



WING LUNG BANK LTD

(Incorporated in Hong Kong with limited liability)

Stock Code: 096

INTERIM RESULTS 2007

Interim Results

The Directors of Wing Lung Bank Ltd (the "Bank") are pleased to announce the unaudited results of the Group for the six months ended 30 June 2007 as follows:-

A. Condensed Consolidated Income Statement

	Note	Six months ended 30 June		Change
		2007	2006	
		HK\$'000	HK\$'000	%
Interest income	1	2,157,171	1,919,790	+12.4
Interest expense	2	(1,425,582)	(1,244,439)	+14.6
Net interest income		731,589	675,351	+8.3
Insurance operating income		206,546	191,878	+7.6
Other operating income	3	378,916	258,318	+46.7
Operating income		1,317,051	1,125,547	+17.0
Operating expenses	4	(349,929)	(309,750)	+13.0
Operating profit before impairment allowances		967,122	815,797	+18.5
Charge for impairment allowances on loans and advances		(11,563)	(58,940)	-80.4
Charge for insurance claims		(173,819)	(145,452)	+19.5
Operating profit		781,740	611,405	+27.9
Net loss on disposal of other properties and equipment		(347)	(695)	
Net gain on fair value adjustments on investment properties		162,880	418,003	
Net gain on disposal of available-for-sale securities		19,310	5,873	
		963,583	1,034,586	-6.9
Share of net profits of jointly controlled entities		24,017	9,580	
Share of net profits of associates		1,270	1,621	
Profit before taxation		988,870	1,045,787	-5.4
Income tax	5	(133,429)	(165,760)	-19.5
Profit attributable to shareholders		855,441	880,027	-2.8
Interim dividend		208,971	185,752	
Earnings per share	6			
- Basic		HK\$3.68	HK\$3.79	
- Diluted		HK\$3.68	HK\$3.79	

Notes:

(1) Interest income

	Six months ended 30 June	
	2007	2006
	HK\$'000	HK\$'000
Financial assets that are not at fair value through profit or loss	2,022,062	1,790,130
Trading securities	45,218	32,891
Financial assets designated at fair value through profit or loss	59,319	62,159
Interest rate swaps	30,572	34,610
	<u>2,157,171</u>	<u>1,919,790</u>

Included in interest income is unwinding of discount on impaired loans of HK\$3,450,000 (2006: HK\$4,686,000).

(2) Interest expense

	Six months ended 30 June	
	2007	2006
	HK\$'000	HK\$'000
Financial liabilities that are not at fair value through profit or loss	1,347,630	1,159,394
Trading liabilities	13,991	10,932
Financial liabilities designated at fair value through profit or loss	49,129	52,516
Interest rate swaps	14,832	21,597
	<u>1,425,582</u>	<u>1,244,439</u>

(3) Other operating income

	Six months ended 30 June	
	2007	2006
	HK\$'000	HK\$'000
Fees and commission income		
Securities brokerage and investment services	136,087	81,201
Credit card	32,571	32,569
Credit related fees and commission	22,982	21,733
Trade finance	7,349	8,264
Other retail banking service	9,963	7,111
Other fees income	14,533	12,533
	<u>223,485</u>	<u>163,411</u>
Fees and commission expense	<u>(29,478)</u>	<u>(28,962)</u>
Net fees and commission income	194,007	134,449
Net gain from trading securities	22,339	19,209
Net (loss)/gain arising from financial instruments designated at fair value through profit or loss	(58,433)	100,946
Net gain/(loss) arising from derivative financial instruments	84,498	(88,081)
Net gain from foreign exchange trading	55,445	51,071
Dividend income		
- Listed equity securities	14,951	8,903
- Unlisted equity securities	2,340	1,466
Rental income from investment properties less direct outgoings of HK\$16,114,000 (2006: HK\$13,020,000)	42,748	13,639
Net rental income on safe deposit boxes	11,773	11,409
Others	9,248	5,307
	<u>378,916</u>	<u>258,318</u>
Of which:		
Fees and commission income and expense, 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	51,273	45,496
- fees and commission expense	<u>(12,322)</u>	<u>(16,343)</u>

(4) Operating expenses

	Six months ended 30 June	
	2007	2006
	HK\$'000	HK\$'000
Staff costs		
- Salaries and other costs	207,858	173,378
- Retirement benefit costs	2,411	3,268
Premises and equipment expenses, excluding depreciation		
- Rental of premises	5,466	5,201
- Others	15,291	13,535
Depreciation	25,339	23,870
Amortisation of land lease premium	2,086	2,086
Advertising and business promotion	14,779	18,791
Electronic data processing	20,994	17,490
Postage and communications	11,721	10,939
Printing and stationery	5,401	5,763
Auditors' remuneration	1,607	1,559
Others	36,976	33,870
	<u>349,929</u>	<u>309,750</u>

(5) Income tax

	Six months ended 30 June	
	2007	2006
	HK\$'000	HK\$'000
Current taxation:		
- Hong Kong profits tax	101,010	99,008
- Overseas taxation	4,255	4,019
Deferred taxation:		
- Relating to the origination and reversal of temporary differences	28,164	62,733
	<u>133,429</u>	<u>165,760</u>

Hong Kong profits tax has been provided at the rate of 17.5% (2006: 17.5%) on the estimated assessable profit for the period. Taxation on overseas profits has been calculated on the estimated assessable profit for the period at the rates of taxation prevailing in the countries in which the Group operates.

(6) Earnings per share

The calculation of basic earnings per share is based on the Group's profit attributable to shareholders of HK\$855,441,000 (2006: HK\$880,027,000) and the weighted average number of 232,190,115 (2006: 232,190,115) ordinary shares in issue during the period. There were no dilutive potential shares in existence during the periods ended 30 June 2007 and 2006.

B. Condensed Consolidated Balance Sheet

	<u>30/06/2007</u>	<u>31/12/2006</u>
	HK\$'000	HK\$'000
Assets		
Cash and short-term funds	25,381,064	23,497,914
Placements with banks maturing between one and twelve months	3,095,000	4,133,639
Trade bills	136,444	170,755
Trading securities	2,964,081	2,051,203
Derivative financial instruments	24,736	26,413
Financial assets designated at fair value through profit or loss	2,915,735	3,445,781
Available-for-sale securities	4,015,510	3,698,471
Held-to-maturity securities	4,628,836	4,353,813
Advances and other accounts	43,769,138	40,826,186
Interests in jointly controlled entities	161,434	140,497
Interests in associates	5,773	5,879
Investment properties	2,120,150	1,966,160
Interests in leasehold land	243,430	245,516
Other properties and equipment	423,350	412,394
Tax recoverable	1,244	1,244
Deferred tax assets	3,861	4,763
Total assets	<u>89,889,786</u>	<u>84,980,628</u>
Liabilities		
Deposits and balances of banks	1,848,042	637,177
Trading liabilities	1,448,473	1,211,449
Derivative financial instruments	220,219	284,225
Financial liabilities designated at fair value through profit or loss	2,989,149	3,230,093
Deposits from customers	66,090,024	62,709,121
Certificates of deposit issued	1,853,201	1,882,628
Current taxation	160,094	77,174
Deferred tax liabilities	437,614	406,103
Other accounts and accruals	3,101,432	3,160,873
Total liabilities	<u>78,148,248</u>	<u>73,598,843</u>
Equity		
Share capital	1,160,951	1,160,951
Reserves	10,580,587	10,220,834
Total equity	<u>11,741,538</u>	<u>11,381,785</u>
Total equity and liabilities	<u>89,889,786</u>	<u>84,980,628</u>

C. Supplementary Information of the Group

1. Advances and other accounts

	<u>30/06/2007</u>	<u>31/12/2006</u>
	HK\$'000	HK\$'000
Advances to customers	41,431,610	38,782,981
Impairment allowances		
- Collective	(99,671)	(106,004)
- Individual	(53,524)	(61,028)
	<u>41,278,415</u>	<u>38,615,949</u>
Advances to banks	<u>278,191</u>	<u>151,671</u>
Accrued interest	358,277	335,683
Other accounts	1,859,563	1,723,885
Impairment allowances		
- Individual	(5,308)	(1,002)
	<u>2,212,532</u>	<u>2,058,566</u>
	<u>43,769,138</u>	<u>40,826,186</u>

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

	<u>30/06/2007</u>	<u>31/12/2006</u>
	HK\$'000	HK\$'000
Short-term funds	60,034	66,980
Placements with banks maturing between one and twelve months	48,212	21,158
Trading securities	4,925	4,392
Derivative financial instruments	35,012	40,405
Financial assets designated at fair value through profit or loss	20,771	25,898
Available-for-sale securities	26,512	23,530
Held-to-maturity securities	18,621	13,492
Advances to customers	139,483	138,084
Advances to banks	4,707	1,744
	<u>358,277</u>	<u>335,683</u>

2. 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:-

	Advances to customers	
	30/06/2007	31/12/2006
	HK\$'000	HK\$'000
Impaired loans	<u>141,988</u>	<u>180,503</u>
Percentage of total advances to customers	<u>0.34%</u>	<u>0.47%</u>
Individual impairment allowances made in respect of such advances	<u>53,524</u>	<u>61,028</u>
Total value of collateral taken into account in respect of the assessment of individual impairment allowances	<u>87,484</u>	<u>111,891</u>

At 30 June 2007 and 31 December 2006, there were no impaired loans in respect of advances to banks.

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

3. Gross advances to customers by industry sectors

	30/06/2007		31/12/2006	
	HK\$'000	% of gross advances covered by collateral	HK\$'000	% of gross advances covered by collateral
Loans for use in Hong Kong				
Industrial, commercial and financial				
Property development	4,707,442	24.8	4,297,457	21.3
Property investment	10,785,337	92.0	10,480,987	93.4
Financial concerns	388,235	71.9	435,258	76.9
Stockbrokers	-	-	1,573	100.0
Wholesale and retail trade	537,375	95.9	400,041	94.9
Manufacturing	505,007	71.2	484,165	78.7
Transport and transport equipment	1,776,740	20.1	1,454,530	14.0
Recreational activities	22,392	100.0	21,764	100.0
Information technology	4,771	85.0	2,296	40.7
Others	4,246,962	48.1	2,906,450	83.4
Individuals				
Loans for the purchase of flats in the Home Ownership Scheme, Private Sector Participation Scheme and Tenants Purchase Scheme	1,989,292	100.0	2,008,692	100.0
Loans for the purchase of other residential properties	9,325,001	99.7	9,659,397	99.6
Credit card advances	432,713	-	516,956	-
Others	1,299,720	89.6	1,370,950	82.2
Trade finance	743,183	65.5	664,439	69.5
	<u>36,764,170</u>	75.1	<u>34,704,955</u>	79.7
Loans for use outside Hong Kong	<u>4,667,440</u>	35.5	<u>4,078,026</u>	36.8
	<u>41,431,610</u>	70.6	<u>38,782,981</u>	75.2

3. Gross advances to customers by industry sectors (continued)

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 HK\$'000	Individual impairment allowance HK\$'000	Collective impairment allowance HK\$'000
At 30 June 2007			
Loans for use in Hong Kong			
Industrial, commercial and financial			
Property development	-	-	9,941
Property investment	6,821	4,774	22,761
Others	21,781	6,824	11,810
Individuals			
Loans for the purchase of other residential properties	17,413	1,934	6,705
Loans for use outside Hong Kong	15,342	10,313	23,073
	<u>61,357</u>	<u>23,845</u>	<u>74,290</u>
At 31 December 2006			
Loans for use in Hong Kong			
Industrial, commercial and financial			
Property development	-	-	10,430
Property investment	14,622	7,920	25,401
Others	30,356	10,618	10,027
Individuals			
Loans for the purchase of other residential properties	30,718	3,340	7,283
Loans for use outside Hong Kong	14,743	9,777	23,956
	<u>90,439</u>	<u>31,655</u>	<u>77,097</u>

4. Overdue assets
(a) Overdue advance

Overdue advances to customers are analysed as follows:-

	30/06/2007		31/12/2006	
	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	63,984	0.15	84,728	0.22
- One year or less, but over six months	81,083	0.20	63,863	0.16
- Over one year	75,866	0.18	64,622	0.17
	<u>220,933</u>	<u>0.53</u>	<u>213,213</u>	<u>0.55</u>
Secured overdue advances	174,558		157,863	
Unsecured overdue advances	46,375		55,350	
	<u>220,933</u>		<u>213,213</u>	
Market value of collateral held against the secured overdue advances	<u>236,332</u>		<u>197,541</u>	
Individual impairment allowances made	<u>43,118</u>		<u>49,561</u>	

At 30 June 2007 and 31 December 2006, there were no advances to banks which were overdue for over three months.

(b) Other overdue assets

Other overdue assets are analysed as follows:

	30/06/2007		31/12/2006	
	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	534	1,316	5,356	1,067
- One year or less, but over six months	9,345	675	-	949
- Over one year	-	9,851	-	4,839
	<u>9,879</u>	<u>11,842</u>	<u>5,356</u>	<u>6,855</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>30/06/2007</u>		<u>31/12/2006</u>	
	HK\$'000	% of total advances to customers	HK\$'000	% of total advances to customers
Rescheduled advances to customers	<u>41,237</u>	<u>0.10</u>	<u>97,843</u>	<u>0.25</u>

At 30 June 2007 and 31 December 2006, there were no rescheduled advances to banks.

6. Repossessed assets

	<u>30/06/2007</u>	<u>31/12/2006</u>
	HK\$'000	HK\$'000
Market value of repossessed assets	<u>6,570</u>	<u>13,049</u>

7. Investment properties

	HK\$'000
At 1 January 2007	1,966,160
Reclassifications, net	(8,890)
Fair value gains on revaluation	162,880
	<hr/>
At 30 June 2007 (professional valuation)	<u>2,120,150</u>
	<hr/>
At 31 December 2006 (professional valuation)	<u>1,966,160</u>

8. Other properties and equipment

	Premises HK\$'000	Furniture and equipment HK\$'000	Total HK\$'000
Cost or valuation			
At 1 January 2007	381,852	516,490	898,342
Exchange adjustments	174	136	310
Additions	-	28,025	28,025
Disposals	-	(23,230)	(23,230)
Reclassifications, net	8,890	-	8,890
	<u>390,916</u>	<u>521,421</u>	<u>912,337</u>
At 30 June 2007	-----	-----	-----
Accumulated depreciation			
At 1 January 2007	93,904	392,044	485,948
Exchange adjustments	1	50	51
Charge for the period	6,822	18,517	25,339
Written back on disposal	-	(22,351)	(22,351)
	<u>100,727</u>	<u>388,260</u>	<u>488,987</u>
At 30 June 2007	-----	-----	-----
Net book value			
At 30 June 2007	<u>290,189</u>	<u>133,161</u>	<u>423,350</u>
At 31 December 2006	<u>287,948</u>	<u>124,446</u>	<u>412,394</u>

9. 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 HK\$'000	Overdue advances HK\$'000	Impaired loans HK\$'000	Individual impairment allowance		Collective impairment allowance HK\$'000
				Overdue advances HK\$'000	Impaired loans HK\$'000	
At 30 June 2007						
Hong Kong	38,428,831	220,933	141,988	43,118	53,524	94,024
Others	3,002,779	—	—	—	—	5,647
	<u>41,431,610</u>	<u>220,933</u>	<u>141,988</u>	<u>43,118</u>	<u>53,524</u>	<u>99,671</u>
At 31 December 2006						
Hong Kong	36,389,798	213,213	180,503	49,561	61,028	101,554
Others	2,393,183	—	—	—	—	4,450
	<u>38,782,981</u>	<u>213,213</u>	<u>180,503</u>	<u>49,561</u>	<u>61,028</u>	<u>106,004</u>

10. Financial liabilities designated at fair value through profit or loss

	30/06/2007 HK\$'000	31/12/2006 HK\$'000
Certificates of deposit issued	2,285,007	3,121,624
Structured deposits	704,142	108,469
	<u>2,989,149</u>	<u>3,230,093</u>

11. Deposits from customers

	<u>30/06/2007</u>	<u>31/12/2006</u>
	HK\$'000	HK\$'000
Deposits from customers		
- As stated in the consolidated balance sheet	66,090,024	62,709,121
- Structured deposits reported as financial liabilities designated at fair value through profit or loss	<u>704,142</u>	<u>108,469</u>
	<u>66,794,166</u>	<u>62,817,590</u>
Analysed by:		
Demand deposits and current accounts	3,493,644	2,977,553
Saving deposits	15,421,577	15,349,190
Time, call and notice deposits	<u>47,878,945</u>	<u>44,490,847</u>
	<u>66,794,166</u>	<u>62,817,590</u>

12. Reserves

	<u>30/06/2007</u>	<u>31/12/2006</u>
	HK\$'000	HK\$'000
Capital reserve	57,500	57,500
Bank premises revaluation reserve	35,069	35,069
Investment revaluation reserve	541,080	433,074
General reserve	1,003,730	1,003,730
Retained earnings	<u>8,943,208</u>	<u>8,691,461</u>
	<u>10,580,587</u>	<u>10,220,834</u>

- (a) For the six months ended 30 June 2007, a net gain of HK\$131,607,000 (30 June 2006: HK\$84,049,000) was recognised directly in the investment revaluation reserve representing the changes in fair value of available-for-sale securities and a net gain of HK\$19,310,000 (30 June 2006: a net loss of HK\$2,008,000) was transferred from the investment revaluation reserve to the income statement on disposal of available-for-sale securities.
- (b) At 30 June 2007, included in retained earnings is an amount of HK\$314,645,000 (31 December 2006: HK\$281,826,000) 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 (the "HKMA").
- (c) The directors declared an interim dividend of HK\$208,971,000 (2006: final dividend of HK\$603,694,000) after the period end which will be deducted as an appropriation of retained earnings for the year ending 31 December 2007.

13. 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
Six months ended						
30 June 2007						
Interest income from						
- external customers	1,170,713	930,803	34,543	21,112	—	2,157,171
- other segments	1,099,647	569,413	8,736	8,520	—	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	12,514	—	731,589
Insurance operating income from						
external customers	—	—	206,546	—	—	206,546
Other operating income from						
external customers	84,049	50,402	13,669	230,796	—	378,916
Operating income	551,256	258,991	263,494	243,310	—	1,317,051
Operating expenses	(191,755)	(12,414)	(18,371)	(51,043)	(76,346)	(349,929)
Operating profit/(loss) before impairment allowances	359,501	246,577	245,123	192,267	(76,346)	967,122
Charge for impairment allowances	(11,563)	—	—	—	—	(11,563)
Charge for insurance claims	—	—	(173,819)	—	—	(173,819)
Operating profit/(loss)	347,938	246,577	71,304	192,267	(76,346)	781,740
(Loss)/gain on disposal of other properties and equipment and investments	(2)	(781)	20,091	—	(345)	18,963
Net gain on 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	347,936	245,796	110,710	361,119	(76,691)	988,870
Capital expenditure	14,445	2,094	522	2,457	8,507	28,025
Depreciation and amortisation charge	15,279	884	715	5,460	5,087	27,425
At 30 June 2007						
Segment assets	45,216,606	37,218,433	1,971,345	5,019,586	—	89,425,970
Interests in associates	—	—	5,773	—	—	5,773
Interests in jointly controlled entities	—	—	107,480	53,954	—	161,434
Unallocated assets	—	—	—	—	296,609	296,609
Total assets	45,216,606	37,218,433	2,084,598	5,073,540	296,609	89,889,786
Segment liabilities	67,395,819	7,510,372	1,395,334	1,284,196	—	77,585,721
Unallocated liabilities	—	—	—	—	562,527	562,527
Total liabilities	67,395,819	7,510,372	1,395,334	1,284,196	562,527	78,148,248

13. 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
Six months ended						
30 June 2006						
Interest income from						
- external customers	1,134,028	751,694	26,462	7,606	—	1,919,790
- other segments	837,106	504,322	10,134	5,896	—	1,357,458
Interest expense to						
- external customers	(1,042,966)	(201,473)	—	—	—	(1,244,439)
- other segments	(512,588)	(834,437)	—	(10,433)	—	(1,357,458)
Net interest income	415,580	220,106	36,596	3,069	—	675,351
Insurance operating income from external customers	—	—	191,878	—	—	191,878
Other operating income from external customers	78,468	37,752	(4,288)	146,386	—	258,318
Operating income	494,048	257,858	224,186	149,455	—	1,125,547
Operating expenses	(180,950)	(10,893)	(15,653)	(44,210)	(58,044)	(309,750)
Operating profit/(loss) before impairment allowances	313,098	246,965	208,533	105,245	(58,044)	815,797
Charge for impairment allowances	(58,940)	—	—	—	—	(58,940)
Charge for insurance claims	—	—	(145,452)	—	—	(145,452)
Operating profit/(loss)	254,158	246,965	63,081	105,245	(58,044)	611,405
Gain/(loss) on disposal of other properties and equipment and investments	1,313	—	4,560	(16)	(679)	5,178
Net gain on fair value adjustments on investment properties	—	—	—	418,003	—	418,003
Share of net profits of jointly controlled entities and associates	—	—	8,201	3,000	—	11,201
Profit/(loss) before taxation	255,471	246,965	75,842	526,232	(58,723)	1,045,787
Capital expenditure	17,885	1,110	308	26,929	2,833	49,065
Depreciation and amortisation charge	13,601	749	786	6,630	4,190	25,956
At 31 December 2006						
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

(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.

14. Contingent liabilities, commitments and derivatives

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

	<u>30/06/2007</u>	<u>31/12/2006</u>
	HK\$'000	Restated HK\$'000
Contractual amount		
Direct credit substitutes	674,667	754,811
Transaction-related contingencies	64,696	42,462
Trade-related contingencies	389,205	418,592
Other commitments which are unconditionally cancellable	12,134,718	10,783,013
Other commitments with an original maturity of one year or less	1,308,824	919,031
Other commitments with an original maturity of over one year	<u>6,497,270</u>	<u>4,958,130</u>
	<u>21,069,380</u>	<u>17,876,039</u>
Credit risk weighted amount	<u>4,212,564</u>	<u>3,921,512</u>

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

	30/06/2007			31/12/2006		
	Notional / contractual amount HK\$'000	Fair values		Notional/ contractual amount HK\$'000	Fair values	
		Assets HK\$'000	Liabilities HK\$'000		Assets HK\$'000	Liabilities HK\$'000
Exchange rate contracts	2,303,315	4,215	3,753	2,876,274	4,646	4,238
Interest rate contracts	5,347,573	14,333	213,694	5,985,343	14,316	277,646
Equity contracts	706,212	2,639	2,772	578,314	2,271	2,341
Credit derivative contracts	625,440	3,549	—	544,460	5,180	—
	<u>8,982,540</u>	<u>24,736</u>	<u>220,219</u>	<u>9,984,391</u>	<u>26,413</u>	<u>284,225</u>

14. Contingent liabilities, commitments and derivatives (continued)

	<u>30/06/2007</u>	<u>31/12/2006</u>
	HK\$'000	HK\$'000
Credit risk weighted amount		
Exchange rate contracts	11,359	8,625
Interest rate contracts	7,858	8,442
Equity contracts	20,788	8,091
Credit derivative contracts	782	–
	<u>40,787</u>	<u>25,158</u>
Replacement cost		
Exchange rate contracts	4,215	4,646
Interest rate contracts	14,333	14,316
Equity contracts	2,639	2,271
Credit derivative contracts	3,549	5,180
	<u>24,736</u>	<u>26,413</u>

15. 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>30/06/2007</u>	<u>31/12/2006</u>
	HK\$'000	HK\$'000
Spot assets	23,024,912	22,774,594
Spot liabilities	(20,003,737)	(18,376,778)
Forward purchases	2,958,132	194,122
Forward sales	(4,402,842)	(1,543,393)
Net option position	(5,514)	21,541
Net long position	<u>1,570,951</u>	<u>3,070,086</u>
Net structural position	<u>68,050</u>	<u>67,671</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.

16. 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 HK\$'000	Public sector entities HK\$'000	Others HK\$'000	Total HK\$'000
At 30 June 2007				
Asia Pacific excluding Hong Kong	12,797,679	104,148	2,567,486	15,469,313
North and South America	1,988,867	786,439	1,613,831	4,389,137
Europe	15,885,747	29,889	971,712	16,887,348
At 31 December 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

17. 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, which includes the Mainland exposures extended by the Bank and its overseas branches only.

	On-balance sheet exposure HK\$'000	Off-balance sheet exposure HK\$'000	Total HK\$'000	Individual impairment allowance HK\$'000
At 30 June 2007				
Mainland entities	2,556,177	987,644	3,543,821	–
Companies and individuals outside Mainland where the credit is granted for use in Mainland	1,435,923	684,039	2,119,962	5,686
Other counterparties where the exposure is considered by the Bank to be non-bank Mainland exposure	47,450	49,396	96,846	–
Total	<u>4,039,550</u>	<u>1,721,079</u>	<u>5,760,629</u>	<u>5,686</u>
At 31 December 2006				
Mainland entities	2,272,707	1,136,749	3,409,456	–
Companies and individuals outside Mainland where the credit is granted for use in Mainland	1,041,933	529,943	1,571,876	4,847
Other counterparties where the exposure is considered by the Bank to be non-bank Mainland exposure	27,457	–	27,457	–
Total	<u>3,342,097</u>	<u>1,666,692</u>	<u>5,008,789</u>	<u>4,847</u>

18. Capital adequacy ratio and capital base

	30/06/2007	31/12/2006
Capital ratios		
- Core capital ratio	13.0%	14.2%
- Capital adequacy ratio	15.2%	16.0%

The capital base after deductions used in the calculation of the above capital ratios as at 30 June 2007 and 31 December 2006 and reported to the HKMA is analysed as follows:

	30/06/2007	31/12/2006
	HK\$'000	HK\$'000
Core capital:		
Paid up ordinary share capital	1,160,951	1,160,951
Reserves	5,527,711	5,744,957
Profit and loss account	338,007	16,780
Deduct: Deferred tax assets	<u>(3,861)</u>	<u>–</u>
Core capital	7,022,808	6,922,688
Less: Deductions from core capital	<u>(201,915)</u>	<u>–</u>
Total core capital	<u>6,820,893</u>	<u>6,922,688</u>
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	35,245	53,406
Unrealised fair value gains arising from holdings of equities and debt securities designated at fair value through profit or loss	86,660	–
Regulatory reserve for general banking risks	314,645	281,826
Collective impairment allowances	<u>100,147</u>	<u>106,632</u>
Supplementary capital	1,361,113	1,266,280
Less: Deductions from supplementary capital	<u>(201,915)</u>	<u>–</u>
Total supplementary capital	<u>1,159,198</u>	<u>1,266,280</u>
Less: Deductions from total capital base	<u>–</u>	<u>(397,997)</u>
Total capital base after deductions	<u>7,980,091</u>	<u>7,790,971</u>

18. Capital adequacy ratio and capital base (continued)

The capital ratios at 30 June 2007 were calculated in accordance with the Banking (Capital) Rules (the “Capital Rules”) issued by the HKMA under section 98A of the Hong Kong Banking Ordinance, which became effective on 1 January 2007. In accordance with the Capital Rules, the Bank 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 capital ratios at 31 December 2006 were calculated in accordance with the Third Schedule (the “Third Schedule”) of the Hong Kong Banking Ordinance.

The basis of consolidation for calculation of the capital ratios at 30 June 2007 and 31 December 2006 follows the basis of consolidation for financial reporting but excludes certain subsidiaries as set out in section D of these interim results. The investment costs of these subsidiaries are therefore deducted from capital.

As there are significant differences between the Capital Rules and the Third Schedule on requirements in the scope of consolidation and the calculation of capital base and the risk-weighted assets, the capital ratios are not directly comparable.

19. Liquidity ratio

	Six months ended 30 June	
	2007	2006
Liquidity ratio	<u>46.4%</u>	<u>45.0%</u>

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

D. Statutory Financial Statements

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

The financial information relating to the financial year ended 31 December 2006 is derived from the statutory financial statements for that financial year. Statutory financial statements for the year ended 31 December 2006 are available from the Bank's registered office. The auditors have expressed an unqualified opinion on those financial statements in their report dated 28 February 2007.

The accounting policies and methods of computation used in the preparation of these interim results are consistent with those adopted in the preparation of the Group's annual statutory financial statements for the year ended 31 December 2006.

The Hong Kong Institute of Certified Public Accountants (the "HKICPA") has issued a number of new / revised 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), which are effective for accounting periods beginning on or after 1 January 2007. The Group adopted the following new / revised HKFRSs which are relevant to its operations:

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

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 results of operations and financial position.

In addition, the HKMA has recommended additional disclosures under the Banking (Disclosure) Rules, which have been adopted in these interim results.

Up to the date of issue of these interim results, the HKICPA has also issued certain new / revised HKFRSs which are not yet effective for accounting period beginning on 1 January 2007 and have not been early adopted by the Group. The 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 them is unlikely to have a significant impact on the Group's result of operations and financial position.

These interim results cover the consolidated positions of the Bank and all its subsidiaries, unless otherwise stated, and include the attributable share of the results and reserves of its jointly controlled entities and associates. For regulatory reporting, the bases of consolidation are set out in notes 17, 18 and 19 of section C of these interim results.

D. Statutory Financial Statements (continued)

The following is a list of all the subsidiaries of the Bank for financial reporting consolidation purpose:-

- # * 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 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 2007 for regulatory reporting purpose.

Companies excluded in the computation of the consolidated capital ratios at 31 December 2006 for regulatory reporting purpose.

E. Comparative figures

Certain comparative figures have been restated to conform with the current period presentation.

Interim Dividend

The Directors are pleased to declare an interim dividend of HK\$0.90 per ordinary share to be paid on or after 27 September 2007 to shareholders registered on 27 September 2007.

Closure of Register of Members

The Register of Members will be closed from 19 September 2007 to 27 September 2007, both days inclusive, during which period no transfer of shares will be registered. In order to qualify for the above dividend, all transfers, accompanied by the relevant share certificates, must be lodged with the Bank's Registrars, Computershare Hong Kong Investor Services Limited (46th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong) for registration not later than 4:30 p.m. on Tuesday, 18 September 2007.

Financial Results and Operation Review

Hong Kong's economy remained buoyant in the first half of 2007, bolstering domestic consumption, foreign trade, employment rate and per capita income. Local stock market was driven up by excess liquidity in the capital market.

The spectre of sub-prime mortgage has further deepened the credit crisis in the United States recently. It is believed that the sub-prime mortgage problem will eventually abate and not seriously deter economic development. Hong Kong will continue to benefit from Mainland's rapidly expanding economy. However, inflationary pressure will intensify as salaries, rental levels and prices of imported goods continue to soar; and this coupled with more volatile market conditions make the operating environment of the banking sector even more challenging. The Bank will monitor market development closely and adjust business strategies timely in order to provide products and services that answer the needs of the customers.

Financial Review

Comparing the Bank's operating results for the first half of 2007 with the corresponding period of 2006:

Profit after taxation amounted to HK\$855,441,000, representing a decrease of 2.8%. In the first half of 2007, the Bank recorded a revaluation surplus on investment properties of HK\$162,880,000, a decrease of HK\$255,123,000 when compared with HK\$418,003,000 recorded in 2006 mid-year. When excluding the net gain on fair value adjustments on investment properties and the related deferred taxation, the profit after taxation increased by 34.7%, mainly attributable to the growth in net interest income and non-interest income, of which securities brokerage earnings growth was outstanding.

Net interest income was HK\$731,589,000, up 8.3% as compared with that in the same period last year. Due to severe competition, interest rate spreads narrowed with net interest margin dropping 4 basis points when compared with that of the same period last year.

Operating income from insurance business increased by 7.6% to HK\$206,546,000, and other operating income increased by 46.7% to HK\$378,916,000.

Total operating income improved by 17% to HK\$1,317,051,000. Operating expenses increased by 13% to HK\$349,929,000, mainly due to higher staffing and information technology related expenses.

The cost-to-income ratio dropped by 0.9% to 26.6%, compared with the first half of 2006. Operating profit before impairment allowances on loans and advances increased by 18.5% to HK\$967,122,000. Impairment allowances on loans and advances of HK\$11,563,000 were made. Charge for insurance claims went up by 19.5% to HK\$173,819,000.

Operating profit grew by 27.9% to HK\$781,740,000.

Total customer deposits, including structured deposits, amounted to HK\$66,794,166,000, up 15.6% and 6.3% respectively compared with that of the same period and year-end in 2006.

Advances to customers went up by 7.2% from the level a year ago to HK\$41,431,610,000, or up 6.8% as compared with that at year-end 2006. Impairment allowances amounted to HK\$153,195,000, of which 65.1% was collective impairment allowances, representing 0.24% of the total advances to customers. The loan-to-deposit ratio was 58.2%, compared with 61.1% same time last year. At year-end 2006 the loan-to-deposit ratio was 56.9%.

The return on average total assets was 1.96%, while that of mid-year 2006 was 2.27%. The return on average shareholders' funds was 14.8%, compared with 16.94% at interim last year.

At 30 June 2007, the consolidated capital adequacy ratio was 15.2%, and the average liquidity ratio for the first half of 2007 was 46.4%.

Operation Review

Deposits

Total deposits, including structured deposits, grew by 6.3% as compared with that at last year-end. The continuous influx of capital coupled with a buoyant stock market during the first half of 2007 caused a large number of small investors to park their funds in current accounts for investment purposes.

Benefiting from the continuous appreciation of Renminbi, the Bank's Renminbi deposits recorded an increase of 13.3% as compared with that at 2006 year-end. In June 2007, the Hong Kong Monetary Authority successfully introduced the issuance of Renminbi denominated bonds into Hong Kong's debt market. Renminbi denominated bonds will likely become a popular means of investment.

As at 30 June 2007, certificates of deposit totalling HK\$4,138,208,000 were issued, down 17.3% as compared with that at last year-end. An overwhelming majority of such issues are floating rate. For those fixed rate structured certificates of deposit, the interest rate risk involved is hedged by relevant derivatives.

Advances to customers

Total loans and advances to customers grew by 6.8% as compared with that at year-end 2006.

With unflinching effort, the volume of newly booked residential mortgages resumed growth in the second quarter of 2007. The Bank will launch various new loan products with the aim of further expanding loan business for better return in the second half of 2007.

Corporate loans performed satisfactorily and recorded an increase of 20.8% as compared with 2006 year-end, while syndicated loans achieved an 11.1% growth in the same period.

The operation of the Bank's hire-purchase and leasing subsidiary, Wing Lung Finance Limited, has become more stable in the first half of 2007 and recorded a slight increase in profit. It is hoped that the subsidiary will maintain growth in the second half of 2007.

Treasury

Combined income from foreign exchange and money exchange business gained by 8.6% from the level a year ago.

The one-sided rise in high-yielding currencies against US Dollar and other lower-yielding currencies posed an unfavourable environment for foreign exchange activities and income growth. The Bank will strengthen its foreign exchange spot trading team with the aim of boosting trading volume and income in the second half of 2007.

During the first half of 2007, money exchange income grew impressively as transaction volume increased and profit margin widened.

Wealth management

Wealth management business recorded an income growth of 38.6% when compared with last mid-year 2006.

Wealth management business expanded appreciably, capturing opportunities provided by the buoyant stock market with the Hang Seng Index and the Hang Seng China Enterprises Index both reaching record-high levels.

The Bank will step up sales force training and product analysis and introduce more promotion campaigns to grow customer base and sales volume.

Credit card

At 30 June 2007, the total number of credit cards issued rose by 2.9% as compared with that at year-end 2006, while total credit card receivables contracted.

The Credit Card Centre will put more efforts in platinum card promotion, aiming at expanding customer base and income. It will intensify collaboration with other operations in cross-selling other banking products to cultivate more income sources.

Securities broking

In the first half of 2007, trading volume of the local stock market moved up by 82% from the level a year ago. As compared with the corresponding period last year, trading volume and profit before tax generated from securities business recorded an upsurge of 70.4% and 73.6% respectively, while interest income from securities margin lending grew by 22.4%. Futures commission income also recorded satisfactory growth.

In the second half of 2007, the Bank will further enhance the efficiency and capacity of the securities computer system to cope with business expansion. The Bank plans to expand its securities service network by setting up new securities service centres at branches with good business potential as well as expanding the existing ones to further improve its market share.

The Bank will continue to launch promotion campaigns and constantly enhance its service and products to draw in potential customers and improve the Bank's competitiveness.

Insurance

Wing Lung Insurance Company Limited recorded a decrease in both gross premium and underwriting profit as compared to that of the corresponding period last year, mainly attributable to lower premium under fierce competition and higher claims; however, income from investment increased satisfactorily.

The Insurance Department recorded a decline in agency business and commission income; while commission income from life insurance products increased by 13.1% over the corresponding period last year.

The Bank will adopt a more flexible pricing strategy to cope with keen competition and maintain its market share, while adhering to its prudent operating philosophy for sustainable development.

Branch

The Bank's Shatin Plaza Branch opened for business on 28 July 2007, and together with the original network of 33 local branches, the Bank operates 34 local branches in total. In addition, the Bank operates Shenzhen Branch and Nanshan Sub-Branch in China, Los Angeles Branch in the US and Cayman Islands Branch. All the branches performed solidly in both business and returns.

Shenzhen Branch has been approved by the China Banking Regulatory Commission to prepare for Renminbi business, and it is expected that Renminbi services will be launched in the near future. The Bank's application for upgrading its Shanghai Representative Office to a full branch status was also approved by the Commission in June 2007, and preparatory work is now underway.

Los Angeles Branch has devoted much effort in business cultivation since its relocation to Alhambra. In the second half of 2007, the branch will step up its marketing efforts and widen the range of product offerings in order to draw in potential customers, thus enlarging the branch's customer base.

Investment in information technology

In the first half of 2007, the Information Technology Department continued to upgrade various risk management computer systems to meet business requirements and regulatory compliance. The software development centre in Shenzhen ran smoothly as planned in the past two years since its establishment. The Bank is now planning for a longer-term development strategy to cope with its future business needs.

Human resources

At the end of June 2007, the Bank's total workforce amounted to 1,520.

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 six months ended 30 June 2007. Neither the Bank nor any of its subsidiaries has purchased or sold any of the Bank's shares during the period.

Compliance with Disclosure Requirements

In preparing the interim results for the six months ended 30 June 2007, the Bank has fully complied with the requirements set out in the Banking (Disclosure) Rules issued by the Hong Kong Monetary Authority.

Corporate Governance

The Bank is committed to maintaining high standards of corporate governance. Throughout the six months to 30 June 2007, 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").

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 six months ended 30 June 2007, 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 Interim Results

These interim results have been reviewed by the Bank's Audit Committee.

Publication of Interim Report on the Stock Exchange's Website

The 2007 Interim Report of the Bank containing all the information required by the Listing Rules will be published on the Stock Exchange's website in due course.

By Order of the Board
Maria Wan-sin FUNG
Secretary

Hong Kong, 15 August 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 Norman Nai-pang Leung, Mr Lincoln Hung-leung Soo, Mr Shung-kwong Tsang and The Hon Bernard Charnwut Chan. 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.

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