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 2011 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 2011.

CONSOLIDATED INCOME STATEMENT

For the year ended 31 December

HK$'000	Note	**2011**	2010	Variance %
Interest income		**3,568,506**	2,973,182	
Interest expense		**(1,382,942)**	(793,692)	
Net interest income	5	**2,185,564**	2,179,490	0.3
Fee and commission income		**606,088**	535,543	
Fee and commission expense		**(223,298)**	(173,835)	
Net fee and commission income	6	**382,790**	361,708	5.8
Net trading income	7	**232,038**	461,546	
Net insurance premium and other income		**2,027,739**	1,630,973	
Other operating income	8	**44,408**	48,902	
Operating income		**4,872,539**	4,682,619	4.1
Net insurance claims and expenses		**(2,068,080)**	(1,890,095)	
Total operating income net of insurance claims		**2,804,459**	2,792,524	0.4
Operating expenses	9	**(1,711,038)**	(1,453,952)	17.7
Operating profit before impairment losses		**1,093,421**	1,338,572	-18.3
Loan impairment losses and other credit provisions	10	**(181,082)**	(97,787)	85.2
Operating profit after impairment losses		**912,339**	1,240,785	
Net (loss)/gain on disposal and revaluation of premises and other fixed assets	11	**(770)**	590	
Net gain on disposal of and fair value adjustment on investment properties	12	**89,349**	76,524	
Net gain/(loss) on disposal and repurchase of financial instruments	13	**85,933**	(75,873)	
Share of results of an associate		**353,404**	249,001	
Share of results of jointly controlled entities		**12,687**	8,029	
Profit before income tax		**1,452,942**	1,499,056	-3.1
Income tax expense	14	**(163,852)**	(214,026)	
Profit for the year		**1,289,090**	1,285,030	0.3
Profit for the year is apportioned as follows:				
– Profit attributable to non-controlling interests		**279,439**	278,740	
– Profit attributable to Shareholders of the Company		**1,009,651**	1,006,290	0.3
Dividends				
Interim dividend paid		**84,913**	52,054	
Proposed final dividend		**228,387**	251,812	
		313,300	303,866	
Earnings per share				
Basic	15	**HK$3.45**	HK$3.67	
Diluted	15	**HK$3.45**	HK$3.67	

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December

HK$'000	**2011**	2010
Profit for the year	**1,289,090**	1,285,030
Other comprehensive income for the year		
Investment in securities		
Fair value (losses)/gains recognised in equity	**(33,435)**	207,867
Fair value (gain)/loss realised and transferred to income statement upon:		
– Disposal of available-for-sale securities	**(121,955)**	(43,710)
– 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	**36,054**	120,803
Deferred income tax assets recognised/(released) on movements in investment revaluation reserve	**16,037**	(70,190)
	(103,299)	214,770
Premises		
Fair value gains recognised in equity	**623,512**	538,538
Deferred income tax liabilities recognised on fair value gains and disposal of premises	**(23,149)**	(24,517)
	600,363	514,021
Exchange differences arising on translation of the financial statements of foreign entities	**118,946**	73,741
Other comprehensive income for the year, net of tax	**616,010**	802,532
Total comprehensive income for the year, net of tax	**1,905,100**	2,087,562
Total comprehensive income for the year is apportioned as follows:		
– Comprehensive income attributable to non-controlling interests	**454,544**	474,873
– Comprehensive income attributable to Shareholders of the Company	**1,450,556**	1,612,689

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December

HK$'000	Note	**2011**	2010
ASSETS			
Cash and balances with banks		**12,217,645**	9,580,520
Placements with banks maturing between one and twelve months		**5,184,325**	3,249,320
Trading securities	16	**5,700,541**	5,568,876
Financial assets designated at fair value through profit or loss	16	**7,172,700**	5,784,468
Derivative financial instruments		**696,033**	652,738
Advances and other accounts	17	**92,743,974**	83,308,767
Available-for-sale securities	19	**17,665,252**	17,858,053
Held-to-maturity securities	20	**8,398,022**	9,114,454
Investment in an associate		**1,961,365**	1,558,791
Investments in jointly controlled entities		**68,650**	60,248
Goodwill		**950,992**	950,992
Intangible assets		**98,663**	114,832
Premises and other fixed assets		**3,839,778**	3,008,105
Investment properties		**650,865**	604,648
Current income tax assets		**8,358**	1,816
Deferred income tax assets		**8,896**	6,570
Value of in-force long-term life assurance business		**1,787,252**	1,318,316
Total assets		**159,153,311**	142,741,514
LIABILITIES			
Deposits from banks		**2,384,503**	1,523,547
Derivative financial instruments		**1,579,599**	1,296,439
Trading liabilities		**3,045,202**	4,700,893
Deposits from customers		**111,629,094**	96,126,641
Certificates of deposit issued		**3,164,067**	4,746,054
Issued debt securities		**2,718,320**	1,943,342
Subordinated notes		**3,654,487**	4,644,192
Other accounts and accruals		**4,252,944**	3,999,046
Current income tax liabilities		**31,669**	89,873
Deferred income tax liabilities		**103,189**	89,548
Liabilities to policyholders under long-term insurance contracts		**7,458,562**	5,928,783
Total liabilities		**140,021,636**	125,088,358
EQUITY			
Non-controlling interests		**3,861,459**	3,496,771
Equity attributable to the Company's shareholders			
Share capital		**585,609**	585,609
Reserves	21	**14,456,220**	13,318,964
Proposed final dividend		**228,387**	251,812
Shareholders' funds		**15,270,216**	14,156,385
Total equity		**19,131,675**	17,653,156
Total equity and liabilities		**159,153,311**	142,741,514

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 2011 but is derived from those statutory financial statements. The consolidated financial statements of the Group for the year ended 31 December 2011 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 21 March 2012.

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, and 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 2011 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.

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 2011 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 centralised 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.

- 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 2011

HK$'000	Personal Banking	Commercial Banking	Treasury	Overseas Banking	Insurance Business	Others	Inter-segment	Total
Net interest income/(expenses)	**876,561**	**616,468**	**246,998**	**388,200**	**263,577**	**(206,240)**	**–**	**2,185,564**
– external customers	**221,406**	**857,364**	**642,439**	**376,363**	**252,991**	**(164,999)**	**–**	**2,185,564**
– inter-segments	**655,155**	**(240,896)**	**(395,441)**	**11,837**	**10,586**	**(41,241)**	**–**	**–**
Non-interest income/(expenses)	**248,624**	**126,323**	**112,171**	**74,643**	**84,939**	**37,575**	**(65,380)**	**618,895**
Total operating income/(expenses) net of insurance claims	**1,125,185**	**742,791**	**359,169**	**462,843**	**348,516**	**(168,665)**	**(65,380)**	**2,804,459**
Operating expenses	**(809,793)**	**(259,537)**	**(107,740)**	**(326,285)**	**(182,631)**	**(90,432)**	**65,380**	**(1,711,038)**
Operating profit/(loss) before impairment losses	**315,392**	**483,254**	**251,429**	**136,558**	**165,885**	**(259,097)**	**–**	**1,093,421**
Loan impairment losses and other credit provisions (charged)/written back	**(73,046)**	**43,815**	**(100,000)**	**(51,851)**	**–**	**–**	**–**	**(181,082)**
Operating profit/(loss) after impairment losses	**242,346**	**527,069**	**151,429**	**84,707**	**165,885**	**(259,097)**	**–**	**912,339**
Net (loss)/gain on disposal of and fair value adjustment on investment properties, premises and other fixed assets	**(11)**	**–**	**–**	**(177)**	**76,345**	**12,422**	**–**	**88,579**
Net (loss)/gain on disposal of investments in securities	**–**	**–**	**(28,175)**	**–**	**102,761**	**11,347**	**–**	**85,933**
Share of results of an associate	**–**	**–**	**–**	**353,404**	**–**	**–**	**–**	**353,404**
Share of results of jointly controlled entities	**–**	**–**	**–**	**–**	**–**	**12,687**	**–**	**12,687**
Profit/(loss) before income tax	**242,335**	**527,069**	**123,254**	**437,934**	**344,991**	**(222,641)**	**–**	**1,452,942**
Income tax (expenses)/credit	**(39,195)**	**(86,987)**	**(20,499)**	**(13,414)**	**(16,581)**	**12,824**	**–**	**(163,852)**
Profit/(loss) after income tax	**203,140**	**440,082**	**102,755**	**424,520**	**328,410**	**(209,817)**	**–**	**1,289,090**
For the year ended 31 December 2011								
Depreciation and amortisation	**54,110**	**19,469**	**12,283**	**48,751**	**8,348**	**37,857**	**–**	**180,818**
As at 31 December 2011								
Segment assets	**28,558,556**	**43,816,296**	**48,481,204**	**23,954,589**	**13,145,798**	**6,584,218**	**(5,387,350)**	**159,153,311**
Segment liabilities	**67,216,050**	**22,917,174**	**14,610,339**	**18,477,379**	**9,857,933**	**12,330,111**	**(5,387,350)**	**140,021,636**

4. Operating segment reporting (Continued)

For the year ended 31 December 2010

HK$'000	Personal Banking	Commercial Banking	Treasury	Overseas Banking	Insurance Business	Others	Inter-segment	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	(2,410)	(41,503)	613,034
Total operating income/(expenses) net of insurance claims	1,078,067	850,170	301,785	366,598	375,497	(138,090)	(41,503)	2,792,524
Operating expenses	(654,054)	(241,562)	(82,477)	(273,521)	(149,995)	(93,846)	41,503	(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) after impairment losses	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 (expenses)/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	20,460,700	11,323,887	6,885,943	(6,081,722)	142,741,514
Segment liabilities	61,005,220	16,086,411	16,362,311	15,792,272	8,261,499	13,662,367	(6,081,722)	125,088,358

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 2011				
Total operating income net of insurance claims	**2,518,435**	**286,445**	**(421)**	**2,804,459**
Profit before income tax	**1,359,192**	**93,750**	**–**	**1,452,942**
As at 31 December 2011				
Total assets	**146,471,134**	**14,270,367**	**(1,588,190)**	**159,153,311**
Total liabilities	**129,701,735**	**11,908,091**	**(1,588,190)**	**140,021,636**
Intangible assets and goodwill	**318,667**	**730,988**	**–**	**1,049,655**
Contingent liabilities and commitments	**59,014,094**	**1,953,302**	**–**	**60,967,396**

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

5. Net interest income

HK$'000	**2011**	2010
Interest income		
Cash and balances with banks	**341,358**	123,302
Investment in securities	**820,757**	752,129
Advances to customers and banks	**2,406,391**	2,091,087
Others	**–**	6,664
	3,568,506	2,973,182
Interest expense		
Deposits from banks/Deposits from customers	**1,214,187**	660,051
Certificates of deposit issued	**38,977**	18,355
Issued debt securities	**40,459**	9,478
Subordinated notes	**78,456**	87,665
Others	**10,863**	18,143
	1,382,942	793,692
Included within interest income		
Interest income on listed investments	**674,920**	428,786
Interest income on unlisted investments	**145,837**	323,343
	820,757	752,129
Interest income on financial assets not at fair value through profit or loss	**3,386,777**	2,826,664
Interest income on impaired assets	**9,296**	11,679
Included within interest expenses		
Interest expenses on financial liabilities not at fair value through profit or loss	**1,217,291**	640,742

6. Net fee and commission income

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	**69,741**	88,127
– Trade finance	**44,327**	38,997
– Credit card	**280,567**	245,284
Other fee and commission income		
– Securities brokerage	**49,414**	45,890
– Insurance distribution and services	**12,832**	14,781
– Retail investment and wealth management services	**65,466**	16,819
– Other fees	**83,741**	85,645
	606,088	535,543
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	**210,501**	162,119
– Other fees paid	**12,797**	11,716
	223,298	173,835

7. Net trading income

HK$'000	**2011**	2010
Dividend income from financial assets at fair value through profit or loss		
– Listed investments	**30,212**	12,025
– Unlisted investments	**29**	50
Net gain arising from dealing in foreign currencies	**241,948**	278,260
Net (loss)/gain from trading securities	**(26,368)**	27,607
Net loss from derivatives entered into for trading purpose	**(41,246)**	(83,703)
Net loss arising from financial instruments subject to fair value hedge	**(57,075)**	(57,302)
Net gain arising from financial instruments designated at fair value through profit or loss	**84,538**	284,609
	232,038	461,546

8. Other operating income

HK$'000	**2011**	2010
Dividend income from investments in available-for-sale securities		
– Listed investments	**5,378**	6,863
– Unlisted investments	**6,434**	5,767
Gross rental income from investment properties	**20,645**	22,168
Other rental income	**7,081**	5,331
Others	**4,870**	8,773
	44,408	48,902

9. Operating expenses

HK$'000	**2011**	2010
Employee compensation and benefit expenses (including directors' remuneration)	**1,034,973**	905,392
Premises and other fixed asset expenses, excluding depreciation	**195,248**	182,158
Depreciation	**164,649**	130,490
Advertising and promotion costs	**116,569**	98,251
Printing, stationery and postage	**67,797**	62,681
Amortisation expenses of intangible assets	**16,169**	24,198
Auditors' remuneration	**8,360**	7,380
Others (Note)	**107,273**	43,402
	1,711,038	1,453,952

Note:

Operating expenses reported in "Others" were stated net of certain reversals of expenses and provisions previously incurred on Lehman Brothers related products.

10. Loan impairment losses and other credit provisions

HK$'000	**2011**	2010
Loan impairment losses		
Advances to customers	**81,082**	21,477
Advances to banks	**–**	(155)
	81,082	21,322
Net charge/(reversal) of impairment losses on advances and other accounts		
– Individually assessed	**108,772**	1,556
– Collectively assessed	**(27,690)**	19,766
	81,082	21,322
Of which		
– new and additional allowances (including amounts directly written off in the year)	**191,205**	181,793
– releases	**(35,389)**	(90,277)
– recoveries	**(74,734)**	(70,194)
	81,082	21,322
Other credit provisions		
Net charge of impairment losses on investment in securities included in the loans and receivables category		
– Individually assessed	**–**	76,465
– Collectively assessed	**100,000**	–
	100,000	76,465
Net charge to income statement	**181,082**	97,787

11. Net (loss)/gain on disposal and revaluation of premises and other fixed assets

HK$'000	**2011**	2010
Deficit (charged)/recovered on revaluation of premises	**(582)**	180
Net gain on disposal of premises	**–**	2,752
Net loss on disposal of other fixed assets	**(188)**	(2,342)
	(770)	590

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

HK$'000	**2011**	2010
Net gain from fair value adjustment on investment properties	**89,613**	74,262
Net (loss)/gain on disposal of investment properties	**(264)**	2,262
	89,349	76,524

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

HK$'000	**2011**	2010
Net gain on repurchase of subordinated notes (Note (a))	**–**	82,784
Net gain on disposal of available-for-sale securities	**121,955**	43,710
Net loss on disposal of investments in securities included in the loans and receivables category	**(38,515)**	(136,530)
Net gain/(loss) on disposal of held-to-maturity securities (Note (b))	**2,493**	(65,837)
	85,933	(75,873)

Note:

(a) During 2010, the Group, after receiving the prior consent of the HKMA, repurchased a total of US$75 million notional principal value of the Perpetual Subordinated Fixed Rate Notes issued by Dah Sing Bank ("DSB") on 16 February 2007 (the "Notes") at a discount. Notional contract amount of the associated interest rate swap totalling US$75 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 part of the Notes, previously qualified as upper supplementary capital of DSB, were cancelled and de-recognised as DSB's liability and also supplementary capital upon the completion of the repurchase.

(b) The disposals in 2011 and 2010 were made after considering risk and external factors.

14. 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 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% (2010: 16.5%).

HK$'000	**2011**	2010
Current income tax:		
– Hong Kong profits tax	**141,549**	141,204
– Overseas taxation	**15,753**	18,184
– Under provision in prior years	**2,347**	3,552
Deferred income tax:		
– Origination and reversal of temporary differences	**4,203**	51,086
	163,852	214,026

15. Basic and diluted earnings per share

The calculation of basic earnings per share and fully diluted earnings per share is based on earnings of HK$1,009,651,000 (2010: HK$1,006,290,000) and the weighted average number of 292,804,486 (2010: 274,326,189) ordinary shares in issue during the year.

The share options outstanding during the years ended 31 December 2011 and 31 December 2010 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 2011**	As at 31 Dec 2010
Trading securities:		
Debt securities:		
– Listed in Hong Kong	**533,415**	781,231
– Unlisted	**4,982,815**	4,692,210
	5,516,230	5,473,441
Equity securities:		
– Listed in Hong Kong	**69,243**	–
– Listed outside Hong Kong	**108,660**	85,161
– Unlisted, interests in investment funds	**6,408**	10,274
	184,311	95,435
Total trading securities	**5,700,541**	5,568,876
Financial assets designated at fair value through profit or loss:		
Debt securities:		
– Listed in Hong Kong	**624,437**	466,536
– Listed outside Hong Kong	**3,195,830**	2,564,312
– Unlisted	**1,519,125**	1,390,790
	5,339,392	4,421,638
Equity securities:		
– Listed in Hong Kong	**284,110**	212,222
– Listed outside Hong Kong	**974,651**	521,225
– Unlisted	**574,547**	629,383
	1,833,308	1,362,830
Total financial assets designated at fair value through profit or loss	**7,172,700**	5,784,468
Total trading securities and financial assets designated at fair value through profit or loss	**12,873,241**	11,353,344

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

	As at 31 Dec 2011	As at 31 Dec 2010
Included within debt securities are:		
– Government bonds included in trading securities	**5,404,319**	5,354,258
– Other government bonds	**879,730**	61,674
– Other debt securities	**4,571,573**	4,479,147
	10,855,622	9,895,079

As at 31 December 2011 and 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 issuers as follows:

	As at 31 Dec 2011	As at 31 Dec 2010
– Central governments and central banks	**6,284,049**	5,415,932
– Public sector entities	**1,433**	14,198
– Banks and other financial institutions	**1,293,822**	1,051,223
– Corporate entities	**5,293,937**	4,871,991
	12,873,241	11,353,344

17. Advances and other accounts

HK$'000	**As at 31 Dec 2011**	As at 31 Dec 2010
Gross advances to customers	**82,634,033**	72,748,988
Other assets	**3,695,494**	3,237,756
Less: impairment allowances		
– Individually assessed	**(190,859)**	(92,044)
– Collectively assessed	**(193,994)**	(303,693)
	(384,853)	(395,737)
Investments in securities included in the loans and receivables category (Note 18)	**6,799,300**	7,717,760
Advances and other accounts	**92,743,974**	83,308,767

Included in gross advances to customers above are trade bills of HK$1,766,805,000 (2010: HK$849,125,000).

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 2011		As at 31 Dec 2010	
	Outstanding balance	**% of gross advances**	Outstanding balance	% of gross advances
Loans for use in Hong Kong				
Industrial, commercial and financial				
– Property development	**902,519**	**1.1**	646,018	0.9
– Property investment	**14,857,643**	**18.0**	14,418,054	19.8
– Financial concerns	**916,269**	**1.1**	596,330	0.8
– Stockbrokers	**31,372**	**–**	116,122	0.2
– Wholesale and retail trade	**2,020,735**	**2.4**	1,026,092	1.4
– Manufacturing	**1,647,656**	**2.0**	725,323	1.0
– Transport and transport equipment	**4,192,698**	**5.1**	4,173,376	5.8
– Recreational activities	**302,656**	**0.4**	246,262	0.3
– Information technology	**2,864**	**–**	2,721	–
– Others	**2,678,926**	**3.2**	2,592,101	3.6
	27,553,338	**33.3**	24,542,399	33.8
Individuals				
– Loans for the purchase of flats in Home Ownership Scheme, Private Sector Participation Scheme and Tenants Purchase Scheme	**1,147,664**	**1.4**	1,264,406	1.7
– Loans for the purchase of other residential properties	**15,935,118**	**19.3**	15,372,119	21.1
– Credit card advances	**4,107,677**	**5.0**	3,654,569	5.0
– Others (Note (a))	**4,413,867**	**5.3**	3,990,957	5.5
	25,604,326	**31.0**	24,282,051	33.3
Loans for use in Hong Kong	**53,157,664**	**64.3**	48,824,450	67.1
Trade finance (Note (b))	**6,851,646**	**8.3**	4,042,434	5.6
Loans for use outside Hong Kong (Note (c))	**22,624,723**	**27.4**	19,882,104	27.3
	82,634,033	**100.0**	72,748,988	100.0

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) Included in trade finance above are trade bills of HK$1,766,805,000 (2010: HK$849,125,000).

(c) Loans for use outside Hong Kong include loans extended to customers located in Hong Kong with the finance used outside Hong Kong. Trade financing loans not involving Hong Kong totalling HK$138,684,000 (2010: HK$505,818,000) are classified under Loans for use 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 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 31 December 2011 and 2010. In respect of advances to customers, the relevant amounts are analysed below:

(i) Impaired loans

	As at 31 Dec 2011	As at 31 Dec 2010
Impaired loans and advances		
– Individually impaired (Note (a))	**372,032**	169,261
– Collectively impaired (Note (b))	**13,652**	13,181
	385,684	182,442
Impairment allowances made		
– Individually assessed (Note (c))	**(190,220)**	(91,405)
– Collectively assessed (Note (b))	**(12,392)**	(12,554)
	(202,612)	(103,959)
	183,072	78,483
Fair value of collaterals held*	**213,682**	84,547
Impaired loans and advances as a % of total loans and advances to customers	**0.47%**	0.25%

* 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 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	**49,794**	**0.06**	69,776	0.10
– one year or less but over six months	**254,138**	**0.30**	22,615	0.03
– over one year	**78,912**	**0.10**	116,304	0.16
	382,844	**0.46**	208,695	0.29
Market value of collateral held against the secured overdue advances	**320,045**		185,117	
Secured overdue advances	**235,326**		129,463	
Unsecured overdue advances	**147,518**		79,232	
Individual impairment allowances	**173,957**		71,569	

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

	As at 31 Dec 2011	**% of total advances to customers**	As at 31 Dec 2010	% of total advances to customers
Advances to customers	**169,644**	**0.21**	198,105	0.27
Impairment allowances	**900**		6,812	

(c) Repossessed collateral

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

	As at 31 Dec 2011	As at 31 Dec 2010
Nature of assets		
– Repossessed properties	**19,400**	5,820
– Others	**5,804**	2,695
	25,204	8,515

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

HK$'000	**As at 31 Dec 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)	**4,580,292**	5,289,027
– At amortised cost	**2,259,567**	2,080,910
	6,839,859	7,369,937
Less: impairment allowances		
– Individually assessed	**–**	(78,221)
– Collectively assessed	**(100,000)**	–
	6,739,859	7,291,716
Investments in securities classified as loan and receivables upon initial recognition	**59,441**	426,044
	6,799,300	7,717,760

Individual impairment allowances as at 31 December 2010 were maintained in respect of an investment in debt security with a carrying value of HK$96,672,000. The security had been disposed of in 2011.

Investments in securities classified as loans and receivables upon initial recognition were overdue at the time of recognition. As at 31 December 2011 and 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 31 Dec 2011	As at 31 Dec 2010
Debt securities:		
– Listed in Hong Kong	**667,871**	737,579
– Listed outside Hong Kong	**6,099,453**	6,522,236
– Unlisted	**131,976**	536,166
	6,899,300	7,795,981
Less: impairment allowances		
– Individually assessed	**–**	(78,221)
– Collectively assessed	**(100,000)**	–
	6,799,300	7,717,760
Market value of listed securities	**5,692,801**	6,636,402

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

	As at 31 Dec 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	**3,614,285**	4,127,967
– Corporate entities	**3,285,015**	3,668,014
	6,899,300	7,795,981

19. Available-for-sale securities

HK$'000	**As at 31 Dec 2011**	As at 31 Dec 2010
Debt securities:		
– Listed in Hong Kong	**6,551,824**	5,759,973
– Listed outside Hong Kong	**9,265,206**	5,320,355
– Unlisted	**1,175,502**	5,968,831
	16,992,532	17,049,159
Equity securities:		
– Listed in Hong Kong	**236,940**	104,363
– Listed outside Hong Kong	**170,448**	124,144
– Unlisted	**265,332**	580,387
	672,720	808,894
Total available-for-sale securities	**17,665,252**	17,858,053
Included within debt securities are:		
– Certificates of deposit held	**24,270**	47,205
– Other debt securities	**16,968,262**	17,001,954
	16,992,532	17,049,159

	As at 31 Dec 2011	As at 31 Dec 2010
Available-for-sale securities are analysed by categories of issuers as follows:		
– Central governments and central banks	**5,814,123**	9,530,291
– Public sector entities	**199,393**	88,278
– Banks and other financial institutions	**4,950,871**	3,313,700
– Corporate entities	**6,699,337**	4,924,256
– Others	**1,528**	1,528
	17,665,252	17,858,053

20. Held-to-maturity securities

HK$'000	**As at 31 Dec 2011**	As at 31 Dec 2010
Debt securities:		
– Listed in Hong Kong	**263,814**	193,973
– Listed outside Hong Kong	**5,734,221**	6,643,580
– Unlisted	**2,399,987**	2,276,901
	8,398,022	9,114,454
Market value of listed securities	**5,624,025**	6,641,001
Included within debt securities are:		
– Certificates of deposit held	**6,126**	–
– Other debt securities	**8,391,896**	9,114,454
	8,398,022	9,114,454

	As at 31 Dec 2011	As at 31 Dec 2010
Held-to-maturity securities are analysed by issuer as follows:		
– Central governments and central banks	**1,691,869**	1,494,925
– Public sector entities	**223,436**	211,153
– Banks and other financial institutions	**4,408,530**	4,944,306
– Corporate entities	**2,074,187**	2,464,070
	8,398,022	9,114,454

21. Reserves

HK$'000	**As at 31 Dec 2011**	As at 31 Dec 2010
Reserves		
Share premium	**2,686,531**	2,686,531
Premises revaluation reserve	**1,877,160**	1,425,967
Investment revaluation reserve	**(611,466)**	(494,547)
Exchange reserve	**191,895**	103,756
General reserve	**484,289**	484,289
Retained earnings	**10,056,198**	9,364,780
	14,684,607	13,570,776
Proposed final dividends included in retained earnings	**228,387**	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 in the form of regulatory reserve. 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 2011, DSB has earmarked a regulatory reserve of HK$1,158,201,000 (2010: HK$538,474,000) first against its general reserve; and for any excess amount, the balance is earmarked against its retained earnings. Mevas has earmarked a regulatory reserve of HK$4,279,000 (2010: HK$3,701,000) in its retained earnings.

FINANCIAL RATIOS

	Year ended 31 Dec 2011	Year ended 31 Dec 2010
Net interest income/operating income	**77.9%**	78.0%
Cost to income ratio	**61.0%**	52.1%
Return on average total assets	**0.7%**	0.8%
Return on average shareholders' funds	**6.9%**	7.9%
Net interest margin	**1.41%**	1.68%

FINAL DIVIDENDS

At the forthcoming annual general meeting of the Company to be held on Friday, 25 May 2012 ("2012 AGM"), the Directors will propose a final dividend of HK$0.78 per share for 2011 with an option to receive newly issued and fully paid shares in lieu of cash dividend to Shareholders whose names are on the Register of Shareholders as at the close of business on 4 June 2012.

The scrip dividend scheme is subject to the approval of Shareholders at the 2012 AGM, and the approval of the Listing Committee of The Stock Exchange of Hong Kong Limited granting the listing of and the permission to deal in the new shares to be issued under the scrip dividend scheme. Details of the scrip dividend scheme and the election form will be sent to Shareholders on or about 8 June 2012. Dividend warrants for cash dividend or share certificates of the scrip dividend will be sent to Shareholders by ordinary mail on or about 5 July 2012.

CLOSURE OF REGISTER OF SHAREHOLDERS

The Register of Shareholders of the Company will be closed for the following periods:

(1) For the purpose of determining Shareholders who are entitled to attend and vote at the 2012 AGM, the Register of Shareholders will be closed from Monday, 21 May 2012 to Friday, 25 May 2012, both days inclusive. In order to qualify for attending and voting at the 2012 AGM, 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, 18 May 2012.

(2) For the purpose of determining Shareholders who are entitled to receive the 2011 final dividend, the Register of Shareholders will be closed from Thursday, 31 May 2012 to Monday, 4 June 2012, both days inclusive. In order to qualify for the 2011 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 Wednesday, 30 May 2012.

CORPORATE AND BUSINESS OVERVIEW

HIGHLIGHTS

2011 was a mixed year. After a strong start in the first half, with rapid loan growth, mainly driven by demand from Mainland China related business, conditions became more difficult into the second half of the year, with a slow-down in growth, increased pressure on funding costs, and a much more volatile global market environment, as events in Europe continued to unfold. Inflation remained heightened during the course of the year, which led to meaningful pressure on costs, adding to the cost increases incurred, particularly in the first half of the year as we grew our business. Despite the overall difficult conditions experienced during the year, we were able to report a small growth in net profit to HK$1,289 million, with profit attributable to shareholders reaching HK$1,010 million. Both our banking and insurance businesses reported better performance in 2011, with our investment in Bank of Chongqing ("BOCQ") producing particularly strong performance for the year.

In our banking business, performance in terms of volume was stronger than improvement in profit. Loan growth was encouraging, up 14% during the year, mainly driven by Mainland China related business, particularly cross-border trade finance, as we continued to position our growth in line with the overall development of RMB related business in Hong Kong. This was broadly matched by deposit growth (up 16% year on year), which meant that we were able to continue to fund our business growth without having to raise external funding from wholesale market sources, resulting in a lowering in the balance of certificates of deposit issued, and therefore total customer deposits and certificates of deposit issued only increased 14%. Asset yields remained broadly unchanged, although with mild improvement noted towards the latter part of the year. However, the strong competition for deposits, particularly in the second half of the year pushed up deposit costs significantly, thus reducing our net interest margin, and placing our overall net interest income under pressure, notwithstanding the relatively strong business growth. Net fee and commission income showed some progress for the year, particularly in relation to income from our wealth management business, albeit from a low base in the prior year.

We continued to see stronger sales performance from our insurance business, driven primarily by our life assurance operations in Hong Kong with new business growth of 54%. Sales growth was seen both in our agency business and through our bancassurance channel, although investment performance, due to the volatile market conditions during the year, weakened particularly in the second half of the year.

Our Banking Group's capital and liquidity positions remained strong. Consolidated capital adequacy ratio for our banking businesses at the year end was 15.2%, split as to 10.5% Core Capital, and 4.7% Supplementary Capital. Our average liquidity ratio during the year was maintained at 45%. The solvency position of our insurance business remained robust relative to statutory requirements.

BUSINESS AND FINANCIAL REVIEW

Net interest income was stable for the year at HK$2,186 million, due to a combination of business volume growth, offset by net interest margin ("NIM") contraction during the year. NIM decreased year on year from 1.68% to 1.41%, mainly due to increased funding cost, particularly in the second half of the year, which more than offset the gains brought by the significantly higher average loan balances, and some modest recovery in asset yields. 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.

Net fee and commission income was up by around 5.8% for the year, driven mainly by progress in the Group's wealth management and insurance businesses. Trading income was down sharply, mainly as a result of a much smaller fair value gain in our insurance business portfolio. Underlying trading performance of our banking business was relatively stable compared with the prior year.

Loan impairment losses and other credit provisions increased from HK$98 million to HK$181 million, relating both to a small number of problem loans in our commercial banking business, and to the collective impairment charge on certain securities investments.

Our insurance business reported net profit after tax for the year of HK$328 million, an increase of 5% from the previous year. Gross premium income increased from HK$1,825 million to HK$1,972 million, driven mainly by a stronger performance from our bancassurance business. Our newly established team of financial planners in our branches performed well, and were a contributory factor to the stronger sales during the year. Investment returns and in particular equity returns were adversely affected by market conditions after a strong start in the year. Medium to long-term US Government yields fell amidst flight to quality and also reflected the likelihood of low yields continuing for the foreseeable future. This led to a higher reserving required to cover policyholders liabilities which was partly compensated by the increase in the value of in-force business. The solvency position of our insurance businesses remained strong, with net assets attributable to our insurance businesses growing to HK$3.3 billion by the year end. Our Hong Kong long-term life business continued to maintain a healthy overall solvency margin cover, which stood at 279% at 2011 year end, or 2.8 times of the minimum required regulatory level.

We continued to invest in our businesses, with headcount increase in the first half of the year, although this slowed in the second half due to the weaker business conditions in the market. This expansion, coupled with the relatively high inflation in our core markets, led to growth in operating expenses of 17.7% from HK$1.45 billion to HK$1.71 billion. Part of the expense increase also related to the continued expansion of our Mainland China business, Dah Sing Bank (China).

Our associate company in Mainland China, BOCQ, continued to generate record profits during the year, and our share of its earnings was HK$353 million, an increase of 42% over the prior year. During the year, we called and retired the entire previously issued US$150 million Lower Tier 2 subordinated debt, which was callable in June 2011.

PROSPECTS

2011 was a mixed year. Relatively rapid loan growth, particularly in the first half of the year, was balanced by contraction in net interest margin, and weaker market conditions and greater volatility in the second half of the year, mainly in response to the deterioration of market conditions and sentiment in Europe. Coming into the beginning of 2012, we have seen relatively positive sentiment in major financial markets, whilst economic prospects globally remain subdued. There are leadership elections and forthcoming changes in a number of major countries during the year, and it is likely that major policy developments in those countries will not be seen until the new leaderships are in place. Closer to home, we have seen some softening in outlook for economic growth in Mainland China.

Taking all of this into account, we maintain a cautious outlook, and anticipate that business growth may slow down. The development of our business in Mainland China, both through our own wholly owned subsidiary DSB China, as well as through BOCQ, remains important both for 2012 and beyond. In Hong Kong, we expect the current stable but relatively slow growing market conditions to maintain for a period of time. At present, liquidity conditions in Hong Kong remain benign, and funding cost is under control. Strategically, with the rapid development of RMB related business in Hong Kong and Macau, we will strive to grow our RMB related lending and fee income businesses, and provide integrated services across Hong Kong, China and Macau to our customers.

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 2011.

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 2011.

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 2011.

BOARD OF DIRECTORS

As at the date of this announcement, the Board 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), Takashi Morimura (Takashi Morisaki as alternate), Hidemitsu Otsuka and John Wai-Wai Chow as Non-Executive Directors; Messrs. 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, 21 March 2012

Website: http://www.dahsing.com