

## ANNOUNCEMENT OF 2008 FINAL RESULTS

The Directors of Dah Sing Financial Holdings Limited (“DSFH” or the “Company”) are pleased to present the consolidated audited results of the Company and its subsidiaries (collectively the “Group”) for the year ended 31 December 2008.

### CONSOLIDATED INCOME STATEMENT

For the year ended 31 December

<i>HK\$'000</i>	<i>Note</i>	<b>2008</b>	2007	Variance %
Interest income		<b>4,738,962</b>	5,975,014	-20.7
Interest expense		<b>(2,369,497)</b>	(3,760,320)	-37.0
<b>Net interest income</b>	5	<b>2,369,465</b>	2,214,694	7.0
Fee and commission income		<b>612,513</b>	717,920	-14.7
Fee and commission expense		<b>(108,892)</b>	(105,267)	3.4
<b>Net fee and commission income</b>	6	<b>503,621</b>	612,653	-17.8
Net trading (loss)/income	7	<b>(104,295)</b>	660,129	-115.8
Net insurance premium and other income		<b>2,119,344</b>	1,898,602	11.6
Other operating income	8	<b>88,575</b>	110,350	-19.7
<b>Operating income</b>		<b>4,976,710</b>	5,496,428	-9.5
Net insurance claims and expenses		<b>(1,806,263)</b>	(1,797,816)	0.5
Total operating income net of insurance claims		<b>3,170,447</b>	3,698,612	-14.3
Operating expenses	9	<b>(1,703,284)</b>	(1,444,002)	18.0
<b>Operating profit before impairment losses</b>		<b>1,467,163</b>	2,254,610	-34.9
Impairment losses on loans and advances	10	<b>(658,535)</b>	(180,795)	264.2

**CONSOLIDATED INCOME STATEMENT (Continued)**

For the year ended 31 December

<i>HK\$'000</i>	<i>Note</i>	<b>2008</b>	2007	Variance %
<b>Operating profit before gains or losses on certain investments and fixed assets</b>		<b>808,628</b>	2,073,815	-61.0
Net gain on disposal and revaluation of premises and other fixed assets		<b>1,410</b>	27,643	
Net (loss)/gain on disposal of and fair value adjustment on investment properties		<b>(60,437)</b>	123,336	
Net (loss)/gain on disposal of available-for-sale securities		<b>(3,119)</b>	115,304	
Share of results of associates		<b>120,589</b>	45,564	
Share of results of jointly controlled entities		<b>5,674</b>	10,536	
Impairment losses charged on held-to-maturity securities		<b>(357,684)</b>	—	
Impairment losses charged on available-for-sale securities	<i>11</i>	<b>(332,069)</b>	(1,037,742)	
<b>Profit before income tax</b>		<b>182,992</b>	1,358,456	-86.5
Income tax expense	<i>12</i>	<b>(29,375)</b>	(132,708)	
<b>Profit for the year</b>		<b>153,617</b>	1,225,748	-87.5
Profit attributable to minority interests		<b>(47,424)</b>	(175,548)	
<b>Profit attributable to shareholders of the Company</b>		<b>106,193</b>	1,050,200	-89.9
<b>Dividends</b>				
Interim dividend paid		<b>175,814</b>	187,566	
Proposed final dividend		—	187,566	
		<b>175,814</b>	375,132	
<b>Earnings per share</b>				
Basic	<i>13</i>	<b>HK\$0.42</b>	HK\$4.20	-90.0
Diluted	<i>13</i>	<b>HK\$0.42</b>	HK\$4.19	-90.0

# CONSOLIDATED BALANCE SHEET

As at 31 December

HK\$'000	Note	2008	2007
<b>ASSETS</b>			
Cash and balances with banks		12,808,527	11,868,465
Placements with banks maturing between one and twelve months		1,656,950	1,919,342
Trading securities	14	2,303,141	4,668,816
Financial assets at fair value through profit or loss	14	4,258,874	2,570,875
Derivative financial instruments		1,122,486	758,047
Advances and other accounts	15	70,508,863	66,151,544
Available-for-sale securities	17	14,724,195	25,826,991
Held-to-maturity securities	18	6,384,931	4,500,725
Investments in associates		1,132,461	842,970
Investments in jointly controlled entities		59,973	63,852
Goodwill		950,992	950,992
Intangible assets		158,352	181,023
Premises and other fixed assets		2,069,694	2,228,766
Investment properties		459,304	547,574
Current income tax assets		144,177	102,643
Deferred income tax assets		162,804	10,385
Value of in-force long-term life assurance business		1,274,452	1,015,538
<b>Total assets</b>		<b>120,180,176</b>	<b>124,208,548</b>
<b>LIABILITIES</b>			
Deposits from banks		2,443,594	2,651,668
Derivative financial instruments		2,268,155	970,781
Trading liabilities		1,791,419	2,689,069
Deposits from customers designated at fair value through profit or loss		471,065	3,142,488
Deposits from customers		79,947,078	75,584,849
Certificates of deposit issued		4,654,985	8,843,414
Issued debt securities		2,803,640	2,794,861
Subordinated notes		5,268,716	5,147,837
Other accounts and accruals		4,074,266	5,851,837
Current income tax liabilities		15,440	38,369
Deferred income tax liabilities		9,910	98,562
Liabilities to policyholders under long-term insurance contracts		4,494,456	3,613,540
<b>Total liabilities</b>		<b>108,242,724</b>	<b>111,427,275</b>
<b>EQUITY</b>			
Minority interests		2,045,251	2,311,970
<b>Equity attributable to the Company's shareholders</b>			
Share capital		520,541	500,176
Reserves	19	9,371,660	9,781,561
Proposed dividend	19	—	187,566
<b>Shareholders' funds</b>		<b>9,892,201</b>	<b>10,469,303</b>
<b>Total equity</b>		<b>11,937,452</b>	<b>12,781,273</b>
<b>Total equity and liabilities</b>		<b>120,180,176</b>	<b>124,208,548</b>

*Note:*

## **1. STATUTORY FINANCIAL STATEMENTS**

The financial information set out in this results announcement does not constitute the Group's statutory consolidated financial statements for the year ended 31 December 2008 but is derived from those statutory financial statements. The consolidated financial statements of the Group for the year ended 31 December 2008 will be available from the website of The Stock Exchange of Hong Kong Limited in due course. The auditors have expressed an unqualified opinion on those financial statements in their report dated 25 March 2009.

## **2. BASIS OF PREPARATION AND ACCOUNTING POLICIES**

The consolidated financial statements of the Group have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs" which is a collective term including all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations) issued by Hong Kong Institute of Certified Public Accountants ("HKICPA"), accounting principles generally accepted in Hong Kong and the requirements of the Hong Kong Companies Ordinance.

The consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of properties (including investment properties), available-for-sale financial assets, fair value-hedged loans and receivables, financial assets and financial liabilities held for trading, financial assets and financial liabilities (including derivative instruments) at fair value through profit or loss.

The preparation of financial statements in conformity with HKFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies.

The accounting policies and methods of computation used in the preparation of the 2008 consolidated financial statements are consistent with those used and described in the Group's annual audited financial statements for the year ended 31 December 2007.

The financial information in this results announcement is presented in thousands of Hong Kong dollars (HK\$'000), unless otherwise stated.

## **3. NEW AND INTERPRETATIONS TO EXISTING HKFRSs**

The Group has adopted the new HKFRSs and the amendments and interpretations to existing HKFRSs issued by the HKICPA which are effective in 2008 and which are relevant to the Group's operation.

#### 4. SEGMENT REPORTING

##### (A) By business segments

For the year ended 31 December 2008

HK\$'000

	Personal Banking	Commercial Banking	Treasury	Insurance Business	Unallocated	Elimination	Total
Interest income from							
– external customers	1,347,790	1,625,788	1,559,960	107,971	97,453	–	4,738,962
– inter-segments	914,893	–	–	28,224	371,078	(1,314,195)	–
Interest expense to							
– external customers	(1,327,883)	(376,481)	(234,188)	–	(430,945)	–	(2,369,497)
– inter-segments	–	(324,257)	(989,938)	–	–	1,314,195	–
Net interest income	934,800	925,050	335,834	136,195	37,586	–	2,369,465
Fee and commission income	469,315	139,952	12,518	9,649	15,215	(34,136)	612,513
Fee and commission expense	(94,935)	(1,084)	(8,455)	(2,959)	(1,704)	245	(108,892)
Net fee and commission income/(expense)	374,380	138,868	4,063	6,690	13,511	(33,891)	503,621
Net trading income/(loss)	15,016	13,677	87,714	(341,564)	120,862	–	(104,295)
Net insurance premium and other income	–	–	–	2,129,584	–	(10,240)	2,119,344
Other operating income	20,277	4,611	2,990	27,062	35,543	(1,908)	88,575
Operating income	1,344,473	1,082,206	430,601	1,957,967	207,502	(46,039)	4,976,710
Net insurance claims and expenses	–	–	–	(1,833,398)	–	27,135	(1,806,263)
Total operating income net of insurance claims	1,344,473	1,082,206	430,601	124,569	207,502	(18,904)	3,170,447
Operating expenses	(1,026,012)	(293,376)	(115,926)	(147,934)	(138,940)	18,904	(1,703,284)
Operating profit before impairment losses	318,461	788,830	314,675	(23,365)	68,562	–	1,467,163
Impairment losses on loans and advances	(147,046)	(511,489)	–	–	–	–	(658,535)
Operating profit before gains or losses on certain investments and fixed assets	171,415	277,341	314,675	(23,365)	68,562	–	808,628
Net gain on disposal and revaluation of premises and other fixed assets	20	–	–	–	1,390	–	1,410
Net loss on disposal of and fair value adjustment on investment properties	–	–	–	(32,066)	(28,371)	–	(60,437)
Net gain/(loss) on disposal of available-for-sale securities	5,920	–	12,566	(24,955)	3,350	–	(3,119)
Share of results of associate	–	–	–	–	120,589	–	120,589
Share of results of jointly controlled entities	–	–	–	–	5,674	–	5,674
Impairment losses charged on held-to-maturity securities	–	–	(357,684)	–	–	–	(357,684)
Impairment losses charged on available-for-sale securities	–	–	(39,984)	(29,085)	(263,000)	–	(332,069)
Profit before income tax	177,355	277,341	(70,427)	(109,471)	(91,806)	–	182,992
<b>As at 31 December 2008</b>							
Total assets	26,527,884	35,156,157	46,407,827	8,956,613	4,065,588	(933,893)	120,180,176
Total liabilities	60,811,234	18,600,935	12,557,171	6,746,814	10,460,463	(933,893)	108,242,724
<b>For the year ended 31 December 2008</b>							
Depreciation	39,011	22,672	12,627	4,353	32,444	–	111,107
Capital expenditure incurred	23,869	3,740	373	13,842	50,554	–	92,378

#### 4. SEGMENT REPORTING (Continued)

##### (A) By business segments (Continued)

For the year ended 31 December 2007

HK\$'000

	Personal Banking	Commercial Banking	Treasury	Insurance Business	Unallocated	Elimination	Total
Interest income from							
– external customers	1,755,688	2,002,556	2,067,856	99,921	48,993	–	5,975,014
– inter-segments	1,244,272	–	–	22,916	856,893	(2,124,081)	–
Interest expense to							
– external customers	(1,964,856)	(646,870)	(401,187)	–	(747,407)	–	(3,760,320)
– inter-segments	–	(586,451)	(1,537,630)	–	–	2,124,081	–
Net interest income	1,035,104	769,235	129,039	122,837	158,479	–	2,214,694
Fee and commission income	582,247	128,903	9,920	9,826	26,377	(39,353)	717,920
Fee and commission expense	(83,564)	(1,011)	(10,330)	(3,900)	(7,258)	796	(105,267)
Net fee and commission income/(expense)	498,683	127,892	(410)	5,926	19,119	(38,557)	612,653
Net trading income	10,760	9,087	98,953	518,953	22,376	–	660,129
Net insurance premium and other income	–	–	–	1,908,104	–	(9,502)	1,898,602
Other operating income	60,613	8,021	7,037	750	35,789	(1,860)	110,350
Operating income	1,605,160	914,235	234,619	2,556,570	235,763	(49,919)	5,496,428
Net insurance claims and expenses	–	–	–	(1,831,472)	–	33,656	(1,797,816)
Total operating income net of insurance claims	1,605,160	914,235	234,619	725,098	235,763	(16,263)	3,698,612
Operating expenses	(858,485)	(290,587)	(88,667)	(164,086)	(58,440)	16,263	(1,444,002)
Operating profit before impairment losses	746,675	623,648	145,952	561,012	177,323	–	2,254,610
Impairment losses on loans and advances	(97,637)	(83,178)	23	–	(3)	–	(180,795)
Operating profit before gains or losses on certain investments and fixed assets	649,038	540,470	145,975	561,012	177,320	–	2,073,815
Net (loss)/gain on disposal and revaluation of premises and other fixed assets	(7)	4	7	–	27,639	–	27,643
Net gain on disposal of and fair value adjustment on investment properties	–	–	–	1,786	121,550	–	123,336
Net gain on disposal of available-for-sale securities	9,603	–	75,538	–	30,163	–	115,304
Share of results of associate	–	–	–	–	45,564	–	45,564
Share of results of jointly controlled entities	–	–	–	–	10,536	–	10,536
Impairment losses charged on available-for-sale securities	–	–	–	–	(1,037,742)	–	(1,037,742)
Profit before income tax	<u>658,634</u>	<u>540,474</u>	<u>221,520</u>	<u>562,798</u>	<u>(624,970)</u>	<u>–</u>	<u>1,358,456</u>
<b>As at 31 December 2007</b>							
Total assets	27,267,243	35,957,780	48,482,583	7,675,020	5,193,208	(367,286)	124,208,548
Total liabilities	55,411,277	19,761,043	17,146,475	5,224,264	14,251,502	(367,286)	111,427,275
<b>For the year ended 31 December 2007</b>							
Depreciation	49,977	20,663	6,373	4,205	12,739	–	93,957
Capital expenditure incurred	43,341	7,748	884	13,016	16,802	–	81,791

#### 4. SEGMENT REPORTING (Continued)

##### (A) By business segments (Continued)

Personal banking business includes the acceptance of deposits from individual customers and the extension of residential mortgage lending, personal loans, overdraft and credit card services, the provision of insurance sales and investment services.

Commercial banking business includes the acceptance of deposits from and the advance of loans and working capital finance to commercial, industrial and institutional customers, and the provision of trade financing. Hire purchase finance and leasing related to equipment, vehicle and transport financing are included.

Treasury activities are mainly the provision of foreign exchange services and centralised cash management for deposit taking and lending, interest rate risk management, management of investment in securities and the overall funding of the Group.

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.

Unallocated items include results of operations, corporate investments and debt funding (including subordinated notes) not directly identified under other business divisions.

##### (B) By geographical segments

<i>HK\$'000</i>	<b>Hong Kong and others</b>	<b>Macau</b>	<b>Inter-segment elimination</b>	<b>Total</b>
<b>For the year ended 31 December 2008</b>				
Total operating income net of insurance claims	2,929,157	241,565	(275)	3,170,447
Profit before income tax	213,099	(30,107)	–	182,992
Profit for the year	189,732	(36,115)	–	153,617
Depreciation	90,047	21,060	–	111,107
Capital expenditure incurred	86,452	5,926	–	92,378
<b>As at 31 December 2008</b>				
Total assets	109,901,301	12,451,113	(2,172,238)	120,180,176
Total liabilities	100,037,272	10,377,690	(2,172,238)	108,242,724
Contingent liabilities and commitments	<u>37,081,176</u>	<u>1,485,131</u>	<u>–</u>	<u>38,566,307</u>
	Hong Kong and others	Macau	Inter-segment elimination	Total
<b>For the year ended 31 December 2007</b>				
Total operating income net of insurance claims	3,331,199	367,413	–	3,698,612
Profit before income tax	1,254,017	104,439	–	1,358,456
Profit for the year	1,136,158	89,590	–	1,225,748
Depreciation	70,349	23,608	–	93,957
Capital expenditure incurred	62,892	18,899	–	81,791
<b>As at 31 December 2007</b>				
Total assets	113,667,708	12,775,637	(2,234,797)	124,208,548
Total liabilities	102,929,552	10,732,520	(2,234,797)	111,427,275
Contingent liabilities and commitments	<u>39,587,908</u>	<u>1,584,097</u>	<u>–</u>	<u>41,172,005</u>

## 5. NET INTEREST INCOME

<i>HK\$'000</i>	2008	2007
<b>Interest income</b>		
Cash and balances with banks	405,341	384,284
Investment in securities	1,347,861	1,879,574
Advances to customers and banks	2,945,973	3,674,735
Others	39,787	36,421
	<u>4,738,962</u>	<u>5,975,014</u>
<b>Interest expense</b>		
Deposits from banks/Deposits from customers	1,804,020	2,800,864
Certificates of deposit issued	200,175	436,710
Issued debt securities	89,399	115,338
Subordinated notes	209,818	311,402
Others	66,085	96,006
	<u>2,369,497</u>	<u>3,760,320</u>
<b>Included within interest income</b>		
Interest income on listed investments	1,110,479	957,198
Interest income on unlisted investments	237,382	922,376
	<u>1,347,861</u>	<u>1,879,574</u>
Interest income on financial assets not designated at fair value through profit or loss	<u>4,657,125</u>	<u>5,389,841</u>
Interest income on impaired assets	<u>16,069</u>	<u>17,969</u>
<b>Included within interest expenses</b>		
Interest expenses on financial liabilities not designated at fair value through profit or loss	<u>2,069,560</u>	<u>3,121,501</u>



## 6. NET FEE AND COMMISSION INCOME

<i>HK\$'000</i>	2008	2007
<b>Fee and commission income</b>		
Fee and commission income from financial assets and liabilities not designated at fair value through profit or loss		
– Credit related fees and commissions	65,262	62,166
– Trade finance	57,520	63,878
– Credit card	192,026	192,953
Other fee and commission income		
– Securities brokerage and investment services	151,193	222,594
– Insurance distribution and others	22,759	22,979
– Retail investment funds and fiduciary services	44,490	80,660
– Other fees	79,263	72,690
	<u>612,513</u>	<u>717,920</u>
<b>Fee and commission expense</b>		
Handling fees and commission	97,103	91,989
Other fees paid	11,789	13,278
	<u>108,892</u>	<u>105,267</u>

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.

## 7. NET TRADING (LOSS)/INCOME

<i>HK\$'000</i>	2008	2007
Dividend income from financial assets at fair value through profit or loss		
– listed investments	6,015	26,409
– unlisted investments	5,419	–
Net gain arising from dealing in foreign currencies	234,550	172,055
Net (loss)/gain from trading securities	(441,730)	457,389
Net (loss)/gain from derivatives entered into for trading purpose	(137,357)	7,513
Net loss arising from financial instruments subject to fair value hedge	(15,510)	(38,270)
Net gain arising from financial instruments designated at fair value through profit or loss	244,318	35,033
	<u>(104,295)</u>	<u>660,129</u>

## 8. OTHER OPERATING INCOME

<i>HK\$'000</i>	2008	2007
Dividend income from investments in available-for-sale securities		
– Listed investments	12,491	16,715
– Unlisted investment	11,382	5,188
Gross rental income from investment properties	20,281	18,385
Other rental income	5,462	6,678
Others	38,959	63,384
	<u>88,575</u>	<u>110,350</u>

## 9. OPERATING EXPENSES

<i>HK\$'000</i>	2008	2007
Employee compensation and benefit expenses (including director's remuneration)	755,509	814,279
Premises and other fixed asset expenses, excluding depreciation	168,829	156,773
Depreciation	111,107	93,957
Advertising costs	79,932	112,026
Amortisation expenses of intangible assets	22,671	27,215
Auditors' remuneration	7,380	7,380
Others	557,856	232,372
	<u>1,703,284</u>	<u>1,444,002</u>

## 10. IMPAIRMENT LOSSES ON LOANS AND ADVANCES

<i>HK\$'000</i>	2008	2007
Advances to customers	658,535	181,570
Advances to banks	–	(778)
Accrued interest and other accounts	–	3
	<u>658,535</u>	<u>180,795</u>
Net charge of impairment losses on loans and advances		
– Individually assessed	476,335	66,052
– Collectively assessed	182,200	114,743
	<u>658,535</u>	<u>180,795</u>
Of which		
– new allowances (including amounts directly written off in the year)	784,634	331,221
– releases	(46,678)	(66,049)
– recoveries	(79,421)	(84,377)
Net charge to income statement	<u>658,535</u>	<u>180,795</u>

## 11. IMPAIRMENT LOSSES CHARGED ON AVAILABLE-FOR-SALE SECURITIES

The Group's investment in available-for-sale securities included leveraged/structured investment vehicles managed by third party portfolio managers.

During the year, additional impairment losses totalling HK\$257,346,000 were recognised on the Group's holdings in leveraged/structured investment vehicles, which had been assessed as impaired as at 31 December 2007. The remaining impairment loss of HK\$74,723,000 is related to investments in other debt and equity securities.

## 12. INCOME TAX EXPENSE

Hong Kong profits tax has been provided at the rate of 16.5% (2007: 17.5%) on the estimated assessable profit for the year. Taxation on overseas profits has been calculated on the estimated assessable profit for the year at the rates of taxation prevailing in the countries in which the Group operates.

Deferred taxation is calculated in full on temporary differences under the liability method using a taxation rate of 16.5% (2007: 17.5%).

<i>HK\$'000</i>	<b>2008</b>	2007
Current income tax:		
– Hong Kong profits tax	<b>14,487</b>	82,611
– Overseas taxation	<b>18,782</b>	24,266
– Under-provision in prior years	<b>8,080</b>	–
Deferred income tax		
– Impact of change of Hong Kong tax rate	<b>(2,203)</b>	–
– Origination and reversal of temporary differences	<b>(9,771)</b>	25,831
	<b><u>29,375</u></b>	<b><u>132,708</u></b>

## 13. BASIC AND DILUTED EARNINGS PER SHARE

	<b>2008</b>	2007
	<b><i>HK\$</i></b>	<i>HK\$</i>
Earnings per share		
Basic	<b>0.42</b>	4.20
Diluted	<b>0.42</b>	4.19

The calculation of basic earnings per share is based on earnings of HK\$106,193,000 (2007: HK\$1,050,200,000) and the weighted average number of 255,840,477 (2007: 250,088,234) shares in issue during the year.

The calculation of diluted earnings per share is based on earnings of HK\$106,193,000 (2007: HK\$1,050,200,000) and the weighted average number of 255,840,477 (2007: 250,639,267) shares in issue during the year after adjusting for the effect of all dilutive potential ordinary shares.

#### 14. TRADING SECURITIES AND FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

<i>HK\$'000</i>	As at 31 Dec 2008	As at 31 Dec 2007
Trading securities:		
Debt securities:		
– Listed in Hong Kong	923,292	578,783
– Listed outside Hong Kong	17,034	20,094
– Unlisted	<u>1,268,916</u>	<u>2,396,214</u>
	<u>2,209,242</u>	<u>2,995,091</u>
Equity securities:		
– Listed in Hong Kong	2,587	185,284
– Listed outside Hong Kong	80,809	552,360
– Unlisted, interests in investment funds	<u>10,503</u>	<u>936,081</u>
	<u>93,899</u>	<u>1,673,725</u>
Total trading securities	<u>2,303,141</u>	<u>4,668,816</u>
Financial assets at fair value through profit or loss:		
Debt securities:		
– Listed outside Hong Kong	135,364	–
– Unlisted	<u>3,473,482</u>	<u>2,404,872</u>
	<u>3,608,846</u>	<u>2,404,872</u>
Equities securities:		
– Listed in Hong Kong	15,104	27,176
– Listed outside Hong Kong	140,608	105,931
– Unlisted	<u>494,316</u>	<u>32,896</u>
	<u>650,028</u>	<u>166,003</u>
Total financial assets at fair value through profit or loss	<u>4,258,874</u>	<u>2,570,875</u>
Total trading securities and financial assets at fair value through profit or loss	<u><u>6,562,015</u></u>	<u><u>7,239,691</u></u>
Included within debt securities are:		
– Government bonds included in trading securities	1,812,779	2,233,712
– Certificates of deposit held	–	381,171
– Other government bonds	1,471,392	886,463
– Other debt securities	<u>2,533,917</u>	<u>1,898,617</u>
	<u>5,818,088</u>	<u>5,399,963</u>

**14. TRADING SECURITIES AND FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS**  
(Continued)

Financial assets at fair value through profit or loss (including trading securities) are analysed by categories of issuer as follows:

	As at 31 Dec 2008	As at 31 Dec 2007
– Central governments and central banks	3,356,270	3,113,347
– Public sector entities	311,469	112,207
– Banks and other financial institutions	1,381,718	1,589,828
– Corporate entities	1,483,566	2,369,012
– Others	28,992	55,297
	<u>6,562,015</u>	<u>7,239,691</u>

During the year, the Group reclassified trading investments with a total market value at the time of reclassification of HK\$590,802,000 (2007: Nil), into the available-for-sale category.

**15. ADVANCES AND OTHER ACCOUNTS**

<i>HK\$'000</i>	As at 31 Dec 2008	As at 31 Dec 2007
Gross advances to customers	60,999,073	61,294,631
Gross advances to banks	179,226	160,426
	<u>61,178,299</u>	<u>61,455,057</u>
Less: impairment allowances		
– Individually assessed	(550,909)	(142,589)
– Collectively assessed	(298,645)	(216,968)
	<u>(849,554)</u>	<u>(359,557)</u>
Other assets	<u>3,283,472</u>	<u>5,056,044</u>
Investments in securities included in the loans and receivables category (Note 16)	<u>6,896,646</u>	–
Advances and other accounts	<u>70,508,863</u>	<u>66,151,544</u>

15. ADVANCES AND OTHER ACCOUNTS (Continued)

(a) Gross advances to customers by industry sector classified according to the usage of loans

	As at 31 Dec 2008		As at 31 Dec 2007	
	Outstanding balance	% of gross advances	Outstanding balance	% of gross advances
Loans for use in Hong Kong				
Industrial, commercial and financial				
– Property development	448,282	0.73	389,293	0.64
– Property investment	10,102,405	16.56	9,523,416	15.54
– Financial concerns	373,243	0.61	528,728	0.86
– Stockbrokers	9,707	0.02	55,432	0.09
– Wholesale and retail trade	1,187,833	1.95	1,204,904	1.97
– Manufacturing	885,724	1.45	1,277,385	2.08
– Transport and transport equipment	4,241,249	6.95	3,755,326	6.13
– Recreational activities	23,507	0.04	58,083	0.09
– Information technology	418	–	2,214	–
– Others	2,140,815	3.51	1,671,503	2.73
	<u>19,413,183</u>	<u>31.82</u>	<u>18,466,284</u>	<u>30.13</u>
Individuals				
– Loans for the purchase of flats in Home Ownership Scheme, Private Sector Participation Scheme and Tenants Purchase Scheme	1,625,129	2.66	1,776,573	2.90
– Loans for the purchase of other residential properties	10,715,925	17.57	11,330,250	18.48
– Credit card advances	3,371,802	5.53	3,311,174	5.40
– Others	6,513,226	10.68	6,195,711	10.11
	<u>22,226,082</u>	<u>36.44</u>	<u>22,613,708</u>	<u>36.89</u>
Loans for use in Hong Kong	41,639,265	68.26	41,079,992	67.02
Trade finance	4,457,618	7.31	5,393,581	8.80
Loans for use outside Hong Kong	14,902,190	24.43	14,821,058	24.18
	<u>60,999,073</u>	<u>100.00</u>	<u>61,294,631</u>	<u>100.00</u>

15. ADVANCES AND OTHER ACCOUNTS (Continued)

(b) Impaired, overdue and rescheduled assets

(i) Impaired loans

	As at 31 Dec 2008	As at 31 Dec 2007
Impaired loans and advances		
– Individually impaired (Note (a))	1,013,179	252,934
– Collectively impaired (Note (b))	<u>23,571</u>	<u>26,295</u>
	<u>1,036,750</u>	<u>279,229</u>
Impairment allowances made		
– Individually assessed (Note (c))	(550,909)	(142,589)
– Collectively assessed (Note (b))	<u>(22,367)</u>	<u>(25,740)</u>
	<u>(573,276)</u>	<u>(168,329)</u>
	<u>463,474</u>	<u>110,900</u>
Fair value of collaterals held*	<u>463,556</u>	<u>105,043</u>
Impaired loans and advances as a % of total loans and advances to customers	<u>1.70%</u>	<u>0.46%</u>

\* Fair value of collateral is determined as the lower of the market value of collateral and outstanding loan balance.

Note:

- (a) Individually impaired loans are defined as those loans having objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a “loss event”) and that loss event has an impact on the estimated cash flows of the loans that can be reliably estimated.
- (b) Collectively impaired loans and advances refer to those unsecured loans and advances assessed for impairment on a collective basis and which have become overdue for more than 90 days as at the reporting date. The collective impairment allowance for these impaired loans, which is a part of the overall collective impairment allowances, is shown above.
- (c) The above individual impairment allowances were made after taking into account the value of collaterals in respect of such advances as at 31 December.

15. **ADVANCES AND OTHER ACCOUNTS** (Continued)

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

(ii) *Overdue loans*

	As at 31 Dec 2008	% of total advances to customers	As at 31 Dec 2007	% of total advances to customers
Gross advances to customers which have been overdue for:				
– six months or less				
but over three months	203,430	0.33	87,239	0.14
– one year or less				
but over six months	143,438	0.23	81,789	0.14
– over one year	131,592	0.22	105,627	0.17
	<u>478,460</u>	<u>0.78</u>	<u>274,655</u>	<u>0.45</u>
Market value of collateral held against the secured overdue advances	<u>202,978</u>		<u>177,869</u>	
Secured overdue advances	141,593		122,297	
Unsecured overdue advances	<u>336,867</u>		<u>152,358</u>	
Individual impairment allowances	<u>305,217</u>		<u>113,852</u>	

(iii) *Rescheduled advances net of amounts included in advances overdue for more than 3 months:*

	As at 31 Dec 2008	% of total advances to customers	As at 31 Dec 2007	% of total advances to customers
Advances to customers	<u>294,506</u>	0.48	<u>66,121</u>	0.11
Impairment allowances	<u>18,504</u>		<u>591</u>	

There were no advances to banks and other financial institutions, which were impaired, overdue for over 3 months or rescheduled as at 31 December 2008 and 31 December 2007.

(c) **Reposessed collateral**

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

Nature of assets	As at 31 Dec 2008	As at 31 Dec 2007
– Reposessed properties	53,075	7,517
– Others	26,090	21,125
	<u>79,165</u>	<u>28,642</u>



## 16. INVESTMENTS IN SECURITIES INCLUDED IN THE LOANS AND RECEIVABLES CATEGORY

<i>HK\$'000</i>	As at 31 Dec 2008	As at 31 Dec 2007
Investments in securities included in the loans and receivables category		
– At fair value under fair value hedge (for hedging interest rate risk)	<b>5,113,559</b>	–
– At amortised cost	<b>1,783,087</b>	–
	<u><b>6,896,646</b></u>	<u>–</u>

Investments in securities included in the loans and receivables category were reclassified from the available-for-sale category in the year.

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

	As at 31 Dec 2008	As at 31 Dec 2007
Debt securities:		
– Listed in Hong Kong	<b>187,820</b>	–
– Listed outside Hong Kong	<b>5,496,534</b>	–
– Unlisted	<b>1,212,292</b>	–
	<u><b>6,896,646</b></u>	<u>–</u>
Market value of listed securities	<u><b>4,828,680</b></u>	<u>–</u>
Included within debt securities are:		
– Certificates of deposit held	–	–
– Other debt securities	<b>6,896,646</b>	–
	<u><b>6,896,646</b></u>	<u>–</u>
Investments in securities included in the loans and receivables category are analysed by categories of issuers as follows:		
– Banks and other financial institutions	<b>4,763,102</b>	–
– Corporate entities	<b>2,133,544</b>	–
	<u><b>6,896,646</b></u>	<u>–</u>

## 17. AVAILABLE-FOR-SALE SECURITIES

<i>HK\$'000</i>	As at 31 Dec 2008	As at 31 Dec 2007
Debt securities:		
– Listed in Hong Kong	1,408,161	1,737,690
– Listed outside Hong Kong	7,651,419	12,829,696
– Unlisted	5,055,866	10,502,553
	<u>14,115,446</u>	<u>25,069,939</u>
Equity securities:		
– Listed in Hong Kong	37,189	97,690
– Listed outside Hong Kong	237,905	433,648
– Unlisted		
– Interests in investment funds	30,868	152,024
– Others	302,787	73,690
	<u>608,749</u>	<u>757,052</u>
Total available-for-sale securities	<u>14,724,195</u>	<u>25,826,991</u>
Included within debt securities are:		
– Certificates of deposit held	–	970,338
– Other debt securities	14,115,446	24,099,601
	<u>14,115,446</u>	<u>25,069,939</u>
Available-for-sale securities are analysed by categories of issuers as follows:		
– Central governments and central banks	1,037,592	2,339,796
– Public sector entities	91,063	112,226
– Banks and other financial institutions	5,773,998	12,628,589
– Corporate entities	7,820,014	10,738,228
– Others	1,528	8,152
	<u>14,724,195</u>	<u>25,826,991</u>

During the year, the Group reclassified investments in debt securities with a total market value at the time of reclassification of HK\$6,519,483,000 (2007: Nil), out of the available-for-sale category into the loans and receivables category.

## 18. HELD-TO-MATURITY SECURITIES

<i>HK\$'000</i>	As at 31 Dec 2008	As at 31 Dec 2007
Debt securities:		
– Listed outside Hong Kong	4,094,474	4,086,699
– Unlisted	<u>2,290,457</u>	<u>414,026</u>
	<u><b>6,384,931</b></u>	<u><b>4,500,725</b></u>
Market value of listed securities	<u><b>3,572,127</b></u>	<u><b>3,880,589</b></u>
Included within debt securities are:		
– Certificates of deposit held	265,000	4,833
– Other debt securities	<u>6,119,931</u>	<u>4,495,892</u>
	<u><b>6,384,931</b></u>	<u><b>4,500,725</b></u>
Held-to-maturity securities are analysed by issuer as follows:		
– Central governments and central banks	1,135,177	–
– Public sector entities	14,917	10,532
– Banks and other financial institutions	4,484,645	4,111,797
– Corporate entities	<u>750,192</u>	<u>378,396</u>
	<u><b>6,384,931</b></u>	<u><b>4,500,725</b></u>

The Group reclassified available-for-sale debt securities with a total market value at the time of reclassification of HK\$1,201,087,000 (2007: HK\$4,141,610,000) as held-to-maturity securities, reflecting a change in the Group's intention on holding these securities to maturity.

## 19. RESERVES

<i>HK\$'000</i>	As at 31 Dec 2008	As at 31 Dec 2007
Reserves		
Share premium	1,551,426	984,286
Premises revaluation reserve	769,686	870,800
Investment revaluation reserve	(1,293,164)	(459,309)
Exchange reserve	51,141	27,899
General reserve	573,435	574,612
Retained earnings	7,719,136	7,970,839
	<u>9,371,660</u>	<u>9,969,127</u>
Proposed final dividends included in retained earnings	<u>—</u>	<u>187,566</u>

The Group's Hong Kong banking subsidiaries, Dah Sing Bank, Limited ("DSB") and MEVAS Bank Limited ("MEVAS"), are required to maintain regulatory reserve to satisfy the provisions of the Hong Kong Banking Ordinance for prudential supervision purposes. At 31 December 2008, each of DSB and MEVAS has earmarked a regulatory reserve of HK\$472,301,000 (2007: HK\$734,327,000) and HK\$12,714,000 (2007: HK\$16,798,000) in the consolidated general reserve and retained profits respectively. Movements in the regulatory reserve are made directly through equity reserve and in consultation with the Hong Kong Monetary Authority ("HKMA").

UNAUDITED SUPPLEMENTARY FINANCIAL INFORMATION

1. Advances to customers

HK\$'000

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

	As at 31 Dec 2008		As at 31 Dec 2007	
	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	448,282	83.6	389,293	95.6
– Property investment	10,102,405	92.4	9,523,416	85.7
– Financial concerns	373,243	91.4	528,728	47.5
– Stockbrokers	9,707	53.4	55,432	59.8
– Wholesale and retail trade	1,187,833	87.3	1,204,904	78.2
– Manufacturing	885,724	78.3	1,277,385	69.4
– Transport and transport equipment	4,241,249	93.5	3,755,326	93.1
– Recreational activities	23,507	25.7	58,083	–
– Information technology	418	–	2,214	27.4
– Others	2,140,815	88.7	1,671,503	80.2
	<b>19,413,183</b>	<b>90.9</b>	<b>18,466,284</b>	<b>83.9</b>
Individuals				
– Loans for the purchase of flats in Home Ownership Scheme, Private Sector Participation Scheme and Tenants Purchase Scheme	1,625,129	99.9	1,776,573	100.0
– Loans for the purchase of other residential properties	10,715,925	99.7	11,330,250	99.6
– Credit card advances	3,371,802	–	3,311,174	–
– Others	6,513,226	58.5	6,195,711	52.8
	<b>22,226,082</b>	<b>72.5</b>	<b>22,613,708</b>	<b>72.2</b>
Loans for use in Hong Kong	<b>41,639,265</b>	<b>81.1</b>	<b>41,079,992</b>	<b>77.5</b>
Trade finance	<b>4,457,618</b>	<b>64.0</b>	<b>5,393,581</b>	<b>54.0</b>
Loans for use outside Hong Kong	<b>14,902,190</b>	<b>82.2</b>	<b>14,821,058</b>	<b>78.7</b>
	<b>60,999,073</b>	<b>80.1</b>	<b>61,294,631</b>	<b>75.7</b>

The loan outstanding balances reported above are audited information, and are the same as those balance reported in Note 15(a).

UNAUDITED SUPPLEMENTARY FINANCIAL INFORMATION (Continued)

1. Advances to customers (Continued)

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

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

As at 31 Dec 2008					
	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	10,102,405	14,785	–	5,429	17,862
Individuals					
– Loans for the purchase of other residential properties	<u>10,715,925</u>	<u>1,111</u>	<u>1,839</u>	<u>407</u>	<u>3,211</u>
As at 31 Dec 2007					
	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	9,523,416	1,540	1,550	741	15,957
Individuals					
– Loans for the purchase of other residential properties	<u>11,330,250</u>	<u>2,071</u>	<u>6,301</u>	<u>997</u>	<u>4,553</u>

UNAUDITED SUPPLEMENTARY FINANCIAL INFORMATION (Continued)

1. Advances to customers (Continued)

(b) Non-bank Mainland exposures

Type of counterparties	As at 31 Dec 2008			Individually assessed impairment allowances
	On-balance sheet exposure	Off-balance sheet exposure	Total	
Mainland entities	2,484,332	–	2,484,332	–
Companies and individuals outside Mainland where the credits are granted for use in the Mainland	8,184,005	420,865	8,604,870	314,368
Other counterparties the exposures to whom are considered by the Group to be non-bank Mainland exposures	<u>50,138</u>	<u>–</u>	<u>50,138</u>	<u>–</u>
	As at 31 Dec 2007			
Type of counterparties	On-balance sheet exposure	Off-balance sheet exposure	Total	Individually assessed impairment allowances
Mainland entities	1,921,468	–	1,921,468	–
Companies and individuals outside Mainland where the credits are granted for use in the Mainland	9,918,810	599,287	10,518,097	92,503
Other counterparties the exposures to whom are considered by the Group to be non-bank Mainland exposures	<u>90,234</u>	<u>1,100</u>	<u>91,334</u>	<u>–</u>

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

## UNAUDITED SUPPLEMENTARY FINANCIAL INFORMATION (Continued)

### 1. Advances to customers (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.

At 31 December 2008, over 90% of the Group's advances to customers, including related impaired advances and overdue advances, were classified under Hong Kong (a position unchanged from that as at 31 December 2007).

## FINANCIAL RATIOS

	Year ended 31 Dec 2008	Year ended 31 Dec 2007
Net interest income/operating income	74.7%	59.9%
Cost to income ratio	53.7%	39.0%
Loan to deposit (including certificates of deposit) ratio	71.7%	70.0%
Return on average total assets	0.1%	0.9%
Return on average shareholders' funds	1.0%	10.2%
Capital adequacy ratio (Note (i))	13.6%	15.5%
Average liquidity ratio (Note (ii))	48.9%	52.4%
Net interest margin	2.11%	2.16%

#### Note:

- (i) This reflects the combined ratio of the Group's banking subsidiaries computed with reference to the Banking (Capital) Rules and applicable regulatory requirements, and takes into account market risk and operational risk as appropriate.
- (ii) This ratio is calculated as the simple average of each calendar month's average liquidity ratio of the Group's banking subsidiaries for each year with reference to the methods set out in the Fourth Schedule of the Hong Kong Banking Ordinance.
- (iii) Only the locally incorporated banking subsidiaries within the Group are subject to the minimum capital adequacy ratio and liquidity ratio requirements under the Hong Kong Banking Ordinance. Banco Comercial de Macau, S.A. is subject to Macau banking regulations and Dah Sing Bank (China) Limited is subject to China banking regulations. The above ratios of the Group are calculated for reference only.

## FINAL DIVIDENDS

The Directors, after considering the full-year results of the Group and interim dividend paid in 2008, agreed that the Company should not propose a final dividend for the year ended 31 December 2008, and therefore will not propose a final dividend for 2008 at the forthcoming annual general meeting of the Company to be held on Monday, 1 June 2009.



## **CLOSURE OF REGISTER OF SHAREHOLDERS**

The Register of Shareholders will be closed from Monday, 25 May 2009 to Friday, 29 May 2009, both days inclusive, during which period no transfer of shares of the Company will be registered. In order to qualify for voting at the annual general meeting, all transfers of shares of the Company accompanied by the relevant share certificates must be lodged for registration with the Company's Registrar, Computershare Hong Kong Investor Services Limited, 17th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong, by not later than 4:30 p.m. on Friday, 22 May 2009.

## **CORPORATE AND BUSINESS OVERVIEW**

### **HIGHLIGHTS**

In the second half of 2008, economic conditions continued to deteriorate, both in Hong Kong and globally. Whilst growth in the Mainland remained positive, there were signs of a slowdown, particularly in the export sector, despite the announcement of a substantial stimulus package. Similarly, in Macau, the economy has slowed significantly after several years of above trend growth. Conditions in the banking sector globally have remained extremely difficult, with bailouts of a number of major global financial institutions having taken place.

Against this backdrop, with the increasingly likely outcome of the first global recession for many years, our results for the full year 2008 were disappointing, with profit attributable to shareholders falling by 90% to HK\$106 million.

Profit before impairment charges was down by 35% to HK\$1,467 million, mainly due to much weaker fee and commission income and higher operating expenses in our banking business, and mark-to-market losses on our insurance business investment portfolio. Impairment charges on loans increased substantially over the previous year, while impairment losses on securities investments were lower than 2007.

Earnings per share decreased by 90% to HK\$0.42. The Board of Directors does not propose a final dividend for the year.

Core lending performance was steady, with a relatively flat loan book and slightly higher net interest income for the year. However, fee and commission income, trading income, and income from our insurance business were all significantly weaker, with the insurance business reporting a loss for the full year, despite growth in premium income, due mainly to mark-to-market losses in the insurance business investment portfolio.

During the year, we were pleased to complete the acquisition of a further 3% interest in Bank of Chongqing, bringing our total shareholding to 20%. However, as the transaction was completed in October 2008, we only recorded the additional contribution to our results for a period of just over two months during the year.

In March 2008, we announced that our long term strategic shareholder The Bank of Tokyo-Mitsubishi UFJ, Ltd., a subsidiary of The Mitsubishi UFJ Financial Group ("MUFG"), increased its shareholding in the Group to 15%, raising to the Group proceeds of approximately HK\$472 million. Since the increase in their shareholding, we have been working with MUFG regarding closer business cooperation in key business areas.

## BUSINESS AND FINANCIAL REVIEW

Net interest income in the year increased by 7%, mainly contributed by a higher balance of other interest earning assets despite a flat loan book for 2008. Both the yield of loans and interest earning assets, and the funding cost decreased in response to the lower market interest rates. Our net interest margin decreased to 2.11%, compared with 2.16% in 2007.

Non-interest income fell by 46% during the year, despite an increase in our net insurance premium income. This was due both to a weaker performance in fee income, reflecting the softening of demand for investment and securities broking products and services in the second half of the year, as well as weaker trading performance, mainly representing the negative movements on mark-to-market trading and fair value assets held by our insurance businesses during the second half of the year.

Our insurance business continued to report growth in revenues, with net premium and other income increasing by around 12% to HK\$2,119 million. Our agency force remained similar in size in the second half of the year, compared with strong growth in the previous periods. Bancassurance distribution remained slow, similar to the performance of our other wealth management products and services. However, the mark-to-market losses on securities in our insurance business investment portfolio resulted in an overall loss for the insurance business for the year of HK\$117 million. Whilst the performance was disappointing, it is of note that the underlying investment portfolio performance was better than the relevant benchmarks in what was one of the most difficult years in investment markets in recent history.

A combination of weaker overall performance in our insurance business, as well as lower fee and commission and trading income, resulted to total operating income before net insurance claims and other expenses falling by around 10% to HK\$4,977 million. With net insurance claims (including transfer to insurance reserves) only increasing marginally, due to the slower business growth and adjustments on actuarial reserving and policyholders benefits to reflect changes in market conditions, total operating income net of insurance claims reduced by 14% to HK\$3,170 million.

Operating expenses for our core business were broadly unchanged from the previous year, although together with additional one-off expenses during the second half of the year, total operating expenses increased by 18% relative to 2007.

Operating profit before impairment charges was HK\$1,467 million, down 35% relative to 2007.

Credit quality deteriorated significantly, mainly due to increased bad debts in our commercial banking business, particularly related to customers in the trade, manufacturing and export sectors. Whilst impairment charges relating to our retail banking business increased somewhat, the rate of increase was relatively milder than that for the commercial banking segment.

Operating profit after loan impairment charges was HK\$809 million, 61% lower than 2007.

There were also further significant losses relating to our securities investments, mainly caused by the bankruptcy of Washington Mutual Bank, as well as further markdowns on our remaining leveraged/structured investment portfolio, which has now been marked down, on a cumulative basis, by 91% to a carrying value of HK\$146 million at the end of 2008.

We completed the acquisition of a further 3% interest in the Bank of Chongqing (“BOCQ”) in late October 2008, taking our total investment to 20%. Principally due to the strong performance of BOCQ, our share of results of associate increased to HK\$121 million for the year, despite only accounting for the increased contribution from the additional 3% stake in BOCQ for a little over two months.

Profit attributable to shareholders of the Group decreased by 90% to HK\$106 million.

As at 31 December 2008, the Group’s total gross loans and advances amounted to HK\$61 billion, broadly flat relative to the end of 2007. Portfolio composition did not change very significantly during the year, although trade finance dropped by around 17% reflecting the overall reduction in trade volumes and exports caused by the global economic slowdown, particularly in the second half of the year.

Customers’ deposits totaled HK\$80.4 billion, representing an increase of around 2% over the previous year. The balance of certificates of deposit issued decreased by 47%, reflecting a much more difficult debt and money market for new issues in 2008.

Pursuant to the clarification from the HKMA relating to deduction of unrealised losses on available-for-sale securities from core capital rather than supplementary capital for locally incorporated authorized institutions in Hong Kong, the Boards of Directors of DSFH, Dah Sing Banking Group Limited (“DSBG”) and Dah Sing Bank, Limited (“DSB”) resolved to repurchase and cancel the US\$52 million subordinated note issued by DSB to DSFH in 2008, for DSFH to lend a total of HK\$1 billion to DSBG on normal commercial terms, and for DSBG to use the proceeds of the loan to subscribe a total of HK\$1 billion new equity issued by DSB. If these actions were to be considered as having taken effect on 31 December 2008, the combined core capital adequacy ratio and total capital adequacy ratio of DSBG’s banking business on a proforma basis as at 31 December 2008 would increase from 6.8% to 8.1% and from 13.6% to 15.2% respectively.

## **PROSPECTS**

Recent economic data has indicated that the current economic downturn is likely to be one of the most severe in recent decades. Whilst the Mainland economy continues to record healthy rates of growth, and the recently announced stimulus measures are expected to be supportive of the economy, it would not be prudent to expect that this will overcome the more general global economic slowdown entirely.

Therefore, our strategy into 2009 will be one of caution. However, we must also be mindful that in times of adversity there are often opportunities, and that in the medium to longer term we expect that our market presence in Hong Kong, Mainland and Macau, and the continued long term prospects for China and the Asian region will enable us to continue to grow our business in future years.

## **COMPLIANCE WITH THE CODE ON CORPORATE GOVERNANCE PRACTICES**

The Company has complied with all the code provisions set out in the Code on Corporate Governance Practices contained in Appendix 14 of the Listing Rules throughout the year ended 31 December 2008.

## **COMPLIANCE WITH THE MODEL CODE FOR DIRECTORS' SECURITIES TRANSACTIONS**

The Company has adopted its own code of conduct regarding directors' securities transactions on terms no less exacting than the required standard set out in the Model Code for Securities Transactions by Directors (Appendix 10 of the Main Board Rules). After having made specific enquiry of all Directors, the Company confirmed that the required standard set out in the Model Code and the Company's code of conduct regarding directors' securities transactions have been fully complied with.

## **AUDIT COMMITTEE**

The Audit Committee has reviewed with management the accounting principles and practices adopted by the Group and discussed internal controls and financial reporting matters including a review of this financial report and the consolidated financial statements of the Group for the year ended 31 December 2008.

## **PUBLICATION OF ANNUAL REPORT ON THE STOCK EXCHANGE'S WEBSITE**

The Annual Report of the Company containing all the information required by Appendix 16 of the Listing Rules will be published on the website of the Hong Kong Stock Exchange in due course.

## **DEALINGS IN THE COMPANY'S SHARES**

There was no purchase, sale or redemption by the Company, or any of its subsidiaries, of the Company's listed shares during the year ended 31 December 2008.

## **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), Roderick Stuart Anderson, Gary Pak-Ling Wang and Nicholas John Mayhew as Executive Directors; Messrs. Chung-Kai Chow, Kunio Suzuki (Kenichi Yonetani as alternate), Tatsuo Tanaka (Tetsuya Wada as alternate), Eiichi Yoshikawa, John Wai-Wai Chow and Yiu-Ming Ng as Non-executive Directors; Messrs. Peter Gibbs Birch, Robert Tsai-To Sze, Dr. Tai-Lun Sun (Dennis Sun), and Kwok-Hung Yue (Justin Yue) as Independent Non-executive Directors.

By Order of the Board  
**H L Soo**  
*Company Secretary*

Hong Kong, Wednesday, 25 March 2009

Website: <http://www.dahsing.com>