Dah Sing Financial Holdings Limited

(Incorporated in Hong Kong with limited liability under the Companies Ordinance)
(Stock code: 440)

ANNOUNCEMENT OF 2017 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 2017. The unaudited profit attributable to shareholders after non-controlling interests for the six months ended 30 June 2017 was HK$4,844.3 million.

UNAUDITED INTERIM CONDENSED FINANCIAL STATEMENTS

The unaudited 2017 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	**2017**	Restated 2016	Variance %
Continuing operations				
Interest income		**2,770,796**	2,559,192	
Interest expense		**(877,914)**	(781,614)	
Net interest income	3	**1,892,882**	1,777,578	6.5
Fee and commission income		**580,419**	505,556	
Fee and commission expense		**(125,360)**	(109,198)	
Net fee and commission income	4	**455,059**	396,358	14.8
Net trading income	5	**117,105**	60,815	
Net insurance premium and other income		**126,671**	133,145	
Other operating income	6	**42,332**	37,902	
Operating income		**2,634,049**	2,405,798	9.5
Net insurance claims and expenses		**(89,289)**	(82,806)	
Total operating income net of insurance claims		**2,544,760**	2,322,992	9.5
Operating expenses	7	**(1,281,419)**	(1,170,703)	9.5
Operating profit before impairment losses		**1,263,341**	1,152,289	9.6
Loan impairment losses	8	**(167,275)**	(344,479)	(51.4)
Operating profit after impairment losses		**1,096,066**	807,810	35.7
Net (loss)/ gain on disposal of other fixed assets		**(106)**	18	
Net gain on disposal of available-for-sale securities		**27,749**	61,955	
Share of results of an associate		**373,038**	352,936	
Share of results of jointly controlled entities		**9,198**	7,599	
Profit before taxation		**1,505,945**	1,230,318	22.4
Taxation	9	**(179,215)**	(147,751)	
Profit for the period from continuing operations		**1,326,730**	1,082,567	22.6
Discontinued operations				
Profit for the period from discontinued operations	15	**3,849,872**	104,985	
Profit for the period		**5,176,602**	1,187,552	335.9
Profit attributable to non-controlling interests		**(332,260)**	(273,671)	
Profit attributable to Shareholders of the Company		**4,844,342**	913,881	430.1
Attributable to:				
Shareholders of the Company				
- From continuing operations		**994,871**	809,058	
- From discontinued operations		**3,849,471**	104,823	
		4,844,342	913,881	
Interim dividend declared		**107,224**	97,172	
Special dividend paid on 25 July 2017		**2,211,496**	-	
Earnings per share				
Basic				
- From continuing operations	10	**HK$2.97**	HK$2.41	
- From discontinued operations	10	**HK$11.49**	HK$0.31	
Diluted				
- From continuing operations	10	**HK$2.97**	HK$2.41	
- From discontinued operations	10	**HK$11.49**	HK$0.31	

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June

HK$'000	**2017**	2016
Profit for the period	**5,176,602**	1,187,552
Other comprehensive income for the period		
Items that may be reclassified to the consolidated income statement:		
Investments in securities		
Fair value gain on available-for-sale securities recognised in equity	**256,632**	182,781
Fair value gain realised and transferred to income statement upon:		
- Disposal of available-for-sale securities	**(27,749)**	(61,955)
Deferred income tax on movements in investment revaluation reserve	**(41,571)**	(16,074)
	187,312	104,752
Exchange differences arising on translation of the financial statements of foreign entities	**166,116**	(145,433)
Other comprehensive income/ (loss) for the period, net of tax	**353,428**	(40,681)
Total comprehensive income for the period, net of tax	**5,530,030**	1,146,871
Attributable to:		
Non-controlling interests	**417,495**	261,164
Shareholders of the Company		
- From continuing operations	**1,248,515**	768,087
- From discontinued operations	**3,864,020**	117,620
Total comprehensive income for the period, net of tax	**5,530,030**	1,146,871

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

HK$'000	Note	**As at 30 Jun 2017**	As at 31 Dec 2016
ASSETS			
Cash and balances with banks		**14,996,722**	15,083,632
Placements with banks maturing between one and twelve months		**14,071,032**	8,592,164
Trading securities	11	**9,057,460**	8,967,783
Financial assets designated at fair value through profit or loss	11	**1,013,550**	611,159
Derivative financial instruments		**570,362**	1,177,322
Advances and other accounts	12	**125,223,329**	121,014,785
Available-for-sale securities	13	**35,006,639**	32,865,500
Held-to-maturity securities	14	**7,563,947**	10,330,237
Investment in an associate		**4,708,939**	4,253,393
Investments in jointly controlled entities		**84,610**	75,412
Goodwill		**874,603**	874,603
Intangible assets		**81,122**	81,315
Premises and other fixed assets		**2,178,634**	2,151,421
Investment properties		**1,208,005**	1,059,226
Current income tax assets		**1,297**	5,098
Deferred income tax assets		**72,551**	68,286
Assets of disposal group classified as held for sale	15	**674,611**	16,031,674
Total assets		**217,387,413**	223,243,010
LIABILITIES			
Deposits from banks		**2,217,141**	2,318,203
Derivative financial instruments		**616,002**	1,343,418
Trading liabilities		**7,856,209**	7,748,887
Deposits from customers		**154,093,325**	152,436,415
Certificates of deposit issued		**6,203,507**	6,559,976
Subordinated notes		**5,550,148**	7,146,163
Other accounts and accruals		**9,214,474**	5,399,385
Current income tax liabilities		**263,630**	165,320
Deferred income tax liabilities		**159,052**	116,709
Liabilities of disposal group classified as held for sale	15	**371,230**	12,320,966
Total liabilities		**186,544,718**	195,555,442
EQUITY			
Non-controlling interests		**6,190,615**	5,870,786
Equity attributable to the Company's shareholders			
Share capital		**4,248,559**	4,248,559
Other reserves (including retained earnings)		**20,403,521**	17,568,223
Shareholders' funds	16	**24,652,080**	21,816,782
Total equity		**30,842,695**	27,687,568
Total equity and liabilities		**217,387,413**	223,243,010

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. Unaudited financial statements and accounting policies

The information set out in this interim results announcement does not constitute statutory financial statements.

Certain financial information in this interim results announcement is extracted from the statutory financial statements for the year ended 31 December 2016 (the "2016 financial statements") which have been delivered to the Registrar of Companies as required by section 662(3) of, and Part 3 of Schedule 6 to, the Hong Kong Companies Ordinance and the Hong Kong Monetary Authority ("HKMA").

The auditor's report on the 2016 financial statements was unqualified; did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying its report; and did not contain a statement under section 406(2), 407(2) or (3) of the Hong Kong Companies Ordinance.

Basis of preparation and accounting policies

Except as described below, the accounting policies and methods of computation used in the preparation of the 2017 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 2016.

(a) New standards and interpretations not yet adopted

A number of new standards and amendments to standards and interpretations are effective for annual periods beginning after 1 January 2017, and have not been early adopted in preparing these consolidated financial statements. None of these is expected to have a significant effect on the consolidated financial statements of the Group, except for the following standards:

HKFRS 9, "Financial instruments"

The new standard addresses the classification, measurement and derecognition of financial assets and financial liabilities, introduces new rules for hedge accounting and a new impairment model for financial assets.

The Group is continuing its assessment and is making preparation of the classification and measurement of financial assets and financial liabilities in accordance with HKFRS 9. The derecognition rules have been transferred from HKAS 39, "Financial instruments: recognition and measurement" and have not been changed.

The new hedge accounting rules will align the accounting for hedging instruments more closely with the Group's risk management practices. As a general rule, more hedge relationships might be eligible for hedge accounting, as the standard introduces a more principles-based approach. The Group considers that the current hedge relationships would qualify as continuing hedges upon the adoption of HKFRS 9. Accordingly, the Group does not expect a significant impact on the accounting for its hedging relationships.

2. Unaudited financial statements and accounting policies (Continued)

Basis of preparation and accounting policies (Continued)

(a) New standards and interpretations not yet adopted (Continued)

HKFRS 9, “Financial instruments” (Continued)

The new impairment model requires the recognition of impairment provisions based on expected credit losses rather than only incurred credit losses as is the case under HKAS 39. It applies to financial assets classified at amortised cost, debt and equity instruments measured at fair value through other comprehensive income, contract assets under HKFRS 15, “Revenue from contracts with customers”, lease receivables, loan commitments and certain financial guarantee contracts. The Group is continuing its assessment and development on the methodologies to determine impairment provisions based on the new expected credit losses approach under this new standard.

The new standard also introduces expanded disclosure requirements and changes in presentation. These are expected to change the nature and extent of the Group’s disclosures about its financial instruments particularly in the year of the adoption of the new standard.

HKFRS 9 must be applied for financial years commencing on or after 1 January 2018. Based on the transitional provisions in the completed HKFRS 9, early adoption by phases was only permitted for annual reporting periods beginning before 1 February 2015. After that date, the new rules must be adopted in their entirety. The Group does not intend to adopt HKFRS 9 before its mandatory date.

HKFRS 15, “Revenue from contracts with customers”

The HKICPA has issued a new standard for the recognition of revenue. This will replace HKAS 18 which covers contracts for goods and services and HKAS 11 which covers construction contracts. The new standard is based on the principle that revenue is recognised when control of a good or service transfers to a customer. The standard permits either a full retrospective or a modified retrospective approach for the adoption.

Management is currently assessing the effects of applying the new standard on the Group’s financial statements and has identified the following areas that are likely to be affected:

- revenue from service - the application of HKFRS 15 may result in the identification of separate performance obligations which could affect the timing of the recognition of revenue,
- accounting for certain costs incurred in fulfilling a contract - certain costs which are currently expensed may need to be recognised as an asset under HKFRS 15, and
- rights of return under HKFRS 15 requires separate presentation on the balance sheet of the right to recover the goods from the customer and the refund obligation.

At this stage, the Group has not yet completed the estimate of the impact of the new rules on the Group’s financial statements, which will be completed in the coming months.

HKFRS 15 is mandatory for financial years commencing on or after 1 January 2018. At this stage, the Group does not intend to adopt the standard before its effective date.

HKFRS 16, “Leases”

HKFRS 16 will result in almost all leases being recognised on the balance sheet, as the distinction between operating and finance leases is removed. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognised. The only exceptions are short-term and low-value leases. Some of the commitments may be covered by the exception for short-term and low value leases and some commitments may relate to arrangements that will not qualify as leases under HKFRS 16.

2. Unaudited financial statements and accounting policies (Continued)

Basis of preparation and accounting policies (Continued)

(a) New standards and interpretations not yet adopted (Continued)

HKFRS 16, "Leases" (Continued)

The accounting for lessors will not significantly change.

The standard will affect primarily the accounting for the Group's operating leases. The Group has not yet determined to what extent non-cancellable operating lease commitments will result in the recognition of an asset and a liability for future payments and how this will affect the Group's profit and classification of cash flows.

The new standard is mandatory for financial years commencing on or after 1 January 2019. At this stage, the Group does not intend to adopt the standard before its effective date.

There are no other HKFRSs or interpretations that are not yet effective that would be expected to have a material impact on the Group.

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 23 August 2017.

These interim condensed consolidated financial statements have not been audited.

3. Net interest income

For the six months ended 30 June

HK$'000	**2017**	Restated 2016
Interest income		
Cash and balances with banks	**182,740**	135,239
Investments in securities	**491,661**	390,618
Advances and other accounts	**2,096,395**	2,033,335
	2,770,796	2,559,192
Interest expense		
Deposits from banks/ Deposits from customers	**686,433**	634,245
Certificates of deposit issued	**52,795**	36,795
Subordinated notes	**119,113**	106,719
Others	**19,573**	3,855
	877,914	781,614
Included within interest income		
Interest income on financial assets not at fair value through profit or loss	**2,748,905**	2,553,713
Included within interest expense		
Interest expenses on financial liabilities not at fair value through profit or loss	**858,041**	776,617

For the six months ended 30 June 2017 and 30 June 2016, there was no interest income recognised on impaired assets.

4. Net fee and commission income

For the six months ended 30 June

HK$'000	**2017**	Restated 2016
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	**77,261**	78,358
- Trade finance	**38,312**	37,245
- Credit card	**155,237**	142,418
Other fee and commission income		
- Securities brokerage	**49,258**	36,189
- Insurance distribution and others	**62,313**	43,743
- Retail investment and wealth management services	**125,615**	108,997
- Bank services and handling fees	**36,801**	32,871
- Other fees	**35,622**	25,735
	580,419	505,556
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	**115,360**	99,392
- Other fees paid	**10,000**	9,806
	125,360	109,198

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	**2017**	Restated 2016
Dividend income from financial assets at fair value through profit or loss	**3,709**	4,121
Net gain arising from dealing in foreign currencies	**15,136**	63,062
Net gain/ (loss) on trading securities	**13,137**	(12,919)
Net gain from derivatives entered into for trading purpose	**11,798**	15,172
Net gain arising from financial instruments subject to fair value hedge	**4,856**	11,100
Net gain/ (loss) arising from financial instruments designated at fair value through profit or loss	**68,469**	(19,721)
	117,105	60,815

6. Other operating income

For the six months ended 30 June

HK$'000	**2017**	Restated 2016
Dividend income from investments in available-for-sale securities		
- Listed investments	**5,844**	5,959
- Unlisted investments	**4,545**	4,532
Gross rental income from investment properties	**15,798**	13,006
Other rental income	**6,724**	5,563
Others	**9,421**	8,842
	42,332	37,902

7. Operating expenses

For the six months ended 30 June

HK$'000	**2017**	Restated 2016
Employee compensation and benefit expenses (including directors' remuneration)	**863,355**	790,462
Premises and other fixed assets expenses, excluding depreciation	**156,126**	155,310
Depreciation	**87,785**	77,778
Advertising and promotion costs	**37,486**	33,793
Printing, stationery and postage	**25,086**	16,950
Amortisation expenses of intangible assets	**194**	583
Others	**111,387**	95,827
	1,281,419	1,170,703

8. Loan impairment losses

For the six months ended 30 June

HK$'000	**2017**	2016
Net charge of impairment losses on advances and other accounts		
- Individually assessed	**17,952**	170,975
- Collectively assessed	**149,323**	173,504
	167,275	344,479
Of which		
- new and additional allowances (including amounts directly written off in the period)	**273,667**	409,663
- releases	**(86,027)**	(39,348)
- recoveries	**(20,365)**	(25,836)
	167,275	344,479

9. Taxation

Hong Kong profits tax has been provided at the rate of 16.5% (2016: 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	**2017**	Restated 2016
Current income tax		
- Hong Kong profits tax	**158,285**	108,318
- Overseas taxation	**21,887**	21,749
- Under-provision in prior periods	**-**	1,307
Deferred income tax		
- Origination and reversal of temporary differences	**(957)**	16,377
Taxation	**179,215**	147,751

10. Basic and diluted earnings per share

The calculation of basic earnings per share for the six months ended 30 June 2017 is based on earnings from continuing operations and earnings from discontinued operations of HK$994,871,000 and HK$3,849,471,000 respectively (2016: HK$809,058,000 and HK$104,823,000 respectively) and the weighted average number of 335,075,100 (2016: 335,075,100) ordinary shares in issue during the period.

The calculation of fully diluted earnings per share for the six months ended 30 June 2017 is based on earnings from continuing operations and earnings from discontinued operations of HK$994,871,000 and HK$3,849,471,000 respectively (2016: HK$809,058,000 and HK$104,823,000 respectively) and the weighted average number of 335,103,940 (2016: 335,243,737) ordinary shares in issue during the period after adjusting for the effect of all dilutive potential ordinary shares.

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

HK$'000	**As at 30 Jun 2017**	As at 31 Dec 2016
Trading securities:		
Debt securities:		
- Listed in Hong Kong	**106,126**	104,751
- Unlisted	**8,865,660**	8,767,093
	8,971,786	8,871,844
Equity securities:		
- Listed in Hong Kong	**72,405**	61,990
- Listed outside Hong Kong	**13,269**	33,949
	85,674	95,939
Total trading securities	**9,057,460**	8,967,783
Financial assets designated at fair value through profit or loss:		
Debt securities:		
- Listed in Hong Kong	**53,128**	61,732
- Listed outside Hong Kong	**499,120**	423,288
- Unlisted	**329,837**	-
	882,085	485,020
Equity securities:		
- Listed in Hong Kong	**38,511**	33,076
- Listed outside Hong Kong	**83,656**	83,471
- Unlisted	**9,298**	9,592
	131,465	126,139
Total financial assets designated at fair value through profit or loss	**1,013,550**	611,159
Total trading securities and financial assets designated at fair value through profit or loss	**10,071,010**	9,578,942

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

HK$'000	**As at 30 Jun 2017**	As at 31 Dec 2016
Included within debt securities are:		
- Treasury bills which are cash equivalents	**1,776,607**	2,148,217
- Other treasury bills	**7,149,496**	6,678,945
- Government bonds	**45,683**	44,682
- Other debt securities	**882,085**	485,020
	9,853,871	9,356,864

As at 30 June 2017 and 31 December 2016, there were no certificates of deposit held included in the above balances of trading or fair value debt securities.

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

- Central governments and central banks	**8,971,786**	8,871,844
- Banks and other financial institutions	**152,823**	132,285
- Corporate entities	**946,401**	574,813
	10,071,010	9,578,942

12. Advances and other accounts

HK$'000	**As at 30 Jun 2017**	As at 31 Dec 2016
Gross advances to customers	**117,517,811**	113,654,721
Less: impairment allowances		
- Individually assessed	**(241,030)**	(435,210)
- Collectively assessed	**(444,657)**	(420,545)
	116,832,124	112,798,966
Trade bills	**3,697,841**	4,299,974
Less: impairment allowances		
- Collectively assessed	**(14,512)**	(14,578)
	3,683,329	4,285,396
Other assets		
- Other accounts receivable and prepayment	**4,721,928**	3,940,399
Less: impairment allowances		
- Individually assessed	**(9,675)**	(9,351)
- Collectively assessed	**(4,377)**	(625)
	4,707,876	3,930,423
Advances and other accounts	**125,223,329**	121,014,785
Impairment allowances		
- Individually assessed	**(250,705)**	(444,561)
- Collectively assessed	**(463,546)**	(435,748)
	(714,251)	(880,309)

12. 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

HK$'000	**As at 30 Jun 2017**		As at 31 Dec 2016	
	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	**3,520,460**	**76.0**	2,317,648	82.0
- Property investment	**16,059,493**	**97.9**	15,095,225	99.3
- Financial concerns	**3,722,820**	**7.1**	4,259,982	26.6
- Stockbrokers	**1,664,723**	**62.8**	1,804,854	44.9
- Wholesale and retail trade	**5,656,517**	**90.2**	4,543,621	88.5
- Manufacturing	**2,544,880**	**87.9**	2,435,207	94.0
- Transport and transport equipment	**4,169,103**	**75.7**	3,508,563	78.8
- Recreational activities	**68,256**	**100.0**	78,395	97.4
- Information technology	**76,408**	**87.1**	74,186	87.7
- Others	**4,236,173**	**80.6**	5,180,298	82.2
	41,718,833	**80.9**	39,297,979	82.2
Individuals				
- Loans for the purchase of flats in Home Ownership Scheme, Private Sector Participation Scheme and Tenants Purchase Scheme	**719,498**	**100.0**	756,457	100.0
- Loans for the purchase of other residential properties	**22,522,191**	**99.9**	22,230,051	99.9
- Credit card advances	**3,742,045**	**-**	4,377,622	-
- Others	**11,441,963**	**45.8**	11,092,297	43.9
	38,425,697	**74.0**	38,456,427	72.4
Loans for use in Hong Kong	**80,144,530**	**77.6**	77,754,406	77.4
Trade finance (Note (1))	**8,283,072**	**66.0**	7,723,386	66.2
Loans for use outside Hong Kong (Note (2))	**29,090,209**	**69.2**	28,176,929	74.0
	117,517,811	**74.7**	113,654,721	75.8

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 HKMA.

Trade finance loans not involving Hong Kong (including trade finance extended by the overseas subsidiary banks of Dah Sing Bank, Limited ("DSB")) totalling HK$366,489,000 (31 December 2016: HK$297,335,000) 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.

12. Advances and other accounts (Continued)

(b) Impaired, overdue and rescheduled assets

(i) Impaired loans

HK$'000	**As at 30 Jun 2017**	As at 31 Dec 2016
Impaired loans and advances		
- Individually impaired (Note (1))	**935,729**	1,174,209
- Collectively impaired (Note (2))	**22,154**	21,617
	957,883	1,195,826
Impairment allowances made		
- Individually assessed (Note (3))	**(241,030)**	(435,210)
- Collectively assessed (Note (2))	**(20,447)**	(19,637)
	(261,477)	(454,847)
	696,406	740,979
Fair value of collaterals held*	**810,027**	904,293
Impaired loans and advances as a % of total loans and advances to customers	**0.82%**	1.05%

* Fair value of collateral is determined at the lower of the market value of collateral and 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.

12. Advances and other accounts (Continued)

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

(ii) Gross amount of overdue loans

HK$'000	**As at 30 Jun 2017** Gross amount of overdue loans	**As at 30 Jun 2017** % of total	As at 31 Dec 2016 Gross amount of overdue loans	As at 31 Dec 2016 % of total
Gross advances to customers which have been overdue for:				
- six months or less but over three months	**125,461**	**0.11**	188,025	0.17
- one year or less but over six months	**268,626**	**0.23**	425,466	0.37
- over one year	**583,627**	**0.50**	473,646	0.42
	977,714	**0.84**	1,087,137	0.96
Market value of securities held against the secured overdue advances	**1,101,301**		1,095,775	
Secured overdue advances	**840,174**		839,520	
Unsecured overdue advances	**137,540**		247,617	
Individual impairment allowances	**210,349**		349,070	

Collateral held mainly represented pledged deposits, mortgages over properties and charges over other fixed assets such as equipment.

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

	As at 30 Jun 2017	**% of total**	As at 31 Dec 2016	% of total
Advances to customers	**350,061**	**0.30**	394,408	0.35
Impairment allowances	**9,238**		24,982	

12. Advances and other accounts (Continued)

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

(iv) Trade bills

HK$'000	**As at 30 Jun 2017**	As at 31 Dec 2016
Trade bills which have been overdue for:		
- six months or less but over three months	**3,592**	-
- one year or less but over six months	**4,308**	4,644
- over one year	**11,053**	6,337
	18,953	10,981

As at 30 June 2017 and 31 December 2016, no trade bills were impaired.

(c) Repossessed collateral

Repossessed collateral held is as follows:

	As at 30 Jun 2017	As at 31 Dec 2016
Nature of assets		
Repossessed properties	**278,711**	131,243
Others	**7,694**	6,842
	286,405	138,085

Repossessed collaterals are sold as soon as practicable with the proceeds used to reduce the outstanding indebtedness of the borrowers concerned.

13. Available-for-sale securities

HK$'000	**As at 30 Jun 2017**	As at 31 Dec 2016
Debt securities:		
- Listed in Hong Kong	**13,961,046**	14,411,087
- Listed outside Hong Kong	**14,840,763**	13,928,043
- Unlisted	**5,553,861**	3,953,915
	34,355,670	32,293,045
Equity securities:		
- Listed in Hong Kong	**354,307**	304,448
- Listed outside Hong Kong	**56,044**	56,245
- Unlisted	**240,618**	211,762
	650,969	572,455
Total available-for-sale securities	**35,006,639**	32,865,500
Included within debt securities are:		
- Treasury bills which are cash equivalents	**299,965**	1,899,588
- Other treasury bills	**8,091,344**	5,462,256
- Government bonds	**192,439**	238,910
- Other debt securities	**25,771,922**	24,692,291
	34,355,670	32,293,045

Note:

As at 30 June 2017 and 31 December 2016, 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	**8,583,748**	7,600,754
- Public sector entities	**537,766**	603,533
- Banks and other financial institutions	**4,527,714**	3,556,417
- Corporate entities	**21,354,883**	21,102,268
- Others	**2,528**	2,528
	35,006,639	32,865,500

14. Held-to-maturity securities

HK$'000	**As at 30 Jun 2017**	As at 31 Dec 2016
Debt securities:		
- Listed in Hong Kong	**2,200,648**	3,167,081
- Listed outside Hong Kong	**2,024,396**	3,731,661
- Unlisted	**3,338,903**	3,431,495
	7,563,947	10,330,237
Included within debt securities are:		
- Certificates of deposit held	**400,000**	400,000
- Treasury bills	**2,290,174**	2,401,808
- Government bonds	**561,948**	523,290
- Other debt securities	**4,311,825**	7,005,139
	7,563,947	10,330,237
Held-to-maturity securities are analysed by categories of issuers as follows:		
- Central governments and central banks	**2,852,122**	2,925,098
- Banks and other financial institutions	**2,147,846**	2,656,551
- Corporate entities	**2,563,979**	4,748,588
	7,563,947	10,330,237

15. Discontinued operations, and assets and liabilities of disposal group classified as held for sale

On 2 June 2016, the Group announced that it had entered into a share sale agreement with companies owned by Fujian Thai Hot Investment Co., Ltd. ("Thai Hot") pursuant to which it conditionally agreed to sell (the "Sale") to the latter the entire issued share capital of certain of its subsidiaries, namely Dah Sing Life Assurance Company Limited ("DSLA"), Dah Sing Insurance Services Limited ("DSIS") and Macau Life Insurance Company Limited ("MLIC") (excluding the pension fund management business of MLIC which is not covered by the Sale) (collectively, the "Disposal Group"), whose collective core business is the sales and underwriting of life insurance products in Hong Kong and Macau. The completion of the Sale is conditional on a number of conditions which include obtaining the approval from shareholders of the Company and the relevant regulatory authorities.

The share sale agreement in relation to the sale of the entire issued share capital of DSIS and DSLA (the "Hong Kong Closing") was completed on 19 June 2017, with a gross consideration of HK$8,030 million. Following the Hong Kong Closing, both DSLA and DSIS have ceased to be subsidiaries of the Company.

As at the date of this interim results announcement, since certain conditions precedent under the share sale agreement in relation to the sale of the entire issued share capital of MLIC (the "Macau Shares") remain outstanding, the sale of the Macau Shares has not yet been completed.

The Company has reported the operating results of DSLA and DSIS for the period to the date of disposal, the gain on disposal of DSLA and DSIS and the operating results of MLIC excluding the pension fund management business for the period ended 30 June 2017 as discontinued operations in the consolidated income statement and comprehensive income statement and has restated the comparative figures accordingly.

15. Discontinued operations, and assets and liabilities of disposal group classified as held for sale (Continued)

Under HKFRS 5, amounts relating to discontinued operations and the Disposal Group are presented from the perspective of the holding company. They do not necessarily reflect the operating results and the assets and liabilities of the Disposal Group on a standalone basis.

(a) The results of the discontinued operations

HK$'000	**Six months ended 30 Jun 2017**	Six months ended 30 Jun 2016
Net interest income	**162,898**	169,541
Net fee and commission income	**(55,102)**	(44,444)
Net trading income	**767,521**	532,598
Net insurance premium and other income	**1,400,326**	1,055,711
Other operating income	**(1,357)**	2,044
Operating income	**2,274,286**	1,715,450
Net insurance claims and expenses	**(1,871,254)**	(1,528,174)
Total operating income net of insurance claims	**403,032**	187,276
Operating expenses	**(134,044)**	(96,601)
Profit before taxation	**268,988**	90,675
Taxation (expenses)/ credit	**(5,688)**	14,310
Profit after taxation	**263,300**	104,985
Gain on disposal of discontinued operations	**3,586,572**	-
Profit for the period from discontinued operations	**3,849,872**	104,985

15. Discontinued operations, and assets and liabilities of disposal group classified as held for sale (Continued)

(b) Assets and liabilities of the Disposal Group classified as held for sale

HK$'000	**As at 30 Jun 2017**	As at 31 Dec 2016
ASSETS		
Cash and balances with banks	**1,278**	452,343
Placements with banks maturing between one and twelve months	**25,534**	45,035
Trading securities	**5,231**	129,426
Financial assets designated at fair value through profit or loss	**340,973**	11,300,546
Derivative financial instruments	**-**	39,283
Available-for-sale securities	**-**	192,501
Held-to-maturity securities	**158,792**	158,051
Goodwill	**76,389**	76,389
Other assets	**12,288**	1,329,030
Value of in-force long-term life assurance business	**54,126**	2,309,070
Total assets	**674,611**	16,031,674
LIABILITIES		
Derivative financial instruments	**-**	70,200
Liabilities to policyholders under long-term insurance contracts and other liabilities	**371,230**	12,250,766
Total liabilities	**371,230**	12,320,966
Net amount	**303,381**	3,710,708

Note:

DSLA and DSIS were removed from the Disposal Group from the date of the Hong Kong Closing.

The amounts of assets and liabilities presented above comprise the combined assets and liabilities of the Disposal Group, and the effects of the adjustments that are made when these assets and liabilities are included in the Group's consolidated financial statements.

16. Shareholders' funds

HK$'000	**As at 30 Jun 2017**	As at 31 Dec 2016
Share capital	**4,248,559**	4,248,559
Premises revaluation reserve	**249,454**	249,454
Investment revaluation reserve	**442,308**	414,007
Exchange reserve	**(91,568)**	(215,247)
Capital reserve	**12,168**	12,716
General reserve	**484,289**	484,289
Reserve for share-based compensation	**4,336**	4,503
Retained earnings	**19,302,534**	16,618,501
	24,652,080	21,816,782
Proposed dividend included in retained earnings	**107,224**	345,127

Further to the announcement made by the Company on 19 June 2017 regarding the completion of the sale of DSLA and DSIS and the intended use of the sale proceeds, and the subsequent announcement made by the Company on 29 June 2017 that the Board of Directors had declared a special dividend of HK$6.60 per share, the special dividend totalling HK$2,211,496,000 had been deducted from the amount of retained earnings as at 30 June 2017 reported above and was paid on 25 July 2017.

DSB as a locally incorporated bank in Hong Kong is required to maintain minimum impairment provisions in excess of those required under HKFRS in the form of regulatory reserve. The regulatory reserve, which also covers Banco Comercial de Macau, S.A. ("BCM") and Dah Sing Bank (China) Limited ("DSB China"), is maintained to satisfy the provisions of the Hong Kong Banking Ordinance and local regulatory requirements for prudential supervision purposes. The regulatory reserve restricts the amount of reserves which can be distributed to shareholders. Movements in the regulatory reserve are made directly through equity reserve and in consultation with the HKMA.

As at 30 June 2017, DSB has earmarked a regulatory reserve of HK$1,335,930,000 (31 December 2016: HK$ 1,398,280,000) first against its consolidated general reserve; and for any excess amount, the balance is earmarked against its consolidated retained earnings.

17. 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, vehicle financing and credit card services, and 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.

- 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 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.

17. Operating segment reporting (Continued)

For the six months ended 30 June 2017

HK$'000	Personal Banking	Commercial Banking	Treasury	Overseas Banking	Insurance Business	Others	Inter-segment	Total
Net interest income/ (expenses)	797,846	574,330	273,813	266,040	7,360	(26,507)	-	1,892,882
Non-interest income/ (expenses)	347,135	91,187	(4,508)	63,705	57,051	104,448	(7,140)	651,878
Total operating income net of insurance claims	1,144,981	665,517	269,305	329,745	64,411	77,941	(7,140)	2,544,760
Operating expenses	(701,818)	(219,521)	(77,179)	(235,984)	(47,714)	(6,343)	7,140	(1,281,419)
Operating profit before impairment (losses)/ written back	443,163	445,996	192,126	93,761	16,697	71,598	-	1,263,341
Loan impairment (losses)/ written back	(125,581)	(46,118)	-	4,424	-	-	-	(167,275)
Operating profit after impairment (losses)/ written back	317,582	399,878	192,126	98,185	16,697	71,598	-	1,096,066
Net loss on disposal of other fixed assets	(33)	(7)	-	(56)	-	(10)	-	(106)
Net gain on disposal of available-for-sale securities	-	-	23,365	-	-	4,384	-	27,749
Share of results of an associate	-	-	-	373,038	-	-	-	373,038
Share of results of jointly controlled entities	-	-	-	-	-	9,198	-	9,198
Profit before taxation	317,549	399,871	215,491	471,167	16,697	85,170	-	1,505,945
Taxation expenses	(52,399)	(65,978)	(35,556)	(14,423)	(1,707)	(9,152)	-	(179,215)
Profit for the period from continuing operations	265,150	333,893	179,935	456,744	14,990	76,018	-	1,326,730
Profit for the period from discontinued operations	-	-	-	-	3,857,514	(7,642)	-	3,849,872
Profit for the period	265,150	333,893	179,935	456,744	3,872,504	68,376	-	5,176,602
For the six months ended 30 June 2017								
Depreciation and amortisation	41,503	11,880	5,077	18,848	1,148	9,523	-	87,979
As at 30 June 2017								
Segment Assets	46,235,172	57,367,412	70,810,239	35,268,047	2,114,251	9,779,547	(4,861,866)	216,712,802
Assets of disposal group classified as held for sale	-	-	-	-	759,588	-	(84,977)	674,611
Total Assets	46,235,172	57,367,412	70,810,239	35,268,047	2,873,839	9,779,547	(4,946,843)	217,387,413
Segment Liabilities	89,019,368	36,341,789	17,396,114	25,984,969	1,444,609	20,848,505	(4,861,866)	186,173,488
Liabilities of disposal group classified as held for sale	-	-	-	-	456,207	-	(84,977)	371,230
Total Liabilities	89,019,368	36,341,789	17,396,114	25,984,969	1,900,816	20,848,505	(4,946,843)	186,544,718

17. Operating segment reporting (Continued)

For the six months ended 30 June 2016 (Restated)

HK'$000	Personal Banking	Commercial Banking	Treasury	Overseas Banking	Insurance Business	Others	Inter-segment	Total
Net interest income/ (expenses)	741,204	626,475	191,609	244,084	6,915	(32,709)	-	1,777,578
Non-interest income/ (expenses)	288,161	93,834	78,494	53,608	68,244	(31,255)	(5,672)	545,414
Total operating income/ (loss) net of insurance claims	1,029,365	720,309	270,103	297,692	75,159	(63,964)	(5,672)	2,322,992
Operating expenses	(635,617)	(197,093)	(69,207)	(220,038)	(41,807)	(12,613)	5,672	(1,170,703)
Operating profit/ (loss) before impairment (losses)/ written back	393,748	523,216	200,896	77,654	33,352	(76,577)	-	1,152,289
Loan impairment (losses)/ written back	(136,616)	(230,583)	-	22,720	-	-	-	(344,479)
Operating profit/ (loss) after impairment (losses)/ written back	257,132	292,633	200,896	100,374	33,352	(76,577)	-	807,810
Net (loss)/ gain on disposal of other fixed assets	(56)	(4)	-	(9)	-	87	-	18
Net gain on disposal of available-for-sale securities	-	-	13,219	-	-	48,736	-	61,955
Share of results of an associate	-	-	-	352,936	-	-	-	352,936
Share of results of jointly controlled entities	-	-	-	-	-	7,599	-	7,599
Profit/ (loss) before taxation	257,076	292,629	214,115	453,301	33,352	(20,155)	-	1,230,318
Taxation (expenses)/ credit	(42,417)	(48,284)	(35,329)	(19,546)	(2,435)	260	-	(147,751)
Profit for the period from continuing operations	214,659	244,345	178,786	433,755	30,917	(19,895)	-	1,082,567
Profit for the period from discontinued operations	-	-	-	-	90,840	14,145	-	104,985
Profit for the period	214,659	244,345	178,786	433,755	121,757	(5,750)	-	1,187,552
For the six months ended 30 June 2016								
Depreciation and amortisation	31,465	6,654	3,070	17,919	935	18,318	-	78,361
As at 31 December 2016								
Segment Assets	46,561,760	54,664,156	69,352,142	35,258,558	2,035,767	4,198,840	(4,859,887)	207,211,336
Assets of disposal group classified as held for sale	-	-	-	-	17,902,706	(590,424)	(1,280,608)	16,031,674
Total Assets	46,561,760	54,664,156	69,352,142	35,258,558	19,938,473	3,608,416	(6,140,495)	223,243,010
Segment Liabilities	86,449,648	36,320,735	18,848,415	26,533,708	1,378,734	18,563,123	(4,859,887)	183,234,476
Liabilities of disposal group classified as held for sale	-	-	-	-	13,601,574	-	(1,280,608)	12,320,966
Total Liabilities	86,449,648	36,320,735	18,848,415	26,533,708	14,980,308	18,563,123	(6,140,495)	195,555,442

17. 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 2017				
Total operating income net of insurance claims	**2,289,143**	**256,204**	**(587)**	**2,544,760**
Profit before taxation	**1,372,225**	**133,720**	**-**	**1,505,945**
At 30 June 2017				
Segment assets	**199,584,939**	**19,996,854**	**(2,868,991)**	**216,712,802**
Assets of disposal group classified as held for sale	**-**	**674,700**	**(89)**	**674,611**
Total assets	**199,584,939**	**20,671,554**	**(2,869,080)**	**217,387,413**
Segment liabilities	**171,716,113**	**17,326,366**	**(2,868,991)**	**186,173,488**
Liabilities of disposal group classified as held for sale	**-**	**371,319**	**(89)**	**371,230**
Total liabilities	**171,716,113**	**17,697,685**	**(2,869,080)**	**186,544,718**
Intangible assets and goodwill	**318,667**	**637,058**	**-**	**955,725**
Contingent liabilities and commitments	**76,623,754**	**2,101,501**	**(111,707)**	**78,613,548**

	Hong Kong and Others	Macau	Inter-segment elimination	Total
For the six months ended 30 June 2016				
Total operating income net of insurance claims	2,079,374	244,176	(558)	2,322,992
Profit before taxation	1,100,328	129,990	-	1,230,318
At 31 December 2016				
Segment assets	189,496,779	20,039,881	(2,325,324)	207,211,336
Assets of disposal group classified as held for sale	15,402,930	628,744	-	16,031,674
Total assets	204,899,709	20,668,625	(2,325,324)	223,243,010
Segment liabilities	168,192,298	17,367,502	(2,325,324)	183,234,476
Liabilities of disposal group classified as held for sale	11,983,148	337,818	-	12,320,966
Total liabilities	180,175,446	17,705,320	(2,325,324)	195,555,442
Intangible assets and goodwill	318,667	637,251	-	955,918
Contingent liabilities and commitments	78,450,169	1,684,727	(112,006)	80,022,890

FINANCIAL RATIOS

	Six months ended 30 Jun 2017	Restated Six months ended 30 Jun 2016
Net interest income/ operating income	**74.4%**	76.5%
Cost to income ratio	**50.4%**	50.4%
Return on average total assets (annualised)		
- including gain on disposal of Hong Kong life insurance business	**2.8%**	N/A
- excluding gain on disposal of Hong Kong life insurance business	**1.1%**	0.8%
Return on average shareholders' funds (annualised)		
- including gain on disposal of Hong Kong life insurance business	**26.3%**	N/A
- excluding gain on disposal of Hong Kong life insurance business	**10.8%**	8.7%
Net interest margin	**1.94%**	1.94%

INTERIM DIVIDEND

The Directors have declared an interim dividend of HK$0.32 per share for 2017 payable on Friday, 22 September 2017 to shareholders whose names are on the Register of Shareholders at the close of business on Monday, 18 September 2017.

CLOSURE OF REGISTER OF SHAREHOLDERS

For determining shareholders' entitlement to receive the interim dividend:

Closure dates of Register of Shareholders (both days inclusive)	14 September 2017 (Thursday) to 18 September 2017 (Monday)
Latest time to lodge transfers	4:30 p.m. on 13 September 2017 (Wednesday)
Record date	18 September 2017 (Monday)
Payment date of the interim dividend	22 September 2017 (Friday)

In order to qualify for the interim dividend, all transfer documents accompanied by the relevant share certificates must be lodged with the Company's share registrar, Computershare Hong Kong Investor Services Limited, Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong before the above latest time to lodge transfers.

CORPORATE AND BUSINESS OVERVIEW

HIGHLIGHTS

The first half of 2017 generally improved over the same period in 2016. Hong Kong GDP expanded by 3.8% in real terms year-on-year in the second quarter, following the very strong first quarter growth at 4.3%, which was the strongest growth for some time. First half GDP growth in Hong Kong was well above trend, driven by growth in exports and private sector consumption. Hong Kong again reported effectively full employment over the period. The local stock market rallied strongly in the first half of the year. The Mainland economy also continued to perform better than expectations in the first half of the year, with growth of around 6.9%. The Federal Reserve, as expected, raised interest rates twice in the first half of the year, although generally speaking interest rates remained quite stable, and in Hong Kong even trended down somewhat.

The stronger economic performance in the first half of the year was beneficial to our business. Operating profit after impairment losses increased by 35.7% to HK$1,096 million. Profit for the period increased by 336% to HK$5,177 million incorporating the gain on disposal of the Hong Kong life insurance business of HK$3,587 million. During the first half of the year, a special dividend of HK$6.60 per share was declared, following completion of the disposal of the Group's life insurance business in Hong Kong.

The Banking Group performed strongly in the first half, with profit attributable to shareholders increasing by 21.1% to HK$1,299 million, driven by both an improvement in operating income, and substantially lower loan impairment charges.

BUSINESS AND FINANCIAL REVIEW

With a more favourable economic backdrop, the performance of the Banking Group improved in most key areas. Loan growth was still somewhat subdued at 3.4% in the first half of the year. With a stable NIM at 1.94%, same as the first half of 2016, and higher average interest earning assets, our overall net interest income grew by 6.3% to HK$1,880 million. Net fee and commission income grew strongly by 14.8% to HK$458 million due to a combination of stronger wealth management related revenues, a significant improvement in the local stockbroking business, and improvement in fees related to our commercial banking business during the period. Operating expense growth accelerated in the first half of the year as we continued to invest in the business. However, the cost to income ratio remained relatively stable at 50.4%.

Our overseas banking business reported a modestly improved performance as a whole. We saw stronger loan growth in our Mainland business than our Macau business and a modest improvement in the contribution from Bank of Chongqing, although in relative terms, this associate contributed a lower percentage of our overall net profit in the first half of the year.

Credit quality continued to improve, with a notable reduction in loan impairment losses, which dropped by more than 50% to HK$167 million for the period. The improvement in credit quality was particularly notable in our commercial banking business.

We completed the sale of our Hong Kong life insurance business on 19 June 2017. Excluding the exceptional profit on the disposal of the Hong Kong life insurance business, profit of operating nature for the discontinued operations for the period was HK$263.3 million, up 151% from the prior period. As referred to above, following the completion of the disposal, a special dividend of HK$6.60 per share was declared, which was in addition to the normal interim dividend declared of HK$0.32 per share. The sale of the life insurance business in Macau, which is immaterial to the Group's financial position, remains subject to regulatory approval. It is expected that the sale of the Macau life business will be completed later this year.

Excluding the impact of the exceptional profit on the disposal of the Hong Kong life insurance business, the underlying return on assets of 1.1% and ROE of 10.8% were higher than in the same period in 2016, due to the higher level of profit reported.

BUSINESS AND FINANCIAL REVIEW (Continued)

As at 30 June 2017, Dah Sing Bank's consolidated Common Equity Tier 1 ratio strengthened to 13.1%, compared with 12.7% at the end of 2016, driven by the strong profitability during the period coupled with relatively slow loan asset growth, as no additional capital raising was undertaken during the period. Total consolidated capital adequacy ratio stood at 17.8%, slightly lower than 18.3% at the end of last year despite the growth in Common Equity Tier 1 mentioned above, mainly due to the redemption of two subordinated debts in early 2017, and the phase out of a portion of the non-Basel III compliant subordinated debts as eligible Tier 2 capital base under the transitional arrangement.

PROSPECTS

Conditions in the first half of 2017 have generally improved compared with the same period last year, both locally in Hong Kong, and in the Mainland. Global economic recovery remains ongoing, with somewhat stronger conditions both in the US and Europe. It is expected that the second half of the year will be broadly stable. Whilst in general conditions are reasonably robust, it is notable that growth in some of our key lending areas in Hong Kong, such as property lending, remains under some pressure, and that whilst conditions continue to be supportive at present, there are a number of risks, such as a possible slow-down in the housing market, and a more rapid increase in interest rates than is currently expected, that we will need to face during the second half of the year. Therefore, the current relatively slow pace of volume growth is expected to continue in the second half. Our capital position remains healthy, and at the current relatively slow pace of volume growth, we are capital accretive.

Credit quality at present remains both benign and stable, and with a supportive economic backdrop, we currently do not expect any significant upturn in problem loans. Liquidity in the local market remains strong. However, with overall system-wide loan growth picking up, and a significant and prolonged gap between HK dollar and US dollar interest rates, there is a risk that HK dollar rates may rise more quickly than expected, putting some pressure on funding costs. Meanwhile, conditions for fee and commission income, particularly those related to wealth management, remain strong.

We completed the disposal of our Hong Kong life insurance business in the first half of the year, and we expect to complete the sale of our Macau life insurance business in the second half. We remain committed to distribution of life assurance products via a distribution agreement with the purchaser of the life business, and look forward to growing this stream of business in future. The disposal of the life business gives us both more capital and additional management resources to devote to the expansion of our general insurance business, and we look forward to seeing significant progress in the next few years.

Therefore, we are reasonably optimistic about prospects for the second half of the year. Whilst volume growth may remain relatively subdued, overall business conditions are generally good, and non-performing loans continue to remain under control. With the completion of the disposal of the Hong Kong life insurance business, we look forward to reinvesting in our general insurance business, and to continuing our efforts to distribute life product through our bank branch network.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

During the six months ended 30 June 2017, the Company has applied the principles and complied with all the code provisions as set out in the Corporate Governance Code ("CG Code") under Appendix 14 of the Listing Rules, with the exception of code provision A.4.1.

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.

CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted its own 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 ("Model Code") under Appendix 10 of the Listing Rules. Following specific enquiry, the Directors of the Company confirmed that they had complied with the required standard set out in the Model Code and the Directors' Dealing Code throughout the six months ended 30 June 2017.

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 2017.

REMUNERATION AND STAFF DEVELOPMENT

There have been no material changes to the information disclosed in the Company's 2016 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 2017.

INTERIM RESULTS ANNOUNCEMENT AND INTERIM REPORT

This announcement is published on the websites of Hong Kong Exchanges and Clearing Limited ("HKEX") at www.hkexnews.hk and Dah Sing Bank at www.dahsing.com.

The 2017 Interim Report of the Group containing all the information required by the Listing Rules will be published on the websites of HKEX and Dah Sing Bank in due course. Printed copies of the 2017 Interim Report will be sent to shareholders who have elected to receive printed versions of the Company's corporate communications before the end of September 2017.

BOARD OF DIRECTORS

As at the date of this announcement, the Board of the Company comprises Messrs. David Shou-Yeh Wong (Chairman), Hon-Hing Wong (Derek Wong) (Managing Director and Chief Executive) and Gary Pak-Ling Wang (Deputy Chief Executive) as Executive Directors; Messrs. Eiichi Yoshikawa (Hidekazu Horikoshi as alternate), Toshihide Motoshita and John Wai-Wai Chow as Non-Executive Directors; Messrs. Robert Tsai-To Sze, Lon Dounn, Seiji Nakamura and Blair Chilton Pickerell as Independent Non-Executive Directors.

By Order of the Board
Doris W. N. Wong
Company Secretary

Hong Kong, Wednesday, 23 August 2017