



WING LUNG BANK LTD

(Incorporated in Hong Kong with limited liability)

Stock Code: 096

ANNOUNCEMENT OF 2006 FINAL RESULTS

Final Results

The Directors of Wing Lung Bank Limited (the "Bank") are pleased to announce the audited results of the Group for the year ended 31 December 2006 as follows:-

A. Consolidated Income Statement

	Note	For the year ended 31 December		Change
		2006	2005	
		HK\$'000	HK\$'000	%
Interest income	1	4,039,523	2,713,593	+48.9
Interest expense	2	(2,640,498)	(1,578,975)	+67.2
Net interest income		1,399,025	1,134,618	+23.3
Insurance operating income		411,898	379,986	+8.4
Other operating income	3	593,448	411,448	+44.2
Operating income		2,404,371	1,926,052	+24.8
Operating expenses	4	(674,757)	(576,093)	+17.1
Operating profit before impairment allowances		1,729,614	1,349,959	+28.1
Charge for impairment allowances on loans and advances		(44,254)	(19,830)	+123.2
Charge for insurance claims		(319,401)	(286,325)	+11.6
Operating profit		1,365,959	1,043,804	+30.9
Net loss on disposal of other properties and equipment		(1,417)	(926)	
Net gain on fair value adjustments on investment properties		512,626	188,652	
Revaluation deficit on bank premises		—	(79)	
Net gain on disposal of available-for-sale securities		6,154	66,343	
		1,883,322	1,297,794	+45.1
Share of net profits of jointly controlled entities		36,749	6,649	
Share of net profits of associates		3,216	1,323	
Profit before taxation		1,923,287	1,305,766	+47.3
Income tax	5	(317,498)	(196,951)	+61.2
Profit attributable to shareholders		1,605,789	1,108,815	+44.8
Dividends		789,446	626,913	
		HK\$	HK\$	
Earnings per share	6			
- Basic		6.92	4.78	
- Diluted		6.92	4.78	
Dividends per share		3.40	2.70	

Notes:

(1) Interest income

	For the year ended 31 December	
	2006	2005
	HK\$'000	HK\$'000
Financial assets that are not at fair value through profit or loss	3,765,630	2,501,499
Trading securities	77,167	37,382
Financial assets designated at fair value through profit or loss	125,040	113,226
Interest rate swaps	71,686	61,486
	<u>4,039,523</u>	<u>2,713,593</u>

(2) Interest expense

	For the year ended 31 December	
	2006	2005
	HK\$'000	HK\$'000
Financial liabilities that are not at fair value through profit or loss	2,461,111	1,483,638
Trading liabilities	24,812	9,685
Financial liabilities designated at fair value through profit or loss	112,752	46,884
Interest rate swaps	41,823	38,768
	<u>2,640,498</u>	<u>1,578,975</u>

(3) Other operating income

	For the year ended 31 December	
	2006	2005
	HK\$'000	HK\$'000
Fees and commission income	346,566	251,816
Less: fees and commission expense	(58,077)	(49,874)
Net fees and commission income	288,489	201,942
Net gain/(loss) from trading securities	62,127	(8,439)
Net gain/(loss) arising from financial instruments designated at fair value through profit or loss	175,625	(47,312)
Net (loss)/gain arising from derivative financial instruments	(120,253)	63,917
Net gain from foreign exchange trading	101,811	94,165
Others	85,649	107,175
	<u>593,448</u>	<u>411,448</u>

(4) Operating expenses

	For the year ended 31 December	
	2006	2005
	HK\$'000	HK\$'000
Staff costs		
- Salaries and other costs	392,668	331,044
- Retirement benefit costs	6,072	2,474
Depreciation	53,248	46,468
Amortisation of land lease premium	4,172	4,171
Others	218,597	191,936
	<u>674,757</u>	<u>576,093</u>

(5) Income tax

	For the year ended 31 December	
	2006	2005
	HK\$'000	HK\$'000
Current taxation:		
- Hong Kong profits tax	219,734	157,784
- Overseas taxation	6,090	9,043
Deferred taxation:		
- Relating to the origination and reversal of temporary differences	91,674	30,124
	<u>317,498</u>	<u>196,951</u>

Hong Kong profits tax has been provided at the rate of 17.5% (2005: 17.5%) on the estimated assessable profit for the year. Taxation on overseas profits has been calculated on the estimated assessable profit for the year at the rates of taxation prevailing in the countries in which the Group operates.

(6) Earnings per share

The calculation of basic earnings per share is based on the Group's profit attributable to the shareholders of HK\$1,605,789,000 (2005: HK\$1,108,815,000) and the weighted average number of 232,190,115 (2005: 232,190,115) ordinary shares in issue during the year. There were no dilutive potential shares in existence during the years ended 31 December 2006 and 2005.

B. Consolidated Balance Sheet

	31/12/2006	31/12/2005
	HK\$'000	Restated HK\$'000
Assets		
Cash and short-term funds	23,497,914	18,216,117
Placements with banks and other financial institutions maturing between one and twelve months	4,133,639	2,103,014
Trade bills	170,755	162,165
Trading securities	2,051,203	2,083,955
Derivative financial instruments	26,413	56,699
Financial assets designated at fair value through profit or loss	3,445,781	3,897,675
Available-for-sale securities	3,698,471	4,200,924
Held-to-maturity securities	4,353,813	3,706,678
Advances and other accounts	40,826,186	38,150,957
Interests in jointly controlled entities	140,497	105,578
Interests in associates	5,879	3,540
Investment properties	1,966,160	1,401,640
Interests in leasehold land	245,516	249,688
Other properties and equipment	412,394	378,650
Tax recoverable	1,244	1,045
Deferred tax assets	4,763	3,413
Total assets	<u>84,980,628</u>	<u>74,721,738</u>
Liabilities		
Deposits and balances of banks and other financial institutions	637,177	2,337,618
Trading liabilities	1,211,449	967,891
Derivative financial instruments	284,225	155,556
Financial liabilities designated at fair value through profit or loss	3,230,093	2,360,894
Deposits from customers	62,709,121	54,306,040
Certificates of deposit issued	1,882,628	1,917,053
Current taxation	77,174	32,686
Deferred tax liabilities	406,103	291,687
Other accounts and accruals	3,160,873	2,215,846
Total liabilities	<u>73,598,843</u>	<u>64,585,271</u>
Equity		
Share capital	1,160,951	1,160,951
Reserves	10,220,834	8,975,516
Total equity	<u>11,381,785</u>	<u>10,136,467</u>
Total equity and liabilities	<u>84,980,628</u>	<u>74,721,738</u>

C. Supplementary Information of the Group

1. Advances and other accounts

	<u>31/12/2006</u>	<u>31/12/2005</u>
	HK\$'000	HK\$'000
Advances to customers	38,782,981	36,855,547
Impairment allowances		
- Collective	(106,004)	(115,444)
- Individual	(61,028)	(71,597)
	<u>38,615,949</u>	<u>36,668,506</u>
Advances to banks and other financial institutions	151,671	152,789
Accrued interest	335,683	269,374
Other accounts	1,723,885	1,068,724
Impairment allowances		
- Individual	(1,002)	(8,436)
	<u>2,058,566</u>	<u>1,329,662</u>
	<u>40,826,186</u>	<u>38,150,957</u>

2. Gross advances to customers by industry sectors

	<u>31/12/2006</u>	<u>31/12/2005</u>
	HK\$'000	HK\$'000
Loans for use in Hong Kong		
Industrial, commercial and financial		
Property development	4,297,457	3,209,419
Property investment	10,480,987	8,889,515
Financial concerns	435,258	435,494
Stockbrokers	1,573	2,257
Wholesale and retail trade	400,041	413,768
Manufacturing	484,165	469,464
Transport and transport equipment	1,454,530	1,304,236
Others	2,930,510	3,441,451
Individuals		
Loans for the purchase of flats in the Home Ownership Scheme, Private Sector Participation Scheme and Tenants Purchase Scheme	2,008,692	2,272,313
Loans for the purchase of other residential properties	9,659,397	10,639,364
Credit card advances	516,956	573,860
Others	1,370,950	1,409,457
Trade finance	664,439	570,760
	<u>34,704,955</u>	<u>33,631,358</u>
Loans for use outside Hong Kong	<u>4,078,026</u>	<u>3,224,189</u>
	<u>38,782,981</u>	<u>36,855,547</u>

3. Impaired loans

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:-

	<u>31/12/2006</u>	<u>31/12/2005</u>
	HK\$'000	HK\$'000
Impaired loans	180,503	247,248
Percentage of total advances to customers	0.47%	0.67%
Individual impairment allowances made in respect of such advances	61,028	71,597

At 31 December 2006, there were no impaired loans in respect of advances to banks and other financial institutions (2005: Nil).

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

4. Overdue assets

(a) Overdue advances

Overdue advances to customers are analysed as follows:-

	31/12/2006		31/12/2005	
	HK\$'000	% of total advances to customers	HK\$'000	% of total advances to customers
Gross amount of advances which have been overdue for:-				
Six months or less, but over three months	84,728	0.22	79,959	0.21
One year or less, but over six months	63,863	0.16	35,830	0.10
Over one year	64,622	0.17	68,934	0.19
	<u>213,213</u>	<u>0.55</u>	<u>184,723</u>	<u>0.50</u>
Secured overdue advances	157,863		127,878	
Unsecured overdue advances	55,350		56,845	
	<u>213,213</u>		<u>184,723</u>	
Market value of collateral held against the secured overdue advances	<u>197,541</u>		<u>175,155</u>	
Individual impairment allowances made	<u>49,561</u>		<u>58,412</u>	

At 31 December 2006, there were no advances to banks and other financial institutions which were overdue for over three months (2005: Nil).

(b) Other overdue assets

Other overdue assets are analysed as follows:-

	31/12/2006		31/12/2005	
	Trade bills HK\$'000	Accrued interest HK\$'000	Trade bills HK\$'000	Accrued interest HK\$'000
Gross amount of other assets which have been overdue for:-				
Six months or less, but over three months	5,356	1,067	6,855	1,301
One year or less, but over six months	—	949	520	2,458
Over one year	—	4,839	—	9,952
	<u>5,356</u>	<u>6,855</u>	<u>7,375</u>	<u>13,711</u>

5. Rescheduled advances

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

	<u>31/12/2006</u>		<u>31/12/2005</u>	
	HK\$'000	% of total advances to customers	HK\$'000	% of total advances to customers
Rescheduled advances to customers	<u>97,843</u>	<u>0.25</u>	<u>125,244</u>	<u>0.34</u>

At 31 December 2006, there were no rescheduled advances to banks and other financial institutions (2005: Nil).

6. Repossessed assets

	<u>31/12/2006</u>	<u>31/12/2005</u>
	HK\$'000	HK\$'000
Market value of repossessed assets	<u>13,049</u>	<u>7,550</u>

7. Geographical analysis of gross advances to customers, overdue advances and impaired loans

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

	<u>31/12/2006</u>	<u>31/12/2005</u>
	HK\$'000	HK\$'000
Gross advances to customers		
Hong Kong	36,389,798	35,321,082
Other areas	<u>2,393,183</u>	<u>1,534,465</u>
	<u>38,782,981</u>	<u>36,855,547</u>
Overdue advances		
Hong Kong	<u>213,213</u>	<u>184,723</u>
Impaired loans		
Hong Kong	<u>180,503</u>	<u>247,248</u>

8. Deposits from customers

	<u>31/12/2006</u>	<u>31/12/2005</u>
	HK\$'000	HK\$'000
Demand deposits and current accounts	2,977,553	2,662,438
Saving deposits	15,349,190	11,300,560
Time, call and notice deposits	<u>44,382,378</u>	<u>40,343,042</u>
	<u>62,709,121</u>	<u>54,306,040</u>

9. Reserves

	<u>31/12/2006</u>	<u>31/12/2005</u>
	HK\$'000	HK\$'000
Capital reserve	57,500	57,500
Bank premises revaluation reserve	35,069	1,341
Investment revaluation reserve	433,074	146,956
General reserve	1,003,730	1,003,730
Retained earnings (including proposed final dividend of HK\$603,694,000; 2005: HK\$494,565,000)	8,691,461	7,765,989
	<u>10,220,834</u>	<u>8,975,516</u>

- (a) At 31 December 2006, included in retained earnings is an amount of HK\$281,826,000 (2005: HK\$253,112,000) 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.
- (b) At a meeting held on 28 February 2007, the directors proposed a final dividend of HK\$603,694,000 (2005: HK\$494,565,000) which will be deducted as an appropriation of retained earnings in the year ending 31 December 2007.

10. Segment reporting

(a) Business segments

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

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

	Retail and corporate banking HK\$'000	Treasury HK\$'000	Insurance HK\$'000	Others HK\$'000	Unallocated HK\$'000	Group HK\$'000
2006						
Interest income from						
- external customers	2,326,445	1,643,277	55,453	14,348	—	4,039,523
- other segments	1,832,517	1,054,021	20,256	13,292	—	2,920,086
Interest expense to						
- external customers	(2,235,135)	(405,363)	—	—	—	(2,640,498)
- other segments	(1,075,107)	(1,827,652)	—	(17,327)	—	(2,920,086)
Net interest income	848,720	464,283	75,709	10,313	—	1,399,025
Insurance operating income from external customers	—	—	411,898	—	—	411,898
Other operating income from external customers	166,735	82,291	19,789	324,633	—	593,448
Operating income	1,015,455	546,574	507,396	334,946	—	2,404,371
Operating expenses	(391,387)	(22,579)	(30,567)	(99,928)	(130,296)	(674,757)
Operating profit/(loss) before impairment allowances	624,068	523,995	476,829	235,018	(130,296)	1,729,614
(Charge for)/write back of impairment allowances	(44,262)	—	8	—	—	(44,254)
Charge for insurance claims	—	—	(319,401)	—	—	(319,401)
Operating profit/(loss)	579,806	523,995	157,436	235,018	(130,296)	1,365,959
Gain/(loss) on disposal of other properties and equipment and investments	1,313	—	4,840	(25)	(1,391)	4,737
Net gain on fair value adjustments on investment properties	—	—	—	512,626	—	512,626
Share of net profits of jointly controlled entities and associates	—	—	31,917	8,048	—	39,965
Profit/(loss) before taxation	581,119	523,995	194,193	755,667	(131,687)	1,923,287
Segment assets	43,951,991	35,122,585	1,866,577	3,502,598	—	84,443,751
Interests in associates	—	—	5,879	—	—	5,879
Interests in jointly controlled entities	—	—	91,535	48,962	—	140,497
Unallocated assets	—	—	—	—	390,501	390,501
Total assets	43,951,991	35,122,585	1,963,991	3,551,560	390,501	84,980,628
Segment liabilities	63,213,569	7,221,727	1,314,466	1,369,809	—	73,119,571
Unallocated liabilities	—	—	—	—	479,272	479,272
Total liabilities	63,213,569	7,221,727	1,314,466	1,369,809	479,272	73,598,843
Capital expenditure	37,314	1,629	790	47,863	11,790	99,386
Depreciation and amortisation charge	32,121	1,570	1,654	13,145	8,930	57,420

10. Segment reporting (continued)
(a) Business segments (continued)

	Retail and corporate banking HK\$'000	Treasury HK\$'000	Insurance HK\$'000	Others HK\$'000	Unallocated HK\$'000	Group HK\$'000
2005						
Interest income from						
- external customers	1,569,074	1,081,327	34,612	28,580	—	2,713,593
- other segments	1,215,305	692,988	10,203	6,072	—	1,924,568
Interest expense to						
- external customers	(1,365,874)	(213,101)	—	—	—	(1,578,975)
- other segments	(703,487)	(1,211,412)	—	(9,669)	—	(1,924,568)
Net interest income	715,018	349,802	44,815	24,983	—	1,134,618
Insurance operating income from external customers	—	—	379,986	—	—	379,986
Other operating income from external customers	130,864	62,560	(9,948)	227,972	—	411,448
Operating income	845,882	412,362	414,853	252,955	—	1,926,052
Operating expenses	(348,006)	(21,880)	(25,784)	(73,117)	(107,306)	(576,093)
Operating profit/(loss) before impairment allowances	497,876	390,482	389,069	179,838	(107,306)	1,349,959
(Charge for)/write back of impairment allowances	(19,842)	—	12	—	—	(19,830)
Charge for insurance claims	—	—	(286,325)	—	—	(286,325)
Operating profit/(loss)	478,034	390,482	102,756	179,838	(107,306)	1,043,804
(Loss)/gain on disposal of other properties and equipment and investments	(28)	4	4,612	61,555	(726)	65,417
Net gain on fair value adjustments on investment properties	—	—	—	188,652	—	188,652
Revaluation deficit on bank premises	—	—	—	(79)	—	(79)
Share of net profits of jointly controlled entities and associates	—	—	4,260	3,712	—	7,972
Profit/(loss) before taxation	478,006	390,486	111,628	433,678	(108,032)	1,305,766
Segment assets	40,370,845	30,229,282	1,630,395	2,162,706	—	74,393,228
Interests in associates	—	—	3,540	—	—	3,540
Interests in jointly controlled entities	—	—	63,884	41,694	—	105,578
Unallocated assets	—	—	—	—	219,392	219,392
Total assets	40,370,845	30,229,282	1,697,819	2,204,400	219,392	74,721,738
Segment liabilities	54,665,204	7,436,462	1,213,182	940,482	—	64,255,330
Unallocated liabilities	—	—	—	—	329,941	329,941
Total liabilities	54,665,204	7,436,462	1,213,182	940,482	329,941	64,585,271
Capital expenditure	25,010	855	2,045	11,054	7,349	46,313
Depreciation and amortisation charge	29,872	1,576	1,766	10,895	6,530	50,639

(b) Geographical area

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

11. Contingent liabilities, commitments and derivatives financial instruments

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

	<u>31/12/2006</u>	<u>31/12/2005</u>
	HK\$'000	HK\$'000
Contractual amount		
Direct credit substitutes	754,811	668,973
Transaction-related contingencies	42,462	33,324
Trade-related contingencies	418,592	443,470
Other commitments with an original maturity of		
– under one year or which are unconditionally cancellable	11,203,044	8,754,398
– one year and over	5,457,130	3,972,191
	<u>17,876,039</u>	<u>13,872,356</u>
Credit risk weighted amount	<u>3,921,512</u>	<u>3,126,488</u>

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

	<u>31/12/2006</u>	<u>31/12/2005</u>
	HK\$'000	HK\$'000
Notional/contractual amount		
Exchange rate contracts	2,876,274	1,745,219
Interest rate contracts	5,985,343	5,757,322
Equity contracts	578,314	787,452
Credit derivative contracts	544,460	232,653
	<u>9,984,391</u>	<u>8,522,646</u>
Credit risk weighted amount		
Exchange rate contracts	8,625	7,060
Interest rate contracts	8,442	18,659
Equity contracts	8,091	11,327
	<u>25,158</u>	<u>37,046</u>
Replacement cost		
Exchange rate contracts	4,646	5,295
Interest rate contracts	14,316	49,405
Equity contracts	2,271	1,999
Credit derivative contracts	5,180	—
	<u>26,413</u>	<u>56,699</u>

12. 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:

	<u>31/12/2006</u>	<u>31/12/2005</u>
	HK\$'000	HK\$'000
Spot assets	22,774,594	17,359,236
Spot liabilities	(18,376,778)	(16,249,387)
Forward purchases	194,122	620,695
Forward sales	(1,543,393)	(60,941)
Net option position	<u>21,541</u>	<u>8,887</u>
Net long position	<u>3,070,086</u>	<u>1,678,490</u>
Net structural position	<u>67,671</u>	<u>67,469</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 Hong Kong Monetary Authority.

13. Cross-border claims

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

	Banks and other financial institutions HK\$'000	Public sector entities HK\$'000	Others HK\$'000	Total HK\$'000
2006				
Asia Pacific excluding Hong Kong	12,015,086	118,158	1,998,315	14,131,559
North and South America	2,341,402	645,627	1,596,825	4,583,854
Europe	16,129,657	—	638,262	16,767,919
2005				
Asia Pacific excluding Hong Kong	6,383,983	52,369	1,910,649	8,347,001
North and South America	2,163,512	1,609,305	1,649,587	5,422,404
Europe	14,316,823	—	395,481	14,712,304

14. Capital adequacy and liquidity ratios

	<u>31/12/2006</u>	<u>31/12/2005</u>
Capital adequacy ratio	<u>16.0%</u>	<u>17.6%</u>
Adjusted capital adequacy ratio	<u>15.9%</u>	<u>17.6%</u>
	For the year ended 31 December	
	<u>2006</u>	<u>2005</u>
Liquidity ratio	<u>46.1%</u>	<u>48.0%</u>

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

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

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

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

	<u>31/12/2006</u>	<u>31/12/2005</u>
	HK\$'000	HK\$'000
Core capital:		
Paid up ordinary share capital	1,160,951	1,160,951
Reserves	<u>5,761,737</u>	<u>5,743,584</u>
	<u>6,922,688</u>	<u>6,904,535</u>
Supplementary capital:		
Reserves on revaluation of land and interests in land	824,416	824,416
Collective impairment allowances for impaired assets and regulatory reserve	388,458	363,089
Reserves on revaluation of holding of securities not held for trading purposes	<u>53,406</u>	<u>16,869</u>
Gross value of supplementary capital	<u>1,266,280</u>	<u>1,204,374</u>
Eligible value of supplementary capital	<u>1,266,280</u>	<u>1,204,374</u>
Total capital base before deductions	8,188,968	8,108,909
Deductions from total capital base	<u>(397,997)</u>	<u>(397,963)</u>
Total capital base after deductions	<u>7,790,971</u>	<u>7,710,946</u>

The components of capital base after deductions include those of the Bank and certain subsidiaries, as specified by the Hong Kong Monetary Authority, and are determined in accordance with the Third Schedule of the Hong Kong Banking Ordinance.

D. Statutory Accounts

The financial information set out in this final results announcement does not constitute the Group's annual financial statements for the year ended 31 December 2006 but is derived from those financial statements.

The accounting policies and methods of computation used in the preparation of these final results are consistent with those adopted in the preparation of the Group's annual financial statements for the year ended 31 December 2005 except for the adoption of all applicable new/revised Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations (collectively referred to as "HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") which are effective for accounting periods beginning on or after 1 January 2006.

In 2006, the Group adopted the following new/revised HKFRSs which are relevant to its operation:

HKAS 39 (Amendment)	The Fair Value Option
HKAS 39 (Amendment)	Financial Guarantee Contracts
HKFRS – Int 4	Determining whether an Arrangement contains a Lease

The adoption of the above HKFRSs did not result in significant changes to the Group's accounting policies and did not have significant impact on the Group's and the Bank's results of operations and financial position.

Up to the date of issue of this final results announcement, the HKICPA has also issued certain new/revised HKFRSs and the Hong Kong Monetary Authority has recommended additional disclosures, which are not yet effective for the accounting year ended 31 December 2006 and which have not been early adopted in this financial information.

The Group is in the process of making an assessment of what the impact of these new/revised HKFRSs and additional disclosures is expected to be in the period of initial application. So far it has concluded that the adoption of them is unlikely to have a significant impact on the Group's result of operations and financial position.

In addition, the following developments which are effective for accounting periods beginning on or after 1 January 2007 may result in new or amended disclosures in the financial statements:

HKFRS 7	Financial instruments: disclosures
HKAS 1 (Amendment)	Presentation of financial statements: capital disclosures
Banking (Disclosure) Rules	

E. Comparative Figures

Certain comparative figures as at 31 December 2005 have been restated to conform with the current year's presentation. In the balance sheet, treasury bills (including Exchange Fund Bills) and certificates of deposit held have been included in the applicable categories of financial instruments under HKAS39. Investment properties, tax recoverable, deferred tax assets, current taxation and deferred tax liabilities have been separately shown on the face of the balance sheet.

Final Dividend

The Directors propose to recommend at the forthcoming Annual General Meeting to be held on Saturday, 28 April 2007 the payment of a final dividend of HK\$2.60 per ordinary share which, together with the interim dividend of HK\$0.80 per ordinary share already paid in September 2006, make a total dividend for the year 2006 of HK\$3.40 per ordinary share. The final dividend, if approved, will be paid on or after 28 April 2007 to the shareholders whose names are on the Register of Members on 28 April 2007.

Closure of Register of Members

The Register of Members will be closed from 20 April 2007 to 28 April 2007, both days inclusive, during which period no transfer of shares will be registered. In order to qualify for the final dividend, all transfers must be lodged with the Bank's Registrars, Computershare Hong Kong Investor Services Limited, for registration not later than 4:30 pm on Thursday, 19 April 2007.

Financial Results and Operation Review

Hong Kong's economy continued to flourish in 2006. Domestic consumption resumed growth as employment situation and personal income continued to improve. The wealth effect of the rising property prices and a bullish stock market also helped prompt more consumer spending.

The consolidated net profit for the year ended 31 December 2006, after making provision for taxation, amounted to HK\$1,605,789,000. Earnings per share was HK\$6.92, up 44.8% from 2005 year-end level. This increase was mainly brought about by growth in both net interest income and non-interest income as well as revaluation surplus on investment properties. However, the Bank's impairment allowances on loans and advances also increased in 2006.

The Bank registered a loan-to-deposit ratio of 56.9%, lower than the 62.6% in 2005. As net interest margin widened slightly despite fierce competition, net interest income rose by 23.3%.

While net profit from insurance operations dropped by 1.2%, other operating income increased by 44.2%, mainly attributable to the increase in income from securities broking and trading.

Operating expenses went up by 17.1% mainly reflecting staff increase and the rise in equipment maintenance and depreciation expenses. The cost-to-income ratio was 28.1%, representing a decrease of 1.8%.

In 2006, the Bank's investment properties were revalued pursuant to the requirement of the Hong Kong Accounting Standards and recorded a revaluation gain of HK\$512,626,000 as compared with that of 2005 year-end, partly attributable to the appreciation of Bank Centre in Mongkok after the making over of its first three floors into a shopping arcade.

The Bank's asset quality remained at a satisfactory level with impaired loans amounting to HK\$180,503,000, being 0.47% of gross advances. Charge for impairment allowances on loans and advances was HK\$44,254,000 for the year 2006.

The Bank's consolidated total assets increased by 13.7% from 2005 year-end level. Return on average assets and return on average equity were 2.01% and 14.92% respectively. The Group's capital adequacy ratio at 31 December 2006 was 16%, and the average liquidity ratio for the year was 46.1%.

Comparing the Bank's operating position and results for 2006 with 2005:

Deposits

In 2006, total deposits surged at a better-than-expected rate of 15.5%.

This robust growth of deposit was probably due to the influx of capital as investors speculate on an upward revaluation of renminbi, and the abolition of estate duty in Hong Kong also prompted the return of some overseas deposits. The buoyant stock market with numerous IPO fund-raising activities in recent months also served to draw foreign hot money to the territory. Although banks in Hong Kong did not precisely track the 17 interest-rate rises of the US Federal Funds, the local deposit interest rates still have become more attractive. As much of the deposit growth was attributed to savings accounts and term deposits, the Bank's interest expenses rose significantly accordingly.

As at 31 December 2006, certificates of deposit totalling HK\$5,004,252,000 were issued, up 17% as compared with that of 2005 year-end. These were overwhelmingly floating rate certificates of deposit with a small amount of fixed rate certificates of deposit, structured through derivatives to hedge against interest rate risk.

Personal Renminbi savings and fixed deposits also increased steadily.

In response to severe competition, the Bank will closely monitor market development and design more new products to satisfy customers' needs and steadily grow its deposit base.

Advances to customers

In 2006, loans and advances to customers increased by 5.2%.

In view of the slower property market in 2006, competition among banks for residential mortgage business remained keen and banks further lowered the mortgage interest rate to win over customers, rendering mortgage yields extremely low. The Bank introduced a series of preferential loan products and offered competitive loan packages to customers in order to maintain its market share. The new credit assessment model has been implemented, and it is believed that the more accurate personal and corporate credit assessment will help develop various kinds of loan businesses.

Supported by the economic rebound, corporate lending activities achieved considerable growth. The strong performance was driven by higher revolving loan utilisation and the enlarged customer base. It is expected that intensified competition will continue to exert pressure on interest rate spreads. The Bank will put more efforts in introducing customised one-stop financial solution to corporate customers, exploring new business opportunities and strengthening the relationships with existing customers in order to secure its market share. In 2006, the Bank participated actively in the syndicated loan market, and the result is encouraging. The Bank will closely monitor market development and selectively participate in sound deals.

The hire-purchase and leasing sector has been experiencing a hard time with an upsurge in bad debts and reduced profits. Responding to this difficult business environment, the Bank's hire-purchase and leasing subsidiary, Wing Lung Finance Limited, shifted its business focus to machinery financing with the aim of achieving target growth.

The Bank will continue to focus on personal, consumer and SME loan business expansion for higher returns.

Treasury

Income from foreign exchange business decreased by 4%, whereas income from money exchange business increased by 19.2%. On aggregate, the Group enjoyed a 8.1% increase in gains on foreign exchange trading when compared with 2005.

In 2006, exchange rates stayed in tight range with contracting transaction volume. After 17 consecutive increases over 2 years, the US dollar interest rate-hike cycle came to a halt, and the US dollar weakened against other major currencies. The interest rates of other comparatively low yield currencies, such as Japanese Yen, Swiss Franc and Euro, are expected to go up steadily. In the face of uncertain economic prospects and interest rate trend, customers adopt a prudent stance towards foreign exchange investment.

Income from money exchange business increased impressively, as transaction volume increased and profit remained stable.

It is anticipated that US dollar will remain weak, while foreign exchange market is expected to fluctuate widely in 2007. This will provide a favourable setting for more income generating foreign exchange activities. The Bank will expand its Treasury Department in order to explore new sources of income.

The Bank has been active in capital market activities and will closely monitor market development and interest rate trend to increase its investment in floating rate instruments and structured bonds for better profit growth. The Bank will also formulate and revise relevant strategies to meet the changes from time to time.

Wealth management

Income from wealth management initiatives increased by 15.5% in 2006.

US dollar strengthened following several increases in interest rates in early 2006, adversely affecting the sale of foreign currency-linked products. The US rate-hike cycle came to an end in August 2006, and the investment atmosphere of the global stock market became more positive. The sale of equity-linked products and unit trust gradually improved, bringing in better profit growth for the Wealth Management Centre.

With the baby-boomers generation approaching retirement age, there is great potential for investment products for retirees. The Bank will try to tap the retirement market and design some low-risk products with steady income to meet the needs of this particular market segment.

Credit card

The Bank recorded an increase of 5.7% in the total number of credit cards issued in 2006, and affinity card programmes were also on the rise, while total credit cards receivables decreased.

The Bank will continue to bolster credit cards issuance and enlarge the card base. It is expected that higher income will be generated through cross-selling with other products as well as rigorously promoting Platinum Cards and Affinity Cards.

Securities broking

In 2006, the total trading volume of the Hong Kong stock market increased significantly by 85.2% compared with 2005. The Securities Department recorded commensurate growth in both trading volume and commission income. Profit before tax more than doubled, and interest income from securities margin lending also increased.

Supported by continuous influx of capital, robust economic growth in both China and Hong Kong and the strong performance of most listed companies, the local stock market recorded considerable growth with the Hang Seng Index hitting record high levels. It is expected that Mainland China enterprises will continue to use Hong Kong as a platform for listing and capital-raising and that the favourable market environment is likely to persist with an active stock market and greater market fluctuations during 2007.

Insurance

Wing Lung Insurance Company Limited recorded an increase of 8.4% in gross premium in 2006, mainly attributable to an increase in employees' compensation insurance and accident and medical classes, while motor insurance business decreased. Underwriting profit declined compared with 2005, resulting from higher claims of 11.6% over that of 2005.

The Insurance Department registered a decline of 4% in commission income in 2006 from all insurance classes. However, commission income from life insurance products increased by 17.5%.

The insurance operation will monitor market development closely and formulate prudent business strategies to achieve a well-balanced portfolio.

Branch

Our network of 33 local branches, Shenzhen Branch and Nanshan Sub-Branch in China, Los Angeles Branch in the US and Cayman Islands Branch all performed solidly in operation.

To further cultivate the mainland market, the Bank is now applying to upgrade the Shanghai representative office to a full branch. The Bank has also applied to the Chinese authorities for a licence to operate Renminbi business in Shenzhen Branch.

Los Angeles Branch has been running smoothly since its relocation to its self-built new office building. Taking advantage of its proximity to the Asian and Chinese community, the branch is stepping up its marketing efforts for business expansion.

Investment in information technology

In 2006, the Bank developed a number of new systems to strengthen management of various risks, including Two-Factor Authentication of NET Banking, New Capital Accord (Basel II) and Deposit Protection Scheme. Continuous efforts were placed on improving the operation efficiency of a number of application systems, such as electronic banking system, securities trading system and safe deposit box system.

Automated service channels

The Bank has been committed to expanding and strengthening the capacity and efficiency of its automated channels in recent years to provide more convenient services to customers. Statistics show that by 2006 year-end 73% of customers' transactions was conducted through automated service channels, while 27% was conducted over the counter.

Human resources

At the end of December 2006, the workforce of the Bank totalled 1,450 (2005: 1,355), including 1,409 locally, 31 in China and 10 overseas.

In order to upgrade the skills, knowledge and overall competitiveness of its staff, the Bank's Human Resource Department has been actively organising seminars and training sessions related to bank operations, product knowledge, information technology, sales techniques and specialised topics. The Bank also encourages and sponsors staff members to attend various training programmes so that they can obtain the required professional qualifications. Exchange visits with overseas correspondents take place regularly to share and mutually update business and operational experience which should be useful for future development. Furthermore, the Department organises seminars and produces training videos related to the relevant laws, guidelines and codes of various businesses in order to ensure staff members' understanding and observance of those laws, guidelines and codes.

Purchase, Sale or Redemption of Shares

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

Compliance with Disclosure Requirements

In preparing the financial statements for the year ended 31 December 2006, the Bank has fully complied with the requirements set out in the Supervisory Policy Manual entitled "Financial Disclosure by Locally Incorporated Authorised Institutions" issued by the Hong Kong Monetary Authority.

Corporate Governance

The Bank is committed to maintaining high standards of corporate governance. Throughout the year, the Bank has complied with all applicable code provisions set out in the Code on Corporate Governance Practices contained in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules").

Code for Securities Transactions by Directors

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

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

Review of Financial Report

This financial report has been reviewed by the Bank’s Audit Committee.

Publication of Detailed Results Announcement on the Stock Exchange’s Website

A detailed 2006 results announcement of the Bank containing all the information required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited will be published on the Stock Exchange’s website in due course.

By Order of the Board
Maria Wan-sin Fung
Secretary

Hong Kong, 28 February 2007

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

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