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 FINAL RESULTS

The Directors of Dah Sing Financial Holdings Limited ("DSFH" or the "Company") are pleased to present the consolidated audited results of the Company and its subsidiaries (collectively the "Group") for the year ended 31 December 2009.

**CONSOLIDATED INCOME STATEMENT**
For the year ended 31 December

| HK$'000 | Note | **2009** | 2008 | Variance % |
|---|---|---|---|---|
| Interest income | | **3,177,222** | 4,738,962 | |
| Interest expense | | **(833,093)** | (2,369,497) | |
| **Net interest income** | 5 | **2,344,129** | 2,369,465 | -1.1 |
| Fee and commission income | | **460,718** | 612,513 | |
| Fee and commission expense | | **(133,519)** | (108,892) | |
| **Net fee and commission income** | 6 | **327,199** | 503,621 | -35.0 |
| Net trading loss | 7 | **(57,938)** | (104,295) | |
| Net insurance premium and other income | | **1,445,003** | 2,119,344 | |
| Other operating income | 8 | **55,389** | 88,575 | |
| **Operating income** | | **4,113,782** | 4,976,710 | -17.3 |
| Net insurance claims and expenses | | **(1,389,806)** | (1,806,263) | |
| Total operating income net of insurance claims | | **2,723,976** | 3,170,447 | -14.1 |
| Operating expenses | 9 | **(1,869,080)** | (1,703,284) | 9.7 |
| **Operating profit before impairment losses** | | **854,896** | 1,467,163 | -41.7 |
| Loan impairment losses and other credit provisions | 10 | **(433,280)** | (658,535) | -34.2 |
| **Operating profit before gains or losses on certain investments and fixed assets** | | **421,616** | 808,628 | -47.9 |
| Net gain on disposal and revaluation of premises and other fixed assets | 11 | **2,803** | 1,410 | |
| Net gain/(loss) on disposal of and fair value adjustment on investment properties | 12 | **76,597** | (60,437) | |
| Net loss on disposal of available-for-sale securities | | **(60,333)** | (3,119) | |
| Share of results of an associate | | **195,770** | 120,589 | |
| Share of results of jointly controlled entities | | **5,103** | 5,674 | |
| Net gain on repurchase of subordinated debts | 13 | **243,983** | – | |
| Impairment losses charged on held-to-maturity securities | | **–** | (357,684) | |
| Impairment losses charged on available-for-sale securities | | **–** | (332,069) | |
| **Profit before income tax** | | **885,539** | 182,992 | 383.9 |
| Income tax expense | 14 | **(96,250)** | (29,375) | |
| **Profit for the year** | | **789,289** | 153,617 | 413.8 |
| **Profit for the year is apportioned as follows:** | | | | |
| – Profit attributable to non-controlling interests | | **163,240** | 47,424 | |
| **– Profit attributable to Shareholders of the Company** | | **626,049** | 106,193 | |
| **Dividends** | | | | |
| Interim dividend paid | | **–** | 176,984 | |
| **Earnings per share** | | | | |
| Basic | 15 | **HK$2.41** | HK$0.42 | |
| Diluted | 15 | **HK$2.41** | HK$0.42 | |

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December

| HK$'000 | **2009** | 2008 |
| --- | --- | --- |
| **Profit for the year** | **789,289** | 153,617 |
| **Other comprehensive income/(loss) for the year** | | |
| Available-for-sale securities | | |
| Fair value gains/(losses) recognised in equity | **759,813** | (1,584,062) |
| Reclassification adjustments for amounts transferred to profit or loss | | |
| – Disposal | **60,333** | 3,119 |
| – Impairment | **21,873** | 332,069 |
| Related income tax (expense)/credit | **(79,334)** | 179,132 |
| | **762,685** | (1,069,742) |
| Premises | | |
| Fair value gains/(losses) recognised in equity | **411,918** | (152,332) |
| Deferred income tax (recognised)/released on fair value gains/(losses) and disposal of premises | **(18,106)** | 49,965 |
| | **393,812** | (102,367) |
| Exchange differences arising on translation of the financial statements of foreign entities | **(3,005)** | 32,952 |
| Other comprehensive income/(loss) for the year, net of tax | **1,153,492** | (1,139,157) |
| **Total comprehensive income/(loss) for the year** | **1,942,781** | (985,540) |
| Total comprehensive income/(loss) for the year is apportioned as follows: | | |
| – Comprehensive income/(loss) attributable to non-controlling interests | **350,259** | (193,006) |
| – Comprehensive income/(loss) attributable to Shareholders of the Company | **1,592,522** | (792,534) |

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December

| HK$'000 | Note | **2009** | 2008 |
|---|---|---|---|
| **ASSETS** | | | |
| Cash and balances with banks | | **10,741,879** | 12,808,527 |
| Placements with banks maturing between one and twelve months | | **4,282,749** | 1,656,950 |
| Trading securities | 16 | **5,883,968** | 2,303,141 |
| Financial assets designated at fair value through profit or loss | 16 | **4,509,393** | 4,258,874 |
| Derivative financial instruments | | **594,391** | 1,122,486 |
| Advances and other accounts | 17 | **68,046,080** | 70,508,863 |
| Available-for-sale securities | 19 | **12,901,024** | 14,724,195 |
| Held-to-maturity securities | 20 | **8,802,282** | 6,384,931 |
| Investments in an associate | | **1,299,257** | 1,132,461 |
| Investments in jointly controlled entities | | **60,791** | 59,973 |
| Goodwill | | **950,992** | 950,992 |
| Intangible assets | | **139,030** | 158,352 |
| Premises and other fixed assets | | **2,426,531** | 2,069,694 |
| Investment properties | | **568,659** | 459,304 |
| Current income tax assets | | **65,283** | 144,177 |
| Deferred income tax assets | | **78,178** | 162,804 |
| Value of in-force long-term life assurance business | | **1,225,668** | 1,274,452 |
| **Total assets** | | **122,576,155** | 120,180,176 |
| **LIABILITIES** | | | |
| Deposits from banks | | **1,435,136** | 2,443,594 |
| Derivative financial instruments | | **1,218,225** | 2,268,155 |
| Trading liabilities | | **2,068,300** | 1,791,419 |
| Deposits from customers designated at fair value through profit or loss | | **–** | 471,065 |
| Deposits from customers | | **88,370,071** | 79,947,078 |
| Certificates of deposit issued | | **2,060,010** | 4,654,985 |
| Issued debt securities | | **–** | 2,803,640 |
| Subordinated notes | | **4,602,235** | 5,268,716 |
| Other accounts and accruals | | **3,814,136** | 4,074,266 |
| Current income tax liabilities | | **19,109** | 15,440 |
| Deferred income tax liabilities | | **15,366** | 9,910 |
| Liabilities to policyholders under long-term insurance contracts | | **4,794,792** | 4,494,456 |
| **Total liabilities** | | **108,397,380** | 108,242,724 |
| **EQUITY** | | | |
| Non-controlling interests | | **2,783,198** | 2,045,251 |
| **Equity attributable to the Company's shareholders** | | | |
| Share capital | | **520,541** | 520,541 |
| Reserves | 21 | **10,875,036** | 9,371,660 |
| **Shareholders' funds** | | **11,395,577** | 9,892,201 |
| **Total equity** | | **14,178,775** | 11,937,452 |
| **Total equity and liabilities** | | **122,576,155** | 120,180,176 |

**Note:**

## 1. Statutory Financial Statements

The financial information set out in this results announcement does not constitute the Group's statutory consolidated financial statements for the year ended 31 December 2009 but is derived from those statutory financial statements. The consolidated financial statements of the Group for the year ended 31 December 2009 will be available from the website of The Stock Exchange of Hong Kong Limited in due course. The auditors have expressed an unqualified opinion on those financial statements in their report dated 24 March 2010.

## 2. Basis of Preparation and Accounting Policies

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

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

The preparation of financial statements in conformity with HKFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies.

The accounting policies and methods of computation used in the preparation of the 2009 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 financial information in this results announcement is presented in thousands of Hong Kong dollars (HK$'000), unless otherwise stated.

## 3. New and Interpretations to Existing HKFRSs

The Group has adopted the new HKFRSs and the amendments and interpretations to existing HKFRSs issued by the HKICPA which are effective in 2009 and which are relevant to the Group's operation.

## 4. Operating segment reporting

In prior years, the Group 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 was presented as the primary reporting format while geographical segment information, which was grouped by the location of the principal operations of the Group as the secondary reporting format (e.g. Hong Kong and others, and Macau).

In the 2009 financial year, segment reporting by the Group was prepared for the first time in accordance with HKFRS 8 "Operating Segments". 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 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 and China, and the Group's interest in a commercial bank in China.

- Insurance business 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 unallocated corporate expenses.

## 4. Operating segment reporting (Continued)

### For the year ended 31 December 2009

| HK$'000 | Personal Banking | Commercial Banking | Treasury | Overseas Banking | Insurance Business | Others | Total |
|---|---|---|---|---|---|---|---|
| Net interest income/(expenses) | | | | | | | |
| – external customers | **548,671** | **862,120** | **741,014** | **244,845** | **154,581** | **(207,102)** | **2,344,129** |
| – inter-segments | **304,023** | **22,822** | **(344,351)** | **(5,413)** | **17,345** | **5,574** | **–** |
| Non-interest income/(expenses) | **217,516** | **88,333** | **59,085** | **61,092** | **197,136** | **(243,315)** | **379,847** |
| Total operating income/(expenses) net of insurance claims | **1,070,210** | **973,275** | **455,748** | **300,524** | **369,062** | **(444,843)** | **2,723,976** |
| Operating expenses | **(1,152,377)** | **(243,345)** | **(90,275)** | **(223,061)** | **(145,727)** | **(14,295)** | **(1,869,080)** |
| Operating (loss)/profit before impairment losses | **(82,167)** | **729,930** | **365,473** | **77,463** | **223,335** | **(459,138)** | **854,896** |
| Loan impairment losses and other credit provisions | **(121,425)** | **(278,401)** | **(17,941)** | **(9,254)** | **(1,732)** | **(4,527)** | **(433,280)** |
| Operating (loss)/profit before gains or losses on certain investments and fixed assets | **(203,592)** | **451,529** | **347,532** | **68,209** | **221,603** | **(463,665)** | **421,616** |
| Net (loss)/gain on disposal of and fair value adjustment on investment properties, premises and other fixed assets | **(21)** | **–** | **–** | **1,193** | **68,625** | **9,603** | **79,400** |
| Net (loss)/gain on disposal of investment in securities | **(368)** | **–** | **(31,279)** | **–** | **(35,734)** | **7,048** | **(60,333)** |
| Share of results of an associate | **–** | **–** | **–** | **195,770** | **–** | **–** | **195,770** |
| Share of results of jointly controlled entities | **–** | **–** | **–** | **–** | **–** | **5,103** | **5,103** |
| Net gain on repurchase of subordinated debts | **–** | **–** | **–** | **–** | **–** | **243,983** | **243,983** |
| (Loss)/profit before income tax | **(203,981)** | **451,529** | **316,253** | **265,172** | **254,494** | **(197,928)** | **885,539** |
| Income tax credit/(expenses) | **30,025** | **(74,946)** | **(52,262)** | **(6,754)** | **(13,172)** | **20,859** | **(96,250)** |
| (Loss)/profit after income tax | **(173,956)** | **376,583** | **263,991** | **258,418** | **241,322** | **(177,069)** | **789,289** |
| For the year ended 31 December 2009 | | | | | | | |
| Depreciation and amortisation | **35,518** | **16,040** | **7,525** | **40,564** | **8,207** | **24,685** | **132,539** |
| As at 31 December 2009 | | | | | | | |
| Segment assets | **23,774,539** | **27,743,861** | **46,356,147** | **14,782,608** | **9,718,569** | **200,431** | **122,576,155** |
| Segment liabilities | **53,914,872** | **14,216,278** | **18,416,822** | **11,452,134** | **6,917,631** | **3,479,643** | **108,397,380** |

## 4. Operating segment reporting (Continued)

For the year ended 31 December 2008

| HK$'000 | Personal Banking | Commercial Banking | Treasury | Overseas Banking | Insurance Business | Others | Total |
|---|---|---|---|---|---|---|---|
| Net interest income/(expenses) | | | | | | | |
| – external customers | (21,086) | 1,191,927 | 1,314,110 | 201,031 | 107,971 | (424,488) | 2,369,465 |
| – inter-segments | 884,739 | (352,032) | (993,537) | 32,452 | 28,224 | 400,154 | – |
| Non-interest income/(expenses) | 373,703 | 122,376 | 84,862 | 90,424 | (11,626) | 141,243 | 800,982 |
| Total operating income net of insurance claims | 1,237,356 | 962,271 | 405,435 | 323,907 | 124,569 | 116,909 | 3,170,447 |
| Operating expenses | (1,018,147) | (196,505) | (78,098) | (214,457) | (147,934) | (48,143) | (1,703,284) |
| Operating profit/(loss) before impairment losses | 219,209 | 765,766 | 327,337 | 109,450 | (23,365) | 68,766 | 1,467,163 |
| Loan impairment losses and other credit provisions | (135,609) | (477,229) | – | (45,364) | – | (333) | (658,535) |
| Operating profit/(loss) before gains or losses on certain investments and fixed assets | 83,600 | 288,537 | 327,337 | 64,086 | (23,365) | 68,433 | 808,628 |
| Net gain/(loss) on disposal of and fair value adjustment on investment properties, premises and other fixed assets | 20 | – | – | 617 | (32,066) | (27,598) | (59,027) |
| Net gain/(loss) on disposal of investment in securities | 5,920 | – | 1,414 | 815 | (24,955) | 13,687 | (3,119) |
| Share of results of an associate | – | – | – | 120,589 | – | – | 120,589 |
| Share of results of jointly controlled entities | – | – | – | – | – | 5,674 | 5,674 |
| Impairment losses charged on investment in securities | – | – | (357,684) | (39,098) | (29,085) | (263,886) | (689,753) |
| Profit/(loss) before income tax | 89,540 | 288,537 | (28,933) | 147,009 | (109,471) | (203,690) | 182,992 |
| Income tax (expense)/credit | (14,030) | (48,273) | 4,841 | (19,633) | (10,711) | 58,431 | (29,375) |
| Profit/(loss) after income tax | 75,510 | 240,264 | (24,092) | 127,376 | (120,182) | (145,259) | 153,617 |
| For the year ended 31 December 2008 | | | | | | | |
| Depreciation and amortisation | 31,333 | 21,513 | 8,681 | 39,552 | 7,987 | 24,712 | 133,778 |
| As at 31 December 2008 | | | | | | | |
| Segment assets | 23,734,377 | 31,700,062 | 41,297,573 | 13,674,867 | 8,956,613 | 816,684 | 120,180,176 |
| Segment liabilities | 54,608,881 | 13,389,663 | 13,800,615 | 10,655,281 | 6,746,814 | 9,041,470 | 108,242,724 |

## 4. Operating segment reporting (Continued)

More than 90% of the revenues from 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 services offered to customers.

The following tables provide information by geographical area, which was determined with reference to the domicile of the legal entities within the group with business dealing and relationship with, and services to external customers.

| **HK$'000** | **Hong Kong and Others** | **Macau** | **Inter-segment elimination** | **Total** |
|---|---|---|---|---|
| **For the year ended 31 December 2009** | | | | |
| **Total operating income net of insurance claims** | **2,440,229** | **284,089** | **(342)** | **2,723,976** |
| **Profit before income tax** | **794,185** | **91,354** | **–** | **885,539** |
| **As at 31 December 2009** | | | | |
| **Total assets** | **113,045,033** | **12,110,240** | **(2,579,118)** | **122,576,155** |
| **Total liabilities** | **100,675,307** | **10,301,191** | **(2,579,118)** | **108,397,380** |
| **Intangible assets and goodwill** | **318,667** | **771,355** | **–** | **1,090,022** |
| **Contingent liabilities and commitments** | **42,726,720** | **1,379,709** | **–** | **44,106,429** |

| HK$'000 | Hong Kong and Others | Macau | Inter-segment elimination | Total |
|---|---|---|---|---|
| For the year ended 31 December 2008 | | | | |
| Total operating income net of insurance claims | 2,929,157 | 241,565 | (275) | 3,170,447 |
| Profit/(loss) before income tax | 213,099 | (30,107) | – | 182,992 |
| As at 31 December 2008 | | | | |
| Total assets | 109,901,301 | 12,451,113 | (2,172,238) | 120,180,176 |
| Total liabilities | 100,037,272 | 10,377,690 | (2,172,238) | 108,242,724 |
| Intangible assets and goodwill | 321,223 | 788,121 | – | 1,109,344 |
| Contingent liabilities and commitments | 37,081,176 | 1,485,131 | – | 38,566,307 |

## 5. Net interest income

| HK$'000 | **2009** | 2008 |
|---|---|---|
| **Interest income** | | |
| Cash and balances with banks | **132,529** | 405,341 |
| Investment in securities | **833,760** | 1,347,861 |
| Advances to customers and banks | **2,204,848** | 2,945,973 |
| Others | **6,085** | 39,787 |
| | **3,177,222** | 4,738,962 |
| **Interest expense** | | |
| Deposits from banks/Deposits from customers | **578,529** | 1,804,020 |
| Certificates of deposit issued | **42,663** | 200,175 |
| Issued debt securities | **90,611** | 89,399 |
| Subordinated notes | **102,216** | 209,818 |
| Others | **19,074** | 66,085 |
| | **833,093** | 2,369,497 |
| **Included within interest income** | | |
| Interest income on listed investments | **425,404** | 1,110,479 |
| Interest income on unlisted investments | **408,356** | 237,382 |
| | **833,760** | 1,347,861 |
| Interest income on financial assets not at fair value through profit or loss | **3,044,506** | 3,926,891 |
| Interest income on impaired assets | **15,429** | 16,069 |
| **Included within interest expenses** | | |
| Interest expenses on financial liabilities not at fair value through profit or loss | **660,576** | 2,040,261 |

## 6. Net fee and commission income

| HK$'000 | **2009** | 2008 |
|---|---|---|
| **Fee and commission income** | | |
| Fee and commission income from financial assets and liabilities not at fair value through profit or loss | | |
| – Credit related fees and commissions | **73,394** | 65,262 |
| – Trade finance | **38,066** | 57,520 |
| – Credit card | **203,153** | 192,026 |
| Other fee and commission income | | |
| – Securities brokerage and investment services | **46,841** | 151,193 |
| – Insurance distribution and others | **17,089** | 22,759 |
| – Retail investment funds and fiduciary services | **9,337** | 44,490 |
| – Other fees | **72,838** | 79,263 |
| | **460,718** | 612,513 |
| **Fee and commission expense** | | |
| Handling fees and commission | **120,629** | 97,103 |
| Other fees paid | **12,890** | 11,789 |
| | **133,519** | 108,892 |

## 7. Net trading loss

| HK$'000 | **2009** | 2008 |
|---|---|---|
| Dividend income from financial assets at fair value through profit or loss | | |
| – Listed investments | **2,030** | 6,015 |
| – Unlisted investments | **155** | 5,419 |
| Net gain arising from dealing in foreign currencies | **160,780** | 234,550 |
| Net loss from trading securities | **(2,515)** | (441,730) |
| Net gain/(loss) from derivatives entered into for trading purpose | **3,022** | (137,357) |
| Net loss arising from financial instruments subject to fair value hedge | **(60,476)** | (15,510) |
| Net (loss)/gain arising from financial instruments designated at fair value through profit or loss | **(160,934)** | 244,318 |
| | **(57,938)** | (104,295) |

## 8. Other operating income

| HK$'000 | **2009** | 2008 |
|---|---|---|
| Dividend income from investments in available-for-sale securities | | |
| – Listed investments | **10,575** | 12,491 |
| – Unlisted investment | **13,424** | 11,382 |
| Gross rental income from investment properties | **19,209** | 20,281 |
| Other rental income | **5,752** | 5,462 |
| Others | **6,429** | 38,959 |
| | **55,389** | 88,575 |

## 9. Operating expenses

| HK$'000 | **2009** | 2008 |
|---|---|---|
| Employee compensation and benefit expenses (including director's remuneration) | **833,323** | 755,509 |
| Premises and other fixed asset expenses, excluding depreciation | **175,907** | 168,829 |
| Depreciation | **113,217** | 111,107 |
| Advertising costs | **65,334** | 79,932 |
| Amortisation expenses of intangible assets | **19,322** | 22,671 |
| Auditors' remuneration | **7,380** | 7,380 |
| Others (Note) | **654,597** | 557,856 |
| | **1,869,080** | 1,703,284 |

Note:

A substantial portion of other operating expenses included in "Others" in 2009 and 2008 was expenses incurred on Lehman Brothers related products distributed by the Group, possible settlement costs and voluntary offers based on the Group's judgment as at 31 December 2008, and subsequently settlements with customers pursuant to a voluntary repurchase scheme announced in July 2009 (together with another 14 banks in Hong Kong) on the repurchase of Lehman Brothers minibonds, followed by another voluntary repurchase scheme announced by the Group in December 2009 on certain principal protected notes issued by Lehman Brothers, and further assessment for position as at 31 December 2009.

## 10. Loan impairment losses and other credit provisions

| HK$'000 | **2009** | 2008 |
|---|---|---|
| Loan impairment losses | | |
| Advances to customers | **408,925** | 658,535 |
| Advances to banks | **155** | – |
| Accrued interest and other accounts | **434** | – |
| | **409,514** | 658,535 |
| Net charge of impairment losses on advances and other accounts | | |
| – Individually assessed | **176,416** | 476,335 |
| – Collectively assessed | **233,098** | 182,200 |
| | **409,514** | 658,535 |

| | **2009** | 2008 |
|---|---|---|
| Of which | | |
| – new allowances (including amounts directly written off in the year) | **681,034** | 784,634 |
| – releases | **(207,596)** | (46,678) |
| – recoveries | **(63,924)** | (79,421) |
| | **409,514** | 658,535 |

| | **2009** | 2008 |
|---|---|---|
| Other credit provisions | | |
| Individual impairment losses on: | | |
| – Investment in securities included in the loans and receivables category | **17,941** | – |
| – Others | **5,825** | – |
| | **23,766** | – |
| Net charge to income statement | **433,280** | 658,535 |

## 11. Net gain on disposal and revaluation of premises and other fixed assets

| HK$'000 | **2009** | 2008 |
|---|---|---|
| Deficit recovered/(charged) on revaluation of premises | **1,453** | (263) |
| Net gain from disposal of premises | **1,463** | 1,857 |
| Net loss from disposal of other fixed assets | **(113)** | (184) |
| | **2,803** | 1,410 |

## 12. Net gain/(loss) on disposal of and fair value adjustment on investment properties

| HK$'000 | **2009** | 2008 |
|---|---|---|
| Net gain/(loss) from fair value adjustment on investment properties | **73,307** | (60,437) |
| Net gain from disposal of investment properties | **3,290** | – |
| | **76,597** | (60,437) |

## 13. Net gain on repurchase of subordinated debts

During 2009, the Group, after receiving the prior consent of the Hong Kong Monetary Authority, repurchased a total of US$70 million notional principal value of the Perpetual Subordinated Fixed Rate Notes issued by Dah Sing Bank ("DSB") on 16 February 2007 (the "Notes") at a discount. Notional contract amount of the associated interest rate swap totaling US$70 million originally taken to swap the interest rate of the Notes to a floating rate basis was also terminated upon the repurchase. The net gain recorded is the net realized gain arising from the repurchase of the Notes and the termination of the related interest rate swap. The repurchased Notes, previously qualified as upper supplementary capital of DSB, were cancelled and de-recognised as DSB's liability or supplementary capital after the completion of the purchase.

## 14. 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 year. Taxation on overseas profits has been calculated on the estimated assessable profit for the year at the rates of taxation prevailing in the countries in which the Group operates.

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

| HK$'000 | **2009** | 2008 |
|---|---|---|
| Current income tax: | | |
| – Hong Kong profits tax | **93,933** | 14,487 |
| – Overseas taxation | **11,783** | 18,782 |
| – (Over)/under provision in prior years | **(2,108)** | 8,080 |
| Deferred income tax | | |
| – Impact of change of Hong Kong tax rate | **–** | (2,203) |
| – Origination and reversal of temporary differences | **(7,358)** | (9,771) |
| | **96,250** | 29,375 |

## 15. Basic and diluted earnings per share

The calculation of basic earnings per share is based on earnings of HK$626,049,000 (2008: HK$106,193,000) and the weighted average number of 260,270,655 (2008: 255,840,477) shares in issue during the year.

The calculation of diluted earnings per share is based on earnings of HK$626,049,000 (2008: HK$106,193,000) and the weighted average number of 260,670,655 (2008: 255,840,477) shares in issue during the year after adjusting for the effect of all dilutive potential ordinary shares.

## 16. Trading securities and financial assets designated at fair value through profit or loss

| HK$'000 | **As at 31 Dec 2009** | As at 31 Dec 2008 |
|---|---|---|
| Trading securities: | | |
| Debt securities: | | |
| – Listed in Hong Kong | **1,051,938** | 923,292 |
| – Listed outside Hong Kong | **61,348** | 17,034 |
| – Unlisted | **4,681,167** | 1,268,916 |
| | **5,794,453** | 2,209,242 |
| Equity securities: | | |
| – Listed in Hong Kong | **–** | 2,587 |
| – Listed outside Hong Kong | **76,290** | 80,809 |
| – Unlisted, interests in investment funds | **13,225** | 10,503 |
| | **89,515** | 93,899 |
| Total trading securities | **5,883,968** | 2,303,141 |
| Financial assets designated at fair value through profit or loss: | | |
| Debt securities: | | |
| – Listed in Hong Kong | **154,084** | – |
| – Listed outside Hong Kong | **1,684,054** | 135,364 |
| – Unlisted | **1,951,534** | 3,473,482 |
| | **3,789,672** | 3,608,846 |
| Equities securities: | | |
| – Listed in Hong Kong | **69,611** | 15,104 |
| – Listed outside Hong Kong | **180,747** | 140,608 |
| – Unlisted | **469,363** | 494,316 |
| | **719,721** | 650,028 |
| Total financial assets designated at fair value through profit or loss | **4,509,393** | 4,258,874 |
| Total trading securities and financial assets designated at fair value through profit or loss | **10,393,361** | 6,562,015 |

**16. Trading securities and financial assets designated at fair value through profit or loss (Continued)**

| | **As at 31 Dec 2009** | As at 31 Dec 2008 |
|---|---|---|
| Included within debt securities are: | | |
| – Government bonds included in trading securities | **5,570,751** | 1,812,779 |
| – Other government bonds | **686,265** | 1,471,392 |
| – Other debt securities | **3,327,109** | 2,533,917 |
| | **9,584,125** | 5,818,088 |

As at 31 December 2009 and 2008, there were no certificates of deposit held included in the above balances of investments in debt securities.

Trading securities and financial assets designated at fair value through profit or loss are analysed by categories of issuers as follows:

| | **As at 31 Dec 2009** | As at 31 Dec 2008 |
|---|---|---|
| – Central governments and central banks | **6,257,017** | 3,356,270 |
| – Public sector entities | **21,650** | 311,469 |
| – Banks and other financial institutions | **637,875** | 1,381,718 |
| – Corporate entities | **3,444,399** | 1,483,566 |
| – Others | **32,420** | 28,992 |
| | **10,393,361** | 6,562,015 |

**17. Advances and other accounts**

| HK$'000 | **As at 31 Dec 2009** | As at 31 Dec 2008 |
|---|---|---|
| Gross advances to customers | **57,165,159** | 60,999,073 |
| Gross advances to banks | **150,000** | 179,226 |
| | **57,315,159** | 61,178,299 |
| Other assets | **2,606,802** | 3,283,472 |
| Less: impairment allowances | | |
| – Individually assessed | **(317,017)** | (550,909) |
| – Collectively assessed | **(358,212)** | (298,645) |
| | **(675,229)** | (849,554) |
| Investments in securities included in the loans and receivables category (Note 18) | **8,799,348** | 6,896,646 |
| Advances and other accounts | **68,046,080** | 70,508,863 |

## 17. Advances and other accounts (Continued)

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

| | **As at 31 Dec 2009** | | As at 31 Dec 2008 | |
|---|---|---|---|---|
| | **Outstanding balance** | **% of gross advances** | Outstanding balance | % of gross advances |
| Loans for use in Hong Kong | | | | |
| Industrial, commercial and financial | | | | |
| – Property development | **611,218** | **1.1** | 448,282 | 0.7 |
| – Property investment | **11,209,001** | **19.6** | 10,102,405 | 16.6 |
| – Financial concerns | **333,243** | **0.6** | 373,243 | 0.6 |
| – Stockbrokers | **52,265** | **0.1** | 9,707 | – |
| – Wholesale and retail trade | **1,001,216** | **1.8** | 1,187,833 | 2.0 |
| – Manufacturing | **657,570** | **1.1** | 885,724 | 1.5 |
| – Transport and transport equipment | **3,207,328** | **5.6** | 4,241,249 | 7.0 |
| – Recreational activities | **157,565** | **0.3** | 23,507 | – |
| – Information technology | **902** | **–** | 418 | – |
| – Others | **1,847,970** | **3.2** | 2,140,815 | 3.5 |
| | **19,078,278** | **33.4** | 19,413,183 | 31.9 |
| Individuals | | | | |
| – Loans for the purchase of flats in Home Ownership Scheme, Private Sector Participation Scheme and Tenants Purchase Scheme | **1,398,373** | **2.5** | 1,625,129 | 2.7 |
| – Loans for the purchase of other residential properties | **10,462,174** | **18.3** | 10,715,925 | 17.6 |
| – Credit card advances | **3,173,620** | **5.6** | 3,371,802 | 5.5 |
| – Others | **6,510,864** | **11.3** | 6,513,226 | 10.6 |
| | **21,545,031** | **37.7** | 22,226,082 | 36.4 |
| Loans for use in Hong Kong | **40,623,309** | **71.1** | 41,639,265 | 68.3 |
| Trade finance | **3,136,776** | **5.5** | 4,457,618 | 7.3 |
| Loans for use outside Hong Kong | **13,405,074** | **23.4** | 14,902,190 | 24.4 |
| | **57,165,159** | **100.0** | 60,999,073 | 100.0 |

## 17. Advances and other accounts (Continued)

### (b) Impaired, overdue and rescheduled assets

(i) Impaired loans

| | **As at 31 Dec 2009** | As at 31 Dec 2008 |
|---|---|---|
| Impaired loans and advances | | |
| – Individually impaired (Note (a)) | **529,399** | 1,013,179 |
| – Collectively impaired (Note (b)) | **17,767** | 23,571 |
| | **547,166** | 1,036,750 |
| Impairment allowances made | | |
| – Individually assessed (Note (c)) | **(316,378)** | (550,909) |
| – Collectively assessed (Note (b)) | **(16,941)** | (22,367) |
| | **(333,319)** | (573,276) |
| | **213,847** | 463,474 |
| Fair value of collaterals held* | **215,514** | 463,556 |
| Impaired loans and advances as a % of total loans and advances to customers | **0.96%** | 1.70% |

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

Note:

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

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

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

17. **Advances and other accounts (Continued)**

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

(ii) Overdue loans

| | **As at 31 Dec 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 | **102,346** | **0.18** | 203,430 | 0.33 |
| – one year or less but over six months | **185,079** | **0.32** | 143,438 | 0.23 |
| – over one year | **267,141** | **0.47** | 131,592 | 0.22 |
| | **554,566** | **0.97** | 478,460 | 0.78 |
| Market value of collateral held against the secured overdue advances | **350,867** | | 202,978 | |
| Secured overdue advances | **256,960** | | 141,593 | |
| Unsecured overdue advances | **297,606** | | 336,867 | |
| Individual impairment allowances | **282,455** | | 305,217 | |

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

| | **As at 31 Dec 2009** | **% of total advances to customers** | As at 31 Dec 2008 | % of total advances to customers |
|---|---|---|---|---|
| Advances to customers | **236,637** | **0.41** | 294,506 | 0.48 |
| Impairment allowances | **24,242** | | 18,504 | |

There were no advances to banks and other financial institutions, which were individually impaired, overdue for over 3 months or rescheduled as at 31 December 2009 and 31 December 2008.

(c) **Repossessed collateral**

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

| | **As at 31 Dec 2009** | As at 31 Dec 2008 |
|---|---|---|
| Nature of assets | | |
| – Repossessed properties | **49,109** | 53,075 |
| – Others | **8,240** | 26,090 |
| | **57,349** | 79,165 |

## 18. Investments in securities included in the loans and receivables category

| HK$'000 | As at 31 Dec 2009 | As at 31 Dec 2008 |
|---|---|---|
| Investments in securities reclassified from the available-for-sale category | | |
| – At fair value under fair value hedge (for hedging interest rate risk) | **6,509,995** | 5,113,559 |
| – At amortised cost | **1,989,010** | 1,783,087 |
| | **8,499,005** | 6,896,646 |
| Individual impairment allowances | **(1,893)** | – |
| | **8,497,112** | 6,896,646 |
| Investments in securities classified as loan and receivables upon initial recognition | **302,236** | – |
| | **8,799,348** | 6,896,646 |

During the year, available-for-sale securities with a market value at the time of reclassification of HK$1,640,590,000 (2008: HK$6,519,483,000) were reclassified into the loans and receivables category.

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

| | As at 31 Dec 2009 | As at 31 Dec 2008 |
|---|---|---|
| Debt securities: | | |
| – Listed in Hong Kong | **945,484** | 187,820 |
| – Listed outside Hong Kong | **6,319,540** | 5,496,534 |
| – Unlisted | **1,536,217** | 1,212,292 |
| | **8,801,241** | 6,896,646 |
| Less: individual impairment allowances | **(1,893)** | – |
| | **8,799,348** | 6,896,646 |
| Market value of listed securities | **6,415,120** | 4,828,680 |

As at 31 December 2009 and 2008, there were no certificates of deposit held included in the above balances of investments in debt securities.

| | As at 31 Dec 2009 | As at 31 Dec 2008 |
|---|---|---|
| Investments in securities included in the loans and receivables category are analysed by categories of issuers as follows: | | |
| – Banks and other financial institutions | **4,729,417** | 4,763,102 |
| – Corporate entities | **4,071,824** | 2,133,544 |
| | **8,801,241** | 6,896,646 |

## 19. Available-for-sale securities

| HK$'000 | **As at 31 Dec 2009** | As at 31 Dec 2008 |
|---|---|---|
| Debt securities: | | |
| – Listed in Hong Kong | **381,931** | 1,408,161 |
| – Listed outside Hong Kong | **4,329,625** | 7,651,419 |
| – Unlisted | **7,231,327** | 5,055,866 |
| | **11,942,883** | 14,115,446 |
| Equity securities: | | |
| – Listed in Hong Kong | **149,012** | 37,189 |
| – Listed outside Hong Kong | **188,961** | 237,905 |
| – Unlisted | | |
| – Interests in investment funds | **–** | 30,868 |
| – Others | **620,168** | 302,787 |
| | **958,141** | 608,749 |
| Total available-for-sale securities | **12,901,024** | 14,724,195 |

As at 31 December 2009 and 2008, there were no certificates of deposit held included in the above balances of investments in debt securities.

| | **As at 31 Dec 2009** | As at 31 Dec 2008 |
|---|---|---|
| Available-for-sale securities are analysed by categories of issuers as follows: | | |
| – Central governments and central banks | **2,841,211** | 1,037,592 |
| – Public sector entities | **426,487** | 91,063 |
| – Banks and other financial institutions | **4,759,879** | 5,773,998 |
| – Corporate entities | **4,871,919** | 7,820,014 |
| – Others | **1,528** | 1,528 |
| | **12,901,024** | 14,724,195 |

## 20. Held-to-maturity securities

| HK$'000 | **As at 31 Dec 2009** | As at 31 Dec 2008 |
|---|---|---|
| Debt securities: | | |
| – Listed in Hong Kong | **193,414** | – |
| – Listed outside Hong Kong | **6,114,930** | 4,094,474 |
| – Unlisted | **2,493,938** | 2,290,457 |
| | **8,802,282** | 6,384,931 |
| Market value of listed securities | **5,846,622** | 3,572,127 |
| Included within debt securities are: | | |
| – Certificates of deposit held | **–** | 265,000 |
| – Other debt securities | **8,802,282** | 6,119,931 |
| | **8,802,282** | 6,384,931 |
| Held-to-maturity securities are analysed by issuer as follows: | | |
| – Central governments and central banks | **1,100,627** | 1,135,177 |
| – Public sector entities | **201,555** | 14,917 |
| – Banks and other financial institutions | **5,236,412** | 4,484,645 |
| – Corporate entities | **2,263,688** | 750,192 |
| | **8,802,282** | 6,384,931 |

During the year, the Group reclassified available-for-sale debt securities with a total market value at the time of reclassification of HK$3,259,762,000 (2008: HK$1,201,087,000) as held-to-maturity securities, reflecting a change in the Group's intention on holding these securities to maturity.

## 21. Reserves

| HK$'000 | **As at 31 Dec 2009** | As at 31 Dec 2008 |
|---|---|---|
| Reserves | | |
| Share premium | **1,551,426** | 1,551,426 |
| Premises revaluation reserve | **1,048,187** | 769,686 |
| Investment revaluation reserve | **(638,819)** | (1,293,164) |
| Exchange reserve | **49,120** | 51,141 |
| General reserve | **484,289** | 573,435 |
| Retained earnings | **8,380,833** | 7,719,136 |
| | **10,875,036** | 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 31 December 2009, each of DSB and MEVAS has earmarked a regulatory reserve of HK$305,774,000 (2008: HK$472,301,000) and HK$18,343,000 (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").

## UNAUDITED SUPPLEMENTARY FINANCIAL INFORMATION

### 1. Advances to customers

HK$'000

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

| | **As at 31 Dec 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 | **611,218** | **65.0** | 448,282 | 83.6 |
| – Property investment | **11,209,001** | **89.2** | 10,102,405 | 92.4 |
| – Financial concerns | **333,243** | **47.7** | 373,243 | 91.4 |
| – Stockbrokers | **52,265** | **100.0** | 9,707 | 53.4 |
| – Wholesale and retail trade | **1,001,216** | **96.3** | 1,187,833 | 87.3 |
| – Manufacturing | **657,570** | **86.9** | 885,724 | 78.3 |
| – Transport and transport equipment | **3,207,328** | **97.4** | 4,241,249 | 93.5 |
| – Recreational activities | **157,565** | **–** | 23,507 | 25.7 |
| – Information technology | **902** | **42.2** | 418 | – |
| – Others | **1,847,970** | **92.7** | 2,140,815 | 88.7 |
| | **19,078,278** | **89.0** | 19,413,183 | 90.9 |
| Individuals | | | | |
| – Loans for the purchase of flats in Home Ownership Scheme, Private Sector Participation Scheme and Tenants Purchase Scheme | **1,398,373** | **100.0** | 1,625,129 | 99.9 |
| – Loans for the purchase of other residential properties | **10,462,174** | **99.9** | 10,715,925 | 99.7 |
| – Credit card advances | **3,173,620** | **–** | 3,371,802 | – |
| – Others | **6,510,864** | **62.9** | 6,513,226 | 58.5 |
| | **21,545,031** | **74.0** | 22,226,082 | 72.5 |
| Loans for use in Hong Kong | **40,623,309** | **81.0** | 41,639,265 | 81.1 |
| Trade finance | **3,136,776** | **68.4** | 4,457,618 | 64.0 |
| Loans for use outside Hong Kong | **13,405,074** | **83.3** | 14,902,190 | 82.2 |
| | **57,165,159** | **80.9** | 60,999,073 | 80.1 |

The loan outstanding balances reported above are audited information, and are the same as those balance reported in Note 17(a).

## 1. Advances to customers (Continued)

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

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

| | **As at 31 Dec 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 | **11,209,001** | **15,802** | **–** | **1,063** | **60,825** |
| Individuals | | | | | |
| – Loans for the purchase of other residential properties | **10,462,174** | **6,765** | **8,406** | **1,358** | **8,836** |

| | 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 |

**1. Advances to customers (Continued)**

(b) Non-bank Mainland exposures

| Type of counterparties | **As at 31 Dec 2009** On-balance sheet exposure | Off-balance sheet exposure | Total | Individually assessed impairment allowances |
|---|---|---|---|---|
| Mainland entities | **3,046,123** | **–** | **3,046,123** | **–** |
| Companies and individuals outside Mainland where the credits are granted for use in the Mainland | **5,543,273** | **578,294** | **6,121,567** | **164,245** |
| Other counterparties the exposures to whom are considered by the Group to be non-bank Mainland exposures | **214,212** | **–** | **214,212** | **–** |

| Type of counterparties | As at 31 Dec 2008 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.

**1. Advances to customers (Continued)**

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

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

The following table analyses gross advances to customers by geographical area. The position presented for 2008 has been restated to incorporate the effect of transfer of risk under guarantee arrangements described above.

| | **As at 31 Dec 2009** | As at 31 Dec 2008 |
|---|---|---|
| Gross advances to customers | | |
| – Hong Kong | **48,779,171** | 52,094,469 |
| – China | **1,479,379** | 1,229,503 |
| – Macau | **6,151,486** | 6,578,169 |
| – Others | **755,123** | 1,096,932 |
| | **57,165,159** | 60,999,073 |

In relation to the Group's impaired advances and overdue advances, over 90% of the outstanding balance as at 31 December 2009 and 2008 were classified under Hong Kong after taking into account the effect of transfer of risk.

## FINANCIAL RATIOS

| | **2009** | 2008 |
|---|---|---|
| Net interest income/operating income | **86.1%** | 74.7% |
| Cost to income ratio | **68.6%** | 53.7% |
| Loan to deposit (including certificates of deposit) ratio | **63.2%** | 71.7% |
| Return on average total assets | **0.5%** | 0.1% |
| Return on average shareholders' funds | **5.9%** | 1.0% |
| Capital adequacy ratio (Note (i)) | **16.8%** | 13.6% |
| Average liquidity ratio (Note (ii)) | **57.3%** | 48.9% |
| Net interest margin | **1.95%** | 2.11% |

Note:

(i) This reflects the combined ratio of the Group's banking subsidiaries computed with reference to the Banking (Capital) Rules and applicable regulatory requirements, and takes into account market risk and operational risk as appropriate.

(ii) This ratio is calculated as the simple average of each calendar month's average liquidity ratio of the Group's banking subsidiaries for each year with reference to the methods set out in the Fourth Schedule of the Hong Kong Banking Ordinance.

(iii) Only the locally incorporated banking subsidiaries within the Group are subject to the minimum capital adequacy ratio and liquidity ratio requirements under the Hong Kong Banking Ordinance. Banco Comercial de Macau, S.A. is subject to Macau banking regulations and Dah Sing Bank (China) Limited is subject to China banking regulations. The above ratios of the Group are calculated for reference only.

## FINAL DIVIDENDS

The Directors, after considering the desirability to further strengthen the capital position of its banking subsidiaries, have agreed not to propose a final dividend for the year ended 31 December 2009, and therefore there will not be a proposal for a final dividend for 2009 at the forthcoming annual general meeting of the Company to be held on Friday, 28 May 2010. It is, however, the Company's intention to resume the dividend payments at the appropriate time.

## CLOSURE OF REGISTER OF SHAREHOLDERS

The Register of Shareholders will be closed from Monday, 24 May 2010 to Friday, 28 May 2010, both days inclusive. In order to qualify for voting at the annual general meeting, all transfers accompanied by the relevant share certificates must be lodged with the Company's registrars, Computershare Hong Kong Investor Services Limited, Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration not later than 4:30 p.m. on Thursday, 20 May 2010.

## CORPORATE AND BUSINESS OVERVIEW

## HIGHLIGHTS

During 2009, economic conditions broadly improved, with Hong Kong benefitting from stronger economic growth and lower unemployment, as well as positive economic conditions in the Mainland continuing, in part due to the stimulus measures promoted by the central government. Macau also followed a similar trend. Globally, following the unprecedented and substantial monetary and fiscal stimulus measures implemented by many leading countries in late 2008 in response to the global financial crisis, and improved conditions in the banking industry following large scale recapitalisation, there were signs of economic stabilisation, and also evidences of a broad-based recovery in the second half of 2009. The global economy and financial market appear to have passed the worst point of the cycle.

In line with the stabilising and slightly more favourable economic conditions, our performance improved substantially over 2008, with profit attributable to shareholders rising from HK$106 million in 2008 to HK$626 million in 2009. Our capital position also strengthened notably, both due to the stronger operating performance, as well as due to a number of capital raising initiatives during the year, with Tier 1 capital adequacy and total capital adequacy of our Banking Group increasing from 6.8% and 13.6% as at 31st December 2008 to 10.2% and 16.8% respectively as at 31st December 2009.

Total operating income net of insurance claims was down by 14% from HK$3,170 million to HK$2,724 million, mainly due to weaker fee and commission income and lower insurance premium and other income. Operating profit was also down significantly due to higher operating expenses, mainly due to provisions made for claims from and settlement with customers of Lehman related retail bonds. However, this was mitigated to some extent by a sizable reduction in bad debt charges, with loan impairment losses and other credit provisions reducing by 34% from HK$659 million to HK$433 million.

A gain of HK$244 million was recognised on the repurchase of our own issued subordinated debt. This helped to lift profit attributable to shareholders by close to 5 times to HK$626 million. Earnings per share increased from HK$0.42 to HK$2.41. The Board of Directors does not propose a final dividend for the year.

Core lending performance was steady, with a slightly lower loan book and a very modest decrease in net interest income for the year. However, fee and commission income, the trading income of our banking business, and income from our insurance business, including the change in embedded value, were all significantly weaker, despite the much improved performance of our insurance business investment portfolios.

Our 20% associate, Bank of Chongqing, achieved very strong results in the year, contributing HK$196 million to our profit, representing 62% growth when compared with 2008.

## BUSINESS AND FINANCIAL REVIEW

Net interest income in the year was slightly lower than 2008 with a mild reduction in the loan book during 2009. Due to lower market interest rates, both the yield on loans and interest earning assets, and the funding cost decreased. Our net interest margin for 2009 full year dropped to 1.95%, compared with 2.11% in 2008.

Fee and commission income continued to trend downwards, falling by 35% during the year to HK$327 million. This was largely due to continued declines in the fee income from our wealth management business, a result of both market conditions, and our own caution in distributing investment products to retail investors until we ensured compliance with the various new and enhanced compliance and regulatory requirements for this business. Loan related fee income was also soft due to the loan contraction experienced generally.

We reported a trading loss for the year, mainly due to the loss incurred through the mark-to-market improvement in the valuation of certain of our own issued subordinated debt. The losses incurred in 2009 have largely reversed the profits booked on this item in 2008.

Our insurance business reported a contraction in revenues, mainly due to the significant drop in the life insurance sales of our Macau insurance subsidiary as a result of the suspension of certain less profitable products, with total net premium and other income decreasing by around 32% to HK$1.45 billion. Our agency force decreased in size in the second half of the year, compared with strong growth in the previous periods. Bancassurance distribution remained slow, similar to the subdued performance of our other wealth management products and services. However, the returns of our insurance investment portfolio improved substantially, relative to the mark-to-market losses in 2008, assisting to boost the contribution of our insurance business to an overall net profit in the year, and moderating the trading and fair value losses reported by our banking business in 2009.

Operating expenses for our core businesses were slightly higher than 2008. However, due to the operating expense provisions, relating mainly to the settlement of various claims in respect of Lehman Brothers related investment products, total operating expenses increased by 10% to HK$1.87 billion. The higher operating expenses, coupled with the lower net insurance premium and other income, as well as the lower fee and commission income led to a decrease in operating profit before impairment charges of 42% to HK$855 million.

There was notable improvement in credit quality, with loan impairment and other credit provisions dropping by 34% from HK$659 million to HK$433 million, largely as a result of the improved economic conditions leading to better performance of our commercial banking and retail lending portfolios, particularly in relation to our SME lending and equipment finance portfolios, which had suffered significant losses through the financial crisis.

Operating profit before gains and losses on certain investments and fixed assets reduced by 48% to HK$422 million.

We recognised a revaluation gain of HK$73 million in aggregate on our property assets due to improved property prices during the year. In addition to this, we realised a profit of HK$244 million on the repurchase of a portion of our own issued subordinated debt liabilities at below par value during the year. These, coupled with a strong performance from our associate company Bank of Chongqing and our sharing of 20% of its robust profit in the year, resulted in a significant improvement in profit before tax to HK$886 million.

## BUSINESS AND FINANCIAL REVIEW (Continued)

After a tax charge of HK$96 million and profit attributable to non-controlling interests of HK$163 million, profit attributable to shareholders of the Group increased by 490% to HK$626 million.

As at 31 December 2009, the Group's total gross loans and advances amounted to HK$57 billion, down by around 6% relative to the end of 2008. The major areas of contraction were trade finance, affected by the fall in global trade volumes, and equipment and vehicle finance. Equipment finance in particular had been an area of weak performance due to the export oriented nature of many of our manufacturing customers, and was reduced as part of a risk reduction exercise to mitigate the high credit cost in the business experienced in the recent downturn. In aggregate, the retail lending portfolio including credit card advances and personal loans remained relatively stable.

Customers' deposits totalled HK$90.4 billion, representing an increase of around 6% over the previous year. The strong deposit growth reflected ample liquidity in the Hong Kong market during the year.

There were a number of capital actions during the year, particularly relating to Dah Sing Banking Group ("DSBG") and its main subsidiary, Dah Sing Bank, Limited ("DSB"). A term loan of HK$1 billion was extended from DSFH to DSBG in March 2009, which was injected as additional equity capital into DSB. In September, this loan was capitalised, and new shares of DSBG were issued to DSFH in consideration for the capitalisation of the loan, at a price of HK$8.00 per share, which had the effect of increasing DSFH's shareholding in DSBG from 70.86% to 74.13%. In addition, in April 2009, DSBG placed 54 million new shares to third party investors at a price of HK$5.60, raising net proceeds of HK$300 million, which was then injected into DSB. The result of these capital raising exercises, together with profit retention in the year, was to increase the combined core capital adequacy ratio and total capital adequacy ratio of DSBG's banking business from 6.8% and 13.6% as at 31st December 2008 (and on a proforma basis, 8.1% and 15.2% as at 31st December 2008, after considering the capital injection to Dah Sing Bank announced in early 2009) to 10.2% and 16.8% respectively as at 31st December 2009.

## PROSPECTS

2008 and 2009 were two of the most difficult years for the global financial industry in recent history. Whilst Asia was less badly affected than Europe or the US, the past two years had also been very challenging. We are optimistic that the improvement in our results in 2009 under the healthier economic backdrop, as well as the steps we have taken to strengthen our capital position, mean that we are now through the worst of the storm.

Therefore, our strategy into 2010 will be one of cautious optimism. We believe that the prospects for the Greater China region are still promising, and that over the medium to long term will present many opportunities. However, in the short term we are still mindful that the crisis is not fully over, and that we will still need to operate with caution.

Above all, we look forward to the continued growth and prosperity of our Group during this new decade.

## COMPLIANCE WITH THE CODE ON CORPORATE GOVERNANCE PRACTICES

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

## AUDIT COMMITTEE

The Audit Committee has reviewed with management the accounting principles and practices adopted by the Group and discussed internal controls and financial reporting matters including a review of this financial report and the consolidated financial statements of the Group for the year ended 31 December 2009.

## PUBLICATION OF ANNUAL REPORT ON THE STOCK EXCHANGE'S WEBSITE

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

## DEALINGS IN THE COMPANY'S SHARES

There was no purchase, sale or redemption by the Company, or any of its subsidiaries, of the Company's listed shares during the year ended 31 December 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), 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, Dr. 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, 24 March 2010

Website: http://www.dahsing.com