大新銀行集團有限公司
Dah Sing Banking Group Limited

(Incorporated in Hong Kong with limited liability under the Companies Ordinance)

The holding company of Dah Sing Bank, Limited and MEVAS Bank Limited

(Stock Code: 2356)

ANNOUNCEMENT OF 2008 FINAL RESULTS

The Directors of Dah Sing Banking Group Limited (the "Company") are pleased to present the consolidated audited results of the Company and its subsidiaries (collectively the "Group") for the year ended 31 December 2008.

CONSOLIDATED INCOME STATEMENT

For the year ended 31 December

HK$'000	*Note*	**2008**	2007	Variance %
Interest income		**4,612,468**	5,851,302	
Interest expense		**(2,404,882)**	(3,783,469)	
Net interest income	*5*	**2,207,586**	2,067,833	6.8
Fee and commission income		**637,000**	747,447	
Fee and commission expense		**(104,736)**	(100,014)	
Net fee and commission income	*6*	**532,264**	647,433	–17.8
Net trading income	*7*	**211,060**	149,351	41.3
Other operating income	*8*	**63,265**	98,693	–35.9
Operating income		**3,014,175**	2,963,310	1.7
Operating expenses	*9*	**(1,555,157)**	(1,272,957)	22.2
Operating profit before impairment losses		**1,459,018**	1,690,353	–13.7
Impairment losses on loans and advances	*10*	**(658,535)**	(180,795)	264.2

CONSOLIDATED INCOME STATEMENT *(Continued)*
For the year ended 31 December

HK$'000	*Note*	**2008**	2007	Variance %
Operating profit before gains or losses on certain investments and fixed assets		**800,483**	1,509,558	–47.0
Net gain on disposal and revaluation of premises and other fixed assets	*11*	**854**	94,512	
Net (loss)/gain on disposal of and fair value adjustment on investment properties	*12*	**(78,923)**	181,527	
Net gain on disposal of available-for-sale securities		**18,490**	85,141	
Share of results of an associate		**120,589**	72,070	
Share of results of jointly controlled entities		**5,674**	10,536	
Impairment losses charged on held-to-maturity securities		**(357,684)**	–	
Impairment losses charged on available-for-sale securities	*13*	**(297,618)**	(1,037,742)	
Profit before income tax		**211,865**	915,602	–76.9
Income tax expense	*14*	**(21,288)**	(109,318)	
Profit for the year		**190,577**	806,284	–76.4
Profit attributable to minority interests		**(1,935)**	(6,115)	
Profit attributable to shareholders of the Company		**188,642**	800,169	–76.4
Dividends				
Interim dividend paid		**167,897**	232,854	
Proposed final dividend		**–**	139,712	
		167,897	372,566	
Earnings per share				
Basic	*15*	**HK$0.20**	HK$0.86	–76.7
Diluted	*15*	**HK$0.20**	HK$0.86	–76.7

CONSOLIDATED BALANCE SHEET

As at 31 December

HK$'000	*Note*	**2008**	2007
ASSETS			
Cash and balances with banks		**12,665,167**	10,025,003
Placements with banks maturing between one and twelve months		**1,656,950**	1,919,342
Trading securities	*16*	**1,875,564**	2,281,409
Financial assets at fair value through profit or loss	*16*	**565,290**	1,351,698
Derivative financial instruments	*17*	**1,066,439**	758,047
Advances and other accounts	*18*	**69,507,336**	65,438,768
Available-for-sale securities	*20*	**14,247,299**	25,434,195
Held-to-maturity securities	*21*	**6,159,264**	4,354,181
Investment in an associate		**1,132,461**	800,989
Investments in jointly controlled entities		**59,973**	63,852
Goodwill		**811,690**	811,690
Intangible assets		**126,875**	145,911
Premises and other fixed assets		**1,666,499**	1,785,033
Investment properties		**546,172**	658,588
Current income tax assets		**139,860**	102,224
Deferred income tax assets		**159,380**	9,228
Total assets		**112,386,219**	115,940,158
LIABILITIES			
Deposits from banks		**2,443,594**	2,651,668
Derivative financial instruments	*17*	**2,267,640**	970,781
Trading liabilities		**1,791,419**	2,689,069
Deposits from customers designated at fair value through profit or loss		**471,065**	3,142,488
Deposits from customers		**81,890,447**	75,940,861
Certificates of deposit issued		**4,654,985**	8,843,414
Issued debt securities		**2,803,640**	2,794,861
Subordinated notes		**5,671,716**	5,147,837
Other accounts and accruals		**2,183,662**	4,394,590
Current income tax liabilities		**12,682**	27,256
Deferred income tax liabilities		**1,575**	88,862
Total liabilities		**104,192,425**	106,691,687
EQUITY			
Minority interests		**20,593**	19,045
Equity attributable to the Company's shareholders			
Share capital		**932,759**	931,416
Reserves	*22*	**7,240,442**	8,158,298
Proposed final dividend	*22*	**–**	139,712
Shareholders' funds		**8,173,201**	9,229,426
Total equity		**8,193,794**	9,248,471
Total equity and liabilities		**112,386,219**	115,940,158

Note:

1. STATUTORY FINANCIAL STATEMENTS

The financial information set out in this results announcement does not constitute the Group's statutory consolidated financial statements for the year ended 31 December 2008 but is derived from those statutory financial statements. The consolidated financial statements of the Group for the year ended 31 December 2008 will be available from the website of The Stock Exchange of Hong Kong Limited in due course. The auditors have expressed an unqualified opinion on those financial statements in their report dated 25 March 2009.

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES

The consolidated financial statements of the Group have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs" which is a collective term including all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations) issued by Hong Kong Institute of Certified Public Accountants ("HKICPA"), accounting principles generally accepted in Hong Kong and the requirements of the Hong Kong Companies Ordinance.

The consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of properties (including investment properties), available-for-sale financial assets, fair value-hedged loans and receivables, financial assets and financial liabilities held for trading, financial assets and financial liabilities (including derivative instruments) at fair value through profit or loss.

The preparation of financial statements in conformity with HKFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The accounting policies and methods of computation used in the preparation of the 2008 consolidated financial statements are consistent with those used and described in the Group's annual audited financial statements for the year ended 31 December 2007.

The financial information in this results announcement is presented in thousands of Hong Kong dollars (HK$'000), unless otherwise stated.

3. NEW AND INTERPRETATIONS TO EXISTING HKFRSS

The Group has adopted the new HKFRSs and the amendments and interpretations to existing HKFRSs issued by the HKICPA which are effective in 2008 and which are relevant to the Group's operation.

4. SEGMENT REPORTING

(A) By business segments

For the year ended 31 December 2008
HK$'000

Group	Personal Banking	Commercial Banking	Treasury	Unallocated	Elimination	Total
Interest income from						
– external customers	**1,347,790**	**1,625,788**	**1,559,960**	**78,930**	**–**	**4,612,468**
– inter-segments	**914,893**	**–**	**–**	**399,302**	**(1,314,195)**	**–**
Interest expense to						
– external customers	**(1,327,883)**	**(376,481)**	**(234,188)**	**(466,330)**	**–**	**(2,404,882)**
– inter-segments	**–**	**(324,257)**	**(989,938)**	**–**	**1,314,195**	**–**
Net interest income	**934,800**	**925,050**	**335,834**	**11,902**	**–**	**2,207,586**
Fee and commission income	**469,315**	**139,952**	**12,518**	**15,215**	**–**	**637,000**
Fee and commission expense	**(94,935)**	**(1,084)**	**(8,455)**	**(262)**	**–**	**(104,736)**
Net fee and commission income	**374,380**	**138,868**	**4,063**	**14,953**	**–**	**532,264**
Net trading income	**15,016**	**13,677**	**87,714**	**94,653**	**–**	**211,060**
Other operating income	**20,277**	**4,611**	**2,990**	**35,387**	**–**	**63,265**
Operating income	**1,344,473**	**1,082,206**	**430,601**	**156,895**	**–**	**3,014,175**
Operating expenses	**(1,026,012)**	**(293,376)**	**(115,926)**	**(119,843)**	**–**	**(1,555,157)**
Operating profit before impairment losses	**318,461**	**788,830**	**314,675**	**37,052**	**–**	**1,459,018**
Impairment losses on loans and advances	**(147,046)**	**(511,489)**	**–**	**–**	**–**	**(658,535)**
Operating profit before gains or losses on certain investments and fixed assets	**171,415**	**277,341**	**314,675**	**37,052**	**–**	**800,483**
Net gain on disposal and revaluation of premises and other fixed assets	**20**	**–**	**–**	**834**	**–**	**854**
Net loss on disposal of and fair value adjustment on investment properties	**–**	**–**	**–**	**(78,923)**	**–**	**(78,923)**
Net gain on disposal of available-for-sale securities	**5,920**	**–**	**12,566**	**4**	**–**	**18,490**
Share of results of an associate	**–**	**–**	**–**	**120,589**	**–**	**120,589**
Share of results of jointly controlled entities	**–**	**–**	**–**	**5,674**	**–**	**5,674**
Impairment losses charged on held-to-maturity securities	**–**	**–**	**(357,684)**	**–**	**–**	**(357,684)**
Impairment losses charged on available-for-sale securities	**–**	**–**	**(39,984)**	**(257,634)**	**–**	**(297,618)**
Profit before income tax	**177,355**	**277,341**	**(70,427)**	**(172,404)**	**–**	**211,865**
As at 31 December 2008						
Total assets	**26,527,884**	**35,156,157**	**46,407,827**	**4,294,351**	**–**	**112,386,219**
Total liabilities	**60,811,234**	**18,600,935**	**12,557,171**	**12,223,085**	**–**	**104,192,425**
For the year ended 31 December 2008						
Depreciation	**39,011**	**22,672**	**12,627**	**21,182**	**–**	**95,492**
Capital expenditure incurred	**23,869**	**3,740**	**373**	**50,500**	**–**	**78,482**

4. SEGMENT REPORTING *(Continued)*

(A) By business segments *(Continued)*

For the year ended 31 December 2007
HK$'000

Group	Personal Banking	Commercial Banking	Treasury	Unallocated	Elimination	Total
Interest income from						
– external customers	1,755,688	2,002,556	2,067,856	25,202	–	5,851,302
– inter-segments	1,244,272	–	–	879,809	(2,124,081)	–
Interest expense to						
– external customers	(1,964,856)	(646,870)	(401,187)	(770,556)	–	(3,783,469)
– inter-segments	–	(586,451)	(1,537,630)	–	2,124,081	–
Net interest income	1,035,104	769,235	129,039	134,455	–	2,067,833
Fee and commission income	582,247	128,903	9,920	26,377	–	747,447
Fee and commission expense	(83,564)	(1,011)	(10,330)	(5,109)	–	(100,014)
Net fee and commission income/(expense)	498,683	127,892	(410)	21,268	–	647,433
Net trading income	10,760	9,087	98,953	30,551	–	149,351
Other operating income	60,613	8,021	7,037	23,022	–	98,693
Operating income	1,605,160	914,235	234,619	209,296	–	2,963,310
Operating expenses	(858,485)	(290,587)	(88,667)	(35,218)	–	(1,272,957)
Operating profit before impairment losses	746,675	623,648	145,952	174,078	–	1,690,353
Impairment losses on loans and advances	(97,637)	(83,178)	23	(3)	–	(180,795)
Operating profit before gains or losses on certain investments and fixed assets	649,038	540,470	145,975	174,075	–	1,509,558
Net (loss)/gain on disposal and revaluation of premises and other fixed assets	(7)	4	7	94,508	–	94,512
Net gain on disposal of and fair value adjustment on investment properties	–	–	–	181,527	–	181,527
Net gain on disposal of available-for-sale securities	9,603	–	75,538	–	–	85,141
Share of results of an associate	–	–	–	72,070	–	72,070
Share of results of jointly controlled entities	–	–	–	10,536	–	10,536
Impairment losses charged on available-for-sale securities	–	–	–	(1,037,742)	–	(1,037,742)
Profit before income tax	658,634	540,474	221,520	(505,026)	–	915,602
As at 31 December 2007						
Total assets	27,267,243	35,957,780	48,482,583	4,232,552	–	115,940,158
Total liabilities	55,411,277	19,761,043	17,146,476	14,372,891	–	106,691,687
For the year ended 31 December 2007						
Depreciation	49,977	20,663	6,373	7,869	–	84,882
Capital expenditure incurred	43,341	7,748	884	16,801	–	68,774

4. **SEGMENT REPORTING** *(Continued)*

(A) By business segments *(Continued)*

Personal banking business includes the acceptance of deposits from individual customers and the extension of residential mortgage lending, personal loans, overdraft and credit card services, the provision of insurance sales and investment services.

Commercial banking business includes the acceptance of deposits from and the advance of loans and working capital finance to commercial, industrial and institutional customers, and the provision of trade financing. Hire purchase finance and leasing related to equipment, vehicle and transport financing are included.

Treasury activities are mainly the provision of foreign exchange services and centralised cash management for deposit taking and lending, interest rate risk management, management of investment in securities and the overall funding of the Group.

Unallocated items include results of operations, corporate investments and debt funding (including subordinated notes) not directly identified under other business divisions.

(B) By geographical segments

HK$'000	**Hong Kong and others**	**Macau**	**Inter-segment elimination**	**Total**
For the year ended 31 December 2008				
Operating income	**2,758,069**	**256,381**	**(275)**	**3,014,175**
Profit before income tax	**194,594**	**17,271**	**–**	**211,865**
Profit for the year	**180,657**	**9,920**	**–**	**190,577**
Depreciation	**75,127**	**20,365**	**–**	**95,492**
Capital expenditure incurred	**72,824**	**5,658**	**–**	**78,482**
As at 31 December 2008				
Total assets	**103,304,945**	**11,253,411**	**(2,172,137)**	**112,386,219**
Total liabilities	**96,783,058**	**9,581,504**	**(2,172,137)**	**104,192,425**
Contingent liabilities and commitments	**37,094,520**	**1,485,131**	**–**	**38,579,651**

	Hong Kong and others	Macau	Inter-segment elimination	Total
For the year ended 31 December 2007				
Operating income	2,667,751	295,559	–	2,963,310
Profit before income tax	853,589	62,013	–	915,602
Profit for the year	754,593	51,691	–	806,284
Depreciation	67,243	17,639	–	84,882
Capital expenditure incurred	50,393	18,381	–	68,774
As at 31 December 2007				
Total assets	107,127,748	11,047,005	(2,234,595)	115,940,158
Total liabilities	99,474,842	9,451,440	(2,234,595)	106,691,687
Contingent liabilities and commitments	39,579,508	1,584,097	–	41,163,605

5. NET INTEREST INCOME

HK$'000	**2008**	2007
Interest income		
Cash and balances with banks	**375,003**	345,024
Investments in securities	**1,290,235**	1,829,103
Advances to customers and banks	**2,945,973**	3,674,735
Others	**1,257**	2,440
	4,612,468	5,851,302
Interest expense		
Deposits from banks/Deposits from customers	**1,839,600**	2,824,792
Certificates of deposit issued	**200,175**	436,710
Issued debt securities	**89,399**	115,338
Subordinated notes	**209,819**	311,402
Others	**65,889**	95,227
	2,404,882	3,783,469
Included within interest income		
Interest income on listed investments	**1,108,681**	957,198
Interest income on unlisted investments	**181,554**	871,905
	1,290,235	1,829,103
Interest income on financial assets not designated at fair value through profit or loss	**4,572,517**	5,274,563
Interest income on impaired assets	**16,069**	17,969
Included within interest expense		
Interest expenses on financial liabilities not designated at fair value through profit or loss	**2,104,945**	3,144,650

6. NET FEE AND COMMISSION INCOME

HK$'000	**2008**	2007
Fee and commission income		
Fee and commission income from financial assets and liabilities not designated at fair value through profit or loss		
– Credit related fees and commissions	**65,262**	62,166
– Trade finance	**57,520**	63,878
– Credit card	**198,634**	197,854
Other fee and commission income		
– Securities brokerage and investment services	**149,772**	220,058
– Insurance distribution and others	**46,367**	56,635
– Retail investment funds and fiduciary services	**44,490**	80,660
– Other fees	**74,955**	66,196
	637,000	747,447
Fee and commission expense		
Handling fees and commission	**92,947**	86,736
Other fees paid	**11,789**	13,278
	104,736	100,014

The Group provides custody, trustee, corporate administration, and investment management services to third parties. Those assets that are held in a fiduciary capacity are not included in these financial statements.

7. NET TRADING INCOME

HK$'000	**2008**	2007
Net gain arising from dealing in foreign currencies	**258,603**	174,866
Net gain/(loss) from trading securities	**12,449**	(1,448)
Net loss from derivatives entered into for trading purpose	**(137,357)**	(20,830)
Net loss arising from financial instruments subject to fair value hedge	**(15,511)**	(38,270)
Net gain arising from financial instruments designated at fair value through profit or loss	**92,876**	35,033
	211,060	149,351

8. OTHER OPERATING INCOME

HK$'000	**2008**	2007
Dividend income from investments in available-for-sale securities		
– Listed investments	**1,720**	5,106
– Unlisted investments	**4,174**	5,188
Gross rental income from investment properties	**11,720**	16,713
Other rental income	**5,462**	6,678
Others	**40,189**	65,008
	63,265	98,693

9. OPERATING EXPENSES

HK$'000	**2008**	2007
Employee compensation and benefit expenses (including directors' remuneration)	**677,835**	722,965
Premises and other fixed assets expenses, excluding depreciation	**158,445**	140,304
Depreciation	**95,492**	84,882
Advertising costs	**76,110**	95,808
Amortisation expenses of intangible assets	**19,036**	22,752
Auditors' remuneration	**5,780**	5,780
Others	**522,459**	200,466
	1,555,157	1,272,957

10. IMPAIRMENT LOSSES ON LOANS AND ADVANCES

HK$'000	**2008**	2007
Advances to customers	**658,535**	181,570
Advances to banks	**–**	(778)
Accrued interest and other accounts	**–**	3
	658,535	180,795
Net charge of impairment losses on loans and advances		
– Individually assessed	**476,335**	66,052
– Collectively assessed	**182,200**	114,743
	658,535	180,795
Of which		
– new allowances (including amounts directly written off in the year)	**784,634**	331,221
– releases	**(46,678)**	(66,049)
– recoveries	**(79,421)**	(84,377)
Net charge to income statement	**658,535**	180,795

11. NET GAIN ON DISPOSAL AND REVALUATION OF PREMISES AND OTHER FIXED ASSETS

HK$'000	**2008**	2007
Deficit (charged)/reversed on revaluation of premises	**(819)**	27,575
Net gain from disposal of premises	**1,857**	66,869
Net (loss)/gain from disposal of other fixed assets	**(184)**	68
	854	94,512

12. NET (LOSS)/GAIN ON DISPOSAL OF AND FAIR VALUE ADJUSTMENT ON INVESTMENT PROPERTIES

HK$'000	**2008**	2007
Net (loss)/gain from fair value adjustment on investment properties	**(78,923)**	141,235
Net gain from disposal of investment properties	**–**	40,292
	(78,923)	181,527

13. IMPAIRMENT LOSSES CHARGED ON AVAILABLE-FOR-SALE SECURITIES

The Group's investment in available-for-sale securities included leveraged/structured investment vehicles managed by third party portfolio managers.

During the year, additional impairment losses totalling HK$257,346,000 were recognised on the Group's holdings in leveraged/structured investment vehicles, which had been assessed as impaired as at 31 December 2007. The remaining impairment loss of HK$40,272,000 is related to investments in other debt and equity securities.

14. INCOME TAX EXPENSE

Hong Kong profits tax has been provided at the rate of 16.5% (2007: 17.5%) on the estimated assessable profit for the year. Taxation on overseas profits has been calculated on the estimated assessable profit for the year at the rates of taxation prevailing in the countries in which the Group operates.

Deferred taxation is calculated in full on temporary differences under the liability method using a taxation rate of 16.5% (2007: 17.5%).

HK$'000	**2008**	2007
Current income tax:		
– Hong Kong profits tax	**3,844**	62,591
– Overseas taxation	**19,803**	19,954
– Underprovision in prior years	**7,533**	–
Deferred income tax		
– Impact of change of Hong Kong tax rate	**(2,143)**	–
– Origination and reversal of temporary differences	**(7,749)**	26,773
	21,288	109,318

15. BASIC AND DILUTED EARNINGS PER SHARE

The calculation of basic earnings per share is based on earnings of HK$188,642,000 (2007: HK$800,169,000) and the weighted average number of 932,193,954 (2007: 931,416,279) shares in issue during the year.

The calculation of diluted earnings per share is based on earnings of HK$188,642,000 (2007: HK$800,169,000) and the weighted average number of 932,193,954 (2007: 931,573,619) shares in issue during the year after adjusting for the effect of all dilutive potential ordinary shares.

16. TRADING SECURITIES AND FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

HK$'000	**As at 31 Dec 2008**	As at 31 Dec 2007
Trading securities:		
Debt securities:		
– Listed in Hong Kong	**923,292**	578,783
– Listed outside Hong Kong	**17,034**	20,094
– Unlisted	**935,238**	1,682,532
Total trading securities	**1,875,564**	2,281,409
Financial assets at fair value through profit or loss:		
Debt securities:		
– Listed outside Hong Kong	**135,364**	–
– Unlisted	**429,926**	1,351,698
Total financial assets at fair value through profit or loss	**565,290**	1,351,698
Total trading securities and financial assets at fair value through profit or loss	**2,440,854**	3,633,107
Included within debt securities are:		
– Government bonds included in trading securities	**1,812,779**	2,233,712
– Certificates of deposit held	**–**	381,171
– Other debt securities	**628,075**	1,018,224
	2,440,854	3,633,107

Financial assets at fair value through profit or loss (including trading securities) are analysed by categories of issuer as follows:

	As at 31 Dec 2008	As at 31 Dec 2007
– Central governments and central banks	**1,812,779**	2,233,712
– Public sector entities	**24,414**	24,748
– Banks and other financial institutions	**38,371**	682,773
– Corporate entities	**565,290**	691,874
	2,440,854	3,633,107

17. DERIVATIVE FINANCIAL INSTRUMENTS

The notional principal amounts of outstanding derivatives contracts and their fair values as of 31 December 2008 were as follows:

HK$'000	Contract/ notional amount	Fair values Assets	Fair values Liabilities
1) Derivatives held for trading			
a) Foreign exchange derivatives			
Forward and future contracts	**61,684,583**	**263,311**	**(297,452)**
Currency swaps	**1,045,229**	**8,362**	**(39,759)**
Currency options purchased and written	**23,321,550**	**40,001**	**(38,141)**
b) Interest rate derivatives			
Interest rate swaps	**16,493,221**	**176,103**	**(284,236)**
Interest rate options	**1,489,445**	**20,447**	**(20,447)**
c) Equity derivatives			
Equity options purchased and written	**79,323**	**4,944**	**(4,936)**
Total derivative assets/(liabilities) held for trading	**104,113,351**	**513,168**	**(684,971)**
2) Derivatives held for hedging			
a) Derivatives designated as fair value hedges			
Interest rate swaps	**13,402,453**	**397,443**	**(1,568,246)**
Total derivative assets/(liabilities) held for hedging	**13,402,453**	**397,443**	**(1,568,246)**
3) Derivatives not qualified as hedges for accounting purposes but which are managed in conjunction with the financial instruments designated at fair value through profit or loss			
Currency swaps	**368,499**	**491**	**(14,423)**
Interest rate swaps	**3,658,750**	**155,337**	**–**
Total derivative assets/(liabilities) not qualified as hedges	**4,027,249**	**155,828**	**(14,423)**
Total recognised derivative financial assets/(liabilities)	**121,543,053**	**1,066,439**	**(2,267,640)**

17. DERIVATIVE FINANCIAL INSTRUMENTS *(Continued)*

The notional principal amounts of outstanding derivatives contracts and their fair values as of 31 December 2007 were as follows:

HK$'000	Contract/ notional amount	Fair values Assets	Fair values Liabilities
1) Derivatives held for trading			
a) *Foreign exchange derivatives*			
Forward and future contracts	71,133,159	207,811	(289,621)
Currency swaps	304,956	–	(28,892)
Currency options purchased and written	9,729,423	141,167	(139,271)
b) *Interest rate derivatives*			
Interest rate swaps	18,454,045	97,776	(92,154)
Interest rate options	200,000	10	(10)
c) *Equity derivatives*			
Equity options purchased and written	628,909	4,641	(4,143)
d) *Credit derivatives*			
Credit default swaps	390,045	–	(312)
Total derivative assets/(liabilities) held for trading	100,840,537	451,405	(554,403)
2) Derivatives held for hedging			
a) *Derivatives designated as fair value hedges*			
Interest rate swaps	16,164,559	198,254	(399,531)
Total derivative assets/(liabilities) held for hedging	16,164,559	198,254	(399,531)
3) Derivatives not qualified as hedges for accounting purposes but which are managed in conjunction with the financial instruments designated at fair value through profit or loss			
Currency swaps	443,337	59,052	(34)
Interest rate swaps	8,160,097	49,336	(16,813)
Total derivative assets/(liabilities) not qualified as hedges	8,603,434	108,388	(16,847)
Total recognised derivative financial assets/(liabilities)	125,608,530	758,047	(970,781)

The effect of valid bilateral netting agreements has been taken into account in disclosing the fair value of derivatives.

17. DERIVATIVE FINANCIAL INSTRUMENTS *(Continued)*

The credit risk weighted amounts of the above off-balance sheet exposures (including credit default swaps) calculated under Basel II basis and without taking into account the effect of bilateral netting arrangement that the Group entered into, are as follows:

HK$'000	**As at 31 Dec 2008**	As at 31 Dec 2007
Derivatives		
Exchange rate contracts	**529,302**	508,850
Interest rate contracts	**401,664**	141,282
Other contracts	**5,023**	18,563
	935,989	668,695

The contract amounts of these instruments indicate the volume of transactions outstanding as at the balance sheet date, they do not represent the amounts at risk.

The credit risk weighted amounts are the amounts that have been calculated with reference to the Banking (Capital) Rules issued by the Hong Kong Monetary Authority ("HKMA"). The amounts calculated are dependent upon the status of the counterparty and the maturity characteristics of each type of contract.

18. ADVANCES AND OTHER ACCOUNTS

HK$'000	**As at 31 Dec 2008**	As at 31 Dec 2007
Gross advances to customers	**60,999,073**	61,294,631
Gross advances to banks	**179,226**	160,426
	61,178,299	61,455,057
Less: Impairment allowances		
– Individually assessed	**(550,909)**	(142,589)
– Collectively assessed	**(298,645)**	(216,968)
	(849,554)	(359,557)
Other assets	**2,281,945**	4,343,268
Investments in securities included in the loans and receivables category *(Note 19)*	**6,896,646**	–
Advances and other accounts	**69,507,336**	65,438,768

18. ADVANCES AND OTHER ACCOUNTS *(Continued)*

(a) Gross advances to customers by industry sector classified according to the usage of loans

	As at 31 Dec 2008		As at 31 Dec 2007	
	Outstanding balance	**% of gross advances**	Outstanding balance	% of gross advances
Loans for use in Hong Kong				
Industrial, commercial and financial				
– Property development	**448,282**	**0.73**	389,293	0.64
– Property investment	**10,102,405**	**16.56**	9,523,416	15.54
– Financial concerns	**373,243**	**0.61**	528,728	0.86
– Stockbrokers	**9,707**	**0.02**	55,432	0.09
– Wholesale and retail trade	**1,187,833**	**1.95**	1,204,904	1.97
– Manufacturing	**885,724**	**1.45**	1,277,385	2.08
– Transport and transport equipment	**4,241,249**	**6.95**	3,755,326	6.13
– Recreational activities	**23,507**	**0.04**	58,083	0.09
– Information technology	**418**	**–**	2,214	–
– Others	**2,140,815**	**3.51**	1,671,503	2.73
	19,413,183	**31.82**	18,466,284	30.13
Individuals				
– Loans for the purchase of flats in Home Ownership Scheme, Private Sector Participation Scheme and Tenants Purchase Scheme	**1,625,129**	**2.66**	1,776,573	2.90
– Loans for the purchase of other residential properties	**10,715,925**	**17.57**	11,330,250	18.48
– Credit card advances	**3,371,802**	**5.53**	3,311,174	5.40
– Others	**6,513,226**	**10.68**	6,195,711	10.11
	22,226,082	**36.44**	22,613,708	36.89
Loans for use in Hong Kong	**41,639,265**	**68.26**	41,079,992	67.02
Trade finance	**4,457,618**	**7.31**	5,393,581	8.80
Loans for use outside Hong Kong	**14,902,190**	**24.43**	14,821,058	24.18
	60,999,073	**100.00**	61,294,631	100.00

18. ADVANCES AND OTHER ACCOUNTS *(Continued)*

(b) Impaired, overdue and rescheduled assets

(i) Impaired loans

	As at 31 Dec 2008	As at 31 Dec 2007
Impaired loans and advances		
– Individually impaired *(Note (a))*	**1,013,179**	252,934
– Collectively impaired *(Note (b))*	**23,571**	26,295
	1,036,750	279,229
Impairment allowances made		
– Individually assessed *(Note (c))*	**(550,909)**	(142,589)
– Collectively assessed *(Note (b))*	**(22,367)**	(25,740)
	(573,276)	(168,329)
	463,474	110,900
Fair value of collaterals held*	**463,556**	105,043
Impaired loans and advances as a % of total loans and advances to customers	**1.70%**	0.46%

* Fair value of collaterals is determined as the lower of the market value of collateral and outstanding loan balance.

Note:

(a) Individually impaired loans are defined as those loans having objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a "loss event") and that loss event has an impact on the estimated cash flows of the loans that can be reliably estimated.

(b) Collectively impaired loans and advances refer to those unsecured loans and advances assessed for impairment on a collective basis and which have become overdue for more than 90 days as at the reporting date. The collective impairment allowance for these impaired loans, which is a part of the overall collective impairment allowances, is shown above.

(c) The above individual impairment allowances were made after taking into account the value of collaterals in respect of such advances as at 31 December.

18. ADVANCES AND OTHER ACCOUNTS *(Continued)*

(b) Impaired, overdue and rescheduled assets *(Continued)*

(ii) Overdue loans

	As at 31 Dec 2008	**% of total advances to customers**	As at 31 Dec 2007	% of total advances to customers
Gross advances to customers which have been overdue for:				
– six months or less but over three months	**203,430**	**0.33**	87,239	0.14
– one year or less but over six months	**143,438**	**0.23**	81,789	0.14
– over one year	**131,592**	**0.22**	105,627	0.17
	478,460	**0.78**	274,655	0.45
Market value of collateral held against the secured overdue advances	**202,978**		177,869	
Secured overdue advances	**141,593**		122,297	
Unsecured overdue advances	**336,867**		152,358	
Individual impairment allowances	**305,217**		113,852	

(iii) Rescheduled advances net of amounts included in advances overdue for more than 3 months:

	As at 31 Dec 2008	**% of total advances to customers**	As at 31 Dec 2007	% of total advances to customers
Advances to customers	**294,506**	**0.48**	66,121	0.11
Impairment allowances	**18,504**		591	

There were no advances to banks and other financial institutions, which were impaired, overdue for over 3 months or rescheduled as at 31 December 2008 and 31 December 2007.

18. ADVANCES AND OTHER ACCOUNTS *(Continued)*

(c) Repossessed collateral

The repossessed collateral held at the year-end is as follows:

	As at 31 Dec 2008	As at 31 Dec 2007
Nature of assets		
– Repossessed properties	**53,075**	7,517
– Others	**26,090**	21,125
	79,165	28,642

19. INVESTMENTS IN SECURITIES INCLUDED IN THE LOANS AND RECEIVABLES CATEGORY

HK$'000	**As at 31 Dec 2008**	As at 31 Dec 2007
Investments in securities included in the loans and receivables category		
– At fair value under fair value hedge (for hedging interest rate risk)	**5,113,559**	–
– At amortised cost	**1,783,087**	–
	6,896,646	–

Investments in securities included in the loans and receivables category were reclassified from the available-for-sale category in the year.

Investments in securities included in the loans and receivables category are analysed as follows:

	As at 31 Dec 2008	As at 31 Dec 2007
Debt securities:		
– Listed in Hong Kong	**187,820**	–
– Listed outside Hong Kong	**5,496,534**	–
– Unlisted	**1,212,292**	–
	6,896,646	–
Market value of listed securities	**4,828,680**	–
Included within debt securities are:		
– Certificates of deposit held	**–**	–
– Other debt securities	**6,896,646**	–
	6,896,646	–
Investments in securities included in the loans and receivables category are analysed by categories of issuers as follows:		
– Banks and other financial institutions	**4,763,102**	–
– Corporate entities	**2,133,544**	–
	6,896,646	–

20. AVAILABLE-FOR-SALE SECURITIES

HK$'000	**As at 31 Dec 2008**	As at 31 Dec 2007
Debt securities:		
– Listed in Hong Kong	**1,408,161**	1,737,690
– Listed outside Hong Kong	**7,620,884**	12,829,696
– Unlisted	**5,055,866**	10,502,553
	14,084,911	25,069,939
Equity securities:		
– Listed in Hong Kong	**4,119**	22,534
– Listed outside Hong Kong	**80,960**	129,940
– Unlisted		
– Interests in investment funds	**–**	152,024
– Others	**77,309**	59,758
	162,388	364,256
Total available-for-sale securities	**14,247,299**	25,434,195
Included within debt securities are:		
– Certificates of deposit held	**–**	970,338
– Other debt securities	**14,084,911**	24,099,601
	14,084,911	25,069,939
Available-for-sale securities are analysed by categories of issuers as follows:		
– Central governments and central banks	**1,037,592**	2,339,796
– Public sector entities	**91,063**	112,226
– Banks and other financial institutions	**5,506,728**	12,605,668
– Corporate entities	**7,610,388**	10,374,977
– Others	**1,528**	1,528
	14,247,299	25,434,195

During the year, the Group reclassified investments in debt securities with a total market value at the time of reclassification of HK$6,519,483,000 (2007: Nil), out of the available-for-sale category into the loans and receivables category.

21. HELD-TO-MATURITY SECURITIES

HK$'000	**As at 31 Dec 2008**	As at 31 Dec 2007
Debt securities:		
– Listed outside Hong Kong	**4,094,474**	4,086,699
– Unlisted	**2,064,790**	267,482
	6,159,264	4,354,181
Market value of listed securities	**3,572,127**	3,880,589
Included within debt securities are:		
– Certificates of deposit held	**265,000**	4,833
– Other debt securities	**5,894,264**	4,349,348
	6,159,264	4,354,181
Held-to-maturity securities are analysed by issuer as follows:		
– Central governments and central banks	**1,135,177**	–
– Banks and other financial institutions	**4,404,317**	3,987,837
– Corporate entities	**619,770**	366,344
	6,159,264	4,354,181

The Group reclassified available-for-sale debt securities with a total market value at the time of reclassification of HK$1,201,087,000 (2007: HK$4,141,610,000) as held-to-maturity securities, reflecting a change in the Group's intention on holding these securities to maturity.

22. RESERVES

HK$'000	**As at 31 Dec 2008**	As at 31 Dec 2007
Reserves		
Share premium	**2,228,436**	2,209,149
Consolidation reserve	**(220,986)**	(220,986)
Premises revaluation reserve	**694,534**	768,786
Investment revaluation reserve	**(1,551,854)**	(611,582)
Exchange reserve	**68,160**	28,867
General reserve	**700,254**	700,254
Retained earnings	**5,321,898**	5,423,522
	7,240,442	8,298,010
Proposed final dividends included in retained earnings	**–**	139,712

The Group's Hong Kong banking subsidiaries, Dah Sing Bank, Limited ("DSB") and MEVAS Bank Limited ("MEVAS"), are required to maintain regulatory reserve to satisfy the provisions of the Hong Kong Banking Ordinance for prudential supervision purposes. At 31 December 2008, each of DSB and MEVAS has earmarked a regulatory reserve of HK$472,301,000 (2007: HK$734,327,000) and HK$12,714,000 (2007: HK$16,798,000) in the consolidated general reserve and retained profits respectively. Movements in the regulatory reserve are made directly through equity reserve and in consultation with the HKMA.

23. CONTINGENT LIABILITIES AND COMMITMENTS

HK$'000

(a) Capital commitments

Capital expenditure at the balance sheet date but not yet incurred is as follows:

	As at 31 Dec 2008	As at 31 Dec 2007
Expenditure		
– Authorised but not contracted for	**766**	–
– Contracted but not provided for	**98,821**	83,904
	99,587	83,904

(b) Credit commitments

The contract and credit risk weighted amounts of the Group's off-balance sheet financial instruments that commit it to extend credit to customers are as follows:

	Contract amount	
	As at 31 Dec 2008	As at 31 Dec 2007
Direct credit substitutes	**704,420**	692,615
Transaction related contingencies	**6,898**	2,521
Trade-related contingencies	**364,258**	883,271
Commitments that are unconditionally cancellable without prior notice	**32,922,775**	30,758,565
Other commitments with an original maturity of:		
– under 1 year	**2,673,642**	3,902,908
– 1 year and over	**938,980**	1,301,489
Forward forward deposits placed	**73,547**	640,102
	37,684,520	38,181,471

	Credit risk weighted amount	
	As at 31 Dec 2008	As at 31 Dec 2007
Contingent liabilities and commitments	**1,286,256**	1,729,744

23. CONTINGENT LIABILITIES AND COMMITMENTS *(Continued)*

(c) Assets pledged

Assets pledged as collateral with the HKMA and with unrelated financial institutions under repurchase agreements are as follows:

	As at 31 Dec 2008	As at 31 Dec 2007
Trading securities	**–**	2,033,947
Available-for-sale securities	**399,022**	704,530
Held-to-maturity securities	**178,918**	–
Investments in securities included in loans and receivables category	**57,429**	–
	635,369	2,738,477

(d) Operating lease commitments

Where a Group company is the lessee, the future minimum lease payments under non-cancellable building operating leases are as follows:

	As at 31 Dec 2008	As at 31 Dec 2007
Not later than 1 year	**81,619**	78,290
Later than 1 year and not later than 5 years	**54,256**	81,463
Later than 5 years	**24,300**	–
	160,175	159,753

Where a Group company is the lessor, the future minimum lease payments under non-cancellable building operating leases are as follows:

	As at 31 Dec 2008	As at 31 Dec 2007
Not later than 1 year	**17,791**	19,385
Later than 1 year and not later than 5 years	**14,529**	9,969
	32,320	29,354

24. CROSS-BORDER CLAIMS

Equivalent in HK$ millions

	As at 31 Dec 2008			
	Banks and other financial institutions	**Public sector entities**	**Others**	**Total**
Asia Pacific excluding Hong Kong	**9,415**	**240**	**9,761**	**19,416**
North and South America	**602**	**–**	**3,051**	**3,653**
Europe	**13,628**	**–**	**2,761**	**16,389**
	23,645	**240**	**15,573**	**39,458**

	As at 31 Dec 2007			
	Banks and other financial institutions	Public sector entities	Others	Total
Asia Pacific excluding Hong Kong	10,510	252	10,080	20,842
North and South America	966	–	2,684	3,650
Europe	13,648	–	3,574	17,222
	25,124	252	16,338	41,714

The above information of cross-border claims discloses 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. In general, 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. Only regions constituting 10% or more of the aggregate cross-border claims are disclosed.

UNAUDITED SUPPLEMENTARY FINANCIAL INFORMATION

1. Advances to customers

HK$'000

(a) Gross advances to customers by industry sector classified according to the usage of loans and analysed by percentage covered by collateral

	As at 31 Dec 2008		As at 31 Dec 2007	
	Outstanding balance	**% of gross advances covered by collateral**	Outstanding balance	% of gross advances covered by collateral
Loans for use in Hong Kong				
Industrial, commercial and financial				
– Property development	**448,282**	**83.6**	389,293	95.6
– Property investment	**10,102,405**	**92.4**	9,523,416	85.7
– Financial concerns	**373,243**	**91.4**	528,728	47.5
– Stockbrokers	**9,707**	**53.4**	55,432	59.8
– Wholesale and retail trade	**1,187,833**	**87.3**	1,204,904	78.2
– Manufacturing	**885,724**	**78.3**	1,277,385	69.4
– Transport and transport equipment	**4,241,249**	**93.5**	3,755,326	93.1
– Recreational activities	**23,507**	**25.7**	58,083	–
– Information technology	**418**	**–**	2,214	27.4
– Others	**2,140,815**	**88.7**	1,671,503	80.2
	19,413,183	**90.9**	18,466,284	83.9
Individuals				
– Loans for the purchase of flats in Home Ownership Scheme, Private Sector Participation Scheme and Tenants Purchase Scheme	**1,625,129**	**99.9**	1,776,573	100.0
– Loans for the purchase of other residential properties	**10,715,925**	**99.7**	11,330,250	99.6
– Credit card advances	**3,371,802**	**–**	3,311,174	–
– Others	**6,513,226**	**58.5**	6,195,711	52.8
	22,226,082	**72.5**	22,613,708	72.2
Loans for use in Hong Kong	**41,639,265**	**81.1**	41,079,992	77.5
Trade finance	**4,457,618**	**64.0**	5,393,581	54.0
Loans for use outside Hong Kong	**14,902,190**	**82.2**	14,821,058	78.7
	60,999,073	**80.1**	61,294,631	75.7

The loan outstanding balances reported above are audited information, and are the same as those balance reported in Note 18(a).

1. Advances to customers *(Continued)*

(a) Gross advances to customers by industry sector classified according to the usage of loans and analysed by percentage covered by collateral *(Continued)*

For each industry sector reported above with loan balance constituting 10% or more of the total balance of advances to customers, the attributable amount of impaired loans, overdue loans, and individually and collectively assessed loan impairment allowances are as follows:

	As at 31 Dec 2008				
	Outstanding balance	**Impaired loans**	**Gross advances overdue for over 3 months**	**Individually assessed impairment allowances**	**Collectively assessed impairment allowances**
Loans for use in Hong Kong					
Industrial, commercial and financial					
– Property investment	**10,102,405**	**14,785**	**–**	**5,429**	**17,862**
Individuals					
– Loans for the purchase of other residential properties	**10,715,925**	**1,111**	**1,839**	**407**	**3,211**

	As at 31 Dec 2007				
	Outstanding balance	Impaired loans	Gross advances overdue for over 3 months	Individually assessed impairment allowances	Collectively assessed impairment allowances
Loans for use in Hong Kong					
Industrial, commercial and financial					
– Property investment	9,523,416	1,540	1,550	741	15,957
Individuals					
– Loans for the purchase of other residential properties	11,330,250	2,071	6,301	997	4,553

1. Advances to customers *(Continued)*

(b) Non-bank Mainland exposures

	As at 31 Dec 2008			
	On-balance sheet exposure	**Off-balance sheet exposure**	**Total**	**Individually assessed impairment allowances**
Type of counterparties				
Mainland entities	**2,484,332**	**–**	**2,484,332**	**–**
Companies and individuals outside Mainland where the credits are granted for use in the Mainland	**8,184,005**	**420,865**	**8,604,870**	**314,368**
Other counterparties the exposures to whom are considered by the Group to be non-bank Mainland exposures	**50,138**	**–**	**50,138**	**–**

	As at 31 Dec 2007			
	On-balance sheet exposure	Off-balance sheet exposure	Total	Individually assessed impairment allowances
Type of counterparties				
Mainland entities	1,921,468	–	1,921,468	–
Companies and individuals outside Mainland where the credits are granted for use in the Mainland	9,918,810	599,287	10,518,097	92,503
Other counterparties the exposures to whom are considered by the Group to be non-bank Mainland exposures	90,234	1,100	91,334	–

Note: The balances of exposures reported above include gross advances and other balances of claims on the customers.

1. Advances to customers *(Continued)*

(c) Analysis of gross advances to customers and overdue loans by geographical area

Advances to customers by geographical area are classified according to the location of the counterparties after taking into account the transfer of risk. In general, risk transfer applies when an advances is guaranteed by a party located in an area which is different from that of the counterparty.

At 31 December 2008, over 90% of the Group's advances to customers, including related impaired advances and overdue advances, were classified under Hong Kong (a position unchanged from that as at 31 December 2007).

2. Currency concentrations

Equivalent in HK$ millions

The following sets out the Group's net foreign exchange position in USD and other individual currency that constitutes more than 10% of the total net position in all foreign currencies as at 31 December 2008 and the corresponding comparative balances.

At 31 Dec 2008	**USD**	**CNY**	**MOP**
Spot assets	**32,558**	**2,156**	**2,895**
Spot liabilities	**(28,104)**	**(2,208)**	**(4,526)**
Forward purchases	**30,681**	**107**	**1**
Forward sales	**(32,991)**	**(111)**	**–**
Net long/(short) position	**2,144**	**(56)**	**(1,630)**
Net structural position	**–**	**114**	**–**

At 31 Dec 2007	USD	CNY	MOP
Spot assets	30,404	1,031	3,038
Spot liabilities	(26,030)	(1,045)	(4,317)
Forward purchases	34,672	638	–
Forward sales	(38,417)	(548)	–
Net long/(short) position	629	76	(1,279)
Net structural position	–	107	–

3. Capital adequacy ratio

	As at 31 Dec 2008	As at 31 Dec 2007
Capital adequacy ratio		
– Core	**6.8%**	9.1%
– Overall	**13.6%**	15.5%

The capital adequacy ratio represents the combined ratio of DSB, Banco Comercial de Macau, S.A. ("BCM"), Dah Sing Bank (China) Limited ("DSB China"), MEVAS and D.A.H. Hambros Bank (Channel Islands) Limited ("DAHCI") computed on Basel II basis with reference to the Banking (Capital) Rules. This capital adequacy ratio takes into account market risk and operational risk.

Only the Hong Kong incorporated banking subsidiaries within the Group are subject to the minimum capital adequacy ratio requirement under the Hong Kong Banking Ordinance. Banco Comercial de Macau, S.A. is subject to Macau banking regulations and DSB China is subject to China banking regulations. The above ratios of the Group are calculated for reference only.

The capital base after deductions used in the calculation of the above capital adequacy ratios as at 31 December is analysed as follows:

HK$'000	**As at 31 Dec 2008**	As at 31 Dec 2007
Core capital		
Paid up ordinary share capital	**2,707,749**	2,707,749
Share premium	**55,519**	55,519
Reserves	**3,808,200**	4,996,578
Less: goodwill	**(811,690)**	(318,667)
Less: other intangible assets	**(126,875)**	(6,838)
Less: net deferred tax assets	**(4,150)**	(641)
	5,628,753	7,433,700
Less: 50% of total amount of deductible items	**(454,040)**	(1,331,367)
Core capital	**5,174,713**	6,102,333
Supplementary capital		
Reserves on revaluation of holding of land and building	**197,762**	238,402
Eligible amount of collective impairment allowances for impaired assets and regulatory reserve	**783,661**	848,438
Revaluation reserve for available-for-sale investments	**237**	(552,435)
Perpetual subordinated debt	**1,953,000**	1,643,879
Eligible amount of term subordinated debt	**2,814,377**	3,461,825
	5,749,037	5,640,109
Eligible amount of supplementary capital	**5,628,753**	5,640,109
Less: 50% of total amount of deductible items	**(454,040)**	(1,331,368)
Supplementary capital	**5,174,713**	4,308,741
Total capital base	**10,349,426**	10,411,074

3. Capital adequacy ratio *(Continued)*

The above ratios as at 31 December 2008 are computed taking into account HKMA clarification, issued subsequent to 31 December 2008, that unrealised losses on available-for-sale securities should be deducted from core capital for the purpose of determining capital adequacy.

In response to such a clarification from the HKMA, the Company, supported by Dah Sing Financial Holdings Limited, has resolved and taken actions to subscribe a total of HK$1 billion new equity issued by DSB on 25 March 2009, and as result of this capital increase action, DSB's core capital has been increased by the same amount on 25 March 2009.

If this injection of HK$1 billion new equity capital to DSB were to be considered as having taken effect as at 31 December 2008, the proforma combined capital base and combined capital adequacy ratio of the Group's banking subsidiaries, would increase to the following levels as at 31 December 2008:

HK$'000	**As at 31 Dec 2008 (Proforma)**
Core Capital	6,174,713
Total Capital	11,566,710
Core Capital Ratio	8.1%
Total Capital Ratio	15.2%

4. Liquidity ratio

	2008	2007
Liquidity ratio	**48.9%**	52.4%

The liquidity ratio is calculated as the simple average of each calendar month's average liquidity ratio of the Group's banking subsidiaries for the twelve months of the financial year. The liquidity ratio is computed with reference to the methods set out in the Fourth Schedule of the Hong Kong Banking Ordinance.

Only the locally incorporated banking subsidiaries within the Group are subject to the minimum liquidity ratio requirement under the Hong Kong Banking Ordinance. The above ratios of the Group are calculated for reference only.

FINANCIAL RATIOS

	Year ended 31 Dec 2008	Year ended 31 Dec 2007
Net interest income/operating income	**73.2%**	69.8%
Cost to income ratio	**51.6%**	43.0%
Loan to deposit (including certificates of deposit) ratio	**70.1%**	69.7%
Return on average total assets	**0.2%**	0.7%
Return on average shareholders' funds	**2.2%**	8.6%
Net interest margin	**2.11%**	2.16%

FINAL DIVIDENDS

The Directors, after considering the full-year results of the Group and interim dividend paid in 2008, agreed that the Company should not propose a final dividend for the year ended 31 December 2008, and therefore will not propose a final dividend for 2008 at the forthcoming annual general meeting of the Company to be held on Monday, 1 June 2009.

CLOSURE OF REGISTER OF SHAREHOLDERS

The Register of Shareholders will be closed from Monday, 25 May 2009 to Friday, 29 May 2009, both days inclusive, during which period no transfer of shares of the Company will be registered. In order to qualify for voting at the annual general meeting, all transfers of shares of the Company accompanied by the relevant share certificates must be lodged for registration with the Company's Registrar, Computershare Hong Kong Investor Services Limited, 17th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong, by not later than 4:30 p.m. on Friday, 22 May 2009.

CORPORATE AND BUSINESS OVERVIEW

HIGHLIGHTS

In the second half of 2008, economic conditions continued to deteriorate, both in Hong Kong and globally. Whilst growth in the Mainland remained positive, there were signs of a slowdown, particularly in the export sector, despite the announcement of a substantial stimulus package. Similarly, in Macau, the economy has slowed significantly after several years of above trend growth. Conditions in the banking sector globally have remained extremely difficult, with bailouts of a number of major global financial institutions having taken place.

Against this backdrop, with the increasingly likely outcome of the first global recession for many years, our results for the full year 2008 were disappointing, with profit attributable to shareholders falling by 76% to HK$189 million.

Profit before impairment charges was down by 14% to HK$1,459 million, mainly due to much weaker fee and commission income, and higher operating expenses. Impairment charges on loans increased substantially over the previous year, while impairment losses on securities investments were lower than 2007.

Earnings per share decreased by 77% to HK$0.20. The Board of Directors does not propose a final dividend for the year.

Core lending performance was steady, with a relatively flat loan book and slightly higher net interest income for the year. However, fee and commission income and other operating income were all significantly weaker.

During the year, we were pleased to complete the acquisition of a further 3% interest in Bank of Chongqing, bringing our total shareholding to 20%. However, as the transaction was completed in October 2008, we only recorded the additional contribution to our results for a period of just over two months during the year.

BUSINESS AND FINANCIAL REVIEW

Net interest income in the year increased by 7%, mainly contributed by a higher balance of other interest earning assets despite a flat loan book for 2008. Both the yield of loans and interest earning assets, and the funding cost decreased in response to the lower market interest rates. Our net interest margin decreased to 2.11%, compared with 2.16% in 2007.

Non-interest income fell by 10% during the year despite improved treasury performance with increase in net trading income, due to a weaker performance in fee income, reflecting the softening of demand for investment and securities broking products and services in the second half of the year.

The higher growth in net interest income and net trading income, although offset partially by the decline in net fee and commission income, brought to net increase in operating income by 2%.

Operating expenses for our core business were broadly unchanged from the previous year, although together with additional one-off expenses during the second half of the year, total operating expenses increased by 22% relative to 2007.

Operating profit before impairment charges was HK$1,459 million, down 14% relative to 2007.

Credit quality deteriorated significantly, mainly due to increased bad debts in our commercial banking business, particularly related to customers in the trade, manufacturing and export sectors. Whilst impairment charges relating to our retail banking business increased somewhat, the rate of increase was relatively milder than that for the commercial banking segment.

Operating profit after loan impairment charges was HK$800 million, 47% lower than 2007.

There were also further significant losses relating to our securities investments, mainly caused by the bankruptcy of Washington Mutual Bank, as well as further markdowns on our remaining leveraged/structured investment portfolio, which has now been marked down, on a cumulative basis, by 91% to a carrying value of HK$146 million at the end of 2008.

We completed the acquisition of a further 3% interest in the Bank of Chongqing ("BOCQ") in late October 2008, taking our total investment to 20%. Principally due to the strong performance of BOCQ, our share of results of associate increased to HK$121 million for the year, despite only accounting for the increased contribution from the additional 3% stake in BOCQ for a little over two months.

Profit attributable to shareholders of the Group decreased by 76% to HK$189 million.

As at 31 December 2008, the Group's total gross loans and advances amounted to HK$61 billion, broadly flat relative to the end of 2007. Portfolio composition did not change very significantly during the year, although trade finance dropped by around 17% reflecting the overall reduction in trade volumes and exports caused by the global economic slowdown, particularly in the second half of the year.

Customers' deposits totaled HK$82.4 billion, representing an increase of around 4% over the previous year. The balance of certificates of deposit issued decreased by 47%, reflecting a much more difficult debt and money market for new issues in 2008.

Pursuant to the clarification from the HKMA relating to deduction of unrealised losses on available-for-sale securities from core capital rather than supplementary capital for locally incorporated authorized institutions in Hong Kong, the Boards of Directors of Dah Sing Financial Holdings Limited ("DSFH"), the Company and DSB resolved to repurchase and cancel the US$52 million subordinated note issued by DSB to DSFH in 2008, for DSFH to lend a total of HKD1 billion to the Company on normal commercial terms, and for the Company to use the proceeds of the loan to subscribe a total of HK$1 billion of new equity issued by DSB. If these actions were to be considered as having taken effect on 31 December 2008, the combined core capital adequacy ratio and total capital adequacy ratio of the Company's banking business on a proforma basis as at 31 December 2008 would increase from 6.8% to 8.1% and from 13.6% to 15.2% respectively.

PROSPECTS

Recent economic data has indicated that the current economic downturn is likely to be one of the most severe in recent decades. Whilst the Mainland economy continues to record healthy rates of growth, and the recently announced stimulus measures are expected to be supportive of the economy, it would not be prudent to expect that this will overcome the more general global economic slowdown entirely.

Therefore, our strategy into 2009 will be one of caution. However, we must also be mindful that in times of adversity there are often opportunities, and that in the medium to longer term we expect that our market presence in Hong Kong, Mainland and Macau, and the continued long term prospects for China and the Asian region will enable us to continue to grow our business in future years.

COMPLIANCE WITH THE CODE ON CORPORATE GOVERNANCE PRACTICES

The Company has complied with all the code provisions set out in the Code on Corporate Governance Practices contained in Appendix 14 of the Listing Rules throughout the year ended 31 December 2008.

COMPLIANCE WITH THE MODEL CODE FOR DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted its own code of conduct regarding directors' securities transactions on terms no less exacting than the required standard set out in the Model Code for Securities Transactions by Directors (Appendix 10 of the Main Board Rules). After having made specific enquiry of all Directors, the Company confirmed that the required standard set out in the Model Code and the Company's code of conduct regarding directors' securities transactions have been fully complied with.

COMPLIANCE WITH THE BANKING (DISCLOSURE) RULES

In preparing the financial statements for the year ended 31 December 2008, the Group has fully complied with the requirements set out in the Banking (Disclosure) Rules issued by the HKMA.

AUDIT COMMITTEE

The Audit Committee has reviewed with management the accounting principles and practices adopted by the Group and discussed internal controls and financial reporting matters including a review of this financial report and the consolidated financial statements of the Group for the year ended 31 December 2008.

PUBLICATION OF ANNUAL REPORT ON THE STOCK EXCHANGE'S WEBSITE

The Annual Report of the Company containing all the information required by Appendix 16 of the Listing Rules will be published on the website of the Hong Kong Stock Exchange in due course.

DEALINGS IN THE COMPANY'S SHARES

There was no purchase, sale or redemption by the Company, or any of its subsidiaries, of the Company's listed shares during the year ended 31 December 2008.

BOARD OF DIRECTORS

As at the date of this announcement, the Board of Directors of the Company comprises Messrs. David Shou-Yeh Wong (Chairman), Hon-Hing Wong (Derek Wong) (Managing Director and Chief Executive), Lung-Man Chiu (John Chiu), Gary Pak-Ling Wang, Harold Tsu-Hing Wong and Frederic Suet-Chiu Lau as Executive Directors; Mr. Keisuke Tahara as Non-executive Director; Messrs. John William Simpson, David Richard Hinde, Robert Tsai-To Sze, Andrew Kwan-Yuen Leung and Seng-Lee Chan as Independent Non-executive Directors.

By Order of the Board
H L Soo
Company Secretary

Hong Kong, Wednesday, 25 March 2009

Website: http://www.dahsing.com