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 2012 INTERIM RESULTS

The Directors of Dah Sing Financial Holdings 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 2012. The unaudited profit attributable to shareholders after non-controlling interests for the six months ended 30 June 2012 was HK$590.9 million.

UNAUDITED INTERIM CONDENSED FINANCIAL STATEMENTS

The unaudited 2012 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	**2012**	Restated 2011	Variance %
Interest income		**1,997,611**	1,654,518	
Interest expense		**(838,479)**	(554,605)	
Net interest income	3	**1,159,132**	1,099,913	5.4
Fee and commission income		**330,505**	293,940	
Fee and commission expense		**(107,118)**	(106,422)	
Net fee and commission income	4	**223,387**	187,518	19.1
Net trading income	5	**355,005**	177,292	
Net insurance premium and other income		**979,294**	897,863	
Other operating income	6	**32,958**	24,472	
Operating income		**2,749,776**	2,387,058	15.2
Net insurance claims and expenses		**(1,096,732)**	(923,974)	
Total operating income net of insurance claims		**1,653,044**	1,463,084	13.0
Operating expenses	7	**(985,368)**	(823,763)	19.6
Operating profit before impairment losses		**667,676**	639,321	4.4
Loan impairment losses and other credit provisions	8	**(29,556)**	(85,336)	-65.4
Operating profit after impairment losses		**638,120**	553,985	15.2
Net loss on disposal of premises, investment properties and other fixed assets		**(752)**	(323)	
Net (loss)/gain on disposal of investments in securities	9	**(892)**	82,107	
Share of results of jointly controlled entities		**6,072**	5,503	
Share of results of an associate		**176,989**	155,425	
Profit before taxation		**819,537**	796,697	2.9
Taxation	10	**(81,180)**	(95,529)	
Profit for the period		**738,357**	701,168	5.3
Profit attributable to non-controlling interests		**(147,441)**	(143,817)	
Profit attributable to shareholders of the Company		**590,916**	557,351	6.0
Interim dividend		**85,993**	84,913	
Earnings per share				
Basic	11	**HK$2.02**	HK$1.90	
Diluted	11	**HK$2.02**	HK$1.90	

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the six months ended 30 June

HK$'000	2012	Restated 2011
Profit for the period	**738,357**	701,168
Other comprehensive income for the period		
Investments in securities		
Fair value gains recognised in equity	**420,276**	184,615
Fair value (gain)/loss realised and transferred to income statement upon:		
– Disposal of available-for-sale securities	**(69,130)**	(89,368)
– 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	**55,171**	19,723
Deferred income tax assets released on movements in investment revaluation reserve	**(66,258)**	(13,963)
	340,059	101,007
Premises		
Deferred income tax liabilities released on movements in premises revaluation reserves	**2,735**	1,794
Exchange differences arising on translation of the financial statements of foreign entities	**(13,135)**	24,723
Other comprehensive income for the period, net of tax	**329,659**	127,524
Total comprehensive income for the period, net of tax	**1,068,016**	828,692
Attributable to:		
Non-controlling interests	**229,200**	195,356
Shareholders of the Company	**838,816**	633,336
Total comprehensive income for the period, net of tax	**1,068,016**	828,692

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

HK$'000	Note	**As at 30 Jun 2012**	Restated As at 31 Dec 2011
ASSETS			
Cash and balances with banks		**11,193,099**	12,217,645
Placements with banks maturing between one and twelve months		**4,191,200**	5,184,325
Trading securities	12	**6,638,197**	5,700,541
Financial assets designated at fair value through profit or loss	12	**8,066,633**	7,172,700
Derivative financial instruments		**745,182**	696,033
Advances and other accounts	13	**95,102,416**	92,743,974
Available-for-sale securities	15	**19,539,179**	17,665,252
Held-to-maturity securities	16	**8,135,539**	8,398,022
Investment in an associate		**2,112,854**	1,961,365
Investments in jointly controlled entities		**72,579**	68,650
Goodwill		**950,992**	950,992
Intangible assets		**95,825**	98,663
Premises and other fixed assets		**3,807,817**	3,839,778
Investment properties		**650,865**	650,865
Current income tax assets		**4,682**	8,358
Deferred income tax assets		**15,608**	50,069
Value of in-force long-term life assurance business		**2,038,773**	1,787,252
Total assets		**163,361,440**	159,194,484
LIABILITIES			
Deposits from banks		**2,723,485**	2,384,503
Derivative financial instruments		**1,620,372**	1,579,599
Trading liabilities		**2,277,118**	3,045,202
Deposits from customers		**112,244,644**	111,629,094
Certificates of deposit issued		**2,679,501**	3,164,067
Issued debt securities		**2,715,063**	2,718,320
Subordinated notes		**5,063,400**	3,654,487
Other accounts and accruals	17	**6,103,378**	4,252,944
Current income tax liabilities		**59,431**	31,669
Deferred income tax liabilities		**118,573**	83,477
Liabilities to policyholders under long-term insurance contracts		**7,787,556**	7,458,562
Total liabilities		**143,392,521**	140,001,924
EQUITY			
Non-controlling interests		**4,043,352**	3,877,422
Equity attributable to the Company's shareholders			
Share capital		**585,609**	585,609
Reserves	18	**15,253,965**	14,501,142
Proposed dividend		**85,993**	228,387
Shareholders' funds		**15,925,567**	15,315,138
Total equity		**19,968,919**	19,192,560
Total equity and liabilities		**163,361,440**	159,194,484

Note:

1. General information

Dah Sing Financial Holdings Limited (the "Company") and its subsidiaries (together the "Group") provide banking, insurance, financial and other related services in Hong Kong, Macau, and the People's Republic of China.

2. Basis of preparation and accounting policies

Except as described below, the accounting policies and methods of computation used in the preparation of the 2012 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 2011.

(a) New and amended standards adopted by the Group

- Change in accounting policy

  In December 2010, the HKICPA amended HKAS 12, "Income taxes", to introduce an exception to the principle for the measurement of deferred tax assets or liabilities arising on 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 value 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.

  The Group has adopted this amendment retrospectively for the financial period ended 30 June 2012. Previously, the Group measured deferred tax on investment properties on the basis that their carrying values were to be recovered through use.

  The effect of the change on the consolidated statement of financial position was to reduce overall deferred tax liabilities as at 1 January 2012 by HK$60,885,000 (1 January 2011: HK$45,894,000) and to increase retained earnings, premises revaluation reserve and non-controlling interests as at 1 January 2012 by HK$42,479,000 (1 January 2011: HK$31,326,000), HK$2,443,000 (1 January 2011: HK$2,451,000), and HK$15,963,000 (1 January 2011: HK$12,117,000) respectively.

  There is no additional impact from the adoption of the amendment to the Group's financial position as at, and results for the six months ended, 30 June 2012 on the basis that the cumulative fair value gains on the Group's investment properties remain unchanged from the level as at 31 December 2011. The effect on the consolidated statement of comprehensive income for the six months ended 30 June 2011 was a reduction in the amount of tax credit recognised of HK$2,423,000 upon the disposal of an investment property in the period.

- There are no other new standards and amendments to standards effective for the first time for the financial year beginning 1 January 2012.

2. Basis of preparation and accounting policies (Continued)

(b) The following new standards and amendments to standards have been issued but are not effective for the financial year beginning 1 January 2012 and have not been early adopted:

- Amendments to HKAS 32, "Offsetting Financial Assets and Financial Liabilities", issued in December 2011 clarified the requirements for offsetting financial instruments and addressed inconsistencies in current practice when applying the offsetting criteria in HKAS 32 "Financial Instruments: Presentation". The amendments are effective for annual periods beginning on or after 1 January 2014 with early adoption permitted and are required to be applied retrospectively. The Group is yet to assess the full impact of these amendments.

- Amendments to HKFRS 7, "Disclosures – Offsetting Financial Assets and Financial Liabilities", issued in December 2011 requires disclosures about the effect or potential effects of offsetting financial assets and financial liabilities and related arrangements on an entity's financial position. The amendments are effective for annual periods beginning on or after 1 January 2013 and interim periods within those annual periods. The amendments are required to be applied retrospectively.

- HKFRS 9, "Financial instruments", addresses the classification, measurement and recognition of financial assets and financial liabilities. HKFRS 9 was issued in November 2009 and October 2010. It replaces the parts of HKAS 39 that relate to the classification and measurement of financial instruments. HKFRS 9 requires financial assets to be classified into two measurement categories: those measured as at fair value and those measured at amortised cost. The determination is made at initial recognition. The classification depends on the entity's business model for managing its financial instruments and the contractual cash flow characteristics of the instrument.

  For financial liabilities, the standard retains most of the HKAS 39 requirements. The main change is that, in cases where the fair value option is taken for financial liabilities, the part of a fair value change due to an entity's own credit risk is recorded in other comprehensive income rather than in the income statement, unless this creates an accounting mismatch. The Group is in the process of making an assessment on the impact and so far has not decided to early adopt the standard, which shall be effective for the financial year beginning on or after 1 January 2015.

- HKFRS 10, "Consolidated financial statements", builds on existing principles by identifying the concept of control as the determining factor in whether an entity should be included within the consolidated financial statements of the parent company. The standard provides additional guidance to assist in the determination of control where this is difficult to assess. The Group is yet to assess the full impact of HKFRS 10 which shall be effective for the financial year beginning on or after 1 January 2013.

- HKFRS 11, "Joint arrangements", establishes principles for financial reporting by parties to a joint arrangement, and requires a party to a joint arrangement to determine the type of joint arrangement in which it is involved by assessing its rights and obligations arising from the arrangement. The standard requires a joint operator to recognise and measure the assets and liabilities (and recognise the related revenues and expenses) in relation to its interest in the arrangement in accordance with relevant HKFRSs applicable to the particular assets, liabilities, revenues and expenses. It requires a joint venturer to recognise an investment and to account for that investment using the equity method in accordance with HKAS 28, "Investments in Associates and Joint Ventures", unless the entity is exempted from applying the equity method as specified in that standard. The Group is yet to assess HKFRS 11's full impact and intends to adopt HKFRS 11 no later than the accounting period beginning on or after 1 January 2013.

2. **Basis of preparation and accounting policies (Continued)**

(b) **The following new standards and amendments to standards have been issued but are not effective for the financial year beginning 1 January 2012 and have not been early adopted: (Continued)**

- HKFRS 12, "Disclosures of interests in other entities", includes the disclosure requirements for all forms of interests in other entities, including joint arrangements, associates, special purpose vehicles and other off balance sheet vehicles. The Group is yet to assess IFRS/HKFRS 12's full impact and intends to adopt IFRS/HKFRS 12 no later than the accounting period beginning on or after 1 January 2013.

- HKFRS 13, "Fair value measurement", aims to improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across HKFRSs. The requirements do not extend the use of fair value accounting but provide guidance on how it should be applied where its use is already required or permitted by other standards within HKFRSs. The Group is yet to assess the full impact of HKFRS 13 which shall be effective for the financial year beginning on or after 1 January 2013.

(c) **Revised presentation of advances to customers and trade bills**

To align with market practice, trade bills which were previously included as part of gross advances to customers are now reported as a separate item under "Advances and other accounts" and do not form part of advances to customers. In addition, bills receivable representing unfunded items which were previously included as part of trade bills are now reported as part of other accounts and do not form part of trade bills. Comparative figures including impaired loans, overdue loans and rescheduled loans ratios, loan to deposit ratio, etc. have been restated accordingly to conform with current period's presentation.

The interim condensed consolidated financial statements are presented in thousands of Hong Kong dollars (HK$'000), unless otherwise stated, and was approved by the Board of Directors for issue on 9 August 2012.

These interim condensed consolidated financial statements have not been audited.

3. Net interest income

For the six months ended 30 June HK$'000	**2012**	2011
Interest income		
Cash and balances with banks	**195,213**	110,756
Investments in securities	**565,963**	386,794
Advances to customers and banks	**1,236,435**	1,154,208
Others	**–**	2,760
	1,997,611	1,654,518
Interest expense		
Deposits from banks/Deposits from customers	**729,372**	435,320
Certificates of deposit issued	**13,197**	53,762
Issued debt securities	**24,858**	18,080
Subordinated notes	**68,448**	40,307
Others	**2,604**	7,136
	838,479	554,605
Included within interest income		
Interest income on financial assets not at fair value through profit or loss	**1,855,211**	1,523,780
Interest income on impaired assets	**734**	5,277
Included within interest expenses		
Interest expenses on financial liabilities not at fair value through profit or loss	**806,217**	517,917

4. Net fee and commission income

For the six months ended 30 June HK$'000	**2012**	2011
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	**29,897**	35,238
– Trade finance	**25,214**	21,285
– Credit card	**135,266**	131,419
Other fee and commission income		
– Securities brokerage	**26,280**	25,888
– Retail investment and wealth management services	**40,924**	36,129
– Bank services and handling fees	**21,083**	21,326
– Other fees	**51,841**	22,655
	330,505	293,940
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	**100,971**	99,793
– Other fees paid	**6,147**	6,629
	107,118	106,422
	223,387	187,518

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

For the six months ended 30 June HK$'000	**2012**	2011
Dividend income from financial assets at fair value through profit or loss		
– Listed investments	**18,342**	8,828
– Unlisted investments	**1**	1
Net gain arising from dealing in foreign currencies	**116,895**	148,724
Net gain/(loss) on trading securities	**37,365**	(5,845)
Net gain from derivatives entered into for trading purpose	**2,352**	4,527
Net loss arising from financial instruments subject to fair value hedge	**(32,193)**	(27,858)
Net gain arising from financial instruments designated at fair value through profit or loss	**212,243**	48,915
	355,005	177,292

6. Other operating income

For the six months ended 30 June HK$'000	**2012**	2011
Dividend income from investments in available-for-sale securities		
– Listed investments	**3,745**	3,061
– Unlisted investments	**4,228**	3,212
Gross rental income from investment properties	**12,411**	10,592
Other rental income	**3,360**	2,684
Others	**9,214**	4,923
	32,958	24,472

7. Operating expenses

For the six months ended 30 June HK$'000	**2012**	2011
Employee compensation and benefit expenses (including directors' remuneration)	**574,650**	492,141
Premises and other fixed assets expenses, excluding depreciation	**105,910**	92,530
Depreciation	**100,941**	77,565
Advertising and promotion costs	**44,369**	53,061
Printing, stationery and postage	**8,920**	14,305
Amortisation expenses of intangible assets	**2,838**	8,085
Others	**147,740**	86,076
	985,368	823,763

8. Loan impairment losses and other credit provisions

For the six months ended 30 June HK$'000	**2012**	2011
Loan impairment losses		
Net (reversal)/charge of impairment losses on advances and other accounts		
– Individually assessed	**(8,002)**	103,188
– Collectively assessed	**37,558**	(17,852)
	29,556	85,336
Of which		
– new and additional allowances (including amounts directly written off in the period)	**84,487**	146,072
– releases	**(21,420)**	(19,690)
– recoveries	**(33,511)**	(41,046)
	29,556	85,336

9. Net (loss)/gain on disposal of investments in securities

For the six months ended 30 June HK$'000	**2012**	2011
Net gain on disposal of available-for-sale securities	**69,130**	89,368
Net loss on disposal of investments in securities included in the loans and receivables category	**(64,638)**	(9,011)
Net (loss)/gain on redemption and disposal of held-to-maturity securities	**(5,384)**	1,750
	(892)	82,107

10. Taxation

Hong Kong profits tax has been provided at the rate of 16.5% (2011: 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% (2011: 16.5%).

For the six months ended 30 June HK$'000	**2012**	Restated 2011
Current income tax		
– Hong Kong profits tax	**63,180**	81,846
– Overseas taxation	**6,615**	6,306
– Under provision in prior periods	**5,351**	2,269
Deferred income tax		
– Origination and reversal of temporary differences	**8,136**	4,398
– (Recognition)/utilisation of tax losses	**(2,102)**	710
Taxation	**81,180**	95,529

11. Basic and diluted earnings per share

The calculation of basic earnings per share for the six months ended 30 June 2012 is based on earnings of HK$590,916,000 and the weighted average number of 292,804,486 ordinary shares in issue during the period.

The calculation of diluted earnings per share for the six months ended 30 June 2012 is based on earnings of HK$590,916,000 and the weighted average number of 292,845,389 ordinary shares in issue during the period after adjusting for the effect of all dilutive potential ordinary shares.

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$557,351,000 and the weighted average number of 292,804,486 ordinary shares in issue during the period.

The share options outstanding during the periods ended 30 June 2012 and 30 June 2011 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 2012**	As at 31 Dec 2011
Trading securities:		
Debt securities:		
– Listed in Hong Kong	**1,028,119**	533,415
– Unlisted	**5,382,634**	4,982,815
	6,410,753	5,516,230
Equity securities:		
– Listed in Hong Kong	**103,179**	69,243
– Listed outside Hong Kong	**117,928**	108,660
– Unlisted, interests in investment funds	**6,337**	6,408
	227,444	184,311
Total trading securities	**6,638,197**	5,700,541

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

	As at 30 Jun 2012	As at 31 Dec 2011
Financial assets designated at fair value through profit or loss:		
Debt securities:		
– Listed in Hong Kong	**867,713**	624,437
– Listed outside Hong Kong	**2,976,966**	3,195,830
– Unlisted	**2,343,195**	1,519,125
	6,187,874	5,339,392
Equity securities:		
– Listed in Hong Kong	**276,827**	284,110
– Listed outside Hong Kong	**989,273**	974,651
– Unlisted	**612,659**	574,547
	1,878,759	1,833,308
Total financial assets designated at fair value through profit or loss	**8,066,633**	7,172,700
Total trading securities and financial assets designated at fair value through profit or loss	**14,704,830**	12,873,241
Included within debt securities are:		
– Government bonds included in trading securities	**6,293,843**	5,404,319
– Other government bonds	**410,360**	879,730
– Other debt securities	**5,894,424**	4,571,573
	12,598,627	10,855,622

As at 30 June 2012 and 31 December 2011, 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 2012	As at 31 Dec 2011
– Central governments and central banks	**6,704,203**	6,284,049
– Public sector entities	**1,424**	1,433
– Banks and other financial institutions	**1,338,876**	1,293,822
– Corporate entities	**6,660,327**	5,293,937
	14,704,830	12,873,241

13. Advances and other accounts

HK$'000	**As at 30 Jun 2012**	Restated As at 31 Dec 2011
Gross advances to customers	**81,892,826**	80,867,228
Trade bills	**3,329,524**	1,559,061
Other assets		
– Other accounts receivable and prepayments	**4,811,330**	3,903,238
	90,033,680	86,329,527
Less: impairment allowances		
– Individually assessed	**(192,226)**	(190,859)
– Collectively assessed	**(183,792)**	(193,994)
	(376,018)	(384,853)
Investments in securities included in the loans and receivables category (Note 14)	**5,444,754**	6,799,300
Advances and other accounts	**95,102,416**	92,743,974

13. 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 2012		Restated As at 31 Dec 2011	
	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	**1,123,342**	**42.0**	902,519	46.2
– Property investment	**14,871,635**	**96.2**	14,857,643	94.6
– Financial concerns	**494,697**	**21.6**	916,269	32.2
– Stockbrokers	**31,761**	**98.9**	31,372	52.2
– Wholesale and retail trade	**2,301,157**	**92.4**	2,020,735	97.1
– Manufacturing	**1,624,545**	**94.3**	1,647,656	96.7
– Transport and transport equipment	**4,386,737**	**96.6**	4,192,698	96.7
– Recreational activities	**292,955**	**–**	302,656	–
– Information technology	**7,025**	**44.7**	2,864	75.8
– Others	**2,934,304**	**80.9**	2,678,926	95.9
	28,068,158	**89.7**	27,553,338	90.6
Individuals				
– Loans for the purchase of flats in Home Ownership Scheme, Private Sector Participation Scheme and Tenants Purchase Scheme	**1,173,801**	**100.0**	1,147,664	100.0
– Loans for the purchase of other residential properties	**15,778,370**	**99.9**	15,935,118	99.9
– Credit card advances	**3,880,250**	**–**	4,107,677	–
– Others	**4,638,646**	**28.8**	4,413,867	28.1
	25,471,067	**71.7**	25,604,326	71.5
Loans for use in Hong Kong	**53,539,225**	**81.2**	53,157,664	81.4
Trade finance (Note (1))	**4,602,810**	**60.8**	5,091,959	56.4
Loans for use outside Hong Kong (Note (2))	**23,750,791**	**66.0**	22,617,605	69.0
	81,892,826	**75.6**	80,867,228	76.4

Note:

(1) 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 Hong Kong Monetary Authority ("HKMA").

Starting 2012, trade bills and bills receivable associated with trade finance activities are not classified and included as trade finance lending to customers, and are separately disclosed.

Trade bills and bills receivable amounting to HK$1,766,805,000 as at 31 December 2011 are excluded from trade finance to conform with the 2012 classification.

Trade financing loans not involving Hong Kong totalling HK$198,784,000 (31 December 2011: HK$131,566,000) are classified under Loans for use outside Hong Kong.

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

13. 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 2012				
	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	**14,871,635**	**–**	**–**	**–**	**6,660**
Individuals					
– Loans for the purchase of other residential properties	**15,778,370**	**–**	**908**	**–**	**662**

	As at 31 Dec 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	14,857,643	–	–	–	7,531
Individuals					
– Loans for the purchase of other residential properties	15,935,118	–	649	–	808

13. Advances and other accounts (Continued)

(b) Non-bank Mainland exposures

Type of counterparties	**On-balance sheet exposure**	**Off-balance sheet exposure**	**Total**	**Individually assessed impairment allowances**
	As at 30 Jun 2012			
Mainland entities	**9,634,071**	**609,684**	**10,243,755**	**42,042**
Companies and individuals outside Mainland where the credits are granted for use in the Mainland	**11,606,943**	**378,028**	**11,984,971**	**130,966**
Other counterparties the exposures to whom are considered by the Group to be non-bank Mainland exposures	**55,418**	**–**	**55,418**	**–**

Type of counterparties	On-balance sheet exposure	Off-balance sheet exposure	Total	Individually assessed impairment allowances
	As at 31 Dec 2011			
Mainland entities	8,610,976	1,219,140	9,830,116	42,497
Companies and individuals outside Mainland where the credits are granted for use in the Mainland	12,183,169	345,278	12,528,447	131,514
Other counterparties the exposures to whom are considered by the Group to be non-bank Mainland exposures	160,624	–	160,624	–

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

13. Advances and other accounts (Continued)

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

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

The following table analyses gross advances to customers, individually impaired advances to customers, overdue advances to customers, and individually and collectively assessed impairment allowances by geographical area.

As at 30 Jun 2012

	Gross advances to customers	**Individually impaired advances to customers**	**Overdue advances to customers**	**Individually assessed impairment allowances**	**Collectively assessed impairment allowances**
Hong Kong	**63,959,659**	**188,334**	**188,231**	**142,330**	**95,214**
China	**9,167,673**	**149,893**	**210,895**	**36,432**	**40,740**
Macau	**7,777,650**	**27,615**	**31,293**	**10,645**	**40,295**
Others	**987,844**	**5,139**	**5,139**	**2,819**	**5,052**
	81,892,826	**370,981**	**435,558**	**192,226**	**181,301**

As at 31 Dec 2011

	Gross advances to customers	Individually impaired advances to customers	Overdue advances to customers	Individually assessed impairment allowances	Collectively assessed impairment allowances
Hong Kong	65,184,854	194,817	200,530	140,187	128,138
China	6,927,228	152,271	153,209	36,861	22,447
Macau	7,578,182	19,778	23,939	10,325	38,469
Others	1,176,964	5,166	5,166	2,847	3,324
	80,867,228	372,032	382,844	190,220	192,378

(d) Impaired, overdue and rescheduled assets

Apart from the investments in certain securities included in the loans and receivables category described in Note 14, advances to customers (as set out below), and other assets of HK$639,000 as at 31 December 2011 against which full individual impairment allowances had been made, there were no advances to banks or other assets which were individually impaired, overdue for over 3 months or rescheduled as at 30 June 2012 and 31 December 2011. In respect of advances to customers, the relevant amounts are analysed below.

13. Advances and other accounts (Continued)

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

(i) Impaired loans

	As at 30 Jun 2012	As at 31 Dec 2011
Impaired loans and advances		
– Individually impaired (Note (1))	**370,981**	372,032
– Collectively impaired (Note (2))	**13,930**	13,652
	384,911	385,684
Impairment allowances made		
– Individually assessed (Note (3))	**(192,226)**	(190,220)
– Collectively assessed (Note (2))	**(12,822)**	(12,392)
	(205,048)	(202,612)
	179,863	183,072
Fair value of collaterals held*	**212,797**	213,682
Impaired loans and advances as a % of total loans and advances to customers	**0.47%**	0.48%

* 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.

13. Advances and other accounts (Continued)

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

(ii) Gross amount of overdue loans

	As at 30 Jun 2012		Restated As at 31 Dec 2011	
	Gross amount of overdue loans	**% of total**	Gross amount of overdue loans	% of total
Gross advances to customers which have been overdue for:				
– six months or less but over three months	**50,702**	**0.06**	49,794	0.06
– one year or less but over six months	**105,482**	**0.13**	254,138	0.31
– over one year	**279,374**	**0.34**	78,912	0.10
	435,558	**0.53**	382,844	0.47
Market value of securities held against the secured overdue advances	**354,538**		320,045	
Secured overdue advances	**278,037**		235,326	
Unsecured overdue advances	**157,521**		147,518	
Individual impairment allowances	**178,719**		173,957	

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

	As at 30 Jun 2012	**% of total**	As at 31 Dec 2011	% of total
Advances to customers	**156,781**	**0.19**	169,644	0.21
Impairment allowances	**–**		900	

13. Advances and other accounts (Continued)

(e) Repossessed collateral

Repossessed collateral held is as follows:

	As at 30 Jun 2012	As at 31 Dec 2011
Nature of assets		
– Repossessed properties	**–**	19,400
– Others	**–**	5,804
	–	25,204

(f) Credit commitments and contingent liabilities analysed by percentage covered by collateral

	As at 30 Jun 2012		As at 31 Dec 2011	
	Contract amount	**% covered by collateral**	Contract amount	% covered by collateral
Financial guarantees and other credit related contingent liabilities	**1,677,154**	**25.6**	2,491,029	45.9
Loan commitments and other credit related commitments	**56,934,102**	**4.7**	54,285,718	6.3
	58,611,256	**5.3**	56,776,747	8.0

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

HK$'000	**As at 30 Jun 2012**	As at 31 Dec 2011
Investments in securities reclassified from the available-for-sale category		
– At fair value under fair value hedge (for hedging interest rate risk)	**4,177,165**	4,580,292
– At amortised cost	**1,308,162**	2,259,567
	5,485,327	6,839,859
Less: impairment allowances		
– Collectively assessed	**(100,000)**	(100,000)
	5,385,327	6,739,859
Investments in securities classified as loans and receivables upon initial recognition	**59,427**	59,441
	5,444,754	6,799,300

Investments in securities classified as loans and receivables upon initial recognition were overdue at the time of recognition. As at 30 June 2012 and 31 December 2011, 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 2012	As at 31 Dec 2011
Debt securities:		
– Listed in Hong Kong	**626,922**	667,871
– Listed outside Hong Kong	**4,785,495**	6,099,453
– Unlisted	**132,337**	131,976
	5,544,754	6,899,300
Less: impairment allowances		
– Collectively assessed	**(100,000)**	(100,000)
	5,444,754	6,799,300
Market value of listed securities	**4,643,936**	5,692,801

As at 30 June 2012 and 31 December 2011, there were no certificates of deposit held included in the above balances of investments in debt securities.

	As at 30 Jun 2012	As at 31 Dec 2011
Investments in securities included in the loans and receivables category are analysed by categories of issuers as follows:		
– Banks and other financial institutions	**2,497,817**	3,614,285
– Corporate entities	**3,046,937**	3,285,015
	5,544,754	6,899,300

15. Available-for-sale securities

HK$'000	**As at 30 Jun 2012**	As at 31 Dec 2011
Debt securities:		
– Listed in Hong Kong	**6,734,842**	6,551,824
– Listed outside Hong Kong	**10,602,935**	9,265,206
– Unlisted	**1,461,452**	1,175,502
	18,799,229	16,992,532
Equity securities:		
– Listed in Hong Kong	**269,504**	236,940
– Listed outside Hong Kong	**185,063**	170,448
– Unlisted	**285,383**	265,332
	739,950	672,720
Total available-for-sale securities	**19,539,179**	17,665,252
Included within debt securities are:		
– Certificates of deposit held	**24,144**	24,270
– Other debt securities	**18,775,085**	16,968,262
	18,799,229	16,992,532
Available-for-sale securities are analysed by categories of issuers as follows:		
– Central governments and central banks	**3,051,835**	5,814,123
– Public sector entities	**289,881**	199,393
– Banks and other financial institutions	**6,474,190**	4,950,871
– Corporate entities	**9,721,745**	6,699,337
– Others	**1,528**	1,528
	19,539,179	17,665,252

16. Held-to-maturity securities

HK$'000	**As at 30 Jun 2012**	As at 31 Dec 2011
Debt securities:		
– Listed in Hong Kong	**735,620**	263,814
– Listed outside Hong Kong	**5,505,929**	5,734,221
– Unlisted	**1,893,990**	2,399,987
	8,135,539	8,398,022
Market value of listed securities	**6,086,959**	5,624,025
Included within debt securities are:		
– Certificates of deposit held	**399,627**	6,126
– Other debt securities	**7,735,912**	8,391,896
	8,135,539	8,398,022
Held-to-maturity securities are analysed by issuer as follows:		
– Central governments and central banks	**768,865**	1,691,869
– Public sector entities	**222,927**	223,436
– Banks and other financial institutions	**4,596,625**	4,408,530
– Corporate entities	**2,547,122**	2,074,187
	8,135,539	8,398,022

17. Other accounts and accruals

HK$'000	**As at 30 Jun 2012**	As at 31 Dec 2011
Amounts payable arising from purchase of securities pending for settlement	**12,188**	8,648
Other accounts payable and accruals	**6,091,190**	4,244,296
	6,103,378	4,252,944

18. Reserves

HK$'000	**As at 30 Jun 2012**	Restated As at 31 Dec 2011
Reserves		
Share premium	**2,686,531**	2,686,531
Premises revaluation reserve	**1,869,100**	1,879,603
Investment revaluation reserve	**(355,856)**	(611,466)
Exchange reserve	**182,157**	191,895
General reserve	**484,289**	484,289
Retained earnings	**10,473,737**	10,098,677
	15,339,958	14,729,529
Proposed dividend included in retained earnings	**85,993**	228,387

The Group's Hong Kong banking subsidiaries, Dah Sing Bank, Limited ("DSB") and MEVAS Bank Limited ("MEVAS"), are required to maintain minimum impairment provision 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.

At 30 June 2012, DSB has earmarked a regulatory reserve of HK$1,188,929,000 (31 December 2011: HK$1,158,201,000) 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$4,073,000 (31 December 2011: HK$4,279,000) in its retained earnings.

19. 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. Starting from 2012, only segment’s net interest income is disclosed, as this is the basis of reviewing business segment performance by the Group’s chief operating decision makers. Certain comparative amounts have been revised to conform with the current year’s presentation.

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.

19. Operating segment reporting (Continued)

For the six months ended 30 June 2012

HK$'000	Personal Banking	Commercial Banking	Treasury	Overseas Banking	Insurance Business	Others	Inter-segment	Total
Net interest income/(expenses)	**472,424**	**344,709**	**136,492**	**192,806**	**135,156**	**(122,455)**	**–**	**1,159,132**
Non-interest income/(expenses)	**141,902**	**82,185**	**117,310**	**29,788**	**135,414**	**18,090**	**(30,777)**	**493,912**
Total operating income/(expenses) net of insurance claims	**614,326**	**426,894**	**253,802**	**222,594**	**270,570**	**(104,365)**	**(30,777)**	**1,653,044**
Operating expenses	**(479,637)**	**(139,732)**	**(66,701)**	**(170,718)**	**(111,988)**	**(47,369)**	**30,777**	**(985,368)**
Operating profit/(loss) before impairment losses	**134,689**	**287,162**	**187,101**	**51,876**	**158,582**	**(151,734)**	**–**	**667,676**
Loan impairment losses and other credit provisions (charged)/ written back	**(50,125)**	**43,132**	**–**	**(22,625)**	**–**	**62**	**–**	**(29,556)**
Operating profit/(loss) after impairment losses	**84,564**	**330,294**	**187,101**	**29,251**	**158,582**	**(151,672)**	**–**	**638,120**
Net loss on disposal of premises, investment properties and other fixed assets	**(595)**	**–**	**–**	**–**	**–**	**(157)**	**–**	**(752)**
Net (loss)/gain on disposal of investments in securities	**–**	**–**	**(16,193)**	**–**	**3,768**	**11,533**	**–**	**(892)**
Share of results of an associate	**–**	**–**	**–**	**176,989**	**–**	**–**	**–**	**176,989**
Share of results of jointly controlled entities	**–**	**–**	**–**	**–**	**–**	**6,072**	**–**	**6,072**
Profit/(loss) before taxation	**83,969**	**330,294**	**170,908**	**206,240**	**162,350**	**(134,224)**	**–**	**819,537**
Taxation (expenses)/credit	**(13,411)**	**(54,519)**	**(28,230)**	**(4,283)**	**(6,119)**	**25,382**	**–**	**(81,180)**
Profit/(loss) after taxation	**70,558**	**275,775**	**142,678**	**201,957**	**156,231**	**(108,842)**	**–**	**738,357**
For the six months ended 30 June 2012								
Depreciation and amortisation	**29,908**	**12,677**	**7,970**	**25,942**	**5,032**	**22,250**	**–**	**103,779**
As at 30 June 2012								
Segment assets	**28,222,689**	**48,121,101**	**48,321,564**	**22,863,074**	**13,795,089**	**6,433,242**	**(4,395,319)**	**163,361,440**
Segment liabilities	**64,579,763**	**27,827,606**	**13,944,642**	**17,205,260**	**10,385,441**	**13,845,128**	**(4,395,319)**	**143,392,521**

19. Operating segment reporting (Continued)

For the six months ended 30 June 2011 (Restated)

	Personal Banking	Commercial Banking	Treasury	Overseas Banking	Insurance Business	Others	Inter-segment	Total
Net interest income/(expenses)	419,881	359,924	104,128	184,775	127,422	(96,217)	–	1,099,913
Non-interest income/(expenses)	124,066	67,412	99,950	37,618	48,899	6,411	(21,185)	363,171
Total operating income/(expenses) net of insurance claims	543,947	427,336	204,078	222,393	176,321	(89,806)	(21,185)	1,463,084
Operating expenses	(373,290)	(134,793)	(55,047)	(155,428)	(80,957)	(45,433)	21,185	(823,763)
Operating profit/(loss) before impairment losses	170,657	292,543	149,031	66,965	95,364	(135,239)	–	639,321
Loan impairment losses and other credit provisions (charged)/ written back	(35,527)	(13,803)	–	(36,100)	94	–	–	(85,336)
Operating profit/(loss) after impairment losses	135,130	278,740	149,031	30,865	95,458	(135,239)	–	553,985
Net loss on disposal of premises, investment properties and other fixed assets	(1)	–	–	(58)	–	(264)	–	(323)
Net gain on disposal of investments in securities	–	–	3,112	–	67,648	11,347	–	82,107
Share of results of an associate	–	–	–	155,425	–	–	–	155,425
Share of results of jointly controlled entities	–	–	–	–	–	5,503	–	5,503
Profit/(loss) before taxation	135,129	278,740	152,143	186,232	163,106	(118,653)	–	796,697
Taxation (expenses)/credit	(22,077)	(45,800)	(25,180)	(6,382)	(8,271)	12,181	–	(95,529)
Profit/(loss) after taxation	113,052	232,940	126,963	179,850	154,835	(106,472)	–	701,168
For the six months ended 30 June 2011								
Depreciation and amortisation	23,749	10,445	5,559	23,213	4,002	18,682	–	85,650
As at 31 December 2011								
Segment assets	28,558,556	43,816,296	48,481,204	23,954,589	13,145,798	6,625,391	(5,387,350)	159,194,484
Segment liabilities	67,216,050	22,917,174	14,610,339	18,477,379	9,857,933	12,310,399	(5,387,350)	140,001,924

19. 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 six months ended 30 June 2012				
Total operating income net of insurance claims	**1,511,742**	**141,475**	**(173)**	**1,653,044**
Profit before taxation	**780,916**	**38,621**	**–**	**819,537**
As at 30 June 2012				
Total assets	**150,232,499**	**14,252,189**	**(1,123,248)**	**163,361,440**
Total liabilities	**132,673,731**	**11,842,038**	**(1,123,248)**	**143,392,521**
Intangible assets and goodwill	**318,667**	**728,150**	**–**	**1,046,817**
Contingent liabilities and commitments	**59,142,568**	**1,779,111**	**–**	**60,921,679**

	Hong Kong and Others	Macau	Inter-segment elimination	Total
For the six months ended 30 June 2011				
Total operating income net of insurance claims	1,321,286	141,969	(171)	1,463,084
Profit before taxation	749,177	47,520	–	796,697
As at 31 December 2011				
Total assets (restated)	146,512,307	14,270,367	(1,588,190)	159,194,484
Total liabilities (restated)	129,682,023	11,908,091	(1,588,190)	140,001,924
Intangible assets and goodwill	318,667	730,988	–	1,049,655
Contingent liabilities and commitments	59,014,094	1,953,302	–	60,967,396

FINANCIAL RATIOS

	Six months ended 30 Jun 2012	Six months ended 30 Jun 2011
Net interest income/operating income	**70.1%**	75.2%
Cost to income ratio	**59.6%**	56.3%
Return on average total assets (annualised)	**0.7%**	0.7%
Return on average shareholders' funds (annualised)	**7.6%**	7.0%
Net interest margin	**1.47%**	1.52%
Dividend payout ratio	**14.6%**	15.2%

INTERIM DIVIDEND

The Directors have declared an interim dividend of HK$0.29 per share for 2012 payable on or after Wednesday, 26 September 2012 to shareholders whose names are on the Register of Shareholders at the close of business on Friday, 21 September 2012.

CLOSING OF REGISTER OF SHAREHOLDERS

The Register of Shareholders will be closed from Monday, 17 September 2012 to Friday, 21 September 2012, 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, 14 September 2012.

CORPORATE AND BUSINESS OVERVIEW

HIGHLIGHTS

Improving sentiment in the first quarter of 2012 quickly reversed in the second quarter, with renewed fears of a global economic slowdown, instability in the Eurozone and a weaker than expected Mainland outlook. Against this weakening background, our Group reported encouraging results, with profit attributable to shareholders up by 6% from HK$557.4 million to HK$590.9 million. Key trends during the first half of the year included a significant sequential improvement in net interest margin compared with the second half of 2011, to 1.47%; mild loan growth; continuing inflationary cost pressures; a strong performance from our insurance investment portfolio; and improvement in most major types of operating income.

Both our banking and insurance businesses reported improved profit relative to the first half of 2011, and our investment in Bank of Chongqing once again made a strong contribution to our overall results.

Most key ratios showed improvement, with return on equity increasing from 7.0% to 7.6%, capital adequacy ratio increasing from 15.2% (as of 31 December 2011) to 16.2%; and loan impairment losses reducing from HK$85 million to HK$30 million in the period.

BUSINESS AND FINANCIAL REVIEW

All major operating income items reported growth for the period. Net interest income was up by 5.4% from HK$1,100 million to HK$1,159 million. Whilst net interest margin ("NIM") was slightly lower than the prior year first half at 1.47%, it improved significantly by 15 basis points compared with the second half of 2011 at 1.32%. The sequential increase in margin was driven largely by lower deposit costs, resulting from improved market liquidity and a sharp focus on deposit cost management, whilst improved Treasury business investment yields, as well as some upward repricing of certain of our loan products also contributed to the improved NIM on the asset side.

Net fee and commission income increased by 19.1% from HK$188 million to HK$223 million and net trading income increased from HK$177 million to HK$355 million. The improvement in fee income was driven largely by increases in our trade finance, credit card, bancassurance, wealth management and treasury related fee income. The increase in trading income was driven both by a much higher gain from trading securities, as well as a much higher net gain on financial instruments designated at fair value through profit and loss largely relating to our insurance investment portfolio, which more than offset a lower gain from dealing in foreign currencies.

The improved operating income items led to an overall increase in operating income net of insurance claims by 13.0% from HK$1,463 million to HK$1,653 million. Whilst headline operating expenses increased by 19.6% to HK$985 million, it should be noted that a major portion of the year on year increase relates to the effect of the write back of certain provisions relating to settlement of Lehman Minibond cases in the first half of 2011, which were not repeated in 2012. Eliminating the impact of these operating expense provisions, operating expenses grew by a single digit percentage.

Loan impairment losses and other credit provisions fell from HK$85 million to HK$30 million indicating the benign credit quality of our loan book and the generally robust financial positions of our customers during the period. A small loss was reported on the net disposal of financial instruments, compared with a gain of HK$82 million in the prior period.

BUSINESS AND FINANCIAL REVIEW (Continued)

Our investment in Bank of Chongqing continued to perform well with a contribution of HK$177 million for the period, an increase of 14% over the first half of prior year.

Our insurance business generated a stable performance compared with the prior period, with profit of HK$156 million, which was broadly unchanged relative to the first half of 2011. Both new business and overall premium income were similar to the prior year, whilst investment income increased substantially, benefitting from lower interest rates that led to a higher value in the bond portfolio, and better than market performance in the equity portfolio. Set against this were higher transfers to actuarial reserves for liabilities, driven mainly by lower valuation interest rates, and higher operating expenses as a result of investment in the business to improve IT systems, enhancement in product range and an increase in our financial planners in branches as part of the overall effort to strengthen our distribution channels.

During the period we issued SGD225 million of subordinated notes due 2022, which qualify as lower tier 2 capital. This increased the overall capital adequacy ratio of our Banking Group from 15.2% to 16.2%.

PROSPECTS

There are a large number of uncertainties regarding the global economic outlook at present. The Eurozone remains volatile, and whilst strong efforts are being made to address a number of issues, their effectiveness has not yet been proven. Recent growth figures in the US are generally relatively weak and mixed, and there is uncertainty over future direction of policy due to the upcoming US Presidential election. Mainland growth is also forecast to decelerate.

Against this background, a cautious approach in managing our businesses is called for, and we will continue to operate our businesses prudently, with attention to profitability and balance sheet management, credit risk management, cost control and overall efficiency.

We are moving towards the adoption of a new banking regulatory regime, Basel III, starting on 1 January 2013, and whilst this will continue to contribute to the strengthening of capital and liquidity in the global banking system, its full implications for banks' profitability are not yet fully apparent.

Nevertheless, despite the overall cautious outlook, we believe that our core markets of Hong Kong, Mainland China and Macau remain amongst the better and more stable banking markets globally, and still offer opportunities for profitable growth. We also see opportunities to grow our insurance businesses, principally in Hong Kong and Macau. Whilst the new Basel III regulations represent a major challenge for many banks globally, we move towards 1 January 2013 with a strong capital base and ample liquidity.

Therefore, despite our caution generally in the current operating environment, we remain positive about the prospects of further growth and opportunities in our core businesses and markets in the medium term.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

During the six months ended 30 June 2012, the Company has complied with all the code provisions set out in the Code on Corporate Governance Practices valid until 31 March 2012, and Corporate Governance Code commencing from 1 April 2012 (the "New CG Code"), contained in Appendix 14 of the Listing Rules, except that the shareholders' communication policy required under the New CG Code was formally adopted on 8 August 2012 to recapitulate the principles and practices, and all the channels or means of communications to or from our shareholders, which in substance have been in place and enhanced from time to time.

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 of Listed Issuers (Appendix 10 of the Main Board Rules) (the "Model Code"). 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.

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 2012.

REMUNERATION AND STAFF DEVELOPMENT

There have been no material changes to the information disclosed in the Company's 2011 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 2012.

INTERIM RESULTS ANNOUNCEMENT AND INTERIM REPORT

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

The 2012 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 2012 Interim Report will be sent to shareholders before the end of September 2012.

BOARD OF DIRECTORS

As at the date of this announcement, the Board of Directors of the Company comprises Messrs. David Shou-Yeh Wong (Chairman), Hon-Hing Wong (Derek Wong) (Managing Director and Chief Executive), Gary Pak-Ling Wang and Nicholas John Mayhew as Executive Directors; Messrs. Takashi Morimura (Takami Onodera as alternate), Hidekazu Horikoshi and John Wai-Wai Chow as Non-executive Directors; Messrs. Robert Tsai-To Sze, Dr. Tai-Lun Sun (Dennis Sun), Lon Dounn and Seiji Nakamura as Independent Non-executive Directors.

By Order of the Board
H L Soo
Company Secretary

Hong Kong, Thursday, 9 August 2012