

Facilitating expansion into China



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Patrick Y B Fung
Chairman & Chief Executive

Hong Kong's economy remained subdued in 2002 under a deflationary environment as the ongoing restructuring kept a lid on consumption and capital investments. Political uncertainty in the Middle East cast a shadow over the global economy, further hindering a domestic recovery.

In 2002, unemployment reached a record high of 7.8 percent, keeping consumer spending and retail sales low. Continuous deflation exerted pressure on wages, resulting in a decline in consumer confidence. Poor sentiment was exacerbated by further declines in property prices as supply still exceeded demand. The impact of the recent measures by the Government to stabilize property prices has yet to be assessed.

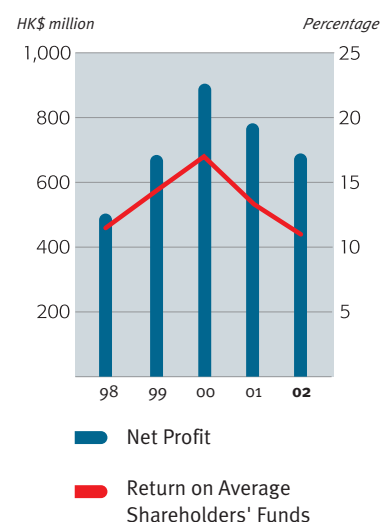
Despite generally poor economic conditions, China's expansion continues to bode well for Hong Kong. The territory recorded strong export growth, particularly in the third quarter. The acceleration in the re-export trade and services exports impacted positively on the territory's GDP. The tourism industry has benefited from the record number of visitors from China, compensating for the slower growth of visitors from overseas. In this challenging environment, Hong Kong's real GDP grew 2.3 percent for the year 2002.

Wing Hang Bank recorded a profit of HK\$680.7 million for the year, compared to HK\$779.0 million in 2001. Earnings per share eased by 12.6 percent to HK\$2.32. The Board has recommended a final dividend of HK\$0.79 per share and a special dividend of HK\$0.66 per share. Together with the interim dividend of HK\$0.37 paid in mid 2002, total dividends for the year amounted to HK\$1.82 per share, an increase of 49.2 percent over 2001.

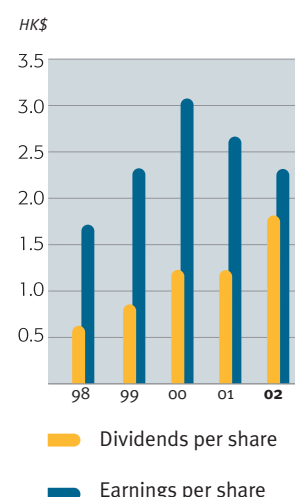
Return on average assets and average shareholders' funds stood at 1.21 percent and 11.0 percent respectively, while the Group's capital adequacy ratio and average liquidity ratio were at 16.5 percent and 42.4 percent respectively.

Hong Kong's banking industry has continued to evolve in light of changes in the market. Interest income, which was a major contributor to revenue, has continued to shrink as a result of intense competition, narrowing margins and declining loan demand. Banks have focused on fee and commission income to compensate for slower growth in loan volume. The industry has also been taking a more proactive approach to broadening the scope of the business, notably in wealth management and fee income products.

Net Profit / Return on Average Shareholders' Funds



Dividends per share / Earnings per share



In order to implement a more proactive marketing philosophy, Wing Hang has increased the number of front line staff and streamlined back office functions. At the same time, we have continued to provide training programs to our customer service staff to broaden their knowledge of increasingly sophisticated financial products and to help them keep pace with the changing banking environment. We aim to further emphasize the quality of our service and maintain close working relationships with our customers in order to cross-sell the Bank's wide range of products and services.

While developing new businesses, we have increased our risk management efforts in view of the weakening economy and rising bankruptcies, continuing to reassess the credit quality of our customers and monitoring their repayment abilities. We will continue to take a prudent approach in granting credit while also diversifying our exposures to various industries and institutions, both in Hong Kong and across the border.

We remain committed to playing an active role in the community and again participated in the Community Chest Dress Casual Day fund-raising program, raising a total of HK\$0.38 million.

Looking ahead, 2003 is expected to be another challenging year for Hong Kong. Deflation will persist as domestic demand remains weak due to the high unemployment rate. Political uncertainty is likely to dampen the global economic recovery. There are, however, signs that we are on our way to a cyclical recovery led by trade. In particular, the strong performance of the Pearl Delta Region will improve re-export trade. Against this background, Hong Kong's real GDP is expected to edge up 3 percent this year.

We will continue to expand our treasury activities and wealth management services to broaden our fee income base. As the mainland is expected to continue to drive growth in the region, businesses will continue to migrate across the border. Leveraging on our experience and expertise, we will assist our customers to take advantage of investment opportunities in the mainland. Having been granted the approval to lend in Renminbi, we will further expand into China and continue our strategy of integrating into this high growth area.

I wish to take this opportunity 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, 13th March, 2003

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