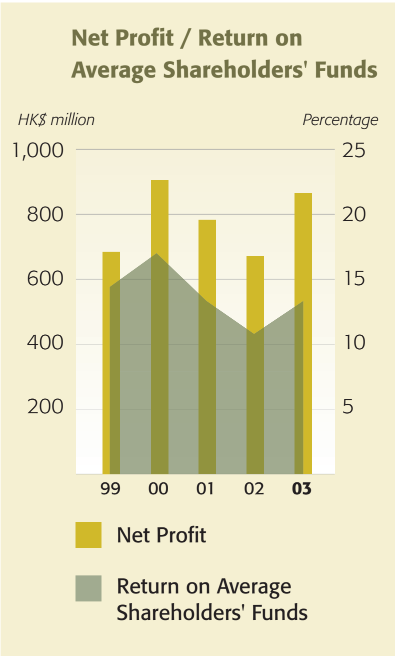
Chairman's Statement

" We will focus on unlocking value from the acquisition of CFB this year. Significant value will be created from synergies achieved through integrating the two businesses. Cost economies will be achieved by branch rationalization and centralizing back-office operations."

Patrick Y B Fung
Chairman & Chief Executive

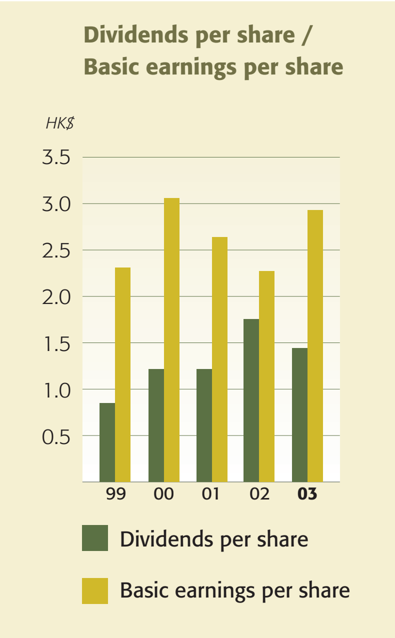
2003 was a challenging year for the Hong Kong economy. International conditions deteriorated rapidly at the beginning of the year as the war in Middle East cast a temporary shadow over the global economy. The outbreak of SARS in March had a severe impact locally, with retail, tourism and restaurant sectors the hardest hit.



The economy recovered steadily in the second half, helped in part by initiatives such as the Closer Economic Partnership Agreement (CEPA) and the "individual visit" scheme of Mainland visitors. The unemployment rate fell from a record high of 8.7 percent to 7.3 percent by year-end. Consumer sentiment brightened due to improved employment situation and a firmer property market. In the external sector, total exports grew on the back of strong export performance of the Mainland. There was also a revival in tourism as record number of Mainland visitors helped to offset declines in other markets. For the fourth quarter of 2003, GDP rose by 5 percent in real terms over a year earlier, reversing the 0.5 percent decline in the second quarter.

The banking industry faced a difficult environment in 2003, particularly in the first half. Loans continued to contract due to weak demand for bank credit from both individuals and businesses. Asset quality deteriorated in the early part of 2003 as the value of residential mortgage loans in negative equity grew, however this began to improve towards the end of the year.

For the year ended 31st December, 2003, profits attributable to shareholders amounted to HK$863.9 million, compared to HK$669.5 million in 2002. The consolidated results incorporate the results of Chekiang First Bank (CFB) and its subsidiaries from 30th September, 2003, that being the date on which the acquisition was completed. Earnings per share increased by 29.0 percent to HK$2.94. The Board has recommended a final dividend of HK$1.08 per share. Together with the interim dividend of HK$0.37 paid in mid 2003, total dividends for the year amounted to HK$1.45 per share, an increase of 25.0 percent



over 2002, if the special dividend of HK$0.66 per share paid last year was excluded. The special dividend in 2002 reflected our desire to maximize shareholders' return in the low interest rate environment as well as our continual efforts in managing capital efficiently. There will be no special dividend this year as excess capital has been re-deployed on acquisition.

Return on average assets and average shareholders' funds for the Group stood at 1.27 percent and 13.3 percent respectively, while the capital adequacy ratio and average liquidity ratio were at 15.7 percent and 49.0 percent respectively.

During 2003, we have focused on diversifying revenue and containing cost. We also strive to achieve growth in non-interest income to compensate for the lack of domestic loan demand. We continue to recognize that efficient use of capital is vital to increasing shareholder value and that economy of scale is important to cost containment. Against this background, on 1st August, 2003, Wing Hang Bank entered into an agreement to acquire CFB as a wholly owned subsidiary. With a solid credit history and a strong portfolio, CFB brings greater scale and coverage to the Bank.

Integration progress has been smooth and swift. Both revenue and cost synergies have begun to materialize. The Bank is confident that by July 2004, pending the approval of the Merger Bill, integration will be completed, resulting in a stronger and more substantial bank.

We will focus on unlocking value from the acquisition of CFB this year. Significant value will be created from synergies achieved through integrating the two businesses. We have already capitalized on CFB's liquid balance sheet for increased revenue opportunities. Cost economies will be achieved by branch rationalization and centralizing back-office operations. Full revenue synergy can be achieved in 2004 and full cost synergy is expected in 2005.

Looking ahead, global economic prospects should brighten in 2004. The US economic recovery will be sustained by accommodative monetary and fiscal policies in the election year. The pace of growth in Mainland China will stay brisk due to robust domestic and foreign demand. Locally, the trade-driven recovery will gather pace with new trade and investment opportunities brought about by CEPA. Moreover, there are signs that the deflationary spiral will end as consumer price deflation subsides and property prices rebound. Closer integration with the Mainland will also benefit neighboring Macau, where the economy will continue its double-digit growth in 2004.

The banking environment should also improve in 2004. Asset quality will improve in view of the declining value of residential mortgage loans in negative equity and the sharp fall in bankruptcy petitions. Banks' loan books are expected to grow in line with nominal GDP growth. Banks may also find new business opportunities from important initiatives such as CEPA, the "individual visit" scheme of Mainland visitors and the launch of the Renminbi business in Hong Kong.

To capitalize on Hong Kong's closer integration with the Mainland, we will gear ourselves up towards greater involvement in the China. We already have an established foothold in the Pearl Delta Region and we are now following our customers' expansion in other regions. In this regard, we plan to upgrade our Shanghai representative office to a branch and open a representative office in Beijing in 2004 to complement our branch in Shenzhen and representative office in Guangzhou.

We will continue to expand our treasury activities and wealth management services to broaden our fee income base. While pursuing this growth strategy, we will maintain our prudent lending policy. We will step up our risk management efforts in view of the forthcoming implementation of the new Basel Capital Accord. With a recovering economy in Hong Kong and greater opportunities available in the Mainland, we are optimistic about the performance of the Bank in 2004.

I wish to take this opportunity to welcome our new colleagues from CFB. With their added participation, I believe that we have laid the foundation for a strong and growing bank for the future. I would also like to extend my gratitude to my colleagues who have worked very hard during such difficult times. I am indebted to the Board of directors for their continued support and counsel. I am also grateful to our shareholders who have continued to extend to us their trust and support.

Patrick Y B Fung

Chairman and Chief Executive

Hong Kong, 11th March, 2004