



WING LUNG BANK LTD

(Incorporated in Hong Kong with limited liability)

Stock Code: 00096

INTERIM RESULTS 2008

Interim Results

The Directors of Wing Lung Bank Limited (the "Bank") are pleased to announce the audited results of the Group for the six months ended 30 June 2008 as follows:

A. Consolidated Income Statement

	Note	Six months ended 30 June		Change %
		2008 Audited HK\$'000	2007 Unaudited HK\$'000	
Interest income	1	1,735,904	2,157,171	-19.5
Interest expense	2	(1,058,727)	(1,425,582)	-25.7
Net interest income		<u>677,177</u>	<u>731,589</u>	-7.4
Fees and commission income		226,502	223,485	+1.3
Fees and commission expense		(34,186)	(29,478)	+16.0
Net fees and commission income	3	<u>192,316</u>	<u>194,007</u>	-0.9
Insurance operating income		218,632	206,546	+5.9
Net trading (loss)/gain	4	(205,629)	103,849	-298.0
Net gain on disposal of available-for-sale securities		252,915	19,310	+1,209.8
Other operating income	5	95,386	81,060	+17.7
Operating income		<u>1,230,797</u>	<u>1,336,361</u>	-7.9
Operating expenses	6	(440,818)	(349,929)	+26.0
Impairment charge for credit losses	7	(291,335)	(11,563)	+2,419.5
Charge for insurance claims		(302,538)	(173,819)	+74.1
Net loss on disposal of other properties and equipment		(337)	(347)	-2.9
Operating profit before gain on certain investments		<u>195,769</u>	<u>800,703</u>	-75.6
Fair value adjustments on investment properties		186,676	162,880	+14.6
Share of net (losses)/profits of jointly controlled entities		(37,800)	24,017	-257.4
Share of net profits of associates		1,895	1,270	+49.2
Profit before taxation		<u>346,540</u>	<u>988,870</u>	-65.0
Income tax	8	3,690	(133,429)	-102.8
Profit attributable to shareholders		<u>350,230</u>	<u>855,441</u>	-59.1
Interim dividend		<u>116,095</u>	<u>208,971</u>	
		HK\$	HK\$	
Earnings per share	9			
- Basic		1.51	3.68	
- Diluted		1.51	3.68	
Dividend per share		<u>0.50</u>	<u>0.90</u>	

Notes:**1. Interest income**

Included in interest income are interest income from financial assets that are not at fair value through profit or loss of HK\$1,618,925,000 (2007: HK\$2,022,062,000) and unwinding of discount on impaired loans of HK\$1,002,000 (2007: HK\$3,450,000).

2. Interest expense

Included in interest expense is interest expense on financial liabilities that are not at fair value through profit or loss of HK\$988,338,000 (2007: HK\$1,347,630,000).

3. Net fees and commission income

	Six months ended 30 June	
	2008	2007
	Audited	Unaudited
	HK\$'000	HK\$'000
Fees and commission income		
Securities brokerage and investment services	131,335	136,087
Credit cards	35,035	32,571
Credit related fees and commission	27,559	22,982
Trade finance	6,619	7,349
Other retail banking services	10,321	9,963
Other fee income	15,633	14,533
	<u>226,502</u>	<u>223,485</u>
Fees and commission expenses		
Credit cards	(19,461)	(15,687)
Other fee expenses	(14,725)	(13,791)
	<u>(34,186)</u>	<u>(29,478)</u>
Net fees and commission income	<u>192,316</u>	<u>194,007</u>
Of which:		
Net fees and commission income, 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	51,833	51,273
- fees and commission expenses	<u>(15,484)</u>	<u>(12,322)</u>
Net fees and commission income on trust and other fiduciary activities where the Group holds or invests on behalf of its customers		
- fees and commission income	5,412	3,886
- fees and commission expenses	<u>(51)</u>	<u>(2)</u>

4. Net trading (loss)/gain

	Six months ended 30 June	
	2008	2007
	Audited	Unaudited
	HK\$'000	HK\$'000
Net (loss)/gain from trading securities	(39,414)	22,339
Net loss arising from financial instruments designated at fair value through profit or loss	(302,298)	(58,433)
Net gain arising from derivative financial instruments	62,521	84,498
Net gain from foreign exchange trading	73,562	55,445
	<u>(205,629)</u>	<u>103,849</u>

5. Other operating income

	Six months ended 30 June	
	2008	2007
	Audited	Unaudited
	HK\$'000	HK\$'000
Dividend income		
- Listed equity securities	25,343	14,951
- Unlisted equity securities	2,824	2,340
Others	67,219	63,769
	<u>95,386</u>	<u>81,060</u>

6. Operating expenses

	Six months ended 30 June	
	2008	2007
	Audited	Unaudited
	HK\$'000	HK\$'000
Staff costs		
- Salaries and other costs	250,851	207,858
- Retirement benefit costs	4,359	2,411
Premises and equipment expenses, excluding depreciation		
- Rental of premises	12,587	5,466
- Others	17,870	15,291
Depreciation	26,094	25,339
Amortisation of land lease premium	2,086	2,086
Advertising and business promotion	29,080	14,779
Electronic data processing	20,299	20,994
Postage and communications	13,816	11,721
Printing and stationery	6,385	5,401
Auditors' remuneration	7,277	1,607
Water and electricity	5,363	4,990
Legal and professional fee	11,195	3,813
Insurance	4,774	4,580
Securities related expenses	4,684	4,226
Others	24,098	19,367
	<u>440,818</u>	<u>349,929</u>

7. Impairment charge for credit losses

	Six months ended 30 June	
	2008	2007
	Audited	Unaudited
	HK\$'000	HK\$'000
Impairment losses on		
- loans and advances	6,240	11,563
- available-for-sale securities	248,364	-
- held-to-maturity securities	36,731	-
	<u>291,335</u>	<u>11,563</u>

8. Income tax

Taxation (credited)/charged in the consolidated income statement represents:

	Six months ended 30 June	
	2008	2007
	Audited	Unaudited
	HK\$'000	HK\$'000
Current taxation:		
- Hong Kong profits tax	11,891	124,802
- Attributable share of estimated Hong Kong profits tax losses arising from investments in partnerships	-	(27,194)
	<u>11,891</u>	<u>97,608</u>
- Investments in partnerships written off	-	3,402
	<u>11,891</u>	<u>101,010</u>
- Overseas taxation	6,913	4,255
Deferred taxation:		
- Relating to the origination and reversal of temporary differences	(22,494)	28,164
	<u>(3,690)</u>	<u>133,429</u>

Hong Kong profits tax has been provided at the rate of 16.5% (2007: 17.5%) on the estimated assessable profit for the period. In 2008, the government enacted a change in the profits tax rate from 17.5% to 16.5% for the fiscal year 2008/2009. 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.

9. Earnings per share

The calculation of basic earnings per share is based on the Group's profit attributable to the shareholders of HK\$350,230,000 (2007: HK\$855,441,000) and the weighted average number of 232,190,115 (2007: 232,190,115) ordinary shares in issue during the period. There were no dilutive potential shares in existence during the periods ended 30 June 2008 and 2007.

B. Consolidated Balance Sheet

	30/6/2008 Audited HK\$'000	31/12/2007 Audited HK\$'000
Assets		
Cash and short-term funds	23,296,611	26,384,235
Placements with and loans and advances to banks	3,274,954	3,602,908
Trading securities	8,052,648	2,218,841
Derivative financial instruments	44,643	35,813
Financial assets designated at fair value through profit or loss	2,740,329	2,934,803
Available-for-sale securities	2,002,042	3,240,308
Held-to-maturity securities	6,793,812	6,883,979
Advances and other accounts	45,980,741	44,531,182
Interests in jointly controlled entities	179,748	224,018
Interests in associates	6,136	6,184
Investment properties	2,406,600	2,254,600
Interests in leasehold land	239,259	241,345
Other properties and equipment	492,425	424,420
Tax recoverable	85,278	58,704
Deferred tax assets	29,085	6,799
Total assets	<u>95,624,311</u>	<u>93,048,139</u>
Liabilities		
Deposits and balances from banks	1,180,635	1,157,049
Trading liabilities	6,255,425	351,210
Derivative financial instruments	585,269	601,692
Financial liabilities designated at fair value through profit or loss	1,806,190	2,159,028
Deposits from customers	68,572,286	70,481,358
Certificates of deposit issued	1,778,185	1,773,194
Current taxation	43,628	40,547
Deferred tax liabilities	457,347	470,958
Other accounts and accruals	3,099,664	3,533,000
Total liabilities	<u>83,778,629</u>	<u>80,568,036</u>
Equity		
Share capital	1,160,951	1,160,951
Reserves	10,684,731	11,319,152
Total equity	<u>11,845,682</u>	<u>12,480,103</u>
Total equity and liabilities	<u>95,624,311</u>	<u>93,048,139</u>

C. Other Financial Information of the Group

1. Advances and other accounts

	30/6/2008 Audited HK\$'000	31/12/2007 Audited HK\$'000
Advances to customers	43,823,778	41,934,520
Impairment allowances		
- Collectively assessed	(109,571)	(108,194)
- Individually assessed	(34,185)	(48,166)
	<u>43,680,022</u>	<u>41,778,160</u>
Trade bills	130,296	176,370
Impairment allowances		
- Collectively assessed	(152)	(242)
	<u>130,144</u>	<u>176,128</u>
Accrued interest	225,934	314,904
Impairment allowances		
- Individually assessed	(1,301)	(3,676)
	<u>224,633</u>	<u>311,228</u>
Other accounts	1,946,212	2,266,838
Impairment allowances		
- Individually assessed	(270)	(1,172)
	<u>1,945,942</u>	<u>2,265,666</u>
	<u>45,980,741</u>	<u>44,531,182</u>

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

	30/6/2008 Audited HK\$'000	31/12/2007 Audited HK\$'000
Short-term funds	53,426	92,992
Placements with and loans and advances to banks	21,868	24,257
Trading securities	5,899	5,499
Derivative financial instruments	14,721	16,808
Financial assets designated at fair value through profit or loss	13,312	14,220
Available-for-sale securities	6,672	19,088
Held-to-maturity securities	13,767	13,684
Advances to customers	96,269	128,356
	<u>225,934</u>	<u>314,904</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:

	30/6/2008 Audited HK\$'000	31/12/2007 Audited HK\$'000
Impaired loans	<u>81,886</u>	<u>110,227</u>
Percentage of total advances to customers	<u>0.19%</u>	<u>0.26%</u>
Individual impairment allowances made in respect of such advances	<u>34,185</u>	<u>48,166</u>
Total value of collateral taken into account in respect of the assessment of individual impairment allowances	<u>42,730</u>	<u>52,439</u>

At 30 June 2008, there were no impaired loans in respect of advances to banks (31 December 2007: Nil).

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

3. Repossessed assets

During the period/year, the Group obtained assets by taking possession of collateral held as security, as follows:

	Six months ended 30 June 2008 Audited HK\$'000	Year ended 31 December 2007 Audited HK\$'000
Residential properties	1,349	23,645
Commercial and industrial properties	-	3,337
Others	<u>247</u>	<u>188</u>
	<u>1,596</u>	<u>27,170</u>

At 30 June 2008, repossessed assets of the Group amounted to HK\$1,040,000 (31 December 2007: HK\$10,807,000).

Repossessed properties are sold as soon as practicable with the proceeds used to reduce the outstanding indebtedness.

4. Investment properties

	Audited HK\$'000
At 1 January 2008	2,254,600
Additions	10,866
Reclassifications, net	(45,542)
Fair value gains on revaluation	186,676
At 30 June 2008 (professional valuation)	<u>2,406,600</u>
At 31 December 2007 (professional valuation)	<u>2,254,600</u>

5. Other properties and equipment

2008 (Audited)	Premises HK\$'000	Furniture and equipment HK\$'000	Total HK\$'000
Cost or valuation			
At 1 January	398,774	540,993	939,767
Exchange adjustments	(7)	287	280
Additions	-	47,974	47,974
Disposals	-	(5,231)	(5,231)
Reclassifications, net	45,542	-	45,542
Surplus on revaluation	780	-	780
Less: elimination of accumulated depreciation on revaluation	(284)	-	(284)
At 30 June	<u>444,805</u>	<u>584,023</u>	<u>1,028,828</u>
Accumulated depreciation			
At 1 January	108,007	407,340	515,347
Exchange adjustments	-	133	133
Charge for the period	3,545	22,549	26,094
Written back on disposal	-	(4,887)	(4,887)
Elimination on revaluation	(284)	-	(284)
At 30 June	<u>111,268</u>	<u>425,135</u>	<u>536,403</u>
Net book value			
At 30 June 2008	<u>333,537</u>	<u>158,888</u>	<u>492,425</u>
At 31 December 2007	<u>290,767</u>	<u>133,653</u>	<u>424,420</u>

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

	30/6/2008 Audited HK\$'000	31/12/2007 Audited HK\$'000
Certificates of deposit issued	1,461,226	1,520,519
Structured deposits	344,964	638,509
	<u>1,806,190</u>	<u>2,159,028</u>

7. Deposits from customers

	30/6/2008 Audited HK\$'000	31/12/2007 Audited HK\$'000
Deposits from customers		
- As stated in the balance sheet	68,572,286	70,481,358
- Structured deposits reported as financial liabilities designated at fair value through profit or loss	344,964	638,509
	<u>68,917,250</u>	<u>71,119,867</u>
Analysed by:		
- Demand deposits and current accounts	3,551,971	3,651,083
- Savings deposits	17,018,231	17,368,435
- Time, call and notice deposits	48,347,048	50,100,349
	<u>68,917,250</u>	<u>71,119,867</u>

8. Reserves

	30/6/2008 Audited HK\$'000	31/12/2007 Audited HK\$'000
Capital reserve	57,500	57,500
Bank premises revaluation reserve	36,145	35,069
Investment revaluation reserve	335,101	972,543
General reserve	1,003,730	1,003,730
Retained earnings	9,252,255	9,250,310
	<u>10,684,731</u>	<u>11,319,152</u>

- (a) For the six months ended 30 June 2008, a net loss of HK\$645,849,000 (30 June 2007: a net gain of HK\$131,607,000) was recognised directly in the investment revaluation reserve representing the changes in fair value of available-for-sale securities, a net gain of HK\$252,915,000 (30 June 2007: a net gain of HK\$19,310,000) was transferred from the investment revaluation reserve to the income statement on disposal of available-for-sale securities and HK\$248,364,000 (30 June 2007: Nil) was transferred from the investment revaluation reserve to the income statement on impairment of available-for-sale securities.
- (b) At 30 June 2008, included in retained earnings is an amount of HK\$385,900,000 (31 December 2007: HK\$509,086,000) 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 ("HKMA").
- (c) The directors declared an interim dividend of HK\$116,095,000 (2007 final dividend of HK\$348,285,000) after the period end which will be deducted as an appropriation of retained earnings for the year ending 31 December 2008.

9. Segment reporting

(a) Business segments

The Group operates predominantly in commercial banking which comprises retail and corporate banking, treasury, insurance, brokerage 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. Brokerage activities include securities and futures brokerage services. Other activities mainly comprise investment properties holding.

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	Brokerage HK\$'000	Others HK\$'000	Unallocated HK\$'000	Group HK\$'000
Six months ended 30 June 2008 (Audited)							
Interest income from							
- external customers	846,317	859,094	20,415	10,074	4	-	1,735,904
- other segments	885,624	351,399	4,202	1,497	269	-	1,242,991
Interest expense to							
- external customers	(934,976)	(123,751)	-	-	-	-	(1,058,727)
- other segments	(351,683)	(886,642)	-	(4,666)	-	-	(1,242,991)
Net interest income	445,282	200,100	24,617	6,905	273	-	677,177
Net fees and commission income/(expense) from external customers	64,937	(2,754)	-	112,516	17,617	-	192,316
Insurance operating income from external customers	-	-	218,632	-	-	-	218,632
Other operating (expenses to)/income from external customers	(205,370)	63,829	(26,265)	258,918	51,560	-	142,672
Operating income	304,849	261,175	216,984	378,339	69,450	-	1,230,797
Operating expenses	(241,184)	(15,238)	(23,047)	(31,665)	(37,061)	(92,623)	(440,818)
Impairment charge for credit losses	(6,237)	(285,095)	(3)	-	-	-	(291,335)
Charge for insurance claims	-	-	(302,538)	-	-	-	(302,538)
Net loss on disposal of other properties and equipment	-	-	-	-	(23)	(314)	(337)
Operating profit/(loss) before gain on certain investments	57,428	(39,158)	(108,604)	346,674	32,366	(92,937)	195,769
Fair value adjustments on investment properties	-	-	-	-	186,676	-	186,676
Share of net (losses)/profits of jointly controlled entities and associates	-	-	(40,226)	-	4,321	-	(35,905)
Profit/(loss) before taxation	57,428	(39,158)	(148,830)	346,674	223,363	(92,937)	346,540
Capital expenditure	29,821	638	809	1,440	20,105	6,027	58,840
Depreciation and amortisation charge	15,402	1,091	474	1,473	5,087	4,653	28,180

9. Segment reporting (Continued)

(a) Business segments (Continued)

	Retail and corporate banking HK\$'000	Treasury HK\$'000	Insurance HK\$'000	Brokerage HK\$'000	Others HK\$'000	Unallocated HK\$'000	Group HK\$'000
At 30 June 2008							
(Audited)							
Segment assets	49,078,626	40,187,536	1,810,968	1,030,860	3,026,659	-	95,134,649
Interests in jointly controlled entities	63,588	-	78,501	-	37,659	-	179,748
Interests in associates	-	-	6,136	-	-	-	6,136
Unallocated assets	-	-	-	-	-	303,778	303,778
Total assets	49,142,214	40,187,536	1,895,605	1,030,860	3,064,318	303,778	95,624,311
Segment liabilities	69,351,910	10,573,564	1,558,951	455,836	1,369,012	-	83,309,273
Unallocated liabilities	-	-	-	-	-	469,356	469,356
Total liabilities	69,351,910	10,573,564	1,558,951	455,836	1,369,012	469,356	83,778,629
Six months ended							
30 June 2007							
(Unaudited)							
Interest income from							
- external customers	1,170,713	930,803	34,543	21,106	6	-	2,157,171
- other segments	1,099,647	569,413	8,736	7,918	602	-	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	11,906	608	-	731,589
Net fees and commission income/(expense) from external customers	62,975	(3,145)	-	115,298	18,879	-	194,007
Insurance operating income from external customers	-	-	206,546	-	-	-	206,546
Other operating income from external customers	21,074	52,766	33,760	4,978	91,641	-	204,219
Operating income	551,256	258,210	283,585	132,182	111,128	-	1,336,361
Operating expenses	(191,755)	(12,414)	(18,371)	(25,340)	(25,703)	(76,346)	(349,929)
Impairment charge for credit losses	(11,563)	-	-	-	-	-	(11,563)
Charge for insurance claims	-	-	(173,819)	-	-	-	(173,819)
Net losses on disposal of other properties and equipment	(2)	-	-	-	-	(345)	(347)
Operating profit/(loss) before gain on certain investments	347,936	245,796	91,395	106,842	85,425	(76,691)	800,703
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	106,842	254,277	(76,691)	988,870
Capital expenditure	14,445	2,094	522	493	1,964	8,507	28,025
Depreciation and amortisation charge	15,279	884	715	1,562	3,898	5,087	27,425

9. Segment reporting (Continued)

(a) Business segments (Continued)

	Retail and corporate banking HK\$'000	Treasury HK\$'000	Insurance HK\$'000	Brokerage HK\$'000	Others HK\$'000	Unallocated HK\$'000	Group HK\$'000
At 31 December 2007 (Audited)							
Segment assets	47,823,485	38,095,622	1,688,015	1,691,687	3,261,880	-	92,560,689
Interests in jointly controlled entities	65,697	-	123,971	-	34,350	-	224,018
Interests in associates	-	-	6,184	-	-	-	6,184
Unallocated assets	-	-	-	-	-	257,248	257,248
Total assets	<u>47,889,182</u>	<u>38,095,622</u>	<u>1,818,170</u>	<u>1,691,687</u>	<u>3,296,230</u>	<u>257,248</u>	<u>93,048,139</u>
Segment liabilities	71,829,807	5,118,413	1,355,777	668,569	1,120,386	-	80,092,952
Unallocated liabilities	-	-	-	-	-	475,084	475,084
Total liabilities	<u>71,829,807</u>	<u>5,118,413</u>	<u>1,355,777</u>	<u>668,569</u>	<u>1,120,386</u>	<u>475,084</u>	<u>80,568,036</u>

(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.

10. Contingent liabilities, commitments and derivative 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:

	30/6/2008 Audited HK\$'000	31/12/2007 Audited HK\$'000
Contractual amount		
Direct credit substitutes	369,303	681,723
Transaction-related contingencies	121,331	67,365
Trade-related contingencies	290,462	410,028
Other commitments which are unconditionally cancellable	11,660,550	13,786,201
Other commitments with an original maturity of one year or less	1,109,180	2,268,990
Other commitments with an original maturity of over one year	4,831,865	5,789,372
	<u>18,382,691</u>	<u>23,003,679</u>
Credit risk weighted amount	<u>2,798,366</u>	<u>4,082,220</u>

10. Contingent liabilities, commitments and derivative financial instruments (Continued)

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

	30/6/2008 Audited			31/12/2007 Audited		
	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	2,175,312	5,272	5,203	1,735,844	5,538	4,546
Interest rate contracts	4,109,166	18,254	186,082	4,391,056	14,342	442,512
Equity contracts	1,081,478	21,117	23,151	945,793	15,933	15,920
Credit derivative contracts	935,856	-	370,833	936,048	-	138,714
	<u>8,301,812</u>	<u>44,643</u>	<u>585,269</u>	<u>8,008,741</u>	<u>35,813</u>	<u>601,692</u>
				30/6/2008 Audited HK\$'000	31/12/2007 Audited HK\$'000	
Credit risk weighted amount						
Exchange rate contracts				15,640	13,398	
Interest rate contracts				14,745	11,220	
Equity contracts				52,494	43,231	
Credit derivatives contracts				93,586	117,006	
				<u>176,465</u>	<u>184,855</u>	

D. Unaudited Supplementary Information of the Group

1. Capital adequacy ratio and capital base

	30/6/2008	31/12/2007
Capital ratios		
- Capital adequacy ratio	15.7%	14.7%
- Core capital ratio	13.4%	12.3%

The capital base after deductions used in the calculation of the above capital ratios as at 30 June 2008 and 31 December 2007 is analysed as follows:

	30/6/2008 HK\$'000	31/12/2007 HK\$'000
Core capital:		
Paid up ordinary share capital	1,160,951	1,160,951
Reserves	5,954,563	5,722,608
Profit and loss account	434,152	177,665
Less: Deferred tax assets	(13,019)	(6,799)
Core capital	7,536,647	7,054,425
Less: Deductions from core capital	(221,429)	(352,541)
Total core capital after deductions	7,315,218	6,701,884
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	44,983	45,291
Unrealised fair value gains arising from holdings of equities and debt securities designated at fair value through profit or loss	80,292	198,408
Regulatory reserve for general banking risks	385,900	509,086
Collective impairment allowances	109,723	108,437
Supplementary capital	1,445,314	1,685,638
Less: Deductions from supplementary capital	(221,430)	(352,541)
Total supplementary capital after deductions	1,223,884	1,333,097
Total capital base after deductions	8,539,102	8,034,981

1. Capital adequacy ratio and capital base (Continued)

The capital ratios at 30 June 2008 and 31 December 2007 were calculated in accordance with the Banking (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 Banking (Capital) Rules, the Group 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 basis of consolidation for calculation of the capital ratios at 30 June 2008 and 31 December 2007 follows the basis of consolidation for financial reporting but excludes certain subsidiaries as set out in section E of these interim results. The investment costs of these subsidiaries are therefore deducted from capital.

2. Gross advances to customers by industry sectors

	30/6/2008		31/12/2007	
	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	3,754,985	24.3	3,190,372	35.9
Property investment	12,741,664	93.3	12,003,588	91.7
Financial concerns	275,313	100.0	285,407	99.7
Stockbrokers	-	-	361	100.0
Wholesale and retail trade	719,623	96.3	622,891	96.8
Manufacturing	541,766	69.5	523,713	73.6
Transport and transport equipment	1,894,227	19.5	1,690,921	15.5
Recreational activities	18,546	100.0	19,770	100.0
Information technology	2,216	68.7	2,941	69.9
Others	3,594,179	56.9	2,847,782	63.7
Individuals				
Loans for the purchase of flats in the Home Ownership Scheme, Private Sector Participation Scheme and Tenants Purchase Scheme	1,848,692	100.0	1,952,277	100.0
Loans for the purchase of other residential properties	9,829,082	99.9	10,070,949	99.8
Credit card advances	457,732	-	660,328	-
Others	1,469,997	89.0	1,356,995	90.9
Trade finance	774,236	67.0	725,104	62.1
	<u>37,922,258</u>	<u>79.3</u>	<u>35,953,399</u>	<u>81.2</u>
Loans for use outside Hong Kong	5,901,520	36.3	5,981,121	38.2
	<u>43,823,778</u>	<u>73.5</u>	<u>41,934,520</u>	<u>75.1</u>

2. 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 2008			
Loans for use in Hong Kong			
Industrial, commercial and financial			
Property investment	6,031	4,028	15,545
Individuals			
Loans for the purchase of other residential properties	5,787	1,041	11,991
Loans for use outside Hong Kong	15,341	14,250	27,003
	<u>27,159</u>	<u>19,319</u>	<u>54,539</u>
At 31 December 2007			
Loans for use in Hong Kong			
Industrial, commercial and financial			
Property investment	7,697	5,043	21,131
Individuals			
Loans for the purchase of other residential properties	11,860	2,061	17,719
Loans for use outside Hong Kong	15,319	13,005	25,520
	<u>34,876</u>	<u>20,109</u>	<u>64,370</u>

3. Overdue assets
(a) Overdue advances

The Group's overdue advances to customers are analysed as follows:

	30/6/2008		31/12/2007	
	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	22,998	0.05	37,311	0.09
- One year or less, but over six months	33,749	0.08	34,873	0.08
- Over one year	40,081	0.09	80,626	0.19
	<u>96,828</u>	<u>0.22</u>	<u>152,810</u>	<u>0.36</u>
Secured overdue advances	70,238		111,960	
Unsecured overdue advances	26,590		40,850	
	<u>96,828</u>		<u>152,810</u>	
Market value of collateral held against the secured overdue advances	<u>84,850</u>		<u>130,789</u>	
Individual impairment allowances made	<u>26,283</u>		<u>39,346</u>	

At 30 June 2008, there were no advances to banks which were overdue for over three months (31 December 2007: Nil).

(b) Other overdue assets

The Group's other overdue assets are analysed as follows:

	30/6/2008		31/12/2007	
	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	-	241	3,541	4,511
- One year or less, but over six months	-	192	-	745
- Over one year	-	4,560	8,507	4,871
	<u>-</u>	<u>4,993</u>	<u>12,048</u>	<u>10,127</u>

4. Rescheduled advances

The Group's rescheduled advances (net of those which have been overdue for over three months and reported in item 3(a) above) are as follows:

	30/6/2008		31/12/2007	
	HK\$'000	% of total advances to customers	HK\$'000	% of total advances to customers
Rescheduled advances to customers	36,765	0.08	38,351	0.09

At 30 June 2008, there were no rescheduled advances to banks (31 December 2007: Nil).

5. 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 2008						
Hong Kong	39,981,345	96,828	81,886	26,283	34,185	103,373
Others	3,842,433	-	-	-	-	6,198
	<u>43,823,778</u>	<u>96,828</u>	<u>81,886</u>	<u>26,283</u>	<u>34,185</u>	<u>109,571</u>
At 31 December 2007						
Hong Kong	38,165,714	152,810	110,227	39,346	48,166	101,661
Others	3,768,806	-	-	-	-	6,533
	<u>41,934,520</u>	<u>152,810</u>	<u>110,227</u>	<u>39,346</u>	<u>48,166</u>	<u>108,194</u>

6. 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:

	30/6/2008	31/12/2007
	HK\$'000	HK\$'000
Spot assets	16,448,095	18,439,911
Spot liabilities	(15,269,223)	(17,179,125)
Forward purchases	2,656,725	2,334,698
Forward sales	(2,397,161)	(2,080,305)
Net option position	(16,400)	(3,279)
Net long position	<u>1,422,036</u>	<u>1,511,900</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.

The RMB and US dollar net structural positions constitute 10% or more of the total net structural position in all foreign currencies and are reported in Hong Kong dollar equivalent as follows:

	30/6/2008	31/12/2007
	HK\$'000	HK\$'000
Net structural position		
US dollar	275,176	67,864
RMB	113,800	106,890
	<u>388,976</u>	<u>174,754</u>

7. 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	Public sector entities	Others	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 30 June 2008				
Asia Pacific excluding				
Hong Kong	15,467,827	69,351	3,510,022	19,047,200
North and South America	646,271	79,845	2,182,875	2,908,991
Europe	13,883,534	-	445,105	14,328,639
At 31 December 2007				
Asia Pacific excluding				
Hong Kong	13,515,818	61,793	3,872,264	17,449,875
North and South America	1,946,704	123,674	1,847,298	3,917,676
Europe	18,259,143	-	690,328	18,949,471

8. 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, these include exposures extended by the Bank and its overseas branches only.

At 30 June 2008

	On-balance sheet exposure HK\$'000	Off-balance sheet exposure HK\$'000	Total HK\$'000	Individual impairment allowance HK\$'000
Mainland entities	4,064,332	288,490	4,352,822	-
Companies and individuals outside Mainland where the credit is granted for use in Mainland	1,829,306	468,709	2,298,015	6,895
Other counterparties where the exposure is considered by the Bank to be non-bank Mainland exposure	31,208	-	31,208	-
Total	<u>5,924,846</u>	<u>757,199</u>	<u>6,682,045</u>	<u>6,895</u>

At 31 December 2007

	On-balance sheet exposure HK\$'000	Off-balance sheet exposure HK\$'000	Total HK\$'000	Individual impairment allowance HK\$'000
Mainland entities	3,533,882	887,603	4,421,485	-
Companies and individuals outside Mainland where the credit is granted for use in Mainland	1,983,753	663,777	2,647,530	7,564
Other counterparties where the exposure is considered by the Bank to be non-bank Mainland exposure	48,979	712	49,691	-
Total	<u>5,566,614</u>	<u>1,552,092</u>	<u>7,118,706</u>	<u>7,564</u>

9. Liquidity ratio

	Six months ended 30 June	
	2008	2007
Liquidity ratio	<u>49.4%</u>	<u>46.4%</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.

10. Additional disclosure on structured investments

Structured Investment Vehicles (“SIV”)

The nominal value of the Group's SIV portfolio was HK\$722.5 million as at 30 June 2008, all of which are sponsored by banks. The Group has been conservative in provisioning amidst deterioration in the asset-backed securities market. Out of the total portfolio of SIV investments, 4 have been fully provided for. During the financial year ended 31 December 2007, the Group took accumulated impairment losses of HK\$463.0 million against its SIV investments and has taken an additional HK\$285.1 million of impairment losses in the six months ended 30 June 2008. An amount of HK\$58.0 million was written off in the first half of 2008. At 30 June 2008, total accumulated impairment allowance stood at 95.5% of the Group's gross SIV investments with the net exposure amounting to HK\$26.7 million.

Collateralised Debt Obligations (“CDO”)

The nominal value of the Group's CDO portfolio was HK\$857.9 million as at 30 June 2008. A summary of the Group's CDO investments is as follows:

Maturity	Current rating	Number of securities	Nominal amount HK\$'M	Mark-to-market (“MTM”) losses during 1H 2008 HK\$'M	Accumulated MTM losses up to 30/6/2008 HK\$'M	Amount net of accumulated MTM losses as at 30/6/2008 HK\$'M	Coverage
3/2010	A-	1	233.9	37.8	57.5	176.4	24.6%
6/2011	BBB+/BBB	2	312.0	103.4	142.3	169.7	45.6%
9/2012	A / A2	2	312.0	87.5	160.0	152.0	51.3%
Total		5	857.9	228.7	359.8	498.1	41.9%

As at 30 June 2008, the Group's CDO portfolio comprised 5 securities, all of which were mezzanine tranches with investment grade ratings. None of the Group's CDO investments have underlying assets that include mortgage-backed securities (including U.S. sub-prime residential mortgages) and the average maturity of the portfolio stood at approximately 3 years and 1 month. As at 30 June 2008, there were no defaults witnessed in any of the underlying reference entities of the Group's CDO investments.

The credit market conditions were highly challenging in the second half of 2007 and have further deteriorated in the first six months of 2008. This saw a tightening of the CDO market, particularly in the U.S. and the distressed conditions were reflected in the valuation of the Group's CDO investments. The Group continues to adopt a conservative approach towards accounting for its CDO investments that takes into account a range of factors affecting valuation including current market conditions, credit quality, maturity and other information. As a result, the Group took a HK\$131.1 million MTM loss against its CDO portfolio for the financial year ended 31 December 2007 and has followed this with an additional HK\$228.7 million loss recognised during the first six months of 2008. As at 30 June 2008, the net exposure of its CDO portfolio stood at HK\$498.1 million, representing a coverage of 41.9%. The carrying amount of the Group's CDO investments represents approximately 0.5% of the Group's total assets.

E. 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 2007 is derived from the statutory financial statements for that financial year. Statutory financial statements for the year ended 31 December 2007 are available from the Bank's registered office. The auditors have expressed an unqualified opinion on those financial statements in their report dated 5 March 2008.

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 2007.

The Hong Kong Institute of Certified Public Accountants ("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 2008. The Group has assessed the impact of these new/revised HKFRSs and concluded that they are not relevant to the Group's operations.

Up to the date of issue of these interim financial statements, the HKICPA has also issued certain new/revised HKFRSs which are not yet effective for accounting period beginning on 1 January 2008 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 the following new/revised HKFRSs which are relevant to the Group's operations is unlikely to have a significant impact on the Group's result of operations and financial position.

- HK(IFRIC) Interpretation 13: Customer Loyalty Programmes, which is effective for annual periods beginning on or after 1 July 2008
- HKAS 1 (Revised): Presentation of Financial Statements, which is effective for annual periods beginning on or after 1 January 2009
- HKFRS 8: Operating Segments: which is effective for annual periods beginning on or after 1 January 2009
- HKAS 27 (Revised): Consolidated and Separate Financial Statements, which is effective for annual periods beginning on or after 1 July 2009

However, HKAS 1 (Revised) and HKFRS 8 may result in new or amended disclosures in the financial statements.

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 purpose, the bases of consolidation are set out in notes 1, 8 and 9 of section D of these interim results.

E. 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 Information Technology (Shenzhen) 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 2008 and 31 December 2007 for regulatory reporting purposes

* Newly established in February 2008

F. Comparative figures

Certain comparative figures have been reclassified to conform with the current period's presentation.

Interim Dividend

The Directors declared an interim dividend of HK\$0.50 per ordinary share on 10 July 2008. The interim dividend was paid on 24 July 2008 to shareholders who were on the register of shareholders of the Bank as at 18 July 2008.

Financial Results and Operation Review

Adversely affected by the deteriorating external economies, Hong Kong's economic growth slackened as evidenced by the slowdown in property market and falls in the stock market, however high inflationary conditions continued, causing domestic consumption to contract in the first half of 2008.

The growing US sub-prime crisis has led to a significant slow down in the US economy, which, in turn, has affected the global markets particularly those with heavy reliance on exports to the US. Given the weakened US Dollar, continual macro economic controls in Mainland China and appreciation of the Renminbi, Hong Kong's business environment will remain difficult, and banking sector is likely to face more difficult challenges in the second half of the year.

Financial Review

Comparing the Group's operating results for the first half of 2008 with the corresponding period of 2007:

Profit after taxation amounted to HK\$350,230,000, representing a decrease of 59.1%, mainly attributable to the mark-to-market loss on collateralised debt obligations and impairment allowance on the investment in structured investment vehicles totalling HK\$513,729,000.

Net interest income was HK\$677,177,000, down 7.4% versus the comparable period last year. Due to severe competition, interest rate spreads narrowed with net interest margin dropping 26 basis points below the same period last year.

Insurance operating income increased by 5.9% to HK\$218,632,000, however, due to increased claims reserve, insurance operations registered a net loss. During the period under review, mark-to-market loss on collateralised debt obligations was HK\$228,634,000; whereas the sale of available-for-sale securities registered a profit of HK\$252,915,000. Net fees and commission income and other operating income increased by 4.6% to HK\$287,702,000.

Total operating income decreased by 7.9% to HK\$1,230,797,000. Operating expenses increased by 26% to HK\$440,818,000, mainly due to higher staffing costs and advertising and promotion expenses related to the Bank's 75th Anniversary.

The first half 2008 cost-to-income ratio at 35.8% was 9.6% higher than last year. Operating profit before impairment allowances on loans and advances decreased by 19.9% to HK\$789,979,000. During the period, charge for impairment allowances on loans and advances was HK\$6,240,000 and impairment allowance on structured investment vehicles was HK\$285,095,000.

Operating profit decreased by 75.6% to HK\$195,769,000.

Total customer deposits, including structured deposits, amounted to HK\$68,917,250,000, up 3.2% from mid 2007 but down 3.1% compared with year-end 2007.

Advances to customers went up by 5.8% from the level a year ago to HK\$43,823,778,000, or up 4.5% as compared with that at year-end 2007. Impairment allowances amounted to HK\$143,756,000, of which 76.2% was collective impairment allowances, representing 0.25% of the total advances to customers. The loan-to-deposit ratio was 60.5%, compared with 58.2% same time last year. At year-end 2007 the loan-to-deposit ratio was 56.1%.

The return on average total assets was 0.74%, while that of mid-year 2007 was 1.96%. The return on average shareholders' funds was 5.76%, compared with 14.8% at interim last year.

At 30 June 2008, the consolidated capital adequacy ratio was 15.7%, and the average liquidity ratio for the first half of 2008 was 49.4%.

Operation Review

Deposits

Total deposits, including structured deposits, decreased by 3.1% as compared with that at last year-end. Under a lower deposit interest rate environment yet with growing inflationary pressure, customers channelled their investment funds to higher-yielding investment products or to the property market, causing the Bank's deposit base to contract. However, the deposits on higher-yielding foreign currencies and Renminbi rose.

The softer US Dollar has prompted some depositors to shift their funds to other higher-yielding foreign currency deposits, which together rose 22.6% as compared with that at year-end 2007.

Benefiting from the continuous appreciation of the Renminbi, the Bank's Renminbi deposits surged by 120% as compared with that at 2007 year-end.

As at 30 June 2008, certificates of deposit totaling HK\$3,239,411,000 were issued, down 1.6% 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 4.5% as compared with that at year-end 2007.

The turnover in the property market showed signs of slowing down in the first half of 2008, and the outlook for the property market for the near term remains uncertain. The Bank raised its mortgage lending rates in late June to keep abreast with market conditions.

Corporate loans performed steadily and recorded an increase of 6.7% as compared with 2007 year-end, while syndicated loans achieved a 10.5% growth in the same period.

In the first half of 2008, the growth of the Bank's hire-purchase and leasing subsidiary, Wing Lung Finance Limited, was affected by an increase in impairment loss on machinery financing and narrowed interest margin at large.

Treasury

Aggregate treasury income gained 32.7% over the level a year ago. Income from foreign exchange trading increased and income generated from money exchange business decreased. Foreign exchange options trading remained active.

Widened exchange rates fluctuation has encouraged customers' participation in foreign exchange options trading. It is likely that this business area would have even better performance in the second half of 2008.

Wealth management

Income from wealth management operation shrank by 19.1% when compared with mid-year 2007.

Given the widening US sub-prime mortgage and credit crisis, investors became more pessimistic about the investment environment. In line with the substantial fall in the local stock indices and trading volume, the profit generated from wealth management business also registered a decline.

A brand new wealth management product – “Wealth Builder” focusing on retirement planning was launched in the second quarter of the year. It is a made-to-measure product which can be tailored for individual customer’s needs and personal goals. It is hoped that this new service can help attract more new customers.

In view of the present market atmosphere, more products on principal guaranteed funds and lower risk products will be delivered by the Wealth Management Center. Massive promotional activities will be launched to attract potential customers and to drive sales volume.

Credit card

At 30 June 2008, the total number of credit cards issued rose by 0.5% as compared with that at year-end 2007 while total credit card receivables contracted.

The Credit Card Centre will step up its efforts in promoting Corporate Mastercard to corporate clients, 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

As compared with the corresponding period last year, commissions earned from securities business recorded a decrease of 10.9%, while interest income from securities margin lending slipped by 19.1%. Futures commission income also recorded a decrease.

The Securities Department will continue to expand its securities services and launch preferential offers to new securities accounts, aiming at drawing in potential customers as well as retaining the existing ones. Additional securities service centers have been set up in Lam Tin Sceneway Plaza Branch, Sham Shui Po Branch, Causeway Bay Branch, Hung Hom Branch and Tuen Mun Branch to better serve our customers.

Insurance

Wing Lung Insurance Company Limited recorded a 6.9% increase in gross premium compared to that of the corresponding period last year. As the claims for employees’ compensation insurance and motor vehicle insurance continued to rise in the first half of 2008, the Bank has conservatively increased the claims reserve for these insurance classes, which contributed to a loss in the insurance business.

The Insurance Department recorded a decline in agency business and commission income; while net commission income from life insurance products increased as compared with the corresponding period last year.

Besides adopting a more flexible pricing strategy to cope with keen competition and to maintain market share, our insurance operation will adopt a prudent approach in targeting higher quality business in order to sustain a balanced growth.

Branch

The Bank operates 35 local branches in total. In addition, the Bank operates Shenzhen Branch, Shanghai Branch and Nanshan Sub-Branch in China, Los Angeles Branch in the US and Cayman Islands Branch. All the branches achieved steady growth.

Benefiting from the launch of Renminbi loan business and a wider interest margin, Shenzhen Branch recorded a remarkable profit growth as compared with the corresponding period last year. The Branch will be accepted to the China National Advanced Payment System (CNAPS) towards the second half of the year; and this will enable the Branch to provide, besides foreign currencies, Renminbi deposit service to foreigners and selected PRC locals, hence further improving the loan-to-deposit ratio of the Branch. In order to expand the scope of Renminbi business, application to the relevant authorities will also be made for bills acceptance business and derivative products licence.

Shanghai Branch, which commenced operation a few months ago, runs satisfactorily with development of various types of loan business in the Yangtze River Delta.

To cope with the business development needs of the Mainland branches and to enhance service quality, actions will be taken to recruit more experienced front-line staff, to strengthen staff training and development and the computer systems.

Los Angeles Branch has devoted much effort in enlarging its customer base and recorded a satisfactory loan growth.

Investment in information technology

In the first half of 2008, the Information Technology Department continued to enhance the capacity and stability of various computer systems, including Securities Trading System, Teller Platform System, Telebanking System etc., with completion targeted within the year.

Human resources

At the end of June 2008, the Bank's total workforce amounted to 1,682, including 1,613 locally, 57 in China and 12 overseas.

In order to upgrade the skills, knowledge and overall competitiveness of its staff for further development, the Bank's Human Resource Department has been actively organising seminars and training sessions related to banking practice, product knowledge, sales techniques and market information updates. Training sponsorships are also allotted to encourage staff in achieving further professional qualifications or pursuing higher education so as to build up a stronger talent pool.

Sale and Purchase Agreements Between Major Shareholders of Wing Lung Bank Ltd and China Merchants Bank Co., Ltd

On 30 May 2008, Wu Jieh Yee Company Limited, Wu Yee Sun Company Limited and Yee Hong Company Limited, companies controlled by the Wu Family of the Bank, entered into the Sale and Purchase Agreements with China Merchants Bank Co., Ltd to sell their 53.12% stake in the Bank. The transaction is still under the process of approval by the relevant regulatory authorities.

Purchase, Sale or Redemption of Shares

The Bank has not redeemed any of its shares during the six months ended 30 June 2008. 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 2008, 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 2008, 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 2008, 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.

Audit and Review of the Interim Results

These interim results have been audited by the Bank's independent auditor, PricewaterhouseCoopers, and reviewed by the Bank's Audit Committee.

Publication of Interim Report on the Stock Exchange's Website

The 2008 Interim Report of the Bank containing all the information required by the Banking (Disclosure) Rules and 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, 27 August 2008

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.

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