

Chairman's Statement



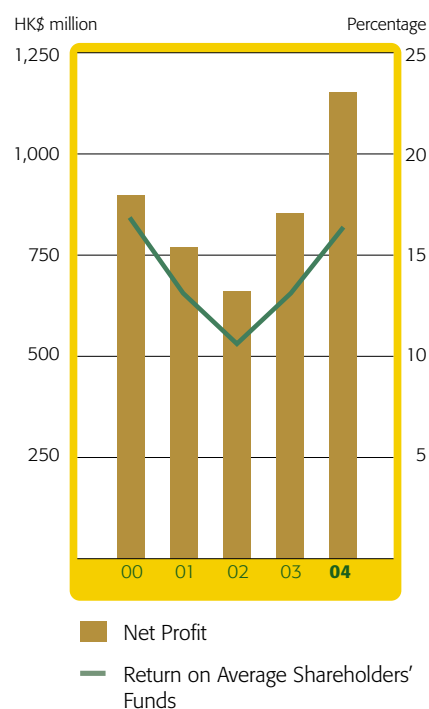
Dr. Patrick Y B Fung

Chairman & Chief Executive

2004 saw a steady recovery of the Hong Kong economy. GDP grew by an average of 8.8 percent in real terms in the first three quarters over a year earlier, significantly higher than the 2.6 percent growth in the same period of 2003. Retail sales and tourism were boosted by the influx of mainland visitors under the "individual visit" scheme. Labor market conditions improved in tandem with the economic upturn and the unemployment rate fell to 6.5% in December, its lowest level since 2001. Renewed business confidence and the low cost of funds fueled the continuing recovery of the property market as abundant liquidity drove short-term Hong Kong dollar interest rates to near zero levels despite higher US interest rates.

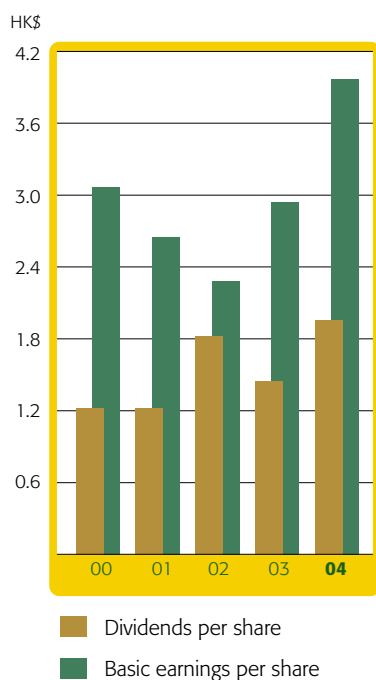
The general improvement in the Hong Kong economy benefited the banking industry. Strong loan demand in the 4th quarter boosted loan growth for the sector to 5.9% for the year. Asset quality improved as property prices rebounded and the unemployment rate fell steadily from its peak in the middle of 2003. Consequently, bad debt charges reduced significantly in 2004. The net interest margin, however, was under pressure due to increased competition and excess liquidity.

Net Profit / Return on Average Shareholders' Funds



Chairman's Statement

Dividends per share / Basic earnings per share



Wing Hang Bank continued to grow in 2004. We were able to achieve satisfactory asset growth in areas such as residential mortgages, equipment financings as well as in the Group's China and Macau operations. We continued to extract synergies from the acquisition of Chekiang First Bank ("CFB").

Wing Hang Bank achieved a new record in profit attributable to shareholders of HK\$1,168.0 million for the year, an increase of 35.2 percent when compared to HK\$863.9 million achieved in 2003. The consolidated results incorporate the full year results of CFB and its subsidiaries. Earnings per share increased by 35.2 percent to HK\$3.97. The Board has recommended a final dividend of HK\$1.43 per share. Together with the interim dividend of HK\$0.53 paid on 20th September, 2004, total dividends for the year amounted to HK\$1.96 per share, an increase of 35.2 percent over 2003.

Return on average assets and average shareholders' funds stood at 1.29 percent and 16.6 percent respectively, while the Group's capital adequacy ratio and average liquidity ratio were at 15.7 percent and 49.1 percent respectively.

Following the passage of the Wing Hang Bank, Limited (Merger) Bill by the Legislative Council on 9th July, 2004, Wing Hang Bank and CFB have been successfully integrated on 9th August, 2004. Integration has been seamless and on schedule due to careful planning and execution. Substantial revenue and cost synergies have been realised in 2004 and we are confident that full integration benefit will be achieved by the end of 2005, earlier than planned.

The merger has resulted in a stronger and more substantial bank with an expanded branch network. The Group currently has 36 branches in Hong Kong, 11 branches in Macau and a branch in Shenzhen. As at the end of December 2004, the Group had a total of 2,181 employees.

Looking ahead, the operating environment will remain challenging in 2005 due to the continuing rise in US interest rates. In light of the uncertainties regarding fund inflows into Hong Kong and intense competition, the interest margin will continue to be under pressure in 2005. However, loan demand should gradually grow with the improving local economy and the buoyant asset markets. Mainland China is expected to maintain healthy growth as tightening policies help steer the economy away from overheating. Neighboring Macau will continue its double-digit economic growth in 2005 due to the inflow of foreign investments drawn by the casino gaming sector.

We will continue to control costs through the streamlining of operations as well as broadening of our fee income and expanding our consumer lending businesses through cross-selling to an enlarged customer base. With the successful integration of CFB, we now have a larger operating platform to grow our businesses. We will also focus on enhancing our franchise through innovative products and superior service.

To capitalise on the high growth in China, we will continue our expansion program in the Mainland. In this regard, we will be opening our Shanghai branch and Beijing representative office in March 2005. After that we plan to upgrade the Guangzhou representative office to a branch to further expand our network in China. While pursuing a growth strategy, we are keenly aware that the key to success is a prudent lending policy.

I wish to take this opportunity to extend my gratitude to my colleagues who have worked very hard during such challenging times. I am indebted to the Board of directors for their continued support and counsel. I am also grateful to our customers who have continued to extend their trust and support to us.

Patrick Y B Fung

Chairman and Chief Executive

Hong Kong, 10th March, 2005