance to compulsorily acquire those Offer Shares not acquired by CMB pursuant to the General Offer. On completion of such compulsory acquisition, WLB would become a wholly-owned subsidiary of CMB and application will be made for the withdrawal of the listing of the WLB Shares from the Stock Exchange in accordance with the Listing Rules.

Pursuant to Rule 15.6 of the Takeovers Code, where CMB has stated in the Composite Offer Document its intention to avail itself of its powers of compulsory acquisition, the General Offer may not remain open for acceptance for more than four months from the Despatch Date, unless CMB has, by that time, become entitled to exercise such powers of compulsory acquisition, in which event it must do so without delay.

Pursuant to Rule 2.11 of the Takeovers Code, except with the consent of the Executive, where CMB seeks to acquire or privatise WLB by means of the General Offer and the use of its compulsory acquisition rights, such rights may only be exercised if, in addition to satisfying any requirements imposed by the Companies Ordinance, the level of acceptances of the General Offer and purchases (in each case of the Offer Shares) made by CMB and parties acting in concert with it during the period of four months after the Despatch Date reaches 90% of the Offer Shares.

Furthermore, if the level of acceptances reaches 90% of the Offer Shares and Rule 2.11 of the Takeovers Code permits CMB to exercise such compulsory acquisition rights and CMB proceeds with the privatisation of WLB and withdrawal of listing of the WLB Shares from the Stock Exchange pursuant to Rule 6.15 of the Listing Rules, WLB will apply for a suspension of dealings in the WLB Shares from the closing of the General Offer up to the withdrawal of listing of the WLB Shares from the main board of the Stock Exchange.

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It is further stated that if CMB does not become entitled to exercise such powers of compulsory acquisition as set out in the “Letter from J.P. Morgan” in the Composite Offer Document (whether by reason of not acquiring 90% of the Offer Shares or otherwise) within four months from the Despatch Date, it is CMB’s intention to maintain the listing of WLB on the Stock Exchange. The newly appointed WLB Directors (with effect from the Despatch Date, but not earlier than this Composite Offer Document being posted) and Dr. Philip Po-him Wu, Mr. Che-shum Chung, Dr. Norman Nai-pang Leung, Mr. Lincoln Hung-leung Soo and The Hon Bernard Charnwut Chan jointly and severally undertake to the Stock Exchange, in such case, to take steps to ensure that sufficient public float exists in the WLB Shares.

However, the Stock Exchange has stated that if, at the close of the General Offer, less than the minimum prescribed percentage applicable to WLB, being 25% of the issued WLB Shares, is held by the public, or if the Stock Exchange believes that:

- (i) a false market exists or may exist in the trading of the WLB Shares; or
- (ii) there are insufficient WLB Shares in public hands to maintain an orderly market,

it will consider exercising its discretion to suspend dealings in the WLB Shares.

Thus, it should be noted that upon the closing of the General Offer, there may be insufficient public float for the WLB Shares and therefore, trading in the WLB Shares may be suspended until a prescribed level of public float is attained or, if withdrawal of the listing of the WLB Shares on the Stock Exchange is applied for, until the listing is withdrawn. Independent WLB Shareholders who are considering rejecting the General Offer and who are not intending to sell their WLB Shares in the open market prior to the close of the General Offer should therefore bear in mind that they may suffer from reduced liquidity in WLB Shares in the event that compulsory acquisition is not effected and dealings in WLB Shares are suspended.

5. OPINION

Having considered the factors and reasons as discussed above, in particular:

- (i) the WLB Shares have traded below the Offer Price for the last five years under review;
- (ii) the Price/BV Ratio implied by the Offer Price is above the Price/BV Ratios of WLB for the last three years;
- (iii) the Price/Earnings Ratio and the Price/BV Ratio of WLB implied by the Offer Price are above the trading multiples of the Comparable Companies as at the Latest Practicable Date, having considered their respective sizes, operational efficiency and profitability;

LETTER FROM MORGAN STANLEY ASIA LIMITED

- (iv) the Price/Earnings Ratio and the Price/BV Ratio of WLB implied by the Offer Price are above the mean and median transaction multiples of the Comparable Bank Transactions; and
- (v) the percentage premia paid for WLB implied by the Offer Price are above the mean and median percentage premia of the Comparable Bank Transactions,

we are of the view, as at the date hereof, that the terms of the General Offer are fair and reasonable so far as the Independent WLB Shareholders are concerned. Accordingly, we would recommend the Independent WLB Board Committee to advise the Independent WLB Shareholders to accept the General Offer.

Independent WLB Shareholders should also have regard to the market prices of the WLB Shares prior to the closing of the General Offer. They should consider selling their WLB Shares in the open market rather than accepting the General Offer if the net proceeds from the sale of their WLB Shares after deducting transaction costs are more than the net amount to be received under the terms of the General Offer.

If any Independent WLB Shareholders are able to identify other potential purchasers to purchase their WLB Shares at a price higher than the Offer Price, such Independent WLB Shareholders should consider not accepting the General Offer and should seek to sell their WLB Shares if they are able to do so.

Yours faithfully,
for and on behalf of
MORGAN STANLEY ASIA LIMITED
Edward King
Managing Director
Mergers and Acquisitions

1. TERMS OF THE GENERAL OFFER**Procedures for acceptance of the General Offer**

- (a) If the WLB Share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) in respect of your WLB Shares is/are in your name, and you wish to accept the General Offer, you must send the accompanying Form of Acceptance duly completed together with the relevant WLB Share certificate(s) and/or transfer receipt(s) and/or other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) to the Registrar.
- (b) If the WLB Share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) in respect of your WLB Shares is/are in the name of a nominee company or some names other than your own, and you wish to accept the General Offer, you must either:
- (i) lodge your WLB Share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) with the nominee company, or other nominee, with instructions authorising it to accept the General Offer, on your behalf and requesting it to deliver the accompanying Form of Acceptance duly completed together with the relevant WLB Share certificate(s) and/or transfer receipt(s) and/or other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) to the Registrar; or
 - (ii) arrange for the WLB Shares to be registered in your name by WLB through the Registrar and send the accompanying Form of Acceptance duly completed together with the relevant WLB Share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) to the Registrar; or
 - (iii) if your WLB Shares have been lodged with your licensed securities dealer (or other registered dealer in securities)/custodian bank through CCASS, instruct your licensed securities dealer (or other registered dealer in securities)/custodian bank to authorise HKSCC Nominees Limited to accept the General Offer on your behalf on or before the deadline set out by HKSCC Nominees Limited. In order to meet the deadline set by HKSCC Nominees Limited, you should check with your licensed securities dealer (or other registered dealer in securities)/custodian bank for the timing on the processing of your instruction, and submit your instruction to your licensed securities dealer/custodian bank as required by them; or

- (iv) if your WLB Shares have been lodged with your Investor Participant Account with CCASS, authorise your instruction via the CCASS Phone System or CCASS Internet System on or before the deadline set out by HKSCC Nominees Limited.
- (c) If you have lodged transfer(s) of any of your WLB Shares for registration in your name and have not yet received your WLB Share certificate(s) and you wish to accept the General Offer in respect of your WLB Shares, you should nevertheless complete the accompanying Form of Acceptance and deliver it to the Registrar together with the transfer receipt(s) duly signed by yourself. Such action will be deemed to be an irrevocable authority to CMB or its agent(s) to collect from WLB or the Registrar, on your behalf, the relevant WLB Share certificate(s) when issued and to deliver such certificate(s) to the Registrar and to authorise and instruct the Registrar to hold such WLB Share certificate(s), subject to the terms of the General Offer, as if it was/they were delivered to the Registrar with the accompanying Form of Acceptance.
- (d) If the WLB Share certificate(s) and/or transfer receipt(s) and/or, any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) in respect of your WLB Shares is/are not readily available and/or is/are lost and you wish to accept the General Offer in respect of your WLB Shares, the accompanying Form of Acceptance should nevertheless be completed and delivered to the Registrar together with a letter stating that you have lost one or more of your WLB Share certificate(s) and/or transfer receipts and/or other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) or that it/they is/are not readily available. If you find such document(s) or if it/they become(s) available, the relevant WLB Share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any indemnity or indemnities required in respect thereof) should be forwarded to the Registrar as soon as possible thereafter. If you have lost your WLB Share certificate(s), you should also write to the Registrar for a form of letter of indemnity which, when completed in accordance with the instructions given therein, should be returned to the Registrar.
- (e) Acceptance of the General Offer will be treated as valid only if the completed Form of Acceptance is received by the Registrar by not later than 4:00 p.m. on Monday, 27 October 2008 or such later time and/or date as CMB may determine and announce in compliance with the requirements of the Takeovers Code, and is:
- (i) accompanied by the relevant WLB Share certificate(s) and/or transfer receipt(s) and/or other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) and, if those WLB Share certificate(s) is/are not in your name, such other documents in order to establish your right to become the registered holder of the relevant WLB Shares; or

- (ii) from a registered WLB Shareholder or his personal representative (but only up to the amount of the registered holding and only to the extent that the acceptance relates to WLB Shares which are not taken into account under another sub-paragraph of this paragraph (e)); or
- (iii) certified by the Registrar or the Stock Exchange.

If the Form of Acceptance is executed by a person other than the registered WLB Shareholder, appropriate documentary evidence of authority to the satisfaction of the Registrar must be produced.

- (f) No acknowledgement of receipt for any Form(s) of Acceptance, WLB Share certificate(s), transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) will be given.
- (g) The address of the Registrar is Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong.

2. ACCEPTANCE PERIOD AND REVISIONS

The General Offer is made on Monday, 6 October 2008, being the Despatch Date, and is capable of acceptance on and from that date and will remain open for acceptance until 4:00 p.m. on Monday, 27 October 2008, unless extended or revised in accordance with the Takeovers Code. CMB reserves the right to revise or extend the General Offer in accordance with the Takeovers Code.

The General Offer may be revised at any time up to the Closing Date. If the General Offer is revised, such revised General Offer will remain open for acceptance for a period of at least 14 days from the date of posting of the written notification of the revision to the WLB Shareholders. In any case where the General Offer is revised, and the consideration offered under the revised General Offer does not represent on such date a reduction in the value of the General Offer in their original or any previously revised form(s), the benefit of such revised General Offer will be made available as set out herein to acceptors of the General Offer in their original or any previously revised form(s) (hereinafter called "previous acceptor(s)"). The execution by, or on behalf of, a previous acceptor of any Form of Acceptance shall be deemed to constitute acceptance of the General Offer as so revised.

3. ANNOUNCEMENTS

As required under Rule 19 of the Takeovers Code, by 6:00 p.m. on 27 October 2008, or such later time and/or date as the Executive may in exceptional circumstances permit, CMB shall inform the Executive and the Stock Exchange of its intentions in relation to the revision or the extension or expiry of the General Offer. CMB shall publish an announcement through the website of the Stock Exchange by 7:00 p.m. on 27 October 2008 (or such later time and/or

date as the Executive may agree) of the General Offer, stating whether the General Offer had been revised, extended or have expired. The announcement shall state the total number of WLB Shares and the rights over WLB Shares:

- (a) for which acceptances of the General Offer have been received;
- (b) held, controlled or directed by CMB or parties acting in concert with it before the Offer Period; and
- (c) acquired or agreed to be acquired during the Offer Period by CMB or any parties acting in concert with it.

The announcement shall also (i) specify the percentages of the relevant classes of issued share capital of WLB and the percentages of voting rights represented by these numbers of WLB Shares; and (ii) include details of any relevant securities in WLB which CMB or any persons acting in concert with it has borrowed or lent, save for any borrowed WLB Shares which have been either on-lent or sold.

As required under the Takeovers Code and the Listing Rules, all announcements in relation to the General Offer in respect of which the Executive and the Stock Exchange have confirmed that they have no further comments thereon, must be published on the website of the Stock Exchange and made in accordance with the requirements of the Listing Rules.

4. RIGHT OF WITHDRAWAL

- (a) As the General Offer is unconditional in all respects, acceptances of the General Offer tendered by the WLB Shareholders shall be irrevocable and cannot be withdrawn, except as permitted under the Takeovers Code and in the circumstances set out in (b) below.
- (b) If CMB is unable to comply with the requirements set out in paragraph 3 of this Appendix I, under Rule 19.2 of the Takeovers Code, the Executive may require that the WLB Shareholders who tendered acceptances of the General Offer be granted a right of withdrawal on terms acceptable to the Executive until the requirements set out in that paragraph are met.

5. OVERSEAS WLB SHAREHOLDERS

The making of the General Offer to Overseas WLB Shareholders may be prohibited or affected by the laws of the relevant jurisdictions. Overseas WLB Shareholders should inform themselves about and observe any applicable legal and regulatory requirements. It is the responsibility of each Overseas WLB Shareholder who wishes to accept the General Offer to satisfy himself, herself or itself as to the full observance of all the applicable legal and regulatory requirements of the relevant jurisdiction in connection therewith, including the obtaining of any governmental, exchange control or other consent which may be required, complying with any other necessary formalities or legal requirements and paying any transfer or other taxes due by him/her/it in respect of such jurisdiction.

Acceptances of the General Offer by any such person will constitute a warranty by such person that such person is permitted under all applicable laws to receive and accept the General Offer, and any revision thereof, and such acceptances shall be valid and binding in accordance with all applicable laws. Overseas WLB Shareholders are recommended to seek professional advice on whether to accept the General Offer.

6. GENERAL

- (a) All communications, notices, Form of Acceptance, WLB Share certificates, transfer receipts, other documents of title (and/or any satisfactory indemnity or indemnities required in respect thereof) and remittances to be delivered by or sent to or from the WLB Shareholders will be delivered by or sent to or from them, or their designated agents, at their own risk, and neither WLB, CMB, J.P. Morgan, and any of their respective agents nor the Registrar accepts any liability for any loss in postage or any other liabilities that may arise as a result.
- (b) The provisions set out in the accompanying Form of Acceptance form part of the terms of the General Offer.
- (c) The accidental omission to despatch this Composite Offer Document and/or the Form of Acceptance or any of them to any person to whom the General Offer is made will not invalidate the General Offer in any way.
- (d) The General Offer is, and all acceptances will be, governed by and construed in accordance with the laws of Hong Kong. Execution of a Form of Acceptance by or on behalf of a WLB Shareholder will constitute such WLB Shareholder's agreement that the courts of Hong Kong shall have exclusive jurisdiction to settle any dispute which may arise in connection with the General Offer.
- (e) Due execution of the Form of Acceptance will constitute an authority to any CMB Directors, J.P. Morgan or such person or persons as any of them may direct to complete and execute any document on behalf of the person accepting the General Offer and to do any other act that may be necessary or expedient for the purposes of vesting in CMB or such person or persons as it may direct the WLB Shares in respect of which such person has accepted the General Offer.
- (f) Acceptance of the General Offer by any person or persons will be deemed to constitute a warranty by such person or persons to CMB that the WLB Shares acquired under the General Offer is sold by any such person or persons free from all liens, claims and encumbrances and together with all rights attaching and accruing thereto including the right to receive all future dividends or other distributions, if any, declared, paid or made on the WLB Shares on or after the date of Completion.
- (g) The settlement of the consideration to which any WLB Shareholder is entitled under the General Offer will be implemented in full in accordance with the terms of the General Offer without regard to any lien, right of set-off, counterclaim or other analogous right to which CMB may otherwise be, or claim to be, entitled against such WLB Shareholder.

- (h) Ad valorem stamp duty of the accepting WLB Shareholders arising in connection with acceptance of the General Offer amounting to 0.1% of the amount payable in respect of the relevant acceptance or, if higher, the value of the Offer Shares as determined by the Collector of Stamp Revenue under the Stamp Duty Ordinance (Chapter 117 of the Laws of Hong Kong) is payable by those accepting WLB Shareholders which will be deducted from the payment to be received by them. CMB will bear its own portion of buyer's ad valorem stamp duty under the General Offer at the rate of 0.1% of the amount payable in respect of relevant acceptances or, if higher, the value of the Offer Shares as determined by the Collector of Stamp Revenue under the Stamp Duty Ordinance (Chapter 117 of the Laws of Hong Kong) and will be responsible to account to the Stamp Office of Hong Kong for the stamp duty payable for the sale and purchase of the relevant Offer Shares pursuant to the acceptances of the General Offer.
- (i) References to the General Offer in this Composite Offer Document and in the accompanying Form of Acceptance shall include any extension and/or revision thereof.
- (j) The English text of this Composite Offer Document and the accompanying Form of Acceptance shall prevail over their respective Chinese texts for the purpose of interpretation.

I. THREE-YEAR FINANCIAL SUMMARY

Set out below is a summary of the audited consolidated financial information of the WLB Group for each of the three years ended 31 December 2005, 2006 and 2007 and for the six months ended 30 June 2008 and the unaudited income statement of the WLB Group for the six months ended 30 June 2007. The figures for the years ended 31 December 2006 and 2007 are extracted from the 2007 annual report of the WLB Group while the figures for the year ended 31 December 2005 are extracted from the 2006 annual report of the WLB Group. The figures for the six months ended 30 June 2007 and 2008 are extracted from the 2008 interim report of the WLB Group. The auditor's report as set out in the annual reports of the WLB Group for each of the three years ended 31 December 2005, 2006 and 2007 and the interim report of the WLB Group for the six months ended 30 June 2008 were unqualified.

For the three years ended 31 December 2005, 2006 and 2007, dividends have been declared and there were no minority interests. For the three years ended 31 December 2005, 2006 and 2007, a total dividend of HK\$2.70 per WLB Share, HK\$3.40 per WLB Share and HK\$2.40 per WLB Share, respectively, were paid. Under the prevailing Hong Kong Financial Reporting Standards, the terms "extraordinary items" and "exceptional items" are no longer in use.

1. Results

	For the six months		For the year ended 31 December		
	ended 30 June 2008	2007	2007	2006	2005
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Interest income	1,735,904	2,157,171	4,441,066	4,039,523	2,713,593
Interest expense	(1,058,727)	(1,425,582)	(2,949,477)	(2,640,498)	(1,578,975)
Net interest income	677,177	731,589	1,491,589	1,399,025	1,134,618
Operating income	553,620	604,772	1,307,063	1,011,500	857,777
Operating expenses	(1,035,028)	(535,658)	(1,597,179)	(1,039,829)	(883,174)
Operating profit before gain on certain investments	195,769	800,703	1,201,473	1,370,696	1,109,221
Fair value adjustments on investment properties	186,676	162,880	305,264	512,626	188,652
Revaluation deficit on bank premises	–	–	–	–	(79)
Share of net (losses)/profits of jointly controlled entities	(37,800)	24,017	67,637	36,749	6,649
Share of net profits of associates	1,895	1,270	1,707	3,216	1,323

	For the six months		For the year ended 31 December		
	ended 30 June		2007	2006	2005
	2008	2007	2007	2006	2005
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Profit before taxation	346,540	988,870	1,576,081	1,923,287	1,305,766
Income tax	<u>3,690</u>	<u>(133,429)</u>	<u>(204,567)</u>	<u>(317,498)</u>	<u>(196,951)</u>
Profit attributable to shareholders	<u>350,230</u>	<u>855,441</u>	<u>1,371,514</u>	<u>1,605,789</u>	<u>1,108,815</u>
Dividend	<u>116,095</u>	<u>208,971</u>	<u>557,256</u>	<u>789,446</u>	<u>626,913</u>
	HK\$	HK\$	HK\$	HK\$	HK\$
Earnings per share					
– Basic	1.51	3.68	5.91	6.92	4.78
– Diluted	<u>1.51</u>	<u>3.68</u>	<u>5.91</u>	<u>6.92</u>	<u>4.78</u>

Assets and liabilities

	30/6/2008	31/12/2007	31/12/2006	31/12/2005
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Total assets	95,624,311	93,048,139	84,980,628	74,721,738
Total liabilities	83,778,629	80,568,036	73,598,843	64,585,271
Shareholders' fund	<u>11,845,682</u>	<u>12,480,103</u>	<u>11,381,785</u>	<u>10,136,467</u>

II. AUDITED CONSOLIDATED INTERIM FINANCIAL STATEMENTS OF THE WLB GROUP

The following are the audited consolidated interim financial statements of the WLB Group for the six months ended 30 June 2008, together with the unaudited comparative figures of the consolidated income statement for the six months ended 30 June 2007, the accompanying notes to the consolidated interim financial statements and the unaudited supplementary financial information as extracted from the WLB Group's 2008 interim report for the six months ended 30 June 2008.

CONSOLIDATED INCOME STATEMENT

For the six months ended 30 June 2008

		Six months ended 30 June	
		2008	2007
	Note	Audited HK\$'000	Unaudited HK\$'000
Interest income	4	1,735,904	2,157,171
Interest expense	5	(1,058,727)	(1,425,582)
Net interest income		677,177	731,589
Fees and commission income		226,502	223,485
Fees and commission expense		(34,186)	(29,478)
Net fees and commission income	6	192,316	194,007
Insurance operating income	7	218,632	206,546
Net trading (loss)/gain	8	(205,629)	103,849
Net gain on disposal of available-for-sale securities		252,915	19,310
Other operating income	9	95,386	81,060
Operating income		1,230,797	1,336,361
Operating expenses	10	(440,818)	(349,929)
Impairment charge for credit losses	11	(291,335)	(11,563)
Charge for insurance claims	7	(302,538)	(173,819)
Net loss on disposal of other properties and equipment		(337)	(347)
Operating profit before gain on certain investments		195,769	800,703
Fair value adjustments on investment properties		186,676	162,880
Share of net (losses)/profits of jointly controlled entities		(37,800)	24,017
Share of net profits of associates		1,895	1,270
Profit before taxation		346,540	988,870
Income tax	13	3,690	(133,429)
Profit attributable to shareholders		350,230	855,441
Interim dividend	14	116,095	208,971
		HK\$	HK\$
Earnings per share	15		
– Basic		1.51	3.68
– Diluted		1.51	3.68

CONSOLIDATED BALANCE SHEET

As at 30 June 2008

	<i>Note</i>	30/6/2008 Audited <i>HK\$'000</i>	31/12/2007 Audited <i>HK\$'000</i>
Assets			
Cash and short-term funds	<i>16</i>	23,296,611	26,384,235
Placements with and loans and advances to banks	<i>17</i>	3,274,954	3,602,908
Trading securities	<i>18</i>	8,052,648	2,218,841
Derivative financial instruments	<i>19</i>	44,643	35,813
Financial assets designated at fair value through profit or loss	<i>20</i>	2,740,329	2,934,803
Available-for-sale securities	<i>21</i>	2,002,042	3,240,308
Held-to-maturity securities	<i>22</i>	6,793,812	6,883,979
Advances and other accounts	<i>23</i>	45,980,741	44,531,182
Interests in jointly controlled entities	<i>25</i>	179,748	224,018
Interests in associates	<i>26</i>	6,136	6,184
Investment properties	<i>27</i>	2,406,600	2,254,600
Interests in leasehold land	<i>28</i>	239,259	241,345
Other properties and equipment	<i>29</i>	492,425	424,420
Tax recoverable		85,278	58,704
Deferred tax assets	<i>34</i>	29,085	6,799
Total assets		<u>95,624,311</u>	<u>93,048,139</u>
Liabilities			
Deposits and balances from banks		1,180,635	1,157,049
Trading liabilities	<i>30</i>	6,255,425	351,210
Derivative financial instruments	<i>19</i>	585,269	601,692
Financial liabilities designated at fair value through profit or loss	<i>31</i>	1,806,190	2,159,028
Deposits from customers	<i>32</i>	68,572,286	70,481,358
Certificates of deposit issued		1,778,185	1,773,194
Current taxation		43,628	40,547
Deferred tax liabilities	<i>34</i>	457,347	470,958
Other accounts and accruals	<i>33</i>	3,099,664	3,533,000
Total liabilities		<u>83,778,629</u>	<u>80,568,036</u>
Equity			
Share capital	<i>35</i>	1,160,951	1,160,951
Reserves	<i>36</i>	10,684,731	11,319,152
Total equity		<u>11,845,682</u>	<u>12,480,103</u>
Total equity and liabilities		<u>95,624,311</u>	<u>93,048,139</u>

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2008

	Six months ended 30 June	
	2008	2007
	Audited	Unaudited
	HK\$'000	HK\$'000
Total equity as at 1 January	12,480,103	11,381,785
	-----	-----
Net (expense)/income recognised directly in equity:		
Surplus on revaluation of bank premises	780	–
Changes in fair value of available-for-sale securities	(645,849)	131,607
Effect of deferred taxation on		
– revaluation of bank premises	296	–
– fair value adjustments on available-for-sale securities	13,107	(4,249)
Share of associates' reserves	82	(42)
Share of jointly controlled entities' reserves	(231)	–
	-----	-----
Net (expense)/income for the period recognised directly in equity	(631,815)	127,316
	-----	-----
Transfer to income statement on disposal of available-for-sale securities	(252,915)	(19,310)
	-----	-----
Transfer to income statement on impairment of available-for-sale securities	248,364	–
	-----	-----
Net profit for the period	350,230	855,441
	-----	-----
Total net (expense)/income recognised for the period	(286,136)	963,447
	-----	-----
Dividend	(348,285)	(603,694)
	-----	-----
Total equity as at 30 June	11,845,682	11,741,538
	=====	=====

CONSOLIDATED CASH FLOW STATEMENT*For the six months ended 30 June 2008*

		Six months ended 30 June	
		2008	2007
	<i>Note</i>	Audited	Unaudited
		<i>HK\$'000</i>	<i>HK\$'000</i>
Cash (used in)/generated from operations	40(a)	(2,651,118)	1,273,255
Hong Kong profits tax paid		(36,254)	(42,468)
Overseas tax paid		(6,043)	(3,896)
Net cash (used in)/generated from operating activities		(2,693,415)	1,226,891
Investing activities			
Purchase of available-for-sale securities and held-to-maturity securities		(7,643,207)	(4,897,854)
Loans repaid from jointly controlled entities		2,109	–
Interest in associates		–	(691)
Dividends received from jointly controlled entities and an associate		6,155	5,105
Proceeds from sale and redemption of available-for-sale securities and held-to-maturity securities		8,346,816	4,504,631
Payment for additions of investment properties		(10,866)	–
Payment for purchase of other properties and equipment		(47,974)	(28,025)
Proceeds from disposal of other properties and equipment		7	532
Net cash generated from/(used in) investing activities		653,040	(416,302)
Financing activities			
Dividend paid		(348,285)	(603,694)
Net cash used in financing activities		(348,285)	(603,694)
Net (decrease)/increase in cash and cash equivalents		(2,388,660)	206,895
Cash and cash equivalents at 1 January		26,397,095	23,442,574
Effects of foreign exchange rate changes		(159)	(259)
Cash and cash equivalents at 30 June	40(b)	24,008,276	23,649,210

**NOTES TO THE INTERIM FINANCIAL STATEMENTS OF WING LUNG BANK,
LIMITED****1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES****1.1 Basis of preparation**

The consolidated interim financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”, a collective term which includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards (“HKASs”) and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”), accounting principles generally accepted in Hong Kong. These consolidated interim financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

The consolidated interim financial statements have been prepared under the historical cost convention, as modified by the revaluation of available-for-sale financial assets, financial assets and financial liabilities held for trading, financial assets and financial liabilities (including derivative financial instruments) designated at fair value through profit or loss and investment properties.

The preparation of interim financial statements in conformity with HKFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgments in the process of applying the WLB Group’s accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated interim financial statements are disclosed in note 3.

The HKICPA has issued a number of new/revised HKFRSs, which are effective for accounting periods beginning on or after 1 January 2008. The WLB Group has assessed the impact of these new/revised HKFRSs and concluded that they are not relevant to the WLB Group’s operations.

Up to the date of issue of these interim financial statements, the HKICPA has also issued certain new/revised HKFRSs which are not yet effective for accounting period beginning on 1 January 2008 and have not been early adopted by the WLB Group. The WLB Group is in the process of making an assessment of what the impact of these new/revised HKFRSs is expected to be in the period of initial application. So far it has concluded that the adoption of the following new/revised HKFRSs which are relevant to the WLB Group’s operations is unlikely to have a significant impact on the WLB Group’s result of operations and financial position:

- HK(IFRIC) Interpretation 13: Customer Loyalty Programmes, which is effective for annual periods beginning on or after 1 July 2008
- HKAS 1 (Revised): Presentation of Financial Statements, which is effective for annual periods beginning on or after 1 January 2009
- HKFRS 8: Operating Segments, which is effective for annual periods beginning on or after 1 January 2009
- HKAS 27 (Revised): Consolidated and Separate Financial Statements, which is effective for annual periods beginning on or after 1 July 2009

However, HKAS 1 (Revised) and HKFRS 8 may result in new or amended disclosures in the financial statements.

1.2 Consolidation

The consolidated interim financial statements include the interim financial statements of WLB and all of its subsidiaries made up to 30 June.

Subsidiaries are those entities in which WLB, directly or indirectly, controls the composition of the Board of Directors, controls more than half of the voting power or holds more than half of the issued share capital.

Subsidiaries are consolidated into the interim financial statements from the date on which control is transferred to the WLB Group. They are de-consolidated from the date that control ceases.

Inter-company transactions, balances and unrealised gains on transactions between group companies are eliminated in full in preparing the consolidated interim financial statements. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the WLB Group.

1.3 Jointly controlled entities

A jointly controlled entity is an entity which operates under a contractual arrangement whereby the WLB Group and other parties undertake an economic activity which is subject to joint control and none of the participating parties has unilateral control over the economic activity.

The consolidated income statement includes the WLB Group's share of the results of jointly controlled entities for the period and the consolidated balance sheet includes the WLB Group's share of the net assets of the jointly controlled entities.

1.4 Associates

An associate is an entity over which the WLB Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights.

The consolidated income statement includes the WLB Group's share of the results of the associates for the period and the consolidated balance sheet includes the WLB Group's share of the net assets of the associates.

1.5 Income recognition

(a) *Interest income and expense*

Interest income and expense for all financial instruments are recognised in the income statement using the effective interest method.

The effective interest method is a method of calculating the amortised cost of a financial asset or a financial liability and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability. When calculating the effective interest rate, the WLB Group estimates cash flows considering all contractual terms of the financial instrument (for example, prepayment options) but does not consider future credit losses. 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.

(b) *Fee and commission income*

Fee and commission income arises on financial services provided by the WLB Group and is recognised when the corresponding service is provided, except where the fee is charged to cover the costs of a continuing service to, or risk borne for, the customer, or is interest in nature. In these cases, the fee is recognised as income in the accounting period in which the costs or risk is incurred and is accounted for as interest income.

(c) *Dividend income*

Dividend income from unlisted investments is recognised when the shareholder's right to receive payment is established. Dividend income from listed investments is recognised when the share price of the investment is quoted ex-dividend.

1.6 Financial assets

The WLB Group classifies its financial assets under the following categories: loans and receivables, trading securities, financial assets designated at fair value through profit or loss, held-to-maturity securities, and available-for-sale securities. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

(a) Loans and receivables

Loans and receivables, including cash and short term funds, placement with and loans and advances to banks, trade bills and loans and advances to customers, are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the WLB 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 less impairment losses.

(b) Trading securities

A financial asset is classified as trading if it is acquired principally for the purpose of selling in the short term. Derivatives are also categorised as held for trading unless they are designated as hedges.

Trading securities are stated at fair value. Changes in fair value are recognised as “Net gain/loss from trading securities” in the income statement as they arise.

(c) Financial assets designated at fair value through profit or loss

Financial assets designated 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 at inception if they meet the following criteria:

- The designation eliminates or significantly reduces a measurement or recognition inconsistency (sometimes referred to as “an accounting mismatch”) that would otherwise arise from measuring the financial assets or recognising the gains and losses on them on different bases;
- A group of financial assets is managed and its performance is evaluated on a fair value basis, in accordance with a documented risk management or investment strategy, and this is the basis on which information about these assets is provided internally to the management; or
- It relates to those financial instruments embedded with derivatives which significantly modify the cash flows that would otherwise be required under the contract.

These financial assets are recognised initially at fair value and transaction costs taken directly to the income statement. Changes in fair value are recognised as “Net gain/loss arising from financial instruments designated at fair value through profit or loss” in the income statement in the period in which they arise.

(d) Held-to-maturity securities

Held-to-maturity securities are non-derivative financial assets with fixed or determinable payments and fixed maturities that the WLB Group’s management has the positive intention and ability to hold to maturity. If the WLB Group were to sell other than an insignificant amount of held-to-maturity assets, the entire category would be tainted and reclassified as available-for-sale.

Held-to-maturity securities are carried at amortised cost using the effective interest method less impairment losses.

(e) Available-for-sale securities

Available-for-sale securities are non-derivatives that are either designated in this category or not classified in any of the other categories. Available-for-sale securities 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.

Available-for-sale securities are stated at fair value. Unrealised gains and losses arising from changes in the fair value are recognised directly in the investment revaluation reserve until the financial asset is derecognised or impaired at which time the cumulative gain or loss previously recognised in the investment revaluation reserve is recognised in the income statement.

Purchases and sales of trading securities, financial assets designated at fair value through profit or loss, held-to-maturity and available-for-sale securities are recognised on trade-date – the date on which the WLB Group commits to purchase or sell the asset. Loans are recognised when cash is advanced to the borrowers.

1.7 Impairment of financial assets

(a) *Financial assets carried at amortised cost*

The WLB Group assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred if, and only if, there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a “loss event”) and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated. Objective evidence that a financial asset or group of assets is impaired includes observable data that comes to the attention of the WLB Group about the following loss events:

- (i) significant financial difficulty of the issuer or obligor;
- (ii) a breach of contract, such as a default or delinquency in interest or principal payments;
- (iii) the WLB Group granting to the borrower, for economic or legal reasons relating to the borrower’s financial difficulty, a concession that the lender would not otherwise consider;
- (iv) it becoming probable that the borrower will enter into bankruptcy or other financial reorganisation;
- (v) the disappearance of an active market for that financial asset because of financial difficulties; or
- (vi) observable data indicating that there is a measurable decrease in the estimated future cash flows from a group of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial assets in the group, including:
 - adverse changes in the payment status of borrowers in the group; or
 - national or local economic conditions that correlate with defaults on the assets in the group.

The WLB Group first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant. If the WLB Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes that asset in a group of financial assets with similar credit characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognised are not included in a collective assessment of impairment.

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 income statement. If the financial asset has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, the WLB Group may measure impairment on the basis of an instrument’s fair value using an observable market price.

The calculation of the present value of the estimated future cash flows of a collateralised financial asset reflects the cash flows that may result from foreclosure less costs for obtaining and selling the collateral, whether or not foreclosure is probable.

For the purposes of a collective evaluation of impairment, financial assets are grouped on the basis of similar credit risk characteristics. Those characteristics relevant to the estimation of future cash flows for groups of such assets by being indicative of the debtor's ability to pay all amounts due according to the contractual terms of the assets are considered.

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. Historical loss experience is adjusted on the basis of current observable data on economic and credit environment to reflect the effects of current conditions that did not affect the period on which the historical loss experience is based and to remove the effects of conditions in the historical period that do not exist currently.

Estimates of changes in future cash flows for groups of assets should reflect and be directionally consistent with changes in related observable data from period to period (for example, change in unemployment rates, property prices, payment status, or other factors indicative of changes in the probability of losses in the group and their magnitude). The methodology and assumptions used for estimating future cash flows are reviewed regularly by the WLB Group to reduce any differences between loss estimates and actual loss experience.

When a loan is uncollectible, it is written off against the related allowances for loan impairment. Such loans are written off after all the necessary procedures have been completed and the amount of the loss has been determined. Subsequent recoveries of amounts previously written off decrease the amount of the allowances for loan impairment in the income statement.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the previously recognised impairment loss is reversed by adjusting the allowance account. The amount of the reversal is recognised in the income statement.

(b) Financial assets carried at fair value

The WLB Group assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired. In the case of equity investments classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost is considered in determining whether the assets are impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in the income statement is removed from the investment revaluation reserve and recognised in the income statement. Impairment losses recognised in the income statement on equity instruments are not reversed through the income statement. If, in a subsequent period, the fair value of a debt instrument classified as available-for-sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in the income statement, the impairment loss is reversed through the income statement.

1.8 Financial liabilities

The WLB Group classifies its financial liabilities under the following categories: trading liabilities, financial liabilities designated at fair value through profit or loss, deposits, certificates of deposit issued and other liabilities. All financial liabilities are classified at inception and recognised initially at fair value.

(a) Trading liabilities

A financial liability is classified as held for trading if it is incurred principally for the purpose of repurchasing in the short term. It is carried at fair value and any gains and losses arising from changes in fair value are recognised in the income statement.

(b) *Financial liabilities designated at fair value through profit or loss*

A financial liability is designated as fair value through profit or loss if it is so designated at inception. Financial liabilities so designated include certain certificates of deposit issued and certain deposits received from customers that are embedded with derivatives. A financial liability is typically so designated if it meets the following criteria:

- The designation eliminates or significantly reduces a measurement or recognition inconsistency (sometimes referred to as “an accounting mismatch”) that would otherwise arise from measuring the financial liabilities or recognising the gains and losses on them on different bases;
- A group of financial liabilities is managed and its performance is evaluated on a fair value basis, in accordance with a documented risk management or investment strategy, and this is the basis on which information about these liabilities is provided internally to the management; or
- It relates to those financial instruments embedded with derivatives which significantly modify the cash flows that would otherwise be required under the contract.

Financial liabilities designated at fair value through profit or loss are carried at fair value and any gains and losses arising from changes in fair value are recognised as “Net gain/loss arising from financial instruments designated at fair value through profit or loss” in the income statement.

(c) *Deposits, certificates of deposit issued and other liabilities*

Deposits and certificates of deposit issued, other than those classified as trading liabilities or designated at fair value through profit or loss, together with other financial liabilities are carried at amortised cost. Any difference between proceeds net of transaction costs and the redemption value is recognised in the income statement over the period of the other financial liabilities using the effective interest method.

1.9 Derivative financial instruments and hedge accounting

Derivatives are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently re-measured at their fair value. Certain derivatives embedded in other financial instruments are treated as separate derivatives 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.

The method of recognising the resulting fair value gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. The WLB Group designates certain derivatives as either: (1) hedges of the fair value of recognised assets or liabilities or firm commitments (fair value hedge); or (2) hedges of highly probable future cash flows attributable to a recognised asset or liability, or a forecasted transaction (cash flow hedge). Hedge accounting is used for derivatives designated in this way provided certain criteria are met.

The WLB Group documents, at the inception of the transaction, the relationship between hedging instruments and hedged items, as well as its risk management objective and strategy for undertaking various hedge transactions. The WLB Group also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in fair values or cash flows of hedged items.

(a) *Fair value hedge*

Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recorded in the income statement, together with any changes in the fair value of the hedged assets or liabilities that are attributable to the hedged risk.

If the hedge no longer meets the criteria for hedge accounting, the adjustment to the carrying amount of a hedged item for which the effective interest method is used is amortised to the income statement over the period to maturity. The adjustment to the carrying amount of a hedged equity security remains in retained earnings until the disposal of the equity security.

(b) *Cash flow hedge*

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges are recognised in equity. The gain and loss relating to the ineffective portion is recognised immediately in the income statement.

Amounts accumulated in equity are recycled to the income statement in the periods in which the hedged item will affect profit or loss.

When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in the income statement. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately transferred to the income statement.

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 income statement.

Derivative transactions are offset and the net amount is reported in the balance sheet when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously.

1.10 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. For unlisted securities and where the market for a financial instrument is not active, the WLB 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.

1.11 Investment properties

Property that is held for long-term rental yields or for capital appreciation or both, and that is not occupied by the companies in the consolidated WLB Group, is classified as investment property. Investment property comprises land held under operating leases and buildings held under finance leases. Land held under operating leases is classified and accounted for as investment property when the rest of the definition of investment property is met. The operating lease is accounted for as if it were a finance lease.

Investment property is measured initially at its cost, including related transaction costs. After initial recognition, investment property is carried at fair value. Any gain or loss arising from a change in fair value or from the retirement or disposal of an investment property is recognised in the income statement.

When a property is transferred to investment property following a change in its use, any difference arising at the date of transfer between the carrying amount of the property immediately prior to the transfer and its fair value is recognised in the bank premises revaluation reserve in accordance with HKAS 16 "Property, plant and equipment". 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 income statement. Upon disposal of the property, the relevant portion of the bank premises revaluation reserve is released and transferred from the bank premises revaluation reserve to retained earnings.

When 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.

1.12 Other properties and equipment

(a) Premises

Premises represent those properties held for own use and are stated at cost less accumulated depreciation and impairment losses. 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 income statement on a straight line basis over the period of the lease or where there is impairment, the impairment is charged to the income statement. Any buildings which are situated on such land leases continue to be presented as part of premises. Where the land and building elements of the leasehold properties cannot be allocated reliably at the inception of the lease, the land and building elements will continue to be treated as finance lease and classified as premises.

Depreciation of premises is calculated on a straight line basis to write off the assets over their estimated useful lives as follows:

- Leasehold land is depreciated over the unexpired terms of the leases.
- Building and improvements thereto are depreciated over the remaining estimated useful life.

(b) Furniture and equipment

Furniture and equipment is stated at cost less depreciation and impairment losses. Depreciation is calculated on a reducing balance basis to write off the assets over their estimated useful lives, at annual rates ranging from 20% to 30%.

The asset's residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

1.13 Impairment of other assets

Assets that have an indefinite useful life are not subject to amortisation, but are tested annually for impairment and are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use.

1.14 Repossessed assets

Repossessed collateral assets are reported as "Other accounts" under "Advances and other accounts" and the relevant loans are derecognised. The repossessed collateral assets are measured at the lower of the carrying amount and net realisable value.

1.15 Foreign currency translation

Items included in the interim financial statements of each of the WLB Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The consolidated interim financial statements are presented in Hong Kong dollars, which is WLB's functional and presentation currency.

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at period end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement.

Translation differences on non-monetary items such as equities held for trading are recognised in the income statement as part of the fair value gain or loss. Translation differences on non-monetary items such as equities classified as available-for-sale securities are included in equity.

1.16 Deferred taxation

Deferred taxation is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated interim financial statements. However, the deferred taxation is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred taxation is determined using tax rates that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled.

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

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

Income tax payable on profits, based on the applicable tax law in each jurisdiction, is recognised as an expense in the period in which profits arise. The tax effects of income tax losses available for carry forward are recognised as an asset when it is probable that future taxable profits will be available against which these losses can be utilised.

Deferred taxation related to fair value re-measurement of available-for-sale securities and cash flow hedges, which are charged or credited directly to equity, is also credited or charged directly to equity and is subsequently recognised in the income statement together with the deferred gain or loss.

1.17 Insurance contracts

The WLB Group issues contracts that transfer insurance risk. Insurance contracts are those contracts that transfer significant insurance risk. As a general guideline, the WLB Group defines significant insurance risk as the possibility of having to pay benefits on the occurrence of an insured event that are at least 10% more than the benefits payable if the insured event did not occur.

(a) Recognition and measurement

The WLB Group issues various classes of insurance contract including accident and health, motor vehicle, ships, goods in transit, property damage, employees' compensation, general liability and pecuniary loss. Risks under these insurance policies usually cover one year duration.

For all these contracts, premiums are recognised as revenue (earned premiums) proportionally over the period of coverage. The portion of premium received on in-force contracts that relates to unexpired risks at the balance sheet date is reported as the unearned premium liability. Premiums are shown before deduction of commission and are net of duties levied on premiums.

Claims and loss adjustment expenses are charged to income as incurred. They include direct and indirect claims settlement costs and arise from events that have occurred up to the balance sheet date even if they have not yet been reported to the WLB Group. Liabilities for unpaid claims are separately analysed by class of business. They are estimated using the input of assessments for individual cases reported to the WLB Group and statistical techniques for the claims incurred but not reported.

(b) Liability adequacy test

At each balance sheet date, liability adequacy tests are performed to ensure the adequacy of the contract liabilities net of related deferred acquisition costs assets. In performing these tests, current best

estimates of future contractual cash flows and claims handling and administration expenses, as well as investment income from the assets backing such liabilities, are used. Any deficiency is immediately charged to the income statement and by subsequently establishing a provision for losses arising from liability adequacy tests (the unexpired risk provision).

(c) *Reinsurance contracts held*

Contracts entered into by the WLB Group with reinsurers under which the WLB Group is compensated for losses on one or more contracts issued by the WLB Group and that meet the classification requirements for insurance contracts are classified as reinsurance contracts held. Insurance contracts entered into by the WLB Group under which the contract holder is another insurer (inwards reinsurance) are included with insurance contracts.

The benefits to which the WLB Group is entitled under its reinsurance contracts held are recognised as reinsurance assets. These assets consist of short-term balances due from reinsurers, as well longer term receivables that are dependent on the expected claims and benefits arising under the related reinsured insurance contracts. Amounts recoverable from or due to reinsurers are measured consistently with the amounts associated with the reinsured insurance contracts and in accordance with the terms of each reinsurance contract. Reinsurance liabilities are primarily premiums payable for reinsurance contracts and are recognised as an expense when due.

The WLB Group assesses its reinsurance assets for impairment on an annual basis. If there is objective evidence that the reinsurance asset is impaired, the WLB Group reduces the carrying amount of the reinsurance asset to its recoverable amount and recognises that impairment loss in the income statement.

1.18 Provisions

Provisions for restructuring costs and legal claims are recognised when the WLB Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligation as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to the passage of time is recognised as interest expense.

1.19 Financial guarantee contracts

Financial guarantee contracts are contracts that require the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payments when due, in accordance with the terms of a debt instrument.

The fair value of the guarantee (being the guarantee fees received) is initially recognised as deferred income in the interim financial statements on the date that the guarantee was given. Subsequent to initial recognition, the WLB Group's liabilities under such guarantees are measured at the higher of the amount determined in accordance with note 1.18 and the amount initially recognised less cumulative amortisation recognised. Any changes in the liability relating to financial guarantees are recognised in the income statement.

1.20 Employee benefits

Employee benefits include short-term leave entitlements and long-term staff retirement benefits as follows:

(a) *Employee leave entitlements*

Employee entitlements to annual leave and long service leave are recognised when they accrue to employees. An accrual is made for the estimated liability for annual leave and long-service leave as a result of services rendered by employees up to the balance sheet date.

Employee entitlements to sick leave and maternity leave are recognised when the absences occur.

(b) *Retirement benefits*

The WLB Group operates five staff retirement schemes. The assets of these schemes are all held separately from those of the WLB Group in independently administered funds.

The WLB Group's contributions to schemes with defined contribution arrangements and the mandatory provident fund ("MPF") schemes are expensed as incurred.

Annual contributions to the retirement benefit schemes with defined benefit arrangements are determined based on periodic valuations of the assets and liabilities of such schemes by qualified actuaries using the projected unit credit method. Under this method, the cost of providing retirement benefits is charged to the income statement so as to spread the regular cost over the service lives of employees in accordance with the advice of qualified actuaries. The defined benefit obligation is measured as the present value of the estimated future cash outflows using interest rates of government securities which have terms to maturity approximating the terms of the related liabilities.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions in excess of the 10% of the greater of these schemes' assets and the defined benefit obligations are recognised in the income statement over the average expected future working lifetime of the members of the schemes.

1.21 Operating leases

Leases where substantially all of the risks and rewards of ownership of the asset remain with the lessor are accounted for as operating leases. Rentals applicable to such operating leases (net of any incentives received from the lessor) are charged to the income statement on a straight line basis over the lease term. The WLB Group's interests in leasehold land except those qualified to be classified as premises and investment properties are also accounted for as operating lease.

Where the WLB Group is a lessor under operating leases, assets leased out mainly included properties and equipment and are depreciated in accordance with the WLB Group's depreciation policies except where the asset is classified as investment properties. Rental income (net of any incentives given to lessees) is recognised on a straight line basis over the lease term.

1.22 Hire purchase contracts and finance leases

The amounts due from customers in respect of hire purchase contracts and finance leases are included in "Advances and other accounts" at net investment which represents the total rentals receivable under hire purchase contracts and finance leases less unearned finance income. Finance income implicit in the rental receivable is credited to the income statement over the lease period or hire period so as to produce an approximately constant periodic rate of return on the net investment outstanding for each accounting period.

1.23 Segment reporting

A segment is a distinguishable component of the WLB Group that is engaged either in providing products or services (business segment) or in providing products or services within a particular economic environment (geographical segment), which is subject to risks and rewards that are different from those of other segments. In accordance with the WLB Group's internal financial reporting, business segment is chosen as the primary reporting format.

Segment revenue, expenses, results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis to that segment. Segment revenue, expenses, assets

and liabilities are determined before intra-group balances and intra-group transactions are eliminated as part of the consolidation process, except to the extent that such intra-group balances and transactions are between WLB Group entities within a single segment. Inter-segment pricing is based on similar terms as those available to other external parties.

Segment capital expenditure is the total cost incurred during the period to acquire segment assets (both tangible and intangible) that are expected to be used for more than one financial year.

1.24 Cash and cash equivalents

For the purposes of the cash flow statement, cash and cash equivalents comprise balances with less than three months' maturity from the date of acquisition including cash, balances with banks, treasury bills and certificates of deposit.

2 FINANCIAL RISK MANAGEMENT

The WLB Group's activities expose it to a variety of financial risks and those activities involve analysis, evaluation, acceptance and management of some degree of risk or combination of risks. The WLB Group recognises that taking risk is core to its financial business. The WLB Group's aim is therefore to achieve an appropriate balance between risk and return and minimise potential adverse effects on the WLB Group's financial performance.

The WLB Group has established policies and procedures for the identification, measurement, control and monitoring of the inherent risk of the operations. The most important risks are credit risk, market risk and liquidity risk. Market risk includes currency risk, interest rate risk and other price risks. The adequacy and effectiveness of risk management policies and procedures are regularly reviewed by the Executive Committee of the Board of Directors (the "Executive Committee"). The Internal Audit Department also performs regular audits to ensure compliance with policies and procedures.

2.1 Credit risk

The WLB Group takes on exposure to credit risk, which is the risk that a counterparty will cause a financial loss for the WLB Group by failing to discharge an obligation. Credit exposures arise principally from loans and advances, debt securities, derivative financial instruments, treasury bills, and other on-balance sheet exposures to counterparties in the WLB Group's asset portfolio. There is also credit risk in off-balance sheet financial arrangements such as loan commitments. Significant changes in the economy, or in the health of a particular industry segment that represents a concentration in the WLB Group's portfolio, could result in losses that are different from those provided for at the balance sheet date.

The WLB Group has established credit policies that govern credit extension criteria, credit approval, review and monitoring processes, the internal credit rating system and impairment assessment processes. The WLB Group's credit risk management and control are centralised in a credit management department which reports to the Executive Committee regularly.

(a) Credit risk measurement

(i) Loans and advances

In assessing credit risk of loans and advances to customers and to banks and other counterparties, effective systems are adopted for measurement and monitoring of the credit risk as part of the credit assessment process. The WLB Group's credit grading system, which in general, takes into account the underlying credit-worthiness of the counterparties, including the financial strengths of the guarantors (as the case may be), collateral pledged and the risk of specific transactions, allows differentiation and management of credit risk for asset portfolios of respective business units.

(ii) Debt securities and treasury bills

For debt securities, external ratings from recognised external credit assessment institution are used for assessing and managing credit risk exposures. The investments in these securities allow the WLB Group to achieve an appropriate level of returns commensurate with the risks and to maintain a readily available source to meet the funding requirement at the same time.

(b) *Risk limit control and mitigation policies*

The WLB Group manages and controls concentration of credit risk wherever they are identified, in particular, to individual counterparties and groups, and to industries and countries.

To avoid concentration risk, credit exposures to individual customers, counterparties and industry sectors are carefully managed and monitored by the use of limits. All credit risk limits are approved by the Executive Committee. The Executive Committee is also responsible for the review and approval of the largest credit exposures and portfolio management of risk concentrations. Approval authorities are delegated to the WLB Group's Credit Committee and other lending officers. Actual credit exposures, including on- and off-balance sheet exposures, limits and asset quality are regularly monitored and controlled by the Credit Management Department by keeping a central liability record for each group of related counterparties and subject to checks by the internal audit function.

The exposure to any one borrower including banks is further restricted by sub-limits covering on- and off-balance sheet exposures, and daily delivery risk limits in relation to trading items such as forward foreign exchange contracts. Actual exposures against limits are monitored daily.

Some specific control and risk mitigation measures are outlined below:

(i) Collateral

The WLB Group seeks to obtain collateral to mitigate credit risk to an acceptable level. All credit decisions, whether or not secured by collateral, are based on counterparties' repayment capacity. The WLB Group implements guidelines on the acceptability of specific classes of collateral or credit risk mitigation. The principal types of collateral in credit risk mitigation include:

- Mortgages over residential properties and other properties;
- Charges over business assets such as cash deposits, premises, machineries, inventory and accounts receivables; and
- Charges over financial instruments such as equities and debt securities.

The WLB Group has established policies to govern the determination of eligibility of assets taken as collateral for credit risk mitigation. In order for an asset to be considered as effective risk mitigation, the market value of the asset should be readily determinable or can be reasonably established. The asset is marketable and there exists a readily available secondary market for disposal of the asset. In addition, the WLB Group is able to secure control over the asset if necessary. The collateral is revalued periodically ranging from daily to annually, depending on the type of collateral. As for those past due exposure, the main types of collateral held are cash deposits and properties.

(ii) Master netting agreements

The WLB Group further restricts its exposure to credit losses by entering into master netting arrangements with counterparties with which it undertakes a significant volume of transactions. Master netting arrangements do not generally result in an offset of balance sheet assets and liabilities, as transactions are usually settled on a gross basis. However, the credit risk associated with favourable contracts is reduced by a master netting arrangement to the extent that if an event of default occurs, all amounts with the counterparty are terminated and settled on a net basis.

(iii) Derivatives

The principal derivatives used by the WLB Group are interest and foreign exchange rate related contracts, which are primarily over-the-counter derivatives. Most of the WLB Group's derivative positions have been entered to meet customer demand and to hedge these and other trading positions. The Executive Committee places trading limits on the level of exposure that can be taken in relation to both overnight and intra-day market positions. With the exception of specific hedging arrangements, foreign exchange and interest rate exposures associated with these derivatives are normally offset by entering into counterbalancing positions, thereby controlling the variability in the net cash amounts required to liquidate market positions. Given the purpose for entering into such derivative transaction, collateral or other security is not usually obtained for credit risk exposures on these instruments, except where the WLB Group requires margin deposits from counterparties.

(iv) Credit related commitments

The WLB Group has issued credit related commitments including guarantees and letters of credit. The primary purpose of these instruments is to ensure that funds are available to a customer as required. These instruments represent irrevocable assurances that the WLB Group will make payments in the event that a customer cannot meet its obligations to third parties. These instruments carry similar level of the same credit risk as loans.

Commitments to extend credit represent unused portions of authorised facility limits in the form of loans, guarantees or letters of credit. With respect to credit risk on commitments to extend credit, the WLB Group is potentially exposed to loss in an amount equal to the total unused commitments. However, the likely amount of loss is less than the total unused commitments, as most commitments to extend credit are contingent upon customers maintaining specific credit standards. The WLB Group monitors the term to maturity of credit commitments because longer-term commitments generally have a greater degree of credit risk than shorter-term commitments.

(c) Impairment allowance policies

The WLB Group undertakes ongoing credit analysis and monitoring of its credit portfolios, and requires the review of individual financial assets that are above preset thresholds at least annually or more regularly when individual circumstances require. Impairment allowances are recognised for losses that have been incurred at the balance sheet date based on objective evidence of impairment as described in note 1.7. The WLB Group's internal credit rating system assists management to determine whether objective evidence of impairment exists.

Impairment allowances on individually assessed accounts are determined by an evaluation of the incurred loss at balance sheet date on a case-by-case basis, and are applied to all individually significant accounts. The assessment normally encompasses commitment of collateral held and the anticipated cash flows for that individual account adjusted at the relevant discount rates.

Collectively assessed impairment allowances are provided for (i) portfolios of homogenous assets that are individually below preset thresholds; and (ii) losses that have been incurred but have not yet been individually identified, using available data on historical loss experience, and economic conditions, statistical analysis and supplemented by experienced judgment.

(d) Maximum exposure to credit risk before collateral held or other credit enhancements

	30/6/2008	31/12/2007
	Audited	Audited
	<i>HK\$'000</i>	<i>HK\$'000</i>
Short term funds	22,785,818	25,749,291
Placements with and loans and advances to banks	3,274,954	3,602,908
Trading securities	8,052,648	2,218,841
Derivative financial instruments	44,643	35,813
Financial assets designated at fair value through profit or loss	2,740,329	2,934,803
Financial investments	8,795,854	10,124,287
Advances and other accounts	45,980,741	44,531,182
Loan to jointly controlled entities	70,155	72,264
Credit commitments	18,382,691	23,003,679
	<u>110,127,833</u>	<u>112,273,068</u>

(e) Gross loans and advances to customers

(i) Gross loans and advances to customers by credit quality

	30/6/2008 Audited <i>HK\$'000</i>	31/12/2007 Audited <i>HK\$'000</i>
Neither past due nor impaired	42,290,273	40,259,648
Past due but not impaired	1,451,619	1,564,645
Impaired	81,886	110,227
	<u>43,823,778</u>	<u>41,934,520</u>

(ii) Gross loans and advances to customers that are neither past due nor impaired

	Real estate mortgage <i>HK\$'000</i>	<u>Others</u>		Total <i>HK\$'000</i>
		Corporate <i>HK\$'000</i>	Individual <i>HK\$'000</i>	
At 30 June 2008 (Audited)				
Grade 1	16,150,763	23,595,124	2,367,313	42,113,200
Grade 2	57,662	49,833	9,195	116,690
Grade 3	7,952	50,871	1,560	60,383
	<u>16,216,377</u>	<u>23,695,828</u>	<u>2,378,068</u>	<u>42,290,273</u>

	Real estate mortgage <i>HK\$'000</i>	<u>Others</u>		Total <i>HK\$'000</i>
		Corporate <i>HK\$'000</i>	Individual <i>HK\$'000</i>	
At 31 December 2007 (Audited)				
Grade 1	15,511,134	22,164,615	2,364,305	40,040,054
Grade 2	53,531	98,301	14,525	166,357
Grade 3	6,452	46,195	590	53,237
	<u>15,571,117</u>	<u>22,309,111</u>	<u>2,379,420</u>	<u>40,259,648</u>

The following definitions have been adopted for the purpose of the above analysis:

Grade 1 “satisfactory” represents loans for which borrowers are currently meeting commitments and for which full repayment of interest and principal is not in doubt.

Grade 2 “special monitoring” represents loans with which borrowers are experiencing difficulties and which may threaten the WLB Group’s position.

Grade 3 “sub-standard” represents loans in which borrowers are displaying a definable weakness that is likely to jeopardise repayment; or collection in full is improbable without realisation of available collateral.

(iii) Gross loans and advances to customers which were past due but not impaired

	Real estate mortgage HK\$'000	Others		Total HK\$'000
		Corporate HK\$'000	Individual HK\$'000	
At 30 June 2008				
(Audited)				
Three months or less	993,145	313,198	91,010	1,397,353
Six months or less but over three months	2,141	8,475	2,094	12,710
Over six months	–	41,489	67	41,556
	<u>995,286</u>	<u>363,162</u>	<u>93,171</u>	<u>1,451,619</u>

	Real estate mortgage HK\$'000	Others		Total HK\$'000
		Corporate HK\$'000	Individual HK\$'000	
At 31 December 2007				
(Audited)				
Three months or less	1,110,984	294,524	68,663	1,474,171
Six months or less but over three months	2,849	26,346	106	29,301
Over six months	2,658	58,455	60	61,173
	<u>1,116,491</u>	<u>379,325</u>	<u>68,829</u>	<u>1,564,645</u>

(iv) Gross loans and advances to customers individually impaired

The gross amount of impaired loans, which represents those individual advances where there is objective evidence of impairment resulting from loss events occurring after the initial recognition of the advances and where these loss events have an impact on the estimated future cash flows of the advances, is analysed as follows:

	Real estate mortgage HK\$'000	Others		Total HK\$'000
		Corporate HK\$'000	Individual HK\$'000	
Impaired loans				
At 30 June 2008				
(Audited)				
	<u>32,641</u>	<u>35,651</u>	<u>13,594</u>	<u>81,886</u>
At 31 December				
2007 (Audited)				
	<u>49,178</u>	<u>36,899</u>	<u>24,150</u>	<u>110,227</u>

	30/6/2008 Audited <i>HK\$'000</i>	31/12/2007 Audited <i>HK\$'000</i>
Impaired loans	<u>81,886</u>	<u>110,227</u>
Percentage of total advances to customers	<u>0.19%</u>	<u>0.26%</u>
Individual impairment allowances made in respect of such advances	<u>34,185</u>	<u>48,166</u>
Total value of collateral taken into account in respect of the assessment of individual impairment allowances	<u>42,730</u>	<u>52,439</u>

At 30 June 2008, there were no impaired loans in respect of advances to banks (31 December 2007: Nil).

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

(v) Renegotiated loans that would otherwise be past due or impaired

	30/6/2008 Audited <i>HK\$'000</i>	31/12/2007 Audited <i>HK\$'000</i>
Renegotiated loans that would otherwise be past due or impaired	<u>17,038</u>	<u>9,936</u>

(f) *Gross balance with banks by credit quality*

	30/6/2008 Audited <i>HK\$'000</i>	31/12/2007 Audited <i>HK\$'000</i>
Gross balance with banks		
– Neither past due nor impaired (Grade 1)	<u>26,060,772</u>	<u>29,352,199</u>

Grade 1 “satisfactory” represents loans for which borrowers are currently meeting commitments and for which full repayment of interest and principal is not in doubt.

(g) *Repossessed assets*

During the period/year, the WLB Group obtained assets by taking possession of collateral held as security, as follows:

	Six months ended 30 June 2008 Audited <i>HK\$'000</i>	Year ended 31 December 2007 Audited <i>HK\$'000</i>
Residential properties	1,349	23,645
Commercial and industrial properties	–	3,337
Others	247	188
	<u>1,596</u>	<u>27,170</u>

At 30 June 2008, repossessed assets of the WLB Group amounted to HK\$1,040,000 (31 December 2007: HK\$10,807,000).

Repossessed properties are sold as soon as practicable with the proceeds used to reduce the outstanding indebtedness.

(h) *Debt securities*

(i) Debt securities and treasury bills by credit quality

	30/6/2008 Audited <i>HK\$'000</i>	31/12/2007 Audited <i>HK\$'000</i>
Debt securities and treasury bills		
– Neither past due nor impaired	18,525,162	13,299,368
– Impaired	11,418	311,515
	<u>18,536,580</u>	<u>13,610,883</u>

(ii) Debt securities and treasury bills that are neither past due nor impaired

The tables below present an analysis of debt securities and treasury bills by rating agency designation based on the external credit assessment institutions' ratings that the WLB Group has used in relation to credit risk exposures:

	Treasury bills <i>HK\$'000</i>	Debt securities <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 30 June 2008 (Audited)			
AA- to AAA	6,959,537	3,957,661	10,917,198
A- to A+	–	4,035,632	4,035,632
BBB- to BBB+	–	2,003,374	2,003,374
Lower than BBB-	–	80,499	80,499
Unrated	–	1,488,459	1,488,459
	<u>6,959,537</u>	<u>11,565,625</u>	<u>18,525,162</u>

	Treasury bills <i>HK\$'000</i>	Debt securities <i>HK\$'000</i>	Total <i>HK\$'000</i>
of which issued by:			
– central governments and central banks	6,959,537	758,993	7,718,530
– other public sector entities	–	444,437	444,437
– banks and other financial institutions	–	6,285,862	6,285,862
– corporate entities	–	4,076,333	4,076,333
	<u>6,959,537</u>	<u>11,565,625</u>	<u>18,525,162</u>
of which classified by:			
– trading securities	6,959,537	927,076	7,886,613
– financial assets designated at fair value through profit or loss	–	2,740,329	2,740,329
– available-for-sale securities	–	1,108,738	1,108,738
– held-to-maturity securities	–	6,789,482	6,789,482
	<u>6,959,537</u>	<u>11,565,625</u>	<u>18,525,162</u>
At 31 December 2007 (Audited)			
AA- to AAA	1,216,881	3,490,949	4,707,830
A- to A+	–	4,372,069	4,372,069
BBB- to BBB+	–	2,498,915	2,498,915
Lower than BBB-	–	78,238	78,238
Unrated	–	1,642,316	1,642,316
	<u>1,216,881</u>	<u>12,082,487</u>	<u>13,299,368</u>
of which issued by:			
– central governments and central banks	1,216,881	554,381	1,771,262
– other public sector entities	–	502,637	502,637
– banks and other financial institutions	–	6,744,310	6,744,310
– corporate entities	–	4,281,159	4,281,159
	<u>1,216,881</u>	<u>12,082,487</u>	<u>13,299,368</u>

	Treasury bills <i>HK\$'000</i>	Debt securities <i>HK\$'000</i>	Total <i>HK\$'000</i>
of which classified by:			
– trading securities	1,216,881	813,823	2,030,704
– financial assets designated at fair value through profit or loss	–	2,934,803	2,934,803
– available-for-sale securities	–	1,490,959	1,490,959
– held-to-maturity securities	–	6,842,902	6,842,902
	<u>1,216,881</u>	<u>12,082,487</u>	<u>13,299,368</u>

(i) *Geographical concentrations of assets, liabilities and off-balance sheet items*

	Total assets <i>HK\$'000</i>	Total liabilities <i>HK\$'000</i>	Credit commitments <i>HK\$'000</i>
At 30 June 2008 (Audited)			
Hong Kong	94,042,105	83,070,208	18,076,797
United States of America	1,404,911	1,123,870	273,140
People's Republic of China	2,181,862	1,614,957	32,754
Cayman Islands	495,698	469,859	–
Inter-segment elimination	(2,500,265)	(2,500,265)	–
	<u>95,624,311</u>	<u>83,778,629</u>	<u>18,382,691</u>

	Total assets <i>HK\$'000</i>	Total liabilities <i>HK\$'000</i>	Credit commitments <i>HK\$'000</i>
At 31 December 2007 (Audited)			
Hong Kong	91,964,190	80,102,466	22,657,156
United States of America	1,596,555	1,323,041	293,055
People's Republic of China	2,051,429	1,720,531	53,468
Cayman Islands	775,985	750,317	–
Inter-segment elimination	(3,340,020)	(3,328,319)	–
	<u>93,048,139</u>	<u>80,568,036</u>	<u>23,003,679</u>

The above analysis is prepared based on the country/region in which the WLB Group's operations are located. The WLB Group operates predominantly in Hong Kong.

Geographical sector risk concentrations within the customer loan portfolio are as follows:

	30/6/2008 Audited <i>HK\$'000</i>	30/6/2008 Audited %	31/12/2007 Audited <i>HK\$'000</i>	31/12/2007 Audited %
Hong Kong	41,426,553	94.5	39,801,055	94.9
United States of America	1,306,322	3.0	1,086,923	2.6
People's Republic of China	1,090,903	2.5	1,046,542	2.5
	<u>43,823,778</u>	<u>100.0</u>	<u>41,934,520</u>	<u>100.0</u>

2.2 Market risk

The WLB Group takes on exposure to market risk, which is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risks arise from open positions in interest rate, currency and equity products, all of which are exposed to general and specific market movements and changes in the level of volatility of market rates or prices such as interest rates, foreign exchange rates and equity prices. The WLB Group's market risk primarily arises from its positions in foreign exchange, securities and derivatives in its trading and banking books.

(a) Market risk measurement

The WLB Group's market risk exposures in different activities are managed by way of limits established by the Executive Committee. Exposures are measured and monitored on the basis of contractual or notional amount and outstanding balances. Limits are set by portfolio, product and risk type, using a combination of risk measurement techniques, including position limits, sensitivity limits, as well as stop loss limits. All market risk trading positions are subject to daily mark-to-market valuation, monitored and managed by the Treasury Department. Independent monitoring, checking and trade confirmation are undertaken by a department independent of the Treasury Department. Regular checking and reviews are also conducted by the WLB Group's internal audit function to ensure compliance with risk limits. All exceptions are reviewed and approved by the appropriate level of management and the Executive Committee. Actual positions are monitored by the Risk Management Committee.

The WLB Group also applies a wide range of stress testing to assess the financial impact of more extreme events on the market risk exposure of the WLB Group. The results of the stress testing are reviewed by the Risk Management Committee.

(b) Market risk sensitivity analysis

(i) Currency risk

The WLB Group's currency risk positions mainly arise from foreign exchange dealing, commercial banking operations and structural foreign currency exposures.

At 30 June 2008, if USD had weakened within the pegged range of 0.64% against HKD with all other variables held constant, the WLB Group's profit after taxation for the period would have been HK\$7,902,000 (31 December 2007: HK\$8,943,000) lower. The lower foreign currency exchange rate sensitivity at 30 June 2008 compared with those at 31 December 2007 was attributable to a reduction in USD denominated forward contracts.

(ii) Interest rate risk

The WLB Group's interest rate risk mainly arises from the timing differences in the repricing of interest bearing assets, liabilities and off-balance sheet positions.

Any changes in interest rates would affect the value of those financial assets and liabilities carried at fair value. The WLB Group enters into interest rate swaps to mitigate the interest rate risk associated with the fixed-rate financial assets and financial liabilities. At 30 June 2008, if interest rates at that date had been 100 basis points lower with all other variables held constant, the WLB Group's profit after taxation for the period would have been HK\$14,655,000 (31 December 2007: HK\$26,772,000) higher, mainly as a result of revaluation of trading securities and financial assets designated at fair value through profit or loss. The WLB Group's surplus in investment revaluation reserve would have been HK\$10,612,000 (31 December 2007: HK\$4,515,000) higher due to the revaluation of those available-for-sale securities.

(iii) Equity risk

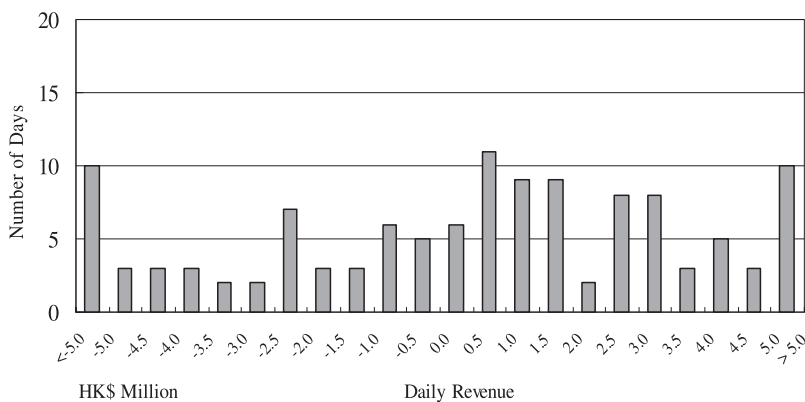
The WLB Group's equity risk position mainly arises from the holdings of certain equity securities and option-linked financial assets with underlying equity securities listed in Hong Kong. Majority of this position is held for long term investment purpose.

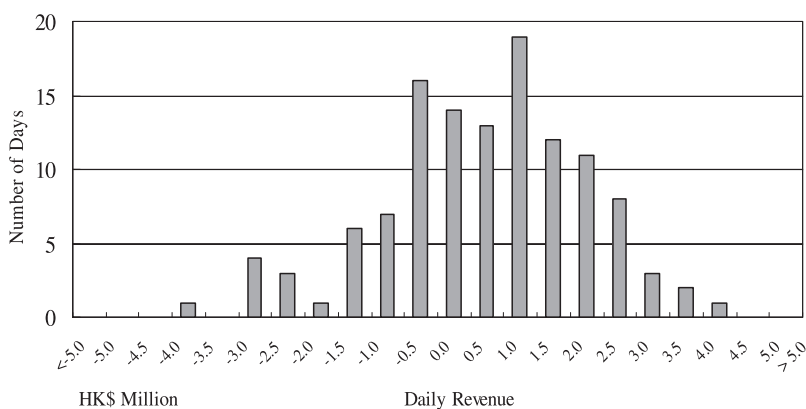
At 30 June 2008, if Hang Seng Index at that date had been 10% lower with all other variables held constant and all the equity instruments move according to the historical correlation with the index, the WLB Group's profit after taxation for the period would have been HK\$19,152,000 (31 December 2007: HK\$16,403,000) lower, and the WLB Group's surplus in investment revaluation reserve would have been HK\$59,089,000 (31 December 2007: HK\$128,179,000) lower. The higher equity risk sensitivity for trading securities and financial assets designated as fair value through profit or loss at 30 June 2008 compared with those at 31 December 2007 was attributable to an increase in holding of investments while the lower equity risk sensitivity for available-for-sale securities at 30 June 2008 compared with those at 31 December 2007 was attributable to a decrease in equity prices and a reduction in holding of equity.

(iv) Daily distribution of market risk revenue

The average daily revenue for the six months ended 30 June 2008 earned from market risk-related activities by WLB and certain subsidiaries, including trading-related net interest income and other revenue was HK\$514,000 (2007 unaudited: HK\$723,000). The standard deviation of this daily revenue was HK\$4,206,000 (2007 unaudited: HK\$1,522,000).

**DAILY DISTRIBUTION OF MARKET RISK REVENUE
FOR THE SIX MONTHS ENDED 30 JUNE 2008**



DAILY DISTRIBUTION OF MARKET RISK REVENUE
FOR THE SIX MONTHS ENDED 30 JUNE 2007*(c) Currency risk*

The WLB Group takes on exposure to effects of fluctuations in the prevailing foreign currency exchange rates on its financial position and cash flows. The WLB Group's exposures mainly comprise foreign exchange dealing by the Treasury Department and currency exposures originated by its commercial banking businesses.

The Executive Committee sets limits on the level of exposure by currency and in total for both overnight and intra-day positions. All exposures are centrally managed by the Treasury Department and independently monitored by a separate department on a daily basis.

Foreign currency exposures arising from customer transactions, including currency options embedded in certain customer deposits, are normally offset against other customer transactions or transactions with the market. Foreign currency funding used to fund Hong Kong dollar assets is hedged using currency swaps or forward exchange contracts to mitigate the foreign exchange risk.

The tables on the following pages summarise the WLB Group's exposure to foreign currency exchange rate risk at 30 June 2008 and 31 December 2007. Included in the tables are the WLB Group's assets and liabilities at carrying amounts, categorised by currency. The off-balance sheet gap represents the net notional amounts of foreign currency derivative financial instruments, which are principally used to reduce the WLB Group's exposure to currency movements.

Concentration of assets, liabilities and off-balance sheet items

	HK\$ HK\$'000	US\$ HK\$'000	A\$ HK\$'000	NZ\$ HK\$'000	Others HK\$'000	Total HK\$'000
At 30 June 2008 (Audited)						
Assets						
Cash and short-term funds	1,711,731	7,436,885	4,372,139	3,489,440	6,286,416	23,296,611
Placements with and loans and advances to banks	644,447	2,423,285	173,112	–	34,110	3,274,954
Trading securities	7,788,077	67,107	106,489	–	90,975	8,052,648
Derivative financial instruments	35,615	3,507	777	999	3,745	44,643
Financial assets designated at fair value through profit or loss	1,210,217	1,429,684	16,749	–	83,679	2,740,329
Available-for-sale securities	755,872	1,098,198	75,263	71,587	1,122	2,002,042
Held-to-maturity securities	1,821,347	1,326,094	2,257,702	1,106,044	282,625	6,793,812
Advances and other accounts (including tax recoverable and deferred tax assets)	41,740,927	2,904,321	889,907	14,431	545,518	46,095,104
Interests in jointly controlled entities	179,748	–	–	–	–	179,748
Interests in associates	6,136	–	–	–	–	6,136
Investment properties	2,406,600	–	–	–	–	2,406,600
Interests in leasehold land	239,259	–	–	–	–	239,259
Other properties and equipment	449,287	34,190	–	–	8,948	492,425
Total assets	58,989,263	16,723,271	7,892,138	4,682,501	7,337,138	95,624,311
Liabilities						
Deposits and balances from banks	228,467	519,297	32,997	9,724	390,150	1,180,635
Trading liabilities	6,255,425	–	–	–	–	6,255,425
Derivative financial instruments	139,218	442,917	681	948	1,505	585,269
Financial liabilities designated at fair value through profit or loss	1,806,190	–	–	–	–	1,806,190
Deposits from customers	35,592,349	13,881,735	7,765,337	4,593,290	6,739,575	68,572,286
Certificates of deposit issued	1,489,678	288,507	–	–	–	1,778,185
Other accounts and accruals (including current taxation and deferred tax liabilities)	3,227,487	136,767	61,852	25,147	149,386	3,600,639
Total liabilities	48,738,814	15,269,223	7,860,867	4,629,109	7,280,616	83,778,629
Net on-balance sheet position	10,250,449	1,454,048	31,271	53,392	56,522	11,845,682
Off-balance sheet net notional position	(48,532)	24,558	16,239	26,866	(19,205)	(74)
Credit commitments	17,605,980	553,414	92	–	223,205	18,382,691

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	HK\$ HK\$'000	US\$ HK\$'000	A\$ HK\$'000	NZ\$ HK\$'000	Others HK\$'000	Total HK\$'000
At 31 December 2007 (Audited)						
Assets						
Cash and short-term funds	4,194,606	8,473,852	5,569,053	2,797,204	5,349,520	26,384,235
Placements with and loans and advances to banks	915,761	2,497,230	157,881	–	32,036	3,602,908
Trading securities	1,907,999	67,738	102,950	–	140,154	2,218,841
Derivative financial instruments	29,572	3,392	1	134	2,714	35,813
Financial assets designated at fair value through profit or loss	1,378,182	1,459,599	18,533	–	78,489	2,934,803
Available-for-sale securities	1,371,380	1,554,568	68,658	90,631	155,071	3,240,308
Held-to-maturity securities	4,557,640	1,750,240	412,199	–	163,900	6,883,979
Advances and other accounts (including tax recoverable and deferred tax assets)	40,697,059	2,666,161	806,625	13,489	413,351	44,596,685
Interests in jointly controlled entities	224,018	–	–	–	–	224,018
Interests in associates	6,184	–	–	–	–	6,184
Investment properties	2,254,600	–	–	–	–	2,254,600
Interests in leasehold land	241,345	–	–	–	–	241,345
Other properties and equipment	387,010	34,994	–	–	2,416	424,420
Total assets	58,165,356	18,507,774	7,135,900	2,901,458	6,337,651	93,048,139
Liabilities						
Deposits and balances from banks	381,194	413,452	26,087	750	335,566	1,157,049
Trading liabilities	351,210	–	–	–	–	351,210
Derivative financial instruments	362,983	237,896	80	134	599	601,692
Financial liabilities designated at fair value through profit or loss	2,007,116	151,912	–	–	–	2,159,028
Deposits from customers	38,768,232	16,139,940	6,971,382	2,870,280	5,731,524	70,481,358
Certificates of deposit issued	1,679,592	93,602	–	–	–	1,773,194
Other accounts and accruals (including current taxation and deferred tax liabilities)	3,645,280	142,322	36,040	16,072	204,791	4,044,505
Total liabilities	47,195,607	17,179,124	7,033,589	2,887,236	6,272,480	80,568,036
Net on-balance sheet position	10,969,749	1,328,650	102,311	14,222	65,171	12,480,103
Off-balance sheet net notional position	(365,834)	365,122	(40,260)	24,068	15,911	(993)
Credit commitments	21,693,183	1,097,231	–	–	213,265	23,003,679

(d) Interest rate risk

The WLB Group is exposed to the effects of fluctuations in the prevailing levels of market interest rates in respect of its fair value and cash flow interest rate risks. Fair value interest rate risk is the risk that the value of a financial instrument will fluctuate because of changes in market interest rates. Cash flow interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

Interest margin may increase as a result of such changes but may reduce or create losses in the event that unexpected movements arise. The WLB Group has established policies and systems to monitor its interest-sensitive positions and net repricing gap to ensure that they are all properly managed under the limits approved by the Executive Committee. Actual positions are compared with the approved limits and monitored by the Risk Management Committee on a monthly basis.

While the primary objective of interest rate risk management is to limit potential adverse effects of interest rate movements on net interest income, interest rate positions may be taken for yield enhancement within the risk limits.

The tables on the following pages summarise the WLB Group's exposure to interest rate risks. Included in the tables are the WLB Group's assets and liabilities at carrying amounts, categorised by the earlier of contractual repricing or maturity dates.

Interest sensitivity of assets and liabilities – repricing analysis

	Up to 1 month HK\$'000	1-3 months HK\$'000	3-12 months HK\$'000	1-5 years HK\$'000	Over 5 years HK\$'000	Non- interest bearing HK\$'000	Total HK\$'000
At 30 June 2008 (Audited)							
Assets							
Cash and short-term funds	22,309,491	-	-	-	-	987,120	23,296,611
Placements with and loans and advances to banks	325,600	2,486,140	463,214	-	-	-	3,274,954
Trading securities	2,431,805	4,042,978	910,771	488,947	12,112	166,035	8,052,648
Derivative financial instruments	-	-	-	-	-	44,643	44,643
Financial assets designated at fair value through profit or loss	45,423	74,670	862,036	1,746,543	11,657	-	2,740,329
Available-for-sale securities	364,670	690,016	38,951	-	15,101	893,304	2,002,042
Held-to-maturity securities	3,487,715	2,058,428	978,871	239,486	29,312	-	6,793,812
Advances and other accounts (including tax recoverable and deferred tax assets)	32,401,465	9,959,774	828,879	404,232	154,753	2,346,001	46,095,104
Interests in jointly controlled entities	23,840	39,714	-	-	-	116,194	179,748
Interests in associates	-	-	-	-	-	6,136	6,136
Investment properties	-	-	-	-	-	2,406,600	2,406,600
Interests in leasehold land	-	-	-	-	-	239,259	239,259
Other properties and equipment	-	-	-	-	-	492,425	492,425
Total assets	61,390,009	19,351,720	4,082,722	2,879,208	222,935	7,697,717	95,624,311
Liabilities							
Deposits and balances from banks	876,302	125,194	56,850	-	-	122,289	1,180,635
Trading liabilities	2,518,984	3,736,441	-	-	-	-	6,255,425
Derivative financial instruments	-	-	-	-	-	585,269	585,269
Financial liabilities designated at fair value through profit or loss	230,674	100,246	765,719	709,551	-	-	1,806,190
Deposits from customers	48,145,255	15,049,695	1,934,537	62,116	-	3,380,683	68,572,286
Certificates of deposit issued	498,420	1,279,765	-	-	-	-	1,778,185
Other accounts and accruals (including current taxation and deferred tax liabilities)	-	-	-	-	-	3,600,639	3,600,639
Total liabilities	52,269,635	20,291,341	2,757,106	771,667	-	7,688,880	83,778,629
Total interest sensitivity gap (unadjusted)	9,120,374	(939,621)	1,325,616	2,107,541	222,935		
Effect of interest rate derivatives	1,575,319	(717,148)	47,807	(802,569)	-		
Total interest sensitivity gap (adjusted)	10,695,693	(1,656,769)	1,373,423	1,304,972	222,935		

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	Up to 1 month HK\$'000	1-3 months HK\$'000	3-12 months HK\$'000	1-5 years HK\$'000	Over 5 years HK\$'000	Non- interest bearing HK\$'000	Total HK\$'000
At 31 December 2007 (Audited)							
Assets							
Cash and short-term funds	25,024,442	-	-	-	-	1,359,793	26,384,235
Placements with and loans and advances to banks	326,867	2,698,195	577,846	-	-	-	3,602,908
Trading securities	139,898	771,390	727,565	376,273	15,578	188,137	2,218,841
Derivative financial instruments	-	-	-	-	-	35,813	35,813
Financial assets designated at fair value through profit or loss	21,675	91,446	422,775	2,385,747	13,160	-	2,934,803
Available-for-sale securities	488,692	882,684	346,807	-	43,214	1,478,911	3,240,308
Held-to-maturity securities	2,791,227	2,488,771	1,133,156	448,105	22,720	-	6,883,979
Advances and other accounts (including tax recoverable and deferred tax assets)	35,857,252	4,167,765	1,414,639	337,248	138,967	2,680,814	44,596,685
Interests in jointly controlled entities	-	41,857	23,840	-	-	158,321	224,018
Interests in associates	-	-	-	-	-	6,184	6,184
Investment properties	-	-	-	-	-	2,254,600	2,254,600
Interests in leasehold land	-	-	-	-	-	241,345	241,345
Other properties and equipment	-	-	-	-	-	424,420	424,420
Total assets	64,650,053	11,142,108	4,646,628	3,547,373	233,639	8,828,338	93,048,139
Liabilities							
Deposits and balances from banks	777,952	15,882	76,887	-	-	286,328	1,157,049
Trading liabilities	251,025	100,185	-	-	-	-	351,210
Derivative financial instruments	-	-	-	-	-	601,692	601,692
Financial liabilities designated at fair value through profit or loss	345,882	751,429	100,509	961,208	-	-	2,159,028
Deposits from customers	55,658,009	8,444,181	3,132,131	75,671	-	3,171,366	70,481,358
Certificates of deposit issued	93,602	1,679,592	-	-	-	-	1,773,194
Other accounts and accruals (including current taxation and deferred tax liabilities)	-	-	-	-	-	4,044,505	4,044,505
Total liabilities	57,126,470	10,991,269	3,309,527	1,036,879	-	8,103,891	80,568,036
Total interest sensitivity gap (unadjusted)	7,523,583	150,839	1,337,101	2,510,494	233,639		
Effect of interest rate derivatives	1,574,546	(433,578)	(263,809)	(763,704)	-		
Total interest sensitivity gap (adjusted)	9,098,129	(282,739)	1,073,292	1,746,790	233,639		

The table below summarises the effective interest rate by major currencies of monetary financial instruments not carried at fair value through profit or loss:

	HK\$ %	US\$ %	A\$ %	NZ\$ %	Others %	Total %
At 30 June 2008 (Audited)						
Assets						
Cash and short-term funds	1.95	2.77	7.38	8.45	3.17	4.53
Placements with and loans and advances						
to banks	3.30	3.27	7.30	–	3.43	3.49
Available-for-sale securities	0.44	1.55	8.09	9.45	–	1.58
Held-to-maturity securities	2.83	3.75	7.69	8.77	4.13	5.64
Advances to customers	2.95	4.65	7.98	–	6.95	3.18
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Liabilities						
Deposits and balances from banks	0.64	2.35	6.78	5.37	3.01	2.38
Deposits from customers	0.96	2.03	6.98	7.91	2.83	2.51
Certificates of deposit issued	2.16	3.09	–	–	–	2.31
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
At 31 December 2007 (Audited)						
Assets						
Cash and short-term funds	3.30	4.97	6.78	8.79	4.30	5.36
Placements with and loans and advances						
to banks	4.20	5.20	7.30	–	3.22	5.02
Available-for-sale securities	0.55	3.93	7.64	7.99	3.56	2.81
Held-to-maturity securities	4.13	5.45	7.30	–	4.32	4.67
Advances to customers	4.55	6.68	7.36	–	7.95	4.72
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Liabilities						
Deposits and balances from banks	0.27	3.49	6.51	8.20	2.59	2.24
Deposits from customers	2.37	4.23	6.35	8.04	3.90	3.54
Certificates of deposit issued	3.81	5.34	–	–	–	3.89
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>

2.3 Liquidity risk

Liquidity risk is the risk that the WLB Group is unable to meet its payment obligations associated with its financial liabilities when they fall due and to replace funds when they are withdrawn. The consequence may be the failure to meet obligations to repay depositors and fulfill commitments to lend. The WLB Group is exposed to daily calls on its available cash resources from overnight deposits, current accounts, matured deposits, loan draw-downs and guarantees, and from margin and other calls on cash-settled derivatives.

(a) Liquidity risk management process

The WLB Group has established policies and systems to monitor and control its liquidity position on a daily basis. The Treasury Department manages the WLB Group's day-to-day funding by monitoring future cash flow to ensure that requirements can be met. This includes replenishment of funds as they mature or are borrowed by customers. The WLB Group maintains an active presence in money markets to enable this to happen and a portfolio of high quality liquid assets that can easily be liquidated to meet emergency funding needs. The WLB Group also monitors the off-balance sheet cash flow activities, such as loan commitments, contingent liabilities under guarantees and standby facilities received, as part of its liquidity risk management process. Sources of liquidity are regularly reviewed by the Treasury Department to maintain diversification in currency, geography, provider, product and term.

Limits for liquidity ratio, loan-to-deposit ratio and maturity mismatch amount have been set to ensure that the WLB Group is able to meet its funding requirements. All limits are approved by the Executive Committee. Actual positions are compared with the approved limits and monitored by the Asset and Liability Management Committee. Stress scenario analysis for normal business conditions, an institution-specific crisis and a general market crisis are also conducted on a regular basis to assess the liquidity risk of the WLB Group. The liquidity management process is regularly reported to the Executive Committee and the Board of Directors.

(b) Maturity analysis

The tables on the following pages analyse the WLB Group's assets and liabilities into relevant maturity groupings based on the remaining period at balance sheet date to the contractual maturity date. The analysis in respect of insurance liabilities is based on the estimated timing of net cash outflows resulting from recognised insurance liabilities at balance sheet date.

APPENDIX II
**FINANCIAL INFORMATION RELATING
TO THE WLB GROUP**

	Repayable on demand HK\$'000	Up to 1 month HK\$'000	1-3 months HK\$'000	3-12 months HK\$'000	1-5 years HK\$'000	Over 5 years HK\$'000	Undated HK\$'000	Total HK\$'000
At 30 June 2008 (Audited)								
Assets								
Cash and short-term funds	2,204,200	21,092,411	-	-	-	-	-	23,296,611
Placements with and loans and advances to banks	-	-	2,430,434	433,133	411,387	-	-	3,274,954
Trading securities	-	2,431,805	3,936,489	910,771	595,435	12,113	166,035	8,052,648
Derivative financial instruments	-	16,094	9,952	4,343	14,254	-	-	44,643
Financial assets designated at fair value through profit or loss	-	-	1,002	726,660	1,968,232	44,435	-	2,740,329
Available-for-sale securities	-	78,110	77,920	248,103	611,172	100,521	886,216	2,002,042
Held-to-maturity securities	-	3,234,136	789,996	1,202,868	1,420,743	146,069	-	6,793,812
Advances and other accounts (including tax recoverable and deferred tax assets)	1,691,875	1,642,417	1,626,081	5,713,497	20,470,555	14,350,446	600,233	46,095,104
Interests in jointly controlled entities	-	31	3	5,267	63,554	-	110,893	179,748
Interests in associates	-	-	-	-	-	-	6,136	6,136
Investment properties	-	-	-	-	-	-	2,406,600	2,406,600
Interests in leasehold land	-	-	-	-	-	-	239,259	239,259
Other properties and equipment	-	-	-	-	-	-	492,425	492,425
Total assets	3,896,075	28,495,004	8,871,877	9,244,642	25,555,332	14,653,584	4,907,797	95,624,311
Liabilities								
Deposits and balances from banks	124,300	874,291	56,974	125,070	-	-	-	1,180,635
Trading liabilities	-	2,518,984	3,736,441	-	-	-	-	6,255,425
Derivative financial instruments	-	18,202	10,081	51,104	505,882	-	-	585,269
Financial liabilities designated at fair value through profit or loss	-	-	100,247	651,429	1,054,514	-	-	1,806,190
Deposits from customers	20,923,580	30,602,358	15,049,695	1,934,537	62,116	-	-	68,572,286
Certificates of deposit issued	-	93,585	399,986	804,870	479,744	-	-	1,778,185
Other accounts and accruals (including current taxation and deferred tax liabilities)	463,869	885,326	184,643	561,826	703,628	457,347	344,000	3,600,639
Total liabilities	21,511,749	34,992,746	19,538,067	4,128,836	2,805,884	457,347	344,000	83,778,629
Net liquidity gap	(17,615,674)	(6,497,742)	(10,666,190)	5,115,806	22,749,448	14,196,237	4,563,797	11,845,682
	Repayable on demand HK\$'000	Up to 1 month HK\$'000	1-3 months HK\$'000	3-12 months HK\$'000	1-5 years HK\$'000	Over 5 years HK\$'000	Undated HK\$'000	Total HK\$'000
At 31 December 2007 (Audited)								
Assets								
Cash and short-term funds	1,584,485	24,799,750	-	-	-	-	-	26,384,235
Placements with and loans and advances to banks	-	-	2,642,478	548,959	411,471	-	-	3,602,908
Trading securities	-	139,899	618,414	777,591	479,222	15,578	188,137	2,218,841
Derivative financial instruments	-	14,798	6,455	1,301	13,259	-	-	35,813
Financial assets designated at fair value through profit or loss	-	-	4,415	215,573	2,668,642	46,173	-	2,934,803
Available-for-sale securities	-	90,631	-	415,965	1,105,106	149,695	1,478,911	3,240,308
Held-to-maturity securities	-	2,467,461	1,216,525	1,365,505	1,686,504	147,984	-	6,883,979
Advances and other accounts (including tax recoverable and deferred tax assets)	1,479,580	2,292,494	2,351,917	5,427,110	17,815,627	14,688,961	540,996	44,596,685
Interests in jointly controlled entities	-	-	-	5,267	65,697	-	153,054	224,018
Interests in associates	-	-	-	-	-	-	6,184	6,184
Investment properties	-	-	-	-	-	-	2,254,600	2,254,600
Interests in leasehold land	-	-	-	-	-	-	241,345	241,345
Other properties and equipment	-	-	-	-	-	-	424,420	424,420
Total assets	3,064,065	29,805,033	6,840,204	8,757,271	24,245,528	15,048,391	5,287,647	93,048,139
Liabilities								
Deposits and balances from banks	287,508	776,772	15,882	76,887	-	-	-	1,157,049
Trading liabilities	-	251,025	100,185	-	-	-	-	351,210
Derivative financial instruments	-	13,511	6,707	38,615	542,859	-	-	601,692
Financial liabilities designated at fair value through profit or loss	-	-	220,013	734,765	1,204,250	-	-	2,159,028
Deposits from customers	21,397,045	37,432,331	8,444,181	3,132,131	75,670	-	-	70,481,358
Certificates of deposit issued	-	-	-	1,388,432	384,762	-	-	1,773,194
Other accounts and accruals (including current taxation and deferred tax liabilities)	553,318	1,439,180	182,371	534,548	577,218	470,958	286,912	4,044,505
Total liabilities	22,237,871	39,912,819	8,969,339	5,905,378	2,784,759	470,958	286,912	80,568,036
Net liquidity gap	(19,173,806)	(10,107,786)	(2,129,135)	2,851,893	21,460,769	14,577,433	5,000,735	12,480,103

The matching and controlled mismatching of the maturities and interest rates of assets and liabilities is fundamental to the management of the WLB Group. It is unusual for banks to be completely matched, as transacted business is often of uncertain term and of different types. An unmatched position potentially enhances profitability, but also increases the risk of losses.

The maturities of assets and liabilities and the ability to replace, at an acceptable cost, interest-bearing liabilities as they mature are important factors in assessing the liquidity of the WLB Group and its exposure to changes in interest rates and currency risks.

Liquidity requirements to support calls under guarantees and standby letters of credit are considerably less than the amount of the commitment because the WLB Group does not generally expect the third party to draw funds under the agreement. The total outstanding contractual amount of commitments to extend credit does not necessarily represent future cash requirements, as many of these commitments will expire or terminate without being funded.

(c) *Undiscounted cash flows by contractual maturities*

The tables below analyse the cash flow payable by the WLB Group in respect of non-derivative financial liabilities and derivative financial instruments by remaining contractual maturities, and by estimated timing of net cash outflow for insurance liabilities at the balance sheet date. The amounts disclosed in the tables are the contractual undiscounted cash flows, whereas the WLB Group manages the inherent liquidity risk based on expected undiscounted cash flows.

	Repayable on demand HK\$'000	Up to 1 month HK\$'000	1-3 months HK\$'000	3-12 months HK\$'000	1-5 years HK\$'000	Over 5 years HK\$'000	Undated HK\$'000	Total HK\$'000
At 30 June 2008								
(Audited)								
Non-derivative cash flow liabilities								
Deposits from customers	20,925,860	30,711,163	15,185,788	1,996,688	66,892	-	-	68,886,391
Deposits and balances from banks	124,300	875,105	57,913	127,811	-	-	-	1,185,129
Trading liabilities	-	2,520,000	3,744,000	-	-	-	-	6,264,000
Financial liabilities designated at fair value through profit or loss								
Certificates of deposit issued	-	1,285	113,811	692,443	1,070,503	-	-	1,878,042
Other liabilities	461,589	808,251	113,542	530,676	702,205	457,347	344,000	3,417,610
Derivative cash flow								
Derivative financial instruments	-	1,366,528	311,008	26,077	27,494	-	-	1,731,107
	<u>21,511,749</u>	<u>36,379,333</u>	<u>19,932,934</u>	<u>4,195,249</u>	<u>2,356,391</u>	<u>457,347</u>	<u>344,000</u>	<u>85,177,003</u>
At 31 December 2007								
(Audited)								
Non-derivative cash flow liabilities								
Deposits from customers	21,400,943	37,606,503	8,548,223	3,229,716	81,735	-	-	70,867,120
Deposits and balances from banks	287,508	777,638	16,118	79,240	-	-	-	1,160,504
Trading liabilities	-	274,725	100,609	-	-	-	-	375,334
Financial liabilities designated at fair value through profit or loss								
Certificates of deposit issued	-	3,501	238,169	791,295	1,233,450	-	-	2,266,415
Other liabilities	550,459	1,328,354	121,949	508,275	575,670	470,958	286,912	3,842,577
Derivative cash flow								
Derivative financial instruments	-	1,701,543	596,579	28,206	22,566	-	-	2,348,894
	<u>22,238,910</u>	<u>41,693,514</u>	<u>9,637,632</u>	<u>6,064,902</u>	<u>2,311,592</u>	<u>470,958</u>	<u>286,912</u>	<u>82,704,420</u>

(d) *Off-balance sheet items*

	Not later than 1 year <i>HK\$'000</i>	1-5 years <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 30 June 2008 (Audited)			
Loan commitments	17,601,595	–	17,601,595
Guarantees, acceptances and other financial facilities			
– Acceptances	105,481	–	105,481
– Guarantees and standby letters of credit	490,634	–	490,634
– Documentary and commercial letters of credit	184,981	–	184,981
Operating lease commitments	21,771	18,130	39,901
Capital commitments	254,422	–	254,422
	<u>18,658,884</u>	<u>18,130</u>	<u>18,677,014</u>
Total	<u>18,658,884</u>	<u>18,130</u>	<u>18,677,014</u>
At 31 December 2007 (Audited)			
Loan commitments	21,844,563	–	21,844,563
Guarantees, acceptances and other financial facilities			
– Acceptances	144,496	–	144,496
– Guarantees and standby letters of credit	432,063	–	432,063
– Documentary and commercial letters of credit	265,532	–	265,532
Credit default swap	317,025	–	317,025
Operating lease commitments	23,649	24,199	47,848
Capital commitments	33,840	80	33,920
	<u>23,061,168</u>	<u>24,279</u>	<u>23,085,447</u>
Total	<u>23,061,168</u>	<u>24,279</u>	<u>23,085,447</u>

2.4 Fair value of financial assets and liabilities

The fair value of financial instruments traded in an active market (such as publicly traded derivatives, and trading and available-for-sale securities) is based on quoted market prices at the balance sheet date. The quoted market price used for financial assets held by the WLB Group is the current bid price; the appropriate quoted market price for financial liabilities is the current ask price.

The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined by using valuation techniques. The WLB Group uses a variety of methods and makes assumptions that are based on market conditions existing at each balance sheet date. Other techniques, such as estimated discounted cash flows, are used to determine fair value for the remaining financial instruments. The fair value of interest-rate swaps is calculated as the present value of the estimated future cash flows. The fair value of forward foreign exchange contracts is determined using forward exchange market rates at the balance sheet date.

The fair values of financial assets and liabilities not presented at fair value in the WLB Group's balance sheet are estimated as follows:

(a) *Balances, placement with and loans and advances to banks*

The fair value of floating rate placements and overnight deposits is their carrying amounts. The estimated fair value of fixed interest bearing deposits, which is normally less than one year, is based on discounted cash flows using prevailing money-market interest rates for debts with similar credit risk and remaining maturity. Therefore the fair value is approximately equal to its carrying value.

(b) *Advances and other accounts*

Advances and other accounts are net of allowances for impairment. All except a very insignificant portion of loans and advances to customers bear interest at a floating rate. The WLB Group has assessed the fair value of advances to customers and trade bills, after taking into account the relevant market interest rates and noted that the total fair value is not materially different from the total carrying value.

(c) *Deposits and balances from banks and customers*

The estimated fair value of deposits and balances with no stated maturity, which include non-interest bearing deposits, is the amount repayable on demand. The fair value of those balances having an interest at a floating rate is their carrying value.

The estimated fair value of fixed interest-bearing deposits from banks and deposits from customers without quoted market price is based on discounted cash flows using interest rates for new debts with similar remaining maturity. As they are normally less than one year, their fair values are approximately equal to their carrying values.

(d) *Certificates of deposit issued*

The fair value of certificates of deposit issued is based on quoted market prices. For those where quoted market prices are not available, a discounted cash flow model is used based on a current yield curve appropriate for the remaining term to maturity. The WLB Group has assessed the fair value of certificates of deposit after taking into account the relevant yield curve and noted that the total fair value is not materially different from the total carrying value.

(e) *Other accounts and accruals*

The estimated fair value of other accounts and accruals, which are normally non-interest bearing balances, is their carrying value.

Except for the above balance sheet items, the following table summarises the carrying amounts and fair values of other financial assets and liabilities not presented on the WLB Group's balance sheet at their fair value.

	Carrying value		Fair value	
	30/6/2008	31/12/2007	30/6/2008	31/12/2007
	Audited	Audited	Audited	Audited
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Financial assets				
Held-to-maturity securities	6,793,812	6,883,979	6,786,524	6,893,695

Fair value for held-to-maturity securities is based on market prices or broker/dealer price quotations. Where this information is not available, fair value has been estimated using quoted market prices for securities with similar credit, maturity and yield characteristics.

2.5 Capital management

The WLB Group's objectives when managing capital are as follows:

- To comply with the capital requirements under the Banking (Capital) Rules of the Hong Kong Banking Ordinance;
- To safeguard the WLB Group's ability to continue as a going concern so that it can continue to provide returns for shareholders and benefits for other stakeholders;
- To support the WLB Group's stability and growth; and
- To maintain a strong capital base to support the development of its business.

The Hong Kong Banking Ordinance requires each bank or banking group to maintain a ratio of total regulatory capital to the risk-weighted assets (the capital adequacy ratio) at or above the minimum of 8%. Subsidiaries of the WLB Group are also subject to statutory capital requirements from other regulatory authorities, such as Securities and Futures Commission and Office of the Commissioner of Insurance.

The risk-weighted assets are measured by means of a hierarchy of risk weights as defined in the Banking (Capital) Rules according to the nature of and reflecting an estimate of credit, market and other risks associated with each asset and counterparty, taking into account any eligible collateral or guarantees. A similar treatment is adopted for off-balance sheet exposures, with some adjustments to reflect the more contingent nature of the potential losses.

Capital adequacy and the use of capital are monitored daily by the WLB Group's management. The WLB Group applies an internal trigger capital adequacy ratio which is well above the minimum statutory requirement as an indicator for managing the capital adequacy. In addition, the WLB Group will assess the impact on its capital adequacy ratio when there are new products, new investments or any significant transactions.

3 CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS IN APPLYING ACCOUNTING POLICY

The WLB Group makes estimates and assumptions that affect the reported amounts of assets and liabilities within the next financial period. Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

(a) Impairment allowances on loans and advances

The WLB Group reviews its loan portfolio to assess impairment at least on a quarterly basis. In determining whether an impairment loss should be recorded in the income statement, the WLB Group makes judgments as to whether there is any observable data indicating that there is a measurable decrease in the estimated future cash flows from a portfolio of loans before the decrease can be identified with an individual loan in that portfolio. This evidence may include observable data indicating that there has been an adverse change in the payment status of borrowers in a group, or national or local economic conditions that correlate with defaults on assets in the group. Management uses estimates based on historical loss experience for assets with credit risk characteristics and objective evidence of impairment similar to those in the portfolio when scheduling its future cash flows. The methodology and assumptions used for estimating the amount and timing of future cash flows are reviewed regularly to reduce any differences between loss estimates and actual loss experience. Changes in the assumptions used would affect the reported impairment allowances on loans and advances.

(b) Fair value of financial instruments

The fair values of financial instruments that are not quoted in active markets are determined by using valuation techniques. Where valuation techniques (for example, models) are used to determine fair values, they are validated and periodically reviewed by qualified personnel independent of the department that created them to ensure that outputs reflect actual data and comparative market prices. To the extent practical, models use only observable data, however areas such as credit risk (both own and counterparty), volatilities and correlations require management to make estimates. Changes in assumptions about these factors would affect the reported fair value of financial instruments.

(c) Impairment of available-for-sale securities and held-to-maturity securities

The WLB Group follows the guidance of HKAS 39 to determine when available-for-sale securities and held-to-maturity securities are impaired. This determination requires judgment. In making this judgment, the WLB Group evaluates among other factors, the duration and extent to which the fair value of an investment has declined; and the credit quality of and near-term business outlook for the investee or issuer, including factors such as industry and sector performance, changes in technology and operational and financing cash flows.

(d) Held-to-maturity securities

The WLB Group follows the guidance of HKAS 39 on classifying non-derivative financial assets with fixed or determinable payments and fixed maturity as held-to-maturity. This classification requires significant judgment. In making this judgment, the WLB Group evaluates its intention and ability to hold such investments to maturity. If the WLB Group fails to keep these investments to maturity other than for the specific circumstances – for example, selling an insignificant amount close to maturity – it will be required to reclassify the entire class as available-for-sale. The investments would therefore be measured at fair value not amortised cost.

(e) Estimate of fair value of investment properties

The fair values of investment properties are estimated based on the valuation made by an independent professional valuer on an open market basis. The fair values are assessed based on the capitalisation of the net income for the properties using Investment Method of Valuation. The contractual rental income and the expected future market rental income after allowing for outgoings and maintenance requirements are capitalised at observed market yields. The principal assumptions underlying the estimation of market value are those related to: the receipt of contractual rentals; expected future market rentals; void periods; maintenance requirements; and observed market yields.

In addition, the valuations are also assessed by reference to comparable market transactions as reported in the relevant market at similar locations. Appropriate adjustments have been made on the values of the subject properties for relevant factors, such as location difference, building age, time of transaction, shop frontage and pedestrian flow, etc.

Changes in the assumptions used in the valuation would affect the fair value of investment properties.

(f) Ultimate liability arising from claims made under insurance contracts

The estimation of the ultimate liability arising from claims made under insurance contracts is one of the WLB Group's critical accounting estimates. Estimates and judgments are continually evaluated and based on historical experience and other factors, including expectations of loss events that have been incurred but not reported ("IBNR") to the WLB Group as of the balance sheet date. The estimation of IBNR claims is generally subject to a greater degree of uncertainty than the estimation of the cost of settling claims already notified to the WLB Group, where information about the claim events are available. IBNR claims may not be apparent to the insured until many years after the event that gives rise to the claim has happened.

Estimation of the ultimate cost of certain liability claims can be a complex process. There are several sources of uncertainty that need to be considered in the estimating of the liability that the WLB Group will ultimately pay for such claims. In particular, the claims arising from the employees' compensation and other liability policies can be longer in tail and difficult to estimate. The WLB Group has appointed an independent actuary to estimate the claim liabilities using established actuarial methodologies. The methodologies are statistical in nature and can be affected by various factors. The more significant factors that can affect the reliability of the liability estimation include jurisprudence that can broaden the intent and scope coverage of the protections offered in the insurance contracts issued by the WLB Group, the extent to which actual claim results differ from historical experience and the time lag between the occurrence of the event and the report of such claim to the WLB Group.

4 INTEREST INCOME

	Six months ended 30 June	
	2008	2007
	Audited	Unaudited
	<i>HK\$'000</i>	<i>HK\$'000</i>
Cash and balances with banks	695,331	733,458
Investments in securities		
– listed	49,841	80,117
– unlisted	169,798	215,235
Advances to customers	773,404	1,090,012
Others	47,530	38,349
	<u>1,735,904</u>	<u>2,157,171</u>

Included in interest income are interest income from financial assets that are not at fair value through profit or loss of HK\$1,618,925,000 (2007: HK\$2,022,062,000) and unwinding of discount on impaired loans of HK\$1,002,000 (2007: HK\$3,450,000).

5 INTEREST EXPENSE

	Six months ended 30 June	
	2008	2007
	Audited	Unaudited
	<i>HK\$'000</i>	<i>HK\$'000</i>
Banks/deposits from customers	950,622	1,279,704
Certificates of deposit issued	62,198	114,478
Others	45,907	31,400
	<u>1,058,727</u>	<u>1,425,582</u>

Included in interest expense is interest expense on financial liabilities that are not at fair value through profit or loss of HK\$988,338,000 (2007: HK\$1,347,630,000).

6 NET FEES AND COMMISSION INCOME

	Six months ended 30 June	
	2008	2007
	Audited	Unaudited
	HK\$'000	HK\$'000
Fees and commission income		
Securities brokerage and investment services	131,335	136,087
Credit cards	35,035	32,571
Credit related fees and commission	27,559	22,982
Trade finance	6,619	7,349
Other retail banking services	10,321	9,963
Other fee income	15,633	14,533
	226,502	223,485
	226,502	223,485
Fees and commission expenses		
Credit cards	(19,461)	(15,687)
Other fee expenses	(14,725)	(13,791)
	(34,186)	(29,478)
	(34,186)	(29,478)
Net fees and commission income	192,316	194,007
Of which:		
Net fees and commission income, other than amounts included in determining the effective interest rate, arising from financial assets or financial liabilities that are not held for trading nor designated at fair value through profit or loss		
– fees and commission income	51,833	51,273
– fees and commission expenses	(15,484)	(12,322)
	36,349	38,951
Net fees and commission income on trust and other fiduciary activities where the WLB Group holds or invests on behalf of its customers		
– fees and commission income	5,412	3,886
– fees and commission expenses	(51)	(2)
	5,361	3,884

7 INSURANCE OPERATING INCOME AND CHARGE FOR INSURANCE CLAIMS

	Six months ended 30 June	
	2008	2007
	Audited	Unaudited
	HK\$'000	HK\$'000
Insurance operating income		
Gross		
Gross insurance premium written	386,469	361,636
Change in unearned premium provision	(54,345)	(31,092)
	<u>332,124</u>	<u>330,544</u>
Premium revenue arising from insurance contracts issued	----- 332,124	----- 330,544
Reinsurance		
Reinsurance premium outward	(63,085)	(58,794)
Change in unearned premium provision	8,326	(6,802)
	<u>(54,759)</u>	<u>(65,596)</u>
Premium revenue ceded to reinsurers arising from insurance contracts issued	----- (54,759)	----- (65,596)
Net earned premium income	277,365	264,948
Commission income	5,443	3,059
Other income	605	589
Commission expenses	(64,781)	(62,050)
	<u>218,632</u>	<u>206,546</u>
	----- 218,632	----- 206,546
Charge for insurance claims (note)		
Gross		
Gross claims paid	(193,767)	(158,061)
Change in reported claims, IBNR and other insurance provision	(163,181)	(36,044)
	<u>(356,948)</u>	<u>(194,105)</u>
	----- (356,948)	----- (194,105)
Reinsurance		
Claims recovered from reinsurers	12,161	4,648
Change in reported claims, IBNR and other insurance provision	42,249	15,638
	<u>54,410</u>	<u>20,286</u>
	----- 54,410	----- 20,286
Total claims incurred	<u>(302,538)</u>	<u>(173,819)</u>
	----- (302,538)	----- (173,819)
Net insurance operating (expense)/income	<u>(83,906)</u>	<u>32,727</u>
	<u>----- (83,906)</u>	<u>----- 32,727</u>

Note: Charge for insurance claims represents net claims incurred on the WLB Group's insurance business and the related claims settlement expenses.

8 NET TRADING (LOSS)/GAIN

	Six months ended 30 June	
	2008	2007
	Audited	Unaudited
	HK\$'000	HK\$'000
Net (loss)/gain from trading securities	(39,414)	22,339
Net loss arising from financial instruments designated at fair value through profit or loss	(302,298)	(58,433)
Net gain arising from derivative financial instruments	62,521	84,498
Net gain from foreign exchange trading	73,562	55,445
	<u>(205,629)</u>	<u>103,849</u>

9 OTHER OPERATING INCOME

	Six months ended 30 June	
	2008	2007
	Audited	Unaudited
	HK\$'000	HK\$'000
Dividend income		
– Listed equity securities	25,343	14,951
– Unlisted equity securities	2,824	2,340
Rental income from investment properties less direct outgoings of HK\$16,444,000 (2007: HK\$16,114,000)	46,202	42,748
Net rental income on safe deposit boxes	12,203	11,773
Others	8,814	9,248
	<u>95,386</u>	<u>81,060</u>

10 OPERATING EXPENSES

	Six months ended 30 June	
	2008	2007
	Audited	Unaudited
	HK\$'000	HK\$'000
Staff costs		
– Salaries and other costs	250,851	207,858
– Retirement benefit costs	4,359	2,411
Premises and equipment expenses, excluding depreciation		
– Rental of premises	12,587	5,466
– Others	17,870	15,291
Depreciation	26,094	25,339
Amortisation of land lease premium	2,086	2,086
Advertising and business promotion	29,080	14,779
Electronic data processing	20,299	20,994
Postage and communications	13,816	11,721
Printing and stationery	6,385	5,401
Auditors' remuneration	7,277	1,607
Water and electricity	5,363	4,990
Legal and professional fee	11,195	3,813
Insurance	4,774	4,580
Securities related expenses	4,684	4,226
Others	24,098	19,367
	<u>440,818</u>	<u>349,929</u>

11 IMPAIRMENT CHARGE FOR CREDIT LOSSES

	Six months ended 30 June	
	2008	2007
	Audited	Unaudited
	HK\$'000	HK\$'000
Impairment losses on		
– loans and advances	6,240	11,563
– available-for-sale securities	248,364	–
– held-to-maturity securities	36,731	–
	<u>291,335</u>	<u>11,563</u>

(a) Impairment losses on loans and advances

	Six months ended 30 June	
	2008	2007
	Audited	Unaudited
	HK\$'000	HK\$'000
Individually assessed		
– new allowances	15,780	23,274
– releases	(8,927)	(2,614)
– recoveries	(1,843)	(2,518)
	5,010	18,142
Collectively assessed		
– new allowances/(releases)	1,230	(6,579)
Net charge to the income statement	6,240	11,563

(b) Impairment losses on available-for-sale securities

	Six months ended 30 June	
	2008	2007
	Audited	Unaudited
	HK\$'000	HK\$'000
Individually assessed		
– new allowances	248,364	–

(c) Impairment losses on held-to-maturity securities

	Six months ended 30 June	
	2008	2007
	Audited	Unaudited
	HK\$'000	HK\$'000
Individually assessed		
– new allowances	36,731	–

12 STAFF RETIREMENT SCHEMES

The WLB Group operates four staff retirement schemes for the staff of WLB and an MPF scheme for the staff of a subsidiary of WLB. The four staff retirement schemes comprise a principal scheme (the “Scheme”) which includes a defined benefit (“DB”) section and a defined contribution (“DC”) section, a defined benefit pension scheme, a defined contribution scheme for overseas employees and an MPF scheme. All new staff members who join WLB are offered a one-off choice between the DC section of the Scheme and the MPF scheme.

Under the DC section of the Scheme, the WLB Group is required to contribute 10% of the monthly salary of the members who opted for the DC arrangement. The WLB Group’s contributions to the DC section of this Scheme may be reduced by contributions forfeited by those employees who leave the Scheme prior to vesting fully in the contributions. Forfeited contributions totaling HK\$1,084,000 (2007 unaudited: HK\$1,821,000) were utilised during the period. The unutilised forfeited contributions at the period end amounted to HK\$217,000 (31 December 2007: HK\$485,000) which are available to reduce future contributions. No contributions were payable at the period end (31 December 2007: Nil).

The WLB Group's contributions to the MPF schemes are based on 5% of the monthly relevant income of each employee up to a maximum monthly relevant income of HK\$20,000 in accordance with the Hong Kong Mandatory Provident Fund Schemes Ordinance.

The contributions to schemes with defined contribution arrangements and the MPF schemes during the period amounted to HK\$9,518,000 (2007 unaudited: HK\$7,141,000) in aggregate.

For the DB section of the Scheme and the defined benefit pension scheme (collectively referred to as the "Plan"), the contributions are determined based on periodic valuations by qualified actuaries of the assets and liabilities of the Plan. The Plan provides benefits based on members' final salary. The costs are solely funded by the WLB Group.

The latest actuarial valuation of the Plan was performed in accordance with HKAS 19 issued by the Hong Kong Institute of Certified Public Accountants as at 30 June 2008 by Watson Wyatt Hong Kong Limited, a professional actuarial firm. The present value of the defined benefit obligation and current service cost of the Plan are calculated based on the projected unit credit method. At the valuation date, the Plan had a funding level of 144% (31 December 2007: 159%).

The amounts recognised in the balance sheet as at 30 June 2008 and 31 December 2007 are analysed as follows:

	30/6/2008	31/12/2007
	Audited	Audited
	<i>HK\$'000</i>	<i>HK\$'000</i>
Fair value of Plan assets	560,229	583,807
Present value of the funded defined benefit obligation	(387,861)	(367,859)
Unrecognised actuarial losses/(gains)	36,053	(12,686)
	<u>208,421</u>	<u>203,262</u>
Net asset recognised in the balance sheet	<u>208,421</u>	<u>203,262</u>

The amounts recognised in the income statement are as follows:

	Six months ended 30 June	
	2008	2007
	Audited	Unaudited
	<i>HK\$'000</i>	<i>HK\$'000</i>
Current service cost	(8,608)	(7,577)
Interest cost	(6,320)	(5,789)
Expected return on Plan assets	20,231	18,168
Net actuarial losses recognised	(144)	(72)
	<u>5,159</u>	<u>4,730</u>
Net income for the period included in retirement benefit costs	<u>5,159</u>	<u>4,730</u>

APPENDIX II
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The actual loss on Plan assets for the six months ended 30 June 2008 was HK\$18,970,000 (2007 unaudited: a return of HK\$28,652,000).

The movements in the defined benefit obligation during the period/year are as follows:

	2008 Audited <i>HK\$'000</i>	2007 Audited <i>HK\$'000</i>
Present value of obligation at the beginning of period/year	367,859	312,993
Current service cost	8,608	15,154
Interest cost	6,320	11,578
Actual benefits paid	(4,608)	(7,889)
Actuarial losses	9,682	36,023
	<u>387,861</u>	<u>367,859</u>
Actual obligation at the end of period/year	<u><u>387,861</u></u>	<u><u>367,859</u></u>

The movements in the fair value of the Plan assets during the period/year are as follows:

	2008 Audited <i>HK\$'000</i>	2007 Audited <i>HK\$'000</i>
Fair value of Plan assets at the beginning of period/year	583,807	523,329
Expected return on Plan assets	20,231	36,335
Actual benefits paid	(4,608)	(7,889)
Actuarial (losses)/gains	(39,201)	32,032
	<u>560,229</u>	<u>583,807</u>
Fair value of Plan assets at the end of period/year	<u><u>560,229</u></u>	<u><u>583,807</u></u>

The major categories of the Plan assets are as follows:

	30/6/2008		31/12/2007	
	Audited <i>HK\$'000</i>	Audited %	Audited <i>HK\$'000</i>	Audited %
Equities	319,582	57.0	320,309	54.9
Bonds	95,140	17.0	105,490	18.0
Cash	145,507	26.0	158,008	27.1
	<u>560,229</u>	<u>100.0</u>	<u>583,807</u>	<u>100.0</u>
Total	<u><u>560,229</u></u>	<u><u>100.0</u></u>	<u><u>583,807</u></u>	<u><u>100.0</u></u>

The amount of the Plan assets included ordinary shares issued by WLB with a market value of HK\$42,711,000 (31 December 2007: HK\$26,695,000) and deposits with WLB of HK\$127,908,000 (31 December 2007: HK\$143,075,000).

The principal actuarial assumptions adopted in the valuation are as follows:

	30/6/2008	31/12/2007
	Audited	Audited
	%	%
Discount rate		
– Retirement benefit scheme	3.5	3.5
– Pension scheme	3.2	3.0
Long-term average return on Plan assets	7.0	7.0
Long-term average rate of salary increase for the DB section of the Scheme	6.0	6.0
Pension increase rate for the defined benefit pension scheme	3.0	3.0

There was no curtailment or settlement impact for the six months ended 30 June 2008 (2007 unaudited: Nil).

13 INCOME TAX

(a) Taxation (credited)/charged in the consolidated income statement represents:

	Six months ended 30 June	2008	2007
	Audited	Unaudited	
	<i>HK\$'000</i>	<i>HK\$'000</i>	
Current taxation:			
– Hong Kong profits tax	11,891	124,802	
– Attributable share of estimated Hong Kong profits tax losses arising from investments in partnerships	–	(27,194)	
	<u>11,891</u>	<u>97,608</u>	
– Investments in partnerships written off	–	3,402	
	<u>11,891</u>	<u>101,010</u>	
– Overseas taxation	6,913	4,255	
Deferred taxation:			
– Relating to the origination and reversal of temporary differences	(22,494)	28,164	
	<u>(3,690)</u>	<u>133,429</u>	

Hong Kong profits tax has been provided at the rate of 16.5% (2007: 17.5%) on the estimated assessable profit for the period. In 2008, the government enacted a change in the profits tax rate from 17.5% to 16.5% for the fiscal year 2008/2009. 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 WLB Group operates.

- (b) The taxation on the WLB Group's profit before taxation differs from the theoretical amount that would arise using the taxation rate of Hong Kong as follows:

	Six months ended 30 June	
	2008	2007
	Audited	Unaudited
	HK\$'000	HK\$'000
Profit before taxation	346,540	988,870
Calculated at a taxation rate of 16.5% (2007: 17.5%)	57,179	173,052
Tax effect of expenses not deductible for taxation purposes	10,476	4,175
Tax effect of income not subject to taxation	(51,220)	(25,026)
Effect on opening deferred tax balances resulting from the change in tax rate in 2008	(25,073)	–
Effect of different taxation rates in other tax jurisdictions	3,699	1,194
Over provision of taxation in respect of prior years	(274)	–
Terminal return on investments in partnerships	–	307
Attributable share of estimated Hong Kong profits tax losses arising from investments in partnerships	–	(27,194)
Investments in partnerships written off	–	3,402
Others	1,523	3,519
Income tax	(3,690)	133,429

14 DIVIDENDS

	Six months ended 30 June	
	2008	2007
	Audited	Unaudited
	HK\$'000	HK\$'000
2007 Final dividend, paid, of HK\$1.50 (2006: HK\$2.60) per ordinary share	348,285	603,694
2008 Interim dividend, declared on 10 July 2008, of HK\$0.50 (2007: HK\$0.90) per ordinary share	116,095	208,971

At a meeting held on 10 July 2008, the directors declared an interim dividend of HK\$0.50 per ordinary share. This interim dividend is not reflected as a dividend payable in these interim financial statements, but will be reflected as an appropriation of retained earnings for the year ending 31 December 2008.

15 EARNINGS PER SHARE

The calculation of basic earnings per share is based on the WLB Group's profit attributable to the shareholders of HK\$350,230,000 (2007: HK\$855,441,000) and the weighted average number of 232,190,115 (2007: 232,190,115) ordinary shares in issue during the period. There were no dilutive potential shares in existence during the periods ended 30 June 2008 and 2007.

16 CASH AND SHORT-TERM FUNDS

	30/6/2008 Audited <i>HK\$'000</i>	31/12/2007 Audited <i>HK\$'000</i>
Cash and balances with banks	2,255,615	1,589,339
Money at call and short notice	21,040,996	24,794,896
	<u>23,296,611</u>	<u>26,384,235</u>

17 PLACEMENTS WITH AND LOANS AND ADVANCES TO BANKS

	30/6/2008 Audited <i>HK\$'000</i>	31/12/2007 Audited <i>HK\$'000</i>
Placements with banks	2,863,567	3,191,437
Gross loans and advances to banks	411,387	411,471
	<u>3,274,954</u>	<u>3,602,908</u>

18 TRADING SECURITIES

	30/6/2008 Audited <i>HK\$'000</i>	31/12/2007 Audited <i>HK\$'000</i>
At fair value:		
Debt securities		
– Listed in Hong Kong	720,915	508,038
– Unlisted	7,165,698	1,522,666
	<u>7,886,613</u>	<u>2,030,704</u>
Equity securities		
– Listed in Hong Kong	162,242	186,032
– Listed outside Hong Kong	1,326	1,225
	<u>163,568</u>	<u>187,257</u>
Equity investment fund		
– Listed in Hong Kong	2,467	880
	<u>2,467</u>	<u>880</u>
	<u>8,052,648</u>	<u>2,218,841</u>

	30/6/2008 Audited <i>HK\$'000</i>	31/12/2007 Audited <i>HK\$'000</i>
Included within debt securities are:		
Certificates of deposit held with remaining maturity of:		
– 3-12 months	–	50,026
Treasury bills (including Exchange Fund Bills)	6,959,537	1,216,881
Other debt securities	927,076	763,797
	<u>7,886,613</u>	<u>2,030,704</u>

Trading securities are analysed by issuer as follows:

	30/6/2008 Audited <i>HK\$'000</i>	31/12/2007 Audited <i>HK\$'000</i>
Central governments and central banks	7,679,702	1,724,416
Public sector entities	22,813	29,620
Banks and other financial institutions	157,329	262,828
Corporate entities	192,804	201,977
	<u>8,052,648</u>	<u>2,218,841</u>

19 DERIVATIVE FINANCIAL INSTRUMENTS

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

	Notional/ contractual amount 30/6/2008 Audited HK\$'000	Fair values		Notional/ contractual amount 31/12/2007 Audited HK\$'000	Fair values	
		Assets	Liabilities		Assets	Liabilities
		30/6/2008 Audited HK\$'000	30/6/2008 Audited HK\$'000		31/12/2007 Audited HK\$'000	31/12/2007 Audited HK\$'000
Derivatives held for trading						
Exchange rate contracts						
Forward contracts	126,347	698	1,262	616,419	2,257	1,581
Cross currency interest rate swaps	194,970	513	–	–	–	–
Options written	929,772	–	3,941	519,387	–	2,965
Options purchased	924,223	4,061	–	600,038	3,281	–
	<u>2,175,312</u>	<u>5,272</u>	<u>5,203</u>	<u>1,735,844</u>	<u>5,538</u>	<u>4,546</u>
Interest rate contracts						
Interest rate swaps	<u>384,481</u>	<u>2,005</u>	<u>3,986</u>	<u>326,057</u>	<u>74</u>	<u>1,981</u>
Equity contracts						
Options written	558,534	–	23,151	490,325	–	15,920
Options purchased	<u>522,944</u>	<u>21,117</u>	<u>–</u>	<u>455,468</u>	<u>15,933</u>	<u>–</u>
	<u>1,081,478</u>	<u>21,117</u>	<u>23,151</u>	<u>945,793</u>	<u>15,933</u>	<u>15,920</u>
Credit derivative contracts	<u>935,856</u>	<u>–</u>	<u>370,833</u>	<u>936,048</u>	<u>–</u>	<u>138,714</u>
Derivatives managed in conjunction with the financial instruments designated at fair value through profit or loss						
Interest rate contracts						
Interest rate swaps	<u>3,724,685</u>	<u>16,249</u>	<u>182,096</u>	<u>4,064,999</u>	<u>14,268</u>	<u>440,531</u>
	<u>8,301,812</u>	<u>44,643</u>	<u>585,269</u>	<u>8,008,741</u>	<u>35,813</u>	<u>601,692</u>

The trading transactions are mainly positions arising from the execution of trade orders from customers or transactions taken to hedge these positions.

	30/6/2008 Audited <i>HK\$'000</i>	31/12/2007 Audited <i>HK\$'000</i>
Credit risk weighted amount		
Exchange rate contracts	15,640	13,398
Interest rate contracts	14,745	11,220
Equity contracts	52,494	43,231
Credit derivatives contracts	93,586	117,006
	<u>176,465</u>	<u>184,855</u>

The contractual amounts of these instruments indicate the volume of transactions outstanding as at the balance sheet date and they do not represent amounts at risks. The derivative instruments become favourable (assets) or unfavourable (liabilities) as a result of fluctuations in market interest rates, foreign exchange rates or equity prices relative to their terms. The aggregate fair values of derivative financial assets and liabilities can fluctuate significantly from time to time.

20 FINANCIAL ASSETS DESIGNATED AT FAIR VALUE THROUGH PROFIT OR LOSS

	30/6/2008 Audited <i>HK\$'000</i>	31/12/2007 Audited <i>HK\$'000</i>
At fair value:		
Debt securities		
– Listed in Hong Kong	1,307,085	1,463,063
– Listed outside Hong Kong	419,531	420,436
– Unlisted	1,013,713	1,051,304
	<u>2,740,329</u>	<u>2,934,803</u>

Financial assets designated at fair value through profit or loss are analysed by issuer as follows:

	30/6/2008 Audited <i>HK\$'000</i>	31/12/2007 Audited <i>HK\$'000</i>
Public sector entities	325,769	329,769
Banks and other financial institutions	501,581	488,441
Corporate entities	1,912,979	2,116,593
	<u>2,740,329</u>	<u>2,934,803</u>

21 AVAILABLE-FOR-SALE SECURITIES

	30/6/2008 Audited <i>HK\$'000</i>	31/12/2007 Audited <i>HK\$'000</i>
At fair value:		
Debt securities		
– Listed in Hong Kong	78,185	78,548
– Listed outside Hong Kong	282,821	518,123
– Unlisted	754,820	1,164,726
	<u>1,115,826</u>	<u>1,761,397</u>
Equity securities		
– Listed in Hong Kong	569,387	1,151,052
– Unlisted	43,634	51,032
	<u>613,021</u>	<u>1,202,084</u>
Equity investment fund		
– Listed in Hong Kong	25,277	28,371
– Unlisted	247,918	248,456
	<u>273,195</u>	<u>276,827</u>
	<u>2,002,042</u>	<u>3,240,308</u>
Fair value of listed securities	<u>955,670</u>	<u>1,776,094</u>
Included within debt securities are:		
Certificates of deposit held with remaining maturity of:		
– 3-12 months	99,969	29,991
– 1-5 years	–	100,069
	<u>99,969</u>	<u>130,060</u>
Other debt securities	<u>1,015,857</u>	<u>1,631,337</u>
	<u>1,115,826</u>	<u>1,761,397</u>

Available-for-sale securities are analysed by issuer as follows:

	30/6/2008 Audited <i>HK\$'000</i>	31/12/2007 Audited <i>HK\$'000</i>
Public sector entities	78,110	121,491
Banks and other financial institutions	644,896	928,457
Corporate entities	1,279,036	2,190,360
	<u>2,002,042</u>	<u>3,240,308</u>

The movement in available-for-sale securities is summarised as follows:

	2008 Audited <i>HK\$'000</i>	2007 Audited <i>HK\$'000</i>
At the beginning of period/year	3,240,308	3,698,471
Exchange difference	16,883	41,810
Additions	198,487	1,709,681
Changes in fair value	(645,849)	226,000
Disposals (sale and redemption)	(808,099)	(2,437,409)
Amortisation	312	1,755
	<u>2,002,042</u>	<u>3,240,308</u>

22 HELD-TO-MATURITY SECURITIES

	30/6/2008 Audited <i>HK\$'000</i>	31/12/2007 Audited <i>HK\$'000</i>
Listed debt securities, at amortised cost:		
– Listed in Hong Kong	183,756	182,723
– Listed outside Hong Kong	597,538	461,122
	<u>781,294</u>	<u>643,845</u>
Unlisted debt securities, at amortised cost	6,086,176	6,277,061
	<u>6,867,470</u>	<u>6,920,906</u>
Less: Impairment allowances	(73,658)	(36,927)
	<u>6,793,812</u>	<u>6,883,979</u>
	<u>702,864</u>	<u>607,125</u>
Fair value of listed debt securities		

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	30/6/2008 Audited <i>HK\$'000</i>	31/12/2007 Audited <i>HK\$'000</i>
Included within debt securities are:		
Certificates of deposit held with remaining maturity of:		
– Up to 1 month	56,151	56,163
Other debt securities	6,737,661	6,827,816
	<u>6,793,812</u>	<u>6,883,979</u>

Held-to-maturity securities are analysed by issuer as follows:

	30/6/2008 Audited <i>HK\$'000</i>	31/12/2007 Audited <i>HK\$'000</i>
Central governments and central banks	38,828	46,846
Public sector entities	32,966	39,319
Banks and other financial institutions	5,267,419	5,359,410
Corporate entities	1,454,599	1,438,404
	<u>6,793,812</u>	<u>6,883,979</u>

The movement in held-to-maturity securities is summarised as follows:

	2008 Audited <i>HK\$'000</i>	2007 Audited <i>HK\$'000</i>
At the beginning of period/year	6,883,979	4,353,813
Exchange difference	38,670	72,927
Additions	7,389,167	13,712,012
Redemption	(7,538,717)	(11,313,682)
Amortisation	57,444	95,836
Impairment allowances	(36,731)	(36,927)
	<u>6,793,812</u>	<u>6,883,979</u>
At the end of period/year	<u>6,793,812</u>	<u>6,883,979</u>

The reconciliation of the allowance account for impairment on held-to-maturity securities is as follows:

	2008 Audited <i>HK\$'000</i>	2007 Audited <i>HK\$'000</i>
At the beginning of period/year	36,927	–
Impairment allowances	36,731	36,927
	<u>73,658</u>	<u>36,927</u>
At the end of period/year	<u>73,658</u>	<u>36,927</u>

23 ADVANCES AND OTHER ACCOUNTS

(a) Advances and other accounts

	30/6/2008	31/12/2007
	Audited	Audited
	<i>HK\$'000</i>	<i>HK\$'000</i>
Advances to customers	43,823,778	41,934,520
Impairment allowances (<i>note 24</i>)		
– Collectively assessed	(109,571)	(108,194)
– Individually assessed	(34,185)	(48,166)
	<u>43,680,022</u>	<u>41,778,160</u>
	-----	-----
Trade bills	130,296	176,370
Impairment allowances (<i>note 24</i>)		
– Collectively assessed	(152)	(242)
	<u>130,144</u>	<u>176,128</u>
	-----	-----
Accrued interest	225,934	314,904
Impairment allowances (<i>note 24</i>)		
– Individually assessed	(1,301)	(3,676)
	<u>224,633</u>	<u>311,228</u>
	-----	-----
Other accounts		
– Insurance premium receivable	185,226	160,690
– Recoverable from reinsurers (<i>note 33</i>)	179,139	128,564
– Accounts receivable	245,431	278,806
– Others	1,336,416	1,698,778
	<u>1,946,212</u>	<u>2,266,838</u>
	-----	-----
Impairment allowances (<i>note 24</i>)		
– Individually assessed	(270)	(1,172)
	<u>1,945,942</u>	<u>2,265,666</u>
	-----	-----
	<u>45,980,741</u>	<u>44,531,182</u>
	=====	=====

Accrued interest is analysed by types of financial assets as follows:

	30/6/2008 Audited <i>HK\$'000</i>	31/12/2007 Audited <i>HK\$'000</i>
Short-term funds	53,426	92,992
Placements with and loans and advances to banks	21,868	24,257
Trading securities	5,899	5,499
Derivative financial instruments	14,721	16,808
Financial assets designated at fair value through profit or loss	13,312	14,220
Available-for-sale securities	6,672	19,088
Held-to-maturity securities	13,767	13,684
Advances to customers	96,269	128,356
	<u>225,934</u>	<u>314,904</u>

(b) Finance leases and hire purchase contracts

Advances to customers include investment in finance lease receivables and hire purchase contracts, analysed as follows:

	30/6/2008 Audited <i>HK\$'000</i>	31/12/2007 Audited <i>HK\$'000</i>
Gross investment, receivable		
– Within one year	260,104	257,572
– After one year but within five years	223,856	200,254
– After five years	15,651	17,530
	<u>499,611</u>	<u>475,356</u>
Unearned finance income	(35,547)	(32,890)
	<u>464,064</u>	<u>442,466</u>

The net investment in finance lease receivables and hire purchase contracts is analysed as follows:

	30/6/2008 Audited <i>HK\$'000</i>	31/12/2007 Audited <i>HK\$'000</i>
Within one year	238,023	236,159
After one year but within five years	210,390	188,777
After five years	15,651	17,530
	<u>464,064</u>	<u>442,466</u>

No unguaranteed residual values were included in the gross investment in finance lease receivables and hire purchase contracts above (31 December 2007: Nil).

The allowance for uncollectible finance lease receivables and hire purchase contracts included in the impairment allowances for impaired assets amounted to HK\$50,542,000 (31 December 2007: HK\$42,653,000).

24 IMPAIRMENT ALLOWANCES ON LOANS AND ADVANCES

2008 (Audited)

	Individual assessment <i>HK\$'000</i>	Collective assessment <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 1 January	53,014	108,436	161,450
Exchange adjustments	–	57	57
Amounts written off	(23,109)	–	(23,109)
Recoveries of advances written off in previous years (<i>note 11(a)</i>)	1,843	–	1,843
Charged to income statement (<i>note 11(a)</i>)	5,010	1,230	6,240
Unwind of discount on allowance	(1,002)	–	(1,002)
	<u>35,756</u>	<u>109,723</u>	<u>145,479</u>
At 30 June	<u>35,756</u>	<u>109,723</u>	<u>145,479</u>
Deducted from:			
Trade bills (<i>note 23</i>)	–	152	152
Advances to customers (<i>note 23</i>)	34,185	109,571	143,756
Accrued interest and other accounts (<i>note 23</i>)	1,571	–	1,571
	<u>35,756</u>	<u>109,723</u>	<u>145,479</u>

2007 (Audited)

	Individual assessment <i>HK\$'000</i>	Collective assessment <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 1 January	62,030	106,634	168,664
Exchange adjustments	–	49	49
Amounts written off	(45,803)	–	(45,803)
Recoveries of advances written off in previous years	4,217	–	4,217
Charged to income statement	38,676	1,753	40,429
Unwind of discount on allowance	(6,106)	–	(6,106)
	<u>53,014</u>	<u>108,436</u>	<u>161,450</u>
At 31 December	<u>53,014</u>	<u>108,436</u>	<u>161,450</u>
Deducted from:			
Trade bills (<i>note 23</i>)	–	242	242
Advances to customers (<i>note 23</i>)	48,166	108,194	156,360
Accrued interest and other accounts (<i>note 23</i>)	4,848	–	4,848
	<u>53,014</u>	<u>108,436</u>	<u>161,450</u>

25 INTERESTS IN JOINTLY CONTROLLED ENTITIES

	30/6/2008 Audited HK\$'000	31/12/2007 Audited HK\$'000
Share of net assets	109,593	151,754
Loans to jointly controlled entities	70,155	72,264
	<u>179,748</u>	<u>224,018</u>

The following is a list of the principal jointly controlled entities at 30 June 2008:

Name	Place of incorporation and operation	Ownership interest	Proportion of voting power	Principal activities
Bank Consortium Holding Limited	Hong Kong	13.33%	14.29%	Provision of trustee, administration and custodian services for retirement schemes
Joint Electronic Teller Services Limited	Hong Kong	<i>(note)</i>	<i>(note)</i>	Provision of ATM network services
Hong Kong Life Insurance Limited	Hong Kong	16.67%	16.67%	Life insurance business
BC Reinsurance Limited	Hong Kong	21.00%	21.00%	Reinsurance business
i-Tech Solutions Limited	Hong Kong	50.00%	50.00%	Electronic document processing

Note: The WLB Group is one of the five founding members which together have a controlling interest in the company. The WLB Group holds 20% of the 'A' ordinary shares issued by the company to its founding members, and is entitled to 2.88% of dividends declared.

26 INTERESTS IN ASSOCIATES

	30/6/2008 Audited HK\$'000	31/12/2007 Audited HK\$'000
Share of net assets	<u>6,136</u>	<u>6,184</u>

The particulars of the WLB Group's interests in associates are as follows:

Name	Place of incorporation and operation	Principal activities	Particulars of issued shares held	Interest held indirectly
Professional Liability Underwriting Services Limited	Hong Kong	Insurance agency	Unlisted ordinary shares of HK\$1 each	27%
Equity Underwriters Limited	Hong Kong	Insurance agency	Unlisted ordinary shares of HK\$1 each	40%

27 INVESTMENT PROPERTIES

	2008 Audited HK\$'000	2007 Audited HK\$'000
At the beginning of period/year	2,254,600	1,966,160
Additions	10,866	–
Reclassifications, net	(45,542)	(16,824)
Fair value gains on revaluation	186,676	305,264
	<u>2,406,600</u>	<u>2,254,600</u>
At the end of period/year (professional valuation)	<u>2,406,600</u>	<u>2,254,600</u>

All investment properties were revalued as at 30 June 2008 by capitalising the net rental income using the Investment Method of Valuation or as appropriate, by making reference to comparable market transactions using the Comparison Method. The valuations were carried out by an independent firm of surveyors, A.G. Wilkinson & Associates, who have among their staff Fellows of the Hong Kong Institute of Surveyors with recent experience in the location and category of property being valued.

The WLB Group leases out investment properties under operating leases. The leases typically run for an initial period of up to 4 years. Contingent rentals included in leases for the six months ended 30 June 2008 amounted to HK\$623,000 (2007 unaudited: Nil).

At 30 June 2008 and 31 December 2007, the total future minimum lease payments receivable under non-cancellable operating leases are as follows:

	30/6/2008 Audited HK\$'000	31/12/2007 Audited HK\$'000
Land and buildings		
– Within one year	112,392	102,601
– After one year but within five years	148,718	151,352
– After five years	–	3,399
	<u>261,110</u>	<u>257,352</u>

APPENDIX II
**FINANCIAL INFORMATION RELATING
TO THE WLB GROUP**
28 INTERESTS IN LEASEHOLD LAND

	2008 Audited <i>HK\$'000</i>	2007 Audited <i>HK\$'000</i>
At the beginning of period/year	241,345	245,516
Amortisation of prepaid land lease premium	<u>(2,086)</u>	<u>(4,171)</u>
At the end of period/year	<u><u>239,259</u></u>	<u><u>241,345</u></u>

29 OTHER PROPERTIES AND EQUIPMENT
2008 (Audited)

	Premises <i>HK\$'000</i>	Furniture and equipment <i>HK\$'000</i>	Total <i>HK\$'000</i>
Cost or valuation			
At 1 January	398,774	540,993	939,767
Exchange adjustments	(7)	287	280
Additions	–	47,974	47,974
Disposals	–	(5,231)	(5,231)
Reclassifications, net	45,542	–	45,542
Surplus on revaluation	780	–	780
Less: elimination of accumulated depreciation on revaluation	<u>(284)</u>	<u>–</u>	<u>(284)</u>
At 30 June	<u>444,805</u>	<u>584,023</u>	<u>1,028,828</u>
Accumulated depreciation			
At 1 January	108,007	407,340	515,347
Exchange adjustments	–	133	133
Charge for the period	3,545	22,549	26,094
Written back on disposal	–	(4,887)	(4,887)
Elimination on revaluation	<u>(284)</u>	<u>–</u>	<u>(284)</u>
At 30 June	<u>111,268</u>	<u>425,135</u>	<u>536,403</u>
Net book value			
At 30 June	<u><u>333,537</u></u>	<u><u>158,888</u></u>	<u><u>492,425</u></u>

2007 (Audited)

	Premises <i>HK\$'000</i>	Furniture and equipment <i>HK\$'000</i>	Total <i>HK\$'000</i>
Cost or valuation			
At 1 January	381,852	516,490	898,342
Exchange adjustments	98	266	364
Additions	–	56,150	56,150
Disposals	–	(31,913)	(31,913)
Reclassifications, net	16,824	–	16,824
	<u>398,774</u>	<u>540,993</u>	<u>939,767</u>
At 31 December	----- 398,774	----- 540,993	----- 939,767
Accumulated depreciation			
At 1 January	93,904	392,044	485,948
Exchange adjustments	1	99	100
Charge for the year	14,102	45,092	59,194
Written back on disposal	–	(29,895)	(29,895)
	<u>108,007</u>	<u>407,340</u>	<u>515,347</u>
At 31 December	----- 108,007	----- 407,340	----- 515,347
Net book value			
At 31 December	<u>290,767</u>	<u>133,653</u>	<u>424,420</u>

The analysis of cost or valuation of the above assets is as follows:

At 30 June 2008 (Audited)

	Premises <i>HK\$'000</i>	Furniture and equipment <i>HK\$'000</i>	Total <i>HK\$'000</i>
At cost	154,689	584,023	738,712
Reclassification from investment properties stated at professional valuation			
– 1995	50,560	–	50,560
– 1998	64,726	–	64,726
– 2001	12,164	–	12,164
– 2002	12,600	–	12,600
– 2003	11,540	–	11,540
– 2005	46,592	–	46,592
– 2006	27,910	–	27,910
– 2007	16,824	–	16,824
– 2008	47,200	–	47,200
	<u>444,805</u>	<u>584,023</u>	<u>1,028,828</u>
	----- 444,805	----- 584,023	----- 1,028,828

At 31 December 2007 (Audited)

	Premises <i>HK\$'000</i>	Furniture and equipment <i>HK\$'000</i>	Total <i>HK\$'000</i>
At cost	154,696	540,993	695,689
Reclassification from investment properties stated at professional valuation			
– 1995	50,560	–	50,560
– 1998	64,726	–	64,726
– 2001	13,326	–	13,326
– 2002	12,600	–	12,600
– 2003	11,540	–	11,540
– 2005	46,592	–	46,592
– 2006	27,910	–	27,910
– 2007	16,824	–	16,824
	<u>398,774</u>	<u>540,993</u>	<u>939,767</u>

30 TRADING LIABILITIES

	30/6/2008 Audited <i>HK\$'000</i>	31/12/2007 Audited <i>HK\$'000</i>
Short positions in Exchange Fund Bills and Notes, at fair value:		
– Listed	–	251,626
– Unlisted	6,255,425	99,584
	<u>6,255,425</u>	<u>351,210</u>

31 FINANCIAL LIABILITIES DESIGNATED AT FAIR VALUE THROUGH PROFIT OR LOSS

	30/6/2008 Audited <i>HK\$'000</i>	31/12/2007 Audited <i>HK\$'000</i>
Certificates of deposit issued	1,461,226	1,520,519
Structured deposits (<i>note 32</i>)	344,964	638,509
	<u>1,806,190</u>	<u>2,159,028</u>

The carrying amount of financial liabilities designated at fair value through profit or loss as at 30 June 2008 is higher than the amount that the WLB Group would be contractually required to pay at maturity to the holders by HK\$6,750,000 (31 December 2007: HK\$7,947,000).

32 DEPOSITS FROM CUSTOMERS

	30/6/2008 Audited <i>HK\$'000</i>	31/12/2007 Audited <i>HK\$'000</i>
Deposits from customers		
– As stated in the balance sheet	68,572,286	70,481,358
– Structured deposits reported as financial liabilities designated at fair value through profit or loss (<i>note 31</i>)	344,964	638,509
	<u>68,917,250</u>	<u>71,119,867</u>
Analysed by:		
– Demand deposits and current accounts	3,551,971	3,651,083
– Savings deposits	17,018,231	17,368,435
– Time, call and notice deposits	48,347,048	50,100,349
	<u>68,917,250</u>	<u>71,119,867</u>

33 OTHER ACCOUNTS AND ACCRUALS

	30/6/2008 Audited <i>HK\$'000</i>	31/12/2007 Audited <i>HK\$'000</i>
Interest payable	183,029	201,929
Insurance liabilities	1,543,049	1,309,570
Account payable	292,536	551,514
Others	1,081,050	1,469,987
	<u>3,099,664</u>	<u>3,533,000</u>

Insurance liabilities are analysed as follows:

	30/6/2008	31/12/2007
	Audited	Audited
	<i>HK\$'000</i>	<i>HK\$'000</i>
Gross		
Claims reported and loss adjustment expenses	597,564	596,620
Claims incurred but not reported	484,403	326,113
Unearned premiums	329,345	275,000
Other reserve	1,541	1,541
Provision for unexpired risk	31,334	27,387
Others	98,862	82,909
	<u>1,543,049</u>	<u>1,309,570</u>
Total insurance liabilities, gross		
Recoverable from reinsurers		
Claims reported and loss adjustment expenses	64,042	61,758
Claims incurred but not reported	82,315	42,350
Unearned premiums	32,782	24,456
	<u>179,139</u>	<u>128,564</u>
Total reinsurers' share of insurance liabilities (<i>note 23</i>)		
Net		
Claims reported and loss adjustment expenses	533,522	534,862
Claims incurred but not reported	402,088	283,763
Unearned premiums	296,563	250,544
Other reserve	1,541	1,541
Provision for unexpired risk	31,334	27,387
Others	98,862	82,909
	<u>1,363,910</u>	<u>1,181,006</u>
Total insurance liabilities, net		

The gross claims reported, the loss adjustment expenses liabilities and the liability for claims incurred but not reported are net of expected recoveries from salvage and subrogation. The amounts for salvage and subrogation at 31 December 2007 and 30 June 2008 are not separately disclosed as they are not material.

Interest payable is analysed by types of financial liabilities as follows:

	30/6/2008	31/12/2007
	Audited	Audited
	<i>HK\$'000</i>	<i>HK\$'000</i>
Deposits and balances from banks	1,148	867
Derivative financial instruments	10,354	10,836
Financial liabilities designated at fair value through profit or loss	3,165	5,974
Deposits from customers	157,807	171,016
Certificates of deposit issued	10,555	13,236
	<u>183,029</u>	<u>201,929</u>

34 DEFERRED TAXATION

The components of deferred tax assets/(liabilities) recognised in the balance sheet and the movements during the period/year are as follows:

2008 (Audited)

	Accelerated tax depreciation <i>HK\$'000</i>	Revaluation on properties <i>HK\$'000</i>	Retirement benefit obligation <i>HK\$'000</i>	Impairment allowances on loans and advances <i>HK\$'000</i>	Others <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 1 January	(10,087)	(421,694)	(35,571)	18,777	(15,584)	(464,159)
(Charged)/credited to the income statement	(1,515)	(7,130)	1,181	(1,028)	30,986	22,494
Credited to reserves (note 36)	–	296	–	–	13,107	13,403
At 30 June	<u>(11,602)</u>	<u>(428,528)</u>	<u>(34,390)</u>	<u>17,749</u>	<u>28,509</u>	<u>(428,262)</u>

2007 (Audited)

	Accelerated tax depreciation <i>HK\$'000</i>	Revaluation on properties <i>HK\$'000</i>	Retirement benefit obligation <i>HK\$'000</i>	Impairment allowances on loans and advances <i>HK\$'000</i>	Others <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 1 January	(10,011)	(368,273)	(33,916)	19,215	(8,355)	(401,340)
(Charged)/credited to the income statement	(76)	(53,421)	(1,655)	(438)	1,197	(54,393)
Charged to reserves (note 36)	–	–	–	–	(8,426)	(8,426)
At 31 December	<u>(10,087)</u>	<u>(421,694)</u>	<u>(35,571)</u>	<u>18,777</u>	<u>(15,584)</u>	<u>(464,159)</u>

	30/6/2008 Audited <i>HK\$'000</i>	31/12/2007 Audited <i>HK\$'000</i>
Net deferred tax assets recognised in the balance sheet	29,085	6,799
Net deferred tax liabilities recognised in the balance sheet	<u>(457,347)</u>	<u>(470,958)</u>
	<u>(428,262)</u>	<u>(464,159)</u>

Deferred tax assets are recognised for tax losses carried forward to the extent that realisation of the deferred tax benefit through future profits is probable. At 30 June 2008, the WLB Group had no unrecognised tax losses (31 December 2007: Nil) to be carried forward to set off against future taxable profits. All the deferred tax assets and liabilities are to be recovered or settled after more than 12 months.

APPENDIX II
**FINANCIAL INFORMATION RELATING
TO THE WLB GROUP**
35 SHARE CAPITAL

	30/6/2008 Audited <i>HK\$'000</i>	31/12/2007 Audited <i>HK\$'000</i>
Authorised: 300,000,000 (2007: 300,000,000) ordinary shares of HK\$5 each	<u>1,500,000</u>	<u>1,500,000</u>
Issued and fully paid: 232,190,115 (2007: 232,190,115) ordinary shares of HK\$5 each	<u>1,160,951</u>	<u>1,160,951</u>

36 RESERVES
2008 (Audited)

	Capital reserve <i>HK\$'000</i>	Bank premises revaluation reserve <i>HK\$'000</i>	Investment revaluation reserve <i>HK\$'000</i>	General reserve <i>HK\$'000</i>	Retained earnings <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 1 January	57,500	35,069	972,543	1,003,730	9,250,310	11,319,152
Available-for-sale securities						
– Changes in fair value	–	–	(645,849)	–	–	(645,849)
– Transfer to income statement on disposal	–	–	(252,915)	–	–	(252,915)
– Transfer to income statement on impairment	–	–	248,364	–	–	248,364
Surplus on revaluation	–	780	–	–	–	780
Share of associates' reserves	–	–	82	–	–	82
Share of jointly controlled entities' reserves	–	–	(231)	–	–	(231)
Effect of deferred taxation on fair value adjustments (note 34)	–	296	13,107	–	–	13,403
Profit for the period	–	–	–	–	350,230	350,230
2007 Final dividend paid	–	–	–	–	(348,285)	(348,285)
At 30 June	<u>57,500</u>	<u>36,145</u>	<u>335,101</u>	<u>1,003,730</u>	<u>9,252,255</u>	<u>10,684,731</u>

2007 (Audited)

	Capital reserve HK\$'000	Bank premises revaluation reserve HK\$'000	Investment revaluation reserve HK\$'000	General reserve HK\$'000	Retained earnings HK\$'000	Total HK\$'000
At 1 January	57,500	35,069	433,074	1,003,730	8,691,461	10,220,834
Available-for-sale securities						
– Changes in fair value	–	–	226,000	–	–	226,000
– Transfer to income statement on disposal	–	–	(104,130)	–	–	(104,130)
– Transfer to income statement on impairment	–	–	426,092	–	–	426,092
Share of associates' reserves	–	–	(67)	–	–	(67)
Effect of deferred taxation on fair value adjustments (note 34)	–	–	(8,426)	–	–	(8,426)
Profit for the year	–	–	–	–	1,371,514	1,371,514
2006 Final dividend paid	–	–	–	–	(603,694)	(603,694)
2007 Interim dividend paid	–	–	–	–	(208,971)	(208,971)
At 31 December	<u>57,500</u>	<u>35,069</u>	<u>972,543</u>	<u>1,003,730</u>	<u>9,250,310</u>	<u>11,319,152</u>

- (a) The WLB Group's capital reserve was set up in relation to the capitalisation by certain subsidiaries of their retained earnings for the issue of new shares to WLB.
- (b) Bank premises revaluation reserve has been set up and is dealt with in accordance with the accounting policies set out in note 1.11.
- (c) Investment revaluation reserve comprises the cumulative net change in the fair value of available-for-sale securities until the securities are derecognised or impaired and is dealt with in accordance with the accounting policies set out in notes 1.6 and 1.7.
- (d) General reserve comprises previous years' transfers from retained earnings.
- (e) At 30 June 2008, included in retained earnings is an amount of HK\$385,900,000 (31 December 2007: HK\$509,086,000) which was earmarked as regulatory reserve. The regulatory reserve is maintained to satisfy the provisions of the Hong Kong Banking Ordinance for prudential supervision purposes. Movements in the reserve are made directly through retained earnings and in consultation with the Hong Kong Monetary Authority.
- (f) The directors declared an interim dividend of HK\$116,095,000 (2007: final dividend of HK\$348,285,000) after the period end which will be deducted as an appropriation of retained earnings for the year ending 31 December 2008 (note 14).

37 SEGMENT REPORTING

(a) Business segments

The WLB Group operates predominantly in commercial banking which comprises retail and corporate banking, treasury, insurance, brokerage 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. Brokerage activities include securities and futures brokerage services. Other activities mainly comprise investment properties holding.

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	Treasury	Insurance	Brokerage	Others	Unallocated	WLB Group
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Six months ended 30 June 2008 (Audited)							
Interest income from							
– external customers	846,317	859,094	20,415	10,074	4	–	1,735,904
– other segments	885,624	351,399	4,202	1,497	269	–	1,242,991
Interest expense to							
– external customers	(934,976)	(123,751)	–	–	–	–	(1,058,727)
– other segments	(351,683)	(886,642)	–	(4,666)	–	–	(1,242,991)
Net interest income	445,282	200,100	24,617	6,905	273	–	677,177
Net fees and commission income/(expense) from external customers	64,937	(2,754)	–	112,516	17,617	–	192,316
Insurance operating income from external customers	–	–	218,632	–	–	–	218,632
Other operating (expenses to)/income from external customers	(205,370)	63,829	(26,265)	258,918	51,560	–	142,672
Operating income	304,849	261,175	216,984	378,339	69,450	–	1,230,797
Operating expenses	(241,184)	(15,238)	(23,047)	(31,665)	(37,061)	(92,623)	(440,818)
Impairment charge for credit losses	(6,237)	(285,095)	(3)	–	–	–	(291,335)
Charge for insurance claims	–	–	(302,538)	–	–	–	(302,538)
Net loss on disposal of other properties and equipment	–	–	–	–	(23)	(314)	(337)
Operating profit/(loss) before gain on certain investments	57,428	(39,158)	(108,604)	346,674	32,366	(92,937)	195,769
Fair value adjustments on investment properties	–	–	–	–	186,676	–	186,676
Share of net (losses)/profits of jointly controlled entities and associates	–	–	(40,226)	–	4,321	–	(35,905)
Profit/(loss) before taxation	57,428	(39,158)	(148,830)	346,674	223,363	(92,937)	346,540

APPENDIX II
**FINANCIAL INFORMATION RELATING
TO THE WLB GROUP**

	Retail and corporate banking	Treasury	Insurance	Brokerage	Others	Unallocated	WLB Group
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Capital expenditure	29,821	638	809	1,440	20,105	6,027	58,840
Depreciation and amortisation charge	15,402	1,091	474	1,473	5,087	4,653	28,180
At 30 June 2008 (Audited)							
Segment assets	49,078,626	40,187,536	1,810,968	1,030,860	3,026,659	–	95,134,649
Interests in jointly controlled entities	63,588	–	78,501	–	37,659	–	179,748
Interests in associates	–	–	6,136	–	–	–	6,136
Unallocated assets	–	–	–	–	–	303,778	303,778
Total assets	<u>49,142,214</u>	<u>40,187,536</u>	<u>1,895,605</u>	<u>1,030,860</u>	<u>3,064,318</u>	<u>303,778</u>	<u>95,624,311</u>
Segment liabilities	69,351,910	10,573,564	1,558,951	455,836	1,369,012	–	83,309,273
Unallocated liabilities	–	–	–	–	–	469,356	469,356
Total liabilities	<u>69,351,910</u>	<u>10,573,564</u>	<u>1,558,951</u>	<u>455,836</u>	<u>1,369,012</u>	<u>469,356</u>	<u>83,778,629</u>

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	Retail and corporate banking	Treasury	Insurance	Brokerage	Others	Unallocated	Group
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Six months ended 30 June 2007 (Unaudited)							
Interest income from							
– external customers	1,170,713	930,803	34,543	21,106	6	–	2,157,171
– other segments	1,099,647	569,413	8,736	7,918	602	–	1,686,316
Interest expense to							
– external customers	(1,235,913)	(189,669)	–	–	–	–	(1,425,582)
– other segments	(567,240)	(1,101,958)	–	(17,118)	–	–	(1,686,316)
Net interest income	467,207	208,589	43,279	11,906	608	–	731,589
Net fees and commission income/(expense) from external customers	62,975	(3,145)	–	115,298	18,879	–	194,007
Insurance operating income from external customers	–	–	206,546	–	–	–	206,546
Other operating income from external customers	21,074	52,766	33,760	4,978	91,641	–	204,219
Operating income	551,256	258,210	283,585	132,182	111,128	–	1,336,361
Operating expenses	(191,755)	(12,414)	(18,371)	(25,340)	(25,703)	(76,346)	(349,929)
Impairment charge for credit losses	(11,563)	–	–	–	–	–	(11,563)
Charge for insurance claims	–	–	(173,819)	–	–	–	(173,819)
Net losses on disposal of other properties and equipment	(2)	–	–	–	–	(345)	(347)
Operating profit/(loss) before gain on certain investments	347,936	245,796	91,395	106,842	85,425	(76,691)	800,703
Fair value adjustments on investment properties	–	–	–	–	162,880	–	162,880
Share of net profits of jointly controlled entities and associates	–	–	19,315	–	5,972	–	25,287
Profit/(loss) before taxation	<u>347,936</u>	<u>245,796</u>	<u>110,710</u>	<u>106,842</u>	<u>254,277</u>	<u>(76,691)</u>	<u>988,870</u>
Capital expenditure	14,445	2,094	522	493	1,964	8,507	28,025
Depreciation and amortisation charge	15,279	884	715	1,562	3,898	5,087	27,425
At 31 December 2007 (Audited)							
Segment assets	47,823,485	38,095,622	1,688,015	1,691,687	3,261,880	–	92,560,689
Interests in jointly controlled entities	65,697	–	123,971	–	34,350	–	224,018
Interests in associates	–	–	6,184	–	–	–	6,184
Unallocated assets	–	–	–	–	–	257,248	257,248
Total assets	<u>47,889,182</u>	<u>38,095,622</u>	<u>1,818,170</u>	<u>1,691,687</u>	<u>3,296,230</u>	<u>257,248</u>	<u>93,048,139</u>
Segment liabilities	71,829,807	5,118,413	1,355,777	668,569	1,120,386	–	80,092,952
Unallocated liabilities	–	–	–	–	–	475,084	475,084
Total liabilities	<u>71,829,807</u>	<u>5,118,413</u>	<u>1,355,777</u>	<u>668,569</u>	<u>1,120,386</u>	<u>475,084</u>	<u>80,568,036</u>

(b) Geographical area

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

38 CONTINGENT LIABILITIES AND COMMITMENTS

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:

	30/6/2008 Audited <i>HK\$'000</i>	31/12/2007 Audited <i>HK\$'000</i>
Contractual amount		
Direct credit substitutes	369,303	681,723
Transaction-related contingencies	121,331	67,365
Trade-related contingencies	290,462	410,028
Other commitments which are unconditionally cancellable	11,660,550	13,786,201
Other commitments with an original maturity of one year or less	1,109,180	2,268,990
Other commitments with an original maturity of over one year	<u>4,831,865</u>	<u>5,789,372</u>
	<u>18,382,691</u>	<u>23,003,679</u>
Credit risk weighted amount	<u>2,798,366</u>	<u>4,082,220</u>

39 CAPITAL AND LEASE COMMITMENTS

(a) Capital commitments outstanding at 30 June 2008 and 31 December 2007 not provided for in the interim financial statements are as follows:

	30/6/2008 Audited <i>HK\$'000</i>	31/12/2007 Audited <i>HK\$'000</i>
Contracted but not provided for	254,422	32,856
Authorised but not contracted for	<u>–</u>	<u>1,064</u>

Included in the contracted but not provided for of HK\$254,422,000 is a total consideration of RMB200 million (equivalent to HK\$227.6 million) in respect of the acquisition of 4.99% of the enlarged share capital of Yantai City Commercial Bank ("YCCB") in Mainland China pursuant to an agreement signed between YCCB and WLB on 31 January 2008. The share subscription and the terms of the agreement are subject to the relevant regulatory approval.

(b) The WLB Group leases certain properties under operating leases. The leases typically run for an initial period of 1 to 6 years. None of the leases include contingent rentals.

At 30 June 2008 and 31 December 2007, the total future minimum lease payments payable under non-cancellable operating leases are as follows:

	30/6/2008	31/12/2007
	Audited	Audited
	<i>HK\$'000</i>	<i>HK\$'000</i>
Land and buildings		
– Within one year	21,771	23,649
– After one year but within five years	18,130	24,199
	<u>39,901</u>	<u>47,848</u>

40 NOTES TO CONSOLIDATED CASH FLOW STATEMENT

(a) Reconciliation of profit before taxation to cash (used in)/generated from operations

	Six months ended 30 June	
	2008	2007
	Audited	Unaudited
	<i>HK\$'000</i>	<i>HK\$'000</i>
Profit before taxation	346,540	988,870
Adjustments for:		
Share of net losses/(profits) of jointly controlled entities	37,800	(24,017)
Share of net profits of associates	(1,895)	(1,270)
Net gain on disposal of available-for-sale securities	(252,915)	(19,310)
Net loss on disposal of other properties and equipment	337	347
Fair value adjustments on investment properties	(186,676)	(162,880)
Impairment charge for credit losses	291,335	11,563
Depreciation	26,094	25,339
Amortisation of land lease premium	2,086	2,086
Amortisation of premium on available-for-sale securities and held-to-maturity securities	(57,756)	(39,916)
Operating profit before changes in working capital	204,950	780,812
(Increase)/decrease in operating assets:		
Money at call and short notice	866,665	253,759
Placements with and loans and advances to banks maturing beyond three months	419,709	290,449
Trading securities	(217,366)	(578,951)
Financial assets designated at fair value through profit or loss	194,474	502,189
Advances and other accounts	(1,455,799)	(2,769,666)
Increase/(decrease) in operating liabilities:		
Net derivative financial liabilities	(25,253)	(62,329)
Deposits and balances from banks maturing beyond three months	52,358	(890)
Deposits from customers	(1,909,072)	3,380,903
Certificates of deposit issued	4,991	(29,427)
Financial liabilities designated at fair value through profit or loss	(352,838)	(240,944)
Trading liabilities	(601)	(193,209)
Other accounts and accruals	(433,336)	(59,441)
Cash (used in)/generated from operations	<u>(2,651,118)</u>	<u>1,273,255</u>

(b) Analysis of the balance of cash and cash equivalents

	30/6/2008 Audited <i>HK\$'000</i>	30/6/2007 Unaudited <i>HK\$'000</i>
Cash and balances with banks	2,255,615	1,417,934
Money at call and short notice	21,040,996	23,611,320
Placements with and loans and advances to banks with original maturity within three months	2,195,171	897,207
Treasury bills with original maturity within three months	5,765,899	967,078
Certificates of deposit held with original maturity within three months	56,151	–
Short positions in Exchange Fund Bills and Notes	(6,255,425)	(1,398,143)
Deposits and balances from banks with original maturity within three months	(1,050,131)	(1,846,186)
	<u>24,008,276</u>	<u>23,649,210</u>

41 ASSETS PLEDGED AS SECURITY

- (a) At 30 June 2008, a certificate of deposit of US\$7,200,000 (equivalent to HK\$56,151,000; 31 December 2007: US\$7,200,000 equivalent to HK\$56,163,000) included in held-to-maturity securities was pledged to the Office of the Comptroller of Currency of the United States of America as a statutory deposit for WLB's branch in Los Angeles.
- (b) At 30 June 2008, Hong Kong Exchange Fund Bills and Notes totalling HK\$6,056,315,000 (31 December 2007: HK\$363,089,000) which are included in "Trading securities" were pledged to secure WLB's short positions in Exchange Fund Bills and Notes under sale and repurchase agreements entered into by WLB in the normal course of its business.

42 MATERIAL RELATED PARTY TRANSACTIONS

During the period, the WLB Group entered into certain banking transactions with related parties in the normal course of business, which include loans, deposits, insurance and other financial related transactions. These related parties are key management personnel of WLB, close members of their families and companies controlled or significantly influenced by the WLB Group or by them. In addition to the transactions and balances disclosed elsewhere in the interim financial statements, other material related party transactions entered into by the WLB Group are as follows:

	Jointly controlled entities <i>HK\$'000</i>	Associates <i>HK\$'000</i>	Key management personnel <i>HK\$'000</i>	Other related parties <i>HK\$'000</i>	Total <i>HK\$'000</i>
Aggregate amounts outstanding at 30 June 2008 (Audited)					
	<i>(note a)</i>				
– Loans	70,155	–	6,549	5,531	82,235
– Deposits	620,250	465	406,728	2,308,250	3,335,693
Income for the six months ended 30 June 2008 received from related parties (Audited)					
– Interest income	1,147	–	123	111	1,381
– Other operating income	2,813	290	–	674	3,777
– Net insurance operating income	2,232	–	–	–	2,232
	6,192	290	123	785	7,390
Expenses for the six months ended 30 June 2008 paid to related parties (Audited)					
– Interest expenses	6,626	10	5,292	22,989	34,917
– Operating expenses	2,118	–	–	3,810	5,928
– Net insurance operating expenses	–	14,888	–	–	14,888
	8,744	14,898	5,292	26,799	55,733

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	Jointly controlled entities <i>HK\$'000</i>	Associates <i>HK\$'000</i>	Key management personnel <i>HK\$'000</i>	Other related parties <i>HK\$'000</i>	Total <i>HK\$'000</i>
Aggregate amounts outstanding at 31 December 2007 (Audited)					
– Loans	<i>(note a)</i> 72,264	–	7,527	6,936	86,727
– Deposits	609,718	2,094	279,143	1,757,236	2,648,191
Income for the six months ended 30 June 2007 received from related parties (Unaudited)					
– Interest income	–	–	265	4,714	4,979
– Other operating income	3,039	176	–	540	3,755
	<u>3,039</u>	<u>176</u>	<u>265</u>	<u>5,254</u>	<u>8,734</u>
Expenses for the six months ended 30 June 2007 paid to related parties (Unaudited)					
– Interest expenses	11,902	51	5,723	32,970	50,646
– Operating expenses	1,054	–	–	3,450	4,504
– Net insurance operating expenses	1,326	14,273	–	–	15,599
	<u>14,282</u>	<u>14,324</u>	<u>5,723</u>	<u>36,420</u>	<u>70,749</u>

Key management personnel remuneration

Remuneration for key management personnel of the WLB Group including amounts paid to WLB's directors is as follows:

	Six months ended 30 June 2008 Audited <i>HK\$'000</i>	2007 Unaudited <i>HK\$'000</i>
Salaries and other short-term benefits	23,558	23,086
Retirement benefits	751	1,514
	<u>24,309</u>	<u>24,600</u>

- (a) The loans to jointly controlled entities include an amount of HK\$6,601,000 (31 December 2007: HK\$6,567,000) which is unsecured and interest free. The remaining balance is secured and interest-bearing at normal commercial terms.
- (b) No impairment allowances have been recognised in respect of loans granted to related parties (31 December 2007: Nil).

43 LIST OF SUBSIDIARIES FOR FINANCIAL REPORTING CONSOLIDATION

Hongnet Limited #
Sea Wing Investments Limited
Wing Lung Agency Limited
Wing Lung Bank (Nominees) Limited #
Wing Lung Bank (Trustee) Limited #
Wing Lung Credit Limited
Wing Lung Finance Limited
Wing Lung Futures Limited #
Wing Lung Information Technology (Shenzhen) Limited # *
Wing Lung Insurance Brokers Limited
Wing Lung Insurance Company Limited #
Wing Lung Property Management Limited #
Wing Lung Securities Limited #
Wingspan Incorporated

Companies excluded in the computation of the consolidated capital ratios at 30 June 2008 and 31 December 2007 for regulatory reporting purposes

* Newly established in February 2008

44 COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform with the current period's presentation.

45 APPROVAL OF INTERIM FINANCIAL STATEMENTS

The interim financial statements were approved and authorised for issue by the Board of Directors on 27 August 2008.

SUPPLEMENTARY FINANCIAL INFORMATION

The following information is disclosed as part of the accompanying information to the interim financial statements and does not form part of the audited interim financial statements.

1 Capital adequacy ratio and capital base

	30/6/2008	31/12/2007
Capital ratios		
– Capital adequacy ratio	15.7%	14.7%
– Core capital ratio	13.4%	12.3%

The capital base after deductions used in the calculation of the above capital ratios as at 30 June 2008 and 31 December 2007 is analysed as follows:

	30/6/2008 <i>HK\$'000</i>	31/12/2007 <i>HK\$'000</i>
Core capital:		
Paid up ordinary share capital	1,160,951	1,160,951
Reserves	5,954,563	5,722,608
Profit and loss account	434,152	177,665
Less: Deferred tax assets	<u>(13,019)</u>	<u>(6,799)</u>
Core capital	7,536,647	7,054,425
Less: Deductions from core capital	<u>(221,429)</u>	<u>(352,541)</u>
Total core capital after deductions	----- 7,315,218	----- 6,701,884
Supplementary capital:		
Reserves attributable to fair value gains on revaluation of holdings of land and buildings	824,416	824,416
Reserves attributable to fair value gains on revaluation of holdings of available-for-sale equities and debt securities	44,983	45,291
Unrealised fair value gains arising from holdings of equities and debt securities designated at fair value through profit or loss	80,292	198,408
Regulatory reserve for general banking risks	385,900	509,086
Collective impairment allowances	<u>109,723</u>	<u>108,437</u>
Supplementary capital	1,445,314	1,685,638
Less: Deductions from supplementary capital	<u>(221,430)</u>	<u>(352,541)</u>
Total supplementary capital after deductions	----- 1,223,884	----- 1,333,097
Total capital base after deductions	<u>8,539,102</u>	<u>8,034,981</u>

The capital ratios at 30 June 2008 and 31 December 2007 were calculated in accordance with the Banking (Capital) Rules issued by the Hong Kong Monetary Authority (“HKMA”) under section 98A of the Hong Kong Banking Ordinance, which became effective on 1 January 2007. In accordance with the Banking (Capital) Rules, the WLB Group has adopted the “standardised approach” for the calculation of the risk-weighted assets for credit risk and market risk, and the “basic indicator approach” for the calculation of operational risk.

The basis of consolidation for calculation of the capital ratios at 30 June 2008 and 31 December 2007 follows the basis of consolidation for financial reporting but excludes certain subsidiaries as set out in note 43 of these interim financial statements. The investment costs of these subsidiaries are therefore deducted from capital.

2 Liquidity ratio

	Six months ended 30 June	
	2008	2007
Liquidity ratio	<u>49.4%</u>	<u>46.4%</u>

The liquidity ratio is calculated as the simple average of each calendar month’s average consolidated liquidity ratio for the period calculated for WLB and a subsidiary as specified by the HKMA during the period in accordance with the Fourth Schedule of the Hong Kong Banking Ordinance.

3 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:

	30/6/2008	31/12/2007
	<i>HK\$’000</i>	<i>HK\$’000</i>
Spot assets	16,448,095	18,439,911
Spot liabilities	(15,269,223)	(17,179,125)
Forward purchases	2,656,725	2,334,698
Forward sales	(2,397,161)	(2,080,305)
Net option position	<u>(16,400)</u>	<u>(3,279)</u>
Net long position	<u>1,422,036</u>	<u>1,511,900</u>

The net option position is calculated based on the model user approach set out in the prudential return “Foreign Currency Position” issued by the HKMA.

The RMB and US dollar net structural positions constitute 10% or more of the total net structural position in all foreign currencies and are reported in Hong Kong dollar equivalent as follows:

	30/6/2008	31/12/2007
	<i>HK\$'000</i>	<i>HK\$'000</i>
Net structural position		
US dollar	275,176	67,864
RMB	113,800	106,890
	<u>388,976</u>	<u>174,754</u>

4 Segmental information

(a) Gross advances to customers by industry sectors

	30/6/2008		31/12/2007	
	<i>HK\$'000</i>	% of gross advances covered by collateral	<i>HK\$'000</i>	% of gross advances covered by collateral
Loans for use in Hong Kong				
Industrial, commercial and financial				
Property development	3,754,985	24.3	3,190,372	35.9
Property investment	12,741,664	93.3	12,003,588	91.7
Financial concerns	275,313	100.0	285,407	99.7
Stockbrokers	–	–	361	100.0
Wholesale and retail trade	719,623	96.3	622,891	96.8
Manufacturing	541,766	69.5	523,713	73.6
Transport and transport equipment	1,894,227	19.5	1,690,921	15.5
Recreational activities	18,546	100.0	19,770	100.0
Information technology	2,216	68.7	2,941	69.9
Others	3,594,179	56.9	2,847,782	63.7

	30/6/2008		31/12/2007	
	<i>HK\$'000</i>	% of gross advances covered by collateral	<i>HK\$'000</i>	% of gross advances covered by collateral
Individuals				
Loans for the purchase of flats in the Home Ownership Scheme, Private Sector Participation Scheme and Tenants Purchase Scheme	1,848,692	100.0	1,952,277	100.0
Loans for the purchase of other residential properties	9,829,082	99.9	10,070,949	99.8
Credit card advances	457,732	–	660,328	–
Others	1,469,997	89.0	1,356,995	90.9
Trade finance	774,236	67.0	725,104	62.1
	<u>37,922,258</u>	79.3	<u>35,953,399</u>	81.2
Loans for use outside Hong Kong	<u>5,901,520</u>	36.3	<u>5,981,121</u>	38.2
	<u><u>43,823,778</u></u>	73.5	<u><u>41,934,520</u></u>	75.1

The gross amount of impaired loans and impairment allowances for those industry sectors which constitute not less than 10% of gross advances to customers is analysed as follows:

	Impaired loans <i>HK\$'000</i>	Individual impairment allowance <i>HK\$'000</i>	Collective impairment allowance <i>HK\$'000</i>
At 30 June 2008			
Loans for use in Hong Kong			
Industrial, commercial and financial			
Property investment	6,031	4,028	15,545
Individuals			
Loans for the purchase of other residential properties	5,787	1,041	11,991
Loans for use outside Hong Kong	<u>15,341</u>	<u>14,250</u>	<u>27,003</u>
	<u>27,159</u>	<u>19,319</u>	<u>54,539</u>
At 31 December 2007			
Loans for use in Hong Kong			
Industrial, commercial and financial			
Property investment	7,697	5,043	21,131
Individuals			
Loans for the purchase of other residential properties	11,860	2,061	17,719
Loans for use outside Hong Kong	<u>15,319</u>	<u>13,005</u>	<u>25,520</u>
	<u>34,876</u>	<u>20,109</u>	<u>64,370</u>

(b) Geographical analysis of gross advances to customers, overdue advances, impaired loans and impairment allowances

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

	Gross advances to customers <i>HK\$'000</i>	Overdue advances <i>HK\$'000</i>	Impaired loans <i>HK\$'000</i>	Individual impairment allowance		Collective impairment allowance <i>HK\$'000</i>
				Overdue advances <i>HK\$'000</i>	Impaired loans <i>HK\$'000</i>	
At 30 June 2008						
Hong Kong	39,981,345	96,828	81,886	26,283	34,185	103,373
Others	3,842,433	-	-	-	-	6,198
	<u>43,823,778</u>	<u>96,828</u>	<u>81,886</u>	<u>26,283</u>	<u>34,185</u>	<u>109,571</u>
At 31 December 2007						
Hong Kong	38,165,714	152,810	110,227	39,346	48,166	101,661
Others	3,768,806	-	-	-	-	6,533
	<u>41,934,520</u>	<u>152,810</u>	<u>110,227</u>	<u>39,346</u>	<u>48,166</u>	<u>108,194</u>

(c) Cross-border claims

The WLB 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 <i>HK\$'000</i>	Public sector entities <i>HK\$'000</i>	Others <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 30 June 2008				
Asia Pacific excluding				
Hong Kong	15,467,827	69,351	3,510,022	19,047,200
North and South America	646,271	79,845	2,182,875	2,908,991
Europe	13,883,534	–	445,105	14,328,639
At 31 December 2007				
Asia Pacific excluding				
Hong Kong	13,515,818	61,793	3,872,264	17,449,875
North and South America	1,946,704	123,674	1,847,298	3,917,676
Europe	18,259,143	–	690,328	18,949,471

5 Overdue and rescheduled assets

(a) Overdue advances

The WLB Group's overdue advances to customers are analysed as follows:

	30/6/2008	% of	31/12/2007	% of
	<i>HK\$'000</i>	total	<i>HK\$'000</i>	total
		advances		advances
		to		to
		customers		customers
Gross amount of advances which have been overdue for:				
– Six months or less, but over three months	22,998	0.05	37,311	0.09
– One year or less, but over six months	33,749	0.08	34,873	0.08
– Over one year	<u>40,081</u>	<u>0.09</u>	<u>80,626</u>	<u>0.19</u>
	<u>96,828</u>	<u>0.22</u>	<u>152,810</u>	<u>0.36</u>
Secured overdue advances	70,238		111,960	
Unsecured overdue advances	<u>26,590</u>		<u>40,850</u>	
	<u>96,828</u>		<u>152,810</u>	
Market value of collateral held against the secured overdue advances	<u>84,850</u>		<u>130,789</u>	
Individual impairment allowances made	<u>26,283</u>		<u>39,346</u>	

At 30 June 2008, there were no advances to banks which were overdue for over three months (31 December 2007: Nil).

(b) Other overdue assets

The WLB Group's other overdue assets are analysed as follows:

	30/6/2008		31/12/2007	
	Trade bills	Accrued	Trade bills	Accrued
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Gross amount of other assets which have been overdue for:				
– Six months or less, but over three months	–	241	3,541	4,511
– One year or less, but over six months	–	192	–	745
– Over one year	–	4,560	8,507	4,871
	<u>–</u>	<u>4,993</u>	<u>12,048</u>	<u>10,127</u>

(c) Rescheduled advances

The WLB Group's rescheduled advances (net of those which have been overdue for over three months and reported in item (a) above) are as follows:

	30/6/2008		31/12/2007	
	<i>HK\$'000</i>	% of total advances to customers	<i>HK\$'000</i>	% of total advances to customers
Rescheduled advances to customers	<u>36,765</u>	<u>0.08</u>	<u>38,351</u>	<u>0.09</u>

At 30 June 2008, there were no rescheduled advances to banks (31 December 2007: Nil).

6 Non-bank Mainland exposures

The analysis of non-bank Mainland exposures is based on the categories of non-bank counterparties and the type of direct exposures defined by the HKMA under the Banking (Disclosure) Rules with reference to the HKMA return for non-bank Mainland exposures, these include exposures extended by WLB and its overseas branches only.

At 30 June 2008

	On- balance sheet exposure HK\$'000	Off- balance sheet exposure HK\$'000	Total HK\$'000	Individual impairment allowance HK\$'000
Mainland entities	4,064,332	288,490	4,352,822	–
Companies and individuals outside Mainland where the credit is granted for use in Mainland	1,829,306	468,709	2,298,015	6,895
Other counterparties where the exposure is considered by WLB to be non-bank Mainland exposure	31,208	–	31,208	–
Total	<u>5,924,846</u>	<u>757,199</u>	<u>6,682,045</u>	<u>6,895</u>

At 31 December 2007

	On- balance sheet exposure HK\$'000	Off- balance sheet exposure HK\$'000	Total HK\$'000	Individual impairment allowance HK\$'000
Mainland entities	3,533,882	887,603	4,421,485	–
Companies and individuals outside Mainland where the credit is granted for use in Mainland	1,983,753	663,777	2,647,530	7,564
Other counterparties where the exposure is considered by WLB to be non-bank Mainland exposure	48,979	712	49,691	–
Total	<u>5,566,614</u>	<u>1,552,092</u>	<u>7,118,706</u>	<u>7,564</u>

7 Additional disclosure on structured investments*Structured Investment Vehicles (“SIV”)*

The nominal value of the WLB Group’s SIV portfolio was HK\$722.5 million as at 30 June 2008, all of which are sponsored by banks. The WLB Group has been conservative in provisioning amidst deterioration in the asset-backed securities market. Out of the total portfolio of SIV investments, 4 have been fully provided for. During the financial year ended 31 December 2007, the WLB Group took accumulated impairment losses of HK\$463.0 million against its SIV investments and has taken an additional HK\$285.1 million of impairment losses in the six months ended 30 June 2008. An amount of HK\$58.0 million was written off in the first half of 2008. At 30 June 2008, total accumulated impairment allowance stood at 95.5% of the WLB Group’s gross SIV investments with the net exposure amounting to HK\$26.7 million.

Collateralised Debt Obligations (“CDO”)

The nominal value of the WLB Group’s CDO portfolio was HK\$857.9 million as at 30 June 2008. A summary of the WLB Group’s CDO investments is as follows:

Maturity	Current rating	Number of securities	Nominal amount HK\$’M	Mark-to-	Accumulated	Amount	Coverage
				market (“MTM”) losses during 1H 2008 HK\$’M	MTM losses up to 30/6/2008 HK\$’M	net of accumulated MTM losses as at 30/6/2008 HK\$’M	
3/2010	A-	1	233.9	37.8	57.5	176.4	24.6%
6/2011	BBB+/BBB	2	312.0	103.4	142.3	169.7	45.6%
9/2012	A/A2	2	312.0	87.5	160.0	152.0	51.3%
Total		5	857.9	228.7	359.8	498.1	41.9%

As at 30 June 2008, the WLB Group’s CDO portfolio comprised 5 securities, all of which were mezzanine tranches with investment grade ratings. None of the WLB Group’s CDO investments have underlying assets that include mortgage-backed securities (including U.S. sub-prime residential mortgages) and the average maturity of the portfolio stood at approximately 3 years and 1 month. As at 30 June 2008, there were no defaults witnessed in any of the underlying reference entities of the WLB Group’s CDO investments.

The credit market conditions were highly challenging in the second half of 2007 and have further deteriorated in the first six months of 2008. This saw a tightening of the CDO market, particularly in the U.S. and the distressed conditions were reflected in the valuation of the WLB Group's CDO investments. The WLB Group continues to adopt a conservative approach towards accounting for its CDO investments that takes into account a range of factors affecting valuation including current market conditions, credit quality, maturity and other information. As a result, the WLB Group took a HK\$131.1 million MTM loss against its CDO portfolio for the financial year ended 31 December 2007 and has followed this with an additional HK\$228.7 million loss recognised during the first six months of 2008. As at 30 June 2008, the net exposure of its CDO portfolio stood at HK\$498.1 million, representing a coverage of 41.9%. The carrying amount of the WLB Group's CDO investments represents an approximately 0.5% of the WLB Group's total assets.

8 Operational risk management

Operational risk is the risk of loss resulting from inadequate or failed internal processes, people or systems, or from external events.

The WLB Group has established operational risk management framework to identify, measure, monitor and control operational risk. The Operational Risk Management Policy, approved by the Executive Committee, defines responsibilities of various committees, business units and supporting departments and encompasses various tools including control self-assessment, risk event management and key risk indicator to facilitate measurement and assessment of operational risk. The WLB Group also relies on internal control mechanisms within the business lines, supplemented by the internal audit function to manage and control operational risk.

The internal control system of the WLB Group comprises a well-established organisational structure and comprehensive policies and standards. The Board's expectations regarding duty, responsibility and integrity are clearly spelled out in formal policy statements. The lines of authority and responsibilities of each business and operational unit have been clearly defined to ensure adequate checks and balances. Procedures including risk assessments, segregation of duties, use of limit, training and regular verification and reconciliation of transactions and accounts are used in the internal control mechanism.

Risk assessment will be conducted on the outsourcing services, new products and new system implementation. Business continuity plans are in place to mitigate the impact and interruptions to business activities caused by system failure or natural disaster. Adequate insurance is made to cover a reasonable extent of operational risk.

The Risk Management Committee is responsible for regular review of the operational risk profile and the WLB Group's internal audit function plays an important role in the WLB Group's operational risk framework. It provides an objective assurance to the Board that a sound internal control system is maintained and operated in compliance with the established processes and standards through regular and comprehensive audits on all business and operational functions.

III. INDEBTEDNESS

As of 31 August 2008, the latest practicable date for the purpose of ascertaining relating information to this indebtedness statement prior to the printing of this Composite Offer Document, WLB had certificates of deposit, deposits and balances from banks and deposits from customers, direct credit substitutes, transaction-related contingencies, trade-related contingencies and other commitments that arose from the ordinary course of business of WLB.

Except as disclosed above and apart from intra-group liabilities, WLB did not have, at 31 August 2008, any outstanding mortgages, charges, debentures, or other loan capital (issued or agreed to be issued), bank overdrafts, loans, liabilities under acceptance or other similar indebtedness, hire purchase and finance lease commitments or any guarantees or other material contingent liabilities.

The WLB Directors have confirmed that there has not been any material change in the indebtedness or contingent liabilities of WLB Group since 31 August 2008.

IV. MATERIAL CHANGE

The WLB Directors confirm that, as at the Latest Practicable Date, there was no material change in the financial or trading position or outlook of the WLB Group since 30 June 2008, the date of which the latest audited consolidated interim financial statements of the WLB Group were made up.

1. RESPONSIBILITY STATEMENT

This Composite Offer Document includes particulars given in compliance with the Listing Rules and the Takeovers Code for the purpose of giving information with regard to WLB and CMB.

The CMB Directors jointly and severally accept full responsibility for the accuracy of the information contained in this Composite Offer Document, other than those relating to the WLB Group and confirm, having made all reasonable enquiries, that to the best of their knowledge, opinions expressed in this Composite Offer Document, other than those expressed by the WLB Directors relating to the WLB Group, have been arrived at after due and careful consideration and there are no other facts not contained in this Composite Offer Document, the omission of which would make any statement, other than those relating to the WLB Group, in this Composite Offer Document misleading.

The WLB Directors jointly and severally accept full responsibility for the accuracy of the information contained in this Composite Offer Document, other than those relating to the CMB Group and confirm, having made all reasonable enquiries, that to the best of their knowledge, opinions expressed in this Composite Offer Document, other than those expressed by the CMB Directors relating to the CMB Group, have been arrived at after due and careful consideration and there are no other facts not contained in this Composite Offer Document, the omission of which would make any statement, other than those relating to the CMB Group, in this Composite Offer Document misleading.

2. CORPORATE INFORMATION OF WLB

WLB is a banking company incorporated in Hong Kong and the WLB Shares have been listed on the Stock Exchange since 1980. WLB is principally engaged in the provision of banking and related financial services. The principal activities of the WLB Group include deposit taking, loans advancing, futures and securities broking, investment trading, insurance underwriting, insurance agency, reinsurance businesses, trustee and nominee services, investment properties holding and property management.

3. SHARE CAPITAL OF WLB**(a) Authorised and issued share capital**

As at the Latest Practicable Date, the authorised and issued share capital of WLB were as follows:

<i>Authorised</i>	<i>HK\$</i>
300,000,000 WLB Shares of HK\$5.00 each	<u>1,500,000,000</u>
 <i>Issued and fully paid</i>	
232,190,115 WLB Shares of HK\$5.00 each	<u>1,160,950,575</u>

As at the Latest Practicable Date, no new WLB Share had been issued by WLB since 30 June 2008 (being the date to which its latest published audited financial statements were prepared). All of the WLB Shares currently in issue rank pari passu in all respects including, in particular, as to dividends, voting rights and capital.

As at the Latest Practicable Date, there were no outstanding warrants or options or derivatives or other securities carrying rights of conversion into or exchange or subscription for the WLB Shares.

(b) Listing

The WLB Shares are listed and traded on the main board of the Stock Exchange. No part of the issued capital of WLB is listed or dealt in, nor is any listing of or permission to deal with the WLB Shares being or proposed to be sought on, through any other stock exchange.

4. MARKET PRICES

- (a) The table below shows the closing market prices of the WLB Shares as quoted on the Stock Exchange on (i) the Latest Practicable Date; (ii) the last trading day before 20 March 2008 (the date WLB issued an announcement pursuant to Rule 3.7 of the Takeovers Code); (iii) the last trading day immediately preceding the date of the Joint Announcement; and (iv) at the end of each calendar month during the Relevant Period:

Date	Closing price per WLB Share HK\$
(i) 3 October 2008, being the Latest Practicable Date	155.40
(ii) 19 March 2008, being the last trading day before 20 March 2008 (the date WLB issued an announcement pursuant to Rule 3.7 of the Takeovers Code)	102.50
(iii) 29 May 2008, being the last trading day immediately preceding the date of the Joint Announcement	147.40
(iv) at the end of each calendar month during the Relevant Period:	
(A) 28 September 2007	80.55
(B) 31 October 2007	80.10
(C) 30 November 2007	82.40
(D) 31 December 2007	95.50
(E) 31 January 2008	87.50
(F) 29 February 2008	96.80
(G) 31 March 2008	135.70
(H) 30 April 2008	140.50
(I) 30 May 2008	suspended
(J) 30 June 2008	152.90
(K) 31 July 2008	153.10
(L) 29 August 2008	149.00
(M) 30 September 2008	155.10

- (b) During the Relevant Period, the highest closing price of the WLB Shares was HK\$155.40 per WLB Share as quoted on the Stock Exchange on each of 2 October 2008 and 3 October 2008 and the lowest closing price of the WLB Shares was HK\$72.25 per WLB Share as quoted on the Stock Exchange on 22 November 2007.

5. DISCLOSURE OF INTERESTS IN WLB SHARES

- (a) As at the Latest Practicable Date, the shareholdings in WLB in which the WLB Directors were interested are as follows:

Name of WLB Director	Capacity	Number of issued WLB Shares held	Total interest in WLB Shares	Percentage of WLB's issued share capital (%)
Dr. Michael Po-ko Wu	Personal interest	263,740	347,906	0.15
	Family interest	84,166		
Dr. Patrick Po-kong Wu	Personal interest	387,704	397,694	0.17
	Family interest	9,990		
Dr. Philip Po-him Wu	Personal interest	241,115	241,115	0.10
Mr. Che-shum Chung	Personal interest	3,373	3,373	0.00
Mr. Anthony Shang-fung Wu	Personal interest	30,474	30,474	0.01
Mr. Shung-kwong Tsang	Personal interest	4,665	13,791	0.01
	Family interest	9,126		

- (b) As at the Latest Practicable Date, save and except the holdings by exempt persons under the Takeovers Code, and save as disclosed below and subject to the dealings in the WLB Shares as disclosed in paragraph 7(c) below, none of CMB, any CMB Directors or any of the persons acting in concert with any of them owned or controlled or had any interest or short positions which they had taken or deemed to have under such provisions of SFO in any WLB Shares or any convertible securities, warrants, options or derivatives in respect of any WLB Shares.

Name of WLB Shareholder	Capacity	Long/Short position	Number of issued WLB Shares held	Percentage of WLB's issued share capital
CMB	Beneficial owner	Long position	123,336,170	53.12%

- (c) As at the Latest Practicable Date, no person who owned or controlled any WLB Shares or any convertible securities, warrants, options or derivatives in respect of any WLB Shares had, prior to the Despatch Date, irrevocably committed themselves to accept or reject the General Offer.

- (d) As at the Latest Practicable Date, save as disclosed below, no subsidiary of WLB, pension fund of WLB or of a subsidiary of WLB or an adviser to WLB as specified in class (2) of the definition of “associate” in the Takeovers Code but excluding any exempt principal trader, owned or controlled any WLB Shares or any convertible securities, warrants, options or derivatives in respect of any WLB Shares.

Name of WLB Shareholder	Capacity	Long/Short position	Number of issued WLB Shares held	Percentage of WLB's issued share capital
The Wing Lung Bank Limited Retirement Benefit Scheme managed by Bank Consortium Trust Company Limited <i>(Note 1)</i>	Beneficial interest	Long	279,525	0.12%
Credit Suisse (Hong Kong) Limited	Beneficial interest	Long	22,200	0.01%
Credit Suisse International	Beneficial interest	Long	700	0.00%
Credit Suisse Securities (USA) LLC	Beneficial interest	Long	60,600	0.03%
Credit Suisse Securities (USA) LLC	Beneficial interest	Short	60,600	0.03%
Credit Suisse New York Branch	Beneficial interest	Long	4,900	0.00%
Credit Suisse Securities (Europe) Limited	Beneficial interest	Long	85,500	0.04%
Credit Suisse Securities (Europe) Limited	Beneficial interest	Short	60,900	0.03%
Morgan Stanley & Co., International plc	Beneficial interest	Long	894,400	0.39%
Morgan Stanley & Co., International plc	Beneficial interest	Short	51,000	0.02%
UBS AG London Branch	Beneficial interest	Long	575,700	0.25%

Note 1: WLB holds approximately 13% interests in Bank Consortium Holding Limited, which is a jointly-controlled entity of WLB. Bank Consortium Trust Company Limited is a wholly-owned subsidiary of Bank Consortium Holding Limited.

- (e) As at the Latest Practicable Date, no person with whom WLB or any of WLB's associates by virtue of classes (1), (2), (3) or (4) of the definition of "associate" under the Takeovers Code had any arrangements of the kind referred to in Note 8 to Rule 22 of the Takeovers Code owned or controlled any WLB Shares or any convertible securities, warrants, options or derivatives in respect of any WLB Shares.
- (f) As at the Latest Practicable Date, no person with whom CMB or any person acting in concert with CMB had any arrangements of the kind referred to in Note 8 to Rule 22 of the Takeovers Code owned or controlled any WLB Shares or any convertible securities, warrants, options or derivatives in respect of any WLB Shares.
- (g) As at the Latest Practicable Date, no fund managers (other than exempt fund managers) connected with WLB had managed any WLB Shares or any convertible securities, warrants, options or derivatives in respect of any WLB Shares on a discretionary basis.
- (h) In light of the advice and recommendation from the Independent WLB Board Committee set out above and having regard to their own individual circumstances and investment objectives, the intention of the WLB Directors, in respect of their shareholdings in WLB, to reject/accept the General Offer is set out as follows:

WLB Directors	Accept/Reject
Dr. Michael Po-ko Wu	Accept
Dr. Patrick Po-kong Wu	Accept
Dr. Philip Po-him Wu	Accept
Mr. Che-shum Chung	Accept
Mr. Albert Po-cheung Wu	Not Applicable ^{Note 1}
Mr. Ivan Po-young Wu	Not Applicable ^{Note 1}
Mr. Anthony Shang-fung Wu	Accept
Dr. Norman Nai-pang Leung	Not Applicable ^{Note 1}
Mr. Lincoln Hung-leung Soo	Not Applicable ^{Note 1}
Mr. Shung-kwong Tsang	Accept
The Hon Bernard Charnwut Chan	Not Applicable ^{Note 1}

Note 1: No WLB Shares were held by such WLB Directors as at the Latest Practicable Date.

- (i) As at the Latest Practicable Date, save and except for certain borrowings or lendings by exempt persons under the Takeovers Code, neither WLB, any WLB Directors, CMB nor any persons acting in concert with CMB had borrowed or lent any WLB Shares or any convertible securities, warrants, options or derivatives in respect of any WLB Shares, save for any borrowed WLB Shares or any convertible securities, warrants, options or derivatives in respect of any WLB Shares which had been either on-lent or sold.

6. DISCLOSURE OF INTERESTS IN CMB SHARES

(a) WLB and WLB Directors

As at the Latest Practicable Date, save as disclosed below, none of WLB and the WLB Directors owned or controlled or had any interest or short positions which they had taken or deemed to have under such provisions of SFO in any CMB Shares or any warrants, options, convertible securities or derivatives in respect of any CMB Shares.

WLB/WLB Director	Capacity	Number of issued CMB Shares held	Long/Short position	Percentage of CMB's issued share capital
WLB	Beneficial interest	25,000	Long	0.0%
WLB	See Note 2	61,904 (see Note 2)	See Note 2	See Note 2
WLB	See Note 3	61,904 (see Note 3)	See Note 3	See Note 3
Dr. Philip Po-him Wu	Personal interest	500	Long	0.0%
Dr. Michael Po-ko Wu	Family interest	1,000	Long	0.0%
Mr. Shung-kwong Tsang	See Note 1	35,572 (see Note 1)	See Note 1	0.0%

Notes:

- Mr. Shung-kwong Tsang holds equity linked notes (which are HK dollar fixed coupon daily callable notes with normal airbag linked to three stocks of which the CMB Shares are one of the three underlying stocks in the portfolio). The observation period of such equity linked notes is from 9 May 2008 until 10 November 2008 and the strike price is at HK\$30.9225. In case any one of the underlying stocks is at or below its respective knock-in price during the observation period and the CMB Shares is the least performing stock on the final valuation date, the 35,572 CMB Shares will be delivered to Mr. Shung-kwong Tsang. The equity linked notes are held by Mr. Shung-kwong Tsang and his wife in a joint account. As at the Latest Practicable Date, no CMB Share has been delivered to Mr. Shung-kwong Tsang or his wife under such notes.
- WLB purchased put options which are linked to the CMB Shares from various counterparties who will make a deposit into WLB. These put options are subject to various observation periods and with pre-determined strike prices. If the price of the CMB Shares is below the respective pre-determined strike prices during the observation period and WLB exercises these put options, WLB will deliver such amount of the CMB Shares instead of repaying the deposit and related interest to the counterparties on maturity.
- WLB had written put options which are linked to the CMB Shares to various counterparties. These put options are subject to various observation periods and with pre-determined strike prices. If the price of the CMB Shares is below the respective pre-determined strike prices during the observation period and the counterparties exercise such put options, WLB will be obliged to purchase such amount of the CMB Shares.

7. DEALINGS IN WLB SHARES

- (a) During the Relevant Period, save as disclosed above and save for the Sale and Purchase Agreements, none of the WLB Directors had dealt for value in any WLB Shares, convertible securities, warrants, options, or derivatives in respect of any WLB Shares;
- (b) During the period commencing on 20 March 2008 and up to the Latest Practicable Date, save as disclosed below, no subsidiary of WLB, or any pension funds of WLB or of any of its subsidiaries, any adviser to WLB as specified in class (2) of the definition of “associate” in the Takeovers Code but excluding exempt principal traders (except as otherwise indicated) had dealt for value in any WLB Shares or any convertible securities, warrants, options or derivatives in respect of any WLB Shares:

*Credit Suisse Securities (Europe) Limited***Dealings in WLB Shares**

Date of dealing	Number of WLB Shares acquired/(disposed)	Price per WLB Share (HK\$)
28/03/2008	129,300	116.15
	(200)	119.00
	(300)	119.00
	(900)	119.00
	(200)	118.80
	(500)	117.00
	(200)	117.00
	(1,000)	117.10
	(200)	117.20
	(800)	117.20
	(200)	117.20
	(600)	117.20
	(500)	117.20
	(600)	117.20
	(700)	117.20
	(300)	117.10
	(300)	117.30
	(1,000)	117.20
	(2,200)	117.20
	(800)	117.20
	(400)	117.10
	(100)	117.10
	(2,100)	117.20
	(200)	117.10

Date of dealing	Number of WLB Shares acquired/(disposed)	Price per WLB Share (HK\$)
	(100)	117.00
	(100)	117.00
	(200)	117.00
	(700)	117.00
	(600)	117.00
	(100)	117.00
	(100)	117.00
	1,300	117.60
	6,800	117.60
	2,000	118.00
	6,100	118.00
31/03/2008	(9,700)	130.00
	(100)	130.00
	(800)	130.00
	(3,600)	129.00
	(1,000)	129.00
	(2,300)	129.00
	(3,100)	129.00
	(1,000)	129.10
	(3,700)	129.00
	(2,000)	129.00
	(3,300)	129.00
	(1,700)	129.00
	(6,200)	129.00
	(1,500)	129.00
	(600)	129.00
	(8,800)	130.00
	(9,700)	130.00
	(200)	130.00
	(100)	130.20
	(1,000)	130.20
	(5,000)	130.20
	(3,900)	130.20
	(900)	131.80
	(700)	131.80
	(1,400)	131.80
	(1,100)	131.80
	(500)	131.80
	(100)	131.80
	(5,300)	131.80
	(1,000)	132.10

Date of dealing	Number of WLB Shares acquired/(disposed)	Price per WLB Share (HK\$)
	(400)	132.10
	(3,700)	131.70
	(1,400)	131.70
	(700)	131.70
	(4,200)	131.60
	(1,100)	132.10
	(600)	132.10
	(1,100)	132.10
	(200)	132.10
	(500)	132.10
	(1,000)	132.10
	(200)	132.10
	(1,400)	132.10
	(2,500)	132.10
	(100)	134.50
	(100)	134.50
	(100)	134.50
	(200)	134.50
	(200)	134.30
	(200)	134.20
	(200)	134.20
	(200)	134.20
	(100)	134.10
	(1,000)	134.00
	(700)	134.40
	(1,100)	134.40
	(100)	134.40
	(5,700)	134.40
	(1,500)	135.10
	(1,000)	135.10
	(5,900)	135.00
	(400)	135.00
	(1,200)	135.00
	(1,800)	135.00
	(800)	135.00
	(5,500)	135.00
	(1,200)	135.00
	(200)	135.00
	(500)	135.00

Date of dealing	Number of WLB Shares acquired/(disposed)	Price per WLB Share (HK\$)	
07/04/2008	(200)	128.90	
	(100)	129.00	
	(100)	129.10	
	(100)	129.20	
	(100)	129.60	
	(900)	129.70	
	(100)	129.80	
	(100)	129.90	
	(100)	130.00	
	(300)	130.10	
	(100)	131.70	
	(100)	129.00	
	08/04/2008	(100)	132.50
		(100)	133.00
(100)		133.10	
(400)		133.30	
(500)		133.40	
(100)		133.50	
(200)		133.60	
(100)		133.70	
(300)		134.30	
(200)		134.40	
(100)		134.90	
(100)		129.50	
(100)		132.40	
09/04/2008		(100)	132.80
	(300)	133.10	
	(300)	133.20	
	(100)	133.40	
	(200)	133.70	
	(200)	133.90	
	(100)	134.30	
	(200)	134.50	
	(200)	134.70	
	(100)	135.20	
	(100)	135.60	
	(200)	135.80	
	(100)	136.00	
	(200)	133.20	

Date of dealing	Number of WLB Shares acquired/(disposed)	Price per WLB Share (HK\$)
10/04/2008	(100)	140.30
	(100)	140.40
	(100)	140.90
	(100)	141.60
	(100)	142.00
	(100)	142.60
	(100)	142.90
	(400)	143.00
	(200)	143.20
	(100)	143.30
	(100)	143.40
	(300)	143.50
	(100)	143.60
	(100)	143.70
	(100)	143.80
	(100)	144.40
(100)	137.00	
(100)	140.30	
11/04/2008	(100)	140.40
	(2,000)	140.80
	(200)	140.90
	(500)	141.00
	(1,100)	141.10
	(1,200)	141.20
	(500)	141.30
	(600)	141.40
	(400)	141.50
	(200)	141.60
	(400)	142.00
	(100)	144.50
	(100)	141.00
14/04/2008	(300)	141.00
15/04/2008	(100)	139.70
	(100)	141.00
16/04/2008	(100)	141.80
	(100)	141.80

Date of dealing	Number of WLB Shares acquired/(disposed)	Price per WLB Share (HK\$)
17/04/2008	(100)	139.10
	(100)	139.10
18/04/2008	(100)	139.00
	(200)	137.00
21/04/2008	(100)	139.00
	(100)	140.00
	(100)	140.00
22/04/2008	(100)	137.20
	(100)	137.30
23/04/2008	(100)	136.90
	(100)	134.40
	(100)	133.00
24/04/2008	(100)	133.10
	(100)	134.60
	(100)	134.30
25/04/2008	(100)	133.80
	(100)	133.80
	(100)	134.20
28/04/2008	(100)	137.00
	(100)	141.00
	(100)	140.90
29/04/2008	(100)	140.40
	(100)	140.10
	(100)	140.00
	(100)	140.10
30/04/2008	(100)	141.00
	(100)	138.40
	(100)	138.40
02/05/2008	(100)	138.20
	(100)	137.30
	(100)	137.00

Date of dealing	Number of WLB Shares acquired/(disposed)	Price per WLB Share (HK\$)
05/05/2008	(100)	137.40
	(100)	137.30
	(200)	137.30
06/05/2008	(100)	137.20
	(900)	137.60
	(700)	137.60
	(200)	137.20
	(500)	137.20
	(100)	137.30
	(700)	137.30
	(100)	137.30
	(400)	138.00
	(600)	138.00
	(100)	138.00
	(700)	138.00
	(500)	138.40
	(400)	138.40
	(100)	138.40
	(100)	137.90
	(500)	137.90
	(500)	137.90
	(500)	137.60
	(600)	137.70
	(500)	137.70
	(600)	137.70
	(600)	137.80
	(100)	137.80
	(500)	137.80
(500)	137.80	
(200)	137.80	
(300)	137.80	
(100)	137.80	
(100)	137.80	
(500)	137.80	
(200)	137.80	
(100)	137.80	
(100)	137.80	
(100)	137.80	
(200)	138.00	
(200)	138.20	
(500)	138.20	

Date of dealing	Number of WLB Shares acquired/(disposed)	Price per WLB Share (HK\$)
	(400)	138.20
	(500)	138.20
	(500)	137.80
	(500)	137.80
	(500)	137.80
	(600)	137.80
	(300)	137.80
	(500)	137.80
	(400)	137.90
	(100)	137.90
	(100)	137.90
	(200)	138.30
	(700)	138.30
	(500)	138.30
	(600)	138.30
	(1,000)	138.30
	(500)	137.90
	(800)	137.90
	(400)	138.30
	(700)	138.00
	(800)	138.00
	(300)	138.00
	(500)	138.00
	(800)	138.00
	(200)	137.90
	(100)	137.90
	(100)	137.90
	(100)	137.90
	(100)	137.90
	(100)	137.90
	(200)	137.90
	(500)	137.90
	(100)	137.90
	(1,000)	138.00
	(900)	138.00
	(1,100)	138.00
	(900)	138.00
	(1,200)	138.00
	(1,500)	138.00
	(500)	138.00
	(1,000)	138.30
	(600)	138.30
	(1,100)	138.30

Date of dealing	Number of WLB Shares acquired/(disposed)	Price per WLB Share (HK\$)
07/05/2008	(100)	137.87
	(2,600)	136.90
08/05/2008	(100)	139.50
09/05/2008	(100)	139.20
	(300)	139.70
	(100)	139.70
	(100)	139.70
	(100)	139.70
	(200)	139.80
	(100)	139.80
	(1,400)	139.30
	(1,000)	139.50
	(100)	139.50
	(1,100)	139.60
	(100)	139.60
	(100)	139.60
	(100)	139.60
(100)	139.60	
(400)	139.70	
13/05/2008	(100)	139.80
15/05/2008	(100)	144.90
16/05/2008	100	144.60
	100	147.50
	100	152.20
	100	154.00
19/05/2008	(100)	153.00
21/05/2008	(600)	151.30
	(700)	151.50
	(600)	151.00
	(900)	150.70
	(100)	152.00

Date of dealing	Number of WLB Shares acquired/(disposed)	Price per WLB Share (HK\$)
22/05/2008	(200)	147.90
	(100)	148.10
	(100)	147.80
	300 ^(Note 1)	150.00
	(300) ^(Note 1)	147.97
23/05/2008	(300)	152.40
	(300)	153.00
	(300)	152.40
	(300)	152.60
	(300)	149.30
	(100)	152.00
	(100)	152.30
26/05/2008	(900)	149.00
	(800)	147.40
	(200) ^(Note 1)	149.00
	200 ^(Note 1)	148.10
28/05/2008	3,400 ^(Note 2)	141.26
29/05/2008	17,000 ^(Note 2)	145.59
05/06/2008	(200)	153.50
	(100)	153.40
	(100)	153.40
	(400)	153.40
	(100)	153.40
	(400)	153.40
	(100)	153.40
	(100)	153.40
	(500)	153.40
	(300)	153.50
	(100)	153.50
	(500)	153.30
	(200)	153.30
	(400)	153.30
	(500)	153.30
(500)	153.30	
(100)	153.40	
(100)	153.40	
(100)	153.40	

Date of dealing	Number of WLB Shares acquired/(disposed)	Price per WLB Share (HK\$)
	(300)	153.50
	(500)	153.50
	(600)	153.50
	(500)	153.50
	(500)	153.50
	(200)	153.50
	(400)	153.50
	(200)	153.40
	(500)	153.40
	(600)	153.40
	(1,100)	153.30
10/06/2008	(100)	152.90
	(100)	152.90
	(200)	152.90
	(300)	152.70
	(400)	152.70
	(300)	152.70
	(300)	152.80
	(400)	152.80
	(300)	152.80
	(400)	152.80
	(300)	152.80
	(200)	152.80
	(400)	152.80
	(400)	152.80
	(200)	152.80
	(200)	152.90
29/07/2008	100	153.30
	100	153.30
	100	153.50
	100	153.50
	100	153.40
	100	153.30
	100	153.30
	100	153.30
	100	153.30
	100	153.40
	100	153.30
	100	153.30
	100	153.30

Date of dealing	Number of WLB Shares acquired/(disposed)	Price per WLB Share (HK\$)
	100	153.30
	100	153.30
	100	153.30
	100	153.30
	100	153.30
	100	153.30
	100	153.30
	100	153.30
	100	153.30
	100	153.30
	100	153.30
	100	153.30
	100	153.30
	200	153.30
	100	153.30
	100	153.30
	200	153.30
	100	153.40
	200	153.40
	200	153.40
	200	153.40
	300	153.40
	100	153.40
	100	153.50
	100	153.50
30/07/2008	300	153.43
13/08/2008	(1,700)	153.50
16/09/2008	50,000 ^(Note 3)	n/a

Note 1: These transactions were error trades.

Note 2: These transactions represent purchases made to hedge existing derivatives position for non-discretionary clients.

Note 3: This was a transaction in respect of an unwinding of borrowing.

*Credit Suisse Securities (Europe) Limited***Dealing in options or derivatives in respect of WLB Shares**

Date of dealing	Number of WLB Shares concerned	Price per unit (HK\$)
07/04/2008	200 ^(Note 2)	130.16
08/04/2008	200 ^(Note 2)	132.74
09/04/2008	200 ^(Note 2)	133.40
10/04/2008	200 ^(Note 2)	140.85
11/04/2008	200 ^(Note 2)	140.91
14/04/2008	300 ^(Note 2)	140.90
15/04/2008	200 ^(Note 2)	140.27
16/04/2008	200 ^(Note 2)	141.96
17/04/2008	200 ^(Note 2)	138.61
18/04/2008	300 ^(Note 2)	136.40
21/04/2008	300 ^(Note 2)	139.44
22/04/2008	200 ^(Note 2)	137.10
23/04/2008	300 ^(Note 2)	133.51
24/04/2008	300 ^(Note 2)	133.91
25/04/2008	300 ^(Note 2)	134.12
28/04/2008	300 ^(Note 2)	139.41
29/04/2008	400 ^(Note 2)	140.95
30/04/2008	300 ^(Note 2)	139.52
02/05/2008	300 ^(Note 2)	137.84
05/05/2008	400 ^(Note 2)	138.17

Date of dealing	Number of WLB Shares concerned	Price per unit (HK\$)
06/05/2008	37,200 ^(Note 2)	137.71
	100 ^(Note 2)	137.93
07/05/2008	2,600 ^(Note 2)	136.90
	100 ^(Note 2)	137.87
08/05/2008	100 ^(Note 2)	139.02
09/05/2008	100 ^(Note 2)	139.40
	5,300 ^(Note 2)	139.53
13/05/2008	100 ^(Note 2)	140.18
15/05/2008	100 ^(Note 2)	145.19
16/05/2008	400 ^(Note 1)	151.43
19/05/2008	100 ^(Note 2)	151.61
21/05/2008	2,900 ^(Note 1)	151.12
22/05/2008	400 ^(Note 1)	147.93
23/05/2008	1,500 ^(Note 1)	151.94
	200 ^(Note 2)	152.03
26/05/2008	1,700 ^(Note 1)	148.25
05/06/2008	10,200 ^(Note 2)	153.40
10/06/2008	4,500 ^(Note 2)	152.79
29/07/2008	4,400 ^(Note 1)	153.62
30/07/2008	300 ^(Note 1)	153.70

Note 1: These transactions represent unwinding of existing swap transactions.

Note 2: These are swap transactions.

Credit Suisse (Hong Kong) Limited

Date of dealing	Number of WLB Shares acquired/(disposed)	Price per WLB Share (HK\$)
20/03/2008	(150,000)	113.30
	(217,400)	113.46
15/04/2008	22,200	140.34
24/04/2008	(564) ^(Note 1)	135.40
	564 ^(Note 1)	133.20
29/05/2008	100 ^(Note 2)	143.40
	(100) ^(Note 2)	144.00
03/06/2008	(99)	154.30
23/06/2008	99 ^(Note 3)	152.90
17/07/2008	2,200 ^(Note 2)	153.18
	(2,200) ^(Note 2)	153.10
20/08/2008	3,700	153.61
	(3,700)	153.09

Note 1: These transactions were for the purpose of facilitating non-discretionary client agency trader with VWAP instruction.

Note 2: These transactions were error trades.

Note 3: This was an odd lot trade relating to client agency transaction.

Credit Suisse International

Date of dealing	Number of WLB Shares acquired/(disposed)	Price per WLB Share (HK\$)
17/06/2008	700	152.60 ^(Note)

Note: The transaction represents purchases made to unwind existing derivatives positions for non-discretionary clients.

Morgan Stanley & Co., International plc

Date of dealing	Number of WLB Shares acquired/(disposed)	Price per WLB Share (HK\$)
20/03/2008	(7,700)	105.96
25/03/2008	(1,800)	114.94
	(13,800)	115.33
31/03/2008	700	133.71
01/04/2008	(32,500)	134.90
03/04/2008	300	130.57
	(26,100)	130.49
07/04/2008	300	130.23
10/04/2008	(18,100)	139.31
11/04/2008	(2,600)	140.38
14/04/2008	100	139.50
	1,300	140.54
15/04/2008	(3,100)	140.28
16/04/2008	55,000	142.28
18/04/2008	1,600	138.03
23/04/2008	300	134.83
	2,200	136.20
24/04/2008	100	133.50
	16,800	134.01
25/04/2008	2,200	134.18
28/04/2008	36,300	140.42

Date of dealing	Number of WLB Shares acquired/(disposed)	Price per WLB Share (HK\$)
30/04/2008	24,200	139.42
05/05/2008	100	138.00
	(34,200)	138.14
06/05/2008	(21,300)	137.96
07/05/2008	14,300	138.16
	(11,800)	137.35
	26,100	137.95
08/05/2008	(3,000)	138.89
	8,000	139.45
09/05/2008	(1,200)	139.30
	14,400	139.41
13/05/2008	(200)	140.50
14/05/2008	(2,900)	144.02
15/05/2008	12,800	145.19
16/05/2008	(1,000)	147.28
	11,600	152.88
	21,000	151.72
19/05/2008	(800)	151.57
	800	151.57
	15,400	151.74
20/05/2008	(100)	150.20
	700	151.06
21/05/2008	(7,700)	151.01
	(1,100)	151.14
22/05/2008	17,200	149.01
	39,000	149.10
23/05/2008	6,100	151.98
	55,000	154.30
26/05/2008	2,700	149.26
	(600)	149.02
	(1,000)	149.14
	41,000	149.41
	40,000	149.19
27/05/2008	(17,200)	149.37
	14,700	149.69
28/05/2008	6,400	140.89
	(11,300)	143.75
	(55,000)	141.21
29/05/2008	6,600	144.00

Date of dealing	Number of WLB Shares acquired/(disposed)	Price per WLB Share (HK\$)
	(2,400)	146.69
	(39,000)	147.05
	1,300	147.58
	100,000	146.89
03/06/2008	(69,900)	152.76
	(55,000)	152.77
	(1,500)	152.53
	(81,000)	153.47
	2,500	153.70
	6,400	153.80
	8,300	153.90
	15,800	153.60
	(125,000)	153.60
	(47,100)	152.71
04/06/2008	(27,100)	153.90
	300	153.70
	13,700	153.53
	(300)	153.70
	1,800	153.78
05/06/2008	13,200	153.39
06/06/2008	11,000	153.45
	(500)	153.74
	36,000	153.69
10/06/2008	14,000	152.94
	(20,600)	152.91
	(100)	153.00
	(3,900)	153.00
	(100)	153.00
11/06/2008	14,000	153.12
	28,400	153.10
	25,000	153.28
12/06/2008	6,800	152.94
	(4,000)	152.91
13/06/2008	(7,700)	153.00
	1,100	152.90
	2,900,000	151.24
	(4,100)	152.80
16/06/2008	200	152.70
	500	152.70

Date of dealing	Number of WLB Shares acquired/(disposed)	Price per WLB Share (HK\$)
	2,600	152.73
	3,800	152.79
17/06/2008	(1,300)	152.60
18/06/2008	(173,000)	152.80
19/06/2008	(600)	152.53
	(105,200)	152.80
	200	152.65
20/06/2008	200	152.35
24/06/2008	8,300	152.80
25/06/2008	(300)	152.67
26/06/2008	12,300	152.71
27/06/2008	(9,200)	152.43
30/06/2008	(10,700)	152.87
02/07/2008	(321,500)	153.03
	(500)	153.00
04/07/2008	(150,000)	153.00
07/07/2008	(50,000)	153.01
08/07/2008	(100,000)	153.00
09/07/2008	(57,600)	153.20
	(100,000)	153.11
10/07/2008	(50,000)	153.30
	(100,000)	153.18
	(100,000)	153.23
11/07/2008	(500,000)	153.36
14/07/2008	(142,300)	153.40
15/07/2008	(50,000)	153.40
17/07/2008	(5,700)	153.10

Morgan Stanley & Co., Incorporated

Date of dealing	Number of WLB Shares acquired/(disposed)	Price per WLB Share (HK\$)
16/04/2008	64,600	141.22
17/04/2008	(13,600)	140.88
21/04/2008	(51,000)	141.58
05/05/2008	111,400	137.38

Date of dealing	Number of WLB Shares acquired/(disposed)	Price per WLB Share (HK\$)
06/05/2008	(111,400)	138.08
13/05/2008	69,700	140.93
14/05/2008	(25,000)	141.72
	(44,700)	141.51

Morgan Stanley Asset & Investment Trust Management Co Limited

Date of dealing	Number of WLB Shares acquired/(disposed)	Price per WLB Share (HK\$)
27/05/2008	100	148.50
29/05/2008	5,800	146.99
03/06/2008	48,000	152.89
04/06/2008	500	153.30
03/07/2008	(100)	153.20

Note: The effective date of the appointment of Morgan Stanley Asia Limited as the independent financial adviser to the Independent WLB Board Committee was 17 July 2008 (the "Appointment Date"). The above dealings (including dealings by Morgan Stanley Asia Limited and its affiliates which are exempt principal traders and exempt fund managers) in the WLB Shares or any convertible securities, warrants, options or derivatives in respect of any WLB Shares represented dealings for value that occurred on or before the Appointment Date. Morgan Stanley Asia Limited and its affiliates (excluding exempt principal traders and exempt fund managers) have not dealt for value in the WLB Shares or any convertible securities, warrants, options or derivatives in respect of any WLB Shares during the period from the Appointment Date up to the Latest Practicable Date.

UBS AG London Branch

Date of dealing	Number of WLB Shares acquired/(disposed)	Price per WLB Share (HK\$)
25/04/2008	(14,900)	135.00
28/04/2008	400	139.50
	1,000	139.50
	100	139.50
	1,000	139.50
	11,200	139.50
	200	140.50
	100	140.50

Date of dealing	Number of WLB Shares acquired/(disposed)	Price per WLB Share (HK\$)
	100	140.50
	800	141.20
08/05/2008	40,500	138.96
13/05/2008	(700)	139.60
	(1,300)	139.70
	(200)	139.60
	(100)	139.60
	(400)	139.70
	(200)	139.60
	(200)	139.60
	(600)	139.60
	(100)	139.70
	(600)	139.60
	(100)	139.60
	(1,200)	139.90
	(1,600)	139.80
	(1,200)	139.90
	(1,300)	139.90
	(400)	140.00
	(1,300)	140.00
	(2,100)	139.90
	(400)	140.00
	(300)	140.00
	(400)	140.10
	(200)	140.10
	(100)	140.10
	(1,400)	140.20
	(100)	140.30
	(300)	140.30
	(500)	140.30
	(500)	140.70
	(100)	140.80
	(100)	140.30
	(1,400)	140.40
	(100)	140.30
	(900)	140.50
	(100)	140.00
	(2,500)	140.00
	(600)	140.00
	(100)	140.00

Date of dealing	Number of WLB Shares acquired/(disposed)	Price per WLB Share (HK\$)
	(200)	140.00
	(500)	140.00
	(1,300)	140.00
	(1,900)	140.00
	(200)	139.90
	(200)	139.80
	(100)	139.90
	(200)	139.70
	(100)	139.60
	(300)	139.90
	(200)	139.80
	(700)	139.90
	(400)	139.60
	(400)	139.60
	(1,600)	139.60
	(100)	139.70
	(500)	140.00
	(300)	140.00
	(400)	140.00
	(200)	140.00
	(1,000)	140.00
	(2,100)	140.00
	(100)	140.00
	(1,900)	140.00
	(500)	139.90
	(1,400)	139.90
19/05/2008	2,400	151.96
20/05/2008	(800)	151.35
	800	154.46
06/06/2008	(49,900)	153.29
11/06/2008	(16,200)	152.86
	(3,600)	152.73
08/07/2008	3,600	153.10
09/07/2008	1,800	153.67
15/07/2008	(2,000)	153.29
22/07/2008	(2,100)	152.90
25/07/2008	(800)	152.97
01/08/2008	(100)	152.93
08/08/2008	2,300	153.04

Date of dealing	Number of WLB Shares acquired/(disposed)	Price per WLB Share (HK\$)
11/08/2008	1,200	153.41
15/08/2008	3,400	153.07
	9,000	153.27
21/08/2008	4,200	152.58
25/08/2008	2,400	152.17
05/09/2008	2,500	145.96
16/09/2008	(9,000)	140.46
17/09/2008	468,494	129.44
	1,800	137.80
	(1,800)	128.99
18/09/2008	(80,000)	129.21
19/09/2008	(5,000)	133.10
	(500)	133.10
	(200)	133.10
	(500)	133.10
	(500)	133.00
	(100)	133.00
	(1,200)	133.00
	(1,000)	133.00
	(500)	133.00
	(800)	133.00
	(300)	133.10
	(3,100)	133.20
	(2,000)	133.20
	(500)	133.10
	(100)	133.20
	(700)	133.20
	(1,700)	133.20
	(1,500)	133.20
	(700)	133.20
	(1,000)	133.10
	(400)	133.10
	(1,200)	133.00
	(700)	133.00
	(500)	133.00
	(600)	132.60
	(400)	132.60
	(100)	132.60
	(600)	132.60
	(100)	132.60

Date of dealing	Number of WLB Shares acquired/(disposed)	Price per WLB Share (HK\$)
	(500)	132.60
	(1,500)	133.00
	(900)	133.30
	(600)	133.20
	(1,500)	133.00
	(3,000)	133.00
	(200)	133.00
	(600)	133.00
	(800)	133.00
	(7,000)	133.00
	(900)	133.00
	(100)	133.00
	(3,000)	133.00
	(1,500)	133.00
	(10,000)	133.00
	(2,300)	133.00
	(100)	133.40
	(1,400)	133.40
	(100)	133.30
	(2,300)	133.30
	(1,000)	133.50
	(200)	133.40
	(400)	133.40
	(100)	133.40
	(400)	133.40
	(1,000)	133.40
	(100)	133.30
	(200)	133.30
	(1,000)	133.30
	(100)	133.30
	1,500	133.20
22/09/2008	(3,000)	135.20
	(500)	133.60
	(2,500)	133.60
	(1,200)	134.80
	(8,800)	134.80
	(1,600)	135.00
	(6,700)	135.00
	(3,300)	135.00
	(1,600)	135.00
	(1,500)	135.00

Date of dealing	Number of WLB Shares acquired/(disposed)	Price per WLB Share (HK\$)
	(1,600)	135.20
	(1,400)	135.20
	(300)	135.80
	(500)	135.80
	(300)	135.80
	(100)	135.80
	(1,000)	135.70
	(1,600)	135.70
	(300)	135.60
	(300)	135.60
	(300)	135.60
	(300)	135.50
	(1,300)	135.50
	(100)	135.50
	(2,000)	135.60
	(1,000)	135.60
	(2,000)	135.60
	(1,400)	135.00
	(100)	135.00
	(1,600)	135.70
	(5,000)	135.70
	(1,600)	135.70
	(1,600)	135.70
	(1,200)	135.60
	(4,900)	135.60
	(600)	135.70
	(1,400)	135.70
	(1,600)	135.70
	(3,900)	135.60
	(1,400)	135.60
	(5,000)	135.60
	(1,600)	135.60
	(2,300)	135.60
	(100)	135.60
	(2,600)	135.70
	(1,600)	135.70
	(1,000)	135.60
	(5,000)	135.60
	(300)	135.60
	(800)	135.60
	(1,800)	135.60

Date of dealing	Number of WLB Shares acquired/(disposed)	Price per WLB Share (HK\$)
	(600)	135.60
	(1,100)	135.60
	(1,600)	135.70
	(200)	135.70
	(5,400)	135.70
	(2,000)	135.80
	(1,600)	135.80
	(3,000)	135.70
	(1,600)	135.80
	(600)	135.60
	(5,000)	135.60
	(1,700)	135.60
	(1,900)	135.60
	(5,000)	135.60
	(600)	135.60
	(1,000)	135.60
	(3,200)	135.60
	(900)	135.60
	(800)	135.60
	(3,700)	135.60
	(7,500)	135.70
	(1,600)	135.80
	(3,900)	135.60
	(3,000)	135.60
	(300)	135.60
	(300)	135.60
	(5,000)	135.60
	(200)	135.60
	(900)	135.60
	(1,600)	135.60
	(1,600)	135.70
	(3,900)	135.70
	(900)	135.70
	(900)	135.60
	(2,800)	135.70
	(1,600)	135.80
	(100)	135.80
	(100)	135.80
	(800)	135.60
	(300)	135.60
	(5,000)	135.60

Date of dealing	Number of WLB Shares acquired/(disposed)	Price per WLB Share (HK\$)
	(300)	135.60
	(1,600)	135.60
23/09/2008	(1,400)	133.20
	(800)	133.20
	(200)	133.30
	(1,500)	133.30
	(1,200)	133.30
	(100)	133.30
	(6,400)	133.40
	(13,600)	133.50
	(3,800)	134.00
	(1,500)	134.00
	(100)	134.00
	(1,100)	134.00
	(5,700)	134.00
	(1,100)	134.00
	(6,500)	133.50
	(3,500)	133.50
	(1,500)	133.50
	(2,200)	133.70
	(1,000)	133.80
	(700)	133.80
	(5,100)	133.80
	(4,900)	133.80
	(2,900)	133.80
	(11,000)	133.80
	(1,100)	133.90
	(800)	134.20
	(300)	134.20
	(300)	134.10
	(4,600)	134.20
	(1,200)	134.20
	(3,000)	134.00
	(600)	134.00
	(500)	134.00
	(1,200)	134.00
	(1,000)	134.00
	(1,500)	134.30
	(1,900)	134.20
	(2,200)	134.30
	(12,900)	134.20

Date of dealing	Number of WLB Shares acquired/(disposed)	Price per WLB Share (HK\$)
24/09/2008	(94)	137.40
	(400)	135.00
	(3,600)	135.00
	(500)	135.20
	(2,000)	135.20
	(600)	135.20
	(1,700)	135.20
	(600)	135.70
	(2,000)	135.50
	(200)	135.90
	(400)	135.90
	(400)	135.90
	(100)	135.90
	(1,100)	135.90
	(600)	135.80
	(200)	135.80
	(3,800)	136.40
	(600)	136.30
	(100)	136.20
	(700)	136.20
	(100)	136.20
	(200)	136.20
	(1,300)	136.40
	(2,300)	136.80
	(700)	136.80
	(3,000)	137.00
	(600)	137.00
	(600)	137.00
	(2,100)	137.00

Note: Certain exempted dealings undertaken by UBS and its affiliates are excluded as such entities are exempted principal traders.

- (c) Save for (i) the Acquisition; (ii) certain dealings by exempt persons under the Takeovers Code; and (iii) save as disclosed below, none of CMB, the CMB Directors or parties acting in concert with any of them had dealt for value in any WLB Shares or any other convertible securities, warrants, options or derivatives in respect of any WLB Shares:

Details of dealings in the WLB Shares by CMB and parties acting in concert with it during the Relevant Period were as follows:

J. P. Morgan Whitefriars Inc.

Date of dealing	Number of WLB Shares acquired/(disposed)	Price per WLB Share HK\$
11/01/2008	800	96.80
25/01/2008	(800)	90.64
31/01/2008	800	88.59
05/02/2008	(800)	87.46
07/03/2008	4,500	83.18
12/03/2008	(4,500)	81.95

- (d) During the period commencing on 20 March 2008 (being the date WLB issued an announcement pursuant to Rule 3.7 of the Takeovers Code) and up to the Latest Practicable Date:
- (i) no persons who had any arrangement of the kind referred to in Note 8 to Rule 22 of the Takeovers Code with WLB or with any person who was an associate of WLB by virtue of classes (1), (2), (3) and (4) of the definition of “associate” in the Takeovers Code had dealt for value in any WLB Shares or any other convertible securities, warrants, options or derivatives in respect of any WLB Shares;
 - (ii) no person who had any arrangement of the kind referred to in Note 8 to Rule 22 of the Takeovers Code with CMB or parties acting in concert with it had dealt for value in any WLB Shares or any other convertible securities, warrants, options or derivatives in respect of any WLB Shares;
 - (iii) no fund managers connected with WLB (other than exempted fund managers) who managed funds on a discretionary basis had dealt for value in any WLB Shares or any other convertible securities, warrants, options or derivatives in respect of any WLB Shares;
 - (iv) there was no arrangement of the kind referred to in the third paragraph of Note 8 to Rule 22 of the Takeovers Code which existed between CMB, or any person acting in concert with CMB, and any other person; and

- (v) there was no arrangement of the kind referred to in the third paragraph of Note 8 to Rule 22 of the Takeovers Code which existed between WLB, or any person who was an associate of WLB by virtue of classes (1), (2), (3) and (4) of the definition of “associate” in the Takeovers Code and any other person.

8. DEALINGS IN CMB SHARES

During the Relevant Period, save as disclosed below, neither WLB nor any WLB Directors had dealt for value in any CMB Shares or any other convertible securities, warrants, options or derivatives in respect of any CMB Shares.

Name of party	Transaction date	Type of transaction	Number of CMB Shares	Price per CMB Share HK\$
WLB	5 October 2007	See Note 3	29,455 ^{See Note 3}	Strike price – 33.95
WLB	19 December 2007	See Note 3	35,904 ^{See Note 3}	Strike price – 27.85
WLB	15 April 2008	See Note 3	3,693 ^{See Note 3}	Strike price – 27.08
WLB	15 April 2008	See Note 3	37,067 ^{See Note 3}	Strike price – 26.98
WLB	15 April 2008	See Note 3	36,938 ^{See Note 3}	Strike price – 27.07
WLB	21 April 2008	See Note 3	20,152 ^{See Note 3}	Strike price – 24.81
WLB	30 April 2008	See Note 3	1,000 ^{See Note 3}	Strike price – 28.69
WLB	21 May 2008	See Note 3	20,000 ^{See Note 3}	Strike price – 26.87
WLB	3 June 2008	See Note 3	38,117 ^{See Note 3}	Strike price – 26.24
WLB	5 June 2008	See Note 3	41,932 ^{See Note 3}	Strike price – 23.85
WLB	8 August 2008	See Note 3	41,473 ^{See Note 3}	Strike price – 24.11
WLB	27 August 2008	See Note 3	20,431 ^{See Note 3}	Strike price – 24.47
WLB	5 October 2007	See Note 4	29,455 ^{See Note 4}	Strike price – 33.95
WLB	19 December 2007	See Note 4	35,904 ^{See Note 4}	Strike price – 27.85
WLB	15 April 2008	See Note 4	40,632 ^{See Note 4}	Strike price – 27.07
WLB	15 April 2008	See Note 4	37,067 ^{See Note 4}	Strike price – 26.98
WLB	21 April 2008	See Note 4	20,152 ^{See Note 4}	Strike price – 24.81
WLB	30 April 2008	See Note 4	1,000 ^{See Note 4}	Strike price – 28.69
WLB	21 May 2008	See Note 4	20,000 ^{See Note 4}	Strike price – 26.87
WLB	3 June 2008	See Note 4	38,117 ^{See Note 4}	Strike price – 26.24
WLB	5 June 2008	See Note 4	41,932 ^{See Note 4}	Strike price – 23.85
WLB	8 August 2008	See Note 4	41,473 ^{See Note 4}	Strike price – 24.11
WLB	27 August 2008	See Note 4	20,431 ^{See Note 4}	Strike price – 24.47
Dr. Michael Po-ko Wu ^{See Note 1}	4 October 2007	Short	50,000	33.00
Dr. Michael Po-ko Wu	4 October 2007	Short	3,000	33.10
Mr. Shung-kwong Tsang	30 April 2008	See Note 2	35,572 ^{See Note 2}	–

Notes:

1. Such CMB Shares were held jointly with Dr. Michael Po-ko Wu's wife, Mrs. Wu Teresa Kan Kit Ching.
2. Mr. Shung-kwong Tsang holds equity linked notes (which are HK dollar fixed coupon daily callable notes with normal airbag linked to three stocks of which the CMB Shares are one of the three underlying stocks in the portfolio). The observation period of such equity linked notes is from 9 May 2008 until 10 November 2008 and the strike price is at HK\$30.9225. In case any one of the underlying stocks is at or below its respective knock-in price during the observation period and the CMB Shares is the least performing stock on the final valuation date, the 35,572 CMB Shares will be delivered to Mr. Shung-kwong Tsang. The equity linked notes are held by Mr. Shung-kwong Tsang and his wife in a joint account. As at the Latest Practicable Date, no CMB Share has been delivered to Mr. Shung-kwong Tsang or his wife under such notes.
3. WLB purchased put options which are linked to the CMB Shares from various counterparties who will make a deposit into WLB. These put options are subject to various observation periods and with pre-determined strike prices. If the price of the CMB Shares is below the respective pre-determined strike prices during the observation period and WLB exercises these put options, WLB will deliver such amount of the CMB Shares instead of repaying the deposit and related interest to the counterparties on maturity.
4. WLB had written put options which are linked to the CMB Shares to various counterparties. These put options are subject to various observation periods and with pre-determined strike prices. If the price of the CMB Shares is below the respective pre-determined strike prices during the observation period and the counterparties exercise such put options, WLB will be obliged to purchase such amount of the CMB Shares.

9. SERVICE CONTRACTS

None of the WLB Directors had entered into any service contract with WLB or any of its subsidiaries or associated companies (i) which were continuous with a notice period of 12 months or more; (ii) which were of fixed term with more than 12 months to run irrespective of the notice period; or (iii) which (including both continuous and fixed term contracts) had been entered into or amended within the Relevant Period.

10. LITIGATION

As at the Latest Practicable Date, none of WLB or any of its subsidiaries were engaged in any litigation or arbitration or claim of material importance and no litigation or claim of material importance was known to the WLB Directors to be pending or threatened by or against WLB or any member of the WLB Group.

11. MATERIAL CONTRACTS

There were no material contracts entered into by WLB or any of its subsidiaries during the period beginning two years before 20 March 2008 (the date WLB first issued an announcement pursuant to Rule 3.7 of the Takeovers Code) up to and including the Latest Practicable Date, other than contracts entered into in the ordinary course of business carried on or intended to be carried on by WLB or any of its subsidiaries.

12. EXPERTS

The following are the qualifications of the experts who have been named in this Composite Offer Document and/or given opinions or advice which are contained in this Composite Offer Document:

Name	Qualification
J.P. Morgan	A registered institution licensed to carry on business in Type 1 (dealing in securities), Type 4 (advising on securities), Type 6 (advising on corporate finance) and Type 7 (providing automated trading services) regulated activities under the SFO and a Restricted Licence Bank under the Banking Ordinance
Credit Suisse	A registered institution under the SFO to conduct Type 1 (dealing in securities), Type 4 (advising on securities) and Type 6 (advising on corporate finance) regulated activities
UBS	A registered institution under the SFO to conduct Type 1 (dealing in securities), Type 4 (advising on securities), Type 6 (advising on corporate finance), Type 7 (providing automated trading services) and Type 9 (asset management) regulated activities
Morgan Stanley Asia Limited	A registered institution licensed to carry on business in Type 1 (dealing in securities), Type 4 (advising on securities), Type 5 (advising on futures contracts), Type 6 (advising on corporate finance), Type 7 (providing automated trading services) and Type 9 (asset management) regulated activities under the SFO

13. CONSENTS

- (a) Credit Suisse has given and has not withdrawn its written consent to the issue of this Composite Offer Document with the inclusion of references to its name in the form and context in which they are included.
- (b) J.P. Morgan has given and has not withdrawn its written consent to the issue of this Composite Offer Document with the inclusion of the text of its letter and references to its name in the form and context in which they are included.
- (c) UBS has given and has not withdrawn its written consent to the issue of this Composite Offer Document with the inclusion of references to its name in the form and context in which they are included.

- (d) Morgan Stanley Asia Limited has given and has not withdrawn its written consent to the issue of this Composite Offer Document with the inclusion of the text of its letter addressed to the Independent WLB Board Committee and references to its name in the form and context in which they are included.

14. MISCELLANEOUS

- (a) As at the Latest Practicable Date, no benefit (other than statutory compensation) would be given to any WLB Directors as compensation for loss of office or otherwise in connection with the General Offer.
- (b) Save for the Sale and Purchase Agreements, as at the Latest Practicable Date, no agreement or arrangement existed between any WLB Directors and any other persons which was conditional on or dependent upon the outcome of the General Offer or is otherwise connected with the General Offer.
- (c) Save for the Sale and Purchase Agreements, the WLB Directors confirmed that, as at the Latest Practicable Date, there was no material contract entered into by CMB in which any WLB Directors had a material personal interest.
- (d) Save for the Sale and Purchase Agreements, there is no agreement, arrangement or understanding (including any compensation arrangement) between CMB or any of the persons acting in concert with it, on the one hand, and any WLB Directors, recent directors of WLB, WLB Shareholders or recent shareholders of WLB, on the other hand, having any connection with or dependence upon or is otherwise connected with the General Offer.
- (e) The WLB Shares acquired in the General Offer will not be charged or pledged to any other persons; and unless otherwise required by the Listing Rules with regard to the public float requirements, CMB has no intention to transfer any such WLB Shares acquired in the General Offer.
- (f) The registered address of CMB is 7088 Shennan Boulevard, Futian District, Shenzhen, Guangdong Province, China.
- (g) The registered address of WLB is 45 Des Voeux Road Central, Hong Kong.
- (h) The principal business address of J.P. Morgan is 28/F, Chater House, 8 Connaught Road Central, Hong Kong.
- (i) The principal business address of Morgan Stanley Asia Limited is 30/F, Three Exchange Square, Central, Hong Kong.
- (j) The principal business address of UBS is 52/F, Two International Finance Centre, 8 Finance Street, Central, Hong Kong.

- (k) The principal business address of Credit Suisse is 45/F, Two Exchange Square, 8 Connaught Place, Central, Hong Kong.
- (l) The General Offer is unconditional in all respects; and, as such, there is no agreement or arrangement to which CMB is party which relates to the circumstances in which it may or may not invoke or seek to invoke a condition to the General Offer.

15. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection during normal business hours from 9:00 a.m. to 5:00 p.m. (except Saturdays, Sundays and gazetted public holidays in Hong Kong) at the office of WLB at 45 Des Voeux Road Central, Hong Kong from the date of this Composite Offer Document up to the Closing Date:

- (a) the articles of association of CMB;
- (b) the memorandum and articles of association of WLB;
- (c) the audited consolidated interim report of the WLB Group for the six months ended 30 June 2008;
- (d) the audited consolidated annual reports of the WLB Group for the two years ended 31 December 2006 and 2007;
- (e) the letter from J.P. Morgan dated 6 October 2008, the text of which is set out on pages 6 to 15 of this Composite Offer Document;
- (f) the letter from the WLB Board dated 6 October 2008 to the Independent WLB Shareholders, the text of which is set out on pages 16 to 23 of this Composite Offer Document;
- (g) the letter from the Independent WLB Board Committee dated 6 October 2008 to the Independent WLB Shareholders, the text of which is set out on pages 24 to 25 of this Composite Offer Document;
- (h) the letter from Morgan Stanley Asia Limited dated 6 October 2008 to the Independent WLB Board Committee, the text of which is set out on pages 26 to 46 of this Composite Offer Document; and
- (i) the written consents referred to in paragraph 13 of this Appendix III.

The above documents can be viewed on: (i) the website of the SFC at www.sfc.hk and (ii) the website of WLB at www.winglungbank.com as from the date of this Composite Offer Document until the Closing Date.