大新銀行集團有限公司
DAH SING BANKING GROUP LIMITED

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

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

(Stock Code: 2356)

ANNOUNCEMENT OF 2011 INTERIM RESULTS

The Directors of Dah Sing Banking Group Limited (the "Company") are pleased to present the interim results and condensed consolidated financial statements of the Company and its subsidiaries (collectively the "Group") for the six months ended 30 June 2011. The unaudited profit attributable to shareholders after non-controlling interests for the six months ended 30 June 2011 was HK$558.2 million.

UNAUDITED INTERIM CONDENSED FINANCIAL STATEMENTS

The unaudited 2011 interim condensed consolidated financial statements of the Group have been prepared in accordance with Hong Kong Accounting Standard No. 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

UNAUDITED CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 30 June

HK$'000	Note	**2011**	2010	Variance %
Interest income		**1,530,381**	1,294,539	
Interest expense		**(559,211)**	(298,406)	
Net interest income	3	**971,170**	996,133	-2.5
Fee and commission income		**306,790**	263,327	
Fee and commission expense		**(102,813)**	(79,020)	
Net fee and commission income	4	**203,977**	184,307	10.7
Net trading income/(loss)	5	**103,852**	(10,706)	
Other operating income	6	**16,757**	15,708	
Operating income		**1,295,756**	1,185,442	9.3
Operating expenses	7	**(733,486)**	(644,331)	13.8
Operating profit before impairment losses		**562,270**	541,111	3.9
Loan impairment losses and other credit provisions	8	**(85,430)**	(34,800)	145.5
Operating profit after impairment losses		**476,840**	506,311	-5.8
Net (loss)/gain on disposal of premises, investment properties and other fixed assets		**(323)**	4,616	
Net gain on disposal of available-for-sale securities		**10,373**	3,373	
Net loss on disposal and repurchase of other financial instruments	9	**(7,261)**	(53,449)	
Share of results of jointly controlled entities		**5,503**	2,793	
Share of results of an associate		**155,425**	105,622	
Profit before income tax		**640,557**	569,266	12.5
Income tax expense	10	**(82,796)**	(62,129)	
Profit for the period		**557,761**	507,137	10.0
Loss attributable to non-controlling interests		**426**	66	
Profit attributable to shareholders of the Company		**558,187**	507,203	10.1
Interim dividend		**97,835**	77,823	
Earnings per share			Restated	
Basic	11	**HK$0.46**	HK$0.44	
Diluted	11	**HK$0.46**	HK$0.44	
Dividend per share				
Interim dividend		**HK$0.08**	HK$0.07	

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June

HK$'000	**2011**	2010
Profit for the period	**557,761**	507,137
Other comprehensive income for the period		
Investments in securities		
Fair value gains recognised in equity	**177,074**	136,107
Fair value (gain)/loss realised and transferred to income statement upon:		
– Disposal of available-for-sale securities	**(10,373)**	(3,373)
– Disposal of held-to-maturity securities and investments in securities included in the loans and receivables category which were previously reclassified from the available-for-sale category	**19,723**	117,334
Related income tax expense	**(13,963)**	(41,484)
	172,461	208,584
Premises		
Deferred income tax released on movements in premises revaluation reserve	**1,794**	3,261
Exchange differences arising on translation of the financial statements of foreign entities	**24,723**	9,169
Other comprehensive income for the period, net of tax	**198,978**	221,014
Total comprehensive income for the period, net of tax	**756,739**	728,151
Total comprehensive income attributable to:		
Non-controlling interests	**(412)**	(8)
Shareholders of the Company	**757,151**	728,159
Total comprehensive income for the period, net of tax	**756,739**	728,151

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

HK$'000	Note	**As at 30 Jun 2011**	As at 31 Dec 2010
ASSETS			
Cash and balances with banks		**11,584,448**	8,741,123
Placements with banks maturing between one and twelve months		**3,655,204**	3,249,320
Trading securities	12	**4,465,976**	5,362,955
Financial assets designated at fair value through profit or loss	12	**8,793**	1,377
Derivative financial instruments	13	**524,094**	624,214
Advances and other accounts	14	**90,451,113**	82,095,288
Available-for-sale securities	16	**16,109,936**	17,225,662
Held-to-maturity securities	17	**8,612,702**	8,876,572
Investment in an associate		**1,691,405**	1,558,791
Investments in jointly controlled entities		**63,608**	60,248
Goodwill		**811,690**	811,690
Intangible assets		**81,159**	88,436
Premises and other fixed assets		**2,396,472**	2,418,339
Investment properties		**772,471**	718,913
Current income tax assets		**3,977**	342
Deferred income tax assets		**–**	5,406
Total assets		**141,233,048**	131,838,676
LIABILITIES			
Deposits from banks		**1,631,647**	1,523,547
Derivative financial instruments	13	**1,360,244**	1,285,385
Trading liabilities		**2,628,985**	4,700,893
Deposits from customers		**107,767,146**	97,280,942
Certificates of deposit issued		**4,937,760**	4,746,054
Issued debt securities		**2,723,924**	1,943,342
Subordinated notes		**3,572,039**	4,684,364
Other accounts and accruals	18	**2,304,005**	1,962,850
Current income tax liabilities		**162,715**	87,606
Deferred income tax liabilities		**86,482**	77,744
Total liabilities		**127,174,947**	118,292,727
EQUITY			
Non-controlling interests		**17,059**	17,471
Equity attributable to shareholders of the Company			
Share capital		**1,222,935**	1,222,935
Reserves	19	**12,720,272**	12,060,956
Proposed dividend		**97,835**	244,587
Shareholders' funds		**14,041,042**	13,528,478
Total equity		**14,058,101**	13,545,949
Total equity and liabilities		**141,233,048**	131,838,676

Note:

1. **General information**

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

2. **Basis of preparation and accounting policies**

Except as described below, the accounting policies and methods of computation used in the preparation of the 2011 interim condensed consolidated financial statements are consistent with those used and described in the Group's annual audited financial statements for the year ended 31 December 2010.

(a) New and amended standards adopted by the Group

The following new standards and amendments to standards are mandatory for the first time for the financial year beginning 1 January 2011.

- Amendment to HKAS 34 "Interim financial reporting" is effective for annual periods beginning on or after 1 January 2011. It emphasizes the existing disclosure principles in HKAS 34 and adds further guidance to illustrate how to apply these principles. Greater emphasis has been placed on the disclosure principles for significant events and transactions. Additional requirements cover disclosure of changes to fair value measurement (if significant), and the need to update relevant information from the most recent annual report. The amendment would only result in additional disclosures, if applicable.

- Third improvements to Hong Kong Financial Reporting Standards (2010) were issued in May 2010 by HKICPA. All improvements are effective in the financial year of 2011. There is no impact to the financial statements of the Group as a result of these improvements.

(b) Amendments and interpretations to existing standards effective in 2011 but not relevant to the Group

- Amendment to HKAS 32 "Classification of rights issues" is effective for annual periods beginning on or after 1 February 2010.

- Amendment to HK(IFRIC) – Int 14 "Prepayments of a minimum funding requirement" is effective for annual periods beginning on or after 1 January 2011.

- HK(IFRIC) – Int 19 "Extinguishing financial liabilities with equity instruments" is effective for annual periods beginning on or after 1 July 2010.

2. Basis of preparation and accounting policies (Continued)

(c) The following new standards and amendments to standards have been issued but are not effective for the financial year beginning 1 January 2011 and have not been early adopted:

- HKFRS 9 "Financial instruments" was issued in November 2009 and replaces those parts of HKAS 39 relating to the classification and measurement of financial assets, and the accounting for financial liabilities that are designated at fair value through profit or loss. While adoption of HKFRS 9 is mandatory from 1 January 2013, earlier adoption is permitted. The Group is considering the implications of the standard, the impacts and the timing of adoption.

- HKAS 12 (Amendment), "Deferred tax: Recovery of underlying assets", introduces an exception to the principle for the measurement of deferred tax assets or liabilities arising from an investment property measured at fair value. HKAS 12 requires an entity to measure the deferred tax relating to an asset depending on whether the entity expects to recover the carrying amount of the asset through use or sale. The amendment introduces a rebuttable presumption that an investment property measured at fair value is recovered entirely by sale. The amendment is applicable retrospectively to annual periods beginning on or after 1 January 2012 with earlier adoption permitted. The Group will apply the amended standard from 1 January 2012.

- HKFRS 7 (Amendment), "Disclosures – Transfers of financial assets", introduces new disclosure requirement on transfers of financial assets. Disclosure is required by class of assets of the nature, carrying amount and a description of the risk and rewards of financial assets that have been transferred to another party yet remain on the entity's balance sheet. The gain or loss on the transferred assets and any retained interest in those assets must be disclosed. In addition, other disclosures must enable users to understand the amount of any associated liabilities, and the relationship between the financial assets and the associated liabilities. The disclosure must be presented by type of ongoing involvement. For example, the retained exposure could be presented by type of financial instrument (such as guarantees, call or put options), or by type of transfer (such as factoring of receivables, securitisations and securities lending). The amendment is applicable to annual periods beginning on or after 1 July 2011 with earlier adoption permitted. The Group will apply the amended standard from 1 January 2012.

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

3. Net interest income

For the six months ended 30 June HK$'000	**2011**	2010
Interest income		
Cash and balances with banks	**108,354**	44,151
Investments in securities	**267,819**	265,098
Advances to customers and banks	**1,154,208**	985,286
Others	**–**	4
	1,530,381	1,294,539
Interest expense		
Deposits from banks/Deposits from customers	**437,642**	244,028
Certificates of deposit issued	**53,762**	5,429
Issued debt securities	**18,080**	–
Subordinated notes	**42,591**	42,341
Others	**7,136**	6,608
	559,211	298,406
Included within interest income:		
Interest income on financial assets not at fair value through profit or loss	**1,511,245**	1,276,000
Interest income on impaired assets	**5,277**	3,995
Included within interest expense:		
Interest expense on financial liabilities not at fair value through profit or loss	**130,378**	281,390

4. Net fee and commission income

For the six months ended 30 June HK$'000	**2011**	2010
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	**35,238**	45,523
– Trade finance	**21,285**	18,827
– Credit card	**134,709**	117,463
Other fee and commission income		
– Securities brokerage and investment services	**30,811**	14,467
– Insurance distribution and others	**19,405**	16,223
– Retail investment funds and fiduciary services	**20,794**	8,188
– Other fees	**44,548**	42,636
	306,790	263,327
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	**96,184**	73,981
– Other fees paid	**6,629**	5,039
	102,813	79,020
	203,977	184,307

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

5. Net trading income/(loss)

For the six months ended 30 June HK$'000	**2011**	2010
Net gain arising from dealing in foreign currencies	**140,224**	126,134
Net gain/(loss) from trading securities	**518**	(8,876)
Net gain/(loss) from derivatives entered into for trading purpose	**3,336**	(70,804)
Net loss arising from financial instruments subject to fair value hedge	**(28,867)**	(22,645)
Net loss arising from financial instruments designated at fair value through profit or loss	**(11,359)**	(34,515)
	103,852	(10,706)

6. Other operating income

For the six months ended 30 June HK$'000	**2011**	2010
Dividend income from investments in available-for-sale securities		
– Listed investments	**453**	485
– Unlisted investments	**2,746**	3,397
Gross rental income from investment properties	**5,022**	4,907
Other rental income	**2,684**	2,648
Others	**5,852**	4,271
	16,757	15,708

7. Operating expenses

For the six months ended 30 June HK$'000	**2011**	2010
Employee compensation and benefit expenses (including directors' remuneration)	**444,232**	374,121
Premises and other fixed assets expenses, excluding depreciation	**84,886**	81,872
Depreciation	**66,192**	53,585
Advertising costs	**49,091**	33,334
Amortisation expenses of intangible assets	**7,277**	6,245
Others	**81,808**	95,174
	733,486	644,331

8. Loan impairment losses and other credit provisions

For the six months ended 30 June HK$'000	**2011**	2010
Loan impairment losses		
Net charge/(reversal) of impairment losses on advances and other accounts		
– Individually assessed	**103,188**	(12,260)
– Collectively assessed	**(17,758)**	47,060
	85,430	34,800
Of which:		
– new and additional (including amounts directly written off in the period)	**126,419**	70,911
– releases	**(37)**	–
– recoveries	**(40,952)**	(36,111)
	85,430	34,800

9. Net loss on disposal and repurchase of other financial instruments

For the six months ended 30 June HK$'000	**2011**	2010
Net loss on disposal of investments in securities included in the loans and receivables category	**(9,011)**	(136,233)
Net gain on redemption and disposal of held-to-maturity securities	**1,750**	–
Net gain on repurchase of subordinated notes	**–**	82,784
	(7,261)	(53,449)

10. Income tax expense

Hong Kong profits tax has been provided at the rate of 16.5% (2010: 16.5%) on the estimated assessable profit for the period. Taxation on overseas profits has been calculated on the estimated assessable profit for the period at the rates of taxation prevailing in the countries in which the Group operates.

Deferred taxation is calculated in full on temporary differences under the liability method using a taxation rate of 16.5% (2010: 16.5%).

For the six months ended 30 June HK$'000	**2011**	2010
Current income tax		
– Hong Kong profits tax	**73,114**	33,400
– Overseas taxation	**5,438**	8,037
– Underprovision in prior years	**2,269**	306
Deferred income tax		
– relating to the origination and reversal of timing differences	**1,975**	20,386
	82,796	62,129

11. Basic and diluted earnings per share

The calculation of basic earnings per share and diluted earnings per share for the six months ended 30 June 2011 are based on earnings of HK$558,187,000 and the weighted average number of 1,222,934,755 ordinary shares in issue during the period.

The calculation of basis earnings per share and diluted earnings per share for the six months ended 30 June 2010 are based on earnings of HK$507,203,000 and the weighted average number of 1,154,741,368 ordinary shares in issue during the period after adjusting for the effects of the rights issue of the Company completed in December 2010.

The share options outstanding during the periods ended 30 June 2011 and 30 June 2010 have no dilutive effect on the weighted average number of ordinary shares.

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

HK$'000	**As at 30 Jun 2011**	As at 31 Dec 2010
Trading securities:		
Debt securities:		
– Listed in Hong Kong	**694,101**	781,231
– Unlisted	**3,771,875**	4,581,724
Total trading securities	**4,465,976**	5,362,955
Financial assets designated at fair value through profit or loss:		
Debt securities:		
– Listed outside Hong Kong	**8,793**	1,377
Total financial assets designated at fair value through profit or loss	**8,793**	1,377
Total trading securities and financial assets designated at fair value through profit or loss	**4,474,769**	5,364,332
Included within debt securities are:		
– Government bonds included in trading securities	**4,459,373**	5,354,258
– Other debt securities	**15,396**	10,074
	4,474,769	5,364,332

As at 30 June 2011 and 31 December 2010, 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 issuer as follows:

	As at 30 Jun 2011	As at 31 Dec 2010
– Central governments and central banks	**4,459,373**	5,354,258
– Public sector entities	**975**	4,114
– Banks and other financial institutions	**5,628**	4,583
– Corporate entities	**8,793**	1,377
	4,474,769	5,364,332

13. Derivative financial instruments

The notional principal amounts of outstanding derivatives contracts and their fair values as at 30 June 2011 were as follows:

HK$'000 **Group**	**Contract/notional amount**	**Fair values** **Assets**	 **Liabilities**
1) Derivatives held for trading			
a) *Foreign exchange derivatives*			
Forward and future contracts	**51,167,697**	**244,311**	**(131,359)**
Currency swaps	**189,660**	**–**	**(37,057)**
Currency options purchased and written	**671,219**	**3,191**	**(3,155)**
b) *Interest rate derivatives*			
Interest rate futures contracts	**16,148,895**	**643**	**(919)**
Interest rate swaps	**7,811,174**	**7,382**	**(130,550)**
c) *Equity derivatives*			
Equity options purchased and written	**–**	**–**	**–**
Total derivative assets/(liabilities) held for trading	**75,988,645**	**255,527**	**(303,040)**
2) Derivatives held for hedging			
a) *Derivatives designated as fair value hedges*			
Interest rate swaps	**16,865,473**	**211,752**	**(1,057,204)**
Total derivative assets/(liabilities) held for hedging	**16,865,473**	**211,752**	**(1,057,204)**
3) Derivatives not qualified as hedges for accounting purposes but which are managed in conjunction with the financial instruments designated at fair value through profit or loss			
Currency swaps	**–**	**–**	**–**
Interest rate swaps	**1,167,390**	**56,815**	**–**
Total derivative assets not qualified as hedges	**1,167,390**	**56,815**	**–**
Total recognised derivative financial assets/(liabilities)	**94,021,508**	**524,094**	**(1,360,244)**

13. Derivative financial instruments (Continued)

The notional principal amounts of outstanding derivatives contracts and their fair values as at 31 December 2010 were as follows:

HK$'000 Group	Contract/notional amount	Fair values Assets	 Liabilities
1) Derivatives held for trading			
a) *Foreign exchange derivatives*			
Forward and future contracts	49,623,010	264,539	(114,276)
Currency swaps	189,434	–	(21,773)
Currency options purchased and written	389,362	1,225	(1,218)
b) *Interest rate derivatives*			
Interest rate futures	8,161,965	533	(4,992)
Interest rate swaps	5,858,913	18,595	(142,617)
c) *Equity derivatives*			
Equity options purchased and written	2,809	43	(43)
Total derivative assets/(liabilities) held for trading	64,225,493	284,935	(284,919)
2) Derivatives held for hedging			
a) *Derivatives designated as fair value hedges*			
Interest rate swaps	14,132,574	149,620	(1,000,466)
Total derivative assets/(liabilities) held for hedging	14,132,574	149,620	(1,000,466)
3) Derivatives not qualified as hedges for accounting purposes but which are managed in conjunction with the financial instruments designated at fair value through profit or loss			
Currency swaps	395,603	112,779	–
Interest rate swaps	1,235,995	76,880	–
Total derivative assets not qualified as hedges	1,631,598	189,659	–
Total recognised derivative financial assets/(liabilities)	79,989,665	624,214	(1,285,385)

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

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

	As at 30 Jun 2011	As at 31 Dec 2010
Exchange rate contracts	**394,970**	417,812
Interest rate contracts	**161,399**	155,217
Other contracts	**–**	92
	556,369	573,121

14. Advances and other accounts

HK$'000	As at **30 Jun 2011**	As at 31 Dec 2010
Loans and advances to customers	**79,904,956**	71,899,863
Trade bills	**1,351,569**	849,125
Gross advances to customers	**81,256,525**	72,748,988
Other assets		
– Other accounts receivable and prepayments	**2,412,495**	2,024,277
Less: impairment allowances		
– Individually assessed	**(198,982)**	(92,044)
– Collectively assessed	**(245,912)**	(303,693)
	(444,894)	(395,737)
Investments in securities included in the loans and receivables category (Note 15)	**7,226,987**	7,717,760
Advances and other accounts	**90,451,113**	82,095,288

14. Advances and other accounts (Continued)

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

	As at 30 Jun 2011		As at 31 Dec 2010	
	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	**688,352**	**36.8**	646,018	39.2
– Property investment	**15,154,253**	**94.6**	14,418,054	94.7
– Financial concerns	**1,104,749**	**41.5**	596,330	47.9
– Stockbrokers	**63,817**	**76.5**	116,122	62.1
– Wholesale and retail trade	**1,779,705**	**96.6**	1,026,092	95.1
– Manufacturing	**1,785,088**	**97.5**	725,323	94.7
– Transport and transport equipment	**4,112,176**	**96.3**	4,173,376	96.3
– Recreational activities	**294,874**	**–**	246,262	–
– Information technology	**3,262**	**69.3**	2,721	78.8
– Others	**2,657,702**	**95.9**	2,592,101	96.2
	27,643,978	**90.7**	24,542,399	91.5
Individuals				
– Loans for the purchase of flats in Home Ownership Scheme, Private Sector Participation Scheme and Tenants Purchase Scheme	**1,187,166**	**100.0**	1,264,406	100.0
– Loans for the purchase of other residential properties	**15,561,637**	**99.9**	15,372,119	99.9
– Credit card advances	**3,905,935**	**–**	3,654,569	–
– Others (Note (a))	**4,210,953**	**31.8**	3,990,957	30.5
	24,865,691	**72.7**	24,282,051	73.5
Loans for use in Hong Kong	**52,509,669**	**82.2**	48,824,450	82.5
Trade finance (Note (b))	**5,672,524**	**54.6**	4,042,434	63.4
Loans for use outside Hong Kong (Note (c))	**23,074,332**	**70.8**	19,882,104	72.9
	81,256,525	**77.0**	72,748,988	78.8

Note:

(a) To align with market practice, refinancing residential mortgage loans which were previously included under "Individuals – Others" are now reported under "Individuals – Loans for the purchase of other residential properties". Comparative figures have been restated accordingly.

(b) 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$977,062,000 (31 December 2010: HK$505,818,000) are classified under Loans for use outside Hong Kong.

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

14. Advances and other accounts (Continued)

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

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

	As at 30 Jun 2011				
	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	**15,154,253**	**–**	**–**	**–**	**25,295**
Individuals					
– Loans for the purchase of other residential properties	**15,561,637**	**–**	**1,260**	**–**	**2,843**

	As at 31 Dec 2010				
	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	14,418,054	–	–	–	50,394
Individuals					
– Loans for the purchase of other residential properties	15,372,119	1,520	893	104	6,460

(b) Non-bank Mainland exposures

	As at 30 Jun 2011			
Type of counterparties	**On-balance sheet exposure**	**Off-balance sheet exposure**	**Total**	**Individually assessed impairment allowances**
Mainland entities	**8,467,299**	**1,263,449**	**9,730,748**	**41,169**
Companies and individuals outside Mainland where the credits are granted for use in the Mainland	**9,881,711**	**446,767**	**10,328,478**	**36,541**
Other counterparties the exposures to whom are considered by the Group to be non-bank Mainland exposures	**188,712**	**–**	**188,712**	**–**

14. Advances and other accounts (Continued)

(b) Non-bank Mainland exposures (Continued)

	As at 31 Dec 2010			
Type of counterparties	On-balance sheet exposure	Off-balance sheet exposure	Total	Individually assessed impairment allowances
Mainland entities	5,574,796	215,605	5,790,401	5,418
Companies and individuals outside Mainland where the credits are granted for use in the Mainland	8,549,542	458,733	9,008,275	35,582
Other counterparties the exposures to whom are considered by the Group to be non-bank Mainland exposures	197,026	–	197,026	–

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

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

Advances to customers by geographical area are classified according to the location of the counterparties after taking into account the transfer of risk. In general, risk transfer applies when an 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, individually impaired advances to customers and overdue advances to customers by geographical area.

30 June 2011

	Gross advances to customers	**Individually impaired advances to customers**	**Overdue advances to customers**
Hong Kong	**66,204,909**	**204,743**	**177,370**
China	**6,894,057**	**159,907**	**2,382**
Macau	**7,297,211**	**19,668**	**25,216**
Others	**860,348**	**5,164**	**5,164**
	81,256,525	**389,482**	**210,132**

31 December 2010

	Gross advances to customers	Individually impaired advances to customers	Overdue advances to customers
Hong Kong	61,040,284	133,302	152,686
China	3,859,451	6,364	1,770
Macau	6,699,625	24,422	42,352
Others	1,149,628	5,173	11,887
	72,748,988	169,261	208,695

14. Advances and other accounts (Continued)

(d) Impaired, overdue and rescheduled assets

Apart from the investments in certain securities included in the loans and receivables category described in Note 15, other assets of HK$639,000 (31 December 2010: 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 30 June 2011 and 31 December 2010. In respect of advances to customers, the relevant amounts are analysed below.

(i) Impaired loans

	As at 30 Jun 2011	As at 31 Dec 2010
Impaired loans and advances to customers		
– Individually impaired (Note (1))	**389,482**	169,261
– Collectively impaired (Note (2))	**13,793**	13,181
	403,275	182,442
Impairment allowances made		
– Individually assessed (Note (3))	**(198,343)**	(91,405)
– Collectively assessed (Note (2))	**(12,696)**	(12,554)
	(211,039)	(103,959)
	192,236	78,483
Fair value of collaterals held*	**223,523**	84,547
Impaired loans and advances as a % of total loans and advances to customers	**0.50%**	0.25%

* Fair value of collateral is determined at the lower of the market value of collateral or outstanding loan balance.

Note:

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

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

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

14. Advances and other accounts (Continued)

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

(ii) Overdue loans

	As at 30 Jun 2011	**% of total advances to customers**	As at 31 Dec 2010	% of total advances to customers
Gross advances to customers which have been overdue for:				
– six months or less but over three months	**87,636**	**0.11**	69,776	0.10
– one year or less but over six months	**38,769**	**0.05**	22,615	0.03
– over one year	**83,727**	**0.10**	116,304	0.16
	210,132	**0.26**	208,695	0.29
Market value of securities held against the secured overdue advances	**174,835**		185,117	
Secured overdue advances	**100,330**		129,463	
Unsecured overdue advances	**109,802**		79,232	
Individual impairment allowances	**100,722**		71,569	

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

	As at 30 Jun 2011	**% of total advances to customers**	As at 31 Dec 2010	% of total advances to customers
Rescheduled advances	**173,900**	**0.21**	198,105	0.27
Impairment allowances	**1,840**		6,812	

(e) Repossessed collateral

Repossessed collateral held is as follows:

	As at 30 Jun 2011	As at 31 Dec 2010
Nature of assets		
– Repossessed properties	**4,000**	5,820
– Others	**181**	2,695
	4,181	8,515

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

HK$'000	**As at 30 Jun 2011**	As at 31 Dec 2010
Investments in securities reclassified from the available-for-sale category		
– At fair value under fair value hedge (for hedging interest rate risk)	**5,459,242**	5,289,027
– At amortised cost	**1,708,379**	2,080,910
	7,167,621	7,369,937
Individual impairment allowances	**–**	(78,221)
	7,167,621	7,291,716
Investments in securities classified as loans and receivables upon initial recognition	**59,366**	426,044
	7,226,987	7,717,760

The individual impairment allowances as at 31 December 2010 were made in respect of an investment in a security with a carrying value of HK$96,672,000 as at 31 December 2010 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 30 June 2011 and 31 December 2010, 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 30 Jun 2011	As at 31 Dec 2010
Debt securities:		
– Listed in Hong Kong	**716,615**	737,579
– Listed outside Hong Kong	**6,339,222**	6,522,236
– Unlisted	**171,150**	536,166
	7,226,987	7,795,981
Less: individual impairment allowances	**–**	(78,221)
	7,226,987	7,717,760
Market value of listed securities	**6,639,676**	6,636,402

As at 30 June 2011 and 31 December 2010, there were no certificates of deposit held included in the above balances of investments in debt securities.

	As at 30 Jun 2011	As at 31 Dec 2010
Investments in securities included in the loans and receivables category are analysed by categories of issuers as follows:		
– Banks and other financial institutions	**3,876,581**	4,127,967
– Corporate entities	**3,350,406**	3,668,014
	7,226,987	7,795,981

16. Available-for-sale securities

HK$'000	**As at 30 Jun 2011**	As at 31 Dec 2010
Debt securities:		
– Listed in Hong Kong	**6,244,797**	5,759,973
– Listed outside Hong Kong	**7,409,441**	5,288,174
– Unlisted	**2,191,369**	5,968,831
	15,845,607	17,016,978
Equity securities:		
– Listed in Hong Kong	**82,636**	867
– Listed outside Hong Kong	**80,338**	80,019
– Unlisted	**101,355**	127,798
	264,329	208,684
Total available-for-sale securities	**16,109,936**	17,225,662
Included within debt securities are:		
– Certificates of deposit held	**48,236**	47,205
– Other debt securities	**15,797,371**	16,969,773
	15,845,607	17,016,978
Available-for-sale securities are analysed by categories of issuers as follows:		
– Central governments and central banks	**5,629,972**	9,530,291
– Public sector entities	**138,929**	88,278
– Banks and other financial institutions	**4,480,671**	3,221,041
– Corporate entities	**5,858,836**	4,384,524
– Others	**1,528**	1,528
	16,109,936	17,225,662

17. Held-to-maturity securities

HK$'000	**As at 30 Jun 2011**	As at 31 Dec 2010
Debt securities:		
– Listed in Hong Kong	**194,255**	193,973
– Listed outside Hong Kong	**6,186,139**	6,643,580
– Unlisted	**2,232,308**	2,039,019
	8,612,702	8,876,572
Market value of listed securities	**6,300,943**	6,641,001

As at 30 June 2011 and 31 December 2010, there were no certificates of deposit held included in the above balances of investments in debt securities.

	As at 30 Jun 2011	As at 31 Dec 2010
Held-to-maturity securities are analysed by issuer as follows:		
– Central governments and central banks	**1,660,883**	1,494,925
– Public sector entries	**194,255**	193,973
– Banks and other financial institutions	**5,014,376**	4,911,485
– Corporate entities	**1,743,188**	2,276,189
	8,612,702	8,876,572

18. Other accounts and accruals

HK$'000	**As at 30 Jun 2011**	As at 31 Dec 2010
Amounts payable arising from purchase of securities pending for settlement	**212,335**	–
Other accounts payable and accruals	**2,091,670**	1,962,850
	2,304,005	1,962,850

19. Reserves

HK$'000	**As at 30 Jun 2011**	As at 31 Dec 2010
Reserves		
Share premium	**4,241,183**	4,241,183
Consolidation reserve	**(220,986)**	(220,986)
Premises revaluation reserve	**1,319,793**	1,328,869
Investment revaluation reserve	**(714,948)**	(887,414)
Exchange reserve	**163,540**	138,836
General reserve	**700,254**	700,254
Retained earnings	**7,329,271**	7,004,801
	12,818,107	12,305,543
Proposed dividend included in retained earnings	**97,835**	244,587

The Group's Hong Kong banking subsidiaries, DSB and MEVAS, are required to maintain regulatory reserve to satisfy the provisions of the Hong Kong Banking Ordinance for prudential supervision purposes. At 30 June 2011, each of DSB and MEVAS had earmarked a regulatory reserve of HK$853,431,000 (31 December 2010: HK$538,474,000) and HK$3,960,000 (31 December 2010: HK$3,701,000) in the consolidated general reserve and retained profits respectively. Movements in the regulatory reserve are made directly through equity reserve and in consultation with the Hong Kong Monetary Authority ("HKMA").

20. Contingent liabilities and commitments

(a) Capital commitments

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

HK$'000	As at 30 Jun 2011	As at 31 Dec 2010
Expenditure authorised but not contracted for	**139,015**	1,047
Expenditure contracted but not provided for	**96,216**	114,875
	235,231	115,922

(b) Credit commitments

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

	Contract amounts	
	As at 30 Jun 2011	As at 31 Dec 2010
Direct credit substitutes	**393,304**	406,247
Transaction-related contingencies	**219,570**	37,977
Trade-related contingencies	**1,684,004**	854,486
Commitments that are unconditionally cancellable without prior notice	**48,045,334**	44,732,958
Other commitments with an original maturity of:		
– Under 1 year	**3,764,341**	4,267,809
– 1 year and over	**1,135,616**	1,685,241
Forward forward deposits placed	**6,682**	6,982
	55,248,851	51,991,700

	Credit risk weighted amounts	
	As at 30 Jun 2011	As at 31 Dec 2010
Contingent liabilities and commitments	**1,371,148**	1,746,053

(c) Assets pledged

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

	As at 30 Jun 2011	As at 31 Dec 2010
Trading securities	**2,730,396**	1,686,155
Available-for-sale securities	**275,075**	61,989
Investments in securities included in the loans and receivables category	**65,711**	85,152
	3,071,182	1,833,296

20. Contingent liabilities and commitments (Continued)

(d) Operating lease commitments

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

	As at 30 Jun 2011	As at 31 Dec 2010
Not later than 1 year	**100,648**	91,499
Later than 1 year and not later than 5 years	**103,043**	112,212
Later than 5 years	**67,412**	63,298
	271,103	267,009

21. Cross-border claims

Equivalent in HK$ millions

	As at 30 Jun 2011			
	Banks and other financial institutions	**Public sector entities**	**Others**	**Total**
Asia Pacific excluding Hong Kong	**17,591**	**90**	**12,165**	**29,846**
North and South America	**290**	**–**	**2,963**	**3,253**
Europe	**5,996**	**89**	**2,727**	**8,812**
	23,877	**179**	**17,855**	**41,911**

	As at 31 Dec 2010			
	Banks and other financial institutions	Public sector entities	Others	Total
Asia Pacific excluding Hong Kong	14,008	93	8,918	23,019
North and South America	313	–	3,120	3,433
Europe	5,040	89	2,813	7,942
	19,361	182	14,851	34,394

The information of cross-border claims discloses exposures to foreign counterparties on which the ultimate risk lies, and is derived according to the location of the counterparties after taking into account any transfer of risk. In general, transfer of risk from one country to another is recognised if the claims against a counterparty are guaranteed by another party in a different country or if the claims are on an overseas branch of a bank whose head office is located in a different country.

22. 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 assessment of performance, is determined on the basis of personal banking, commercial banking, treasury and overseas banking business. Operating performances are analysed by business activities for local banking business, and on business entity basis for overseas banking business.

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 include 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.

- 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.

22. Operating segment reporting (Continued)

For the six months ended 30 June 2011

HK$'000	Personal Banking	Commercial Banking	Treasury	Overseas Banking	Others	Inter-segment	Total
Net interest income/(expenses)	419,881	359,924	104,128	184,775	(97,538)	–	971,170
– external customers	153,828	444,004	271,579	190,913	(89,154)	–	971,170
– inter-segments	266,053	(84,080)	(167,451)	(6,138)	(8,384)	–	–
Non-interest income/(expenses)	124,066	67,412	99,950	37,618	9,414	(13,874)	324,586
Total operating income/(expenses)	543,947	427,336	204,078	222,393	(88,124)	(13,874)	1,295,756
Operating expenses	(373,290)	(134,793)	(55,047)	(155,428)	(28,802)	13,874	(733,486)
Operating profit/(loss) before impairment losses	170,657	292,543	149,031	66,965	(116,926)	–	562,270
Loan impairment losses and other credit provisions charged	(35,527)	(13,803)	–	(36,100)	–	–	(85,430)
Operating profit/(loss) after impairment losses	135,130	278,740	149,031	30,865	(116,926)	–	476,840
Net loss on disposal of investment properties, premises and other fixed assets	(1)	–	–	(58)	(264)	–	(323)
Net gain on disposal of investment in securities	–	–	3,112	–	–	–	3,112
Share of results of an associate	–	–	–	155,425	–	–	155,425
Share of results of jointly controlled entities	–	–	–	–	5,503	–	5,503
Profit/(loss) before income tax	135,129	278,740	152,143	186,232	(111,687)	–	640,557
Income tax (expense)/credit	(22,077)	(45,800)	(25,180)	(6,382)	16,643	–	(82,796)
Profit/(loss) after income tax	113,052	232,940	126,963	179,850	(95,044)	–	557,761
For the six months ended 30 June 2011							
Depreciation and amortisation	23,749	10,445	5,559	23,213	10,503	–	73,469
As at 30 June 2011							
Segment assets	27,437,978	42,644,163	48,403,545	21,647,973	4,992,240	(3,892,851)	141,233,048
Segment liabilities	66,768,879	19,156,588	14,142,907	16,790,042	14,209,382	(3,892,851)	127,174,947

22. Operating segment reporting (Continued)

For the six months ended 30 June 2010

HK$'000	Personal Banking	Commercial Banking	Treasury	Overseas Banking	Others	Inter-segment	Total
Net interest income/(expenses)	451,600	373,917	93,620	133,682	(56,686)	–	996,133
– external customers	278,230	382,298	245,283	144,695	(54,373)	–	996,133
– inter-segments	173,370	(8,381)	(151,663)	(11,013)	(2,313)	–	–
Non-interest income/(expenses)	98,158	56,054	16,975	38,443	(7,459)	(12,862)	189,309
Total operating income/(expenses)	549,758	429,971	110,595	172,125	(64,145)	(12,862)	1,185,442
Operating expenses	(368,136)	(116,961)	(34,975)	(117,455)	(19,666)	12,862	(644,331)
Operating profit/(loss) before impairment losses	181,622	313,010	75,620	54,670	(83,811)	–	541,111
Loan impairment losses and other credit provisions (charged)/ written back	(31,643)	3,277	–	(6,434)	–	–	(34,800)
Operating profit/(loss) after impairment losses	149,979	316,287	75,620	48,236	(83,811)	–	506,311
Net (loss)/gain on disposal of investment properties, premises and other fixed assets	(358)	–	–	29	4,945	–	4,616
Net loss on disposal of investment in securities	(104)	–	(126,455)	(6,301)	–	–	(132,860)
Share of results of an associate	–	–	–	105,622	–	–	105,622
Share of results of jointly controlled entities	–	–	–	–	2,793	–	2,793
Net gain on repurchase of subordinated notes	–	–	–	–	82,784	–	82,784
Profit/(loss) before income tax	149,517	316,287	(50,835)	147,586	6,711	–	569,266
Income tax (expense)/credit	(22,488)	(52,187)	8,388	(7,439)	11,597	–	(62,129)
Profit/(loss) after income tax	127,029	264,100	(42,447)	140,147	18,308	–	507,137
For the six months ended 30 June 2010							
Depreciation and amortisation	20,242	8,523	1,587	20,992	8,486	–	59,830
As at 31 December 2010							
Segment assets	26,616,109	35,878,097	47,658,498	19,626,090	6,642,070	(4,582,188)	131,838,676
Segment liabilities	61,005,220	16,086,411	16,362,311	15,792,272	13,628,701	(4,582,188)	118,292,727

22. Operating segment reporting (Continued)

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 six months ended 30 June 2011				
Operating income	**1,181,954**	**113,973**	**(171)**	**1,295,756**
Profit before income tax	**606,564**	**33,993**	**–**	**640,557**
As at 30 June 2011				
Total assets	**130,164,320**	**13,172,611**	**(2,103,883)**	**141,233,048**
Total liabilities	**118,069,965**	**11,208,865**	**(2,103,883)**	**127,174,947**
Intangible assets and goodwill	**318,667**	**574,182**	**–**	**892,849**
Contingent liabilities and commitments	**57,297,076**	**1,529,291**	**–**	**58,826,367**

	Hong Kong and Others	Macau	Inter-segment elimination	Total
For the six months ended 30 June 2010				
Operating income	1,068,086	117,527	(171)	1,185,442
Profit before income tax	535,875	33,391	–	569,266
As at 31 December 2010				
Total assets	121,166,525	12,534,560	(1,862,409)	131,838,676
Total liabilities	109,547,782	10,607,354	(1,862,409)	118,292,727
Intangible assets and goodwill	318,667	581,459	–	900,126
Contingent liabilities and commitments	52,309,393	1,898,534	–	54,207,927

23. Capital adequacy ratio

	As at 30 Jun 2011	As at 31 Dec 2010
Capital adequacy ratio		
– Core	**10.9%**	10.2%
– Overall	**15.6%**	16.3%

The capital adequacy ratio represents the combined ratio of the consolidated position of DSB (covering BCM and DSB China), MEVAS and DAHCI computed on Basel II basis with reference to the Banking (Capital) Rules. This capital adequacy ratio takes into account market risk and operational risk.

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

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

HK$'000	**As at 30 Jun 2011**	As at 31 Dec 2010
Core capital		
Paid up ordinary share capital	**5,007,749**	4,007,749
Share premium	**55,519**	55,519
Reserves	**6,035,954**	5,776,580
Less: goodwill	**(811,690)**	(811,690)
Less: other intangible assets	**(81,159)**	(88,436)
Less: net deferred tax assets	**(3,427)**	(4,648)
	10,202,946	8,935,074
Less: 50% of total amount of deductible items	**(457,811)**	(454,103)
Core capital	**9,745,135**	8,480,971
Supplementary capital		
Reserves on revaluation of holdings of land and buildings	**238,403**	238,403
Eligible amount of collective impairment allowances for impaired assets and regulatory reserve	**1,103,303**	845,869
Revaluation reserve for available-for-sale investments	**714**	514
Perpetual subordinated debt	**428,043**	427,532
Term subordinated debt	**2,918,475**	4,079,467
Total Supplementary capital	**4,688,938**	5,591,785
Eligible amount of Supplementary capital	**4,688,938**	5,591,785
Less: 50% of total amount of deductible items	**(457,812)**	(454,104)
Supplementary capital	**4,231,126**	5,137,681
Total capital base	**13,976,261**	13,618,652

24. Liquidity ratio

	Six months ended 30 Jun 2011	Six months ended 30 Jun 2010	Year ended 31 Dec 2010
Liquidity ratio	**43.0%**	48.6%	45.7%

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

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

FINANCIAL RATIOS

	Six months ended 30 Jun 2011	Six months ended 30 Jun 2010
Net interest income/operating income	**75.0%**	84.0%
Cost to income ratio	**56.6%**	54.4%
Return on average total assets	**0.8%**	0.9%
Return on average shareholders' funds	**7.6%**	9.1%
Net interest margin	**1.52%**	1.87%
Dividend payout ratio	**17.5%**	15.3%
	As at 30 Jun 2011	As at 31 Dec 2010
Loan to deposit ratio (Note)	**70.9%**	70.5%

Note:

Loan to deposit ratio is calculated as the ratio of total advances to customers (excluding trade bills) to total deposits (including certificates of deposit issued).

INTERIM DIVIDEND

The Directors have declared an interim dividend of HK$0.08 per share for 2011 payable on or after Wednesday, 21 September 2011 to shareholders whose names are on the Register of Shareholders at the close of business on Friday, 16 September 2011.

CLOSING OF REGISTER OF SHAREHOLDERS

The Register of Shareholders will be closed from Monday, 12 September 2011 to Friday, 16 September 2011, both days inclusive. In order to qualify for the interim 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 Friday, 9 September 2011.

CORPORATE AND BUSINESS OVERVIEW

HIGHLIGHTS

During the first half of 2011, market conditions were mixed. Whilst loan growth was rapid, mainly driven by demand from Mainland China related business, competition for deposits intensified, leading to higher funding cost and a squeeze in net interest margin. Inflationary pressures in Hong Kong and the Mainland led to increases in costs, as we expanded our operations in line with the continued rapid loan expansion. The positive factors outweighed the negative factors in the first half of the year, leading to an improvement in net profit of 10% to HK$558 million for the period.

Our business volume growth was strong, with the loan book increasing by 12% relative to the end of 2010, and by 25% year-on-year. The growth was mainly driven by Mainland China related business, particularly cross-border trade finance. Deposit growth, at 10%, was slightly slower than loan growth, which led to the loan-to-deposit ratio increasing to 70.9% from 70.5%. Credit quality deteriorated slightly from the very low levels in the prior year, but was still relatively low, with an impaired loan ratio of 0.50%. Efforts to rebuild our wealth management business continued, with substantial increases in overall non-interest income, and in wealth management related fee and commission income.

The equity capital raised by the Company in its rights issue at the end of 2010 was injected into Dah Sing Bank, Limited during the first half of 2011. This has the effect of increasing the Group's Core Tier 1 capital adequacy from 10.2% to 10.9%. With the redemption and repayment in full of a previous Lower Tier 2 subordinated bond during the period, Tier 2 capital fell slightly, resulting in a total capital adequacy ratio for the Group of 15.6%, compared with 16.3% at the end of 2010.

BUSINESS AND FINANCIAL REVIEW

Net interest income reduced slightly year on year to HK$971 million, although improved sequentially from second half of 2010 by HK$12 million. Net interest margin ("NIM") decreased year on year from 1.87% to 1.52%, and was broadly flat against the second half of 2010. The margin pressure was caused mainly by the intense competition for deposits during the first half. Loan pricing generally showed an improving trend, but was insufficient to outweigh the increase in funding costs. In addition, we continued to maintain a liquid balance sheet, with relatively high levels of short term liquid assets, which whilst prudent, had some negative impact on margins.

Non-interest income showed a sharp improvement from HK$189 million to HK$325 million. This was driven by a number of factors, including an improved trading performance, driven in part from higher volumes of customer business relating both to foreign exchange and interest rate related products, as well as the effects of the rebuilding of our wealth management distribution business. We also benefitted from lower levels of mark-to-market movements in certain derivative positions that had reduced the overall level of non-interest income in the prior period.

Loan impairment losses and other credit provisions increased from HK$35 million to HK$85 million, mainly relating to a small number of problem loans in our commercial banking business. Whilst the increase in credit cost was not desirable, the overall level of credit cost remained at a relatively low level, with an impaired loan ratio for the period of 0.50%.

BUSINESS AND FINANCIAL REVIEW (Continued)

Operating expenses grew by 14% in the period to HK$733 million, mainly related to staff and business promotion cost increases. To accommodate business growth, we had steadily expanded our employees during the past one year. We also experienced inflationary pressure on costs, including staff cost increases, as well as increases in other areas such as premises, advertising and marketing.

Strong performance from BOCQ led to a substantial increase of 47% in its contribution to our earnings, with a record contribution of HK$155 million in the first half, both as a result of the improving earnings, and due to the continued appreciation of the RMB over the period.

During the period we called and retired the entire previously issued US$150 million Lower Tier 2 subordinated debt, which was callable in June 2011.

PROSPECTS

The first half of 2011 was mixed, with some positive aspects, including rapid loan growth, balanced by pressures in other areas, such as margin and funding cost. Looking forward, there appear to be a number of headwinds globally, including slow economic recovery in both the US and Europe, and event risk arising from situations such as possible sovereign defaults. In Greater China, we are seeing some signs of a slowdown, with inflation continuing to be an issue both in Hong Kong and the Mainland.

We therefore maintain a cautious outlook, and anticipate that business growth may slow down. Competition for deposits remains keen, which is likely to continue to place some pressure on funding cost in the near term. We have seen some increasing trend in credit costs, and whilst at present, loan impairment ratio remains relatively low, we are keen to do our best to contain future credit cost to the extent possible. In view of the more uncertain outlook, we are likely to continue to direct our business growth cautiously in the months to come.

COMPLIANCE WITH THE CODE ON CORPORATE GOVERNANCE PRACTICES

The Company has complied with all the code provisions set out in the Code on Corporate Governance Practices contained in Appendix 14 of the Listing Rules throughout the six months ended 30 June 2011.

COMPLIANCE WITH THE MODEL CODE FOR DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted its own code of conduct regarding directors' securities dealings 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 dealings have been fully complied with.

COMPLIANCE WITH THE BANKING (DISCLOSURE) RULES

In preparing the interim financial disclosure, the Group's Hong Kong banking subsidiaries have fully complied with the requirements set out in the Banking (Disclosure) Rules issued by the HKMA.

UNAUDITED FINANCIAL STATEMENTS

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

AUDIT COMMITTEE

The Audit Committee has reviewed with Management the accounting principles and practices adopted by the Group and discussed internal controls and financial reporting matters including a review of the unaudited interim financial statements for the six months ended 30 June 2011.

REMUNERATION AND STAFF DEVELOPMENT

There have been no material changes to the information disclosed in the Company's 2010 Annual Report in respect of the remuneration of employees, remuneration policies and training schemes.

DEALINGS IN THE COMPANY'S SHARES

There was no purchase, sale or redemption by the Company, or any of its subsidiaries, of the Company's listed shares during the six months ended 30 June 2011.

INTERIM RESULTS ANNOUNCEMENT AND INTERIM REPORT

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

The 2011 Interim Report of the Group containing all the information required by the Listing Rules will be published on the websites of the Hong Kong Stock Exchange and the Company in due course. Printed copies of the 2011 Interim Report will be sent to shareholders before the end of September 2011.

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) (Vice Chairman), Harold Tsu-Hing Wong (Managing Director and Chief Executive), Lung-Man Chiu (John Chiu) and Gary Pak-Ling Wang as Executive Directors; Mr. Kazutake Kobayashi as Non-Executive Director; Messrs. Robert Tsai-To Sze, Andrew Kwan-Yuen Leung, Seng-Lee Chan and Lon Dounn (Lonnie Dounn) as Independent Non-Executive Directors.

By Order of the Board
H L Soo
Company Secretary

Hong Kong, Wednesday, 10 August 2011