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大新銀行集團有限公司 **DahSingBankingGroupLimited**

(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 2009 INTERIM RESULTS

The Directors of Dah Sing Banking Group 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 for the six months ended 30 June 2009 was HK\$306.8 million.

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

<i>HK\$'000</i>	<i>Note</i>	2009	2008	Variance %
Interest income		1,641,338	2,389,130	
Interest expense		(579,224)	(1,233,668)	
Net interest income	3	1,062,114	1,155,462	– 8.1
Fee and commission income		217,589	372,004	
Fee and commission expense		(56,066)	(51,635)	
Net fee and commission income	4	161,523	320,369	– 49.6
Net trading (loss)/income	5	(21,913)	97,652	
Other operating income	6	16,973	27,218	
Operating income		1,218,697	1,600,701	– 23.9
Operating expenses	7	(963,882)	(681,870)	41.4
Operating profit before impairment losses		254,815	918,831	– 72.3
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 (loss)/profit before gains or losses on certain investments and fixed assets		(17,675)	792,766	
Net gain on disposal of premises, investment properties and other fixed assets		3,296	6,852	
Net gain on disposal of available-for-sale securities		6,276	12,687	
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		—	(251,909)	
Profit before income tax		315,725	618,417	— 48.9
Income tax expense	9	(8,898)	(100,162)	
Profit for the period		306,827	518,255	— 40.8
Loss/(profit) attributable to minority interests		20	(1,558)	
Profit attributable to shareholders of the Company		306,847	516,697	— 40.6
Dividend		—	167,897	
Earnings per share				
Basic	11	HK\$0.32	HK\$0.55	
Diluted	11	HK\$0.32	HK\$0.55	
Dividend per share				
Interim dividend		—	HK\$0.18	

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June

<i>HK\$'000</i>	<i>Note</i>	2009	2008
Profit for the period		306,827	518,255
Other comprehensive income/(loss) for the period (after tax and reclassification adjustments)			
Available-for-sale securities: net movement in fair value reserve	10	208,283	(416,897)
Exchange differences arising on translation of the financial statements of foreign entities		(3,726)	8,146
		204,557	(408,751)
Total comprehensive income for the period		511,384	109,504
Attributable to:			
Shareholders of the Company		510,958	108,065
Minority interests		426	1,439
Total comprehensive income for the period		511,384	109,504

UNAUDITED CONDENSED CONSOLIDATED BALANCE SHEET

<i>HK\$'000</i>	<i>Note</i>	As at 30 Jun 2009	As at 31 Dec 2008
ASSETS			
Cash and balances with banks		13,106,711	12,665,167
Placements with banks maturing between one and twelve months		6,528,664	1,656,950
Trading securities	12	2,097,262	1,875,564
Financial assets at fair value through profit or loss	12	4,875	565,290
Derivative financial instruments	13	607,757	1,066,439
Advances and other accounts	14	72,467,800	69,507,336
Available-for-sale securities	16	10,446,905	14,247,299
Held-to-maturity securities	17	9,380,001	6,159,264
Investment in an associate		1,210,634	1,132,461
Investments in jointly controlled entities		59,558	59,973
Goodwill		811,690	811,690
Intangible assets		118,871	126,875
Premises and other fixed assets		1,644,590	1,666,499
Investment properties		524,172	546,172
Current tax assets		130,789	139,860
Deferred income tax assets		119,806	159,380
Total assets		119,260,085	112,386,219
LIABILITIES			
Deposits from banks		1,543,032	2,443,594
Derivative financial instruments	13	1,323,392	2,267,640
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		85,934,950	81,890,447
Certificates of deposit issued		2,837,220	4,654,985
Issued debt securities		2,794,761	2,803,640
Subordinated notes		4,419,504	5,671,716
Other accounts and accruals	18	9,136,526	2,183,662
Current income tax liabilities		17,403	12,682
Deferred income tax liabilities		738	1,575
Total liabilities		110,256,335	104,192,425
EQUITY			
Minority interests		17,221	20,593
Equity attributable to the Company's shareholders			
Share capital		986,759	932,759
Reserves	19	7,999,770	7,240,442
Shareholders' funds		8,986,529	8,173,201
Total equity		9,003,750	8,193,794
Total equity and liabilities		119,260,085	112,386,219

Note:

1. GENERAL INFORMATION

Dah Sing Banking Group Limited (the “Company”) is a bank holding company. Its principal subsidiaries include Dah Sing Bank, Limited (“DSB”) and MEVAS Bank Limited (“MEVAS”), both are licensed banks in Hong Kong. The Company together with its subsidiaries (collectively the “Group”) provide banking, financial and other related services.

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	80,682	236,914
Investments in securities	414,021	646,198
Advances and other accounts	1,145,493	1,505,408
Others	1,142	610
	<u>1,641,338</u>	<u>2,389,130</u>
Interest expense arising from:		
Deposits from banks/Deposits from customers	428,390	922,475
Certificates of deposit issued	28,227	117,082
Issued debt securities	23,978	53,379
Subordinated notes	70,247	115,090
Others	28,382	25,642
	<u>579,224</u>	<u>1,233,668</u>
Included within interest income:		
Interest income on financial assets not designated at fair value through profit or loss	<u>1,639,615</u>	<u>2,356,378</u>
Interest income on impaired loans	<u>7,225</u>	<u>2,861</u>
Included within interest expense:		
Interest expense on financial liabilities not designated at fair value through profit or loss	<u>480,119</u>	<u>1,066,224</u>

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	95,034	100,023
Other fee and commission income		
– Securities brokerage and investment services	17,484	99,079
– Insurance distribution and others	16,891	26,639
– Retail investment funds and fiduciary services	6,735	39,713
– Other fees	29,796	43,081
	<u>217,589</u>	<u>372,004</u>
Fee and commission expense		
Handling fees and commission paid	51,319	45,330
Other fees paid	4,747	6,305
	<u>56,066</u>	<u>51,635</u>
	<u><u>161,523</u></u>	<u><u>320,369</u></u>

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)/INCOME

For the six months ended 30 June

	2009	2008
Net gain arising from dealing in foreign currencies	64,882	101,088
Net gain/(loss) from trading securities	6,818	(2,411)
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 arising from financial instruments designated at fair value through profit or loss	<u>(85,786)</u>	<u>(12,991)</u>
	<u><u>(21,913)</u></u>	<u><u>97,652</u></u>

6. OTHER OPERATING INCOME

For the six months ended 30 June

	2009	2008
Dividend income from investments in available-for-sale securities		
– listed investments	543	1,026
– unlisted investments	3,478	3,060
Gross rental income from investment properties	4,822	6,366
Other rental income	2,796	3,033
Others	5,334	13,733
	<u>16,973</u>	<u>27,218</u>

7. OPERATING EXPENSES

For the six months ended 30 June

	2009	2008
Employee compensation and benefit expenses (including directors' remuneration)	370,002	415,288
Premises and other fixed assets expenses, excluding depreciation	81,155	75,021
Depreciation	48,619	46,615
Advertising costs	29,890	26,789
Amortisation of intangible assets	8,004	9,518
Others	426,212	108,639
	<u>963,882</u>	<u>681,870</u>

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
	<u>272,490</u>	<u>126,065</u>
Of which:		
– new and additional (including amounts directly written off in the period)	303,487	168,494
– recoveries	(30,997)	(42,429)
	<u>272,490</u>	<u>126,065</u>

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	11,122	82,857
– Overseas taxation	4,807	9,834
Deferred income tax		
– change of tax rate	–	(2,174)
– relating to the origination and reversal of timing differences	(7,151)	9,645
– utilisation of tax losses	120	–
	<u>8,898</u>	<u>100,162</u>

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	260,330	(727,446)
Reclassification adjustments for amounts transferred to profit or loss		
– Disposal	(6,276)	(12,687)
– Impairment	–	251,909
Related income tax (expense)/credit	(45,771)	71,327
Net movement recognised in other comprehensive income	<u>208,283</u>	<u>(416,897)</u>

11. BASIC AND DILUTED EARNINGS PER SHARE

The calculation of basic earnings per share is based on earnings of HK\$306,847,000 (2008: HK\$516,697,000) and the weighted average number of 950,062,736 (2008: 931,622,831) shares in issue during the period.

The calculation of diluted earnings per share is based on earnings of HK\$306,847,000 (2008: HK\$516,697,000) and the weighted average number of 950,062,736 (2008: 931,654,420) 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	950,062,736	931,622,831
Adjustments for share options	–	31,589
Weighted average number of ordinary shares for diluted earnings per share as at 30 June	<u>950,062,736</u>	<u>931,654,420</u>

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	17,025	17,034
– Unlisted	1,326,174	935,238
Total trading securities	2,097,262	1,875,564
Financial assets at fair value through profit or loss:		
Debt securities:		
– Listed outside Hong Kong	4,875	135,364
– Unlisted	–	429,926
Total financial assets at fair value through profit or loss	4,875	565,290
Total trading securities and financial assets at fair value through profit or loss	2,102,137	2,440,854
Included within debt securities are:		
– Government bonds included in trading securities	2,054,846	1,812,779
– Other debt securities	47,291	628,075
	2,102,137	2,440,854

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	2,054,846	1,812,779
– Public sector entities	3,729	24,414
– Banks and other financial institutions	38,687	38,371
– Corporate entities	4,875	565,290
	2,102,137	2,440,854

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. DERIVATIVE FINANCIAL INSTRUMENTS

The notional principal amounts of outstanding derivatives contracts and their fair values as at 30 June 2009 were as follows:

	Contract/ notional amount	Fair values	
		Assets	Liabilities
1) Derivatives held for trading			
a) <i>Foreign exchange derivatives</i>			
Forward and future contracts	72,948,053	148,298	(65,281)
Currency swaps	1,045,242	7,947	(42,890)
Currency options purchased and written	9,246,029	10,670	(8,831)
b) <i>Interest rate derivatives</i>			
Interest rate swaps	10,853,782	104,073	(228,005)
Interest rate options purchased and written	—	—	—
c) <i>Equity derivatives</i>			
Equity options purchased and written	44,200	1,258	(1,258)
Total derivative assets/(liabilities) held for trading	94,137,306	272,246	(346,265)
2) Derivatives held for hedging			
a) <i>Derivatives designated as fair value hedges</i>			
Interest rate swaps	12,364,283	193,111	(977,127)
Total derivative assets/(liabilities) held for hedging	12,364,283	193,111	(977,127)
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	415,119	33,393	—
Interest rate swaps	2,833,781	109,007	—
Total derivative assets/(liabilities) not qualified as hedges	3,248,900	142,400	—
Total recognised derivative financial assets/(liabilities)	109,750,489	607,757	(1,323,392)

13. DERIVATIVE FINANCIAL INSTRUMENTS *(Continued)*

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

	Contract/ notional amount	Fair values	
		Assets	Liabilities
1) Derivatives held for trading			
a) <i>Foreign exchange derivatives</i>			
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) <i>Interest rate derivatives</i>			
Interest rate swaps	16,493,221	176,103	(284,236)
Interest rate options purchased and written	1,489,445	20,447	(20,447)
c) <i>Equity derivatives</i>			
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) <i>Derivatives designated as fair value hedges</i>			
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)	<u>121,543,053</u>	<u>1,066,439</u>	<u>(2,267,640)</u>

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

As at 30 June 2009, the credit risk weighted amounts of the above off-balance sheet exposures calculated under Basel II basis and without taking into account the effect of bilateral netting arrangement that the Group entered into, are as follows:

	As at 30 Jun 2009	As at 31 Dec 2008
Exchange rate contracts	448,767	529,302
Interest rate contracts	227,953	401,664
Other contracts	1,874	5,023
	<u>678,594</u>	<u>935,989</u>

14. 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
	<u>57,274,696</u>	<u>61,178,299</u>
Less: impairment allowances		
– Individually assessed	(565,266)	(550,909)
– Collectively assessed	(290,061)	(298,645)
	<u>(855,327)</u>	<u>(849,554)</u>
Other assets		
Amounts receivable arising from sale of securities pending for settlement	6,187,168	–
Other accounts receivable and prepayments	1,483,380	2,281,945
	<u>7,670,548</u>	<u>2,281,945</u>
Investments in securities included in the loans and receivables category (Note 15)	8,377,883	6,896,646
Advances and other accounts	<u>72,467,800</u>	<u>69,507,336</u>

14. 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
	<u>18,632,729</u>	<u>89.7</u>	<u>19,413,183</u>	<u>90.9</u>
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
	<u>21,082,675</u>	<u>74.7</u>	<u>22,226,082</u>	<u>72.5</u>
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
	<u>57,101,069</u>	<u>81.2</u>	<u>60,999,073</u>	<u>80.1</u>

14. 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	<u>10,603,068</u>	<u>22,063</u>	<u>25,874</u>	<u>4,238</u>	<u>7,598</u>
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	<u>10,715,925</u>	<u>1,111</u>	<u>1,839</u>	<u>407</u>	<u>3,211</u>

14. ADVANCES AND OTHER ACCOUNTS (Continued)

(b) Non-bank Mainland exposures

Type of counterparties	As at 30 Jun 2009			Individually assessed impairment allowances
	On-balance sheet exposure	Off-balance sheet exposure	Total	
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	<u>47,945</u>	<u>—</u>	<u>47,945</u>	<u>—</u>
Type of counterparties	As at 31 Dec 2008			Individually assessed impairment allowances
	On-balance sheet exposure	Off-balance sheet exposure	Total	
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	<u>50,138</u>	<u>—</u>	<u>50,138</u>	<u>—</u>

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).

14. 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
Group		
Impaired loans and advances to customers		
– Individually impaired (Note (1))	947,987	1,013,179
– Collectively impaired (Note (2))	31,067	23,571
	<u>979,054</u>	<u>1,036,750</u>
Impairment allowances made		
– Individually assessed (Note (3))	(565,266)	(550,909)
– Collectively assessed (Note (2))	(29,922)	(22,367)
	<u>(595,188)</u>	<u>(573,276)</u>
	<u>383,866</u>	<u>463,474</u>
Fair value of collaterals held*	<u>368,580</u>	<u>463,556</u>
Impaired loans and advances as a % of total loans and advances to customers	<u>1.71%</u>	<u>1.70%</u>

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

Note:

- 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.
- 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.
- 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.

14. 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
	<u>892,524</u>	<u>1.56</u>	<u>478,460</u>	<u>0.78</u>
Market value of securities held against the secured overdue advances	<u>418,196</u>		<u>202,978</u>	
Secured overdue advances	354,859		141,593	
Unsecured overdue advances	<u>537,665</u>		<u>336,867</u>	
Individual impairment allowances	<u>502,271</u>		<u>305,217</u>	

(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	<u>389,099</u>	0.68	<u>294,506</u>	0.48
Impairment allowances	<u>9,765</u>		<u>18,504</u>	

(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	<u>20,961</u>	<u>26,090</u>
	<u>92,130</u>	<u>79,165</u>

15. 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
	<u>8,377,883</u>	<u>6,896,646</u>
Market value of listed securities	<u>5,104,509</u>	<u>4,828,680</u>
Included within debt securities are:		
– Certificates of deposit held	–	–
– Other debt securities	8,377,883	6,896,646
	<u>8,377,883</u>	<u>6,896,646</u>
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
	<u>8,377,883</u>	<u>6,896,646</u>

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.

16. 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	4,596,751	7,620,884
– Unlisted	5,322,786	5,055,866
	<u>10,299,043</u>	<u>14,084,911</u>
Equity securities:		
– Listed in Hong Kong	1,067	4,119
– Listed outside Hong Kong	62,192	80,960
– Unlisted		
– Others	84,603	77,309
	<u>147,862</u>	<u>162,388</u>
Total available-for-sale securities	<u>10,446,905</u>	<u>14,247,299</u>
Included within debt securities are:		
– Other debt securities	<u>10,299,043</u>	<u>14,084,911</u>
Available-for-sale securities are analysed by categories of issuers as follows:		
– Central governments and central banks	676,311	1,037,592
– Public sector entities	117,080	91,063
– Banks and other financial institutions	5,553,992	5,506,728
– Corporate entities	4,097,994	7,610,388
– Others	1,528	1,528
	<u>10,446,905</u>	<u>14,247,299</u>

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.

17. 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	2,890,886	2,064,790
	<u>9,380,001</u>	<u>6,159,264</u>
Market value of listed securities	<u>6,027,722</u>	<u>3,572,127</u>
Included within debt securities are:		
– Certificates of deposit held	265,000	265,000
– Other debt securities	9,115,001	5,894,264
	<u>9,380,001</u>	<u>6,159,264</u>
Held-to-maturity securities are analysed by issuer as follows:		
– Central governments and central banks	1,317,152	1,135,177
– Banks and other financial institutions	5,472,923	4,404,317
– Corporate entities	2,589,926	619,770
	<u>9,380,001</u>	<u>6,159,264</u>

As described in Note 16 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).

18. 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	3,051,853	2,183,662
	<u>9,136,526</u>	<u>2,183,662</u>

19. RESERVES

	As at 30 Jun 2009	As at 31 Dec 2008
Reserves		
Share premium	2,476,806	2,228,436
Consolidation reserve	(220,986)	(220,986)
Premises revaluation reserve	671,811	694,534
Investment revaluation reserve	(1,341,352)	(1,551,854)
Exchange reserve	64,432	68,160
General reserve	700,254	700,254
Retained earnings	5,648,805	5,321,898
	<u>7,999,770</u>	<u>7,240,442</u>

The Group's Hong Kong banking subsidiaries, DSB and 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").

20. 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
	<u>104,843</u>	<u>99,587</u>

(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
Other commitments which are unconditionally cancelable	31,566,422	32,922,775
Other 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
	<u>36,534,391</u>	<u>37,684,520</u>

	Credit risk weighted amounts	
	As at 30 Jun 2009	As at 31 Dec 2008
Contingent liabilities and commitments	<u>1,086,021</u>	<u>1,286,256</u>

(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	82,677	81,619
Later than 1 year and not later than 5 years	118,634	54,256
Later than 5 years	22,682	24,300
	<u>223,993</u>	<u>160,175</u>

21. CROSS-BORDER CLAIMS

Equivalent in HK\$ millions

	As at 30 Jun 2009			
	Banks and other financial institutions	Public sector entities	Others	Total
Asia Pacific excluding Hong Kong	9,465	115	9,739	19,319
North and South America	729	–	3,007	3,736
Europe	19,749	–	2,769	22,518
	<u>29,943</u>	<u>115</u>	<u>15,515</u>	<u>45,573</u>

	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
	<u>23,645</u>	<u>240</u>	<u>15,573</u>	<u>39,458</u>

The 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.

22. 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 & 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 personal banking, commercial banking, treasury and overseas banking business. Operating performances are analyzed by business activities for local banking business and on business entity basis for overseas banking business.

22. OPERATING SEGMENT REPORTING (Continued)

Considering the customer groups, products and services of local 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.
- 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.

22. OPERATING SEGMENT REPORTING (Continued)

For the six months ended 30 June 2009

	Personal Banking	Commercial Banking	Treasury	Overseas Banking	Others	Total
Interest income from						
– external customers	525,298	503,902	457,827	145,336	8,975	1,641,338
– inter-segments	173,657	7,906	33,295	17,428	(232,286)	–
Interest expense to						
– external customers	(306,158)	(52,001)	(13,362)	(25,989)	(181,714)	(579,224)
– inter-segments	–	–	(224,265)	(19,330)	243,595	–
Net interest income	392,797	459,807	253,495	117,445	(161,430)	1,062,114
Fee and commission income	145,039	37,414	764	25,933	8,439	217,589
Fee and commission expense	(47,156)	–	(4,720)	(1,588)	(2,602)	(56,066)
Net fee and commission income/(expense)	97,883	37,414	(3,956)	24,345	5,837	161,523
Net trading income/(loss)	5,773	2,320	46,915	(5,831)	(71,090)	(21,913)
Other operating income	2,900	772	–	3,482	9,819	16,973
Operating income/(loss)	499,353	500,313	296,454	139,441	(216,864)	1,218,697
Operating expenses	(689,642)	(114,416)	(45,587)	(108,366)	(5,871)	(963,882)
Operating (loss)/profit before impairment losses	(190,289)	385,897	250,867	31,075	(222,735)	254,815
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	(222,735)	(17,675)
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	–	6,477	6,276
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
(Loss)/profit before income tax	(254,639)	183,222	250,869	103,550	32,723	315,725
Income tax credit/(expense)	42,153	(30,447)	(41,473)	(2,431)	23,300	(8,898)
(Loss)/profit after income tax	(212,486)	152,775	209,396	101,119	56,023	306,827
For the six months ended 30 June 2009						
Depreciation and amortisation	18,324	8,247	2,588	20,473	6,991	56,623

22. OPERATING SEGMENT REPORTING (Continued)

For the six months ended 30 June 2008 (Restated)

	Personal Banking	Commercial Banking	Treasury	Overseas Banking	Others	Total
Interest income from						
– external customers	630,927	757,064	810,300	157,632	33,207	2,389,130
– inter-segments	451,045	–	3,769	32,102	(486,916)	–
Interest expense to						
– external customers	(630,520)	(146,707)	(58,954)	(82,820)	(314,667)	(1,233,668)
– inter-segments	–	(164,038)	(549,208)	(6,761)	720,007	–
Net interest income	451,452	446,319	205,907	100,153	(48,369)	1,155,462
Fee and commission income	266,988	65,483	6,152	25,698	7,683	372,004
Fee and commission expense	(46,261)	–	(4,434)	(938)	(2)	(51,635)
Net fee and commission income	220,727	65,483	1,718	24,760	7,681	320,369
Net trading income/(loss)	2,422	3,386	91,081	6,370	(5,607)	97,652
Other operating income	12,282	1,370	4	3,543	10,019	27,218
Operating income/(loss)	686,883	516,558	298,710	134,826	(36,276)	1,600,701
Operating expenses	(384,941)	(124,662)	(56,310)	(80,075)	(35,882)	(681,870)
Operating profit/(loss) before impairment losses	301,942	391,896	242,400	54,751	(72,158)	918,831
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	(71,553)	792,766
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	3,601	12,687
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	(298,980)	618,417
Income tax (expense)/credit	(41,388)	(53,415)	(40,308)	(5,998)	40,947	(100,162)
Profit/(loss) after income tax	<u>215,319</u>	<u>268,389</u>	<u>204,297</u>	<u>88,283</u>	<u>(258,033)</u>	<u>518,255</u>
For the six months ended 30 June 2008 (restated)						
Depreciation and amortisation	19,396	9,929	4,666	18,041	4,101	56,133

22. OPERATING SEGMENT REPORTING (Continued)

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.

	Operating income	Intangible assets and goodwill
<i>For the period ended 30 June 2009</i>		
Hong Kong	1,077,274	320,163
China	28,457	–
Macau	112,966	610,398
	<u>1,218,697</u>	<u>930,561</u>

23. CURRENCY CONCENTRATIONS

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 30 June 2009 and the corresponding comparative balances.

Equivalent in HK\$ millions

At 30 Jun 2009	USD	CNY	MOP
Spot assets	33,529	2,662	3,058
Spot liabilities	(26,822)	(2,669)	(4,826)
Forward purchases	36,711	76	1
Forward sales	(40,969)	(74)	–
Net long/(short) position	<u>2,449</u>	<u>(5)</u>	<u>(1,767)</u>
Net structural position	<u>–</u>	<u>113</u>	<u>–</u>
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 options position	(1,063)	(2)	–
Net long/(short) position	<u>1,081</u>	<u>(58)</u>	<u>(1,630)</u>
Net structural position	<u>–</u>	<u>114</u>	<u>–</u>

24. 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.

25. LIST OF SUBSIDIARIES

The following is a list of the Company's subsidiaries which, for financial reporting purpose, have all been consolidated in these interim condensed consolidated financial statements.

Subsidiaries held directly by the Company:

Dah Sing Bank, Limited
MEVAS Bank Limited
Channel Winner Limited
D.A.H. Holdings Limited ("DAH")
Dah Sing Finance Limited
South Development Limited
Yield Rich Group Limited
Modern World Holdings Limited
Modern Bright Hong Kong Limited
Ever Silver Holdings Limited
Well Idea Enterprises Limited

Subsidiaries held indirectly by the Company via DSB:

Dah Sing Nominees Limited	<i>Note (a)</i>
Dah Sing Properties Limited	
Vanishing Border Investment Services Limited	
Dah Sing Computer Systems Limited	<i>Note (b)</i>
Dah Sing Insurance Brokers Limited	<i>Note (a)</i>
Dah Sing MTN Financing Limited	
Dah Sing SAR Financing Limited	<i>Note (b)</i>
Dah Sing Securities Limited	<i>Note (a)</i>
Pacific Finance (Hong Kong) Limited	
Banco Comercial de Macau, S.A. ("BCM")	
Dah Sing Bank (China) Limited ("DSB China")	
DSB BCM (1) Limited	
DSB BCM (2) Limited	
DSL (1) Limited	<i>Note (b)</i>
Shinning Bloom Investments Limited	<i>Note (b)</i>

Subsidiary held indirectly by the Company via MEVAS

MEVAS Nominee Limited	<i>Note (a)</i>
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Subsidiary held indirectly by the Company via DAH

D.A.H. Hambros Bank (Channel Islands) Limited ("DAHCI")

In calculating their capital adequacy ratios for the purposes of the Hong Kong Banking Ordinance, DSB and MEVAS have deducted their cost of investments in the subsidiaries specified in the notes below from their capital bases.

Note:

- (a) These subsidiaries are "regulated financial entities" as defined by the Banking (Capital) Rules (the "Banking (Capital) Rules") made by the HKMA under section 98A of the Hong Kong Banking Ordinance as amended by the Hong Kong Banking (Amendment) Ordinance 2005.
- (b) These subsidiaries are investment holding or financing entities which do not operate any business, or are inactive.

26. CAPITAL ADEQUACY RATIO

	As at 30 Jun 2009	As at 31 Dec 2008
Capital adequacy ratio		
– Core	9.3%	6.8%
– Overall	<u>15.9%</u>	<u>13.6%</u>

The capital adequacy ratio represents the combined ratio of DSB, BCM, DSB China, MEVAS and 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, namely DSB and MEVAS, are subject to the minimum capital adequacy ratio requirement under the Hong Kong Banking Ordinance. BCM 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 is analysed as follows.

	As at 30 Jun 2009	As at 31 Dec 2008
Core capital		
Paid up ordinary share capital	4,007,749	2,707,749
Share premium	55,519	55,519
Reserves	4,279,299	3,808,200
Less: goodwill	(811,690)	(811,690)
Less: other intangible assets	(118,871)	(126,875)
Less: net deferred tax assets	(7,113)	(4,150)
	<u>7,404,893</u>	<u>5,628,753</u>
Less: 50% of total amount of deductible items	<u>(453,505)</u>	<u>(454,040)</u>
Core capital	<u>6,951,388</u>	<u>5,174,713</u>
Supplementary capital		
Reserves on revaluation of holdings of land and buildings	183,296	197,762
Eligible amount of collective impairment allowances for impaired assets and regulatory reserve	678,582	783,661
Revaluation reserve for available-for-sale investments	400	237
Perpetual subordinated debt	1,007,513	1,953,000
Term subordinated debt	3,486,034	2,814,377
Total Supplementary capital	<u>5,355,825</u>	<u>5,749,037</u>
Eligible amount of Supplementary capital	<u>5,355,825</u>	<u>5,628,753</u>
Less: 50% of total amount of deductible items	<u>(453,505)</u>	<u>(454,040)</u>
Supplementary capital	<u>4,902,320</u>	<u>5,174,713</u>
Total capital base	<u>11,853,708</u>	<u>10,349,426</u>

27. LIQUIDITY RATIO

	Six months ended 30 Jun 2009	Six months ended 30 Jun 2008	Year ended 31 Dec 2008
Liquidity ratio	56.4%	46.3%	48.9%

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 six/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

	Six months ended 30 Jun 2009	Six months ended 30 Jun 2008
Net interest income/operating income	87.2%	72.2%
Cost to income ratio	79.1%	42.6%
Loan to deposit (including certificates of deposit) ratio	64.3%	74.5%
Return on average total assets	0.5%	1.1%
Return on average shareholders' funds	7.4%	13.7%
Dividend payout ratio	—	32.5%
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 businesses. Compared with the first half of 2008, we recorded a decrease of 24% in operating income, and a decrease in profit attributable to shareholders of 41%.

The core operating performance 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.

HIGHLIGHTS *(Continued)*

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 dropped 41% in the period compared with the first half of 2008. Earnings per share decreased by 42% to HK\$0.32.

BUSINESS AND FINANCIAL REVIEW

Net interest income in the period was down by 8% 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 65% 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 slightly lower than 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.

Relative to the first half of 2008, operating profit before loan impairment charges was down by 72% to HK\$255 million. Due to the significant increase in loan impairment provisions, our group posted a small net operating loss after loan impairment.

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, DSBG effected capital injection of HK\$1 billion to Dah Sing Bank (“DSB”) on 25 March 2009 by obtaining a term loan facility from Dah Sing Financial holdings (“DSFH”), the holding company, 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.

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 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 our banking business.

COMPLIANCE WITH THE CODE FOR 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.

COMPLIANCE WITH THE BANKING (DISCLOSURE) RULES

In preparing the interim financial disclosure, the Group’s Hong Kong banking subsidiaries have fully complied with the requirements set out in the Banking (Disclosure) Rules issued by the Hong Kong Monetary Authority under section 60A of the Hong Kong Banking Ordinance (Cap. 155) as amended by the Hong Kong Banking (Amendment) Ordinance 2005.

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 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, 12 August 2009