大新金融集團有限公司
Dah Sing Financial Holdings Limited

(Incorporated in Hong Kong with limited liability under the Companies Ordinance)
(Stock Code: 0440)

ANNOUNCEMENT OF 2009 INTERIM RESULTS

The Directors of Dah Sing Financial Holdings Limited (the "Company") are pleased to present the interim results and condensed consolidated financial statements of the Company and its subsidiaries (collectively the "Group") for the six months ended 30 June 2009. The unaudited profit attributable to shareholders after minority interests was HK$300.9 million for the six months ended 30 June 2009.

UNAUDITED INTERIM CONDENSED FINANCIAL STATEMENTS

The unaudited 2009 interim condensed consolidated financial statements of the Group have been prepared in accordance with Hong Kong Accounting Standard No. 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants.

UNAUDITED CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 30 June

HK$'000	*Note*	**2009**	2008	Variance %
Interest income		**1,708,937**	2,440,384	
Interest expense		**(544,540)**	(1,215,295)	
Net interest income	*3*	**1,164,397**	1,225,089	– 5.0
Fee and commission income		**209,471**	356,475	
Fee and commission expense		**(57,736)**	(53,660)	
Net fee and commission income	*4*	**151,735**	302,815	– 49.9
Net trading loss	*5*	**(21,501)**	(26,947)	
Net insurance premium and other income		**622,630**	989,149	
Other operating income	*6*	**25,743**	32,303	
Operating income		**1,943,004**	2,522,409	– 23.0
Net insurance claims and expenses		**(538,195)**	(853,020)	
Total operating income net of insurance claims		**1,404,809**	1,669,389	– 15.8
Operating expenses	*7*	**(1,043,797)**	(759,222)	37.5
Operating profit before impairment losses		**361,012**	910,167	– 60.3
Impairment losses on loans and advances	*8*	**(272,490)**	(126,065)	116.2

UNAUDITED CONDENSED CONSOLIDATED INCOME STATEMENT *(Continued)*

For the six months ended 30 June

HK$'000	*Note*	**2009**	2008	Variance %
Operating profit before gains or losses on certain investments and fixed assets		**88,522**	784,102	
Net gain on disposal of premises, investment properties and other fixed assets		**3,296**	6,852	
Net (loss)/gain on disposal of available-for-sale securities		**(14,686)**	15,145	
Share of results of jointly controlled entities		**1,728**	3,272	
Share of results of an associate		**78,117**	54,749	
Net gain on repurchase of subordinated debts		**243,983**	–	
Impairment losses charged on available-for-sale securities		**(1,937)**	(251,909)	
Profit before income tax		**399,023**	612,211	– 34.8
Income tax expense	*9*	**(15,865)**	(103,628)	
Profit for the period		**383,158**	508,583	– 24.7
Profit attributable to minority interests		**(82,256)**	(130,656)	
Profit attributable to shareholders of the Company		**300,902**	377,927	– 20.4
Dividend		**–**	176,984	
Earnings per share				
Basic	*11*	**HK$1.16**	HK$1.50	
Diluted	*11*	**HK$1.16**	HK$1.50	
Dividends per share				
Interim dividend		**–**	HK$0.68	

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June

HK$'000	*Note*	**2009**	2008
Profit for the period		**383,158**	508,583
Other comprehensive income/(loss) for the period (after tax and reclassification adjustments)			
Available-for-sale securities: net movement in fair value reserve	*10*	**477,650**	(447,223)
Exchange differences arising on translation of the financial statements of foreign entities		**(3,724)**	1,937
		473,926	(445,286)
Total comprehensive income for the period		**857,084**	63,297
Attributable to:			
Shareholders of the Company		**718,970**	35,254
Minority interests		**138,114**	28,043
Total comprehensive income for the period		**857,084**	63,297

UNAUDITED CONDENSED CONSOLIDATED BALANCE SHEET

HK$'000	*Note*	**As at 30 Jun 2009**	As at 31 Dec 2008
ASSETS			
Cash and balances with banks		**13,156,622**	12,808,527
Placements with banks maturing between one and twelve months		**6,528,664**	1,656,950
Trading securities	*12*	**2,402,392**	2,303,141
Financial assets at fair value through profit or loss	*12*	**3,705,070**	4,258,874
Derivative financial instruments		**617,689**	1,122,486
Advances and other accounts	*13*	**73,006,461**	70,508,863
Available-for-sale securities	*15*	**11,109,132**	14,724,195
Held-to-maturity securities	*16*	**9,566,157**	6,384,931
Investment in an associate		**1,210,634**	1,132,461
Investments in jointly controlled entities		**59,558**	59,973
Goodwill		**950,992**	950,992
Intangible assets		**148,909**	158,352
Premises and other fixed assets		**2,042,849**	2,069,694
Investment properties		**437,304**	459,304
Current income tax assets		**132,226**	144,177
Deferred income tax assets		**122,851**	162,804
Value of in-force long-term life assurance business		**1,173,076**	1,274,452
Total assets		**126,370,586**	120,180,176
LIABILITIES			
Deposits from banks		**1,543,032**	2,443,594
Derivative financial instruments		**1,325,921**	2,268,155
Trading liabilities		**2,235,706**	1,791,419
Deposits from customers designated at fair value through profit or loss		**13,103**	471,065
Deposits from customers		**84,282,724**	79,947,078
Certificates of deposit issued		**2,837,220**	4,654,985
Issued debt securities		**2,794,761**	2,803,640
Subordinated notes		**4,419,504**	5,268,716
Other accounts and accruals	*17*	**9,474,112**	4,074,266
Current income tax liabilities		**24,243**	15,440
Deferred income tax liabilities		**9,095**	9,910
Liabilities to policyholders under long-term insurance contracts		**4,318,057**	4,494,456
Total liabilities		**113,277,478**	108,242,724
EQUITY			
Minority interests		**2,614,320**	2,045,251
Equity attributable to the Company's shareholders			
Share capital		**520,541**	520,541
Reserves	*18*	**9,958,247**	9,371,660
Shareholders' funds		**10,478,788**	9,892,201
Total equity		**13,093,108**	11,937,452
Total equity and liabilities		**126,370,586**	120,180,176

Note:

1. GENERAL INFORMATION

Dah Sing Financial Holdings Limited (the "Company") and its subsidiaries (together the "Group") provides banking, insurance, financial and other related services in Hong Kong, Macau, and the People's Republic of China.

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES

Except as described below, the accounting policies and methods of computation used in the preparation of the 2009 interim condensed consolidated financial statements are consistent with those used and described in the Group's annual audited financial statements for the year ended 31 December 2008.

The following new standards and amendments to standards issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") which are relevant for the Group and are mandatory for the first time for the financial year beginning 1 January 2009 have been adopted.

- Hong Kong Accounting Standard ("HKAS") 1 (Revised), "Presentation of financial statements". The revised standard prohibits the presentation of items of income and expenses (that is "non-owner changes in equity") in the statement of changes in equity, requiring "non-owner changes in equity" to be presented separately from owner changes in equity. All "non-owner changes in equity" are required to be shown in a performance statement.

  Entities can choose whether to present one performance statement (the statement of comprehensive income) or two statements (the income statement and statement of comprehensive income).

  The Group has elected to present two statements: an income statement and a statement of comprehensive income. The interim financial statements have been prepared under the revised disclosure requirements.

- Hong Kong Financial Reporting Standard ("HKFRS") 8, "Operating segments". HKFRS 8 requires the identification of operating segments on the basis of internal reports about performance of the business components of the Group that are regularly reviewed by the chief operating decision maker in order to allocate resources to the segments and to assess their performance.

- Other new standards and amendments to standards comprising HKFRS 2 (Amendment), "Share-based payment", HKAS 32 (Amendment), "Financial Instruments: Presentation", HKIFRIC 13, "Customer loyalty programmes", and HKAS 39 (Amendment), "Financial Instruments: Recognition and measurement". The adoption of these new standards and amendments to standards did not result in significant change to the Group's accounting policies and did not have significant impact on the Group's results of operations and financial position.

The Group has early adopted HKFRS 3 (Revised), "Business combinations" and the consequential amendments to HKAS 27, "Consolidated and separate financial statements", HKAS 28, "Investments in associates" and HKAS 31, "Interests in joint ventures", which are originally effective for accounting periods beginning on or after 1 July 2009.

The revised standard continues to apply the acquisition method to business combinations, with some significant changes. For example, all payments to purchase a business are to be recorded at fair value at the acquisition date, with contingent payments classified as debt subsequently re-measured through the statement of comprehensive income. There is a choice on an acquisition-by-acquisition basis to measure the minority interests in the acquiree either at fair value or at the minority interests' proportionate share of the acquiree's net assets. All acquisition-related costs should be expensed.

The Group has also early adopted HKFRS 8 Operating Segments (Amendment), which is originally effective for accounting periods beginning on or after 1 January 2010 on the disclosure of segment assets.

The interim condensed consolidated financial statements are presented in thousands of Hong Kong dollars (HK$'000), unless otherwise stated.

3. NET INTEREST INCOME

For the six months ended 30 June

	2009	2008
Interest income arising from:		
Cash and balances with banks	**81,803**	255,223
Investments in securities	**479,762**	678,341
Advances and other accounts	**1,145,492**	1,505,408
Others	**1,880**	1,412
	1,708,937	2,440,384
Interest expense arising from:		
Deposits from banks/Deposits from customers	**416,798**	903,907
Certificates of deposit issued	**28,227**	117,082
Issued debt securities	**13,987**	53,379
Subordinated notes	**70,247**	115,090
Others	**15,281**	25,837
	544,540	1,215,295
Included within interest income:		
Interest income on financial assets not designated at fair value through profit or loss	**1,643,864**	2,378,467
Interest income on impaired loans	**7,225**	2,861
Included within interest expenses:		
Interest expenses on financial liabilities not designated at fair value through profit or loss	**462,306**	1,047,851

4. NET FEE AND COMMISSION INCOME

For the six months ended 30 June

	2009	2008
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	**32,160**	32,724
– Trade finance	**19,489**	30,745
– Credit cards	**91,581**	96,981
Other fee and commission income		
– Securities brokerage and investment services	**17,683**	100,263
– Insurance distribution and others	**8,190**	9,550
– Retail investment funds and fiduciary services	**6,735**	39,713
– Other fees	**33,633**	46,499
	209,471	356,475
Fee and commission expense		
Handling fees and commission paid	**52,989**	47,327
Other fees paid	**4,747**	6,333
	57,736	53,660
	151,735	302,815

4. NET FEE AND COMMISSION INCOME *(Continued)*

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.

5. NET TRADING LOSS

For the six months ended 30 June

	2009	2008
Dividend income from trading securities		
– listed investments	**2,049**	5,768
– unlisted investments	**2**	2,372
Net gain arising from dealing in foreign currencies	**64,602**	98,616
Net loss from trading securities	**(1,496)**	(345,627)
Net gain from derivatives entered into for trading purpose	**29,024**	9,479
Net (loss)/gain arising from financial instruments subject to fair value hedge	**(36,851)**	2,487
Net (loss)/gain arising from financial instruments designated at fair value through profit or loss	**(78,831)**	199,958
	(21,501)	(26,947)

6. OTHER OPERATING INCOME

For the six months ended 30 June

	2009	2008
Dividend income from investments in available-for-sale securities		
– listed investments	**3,950**	3,439
– unlisted investments	**3,478**	3,060
Gross rental income from investment properties	**10,229**	10,018
Other rental income	**2,796**	3,033
Others	**5,290**	12,753
	25,743	32,303

7. OPERATING EXPENSES

For the six months ended 30 June

	2009	2008
Employee compensation and benefit expenses (including directors' remuneration)	**410,921**	461,976
Premises and other fixed assets expenses, excluding depreciation	**87,672**	81,148
Depreciation	**55,567**	50,891
Advertising costs	**31,186**	25,707
Amortisation of intangible assets	**9,443**	11,335
Others	**449,008**	128,165
	1,043,797	759,222

8. IMPAIRMENT LOSSES ON LOANS AND ADVANCES

For the six months ended 30 June

	2009	2008
Net charge of impairment losses on loans and advances		
– Individually assessed	**177,907**	59,951
– Collectively assessed	**94,583**	66,114
	272,490	126,065
Of which:		
– new and additional (including amounts directly written off in the period)	**303,487**	168,494
– recoveries	**(30,997)**	(42,429)
	272,490	126,065

9. INCOME TAX EXPENSE

Hong Kong profits tax has been provided at the rate of 16.5% (2008: 16.5%) on the estimated assessable profit for the period. 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.

Deferred taxation is calculated in full on temporary differences under the liability method using a taxation rate of 16.5% (2008: 16.5%).

For the six months ended 30 June

	2009	2008
Current income tax		
– Hong Kong profits tax	**16,720**	87,763
– Overseas taxation	**5,823**	8,485
Deferred income tax		
– change of tax rate	**–**	(2,174)
– relating to the origination and reversal of timing differences	**(6,798)**	9,554
– utilisation of tax losses	**120**	–
	15,865	103,628

10. OTHER COMPREHENSIVE INCOME/(LOSS)

For the six months ended 30 June

	2009	2008
Available-for-sale securities		
Fair value gains/(losses) recognised during the period	**506,846**	(755,314)
Reclassification adjustments for amounts transferred to profit or loss		
– Disposal	**14,686**	(15,145)
– Impairment	**1,937**	251,909
Related income tax (expense)/credit	**(45,819)**	71,327
Net movement recognised in other comprehensive income	**477,650**	(447,223)

11. BASIC AND DILUTED EARNINGS PER SHARE

The calculation of basic earnings per share is based on earnings of HK$300,902,000 (2008: HK$377,927,000) and the weighted average number of 260,270,655 (2008: 251,389,984) shares in issue during the period.

The calculation of diluted earnings per share is based on earnings of HK$300,902,000 (2008: HK$377,927,000) and the weighted average number of 260,270,655 (2008: 251,674,684) shares in issue during the period after adjusting for the effect of all dilutive potential ordinary shares as shown below:

Number of shares	**2009**	2008
Weighted average number of ordinary shares as at 30 June	**260,270,655**	251,389,984
Adjustments for share options	**–**	284,700
Weighted average number of ordinary shares for diluted earnings per share as at 30 June	**260,270,655**	251,674,684

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

	As at 30 Jun 2009	As at 31 Dec 2008
Trading securities:		
Debt securities:		
– Listed in Hong Kong	**754,063**	923,292
– Listed outside Hong Kong	**66,662**	17,034
– Unlisted	**1,514,149**	1,268,916
	2,334,874	2,209,242
Equity securities:		
– Listed in Hong Kong	**–**	2,587
– Listed outside Hong Kong	**67,518**	80,809
– Unlisted		
– Interests in investment funds	**–**	10,503
– Others	**–**	–
	67,518	93,899
Total trading securities	**2,402,392**	2,303,141

12. TRADING SECURITIES AND FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS *(Continued)*

	As at 30 Jun 2009	As at 31 Dec 2008
Financial assets at fair value through profit or loss:		
Debt securities:		
– Listed in Hong Kong	**146,618**	–
– Listed outside Hong Kong	**2,211,083**	135,364
– Unlisted	**623,881**	3,473,482
	2,981,582	3,608,846
Equity securities:		
– Listed in Hong Kong	**20,582**	15,104
– Listed outside Hong Kong	**106,853**	140,608
– Unlisted	**596,053**	494,316
	723,488	650,028
Total financial assets at fair value through profit or loss	**3,705,070**	4,258,874
Total trading securities and financial assets at fair value through profit or loss	**6,107,462**	6,562,015
Market value of listed securities	**970,916**	1,018,367
Included within debt securities are:		
– Government bonds included in trading securities	**2,054,846**	1,812,779
– Other government bonds	**484,017**	1,471,392
– Other debt securities	**2,777,593**	2,533,917
	5,316,456	5,818,088

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

	As at 30 Jun 2009	As at 31 Dec 2008
– Central governments and central banks	**2,549,514**	3,356,270
– Public sector entities	**248,915**	311,469
– Banks and other financial institutions	**779,690**	1,381,718
– Corporate entities	**2,500,799**	1,483,566
– Others	**28,544**	28,992
	6,107,462	6,562,015

Included in debt securities carried at fair value through profit or loss are the Group's holdings in leveraged/structured investment vehicles of HK$5 million (31 December 2008: HK$147 million) which had been assessed as impaired since 31 December 2007.

The fair value loss recognised on these investments in the six months ended 30 June 2009 is HK$142 million (six months ended 30 June 2008: HK$65 million) and has been included in "Net loss arising from financial instruments designated at fair value through profit or loss" in Note 5 above.

13. ADVANCES AND OTHER ACCOUNTS

	As at 30 Jun 2009	As at 31 Dec 2008
Gross advances to customers	**57,101,069**	60,999,073
Gross advances to banks	**173,627**	179,226
	57,274,696	61,178,299
Less: impairment allowances		
– Individually assessed	**(565,266)**	(550,909)
– Collectively assessed	**(290,061)**	(298,645)
	(855,327)	(849,554)
Other assets		
Amounts receivable arising from sale of securities pending for settlement	**6,187,168**	–
Other accounts receivable and prepayments	**2,022,041**	3,283,472
	8,209,209	3,283,472
Investments in securities included in the loans and receivables Category *(Note 14)*	**8,377,883**	6,896,646
Advances and other accounts	**73,006,461**	70,508,863

13. **ADVANCES AND OTHER ACCOUNTS** *(Continued)*

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

	As at 30 Jun 2009		As at 31 Dec 2008	
	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	**579,102**	**64.5**	448,282	83.6
– Property investment	**9,947,898**	**90.2**	10,102,405	92.4
– Financial concerns	**250,453**	**71.8**	373,243	91.4
– Stockbrokers	**39,130**	**88.6**	9,707	53.4
– Wholesale and retail trade	**1,008,155**	**88.9**	1,187,833	87.3
– Manufacturing	**715,145**	**86.6**	885,724	78.3
– Transport and transport equipment	**3,975,924**	**95.8**	4,241,249	93.5
– Recreational activities	**123,675**	**4.3**	23,507	25.7
– Information technology	**1,122**	**41.1**	418	–
– Others	**1,992,125**	**91.8**	2,140,815	88.7
	18,632,729	**89.7**	19,413,183	90.9
Individuals				
– Loans for the purchase of flats in Home Ownership Scheme, Private Sector Participation Scheme and Tenants Purchase Scheme	**1,515,935**	**100.0**	1,625,129	99.9
– Loans for the purchase of other residential properties	**10,603,068**	**99.7**	10,715,925	99.7
– Credit card advances	**3,049,191**	**–**	3,371,802	–
– Others	**5,914,481**	**61.8**	6,513,226	58.5
	21,082,675	**74.7**	22,226,082	72.5
Loans for use in Hong Kong	**39,715,404**	**81.7**	41,639,265	81.1
Trade finance	**3,392,929**	**65.3**	4,457,618	64.0
Loans for use outside Hong Kong	**13,992,736**	**83.6**	14,902,190	82.2
	57,101,069	**81.2**	60,999,073	80.1

13. ADVANCES AND OTHER ACCOUNTS *(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 30 Jun 2009				
	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	**9,947,898**	**21,912**	**–**	**4,537**	**42,398**
Individuals					
– Loans for the purchase of other residential properties	**10,603,068**	**22,063**	**25,874**	**4,238**	**7,598**

	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

13. ADVANCES AND OTHER ACCOUNTS *(Continued)*

(b) Non-bank Mainland exposures

	As at 30 Jun 2009			
Type of counterparties	**On-balance sheet exposure**	**Off-balance sheet exposure**	**Total**	**Individually assessed impairment allowances**
Mainland entities	**2,652,423**	**6,437**	**2,658,860**	**5,219**
Companies and individuals outside Mainland where the credits are granted for use in the Mainland	**6,561,883**	**546,622**	**7,108,505**	**336,948**
Other counterparties the exposures to whom are considered by the Group to be non-bank Mainland exposures	**47,945**	**–**	**47,945**	**–**

	As at 31 Dec 2008			
Type of counterparties	On-balance sheet exposure	Off-balance sheet exposure	Total	Individually assessed impairment allowances
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	–

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

(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 30 June 2009, 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 2008).

13. ADVANCES AND OTHER ACCOUNTS *(Continued)*

(d) Impaired, overdue and rescheduled assets

Apart from the impaired investment in leveraged/structured investment vehicles described in Note 12 above and advances to customers (as set out below), there were no advances to banks or other assets which were impaired, overdue for over 3 months or rescheduled as at 30 June 2009 and 31 December 2008. In respect of advances to customers, the relevant amounts are analysed below.

(i) Impaired loans

	As at 30 Jun 2009	As at 31 Dec 2008
Impaired loans and advances to customers		
– Individually impaired *(Note (1))*	**947,987**	1,013,179
– Collectively impaired *(Note (2))*	**31,067**	23,571
	979,054	1,036,750
Impairment allowances made		
– Individually assessed *(Note (3))*	**(565,266)**	(550,909)
– Collectively assessed *(Note (2))*	**(29,922)**	(22,367)
	(595,188)	(573,276)
	383,866	463,474
Fair value of collaterals held*	**368,580**	463,556
Impaired loans and advances as a % of total loans and advances to customers	**1.71%**	1.70%

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

Note:

(1) 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.

(2) 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.

(3) The above individual impairment allowances were made after taking into account the value of collaterals in respect of such advances as at 30 June/31 December.

13. ADVANCES AND OTHER ACCOUNTS *(Continued)*

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

(ii) Overdue loans

	As at 30 Jun 2009	**% of total advances to customers**	As at 31 Dec 2008	% of total advances to customers
Gross advances to customers which have been overdue for:				
– six months or less but over three months	**368,705**	**0.64**	203,430	0.33
– one year or less but over six months	**349,445**	**0.61**	143,438	0.23
– over one year	**174,374**	**0.31**	131,592	0.22
	892,524	**1.56**	478,460	0.78
Market value of securities held against the secured overdue advances	**418,196**		202,978	
Secured overdue advances	**354,859**		141,593	
Unsecured overdue advances	**537,665**		336,867	
Individual impairment allowances	**502,271**		305,217	

(iii) Rescheduled advances net of amounts included in overdue advances shown above

	As at 30 Jun 2009	**% of total advances to customers**	As at 31 Dec 2008	% of total advances to customers
Rescheduled advances	**389,099**	**0.68**	294,506	0.48
Impairment allowances	**9,765**		18,504	

(e) Repossessed assets

The repossessed assets of the Group were as follows:

	As at 30 Jun 2009	As at 31 Dec 2008
Repossessed properties	**71,169**	53,075
Others	**20,961**	26,090
	92,130	79,165

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

	As at 30 Jun 2009	As at 31 Dec 2008
Debt securities:		
– Listed in Hong Kong	**937,255**	187,820
– Listed outside Hong Kong	**6,212,085**	5,496,534
– Unlisted	**1,228,543**	1,212,292
	8,377,883	6,896,646
Market value of listed securities	**5,104,509**	4,828,680
Included within debt securities are:		
– Certificates of deposit held	**–**	–
– Other debt securities	**8,377,883**	6,896,646
	8,377,883	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	**4,677,527**	4,763,102
– Corporate entities	**3,700,356**	2,133,544
	8,377,883	6,896,646

Investments in securities included in the loans and receivables category were reclassified from the available-for-sale category in the second half of 2008 and in the six months ended 30 June 2009.

15. AVAILABLE-FOR-SALE SECURITIES

	As at 30 Jun 2009	As at 31 Dec 2008
Debt securities:		
– Listed in Hong Kong	**379,506**	1,408,161
– Listed outside Hong Kong	**4,627,286**	7,651,419
– Unlisted	**5,322,786**	5,055,866
	10,329,578	14,115,446
Equity securities:		
– Listed in Hong Kong	**16,787**	37,189
– Listed outside Hong Kong	**227,574**	237,905
– Unlisted		
– Interests in investment funds	**–**	30,868
– Others	**535,193**	302,787
	779,554	608,749
Total available-for-sale securities	**11,109,132**	14,724,195
Included within debt securities are:		
– Certificates of deposit held	**–**	–
– Other debt securities	**10,329,578**	14,115,446
	10,329,578	14,115,446

15. AVAILABLE-FOR-SALE SECURITIES *(Continued)*

	As at 30 Jun 2009	As at 31 Dec 2008
Available-for-sale securities are analysed by categories of issuers as follows:		
– Central governments and central banks	**706,846**	1,037,592
– Public sector entities	**117,080**	91,063
– Banks and other financial institutions	**6,017,863**	5,773,998
– Corporate entities	**4,265,815**	7,820,014
– Others	**1,528**	1,528
	11,109,132	14,724,195

In the six months ended 30 June 2009, the Group reclassified investments in securities with a total market value at the time of reclassification of HK$1,640,590,000 out of the available-for-sale category into the loans and receivables category (six months ended 30 June 2008: no reclassification was made).

In the six months ended 30 June 2009, the Group also reclassified available-for-sale debt securities with a total market value at the time of reclassification of HK$3,259,762,000 as held-to-maturity securities (six months ended 30 June 2008: no reclassification was made), reflecting a change in the Group's intention on holding these securities to maturity.

16. HELD-TO-MATURITY SECURITIES

	As at 30 Jun 2009	As at 31 Dec 2008
Debt securities:		
– Listed outside Hong Kong	**6,489,115**	4,094,474
– Unlisted	**3,077,042**	2,290,457
	9,566,157	6,384,931
Market value of listed securities	**6,027,722**	3,572,127
Included within debt securities are:		
– Certificates of deposit held	**265,000**	265,000
– Other debt securities	**9,301,157**	6,119,931
	9,566,157	6,384,931
Held-to-maturity securities are analysed by issuer as follows:		
– Central governments and central banks	**1,317,152**	1,135,177
– Public sector entities	**4,181**	14,917
– Banks and other financial institutions	**5,524,562**	4,484,645
– Corporate entities	**2,720,262**	750,192
	9,566,157	6,384,931

As described in Note 15 above, in the six months ended 30 June 2009, certain investments in debt securities were reclassified from the available-for-sale category into the held-to-maturity category (six months ended 30 June 2008: no reclassification was made).

17. OTHER ACCOUNTS AND ACCRUALS

	As at 30 Jun 2009	As at 31 Dec 2008
Amounts payable arising from purchase of securities pending for settlement	**6,084,673**	–
Other accounts payable and accruals	**3,389,439**	4,074,266
	9,474,112	4,074,266

18. RESERVES

	As at 30 Jun 2009	As at 31 Dec 2008
Reserves		
Share premium	**1,551,426**	1,551,426
Retained earnings	**8,034,252**	7,719,136
Premises revaluation reserve	**753,585**	769,686
Investment revaluation reserve	**(870,413)**	(1,293,164)
Exchange reserve	**48,345**	51,141
General reserve	**441,052**	573,435
	9,958,247	9,371,660

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 30 June 2009, each of DSB and MEVAS has earmarked a regulatory reserve of HK$372,488,000 (31 December 2008: HK$472,301,000) and HK$15,976,000 (31 December 2008: HK$12,714,000) 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 Hong Kong Monetary Authority ("HKMA").

19. CONTINGENT LIABILITIES AND COMMITMENTS

(a) Capital commitments

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

	As at 30 Jun 2009	As at 31 Dec 2008
Expenditure authorised but not contracted for	**1,909**	766
Expenditure contracted but not provided for	**102,934**	98,821
	104,843	99,587

(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 amounts	
	As at 30 Jun 2009	As at 31 Dec 2008
Direct credit substitutes	**663,745**	704,420
Transaction-related contingencies	**6,233**	6,898
Trade-related contingencies	**498,253**	364,258
Commitments which are unconditionally cancelable	**31,566,422**	32,922,775
Commitments with an original maturity of:		
– under 1 year	**2,865,184**	2,673,642
– 1 year and over	**813,619**	938,980
Forward forward deposits placed	**120,935**	73,547
	36,534,391	37,684,520

	Credit risk weighted amount	
	As at 30 Jun 2009	As at 31 Dec 2008
Contingent liabilities and commitments	**1,086,021**	1,286,256

(c) 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 30 Jun 2009	As at 31 Dec 2008
Not later than 1 year	**80,265**	73,112
Later than 1 year and not later than 5 years	**119,126**	49,419
Later than 5 years	**22,682**	24,300
	222,073	146,831

20. OPERATING SEGMENT REPORTING

In prior years, the Group has determined the segment information on the basis of business segments, which are distinguishable business divisions of the Group that provide products and services to customers base or dealing with the market that are different to those of other business segments (e.g. personal banking, commercial banking, treasury, insurance business & others). Business segments information is presented as the primary reporting format while geographical segment information, which is grouped by the location of the principal operations of the Group as the secondary reporting format (e.g. Hong Kong and others and Macau).

However, information reported to the chief operating decision maker ("CODM") which includes the Chief Executive and other executive committee members, for the purposes of resource allocation and assessment of performance, is determined on the basis of banking business and insurance business. For banking business, operating performances are analyzed by business activities for local banking business and on business entity basis for overseas banking business. For insurance business, resources allocation and performance evaluation are based on insurance business entity basis.

Considering the customer groups, products and services of local banking businesses, the economic environment, and regulations, we group the operating segments of the Group into the following reportable segments:

- 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 centralized cash management for deposit taking and lending, interest rate risk management, management of investment in securities and the overall funding of the Group.

- Overseas banking businesses includes personal banking, commercial banking business activities provided by overseas subsidiaries in Macau & China and the Group's interest in a commercial bank in China.

- Insurance businesses include the Group's life assurance and general insurance businesses. Through the Group's wholly-owned subsidiaries in Hong Kong and 96% owned subsidiaries in Macau, the Group offers a variety of life and general insurance products and services.

- Others include results of operations not directly identified under other reportable segments, corporate investments and debt funding (including subordinated notes).

For the purpose of segment reporting, revenue derived from customers, products and services directly identifiable with individual segments are reported directly under respective segments, while revenue and funding cost arising from inter-segment funding operation and funding resources are allocated to segments by way of transfer pricing mechanism with reference to market interest rates. Transactions within segments are priced based on similar terms offered to or transacted with external parties. Inter-segment income or expenses are eliminated on consolidation.

All direct costs incurred by different segments are grouped under respective segments. Indirect costs and support functions' costs are allocated to various segments and products based on effort and time spent as well as segments' operating income depending on the nature of costs incurred. Costs related to corporate activities that cannot be reasonably allocated to segments, products and support functions are grouped under Others as corporate overhead.

20. OPERATING SEGMENT REPORTING *(Continued)*

For the six months ended 30 June 2009

	Personal Banking	Commercial Banking	Treasury	Overseas Banking	Insurance business	Others	Total
Interest income from							
– external customers	525,298	503,902	457,827	145,336	66,344	10,230	1,708,937
– inter-segments	173,657	7,906	33,295	17,428	10,577	(242,863)	–
Interest expense to							
– external customers	(306,158)	(52,001)	(2,785)	(25,989)	–	(157,607)	(544,540)
– inter-segments	–	–	(234,842)	(19,330)	–	254,172	–
Net interest income	392,797	459,807	253,495	117,445	76,921	(136,068)	1,164,397
Fee and commission income	145,039	37,414	764	25,933	3,316	(2,995)	209,471
Fee and commission expense	(47,156)	–	(4,720)	(1,588)	(1,387)	(2,885)	(57,736)
Net fee and commission income/(expense)	97,883	37,414	(3,956)	24,345	1,929	(5,880)	151,735
Net trading income/(loss)	5,773	2,320	46,915	(5,831)	709	(71,387)	(21,501)
Net insurance premium and other income	–	–	–	–	623,172	(542)	622,630
Other operating income	2,900	772	–	3,482	10,193	8,396	25,743
Operating income/(loss)	499,353	500,313	296,454	139,441	712,924	(205,481)	1,943,004
Net insurance claims and expenses	–	–	–	–	(546,100)	7,905	(538,195)
Total operating income/(loss) net of insurance claims	499,353	500,313	296,454	139,441	166,824	(197,576)	1,404,809
Operating expenses	(689,642)	(114,416)	(45,587)	(108,366)	(74,639)	(11,147)	(1,043,797)
Operating (loss)/profit before impairment losses	(190,289)	385,897	250,867	31,075	92,185	(208,723)	361,012
Impairment losses on loans and advances	(64,147)	(202,675)	–	(5,668)	–	–	(272,490)
Operating (loss)/profit before gains or losses on certain investments and fixed assets	(254,436)	183,222	250,867	25,407	92,185	(208,723)	88,522
Net gain on disposal of premises, investment properties and other fixed assets	–	–	–	26	–	3,270	3,296
Net (loss)/gain on disposal of available-for-sale securities	(203)	–	2	–	(20,882)	6,397	(14,686)
Share of results of jointly controlled entities	–	–	–	–	–	1,728	1,728
Share of results of an associate	–	–	–	78,117	–	–	78,117
Net gain on repurchase of subordinated debts	–	–	–	–	–	243,983	243,983
Impairment losses charged on available-for-sale securities	–	–	–	–	(1,937)	–	(1,937)
(Loss)/profit before income tax	(254,639)	183,222	250,869	103,550	69,366	46,655	399,023
Income tax credit/(expense)	42,153	(30,447)	(41,473)	(2,431)	(6,918)	23,251	(15,865)
(Loss)/profit after income tax	(212,486)	152,775	209,396	101,119	62,448	69,906	383,158
For the six months ended 30 June 2009							
Depreciation and amortization	18,324	8,247	2,588	20,473	4,105	11,273	65,010

20. OPERATING SEGMENT REPORTING *(Continued)*

For the six months ended 30 June 2008 (restated)

	Personal Banking	Commercial Banking	Treasury	Overseas Banking	Insurance business	Others	Total
Interest income from							
– external customers	630,927	757,064	810,300	157,632	41,902	42,559	2,440,384
– inter-segments	451,045	–	3,769	32,102	17,508	(504,424)	–
Interest expense to							
– external customers	(630,520)	(146,707)	(41,446)	(82,820)	–	(313,802)	(1,215,295)
– inter-segments	–	(164,038)	(566,716)	(6,761)	–	737,515	–
Net interest income	451,452	446,319	205,907	100,153	59,410	(38,152)	1,225,089
Fee and commission income	266,988	65,483	6,152	25,698	3,588	(11,434)	356,475
Fee and commission expense	(46,261)	–	(4,434)	(938)	(626)	(1,401)	(53,660)
Net fee and commission income/(expense)	220,727	65,483	1,718	24,760	2,962	(12,835)	302,815
Net trading income/(loss)	2,422	3,386	91,081	6,370	(162,563)	32,357	(26,947)
Net insurance premium and other income	–	–	–	–	989,706	(557)	989,149
Other operating income	12,282	1,370	4	3,543	5,419	9,685	32,303
Operating income/(loss)	686,883	516,558	298,710	134,826	894,934	(9,502)	2,522,409
Net insurance claims and expenses	–	–	–	–	(869,021)	16,001	(853,020)
Total operating income net of insurance claims	686,883	516,558	298,710	134,826	25,913	6,499	1,669,389
Operating expenses	(384,941)	(124,662)	(56,310)	(80,075)	(73,614)	(39,620)	(759,222)
Operating profit/(loss) before impairment losses	301,942	391,896	242,400	54,751	(47,701)	(33,121)	910,167
Impairment losses on loans and advances (charged)/reversed	(51,320)	(70,092)	–	(5,258)	–	605	(126,065)
Operating profit/(loss) before gains or losses on certain investments and fixed assets	250,622	321,804	242,400	49,493	(47,701)	(32,516)	784,102
Net gain/(loss) on disposal of premises, investment properties and other fixed assets	20	–	–	7,290	–	(458)	6,852
Net gain on disposal of available-for-sale securities	6,065	–	2,205	816	–	6,059	15,145
Share of results of jointly controlled entities	–	–	–	–	–	3,272	3,272
Share of results of an associate	–	–	–	54,749	–	–	54,749
Impairment losses charged on available-for-sale securities	–	–	–	(18,067)	–	(233,842)	(251,909)
Profit/(loss) before income tax	256,707	321,804	244,605	94,281	(47,701)	(257,485)	612,211
Income tax (expense)/credit	(41,388)	(53,415)	(40,308)	(5,998)	(3,466)	40,947	(103,628)
Profit/(loss) after income tax	215,319	268,389	204,297	88,283	(51,167)	(216,538)	508,583
For the six months ended 30 June 2008 (restated)							
Depreciation and amortization	19,396	9,929	4,666	18,041	3,766	6,428	62,226

20. OPERATING SEGMENT REPORTING *(Continued)*

More than 90% of the revenues to external customers were contributed from banking subsidiaries in Hong Kong, Macau and People's Republic of China, with major products and services including deposit taking, extension of credit, asset-based finance, securities investment etc.

The following table provides information by geographical area, which was determined with reference to the domicile of the legal entities within the group which the external customers have established the relationship.

For the period ended 30 June 2009	**Operating income**	**Intangible assets and goodwill**
Hong Kong	**1,242,468**	**320,163**
China	**28,457**	**–**
Macau	**133,884**	**779,738**
	1,404,809	**1,099,901**

21. EVENT AFTER THE BALANCE SHEET DATE

On 22 July 2009, the Group's two banking subsidiaries agreed with the Securities and Futures Commission, the HKMA and 14 other distributing banks in Hong Kong to offer to repurchase holdings in all outstanding Lehman Brothers Minibonds distributed by the Group from eligible customers (the "Repurchase Scheme"). Details of the Repurchase Scheme have been set out in the Company's announcement on 23 July 2009.

Under the Repurchase Scheme, the Group will, without admission of liability, make an offer to repurchase at a price equivalent to 60% of the nominal value of the principal invested for eligible customers below the age of 65 as at 1 July 2009 or at 70% of the nominal value of the principal invested for eligible customers aged 65 or above as at 1 July 2009. The Repurchase Scheme includes additional payments to the eligible customers based on the amounts recoverable from the Lehman Brothers Minibonds which will be repurchased by the Group under the Repurchase Scheme. The Group has also made a voluntary offer to make ex gratia payments to those eligible customers who had previously settled with the Group on a case-by-case basis, to bring them in line with the terms of the Repurchase Scheme, and will make available an amount equivalent to the total commission income received as a Lehman Brothers Minibonds distributor of approximately HK$22 million to the trustee of the Lehman Brothers Minibonds to fund the trustee's expenses in realising the value of the underlying collateral.

The Group estimated that, in addition to the amount that has been paid or committed to be paid in previously settled cases, it will have to pay out a further sum of approximately HK$444 million as a result of the Repurchase Scheme and the voluntary offer to customers who have previously settled with the Group.

At present, the net amount which could be recoverable from the Lehman Brothers Minibonds on collateral recovery and realisation is uncertain. Any adjustment in the provision to account for the effect of the settlement with customers under the Repurchase Scheme could affect our results in the second half of 2009.

FINANCIAL RATIOS

	Six months ended 30 Jun 2009	Six months ended 30 Jun 2008
Net interest income/operating income	**82.9%**	73.4%
Cost to income ratio	**74.3%**	45.5%
Loan to deposit (including certificates of deposit) ratio	**65.5%**	76.1%
Return on average total assets	**0.5%**	0.8%
Return on average shareholders' funds	**6.3%**	9.2%
Dividend payout ratio	**–**	46.5%
Net interest margin	**1.98%**	2.24%

INTERIM DIVIDEND

The Directors resolved that no interim dividend for the period ended 30 June 2009 will be paid.

CORPORATE AND BUSINESS OVERVIEW

HIGHLIGHTS

Although in the first half of the year the global economy was showing some signs of stabilisation thanks to the stimulus measures by various governments, and financial markets rallied in the latter part of the second quarter, conditions were still difficult for our banking and insurance businesses. Compared with the first half of 2008, we recorded a decrease of 16% in operating income net of insurance claims, and a decrease in profit attributable to shareholders of 20%.

The core operating performance in our banking and insurance businesses was under pressure due to the aftermath of the financial crisis and the severe economic downturn. In response to the challenging market conditions experienced in 2008, we adopted a cautious business approach in the first half of 2009. As a result of this more cautious strategy, total loans and advances contracted 6% when compared with the end of last year. Against the more difficult operating environment, our total operating income in the period was lower than the first half of 2008, due to lower net interest income and non-interest income. Operating expenses were much higher, driven largely by provisions made for possible settlement with customers relating to retail investment products distributed by the Group prior to the last quarter of 2008. Despite our more stringent credit control and collection measures, loan impairment charges were much higher than in the corresponding period in 2008, reflecting weaker asset quality as a result of the weak economic and business conditions during the period. Our insurance business performance was also affected by the economic downturn and the more challenging operating environment, and recorded lower premium income, although the recovery in the equity and bond markets in the second quarter enabled our insurance business to post improved investment returns.

As a result both of a total injection of HK$1,300 million of equity capital into Dah Sing Bank during the period, as well as the retained earnings and recovery in the value of investment securities, the combined capital adequacy of DSBG improved compared with the 2008 year end, with core capital adequacy increasing from 6.8% to 9.3% and total capital adequacy increasing from 13.6% to 15.9%.

Our 20% associate, Bank of Chongqing performed well during the period, contributing HK$78 million, representing 43% growth comparing with the same period in 2008.

Net profit of our banking business dropped 41% in the period, whilst our insurance business recorded a profit compared against a modest net loss in the first half of 2008, resulting in a decline in profit attributable to shareholders of the Group of 20% compared with the first half of 2008. Earnings per share decreased by 23% to HK$1.16.

BUSINESS AND FINANCIAL REVIEW

Net interest income in the period was down by 5% year on year. Net interest margin tightened to 1.98% from 2.24% and 1.99% in the first half and second half respectively in 2008 (2.11% for full year 2008). The decline in net interest income was a result of the contraction in net interest margin, largely due to the holding of a relatively higher pool of cash balances, and a reduction in total loans outstanding. Further, the financial market turmoil in late 2008 also had an adverse impact on our funding cost which, although eased subsequent to the first two months of 2009, had added pressure in depressing our net interest margin during the interim period.

Non-interest income was 46% lower than the same period in 2008, mainly due to weak wealth management fee and commission income, lower banking fees on a lower volume of transactions, lower insurance sales income, and net trading and financial instruments fair value losses.

With continued tight cost control, our core operating expenses were largely similar to the first half of 2008, and staff related expenses were lower after implementing cost rationalization programs since late 2008. Some non-staff cost increases were caused by higher premises and depreciation expenses, and also operating expenses in relation to the operation of our wholly owned subsidiary bank in China, which commenced its business in August 2008.

The significant increase in our other operating expenses was largely provisions relating to possible settlement and compensation to customers having bought retail investment products from the Group's Hong Kong banking subsidiaries, which was made after considering customer complaints, and the development up to the end of June 2009 (which subsequently came to the arrangements of an industry-wide settlement agreement and repurchase scheme of certain retail bonds distributed by 16 banks in Hong Kong, including Dah Sing Bank and MEVAS Bank).

Both individual and collective impairment charges in the period were significantly higher. The much higher individual impairment provision was mainly caused by higher commercial banking and equipment finance loan losses, which generally reflected a weaker loan quality for the manufacturing and trade finance sectors following the severe downturn in manufacturing and global demands in the last few months in 2008 and continuing to the beginning of 2009, although we saw signs of stabilization in the second quarter of 2009. The increase in collective impairment charge reflected deterioration in the loan quality of our retail banking unsecured portfolio, including credit cards, driven by increased personal bankruptcies, individual loan restructuring and higher unemployment rate.

Adversely affected by the steep drop and volatility in the financial markets in late 2008 and weaker customer confidence on investment linked insurance products, our insurance business recorded a reduction in new sales, relatively low investment return and decrease in embedded value during the period. The negative impact was, however, slightly cushioned by higher premium income on policy renewals and lower required transfer to actuarial reserves as determined by actuarial valuations, which incorporated market conditions and general interest rate movements during the period ended 30 June 2009.

Relative to the first half of 2008, operating profit before loan impairment charges was down by 60% to HK$361 million. Due to the significant increase in loan impairment provisions, our banking business posted a small net operating loss after loan impairment, resulting in the Group's overall operating profit after loan impairment to drop by 89%.

The share of net profit of associates in the period was HK$78 million, which was derived from our 20% equity interest in Bank of Chongqing. The increase in our share of net profit was due to our higher shareholding interest in the associated company since October 2008, and its stronger operating performance. The investment in Bank of Chongqing provided us with a respectable investment return during the period. We also benefited during the period from gains of HK$244 million on the repurchase of a portion of our perpetual subordinated debt callable in 2017.

In the first half of 2009, we continued our prudent business approach to preserve higher liquidity, enhance capital adequacy, improve asset quality and manage our funding costs. Our loan portfolio by the end of June 2009 declined by 6% relative to the end of 2008, caused mainly by the drop in property related lending, trade finance, equipment finance and retail lending balances.

BUSINESS AND FINANCIAL REVIEW *(Continued)*

In order to strengthen the capital base in face of business contingency, we effected capital injection of HK$1 billion to Dah Sing Bank ("DSB") on 25 March 2009 by extending a term loan facility to Dah Sing Banking Group Limited ("DSBG"), the immediate holding company of DSB, which was applied to subscribe for additional equity capital in DSB in the same amount.

In April 2009, DSBG placed a further 54 million new shares at a price of HK$5.60 per share to independent investors, raising approximately HK$300 million of new equity, which was then injected into DSB. Our interest in DSBG, after the top-up placing, was diluted by approximately 4.1% to 70.9%.

These capital actions completed in the second quarter further improved DSB's core capital, and helped increase its Tier 1 capital ratio while maintaining the total capital adequacy ratio of DSB, and the combined capital adequacy ratio of the whole Banking Group, which stood at 15.9% at 30 June 2009.

PROSPECTS

The global economy, particularly the US economy, are showing signs of "green shoots" and economic recovery, with GDP contraction easing significantly in the second quarter following the substantial and very steep drop during the last quarter of 2008 and the first quarter in 2009. It is however too early to be confident that the recovery will be sustainable, as to pace and nature, which will still be subject to many uncertainties.

China's huge stimulus package and new infrastructure investments, loose monetary policy, rapid bank lending growth and steady increase in domestic consumption have contributed to the continued growth in China's GDP and also assisted to support both the Asian region and Hong Kong's economies. The widespread failure of small and medium sized enterprises, caused by the financial tsunami and abrupt contraction of global demand in the last quarter of 2008, appears to have slowed in recent months pursuant to a modest recovery of the global economy, implementation of various government stimulus measures and the relatively robust economic performance in China. Hong Kong's stock market experienced a substantial rally in the second quarter of 2009, and reached a new high in July subsequent to the low level in the autumn of 2008.

In the short term and in view of the uncertainties of economic conditions as regards GDP recovery, local exports and unemployment, we expect to maintain our cautious stance on growing our businesses. We do not expect meaningful growth in our loan book this year, although we will put in further effort to grow loans selectively, whilst maintaining tight credit control and monitoring to improve the credit quality of our loan portfolio.

In the medium to long term, we continue to be confident that the growing Greater China market is likely to continue to provide opportunities for growth for both our banking and insurance businesses.

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 six months ended 30 June 2009.

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.

UNAUDITED FINANCIAL STATEMENTS

The financial information in this interim results announcement is unaudited and does not constitute statutory financial statements.

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 the unaudited interim financial statements for the period ended 30 June 2009.

REMUNERATION AND STAFF DEVELOPMENT

There have been no material changes to the information disclosed in the Company's 2008 Annual Report in respect of the remuneration of employees, remuneration policies and training schemes.

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 six months ended 30 June 2009.

INTERIM RESULTS ANNOUNCEMENT AND INTERIM REPORT

Copies of this announcement may be obtained from Corporate Secretarial Department at 36th Floor, Dah Sing Financial Centre, 108 Gloucester Road, Hong Kong, or downloaded from the Company's website at <http://www.dahsing.com> free of charge.

The 2009 Interim Report of the Group containing all the information required by the Listing Rules will be published on the websites of the Hong Kong Stock Exchange and the Company in due course. Printed copies of the 2009 Interim Report will be sent to shareholders before the end of September 2009.

BOARD OF DIRECTORS

As at the date of this announcement, the Board of Directors comprises Messrs. David Shou-Yeh Wong (Chairman), Hon-Hing Wong (Derek Wong) (Managing Director and Chief Executive), Roderick Stuart Anderson, Gary Pak-Ling Wang and Nicholas John Mayhew as Executive Directors; Messrs. Kunio Suzuki (Kenichi Yonetani as alternate), Tatsuo Tanaka (Tetsuya Wada as alternate), Eiichi Yoshikawa, John Wai-Wai Chow and Yiu-Ming Ng as Non-Executive Directors; Messrs. Peter Gibbs Birch, Robert Tsai-To Sze, Tai-Lun Sun (Dennis Sun), Kwok-Hung Yue (Justin Yue) and Nicholas Robert Sallnow-Smith as Independent Non-Executive Directors.

By Order of the Board
H L Soo
Company Secretary

Hong Kong, Wednesday, 12 August 2009