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 2010 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 2010.

CONSOLIDATED INCOME STATEMENT
For the year ended 31 December

HK$'000	Note	**2010**	2009	Variance %
Interest income		**2,973,182**	3,177,222	
Interest expense		**(793,692)**	(833,093)	
Net interest income	5	**2,179,490**	2,344,129	-7.0
Fee and commission income		**535,543**	460,718	
Fee and commission expense		**(173,835)**	(133,519)	
Net fee and commission income	6	**361,708**	327,199	10.5
Net trading income/(loss)	7	**461,546**	(57,938)	
Net insurance premium and other income		**1,630,973**	1,445,003	
Other operating income	8	**48,902**	55,389	
Operating income		**4,682,619**	4,113,782	13.8
Net insurance claims and expenses		**(1,890,095)**	(1,389,806)	
Total operating income net of insurance claims		**2,792,524**	2,723,976	2.5
Operating expenses	9	**(1,453,952)**	(1,869,080)	-22.2
Operating profit before impairment losses		**1,338,572**	854,896	56.6
Loan impairment losses and other credit provisions	10	**(97,787)**	(433,280)	-77.4
Operating profit before gains or losses on certain investments and fixed assets		**1,240,785**	421,616	
Net gain on disposal and revaluation of premises and other fixed assets	11	**590**	2,803	
Net gain on disposal of and fair value adjustment on investment properties	12	**76,524**	76,597	
Net gain/(loss) on disposal of available-for-sale securities		**43,710**	(60,333)	
Net (loss)/gain on disposal and repurchase of other financial instruments	13	**(119,583)**	243,983	
Share of results of an associate		**249,001**	195,770	
Share of results of jointly controlled entities		**8,029**	5,103	
Profit before income tax		**1,499,056**	885,539	69.3
Income tax expense	14	**(214,026)**	(96,250)	
Profit for the year		**1,285,030**	789,289	62.8
Profit for the year is apportioned as follows:				
– Profit attributable to non-controlling interests		**278,740**	163,240	
– Profit attributable to Shareholders of the Company		**1,006,290**	626,049	60.7
Dividends				
Interim dividend paid		**52,054**	–	
Proposed final dividend		**251,812**	–	
Earnings per share			Restated	
Basic	15	**HK$3.67**	HK$2.30	
Diluted	15	**HK$3.67**	HK$2.30	

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December

HK$'000	**2010**	2009
Profit for the year	**1,285,030**	789,289
Other comprehensive income for the year		
Investment in securities		
Fair value gains recognised in equity	**207,867**	759,813
Fair value (gain)/loss realised and transferred to income statement upon:		
– Disposal of available-for-sale securities	**(43,710)**	60,333
– Disposal of investments in securities included in the loans and receivables category and held-to-maturity category which were previously reclassified from the available-for-sale category	**120,803**	–
– Impairment of available-for-sale securities	**–**	21,873
Related income tax expense	**(70,190)**	(79,334)
	214,770	762,685
Premises		
Fair value gains recognised in equity	**538,538**	411,918
Deferred income tax recognised on fair value gains and disposal of premises	**(24,517)**	(18,106)
	514,021	393,812
Exchange differences arising on translation of the financial statements of foreign entities	**73,741**	(3,005)
Other comprehensive income for the year, net of tax	**802,532**	1,153,492
Total comprehensive income for the year, net of tax	**2,087,562**	1,942,781
Total comprehensive income for the year is apportioned as follows:		
– Comprehensive income attributable to non-controlling interests	**474,873**	350,259
– Comprehensive income attributable to Shareholders of the Company	**1,612,689**	1,592,522

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 31 December

HK$'000	Note	**2010**	2009
ASSETS			
Cash and balances with banks		**9,580,520**	10,741,879
Placements with banks maturing between one and twelve months		**3,249,320**	4,282,749
Trading securities	16	**5,568,876**	5,883,968
Financial assets designated at fair value through profit or loss	16	**5,784,468**	4,509,393
Derivative financial instruments		**652,738**	594,391
Advances and other accounts	17	**83,308,767**	68,046,080
Available-for-sale securities	19	**17,858,053**	12,901,024
Held-to-maturity securities	20	**9,114,454**	8,802,282
Investments in an associate		**1,558,791**	1,299,257
Investments in jointly controlled entities		**60,248**	60,791
Goodwill		**950,992**	950,992
Intangible assets		**114,832**	139,030
Premises and other fixed assets		**3,008,105**	2,426,531
Investment properties		**604,648**	568,659
Current income tax assets		**1,816**	65,283
Deferred income tax assets		**6,570**	78,178
Value of in-force long-term life assurance business		**1,318,316**	1,225,668
Total assets		**142,741,514**	122,576,155
LIABILITIES			
Deposits from banks		**1,523,547**	1,435,136
Derivative financial instruments		**1,296,439**	1,218,225
Trading liabilities		**4,700,893**	2,068,300
Deposits from customers		**96,126,641**	88,370,071
Certificates of deposit issued		**4,746,054**	2,060,010
Issued debt securities		**1,943,342**	–
Subordinated notes		**4,644,192**	4,602,235
Other accounts and accruals		**3,999,046**	3,814,136
Current income tax liabilities		**89,873**	19,109
Deferred income tax liabilities		**89,548**	15,366
Liabilities to policyholders under long-term insurance contracts		**5,928,783**	4,794,792
Total liabilities		**125,088,358**	108,397,380
EQUITY			
Non-controlling interests		**3,496,771**	2,783,198
Equity attributable to the Company's shareholders			
Share capital		**585,609**	520,541
Reserves	21	**13,318,964**	10,875,036
Proposed final dividend		**251,812**	–
Shareholders' funds		**14,156,385**	11,395,577
Total equity		**17,653,156**	14,178,775
Total equity and liabilities		**142,741,514**	122,576,155

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 2010 but is derived from those statutory financial statements. The consolidated financial statements of the Group for the year ended 31 December 2010 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 23 March 2011.

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 which are carried at fair value.

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 2010 consolidated financial statements are consistent with those used and described in the Group's annual audited financial statements for the year ended 31 December 2009.

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 2010 and which are relevant to the Group's operation.

4. Operating segment reporting

Segment reporting by the Group was prepared in accordance with HKFRS 8 "Operating Segments". Information reported to the chief operating decision maker, which includes the Chief Executive and other Executive Committee members, for the purposes of resource allocation and performance assessment, is determined on the basis of banking business and insurance business. For banking business, operating performances are analysed 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, the Group splits 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 includes 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 2010

HK$'000	Personal Banking	Commercial Banking	Treasury	Overseas Banking	Insurance Business	Others	Total
Net interest income/(expenses)	866,702	744,733	196,901	285,499	221,335	(135,680)	2,179,490
– external customers	451,449	801,492	528,129	305,858	214,828	(122,266)	2,179,490
– inter-segments	415,253	(56,759)	(331,228)	(20,359)	6,507	(13,414)	–
Non-interest income/(expenses)	211,365	105,437	104,884	81,099	154,162	(43,913)	613,034
Total operating income/(expenses) net of insurance claims	1,078,067	850,170	301,785	366,598	375,497	(179,593)	2,792,524
Operating expenses	(654,054)	(241,562)	(82,477)	(273,521)	(149,995)	(52,343)	(1,453,952)
Operating profit/(loss) before impairment losses	424,013	608,608	219,308	93,077	225,502	(231,936)	1,338,572
Loan impairment losses and other credit provisions (charged)/written back	(51,789)	48,534	(76,465)	(18,067)	–	–	(97,787)
Operating profit/(loss) before gains or losses on certain investments and fixed assets	372,224	657,142	142,843	75,010	225,502	(231,936)	1,240,785
Net (loss)/gain on disposal of and fair value adjustment on investment properties, premises and other fixed assets	(359)	(2)	–	(140)	84,112	(6,497)	77,114
Net (loss)/gain on disposal of investments in securities	–	–	(192,598)	(6,301)	20,812	19,430	(158,657)
Share of results of an associate	–	–	–	249,001	–	–	249,001
Share of results of jointly controlled entities	–	–	–	–	–	8,029	8,029
Net gain on repurchase of subordinated notes	–	–	–	–	–	82,784	82,784
Profit/(loss) before income tax	371,865	657,140	(49,755)	317,570	330,426	(128,190)	1,499,056
Income tax (expense)/credit	(57,704)	(110,384)	8,208	(14,323)	(16,519)	(23,304)	(214,026)
Profit/(loss) after income tax	314,161	546,756	(41,547)	303,247	313,907	(151,494)	1,285,030
For the year ended 31 December 2010							
Depreciation and amortisation	38,850	11,784	14,716	51,696	7,963	29,679	154,688
As at 31 December 2010							
Segment assets	26,616,109	35,878,097	47,658,500	19,626,090	11,323,887	1,638,831	142,741,514
Segment liabilities	61,005,220	16,086,411	16,362,311	15,792,272	8,261,499	7,580,645	125,088,358

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)	852,694	884,942	396,663	239,432	171,926	(201,528)	2,344,129
– 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 investments 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 notes	–	–	–	–	–	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)

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 2010				
Total operating income net of insurance claims	**2,512,299**	**280,568**	**(343)**	**2,792,524**
Profit before income tax	**1,430,731**	**68,325**	**–**	**1,499,056**
As at 31 December 2010				
Total assets	**131,497,724**	**13,106,199**	**(1,862,409)**	**142,741,514**
Total liabilities	**115,845,243**	**11,105,524**	**(1,862,409)**	**125,088,358**
Intangible assets and goodwill	**318,667**	**747,157**	**–**	**1,065,824**
Contingent liabilities and commitments	**52,294,901**	**1,898,534**	**–**	**54,193,435**

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

5. Net interest income

HK$'000	**2010**	2009
Interest income		
Cash and balances with banks	**123,302**	132,529
Investment in securities	**752,129**	833,760
Advances to customers and banks	**2,091,087**	2,204,848
Others	**6,664**	6,085
	2,973,182	3,177,222
Interest expense		
Deposits from banks/Deposits from customers	**660,051**	578,529
Certificates of deposit issued	**18,355**	42,663
Issued debt securities	**9,478**	90,611
Subordinated notes	**87,665**	102,216
Others	**18,143**	19,074
	793,692	833,093
Included within interest income		
Interest income on listed investments	**428,786**	425,404
Interest income on unlisted investments	**323,343**	408,356
	752,129	833,760
Interest income on financial assets not at fair value through profit or loss	**2,826,664**	3,044,506
Interest income on impaired assets	**11,679**	15,429
Included within interest expenses		
Interest expenses on financial liabilities not at fair value through profit or loss	**640,742**	660,576

6. Net fee and commission income

HK$'000	**2010**	2009
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	**88,127**	73,394
– Trade finance	**38,997**	38,066
– Credit card	**245,284**	203,153
Other fee and commission income		
– Securities brokerage and investment services	**49,617**	46,841
– Insurance distribution and others	**14,781**	17,089
– Retail investment funds and fiduciary services	**13,092**	9,337
– Other fees	**85,645**	72,838
	535,543	460,718
Fee and commission expense		
Fee and commission expense from financial assets and liabilities not at fair value through profit or loss		
– Handling fees and commission	**162,119**	120,629
– Other fees paid	**11,716**	12,890
	173,835	133,519

7. Net trading income/(loss)

HK$'000	**2010**	2009
Dividend income from financial assets at fair value through profit or loss		
– Listed investments	**12,025**	2,030
– Unlisted investments	**50**	155
Net gain arising from dealing in foreign currencies	**278,260**	160,780
Net gain/(loss) from trading securities	**27,607**	(2,515)
Net (loss)/gain from derivatives entered into for trading purpose	**(83,703)**	3,022
Net loss arising from financial instruments subject to fair value hedge	**(57,302)**	(60,476)
Net gain/(loss) arising from financial instruments designated at fair value through profit or loss	**284,609**	(160,934)
	461,546	(57,938)

8. Other operating income

HK$'000	**2010**	2009
Dividend income from investments in available-for-sale securities		
– Listed investments	**6,863**	10,575
– Unlisted investment	**5,767**	13,424
Gross rental income from investment properties	**22,168**	19,209
Other rental income	**5,331**	5,752
Others	**8,773**	6,429
	48,902	55,389

9. Operating expenses

HK$'000	**2010**	2009
Employee compensation and benefit expenses (including director's remuneration)	**905,392**	833,323
Premises and other fixed asset expenses, excluding depreciation	**182,158**	175,907
Depreciation	**130,490**	113,217
Advertising and promotion costs	**98,251**	65,334
Amortisation expenses of intangible assets	**24,198**	19,322
Auditors' remuneration	**7,380**	7,380
Others (Note)	**106,083**	654,597
	1,453,952	1,869,080

Note:

A substantial portion of operating expenses included in "Others" in 2009 was expenses and provisions incurred on Lehman Brothers related products in relation to the repurchase scheme and settlement arrangements agreed with customers in 2009.

10. Loan impairment losses and other credit provisions

HK$'000	**2010**	2009
Loan impairment losses		
Advances to customers	**21,477**	408,925
Advances to banks	**(155)**	155
Accrued interest and other accounts	**–**	434
	21,322	409,514
Net charge of impairment losses on advances and other accounts		
– Individually assessed	**1,556**	176,416
– Collectively assessed	**19,766**	233,098
	21,322	409,514
Of which		
– new allowances (including amounts directly written off in the year)	**181,793**	681,034
– releases	**(90,277)**	(207,596)
– recoveries	**(70,194)**	(63,924)
	21,322	409,514
Other credit provisions		
Individual impairment losses on:		
– Investment in securities included in the loans and receivables category	**76,465**	17,941
– Others	**–**	5,825
	76,465	23,766
Net charge to income statement	**97,787**	433,280

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

HK$'000	**2010**	2009
Deficit recovered on revaluation of premises	**180**	1,453
Net gain from disposal of premises	**2,752**	1,463
Net loss from disposal of other fixed assets	**(2,342)**	(113)
	590	2,803

12. Net gain on disposal of and fair value adjustment on investment properties

HK$'000	**2010**	2009
Net gain from fair value adjustment on investment properties	**74,262**	73,307
Net gain from disposal of investment properties	**2,262**	3,290
	76,524	76,597

13. Net (loss)/gain on disposal and repurchase of other financial instruments

HK$'000	**2010**	2009
Net gain on repurchase of subordinated notes (Note (a))	**82,784**	243,983
Net loss on disposal of investments in securities included in the loans and receivables category	**(136,530)**	–
Net loss on disposal of a held-to-maturity security (Note (b))	**(65,837)**	–
	(119,583)	243,983

Note:

(a) During 2010 and 2009, the Group, after receiving the prior consent of the Hong Kong Monetary Authority ("HKMA"), repurchased a total of US$75 million (2009: US$70 million) notional principal value of the Perpetual Subordinated Fixed Rate Notes issued by the Bank on 16 February 2007 (the "Notes") at a discount. Notional contract amount of the associated interest rate swap totalling US$75 million (2009: 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 realised 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 the Bank, were cancelled and de-recognised as the Bank's liability and also supplementary capital upon the completion of the purchase in 2010 and 2009.

(b) The disposal was made pursuant to the acceptance by the Group of an offer made by the issuer of the security to redeem the security at a discount.

14. Income tax expense

Hong Kong profits tax has been provided at the rate of 16.5% (2009: 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% (2009: 16.5%).

HK$'000	**2010**	2009
Current income tax:		
– Hong Kong profits tax	**141,204**	93,933
– Overseas taxation	**18,184**	11,783
– Under/(over) provision in prior years	**3,552**	(2,108)
Deferred income tax:		
– Origination and reversal of temporary differences	**51,086**	(7,358)
	214,026	96,250

15. Basic and diluted earnings per share

The calculation of basic earnings per share and fully diluted earnings per share for 2010 is based on earnings of HK$1,006,290,000 and the weighted average number of 274,326,189 ordinary shares in issue during 2010.

The calculation of basic earnings per share and fully diluted earnings per share for 2009 is based on earnings of HK$626,049,000 and the restated weighted average number of 271,923,438 ordinary shares in issue during 2009 after adjusting for the effects of the rights issue of the Company completed in December 2010.

The share options outstanding during the years ended 31 December 2010 and 31 December 2009 have no dilutive effect on the weighted average number of ordinary shares.

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

HK$'000	**As at 31 Dec 2010**	As at 31 Dec 2009
Trading securities:		
Debt securities:		
– Listed in Hong Kong	**781,231**	1,051,938
– Listed outside Hong Kong	**–**	61,348
– Unlisted	**4,692,210**	4,681,167
	5,473,441	5,794,453
Equity securities:		
– Listed outside Hong Kong	**85,161**	76,290
– Unlisted, interests in investment funds	**10,274**	13,225
	95,435	89,515
Total trading securities	**5,568,876**	5,883,968
Financial assets designated at fair value through profit or loss:		
Debt securities:		
– Listed in Hong Kong	**466,536**	154,084
– Listed outside Hong Kong	**2,564,312**	1,684,054
– Unlisted	**1,390,790**	1,951,534
	4,421,638	3,789,672
Equities securities:		
– Listed in Hong Kong	**212,222**	69,611
– Listed outside Hong Kong	**521,225**	180,747
– Unlisted	**629,383**	469,363
	1,362,830	719,721
Total financial assets designated at fair value through profit or loss	**5,784,468**	4,509,393
Total trading securities and financial assets designated at fair value through profit or loss	**11,353,344**	10,393,361

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

	As at 31 Dec 2010	As at 31 Dec 2009
Included within debt securities are:		
– Government bonds included in trading securities	**5,354,258**	5,570,751
– Other government bonds	**61,674**	686,265
– Other debt securities	**4,479,147**	3,327,109
	9,895,079	9,584,125

As at 31 December 2010 and 2009, 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 2010	As at 31 Dec 2009
– Central governments and central banks	**5,415,932**	6,257,017
– Public sector entities	**14,198**	21,650
– Banks and other financial institutions	**1,051,223**	637,875
– Corporate entities	**4,834,933**	3,444,399
– Others	**37,058**	32,420
	11,353,344	10,393,361

17. Advances and other accounts

HK$'000	**As at 31 Dec 2010**	As at 31 Dec 2009
Gross advances to customers	**72,748,988**	57,165,159
Gross advances to banks	**–**	150,000
	72,748,988	57,315,159
Other assets	**3,237,756**	2,606,802
Less: impairment allowances		
– Individually assessed	**(92,044)**	(317,017)
– Collectively assessed	**(303,693)**	(358,212)
	(395,737)	(675,229)
Investments in securities included in the loans and receivables category (Note 18)	**7,717,760**	8,799,348
Advances and other accounts	**83,308,767**	68,046,080

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 2010		As at 31 Dec 2009	
	Outstanding balance	**% of gross advances**	Outstanding balance	% of gross advances
Loans for use in Hong Kong				
Industrial, commercial and financial				
– Property development	**646,018**	**0.9**	611,218	1.1
– Property investment	**14,418,054**	**19.8**	11,209,001	19.6
– Financial concerns	**596,330**	**0.8**	333,243	0.6
– Stockbrokers	**116,122**	**0.2**	52,265	0.1
– Wholesale and retail trade	**1,026,092**	**1.4**	1,001,216	1.8
– Manufacturing	**725,323**	**1.0**	657,570	1.1
– Transport and transport equipment	**4,173,376**	**5.8**	3,207,328	5.6
– Recreational activities	**246,262**	**0.3**	157,565	0.3
– Information technology	**2,721**	**–**	902	–
– Others	**2,592,101**	**3.6**	1,847,970	3.2
	24,542,399	**33.8**	19,078,278	33.4
Individuals				
– Loans for the purchase of flats in Home Ownership Scheme, Private Sector Participation Scheme and Tenants Purchase Scheme	**1,264,406**	**1.7**	1,398,373	2.5
– Loans for the purchase of other residential properties	**10,790,753**	**14.8**	10,462,174	18.3
– Credit card advances	**3,654,569**	**5.0**	3,173,620	5.6
– Others	**8,572,323**	**11.8**	6,510,864	11.3
	24,282,051	**33.3**	21,545,031	37.7
Loans for use in Hong Kong	**48,824,450**	**67.1**	40,623,309	71.1
Trade finance (Note (a))	**4,042,434**	**5.6**	3,136,776	5.5
Loans for use outside Hong Kong (Note (b))	**19,882,104**	**27.3**	13,405,074	23.4
	72,748,988	**100.0**	57,165,159	100.0

Note:

(a) Trade finance shown above represents loans covering finance of imports to Hong Kong, exports and re-exports from Hong Kong and merchandising trade classified with reference to the relevant guidelines issued by the HKMA.

Trade financing loans not involving Hong Kong totalling HK$505,818,000 (2009: HK$144,756,000) are classified under Loans for use outside Hong Kong.

(b) Loans for use outside Hong Kong include loans extended to customers located in Hong Kong with the finance used outside Hong Kong.

17. Advances and other accounts (Continued)

(b) Impaired, overdue and rescheduled assets

Apart from the investments in certain securities included in the loans and receivables category described in Note 18, other assets of HK$639,000 (31 December 2009: HK$639,000) against which full individual impairment had been made, and advances to customers (as set out below), there were no advances to banks or other assets which were individually impaired, overdue for over 3 months or rescheduled as at 31 December 2010 and 2009. In respect of advances to customers, the relevant amounts are analysed below:

(i) Impaired loans

	As at 31 Dec 2010	As at 31 Dec 2009
Impaired loans and advances		
– Individually impaired (Note (a))	**169,261**	529,399
– Collectively impaired (Note (b))	**13,181**	17,767
	182,442	547,166
Impairment allowances made		
– Individually assessed (Note (c))	**(91,405)**	(316,378)
– Collectively assessed (Note (b))	**(12,554)**	(16,941)
	(103,959)	(333,319)
	78,483	213,847
Fair value of collaterals held*	**84,547**	215,514
Impaired loans and advances as a % of total loans and advances to customers	**0.25%**	0.96%

* 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 2010	**% of total advances to customers**	As at 31 Dec 2009	% of total advances to customers
Gross advances to customers which have been overdue for:				
– six months or less but over three months	**69,776**	**0.10**	102,346	0.18
– one year or less but over six months	**22,615**	**0.03**	185,079	0.32
– over one year	**116,304**	**0.16**	267,141	0.47
	208,695	**0.29**	554,566	0.97
Market value of collateral held against the secured overdue advances	**185,117**		350,867	
Secured overdue advances	**129,463**		256,960	
Unsecured overdue advances	**79,232**		297,606	
Individual impairment allowances	**71,569**		282,455	

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

	As at 31 Dec 2010	**% of total advances to customers**	As at 31 Dec 2009	% of total advances to customers
Advances to customers	**198,105**	**0.27**	236,637	0.41
Impairment allowances	**6,812**		24,242	

(c) Repossessed collateral

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

	As at 31 Dec 2010	As at 31 Dec 2009
Nature of assets		
– Repossessed properties	**5,820**	49,109
– Others	**2,695**	8,240
	8,515	57,349

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

HK$'000	As at 31 Dec 2010	As at 31 Dec 2009
Investments in securities reclassified from the available-for-sale category		
– At fair value under fair value hedge (for hedging interest rate risk)	**5,289,027**	6,509,995
– At amortised cost	**2,080,910**	1,989,010
	7,369,937	8,499,005
Individual impairment allowances	**(78,221)**	(1,893)
	7,291,716	8,497,112
Investments in securities classified as loan and receivables upon initial recognition	**426,044**	302,236
	7,717,760	8,799,348

The individual impairment allowances were made in respect of an investment in a security with a carrying value of HK$96,672,000 as at 31 December 2010 (2009: HK$102,758,000) which was assessed as individually impaired since 31 December 2009.

Investments in securities classified as loans and receivables upon initial recognition were overdue at the time of recognition. As at 31 December 2010 and 2009, these investments were overdue for more than one year.

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

	As at 31 Dec 2010	As at 31 Dec 2009
Debt securities:		
– Listed in Hong Kong	**737,579**	945,484
– Listed outside Hong Kong	**6,522,236**	6,319,540
– Unlisted	**536,166**	1,536,217
	7,795,981	8,801,241
Less: individual impairment allowances	**(78,221)**	(1,893)
	7,717,760	8,799,348
Market value of listed securities	**6,636,402**	6,415,120

As at 31 December 2010 and 2009, there were no certificates of deposit held included in the above balances of investments in debt securities.

	As at 31 Dec 2010	As at 31 Dec 2009
Investments in securities included in the loans and receivables category are analysed by categories of issuers as follows:		
– Banks and other financial institutions	**4,127,967**	4,729,417
– Corporate entities	**3,668,014**	4,071,824
	7,795,981	8,801,241

19. Available-for-sale securities

HK$'000	**As at 31 Dec 2010**	As at 31 Dec 2009
Debt securities:		
– Listed in Hong Kong	**5,759,973**	381,931
– Listed outside Hong Kong	**5,320,355**	4,329,625
– Unlisted	**5,968,831**	7,231,327
	17,049,159	11,942,883
Equity securities:		
– Listed in Hong Kong	**104,363**	149,012
– Listed outside Hong Kong	**124,144**	188,961
– Unlisted	**580,387**	620,168
	808,894	958,141
Total available-for-sale securities	**17,858,053**	12,901,024
Included within debt securities are:		
– Certificates of deposit held	**47,205**	–
– Other debt securities	**17,001,954**	11,942,883
	17,049,159	11,942,883

	As at 31 Dec 2010	As at 31 Dec 2009
Available-for-sale securities are analysed by categories of issuers as follows:		
– Central governments and central banks	**9,530,291**	2,841,211
– Public sector entities	**88,278**	426,487
– Banks and other financial institutions	**3,313,700**	4,759,879
– Corporate entities	**4,924,256**	4,871,919
– Others	**1,528**	1,528
	17,858,053	12,901,024

20. Held-to-maturity securities

HK$'000	**As at 31 Dec 2010**	As at 31 Dec 2009
Debt securities:		
– Listed in Hong Kong	**193,973**	193,414
– Listed outside Hong Kong	**6,643,580**	6,114,930
– Unlisted	**2,276,901**	2,493,938
	9,114,454	8,802,282
Market value of listed securities	**6,641,001**	5,846,622

As at 31 December 2010 and 2009, there were no certificates of deposit held included in the above balances of investments in debt securities.

	As at 31 Dec 2010	As at 31 Dec 2009
Held-to-maturity securities are analysed by issuer as follows:		
– Central governments and central banks	**1,494,925**	1,100,627
– Public sector entities	**211,153**	201,555
– Banks and other financial institutions	**4,944,306**	5,236,412
– Corporate entities	**2,464,070**	2,263,688
	9,114,454	8,802,282

21. Reserves

	As at 31 Dec 2010	As at 31 Dec 2009
Reserves		
Share premium	**2,686,531**	1,551,426
Premises revaluation reserve	**1,425,967**	1,048,187
Investment revaluation reserve	**(494,547)**	(638,819)
Exchange reserve	**103,756**	49,120
General reserve	**484,289**	484,289
Retained earnings	**9,364,780**	8,380,833
	13,570,776	10,875,036
Proposed final dividends in retained earnings	**251,812**	–

The Group's Hong Kong banking subsidiaries, Dah Sing Bank, Limited ("DSB") and Mevas Bank Limited ("Mevas"), are required to maintain minimum impairment provisions in excess of those required under HKFRS. The regulatory reserve is maintained to satisfy the provisions of the Hong Kong Banking Ordinance and local regulatory requirements for prudential supervision purposes. The regulatory reserve restricts the amount of reserves which can be distributed to shareholders. Movements in the regulatory reserve are made directly through equity reserve and in consultation with the HKMA.

As at 31 December 2010, DSB has earmarked a regulatory reserve of HK$538,474,000 (2009: HK$305,774,000) in its consolidated general reserve. Mevas has earmarked a regulatory reserve of HK$3,701,000 (2009: HK$18,343,000) in its retained earnings.

FINANCIAL RATIOS

	2010	2009
Net interest income/operating income	**78.0%**	86.1%
Cost to income ratio	**52.1%**	68.6%
Loan to deposit (including certificates of deposit) ratio	**72.1%**	63.2%
Return on average total assets	**0.8%**	0.5%
Return on average shareholders' funds	**7.9%**	5.9%
Net interest margin	**1.68%**	1.95%

FINAL DIVIDENDS

At the forthcoming annual general meeting of the Company to be held on Friday, 27 May 2011, the Directors will propose a final dividend of HK$0.86 per share for 2010 to Shareholders whose names are on the Register of Shareholders as at the close of business on Friday, 27 May 2011. Dividend warrants will be sent to Shareholders by ordinary mail on or about Tuesday, 31 May 2011.

CLOSURE OF REGISTER OF SHAREHOLDERS

The Register of Shareholders will be closed from Friday, 20 May 2011 to Friday, 27 May 2011, both days inclusive. In order to qualify for the final dividend, 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, 19 May 2011.

CORPORATE AND BUSINESS OVERVIEW

HIGHLIGHTS

2010 was a year of recovery from the aftermath of the global financial tsunami. With the benefit of robust economic growth in Hong Kong and Mainland China, loan demand was strong, liquidity in the market was ample and credit costs were benign. Against a more favourable economic backdrop, our performance in 2010 was much stronger than in 2009. Our businesses in Hong Kong and Macau enjoyed steady growth during the year. The growth of our business in China, including both our own banking subsidiary and our associated company, Bank of Chongqing ("BOCQ"), was particularly robust, thanks to the strong economic performance of China during the year.

In 2010, loan growth in our banking businesses was rapid, with loan balances increasing by 27% relative to the end of 2009, and credit quality improved, with an impaired loan ratio of 0.25%. To fund the strong loan growth, we also made efforts to increase our deposit balances, and achieved growth of 12% in customer deposits year on year. As a result of more rapid growth in loans than deposits, our loan-to-deposit ratio (including certificates of deposit issued) increased from 63.2% to 72.1% during the year.

We have devoted effort not only to grow our business volumes, but also to improve the quality of our services, design of our products and to ensure compliance with the more stringent post-crisis regulatory requirements during the year. Our efforts in 2010 were rewarded, with profit attributable to shareholders increasing from HK$626 million to HK$1,006 million, an increase of 61%.

BOCQ reported strong performance in 2010 and its contribution to our profit increased substantially from HK$196 million to HK$249 million, an increase of 27%.

Our insurance business reported a 30% increase in net profit relative to 2009, principally due to higher investment income and increases in the embedded value of in-force life policies, which more than offset the increases in insurance claims and reserves.

To help fund our business growth and strengthen our shareholders' equity, the Company and its listed subsidiary, Dah Sing Banking Group Limited ("DSBG"), both completed rights issues in December 2010, raising new capital of HK$1.2 billion and HK$1 billion respectively (the "Rights Issues"). As DSFH followed the rights issue by DSBG and took up its entitlement to DSBG rights shares in full, our shareholding interest in DSBG after the Rights Issue was maintained at 74.13%.

The Core Tier 1 capital adequacy and total capital adequacy ratios of DSBG's banking business stood at levels largely similar to those at the end of 2009, as the new equity raised by the DSBG Rights Issue had not yet been injected by DSBG to its banking subsidiaries as additional regulatory capital at the end of 2010. Our Banking Group's Core Tier 1 capital adequacy and total capital adequacy ratios were 10.2% and 16.3% respectively as at 31 December 2010, not including the proceeds of the Rights Issue, which will be injected into Dah Sing Bank during 2011.

BUSINESS AND FINANCIAL REVIEW

Net interest income reduced mildly by about 7% from HK$2,344 million to HK$2,179 million, as a result of a narrowing in the net interest margin from 1.95% in 2009 to 1.68% in 2010. The adverse impact of the margin contraction was substantially mitigated by a 27% growth in loans to customers during the year. Net interest margin was lower than 2009 due to intense competitive pressure on loan pricing, higher deposit costs in the second half of 2010 due to the maintenance of relatively high levels of liquidity and lower yields for short-term liquid assets during the year.

Net fee and commission income increased by 11% to HK$362 million in 2010, mainly driven by the higher volume of lending business. Net trading income also improved substantially from a net loss of HK$58 million to a profit of HK$462 million, principally due to increases in the value of the investment assets held by our Insurance Group.

Loan impairment losses and other credit provisions reduced significantly from HK$433 million to HK$98 million, down by 77%. Impairment costs were low in 2010 as a result of improvement in credit quality for both of our commercial and retail banking businesses, and we also benefited from the write-back of individual impairment charges in the year.

Our insurance business reported a total net profit of HK$314 million in 2010, up 30% from 2009. Total gross written premium increased by 7.5%, benefiting from the stronger performance of our non-life businesses during the year. Investment income continued to improve, with a diversified investment portfolio, which included higher quality bonds to match our long-term liabilities. However, a drop in the medium to long term risk free rates and a corresponding lowering of interest rates for valuation of our long-term life policy liabilities led to an increase in policyholders' reserves, and higher insurance expenses relating to the life business. The lowering in the long term valuation interest rates had a beneficial effect on the embedded value of our in-force life policies. The solvency position of our insurance businesses remained strong, with net assets attributable to our insurance businesses growing from HK$2.8 billion at the year end 2009 to HK$3.1 billion by the end of 2010.

Total operating expenses were down by 22%, mainly due to the absence of further provision charges relating to the repurchases of Lehman related retail investment products from our customers, and effective cost control during the year. Although the costs for business development in China increased, we have improved our operational efficiency since late 2008, which enabled us to keep a tight control on our core operating costs.

BOCQ continued to perform strongly in 2010 and therefore its contribution to our profit increased substantially. The share of net profit from BOCQ attributable to our 20% shareholding interest increased from HK$196 million to HK$249 million, an increase of 27%.

Dah Sing Bank's wholly owned subsidiary, Dah Sing Bank (China) Limited ("DSB China"), now operates in four cities in China, with a network comprising the Shenzhen headquarters, Shanghai branch, Nanchang branch and Zhenjiang branch. We are expecting the new Guangzhou branch to open in the first half of 2011 whilst the opening of other branches is under active consideration. Notwithstanding its relatively small profit contribution to the group at present, DSB China's growth momentum, both of loan volumes and deposits in 2010, gives us confidence in its potential in the future.

For prudent capital management, we issued US$225 million Lower Tier 2 10-year subordinated bond in the first quarter of 2010, and called the entire previously issued US$150 million Lower Tier 2 subordinated debt, which was callable in May 2010.

PROSPECTS

2010 was a year of global recovery from the unprecedented financial tsunami that had threatened international financial stability. Although Asia, particularly China, appeared resilient, there were still many issues facing economies in other parts of the world around the end of 2010. The post-crisis regulatory environment has become much more stringent, with further regulatory changes expected in coming years. Although we do not see immediate major problems ahead for the economy in the Greater China Region, there are a number of challenges such as continuing market volatility, rising inflation and the timing on the increases in interest rates, which may result in moderating the growth of the global economy.

However, we see attractive prospects from the continuing economic development of the Mainland, together with the closer economic interaction and cooperation between Hong Kong, Macau and Guangdong province. Hong Kong is already developing rapidly as an offshore RMB centre, with increasing cross border trade flows denominated in RMB, as well as increasing pools of RMB liquidity building in Hong Kong. We are optimistic that this economic development, closer regional cooperation, and offshore RMB business will continue to increase, and that this will bring opportunities to the banking sector in Hong Kong.

We are geographically well situated, with business and branch network coverage in Hong Kong, Macau and Guangdong province. We shall continue to upgrade our services and products to our customers in the region, enhance the quality and skills of our staff, and further strengthen our information technology and risk management capabilities, all of which are crucial to creating value to our shareholders and customers, and are consistent with our strategy of “Growing with the Asian Region”.

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 2010.

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 2010.

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 2010.

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. Akimitsu Ashida (Shugo Aoto as alternate), Tatsuo Tanaka (Takashi Morisaki as alternate), Hidemitsu Otsuka, 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) and Nicholas Robert Sallnow-Smith as Independent Non-executive Directors.

By Order of the Board
H L Soo
Company Secretary

Hong Kong, Wednesday, 23 March 2011

Website: http://www.dahsing.com