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 2013 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 2013. The unaudited profit attributable to shareholders after non-controlling interests for the six months ended 30 June 2013 was HK$680.2 million.

UNAUDITED INTERIM CONDENSED FINANCIAL STATEMENTS

The unaudited 2013 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*	**2013**	Restated 2012	Variance %
Interest income		**2,227,556**	1,997,611	
Interest expense		**(728,187)**	(838,479)	
Net interest income	*3*	**1,499,369**	1,159,132	29.4
Fee and commission income		**432,199**	330,505	
Fee and commission expense		**(113,733)**	(107,118)	
Net fee and commission income	*4*	**318,466**	223,387	42.6
Net trading (loss)/income	*5*	**(222,069)**	355,005	
Net insurance premium and other income		**552,645**	979,294	
Other operating income	*6*	**27,047**	32,958	
Operating income		**2,175,458**	2,749,776	(20.9)
Net insurance claims and expenses		**(205,063)**	(1,096,732)	
Total operating income net of insurance claims		**1,970,395**	1,653,044	19.2
Operating expenses	*7*	**(1,011,839)**	(942,244)	7.4
Operating profit before impairment losses		**958,556**	710,800	34.9
Loan impairment losses and other credit provisions	*8*	**(137,570)**	(29,556)	365.5
Operating profit after impairment losses		**820,986**	681,244	20.5
Net loss on disposal of premises, investment properties and other fixed assets		**(1,957)**	(752)	
Net loss on disposal of investments in securities	*9*	**(41,560)**	(892)	
Share of results of jointly controlled entities		**6,248**	6,072	
Share of results of an associate		**227,633**	176,989	
Profit before taxation		**1,011,350**	862,661	17.2
Taxation	*10*	**(123,706)**	(84,208)	
Profit for the period		**887,644**	778,453	14.0
Profit attributable to non-controlling interests		**(207,442)**	(156,084)	
Profit attributable to Shareholders of the Company		**680,202**	622,369	9.3
Interim dividend		**91,923**	85,993	
Earnings per share				
Basic	*11*	**HK$2.29**	HK$2.13	
Diluted	*11*	**HK$2.29**	HK$2.13	

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June

HK$'000	**2013**	Restated 2012
Profit for the period	**887,644**	778,453
Other comprehensive income		
Items that will not be reclassified to the consolidated income statement:		
Premises		
Surplus on reclassification of premises to investment properties	**57,476**	–
Items that may be reclassified subsequently to the consolidated income statement:		
Investments in securities		
– Changes in fair value recognised during the period	**(264,222)**	420,276
– Changes in fair value transferred to income statement upon disposal of:		
– available-for-sale securities	**(74,295)**	(69,130)
– 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	**115,440**	55,171
Deferred income tax assets recognised/(released) on movements in investment revaluation reserve	**32,327**	(66,258)
	(190,750)	340,059
Premises		
Deferred income tax liabilities released on movements in premises revaluation reserves	**–**	2,735
Exchange differences arising on translation of the financial statements of foreign entities	**18,898**	(13,135)
Other comprehensive income for the period, net of tax	**(114,376)**	329,659
Total comprehensive income for the period, net of tax	**773,268**	1,108,112
Attributable to:		
Non-controlling interests	**192,467**	239,388
Shareholders of the Company	**580,801**	868,724
Total comprehensive income for the period, net of tax	**773,268**	1,108,112

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

HK$'000	*Note*	**As at 30 Jun 2013**	Restated As at 31 Dec 2012
ASSETS			
Cash and balances with banks		**9,344,378**	13,685,824
Placements with banks maturing between one and twelve months		**3,785,470**	4,181,218
Trading securities	*12*	**6,420,224**	6,139,363
Financial assets designated at fair value through profit or loss	*12*	**9,180,472**	8,707,702
Derivative financial instruments		**772,527**	703,309
Advances and other accounts	*13*	**106,035,937**	98,848,919
Available-for-sale securities	*15*	**25,526,349**	22,362,554
Held-to-maturity securities	*16*	**6,452,653**	7,274,750
Investment in an associate		**2,630,600**	2,437,031
Investments in jointly controlled entities		**60,494**	54,246
Goodwill		**950,992**	950,992
Intangible assets		**90,609**	92,988
Premises and other fixed assets		**1,831,984**	1,774,077
Investment properties		**680,630**	693,434
Current income tax assets		**879**	930
Deferred income tax assets		**54,841**	13,881
Value of in-force long-term life assurance business		**1,489,785**	1,771,156
Total assets		**175,308,824**	169,692,374
LIABILITIES			
Deposits from banks		**2,593,358**	2,645,620
Derivative financial instruments		**1,514,886**	1,525,198
Trading liabilities		**3,660,815**	2,278,044
Deposits from customers		**117,317,488**	116,526,636
Certificates of deposit issued		**8,910,099**	5,752,462
Issued debt securities		**2,714,882**	2,712,907
Subordinated notes		**3,753,092**	3,935,562
Other accounts and accruals		**6,263,340**	6,129,058
Current income tax liabilities		**247,006**	117,880
Deferred income tax liabilities		**27,657**	24,631
Liabilities to policyholders under long-term insurance contracts		**8,566,736**	8,743,271
Total liabilities		**155,569,359**	150,391,269
EQUITY			
Non-controlling interests		**4,031,155**	3,911,271
Equity attributable to the Company's shareholders			
Share capital		**593,053**	593,053
Reserves	*17*	**15,023,334**	14,532,872
Proposed dividend		**91,923**	263,909
Shareholders' funds		**15,708,310**	15,389,834
Total equity		**19,739,465**	19,301,105
Total equity and liabilities		**175,308,824**	169,692,374

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 2013 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 2012.

(a) Change in accounting policy elected by the Group

During the year, the Group has elected to change its accounting policy in respect of premises. In the past, leasehold properties comprising land and buildings held on which a reliable estimate was not available on the split of the carrying value attributable to each of the land and building elements were accounted for as finance leases and shown at fair value less subsequent depreciation.

In view of market developments, and a review of the relevant accounting policy adopted by peer banks in Hong Kong, the Group has decided to change from revaluation to historical cost based accounting for its premises with effect from 1 January 2013. The Group has also applied this change in accounting policy retrospectively.

In assessing this change in accounting policy, the Group has considered the requirements set out in HKAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors". HKAS 8 specifies that, amongst other things, for an entity to justify a change in accounting policy that is not mandatorily required by a new accounting standard or amendment to an existing accounting standard issued by the HKICPA, the entity must demonstrate that the change will result in the financial statements providing more reliable and more relevant information about the effects of transactions, other events or conditions on the entity's financial position, financial performance or cash flows. The Group is satisfied that this change in accounting policy is justified by the relevant circumstances and therefore complies with HKAS 8.

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES (CONTINUED)

(a) Change in accounting policy elected by the Group (Continued)

The effect of the change on the relevant items in the consolidated statement of financial position and the consolidated income statement is shown below:

HK$'000	As previously reported	As restated	Change
Consolidated statement of financial position			
As at 1 January 2013			
Premises	4,712,623	1,417,441	(3,295,182)
Premises revaluation reserve	2,648,141	150,029	(2,498,112)
Retained earnings as at 1 January 2013	11,069,109	11,172,936	103,827
As at 1 January 2012			
Premises	3,573,123	1,294,015	(2,279,108)
Premises revaluation reserve	1,879,603	144,978	(1,734,625)
Retained earnings as at 1 January 2012	10,098,677	10,190,957	92,280
Consolidated income statement			
For the six months ended 30 June 2012			
Depreciation	100,941	57,817	(43,124)
Taxation	81,180	84,208	3,028

In respect of the Group's financial position as at, and results for the six months ended, 30 June 2013, the impact from this change in accounting policy is a reduction of depreciation charge by HK$58,004,000 and an increase in deferred tax charge of HK$4,088,000.

(b) The following new standards and amendments to standards are mandatory for the first time for the financial year beginning 1 January 2013:

- Amendments to HKAS 1, "Presentations of Financial Statements", regarding other comprehensive income ("OCI"), require entities to aggregate items presented in OCI on the basis of whether they are potentially reclassifiable to profit or loss subsequently (reclassification adjustments). The amendments do not address which items are presented in OCI. The amendments do not have any material impact on the Group.

- 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. There is no material impact to the financial statements of the Group as a result of this amendment.

- 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. It has been assessed that there is no change in the consolidation status of entities within the Group.

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES (CONTINUED)

(b) The following new standards and amendments to standards are mandatory for the first time for the financial year beginning 1 January 2013: (Continued)

- 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. There is no impact to the financial statements of the Group as a result of this standard as the Group has adopted equity method of accounting to account for the investments in associate and jointly controlled entities.

- 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. There is no impact to the financial statements of the Group as the Group has no unconsolidated structured entities.

- 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. There is no material impact to the financial statements of the Group as a result of this standard.

- HKAS 19, "Employee Benefits", was amended in June 2011. The impact will be to immediately recognise all past services costs, and to replace interest cost and expected return on plan assets with a net interest amount that is calculated by applying the discount rate to the net defined benefit liability (asset). This standard is not relevant to the Group.

(c) The following new standards and amendments to standards have been issued but are not effective for the financial year beginning 1 January 2013 and have not been early adopted:

- 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.

2. **BASIS OF PREPARATION AND ACCOUNTING POLICIES (CONTINUED)**

(c) **The following new standards and amendments to standards have been issued but are not effective for the financial year beginning 1 January 2013 and have not been early adopted: (Continued)**

- 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. There is no material impact to the financial statements of the Group as a result of this amendment.

The interim condensed consolidated financial statements are presented in thousands of Hong Kong dollars (HK$'000), unless otherwise stated, and were approved by the Board of Directors for issue on 14 August 2013.

These interim condensed consolidated financial statements have not been audited.

3. **NET INTEREST INCOME**

For the six months ended 30 June *HK$'000*	**2013**	2012
Interest income		
Cash and balances with banks	**166,299**	195,213
Investments in securities	**463,714**	565,963
Advances to customers and banks	**1,597,543**	1,236,435
	2,227,556	1,997,611
Interest expense		
Deposits from banks/Deposits from customers	**591,522**	729,372
Certificates of deposit issued	**47,898**	13,197
Issued debt securities	**21,655**	24,858
Subordinated notes	**65,415**	68,448
Others	**1,697**	2,604
	728,187	838,479
Included within interest income		
Interest income on financial assets not at fair value through profit or loss	**2,083,619**	1,855,211
Interest income on impaired assets	**–**	734
Included within interest expense		
Interest expenses on financial liabilities not at fair value through profit or loss	**725,063**	806,217

4. NET FEE AND COMMISSION INCOME

For the six months ended 30 June *HK$'000*	**2013**	2012
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	**49,434**	29,897
– Trade finance	**34,903**	25,214
– Credit card	**138,284**	135,266
Other fee and commission income		
– Securities brokerage	**41,462**	26,280
– Retail investment and wealth management services	**77,449**	40,924
– Bank services and handling fees	**24,118**	21,083
– Other fees	**66,549**	51,841
	432,199	330,505
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	**104,073**	100,971
– Other fees paid	**9,660**	6,147
	113,733	107,118
	318,466	223,387

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 (LOSS)/INCOME

For the six months ended 30 June *HK$'000*	**2013**	2012
Dividend income from financial assets at fair value through profit or loss		
– Listed investments	**21,588**	18,342
– Unlisted investments	**3,714**	1
Net gain arising from dealing in foreign currencies	**107,011**	116,895
Net gain on trading securities	**10,551**	37,365
Net gain from derivatives entered into for trading purpose	**25,112**	2,352
Net loss arising from financial instruments subject to fair value hedge	**(31,382)**	(32,193)
Net (loss)/gain arising from financial instruments designated at fair value through profit or loss	**(358,663)**	212,243
	(222,069)	355,005

6. OTHER OPERATING INCOME

For the six months ended 30 June *HK$'000*	**2013**	2012
Dividend income from investments in available-for-sale securities		
– Listed investments	**5,761**	3,745
– Unlisted investments	**4,310**	4,228
Gross rental income from investment properties	**11,745**	12,411
Other rental income	**3,947**	3,360
Others	**1,284**	9,214
	27,047	32,958

7. OPERATING EXPENSES

For the six months ended 30 June *HK$'000*	**2013**	Restated 2012
Employee compensation and benefit expenses (including directors' remuneration)	**625,935**	574,650
Premises and other fixed assets expenses, excluding depreciation	**132,581**	105,910
Depreciation	**63,339**	57,817
Advertising and promotion costs	**47,957**	44,369
Printing, stationery and postage	**19,845**	16,963
Amortisation expenses of intangible assets	**2,379**	2,838
Others	**119,803**	139,697
	1,011,839	942,244

8. LOAN IMPAIRMENT LOSSES AND OTHER CREDIT PROVISIONS

For the six months ended 30 June *HK$'000*	**2013**	2012
Loan impairment losses		
Net charge/(reversal) of impairment losses on advances and other accounts		
– Individually assessed	**53,630**	(8,002)
– Collectively assessed	**83,940**	37,558
	137,570	29,556
Of which		
– new and additional allowances (including amounts directly written off in the period)	**179,364**	84,487
– releases	**(18,117)**	(21,420)
– recoveries	**(23,677)**	(33,511)
	137,570	29,556

9. NET LOSS ON DISPOSAL OF INVESTMENTS IN SECURITIES

For the six months ended 30 June *HK$'000*	**2013**	2012
Net gain on disposal of available-for-sale securities	**74,295**	69,130
Net loss on disposal of investments in securities included in the loans and receivables category	**(93,571)**	(64,638)
Net loss on redemption and disposal of held-to-maturity securities	**(22,284)**	(5,384)
	(41,560)	(892)

10. TAXATION

Hong Kong profits tax has been provided at the rate of 16.5% (2012: 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 at the tax rates that are expected to apply in the year when the liability is settled or the asset is realised.

For the six months ended 30 June *HK$'000*	**2013**	Restated 2012
Current income tax		
– Hong Kong profits tax	**110,023**	63,180
– Overseas taxation	**6,306**	6,615
– Under-provision in prior periods	**2,269**	5,351
Deferred income tax		
– Origination and reversal of temporary differences	**5,818**	11,164
– Recognition of tax losses	**(710)**	(2,102)
Taxation	**123,706**	84,208

11. BASIC AND DILUTED EARNINGS PER SHARE

The calculation of basic earnings per share for the six months ended 30 June 2013 is based on earnings of HK$680,202,000 (2012: HK$622,369,000) and the weighted average number of 296,526,638 (2012: 292,804,486) ordinary shares in issue during the period.

The calculation of diluted earnings per share for the six months ended 30 June 2013 is based on earnings of HK$680,202,000 (2012: HK$622,369,000) and the weighted average number of 296,582,517 (2012: 292,845,389) ordinary shares in issue during the period after adjusting for the effect of all dilutive potential ordinary shares.

12. TRADING SECURITIES AND FINANCIAL ASSETS DESIGNATED AT FAIR VALUE THROUGH PROFIT OR LOSS

HK$'000	**As at 30 Jun 2013**	As at 31 Dec 2012
Trading securities:		
Debt securities:		
– Listed in Hong Kong	**515,819**	548,781
– Unlisted	**5,670,794**	5,368,957
	6,186,613	5,917,738
Equity securities:		
– Listed in Hong Kong	**95,296**	95,238
– Listed outside Hong Kong	**132,180**	119,640
– Unlisted, interests in investment funds	**6,135**	6,747
	233,611	221,625
Total trading securities	**6,420,224**	6,139,363
Financial assets designated at fair value through profit or loss:		
Debt securities:		
– Listed in Hong Kong	**956,852**	960,496
– Listed outside Hong Kong	**2,998,853**	3,230,197
– Unlisted	**2,826,100**	2,407,086
	6,781,805	6,597,779
Equity securities:		
– Listed in Hong Kong	**370,565**	281,472
– Listed outside Hong Kong	**1,112,383**	1,000,920
– Unlisted	**915,719**	827,531
	2,398,667	2,109,923
Total financial assets designated at fair value through profit or loss	**9,180,472**	8,707,702
Total trading securities and financial assets designated at fair value through profit or loss	**15,600,696**	14,847,065
Included within debt securities are:		
– Government bonds included in trading securities	**6,185,330**	5,795,924
– Other government bonds	**809,685**	882,874
– Other debt securities	**5,973,403**	5,836,719
	12,968,418	12,515,517

As at 30 June 2013 and 31 December 2012, there were no certificates of deposit held included in the above balances of investments in debt securities.

12. TRADING SECURITIES AND FINANCIAL ASSETS DESIGNATED AT FAIR VALUE THROUGH PROFIT OR LOSS (CONTINUED)

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

	As at 30 Jun 2013	As at 31 Dec 2012
– Central governments and central banks	**6,995,015**	6,678,798
– Public sector entities	**238**	1,409
– Banks and other financial institutions	**1,223,971**	1,520,280
– Corporate entities	**7,381,472**	6,646,578
	15,600,696	14,847,065

13. ADVANCES AND OTHER ACCOUNTS

HK$'000	As at 30 Jun 2013	As at 31 Dec 2012
Gross advances to customers	**93,314,702**	86,173,581
Trade bills	**6,197,931**	4,329,872
Other assets		
– Other accounts receivable and prepayments	**5,151,626**	5,362,782
	104,664,259	95,866,235
Less: impairment allowances		
– Individually assessed	**(147,628)**	(90,726)
– Collectively assessed	**(184,783)**	(170,578)
	(332,411)	(261,304)
Investments in securities included in the loans and receivables category *(Note 14)*	**1,704,089**	3,243,988
Advances and other accounts	**106,035,937**	98,848,919

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 2013		As at 31 Dec 2012	
	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	**2,071,935**	**66.1**	1,662,651	70.4
– Property investment	**14,626,326**	**98.6**	14,047,519	98.4
– Financial concerns	**696,530**	**46.4**	336,280	36.4
– Stockbrokers	**14,367**	**100.0**	100,240	90.0
– Wholesale and retail trade	**3,381,085**	**96.3**	3,219,507	92.9
– Manufacturing	**2,185,738**	**94.3**	1,996,894	94.7
– Transport and transport equipment	**4,760,622**	**95.9**	4,635,150	96.3
– Recreational activities	**290,819**	**5.9**	287,610	1.5
– Information technology	**11,464**	**68.2**	8,703	47.7
– Others	**3,443,140**	**83.5**	2,894,403	80.8
	31,482,026	**91.8**	29,188,957	92.1
Individuals				
– Loans for the purchase of flats in Home Ownership Scheme, Private Sector Participation Scheme and Tenants Purchase Scheme	**1,105,398**	**100.0**	1,123,393	100.0
– Loans for the purchase of other residential properties	**16,928,247**	**100.0**	16,026,972	99.9
– Credit card advances	**3,693,432**	**–**	4,240,329	–
– Others	**5,823,942**	**29.3**	5,465,362	28.2
	27,551,019	**71.6**	26,856,056	69.6
Loans for use in Hong Kong	**59,033,045**	**82.4**	56,045,013	81.3
Trade finance *(Note (1))*	**6,299,914**	**60.0**	5,024,007	61.0
Loans for use outside Hong Kong *(Note (2))*	**27,981,743**	**63.4**	25,104,561	64.8
	93,314,702	**75.2**	86,173,581	75.3

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)

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").

Trade financing loans not involving Hong Kong totalling HK$509,856,000 (31 December 2012: HK$336,534,000) 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.

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 2013				
	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	**14,626,326**	**–**	**26**	**–**	**17,796**
Individuals					
– Loans for the purchase of other residential properties	**16,928,247**	**–**	**–**	**–**	**–**

	As at 31 Dec 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	14,047,519	–	–	–	6,657
Individuals					
– Loans for the purchase of other residential properties	16,026,972	–	541	–	7,594

13. ADVANCES AND OTHER ACCOUNTS (CONTINUED)

(b) Non-bank Mainland exposures

	As at 30 Jun 2013			
Type of counterparties	**On-balance sheet exposure**	**Off-balance sheet exposure**	**Total**	**Individually assessed impairment allowances**
Mainland entities	**14,239,787**	**2,623,608**	**16,863,395**	**69,301**
Companies and individuals outside Mainland where the credits are granted for use in the Mainland	**9,793,825**	**296,959**	**10,090,784**	**46,501**
Other counterparties the exposures to whom are considered by the Group to be non-bank Mainland exposures	**100,820**	**–**	**100,820**	**–**

	As at 31 Dec 2012			
Type of counterparties	On-balance sheet exposure	Off-balance sheet exposure	Total	Individually assessed impairment allowances
Mainland entities	11,852,148	1,483,651	13,335,799	37,119
Companies and individuals outside Mainland where the credits are granted for use in the Mainland	10,294,395	329,327	10,623,722	37,873
Other counterparties the exposures to whom are considered by the Group to be non-bank Mainland exposures	76,028	–	76,028	–

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 June 2013

	Gross advances to customers	**Individually impaired advances to customers**	**Overdue advances to customers**	**Individually assessed impairment allowances**	**Collectively assessed impairment allowances**
Hong Kong	**67,993,207**	**142,301**	**130,050**	**67,525**	**81,974**
China	**14,526,402**	**186,777**	**180,466**	**69,302**	**55,182**
Macau	**9,783,424**	**29,842**	**33,626**	**10,773**	**42,241**
Others	**1,011,669**	**52**	**52**	**28**	**2,145**
	93,314,702	**358,972**	**344,194**	**147,628**	**181,542**

As at 31 December 2012

	Gross advances to customers	Individually impaired advances to customers	Overdue advances to customers	Individually assessed impairment allowances	Collectively assessed impairment allowances
Hong Kong	64,568,498	100,985	112,919	42,602	88,156
China	12,313,706	152,742	152,742	37,124	41,047
Macau	8,412,400	29,513	33,862	10,979	36,223
Others	878,977	52	52	21	2,290
	86,173,581	283,292	299,575	90,726	167,716

13. ADVANCES AND OTHER ACCOUNTS (CONTINUED)

(d) Impaired, overdue and rescheduled assets

Apart from the investments in certain securities included in the loans and receivables category described in Note 14, advances to customers (as set out below), against which full individual impairment allowances had been made, there were no trade bills or other assets which were individually impaired, overdue for over 3 months or rescheduled as at 30 June 2013 and 31 December 2012. In respect of advances to customers, the relevant amounts are analysed below:

(i) Impaired loans

	As at 30 Jun 2013	As at 31 Dec 2012
Impaired loans and advances		
– Individually impaired *(Note (1))*	**358,972**	283,292
– Collectively impaired *(Note (2))*	**17,530**	16,251
	376,502	299,543
Impairment allowances made		
– Individually assessed *(Note (3))*	**(147,628)**	(90,726)
– Collectively assessed *(Note (2))*	**(15,988)**	(14,948)
	(163,616)	(105,674)
	212,886	193,869
Fair value of collaterals held*	**249,226**	221,109
Impaired loans and advances as a % of total loans and advances to customers	**0.40%**	0.35%

* 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 2013		As at 31 Dec 2012	
	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	**35,731**	**0.04**	70,549	0.08
– one year or less but over six months	**94,898**	**0.10**	33,986	0.04
– over one year	**213,565**	**0.23**	195,040	0.23
	344,194	**0.37**	299,575	0.35
Market value of securities held against the secured overdue advances	**418,237**		379,646	
Secured overdue advances	**254,023**		242,553	
Unsecured overdue advances	**90,171**		57,022	
Individual impairment allowances	**115,952**		78,668	

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

	As at 30 Jun 2013	% of total	As at 31 Dec 2012	% of total
Advances to customers	**184,155**	**0.20**	147,594	0.17
Impairment allowances	**–**		–	

13. ADVANCES AND OTHER ACCOUNTS (CONTINUED)

(e) Repossessed collateral

Repossessed collateral held is as follows:

	As at 30 Jun 2013	As at 31 Dec 2012
Nature of assets		
– Repossessed properties	**66,982**	73,702
– Others	**777**	6,760
	67,759	80,462

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

	As at 30 Jun 2013		As at 31 Dec 2012	
	Contract amount	**% covered by collateral**	Contract amount	% covered by collateral
Financial guarantees and other credit related contingent liabilities	**3,734,162**	**44.9**	2,744,878	32.5
Loan commitments and other credit related commitments	**59,339,599**	**6.9**	59,987,212	7.1
	63,073,761	**9.1**	62,732,090	8.3

14. INVESTMENTS IN SECURITIES INCLUDED IN THE LOANS AND RECEIVABLES CATEGORY

HK$'000	**As at 30 Jun 2013**	As at 31 Dec 2012
Investments in securities reclassified from the available-for-sale category		
– At fair value under fair value hedge (for hedging interest rate risk)	**1,248,613**	2,227,771
– At amortised cost	**543,892**	1,117,929
	1,792,505	3,345,700
Less: impairment allowances		
– Individually assessed	**–**	(58,251)
– Collectively assessed	**(100,000)**	(100,000)
	(100,000)	(158,251)
	1,692,505	3,187,449
Investments in securities classified as loans and receivables upon initial recognition	**11,584**	56,539
	1,704,089	3,243,988

Investments in securities classified as loans and receivables upon initial recognition were overdue at the time of recognition. As at 30 June 2013 and 31 December 2012, these investments were overdue for more than one year.

14. INVESTMENTS IN SECURITIES INCLUDED IN THE LOANS AND RECEIVABLES CATEGORY (CONTINUED)

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

	As at 30 Jun 2013	As at 31 Dec 2012
Debt securities:		
– Listed outside Hong Kong	**1,545,766**	3,102,803
– Unlisted	**258,323**	299,436
	1,804,089	3,402,239
Less: impairment allowances		
– Individually assessed	**–**	(58,251)
– Collectively assessed	**(100,000)**	(100,000)
	(100,000)	(158,251)
	1,704,089	3,243,988
Market value of listed securities	**1,337,557**	2,770,374

As at 30 June 2013 and 31 December 2012, there were no certificates of deposit held included in the above balances of investments in debt securities.

Investments in securities included in the loans and receivables category are analysed by categories of issuers as follows:		
– Banks and other financial institutions	**1,346,831**	2,282,015
– Corporate entities	**457,258**	1,120,224
	1,804,089	3,402,239

15. AVAILABLE-FOR-SALE SECURITIES

HK$'000	**As at 30 Jun 2013**	As at 31 Dec 2012
Debt securities:		
– Listed in Hong Kong	**11,536,077**	8,960,807
– Listed outside Hong Kong	**12,365,568**	11,631,680
– Unlisted	**957,702**	1,068,197
	24,859,347	21,660,684
Equity securities:		
– Listed in Hong Kong	**277,045**	258,174
– Listed outside Hong Kong	**118,248**	135,502
– Unlisted	**271,709**	308,194
	667,002	701,870
Total available-for-sale securities	**25,526,349**	22,362,554

As at 30 June 2013 and 31 December 2012, there were no certificates of deposit held included in the above balances of investments in debt securities.

Available-for-sale securities are analysed by categories of issuers as follows:		
– Central governments and central banks	**2,363,566**	2,867,068
– Public sector entities	**207,662**	294,279
– Banks and other financial institutions	**6,130,699**	6,184,662
– Corporate entities	**16,821,894**	13,015,017
– Others	**2,528**	1,528
	25,526,349	22,362,554

16. HELD-TO-MATURITY SECURITIES

HK$'000	**As at 30 Jun 2013**	As at 31 Dec 2012
Debt securities:		
– Listed in Hong Kong	**731,495**	711,921
– Listed outside Hong Kong	**3,700,009**	4,797,430
– Unlisted	**2,021,149**	1,765,399
	6,452,653	7,274,750
Market value of listed securities	**4,465,086**	5,536,303
Included within debt securities are:		
– Certificates of deposit held	**522,665**	399,701
– Other debt securities	**5,929,988**	6,875,049
	6,452,653	7,274,750
Held-to-maturity securities are analysed by issuers as follows:		
– Central governments and central banks	**1,187,274**	910,343
– Public sector entities	**222,453**	222,527
– Banks and other financial institutions	**3,185,238**	3,953,927
– Corporate entities	**1,857,688**	2,187,953
	6,452,653	7,274,750

17. RESERVES

HK$'000	**As at 30 Jun 2013**	Restated As at 31 Dec 2012
Reserves		
Share premium	**2,764,288**	2,764,288
Premises revaluation reserve	**182,145**	150,029
Investment revaluation reserve	**(159,865)**	(14,252)
Exchange reserve	**226,968**	212,872
Capital reserve	**26,522**	26,522
General reserve	**484,289**	484,289
Reserve for share-based compensation	**1,681**	97
Retained earnings	**11,589,229**	11,172,936
	15,115,257	14,796,781
Proposed dividend included in retained earnings	**91,923**	263,909

Dah Sing Bank, Limited ("DSB"), the Group's Hong Kong banking subsidiary, is 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.

At 30 June 2013, DSB has earmarked a regulatory reserve of HK$1,373,606,000 (31 December 2012: HK$1,286,675,000) first against its general reserve; and for any excess amount, the balance is earmarked against its retained earnings.

18. OPERATING SEGMENT REPORTING

Segment reporting by the Group is prepared in accordance with HKFRS 8 "Operating Segments". Information reported to the chief operating decision maker, including 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. Starting from 2013, hire purchase finance and leasing related to vehicle and transport financing are included under personal banking business. Certain comparative amounts have been revised to conform with the current year's presentation.

- 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 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.

18. OPERATING SEGMENT REPORTING (CONTINUED)

For the six months ended 30 June 2013

HK$'000	Personal Banking	Commercial Banking	Treasury	Overseas Banking	Insurance Business	Others	Inter-segment	Total
Net interest income/(expenses)	604,987	454,662	174,958	237,769	153,196	(126,203)	–	1,499,369
Non-interest income/(expenses)	206,413	132,384	140,537	55,419	(5,602)	(24,494)	(33,631)	471,026
Total operating income/(expenses) net of insurance claims	811,400	587,046	315,495	293,188	147,594	(150,697)	(33,631)	1,970,395
Operating (expenses)/income	(504,808)	(131,319)	(61,749)	(206,779)	(105,616)	(35,199)	33,631	(1,011,839)
Operating profit/(loss) before impairment losses	306,592	455,727	253,746	86,409	41,978	(185,896)	–	958,556
Loan impairment losses and other credit provisions	(65,955)	(26,799)	–	(44,816)	–	–	–	(137,570)
Operating profit/(loss) after impairment losses	240,637	428,928	253,746	41,593	41,978	(185,896)	–	820,986
Net (loss)/gain on disposal of premises, investment properties and other fixed assets	(1,967)	–	–	(2)	12	–	–	(1,957)
Net (loss)/gain on disposal of investments in securities	–	–	(78,398)	–	24,681	12,157	–	(41,560)
Share of results of an associate	–	–	–	227,633	–	–	–	227,633
Share of results of jointly controlled entities	–	–	–	–	–	6,248	–	6,248
Profit/(loss) before taxation	238,670	428,928	175,348	269,224	66,671	(167,491)	–	1,011,350
Taxation (expenses)/credit	(38,950)	(70,773)	(28,932)	(1,359)	(8,572)	24,880	–	(123,706)
Profit/(loss) after taxation	199,720	358,155	146,416	267,865	58,099	(142,611)	–	887,644
For the six months ended 30 June 2013								
Depreciation and amortisation	19,234	2,778	2,408	18,938	5,785	16,575	–	65,718
As at 30 June 2013								
Segment assets	36,387,511	48,766,144	46,995,887	29,528,677	15,874,928	3,610,114	(5,854,437)	175,308,824
Segment liabilities	63,201,486	29,635,402	13,815,192	22,980,775	12,244,397	19,546,544	(5,854,437)	155,569,359

18. OPERATING SEGMENT REPORTING (CONTINUED)

For the six months ended 30 June 2012 (Restated)

	Personal Banking	Commercial Banking	Treasury	Overseas Banking	Insurance Business	Others	Inter-segment	Total
Net interest income/(expenses)	504,747	312,386	136,492	192,806	135,156	(122,455)	–	1,159,132
Non-interest income/(expenses)	156,440	77,771	117,310	29,788	135,414	7,966	(30,777)	493,912
Total operating income/(expenses) net of insurance claims	661,187	390,157	253,802	222,594	270,570	(114,489)	(30,777)	1,653,044
Operating (expenses)/income	(492,626)	(117,206)	(63,118)	(162,522)	(111,988)	(25,561)	30,777	(942,244)
Operating profit/(loss) before impairment losses	168,561	272,951	190,684	60,072	158,582	(140,050)	–	710,800
Loan impairment losses and other credit provisions (charged)/written back	(28,617)	21,624	–	(22,625)	–	62	–	(29,556)
Operating profit/(loss) after impairment losses	139,944	294,575	190,684	37,447	158,582	(139,988)	–	681,244
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	139,349	294,575	174,491	214,436	162,350	(122,540)	–	862,661
Taxation (expenses)/credit	(22,549)	(48,625)	(28,822)	(4,283)	(6,119)	26,190	–	(84,208)
Profit/(loss) after taxation	116,800	245,950	145,669	210,153	156,231	(96,350)	–	778,453
For the six months ended 30 June 2012								
Depreciation and amortisation	22,826	5,549	4,435	17,746	5,032	5,067	–	60,655
As at 31 December 2012								
Segment assets	35,103,627	44,346,608	49,757,413	26,306,191	15,280,237	3,519,075	(4,620,777)	169,692,374
Segment liabilities	65,621,598	28,882,670	13,101,445	20,031,758	11,696,988	15,677,587	(4,620,777)	150,391,269

18. 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 2013				
Total operating income net of insurance claims	**1,767,707**	**202,990**	**(302)**	**1,970,395**
Profit before taxation	**914,753**	**96,597**	**–**	**1,011,350**
As at 30 June 2013				
Total assets	**161,347,269**	**16,121,025**	**(2,159,470)**	**175,308,824**
Total liabilities	**143,680,198**	**14,048,631**	**(2,159,470)**	**155,569,359**
Intangible assets and goodwill	**318,667**	**722,934**	**–**	**1,041,601**
Contingent liabilities and commitments	**66,275,883**	**2,196,768**	**–**	**68,472,651**

	Hong Kong and Others	Macau	Inter-segment elimination	Total
For the six months ended 30 June 2012 (Restated)				
Total operating income net of insurance claims	1,511,742	141,475	(173)	1,653,044
Profit before taxation	815,844	46,817	–	862,661
As at 31 December 2012				
Total assets (Restated)	156,518,026	14,703,496	(1,529,148)	169,692,374
Total liabilities (Restated)	139,197,701	12,722,716	(1,529,148)	150,391,269
Intangible assets and goodwill	318,667	725,313	–	1,043,980
Contingent liabilities and commitments	64,338,720	2,056,834	–	66,395,554

FINANCIAL RATIOS

	Six months ended 30 Jun 2013	Restated Six months ended 30 Jun 2012
Net interest income/operating income	**76.1%**	70.1%
Cost to income ratio	**51.4%**	57.0%
Return on average total assets (annualised)	**0.8%**	0.8%
Return on average shareholders' funds (annualised)	**9.0%**	9.0%
Net interest margin	**1.77%**	1.47%

INTERIM DIVIDEND

The Directors have declared an interim dividend of HK$0.31 per share for 2013 payable on or after Thursday, 26 September 2013 to shareholders whose names are on the Register of Shareholders at the close of business on Monday, 23 September 2013.

CLOSING OF REGISTER OF SHAREHOLDERS

The Register of Shareholders will be closed from Monday, 16 September 2013 to Monday, 23 September 2013, 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, 13 September 2013.

CORPORATE AND BUSINESS OVERVIEW

HIGHLIGHTS

Local market conditions in the first half of the year were somewhat subdued, with concerns over a slowing in the Mainland China economy affecting sentiment in Hong Kong. Towards the middle of the year, we also saw significant market volatility due to the US Federal Reserve's potential tapering down of quantitative easing measures, and the effect that this could have on medium term US (and by implication Hong Kong) interest rates. Whilst market conditions were somewhat subdued, we are pleased to report that our profit attributable to shareholders increased by 9% over the prior period to HK$680 million.

Key trends during the period included a significant improvement in net interest margin ("NIM"), double digit percentage loan growth from our own banking business, much improved fee and commission income, and well-controlled expense growth. Our investment in Bank of Chongqing ("BOCQ"), again delivered strong performance, although with more moderate profit growth relative to our wholly owned banking business. Against this, our insurance business delivered somewhat weaker results, principally due to a weak performance from our insurance investment portfolio, in line with the move in higher bond yields towards the mid-year.

BUSINESS AND FINANCIAL REVIEW

All key areas of our banking business reported significant growth. Net interest income, mainly from our banking operations, was up by 29% from HK$1,159 million to HK$1,499 million, driven both by improved NIM of 1.77% for the first half of the year, compared with 1.47% in the same period last year, as well as by business volume increase. The 30bp increase in NIM was driven in large part through the continued sharp focus on deposit cost management, although booking of new loans, particularly by our commercial banking division at respectable yields, also helped.

Net fee and commission income increased by 43% from HK$223 million to HK$318 million, whilst net trading income changed from HK$355 million net gain to HK$222 million net trading loss. The improvement in fee income was driven largely by increases in our wealth management business, treasury related fee income derived from commercial banking business, securities brokerage and trade finance business. Our success in delivering much improved results in these areas was driven largely by a high level of focus by our divisional and branch management, and better cross-divisional cooperation, both in line with our business strategy. The trading loss during the period was driven principally by mark-to-market losses on our insurance investment portfolio, particularly relating to bond investments, caused by the increase in interest rates towards the mid-year. Net insurance premium and other income dropped from HK$979 million to HK$553 million. Whilst net insurance premium income was up by 15% to HK$838 million, a reversal of the value of inforce policies of our long-term life business compared with the prior period due mainly to interest rate changes largely accounts for the negative variance in this item.

Improved net interest income, fee and commission income, and much lower reserving cost for insurance claims and expenses, driven mainly by releases of reserve for liabilities to policyholders due to higher interest rates, more than offset the negative trading income, resulting in an increase of 19% in total operating income net of insurance claims, from HK$1,653 million to HK$1,970 million. Operating expenses remained well under control, despite the high level of business growth, increasing by 7% to HK$1,012 million. The much faster revenue growth than cost increase led to a significant improvement in our cost to income ratio to come down to 51.4%, compared with 57.0% in the first half of 2012.

Loan impairment losses and other credit provisions increased to HK$138 million from a very low base of HK$30 million in the prior period. Whilst the increase was notable due to the low base effect, the absolute level of bad debts remained low, with the impaired loan ratio standing at 0.40% at the mid-year.

Our investment in Bank of Chongqing continued to perform well with a contribution of HK$228 million for the period, an increase of 29% over the first half of the prior year.

BUSINESS AND FINANCIAL REVIEW (CONTINUED)

Due principally to the higher level of business growth during the period, Dah Sing Bank's consolidated capital adequacy ratio ("CAR") dropped modestly compared with the prior year end from 14.9% (Basel II basis) to 14.2%, reported on a Basel III basis, whilst our overall capital base continued to increase from HK$15.1 billion to HK$16.0 billion. During the period, we changed our accounting policy relating to our holding of own-use premises from the revaluation model to the cost model, and the results of the first half of 2012 are restated to reflect this change. This is a more conservative treatment from a capital perspective (reducing our overall CAR by 49bp), but results in higher earnings (by HK$43 million in the period), due to the absence of a need to depreciate the premises revaluation surplus over the remaining period of the property leases (typically up to mid-2047), which reduces the overall depreciation and amortization charge of the Group.

PROSPECTS

Overall global growth remains subdued. Whilst there are some signs of improvement in the US, this is to be balanced against the risk of interest rate increases if the economy surprises on the upside. Although the Eurozone may have bottomed out, growth remains very subdued. Furthermore, and of significant relevance to Hong Kong, the Mainland economic growth is slowing down. Hong Kong remains relatively stable at present, but economic forecasts are gradually being reduced to reflect the softer outlook for the Mainland economy.

Against this background, it is likely that business growth will slow in the second half of the year. Credit quality may continue to deteriorate, although at this stage we do not expect a very sharp deterioration. Therefore, 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 have started to see the benefits of our business strategy which calls for a high level of focus on our core businesses and markets, with strict management of business deliverables and risk, and with the key objective of improving shareholder returns over time. We see the continuation of this strategy as key to achieving sustainable performance in the medium term.

Although we are cautious in the near term, we believe that the underlying strength of the Hong Kong banking system and insurance market, and the better medium term prospects for the Mainland than most other economies, with the positive impact this will bring to Hong Kong and Macau, provides a good platform for further growth in our core businesses over time.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

During the six months ended 30 June 2013, the Company has complied with all the code provisions set out in the Corporate Governance Code ("CG Code") contained in Appendix 14 of the Listing Rules, with the exception of code provisions A.4.1 and A.6.7.

Pursuant to code provision A.4.1 of the CG Code, non-executive directors should be appointed for a specific term, subject to re-election. The Non-Executive Directors of the Company are not appointed for a specific term, but are subject to retirement by rotation and re-election at annual general meetings in accordance with the provisions of the Company's Articles of Association.

As required under code provision A.6.7 of the CG Code, independent non-executive directors and other non-executive directors should attend general meetings. Mr. Seiji Nakamura, an Independent Non-Executive Director, was unable to attend the last Annual General Meeting of the Company held on 28 May 2013 due to other engagement at the relevant time.

CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted its code of conduct for directors' securities dealing ("Directors' Dealing Code") on terms no less exacting than the prevailing required standard set out in the Model Code for Securities Transactions by Directors of Listed Issuers under Appendix 10 of the Listing Rules. Following specific enquiry, the Directors of the Company confirmed that they have complied with the required standard set out in the Model Code and the Directors' Dealing Code throughout the six months ended 30 June 2013.

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 2013.

REMUNERATION AND STAFF DEVELOPMENT

There have been no material changes to the information disclosed in the Company's 2012 Annual Report in respect of the remuneration of employees, remuneration policies and training schemes.

PURCHASE, SALE OR REDEMPTION OF SECURITIES

There was no purchase, sale or redemption by the Company or any of its subsidiaries, of listed securities of the Company during the six months ended 30 June 2013.

INTERIM RESULTS ANNOUNCEMENT AND INTERIM REPORT

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

The 2013 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 Dah Sing Bank in due course. Printed copies of the 2013 Interim Report will be sent to shareholders before the end of September 2013.

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 (Muneo Kurauchi as alternate), Hidekazu Horikoshi and John Wai-Wai Chow as Non-Executive Directors; Messrs. Robert Tsai-To Sze, Lon Dounn, Seiji Nakamura, Dr. Yuan Shu and Blair Chilton Pickerell as Independent Non-Executive Directors.

By Order of the Board
Doris Wai Nar Wong
Company Secretary

Hong Kong, Wednesday, 14 August 2013